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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 187

SHORT TITLE: NMFA Water Project Fund

SPONSOR: Campos

LAST ORIGINAL
UPDATE: _____ **DATE:** 02/04/26 **ANALYST:** Carswell

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
\$222,000.0		Nonrecurring	General Fund

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 2, 63, 109

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
New Mexico Finance Authority

SUMMARY

Synopsis of Senate Bill 187

Senate Bill 187 (SB187) appropriates \$222 million from the general fund to the Department of Finance and Administration for transfer to the water project fund, administered by the New Mexico Finance Authority. The appropriation is for expenditure in FY26 and FY27. Any unexpended balance remaining at the end of FY27 shall revert to the general fund.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The appropriation of \$222 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY27 shall revert to the general fund. Because the appropriation in SB187 is for expenditure in FY26 and FY27, it would presumably occur in FY26. Projected FY26 revenues and the balance of the operating reserve are insufficient to support the appropriation, meaning it could create an unconstitutional deficit if it

occurred in FY26.

The water project fund is administered by the New Mexico Finance Authority, with funding for projects recommended by the Water Trust Board, pursuant to the Water Project Finance Act. The water project fund receives recurring revenue from an earmark on senior severance tax bond capacity and from annual distributions from the water trust fund. Net revenue to the project fund from these sources is estimated to be \$182.5 million in FY26 and remain roughly flat in FY27, according to NMFA and the State Board of Finance. The General Appropriation Act of 2025 transferred \$200 million from the general fund to the water project fund for projects authorized by the Legislature in 2025 and 2026. The appropriation in SB187 would further increase the capacity for Water Trust Board awards for qualifying projects.

The appropriation in SB187 relates to and exceeds a fund transfer of \$100 million in FY27 from the general fund to the water project fund included in the House Appropriations and Finance Committee Substitute for House Bill 2 & 3, the General Appropriation Act of 2026.

SIGNIFICANT ISSUES

Revenues to the water project fund have increased substantially in recent years, both from recurring sources and large, nonrecurring appropriations from the Legislature. Even so, demand for Water Trust Board funding has far outpaced available funds in the last two cycles. The 113 projects included in House Bill 63, the 2026 legislative authorization bill for Water Trust Board projects, requested funds totaling \$522.2 million. NMFA expects the Water Trust Board to have \$334.7 million available from recurring and nonrecurring revenues to the water project fund for award to projects authorized by the Legislature in 2026. The appropriation in SB187 is presumably intended to close funding gaps that may remain for qualifying projects in FY26 and FY27.

The Legislature has prioritized nonrecurring funding to the Water Trust Board, in addition to its recurring funding, because the board has a demonstrated record of success in funding projects according to need and readiness and supporting project completion. Its process for funding projects has been identified by the Legislature as the preferred mechanism for addressing the state's substantial need for capital improvements to water systems.

ADMINISTRATIVE IMPLICATIONS

Increased recurring revenues and nonrecurring revenues to the water project fund combined with policy changes, such as the inclusion of wastewater projects as eligible uses of the fund, have substantially increased program activity and administrative workload, according to NMFA. The appropriation in SB187 could be expected to continue that trend.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 63, the 2026 legislative authorization bill for Water Trust Board projects.

Relates to House Bill 109, which would temporarily suspend legislative authorization of Water Trust Board projects. The suspension of legislative authorization would provide NMFA with increased flexibility to open application cycles tailored to different system and project types, to

shorten the time between application and award by as much as six months, and to increase access to Water Trust Board funding for small systems.

Relates to House Bill 109 which would ease the administrative burden of increased funding to the water project fund by allowing NMFA to distribute the administrative burden of the application cycle throughout the year, something that is currently impossible because of the legislative authorization requirement.

Relates to House Appropriations and Finance Committee Substitute for House Bill 2 & 3, the General Appropriation Act of 2026, which includes a \$100 million fund transfer to the water project fund, contingent on enactment of House Bill 109.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Water Trust Board could still receive supplemental nonrecurring funding if the \$100 million fund transfer in the 2026 GAA is enacted.

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