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Eastern New Mexico Rural Water System and Water Trust Board Projects

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Eastern New Mexico Rural Water System

- The Eastern New Mexico Rural Water System is one of several congressionally-authorized water projects currently in development with support of the U.S. Bureau of Reclamation. The project scope includes a major pipeline from Ute Reservoir, a water treatment plant, and a distribution system that will service the communities of Clovis, Portales, Texico and Elida.
- The project is being financed on a percentage basis with federal, state, and local funds. The federal government’s obligation is 75 percent of the project’s cost, with the state local shares set at 15 percent and 10 percent, respectively.
- State funding allocated to the project to date totals \$136.5 million, with an estimated remaining obligation of \$60 million. The Water Trust Board is the steadiest source of state funding for the project. When possible, the rural water system receives the maximum allocation available from the board, which is 15 percent of available funds in any given year. In 2025, the project is expected to receive an \$18.7 million award from the Water Trust Board, which will reduce the remaining state obligation.

**Federal, State, and Local Contributions
to Date Toward Eastern New Mexico
Rural Water System Construction**
(in thousands)

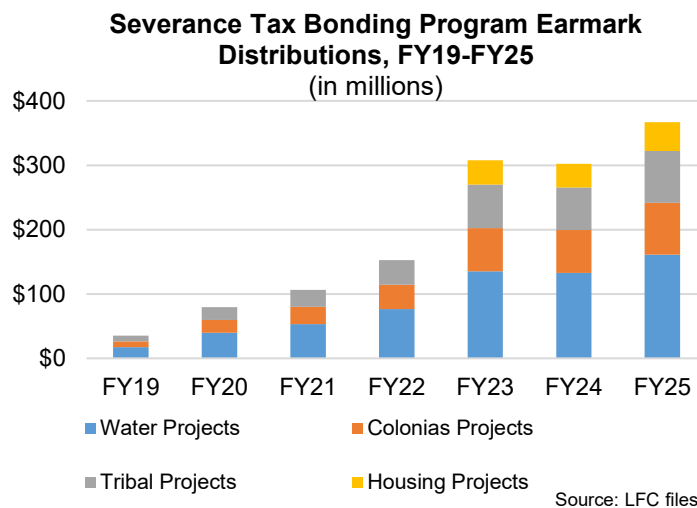
Federal	\$358,915.5
State - Water Trust Board	\$90,419.4
State - Capital Outlay	\$46,132.0
Local - Eastern New Mexico Water Utility Authority	\$81,972.2

Source: ENMWUA

Water Trust Board

- The Water Trust Board is a 16-member body staffed by the New Mexico Finance Authority. The board sets policies for prioritization of awards from the water project fund and annually recommends projects for funding to the Legislature.

- The water project fund receives a 9 percent earmark on annual severance tax bonding capacity, double the amount earmarked for tribal and colonias projects. The water project fund also receives a distribution from the water trust fund equal to \$4 million or 4.7 percent of the average year-end value of the trust fund over the previous five years, whichever is greater. The water project fund is the only earmark program which requires legislative approval of projects eligible for funding. The legislative approval, which occurs through an annual authorization bill typically containing all qualifying applicants for the funding cycle, lengthens the application cycle for funding from the board to approximately 10 months.
- Earmarked distributions to the water project fund have increased dramatically with oil and gas revenues in recent years. The FY25 distribution of \$161 million represented an 800 percent increase over FY19 and a 300 percent increase over FY20.



- Despite the revenue increases, applications for funding through the Water Trust Board have recently exceeded funding availability. The Legislature has made direct appropriations and general fund transfers to the water project fund and the water trust fund to close these gaps, to address cost increases, and to ensure the long-term solvency of the trust fund. The direct appropriations and fund transfers totaled \$318 million over the last two fiscal years. The FY26 transfer of \$200 million was to address the funding gap for FY25 project applications and an anticipated funding gap in FY26, when wastewater projects will become eligible for funding for the first time.

Direct Appropriations and Fund Transfers to the Water Trust Fund and Water Project Fund
(in thousands)

	FY25	FY26
Water Trust Fund	\$50,000.0	
Water Project Fund	\$68,000.0	\$200,000.0

Source: LFC files

Possible Questions

- What substantive arguments were raised against the eastern New Mexico project by the lawsuit filed by Logan and Quay County?
- What obstacles does the lawsuit present for ongoing progress of the project?
- How has the Eastern New Mexico Water Utility Authority raised the substantial local funds required for the project?
- What policy changes has the Water Trust Board implemented in recent years to increase participation from small water systems and success of their projects?
- What barriers may still prevent small systems and communities from seeking funding from the Water Trust Board before pursuing capital outlay?
- What is the Water Trust Board doing to encourage regionalization of small systems and how is it going?
- What is the anticipated impact of eligibility for wastewater projects on existing water project fund revenue capacity and on other state grant and loan programs?