

NEW MEXICO
FINANCE AUTHORITY

**Report to
Legislative Finance Committee**

NMFA Water Trust Board Awards

Marquita D. Russel, Chief Executive Officer

September 22, 2026

- ❑ **Elizabeth Anderson, Chair**, NM State Engineer
 - ❑ **A.J. Forte, Vice Chair**, NM Municipal League
 - ❑ **Michael Sloane, Secretary**, NM Dept. of Game & Fish
 - ❑ **Mark Thompson, Treasurer**, Indian Affairs Dept. Appointee
 - ❑ **Greg Alpers**, Irrigation/Conservancy District - Surface Water
 - ❑ **Joy Esparsen**, New Mexico Counties
 - ❑ **James Kenney**, NM Environment Dept
 - ❑ **Priscilla Lucero**, Environmental Community Representative
 - ❑ **Timothy McGinn**, Irrigation/Conservancy District – Ground Water
 - ❑ **Dr. Buu Nygren**, President of the Navajo Nation
 - ❑ **Wayne Propst**, NM Dept of Finance & Administration
 - ❑ **Marquita Russel**, NM Finance Authority
 - ❑ **Erin Taylor**, Energy, Minerals & Natural Resources
 - ❑ **Brent Van Dyke**, Soil & Water Conservation District
 - ❑ **Jeff Witte**, Department of Agriculture
 - ❑ Vacant, Acequia Water Users
- ◆ Created in 2001 through the enactment of the Water Project Finance Act (the “Act”). NMFA serves as staff to the 16-member board and administers the Water Project Fund
 - ◆ Board’s duties are to authorize NMFA to make loans and grants to six types of water projects: 1) Storage, conveyance or delivery of water to end users; 2) Federal Endangered Species Act implementation projects; 3) Restoration and management of watersheds; 4) Flood prevention; 5) Water conservation or recycling, treatment or reuse of water; and 6) Wastewater Projects
 - ◆ The Act created two funds:
 - ❑ Water Trust Fund, an SIC-managed permanent fund that makes annual distributions to the Water Project Fund. First funded in 2006 with \$40 million; current balance as of June 30, 2026: \$235.3 million
 - ❑ Water Project Fund which funds grants and loans recommended by the Water Trust Board (“WTB”)
 - The Water Project Fund receives an annual distribution from the Water Trust Fund and a net 8.1% earmark of senior severance tax bonds
 - ◆ In 2024, HB 211 authorized NMFA to use Water Project Funds to hire contractors to provide technical assistance and capacity development. The WTB and NMFA have approved two uses of these fund: 1) facilitation of regionalization and 2) small-system planning

WTB Project Evaluation and Prioritization

- ❑ Unprecedented levels of funding available: More than \$1 billion is expected to be awarded from 2024-2027

Funding Available for Award Cycle	Severance Tax Bonds	Water Trust Fun	General Fund	Adjudication	Total Available
2024 Award Cycle	\$ 124,620,000	\$ 4,000,000	\$ 50,000,000	\$ (7,572,400)	\$ 171,047,600
2025 Award Cycle	\$ 161,148,295	\$ 4,000,000	\$ 200,000,000	\$ (7,302,966)	\$ 357,845,329
2026 Award Cycle	\$ 185,864,000	\$ 44,000	\$ -	\$ (8,157,280)	\$ 177,750,720
2027 Design Grant Cycle	\$ -	\$ -	\$ 100,000,000		\$ 100,000,000
2027 Award Cycle	<u>\$ 198,600,000</u>	<u>\$ 4,600,000</u>	<u>\$ -</u>	<u>\$ (3,112,000)</u>	<u>\$ 200,088,000</u>
	\$ 670,232,295	\$ 12,644,000	\$ 350,000,000	\$ (26,144,646)	\$ 1,006,731,649

- ❑ Primary responsibility of the WTB is to recommend projects to NMFA for funding from the Water Project Fund
- ❑ In 2025, the Water Trust Board revised its rules and policies to accommodate the HB 211 revisions to the Water Project Finance Act which included the addition of wastewater as an eligible water project
- ❑ In August 2026, the WTB revised its rules and policies again to accommodate changes from HB 109 which:
 - ❑ Temporarily suspended the prior legislative authorization requirement and in doing so allowed the WTB to use a single application that is opened closer to the availability of severance tax bonds
 - ❑ Required prioritization points be given for Emergency Projects
 - WTB defines Emergency Projects as “Projects needed to address an emergency event arising from sudden and unforeseen natural disasters such as earthquakes, flood, fire or other reasonably unforeseen events beyond the control of the entity and declared an emergency by the Governor of New Mexico.” Projects meeting this criteria will be given an extra 10 points

WTB Policy Changes to Reduce Barriers to Access

- ◆ The 2025 policy amendments also provided an expansion to the loan forgiveness policy to incentive and facilitate regionalization projects:
 - ❑ New policy provides “the NMFA may forgive loan repayments in their entirety upon the completion of regionalization projects that result in a physical connection between systems and the provision of water to a regionalized community or communities”
 - ❑ Goal is to reduce the number of very small systems that are unable to operate sustainably and aligns with the WTB’s Technical Assistance priority of regionalization
- ◆ In August 2026, the WTB amended its policies again to reduce the local match requirements
 - ❑ Local match is determined on a sliding scale based upon the MHI of the applicant’s service area, the type of project, and the size of the award
 - ❑ New policy provides more watch waivers for entities that have completed their asset management plans by increasing the maximum size of the system from 250 connections to 5,000 residents served
 - ❑ New policy also provides a match waiver if a community has experienced an emergency event such as a natural disaster, within the past 4 years
 - ❑ The new policy reduces maximum local match from 0% - 20% to a maximum match of 15% and increases the scale of awards. For water and wastewater projects, the impact is significant:

<u>Prior Policy</u>		<u>New Policy</u>	
Less than \$1 million	Match of 0% - 10%	Less than \$5 million	Match of 0% - 5%
\$1 million to \$2,499,999	Match of 5% - 15%	\$5 million to \$10 million	Match of 0% - 10%
Greater than \$2.5 million	Match of 10% - 20%	Greater than \$10 million	Match of 5% to 15%

House Bill 109 (2026) provided temporary suspension of legislative authorization which allows the WTB and NMFA flexibility in offering its funding awards

- ◆ The regular 2027 award cycle will open in January 2027, closer to the availability of Severance Tax Bond funding in June 2027
 - ❑ WTB decisions expected in April 2027
 - ❑ The streamlined process will shave off application by 4 ½ months from the application timeline
- ◆ Using the streamlined approval process and the \$100 million appropriation from the 2026 Legislature the Water Trust Board is offering a design-only grant cycle which is expected to accelerate the pace of water projects and spending
 - ❑ 100% grants to speed project initiation -- No loan. No local match required
 - ❑ Applications must include a recent planning document to support the project
 - ❑ The expectation is that jump starting the projects with “off-cycle” design awards will increase the pace of funding of construction project

Spring 2027 Regular Award Cycle

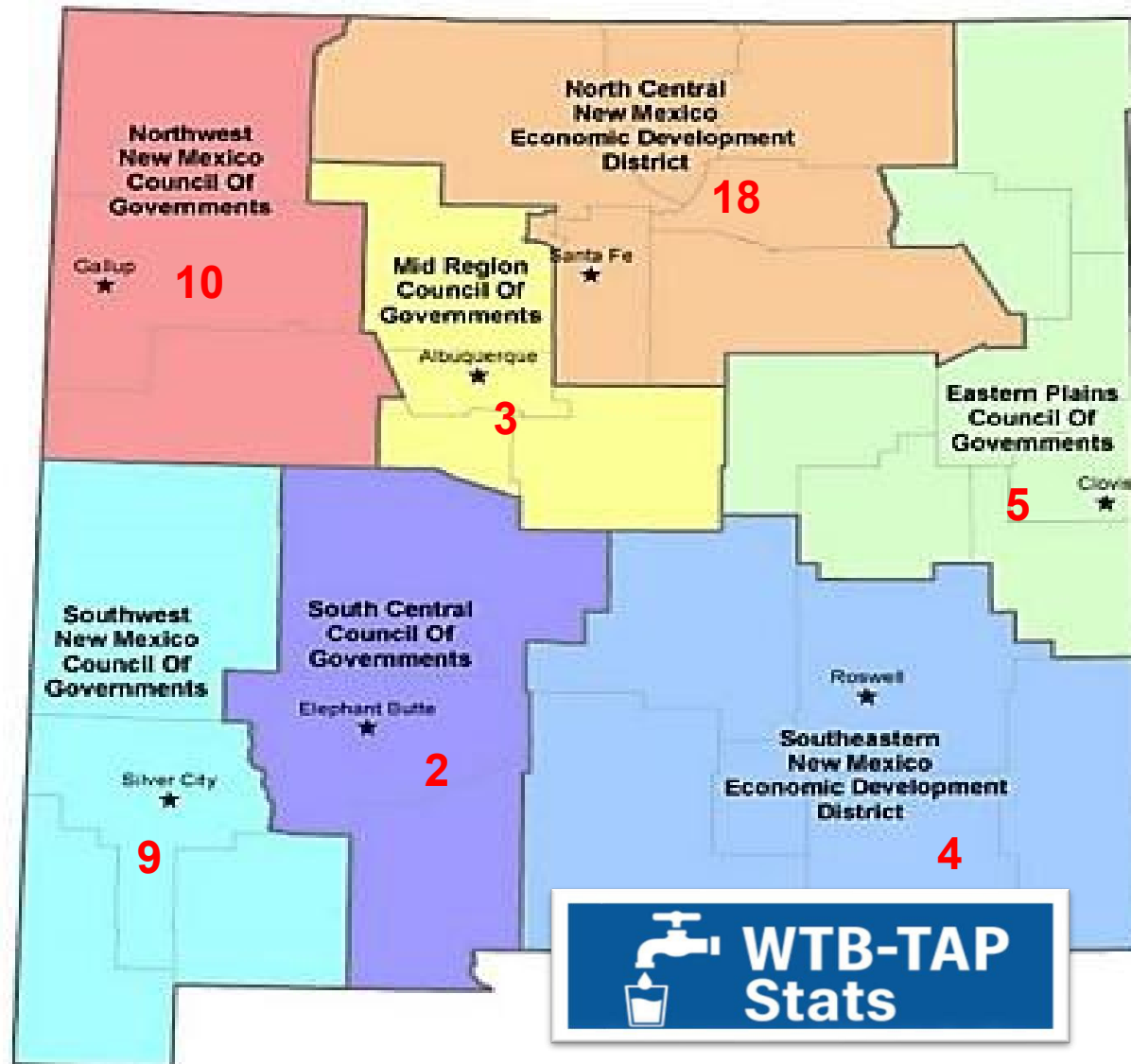
- Application Training:
January 11, 2027
- Application Period:
January 13 – February 22, 2027
- Applicant Presentations:
April 13 - 14, 2027
- WTB Funding Recommendations:
April 27, 2027

Fall 2026 Design Grant Applications

- Application Period:
August 10 - September 10, 2026
- WTB Funding Recommendations:
October 27, 2026

- ◆ Amendments contained in the 2024 Legislature's HB 211 authorized the New Mexico Finance Authority ("NMFA") to use water project funds to hire contractors to provide financial and administrative capacity development and direct technical assistance to water and wastewater systems.
- ◆ The Technical Assistance Program ("TAP") focuses its efforts on the following two needed services:
 - Facilitating Regionalization
 - Individual System Planning.
- ◆ A Request for Proposals ("RFP") for "On call" services in support of regionalization and individual system planning of water and wastewater service providers was issued on January 15, 2025.
- ◆ Twelve professional service agreements are in place to provide on-call services for:
 - Professional Engineering
 - GIS and Geo-Spatial Mapping
 - Accounting
 - Legal
 - Facilitation
- ◆ From June – December 2025, NMFA accepted TAP applications:
 - **51 Applications** were accepted from a variety of water systems:
 - 36 Mutual Domestics
 - 8 Municipal Utilities
 - 1 County Utility
 - 6 Districts and Authorities
- ◆ TAP contractors have been assigned projects totaling approximately \$8 million have been assigned:
 - 17 applications were submitted to facilitate regionalization of 90 entities. Assistance includes, including legal support for 3 projects
 - 44 Small System Planning Projects have been accepted:
 - 38 Preliminary Engineering Reports
 - 4 Technical Memoranda
 - 2 40-year Water Plans
 - 11 applicants also requested accounting support

Water Trust Board TAP Project Locations



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stronger
communities.***

