

# Water and Natural Resources Committee

## New Mexico Unit Fund Update

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# Overview

- NM Unit Fund - a fund in the New Mexico Treasury
- Administered by the New Mexico Interstate Stream Commission (NMISC)
- The Unit Fund Act requires NMISC to report to the LFC and IWNRC every year by November 15<sup>th</sup> on:
  - Status of the fund
  - Distribution of money from the fund
  - Proposed uses and levels of funding projected for the upcoming fiscal year



# Brief History

- ***Fund created by the NM Unit Fund Act, NMSA 1978, §72-14-45***
  - The 2004 Arizona Water Settlements Act (AWSA) provided \$66 million
    - Adjusted for inflation to \$90.38 million in 2012
    - 10 payments received and deposited into the Fund since January 2012
  - Final adjustment to the 2012 indexing requested by NMISC in December 2020
  - Reclamation paid this final amount - \$16.75 million - on May 1, 2023



# Recent Developments

- ***Commission voted to not pursue the NEPA process for the NM Unit***
  - June 18, 2020
  - Formal notice of termination with Reclamation on October 15, 2020
- ***Passage of HB200***
  - April 6, 2021
  - Tasked the WTB with evaluating projects proposed within the four-county region and recommend projects to the NMISC
  - NMISC retains final decision-making authority over funding for the recommended projects
  - Agencies have been working on a conjunctive process since 2021

# Status of the NM Unit Fund as of September 30, 2023

- *Total received to date: **\$107.13 million***
- *Total increase in market value of investments through the State Investment Counsel: **\$15.49 million***
- *Total self-earning interest in the Fund: **\$2.06 million***
- *Total Expended since FY 2012:*
  - ***NM Unit: \$13.92 million***
  - ***Non-NM Unit projects: \$8.66 million***



**Current Balance:  
\$102.10 million**



## What's Next?

*Let's get the NM Unit Fund on the ground supporting communities in SW New Mexico!*

Engage NMISC and WTB Members

- Solicit input on key policy questions

Create Application Process under HB 200

- WTB NM Unit Task Force - Oct 2023

Engage with Local Stakeholders

- Host 'listening sessions' to develop ideas for long-term sustainable project or program solutions
- Link to regional planning work coming under the Water Security Planning Act

Build the Team

- Coordination between WTB and NMISC
- Local partners
- Hire staff in southwest region

# Proposed Uses in FY24-25

Distribution of Money from the NM Unit Fund	Approved FY2024 Budget	Projected FY2025 Budget
NMISC's operating budget for AWSA program	\$325,300	\$352,200 (estimated)
NMISC's contractual budget for AWSA program	\$326,900	\$300,00 (estimated)*
Non-NM Unit projects funded by the NMISC	\$2,704,787 still set aside (balance remaining from a total of \$9.1 million allocated by the Commission)	

\* Current estimates may be updated in Spring 2024; subject to approval by the Commission

# Water Trust Board Overview

- The Water Trust Board (WTB) was created to recommend projects to be funded from the Water Project Fund.
- The WTB established robust Project Management Policies which governs the selection and terms of financial awards. Category-specific evaluation criteria were added to the Project Management Policies in 2015.
- The WTB established two committees that guide the decisions of the board:
  - **Policy Committee** - Vets proposed changes to the Water Project Finance Act, the WTB Rules and Regulations, and the Project Management Policies as recommended by NMFA.
  - **Project Review Committee** - *Reviews the recommendations of a seven agency technical team regarding the annual funding list. The Project Review Committee also reviews any changes to project scopes or waivers of policy requested from entities.*



# Current WTB Evaluation Criteria

- Pursuant to the Water Project Finance Act, the WTB adopted rules that give priority to projects that have:
  - been identified as being urgent to meet the needs of a regional water planning area that has a completed regional water plan that has been accepted by the interstate stream commission;
  - matching contributions from federal or local funding sources;
  - obtained all requisite state and federal permits and authorizations necessary to initiate the project
- Additionally, the WTB established policies and evaluation criteria that give priority to projects that:
  - cure health and safety issues
  - address existing or imminent emergency conditions
  - that have been properly planned

# Duties of the NMFA

- Pursuant to statute,
  - NMFA provides staff support to the WTB, and
  - Develops application procedures and forms for qualifying entities to apply for grants and loans from the Water Project Fund (the “Fund”).
- NMFA is the administrator of the Fund, which is held at the NMFA, and makes grants and loans to authorized projects.
- NMFA provides policy support to the WTB
- Pursuant to a Memorandum of Agreement, the Construction Programs Bureau of the NM Environment Department limited engineering oversight of most WTB projects for a fee that is paid by the Fund.
- NMFA has also entered into a professional services agreement with Eastern Research Group to provide additional project oversight.

# WTB NM Unit Fund Task Force

- At its October 24th Meeting, the WTB approved the establishment of a Unit Fund Task Force which will work to establish the processes and policies needed to fulfill the new duties given to the WTB in 2021 as part of HB 200:
  - Evaluate projects, including their environmental impacts, and recommend projects to the interstate stream commission pursuant to the provisions of Section 72-14-45
- The Task Force is chaired by State Engineer Mike Hamman and Priscilla Lucero serves as Vice Chair of the Task Force. Other Task Force members include AJ Forte (New Mexico Municipal League), Joy Esparsen (NM Counties) and Marquita Russel (NMFA).
- The Task Force will build upon the feedback gathered by the WTB from stakeholders in the area about their preferred application process and from the feedback being gathered by the ISC about the distribution of capital

# Project Review Process

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  - **NM Unit: \$13.92 million**
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# Summary



- Balance of the NM Unit Fund: **\$102.10 million as of 9/30/2023**
- Expenditures in FY24: Estimated at \$652,200 in total\*
- WTB and NMISC process and policy collaboration

*\* This amount is budgeted from the Unit Fund but is unlikely to be fully expended.*

# TIME TO WORK TOGETHER

