



NEW MEXICO  
**FINANCE AUTHORITY**

**Report to  
Water and Natural Resources Committee**

# **NMFA Water Infrastructure Programs**

**Marquita D. Russel, Chief Executive Officer  
Michael Vonderheide, Managing Director, Public Programs**

August 31, 2026

- ❑ **Kathy Keith, Chair**
- ❑ **Martin Suazo, Vice Chair**
- ❑ **AJ Forte, Secretary**  
Executive Director, New Mexico Municipal League
- ❑ **Rob Black**  
Secretary, NM Economic Development Dept
- ❑ **Andrew Burke**
- ❑ **Teresa Costantinidis**  
Executive Vice President for Finance & Administration  
University of New Mexico
- ❑ **Joy Esparsen**  
Executive Director, New Mexico Counties
- ❑ **James Kenney**  
Secretary, NM Environment Dept
- ❑ **Ronald Lovato**
- ❑ **Wayne Propst**  
Secretary, NM Dept of Finance & Administration
- ❑ **Erin Taylor**  
Acting Secretary, Energy, Minerals and Natural Resources

- ◆ Broad-based public-finance agency created in 1992.
- ◆ NMFA's quasi-governmental structure allows it to combine public purpose, statutory authority, capital-market access, financial discipline, and cross-agency partnerships in ways that traditional state agencies, private lenders, and individual local governments cannot do on their own
- ◆ Borrowers rely on NMFA for access to capital, expertise, and continuity. State partners rely on NMFA to turn policy priorities into workable financing tools. Investors rely on NMFA for transparency, predictability, and strong portfolio management
- ◆ 80-employee organization governed by an 11-member independent Board
  - ❑ Approves rules, policies, and projects
  - ❑ Oversees operations and approves budget
  - ❑ Active Committee process provides high level of oversight of NMFA's diverse and complex operations
- ◆ Overseen by 24-Member NMFA Oversight Committee

# Public Project Revolving Fund and Drinking Water State Revolving Fund

- ◆ NMFA's flagship program, the Public Project Revolving Fund ("PPRF") provides low-cost funding to State, local and tribal governments for a variety of infrastructure projects, including water rights and water infrastructure
  - ❑ Borrowers receive the PPRF's 'AAA' interest rates regardless of the borrower's credit or size
  - ❑ NMFA's approval includes a 90-day interest rate cap
  - ❑ No fees since; NMFA absorbs underwriting, rating and other issuance costs, and produces the Official Statements, resulting in savings of time, effort, and costs to the borrower
  - ❑ Applications accepted monthly
- ◆ In addition to low 'AAA' interest rates, clients with Median Household Incomes ("MHI") below the State's MHI may receive up to \$500,000 annually in Disadvantaged Entity Funding on loans of less than \$5 million:
  - ❑ Clients with a Median Household Income ("MHI") MHI between 80% - 100% of the State MHI may receive 2% interest rate and Clients with an MHI that is less than 80% of the State MHI may receive 0% interest
  - ❑ Equipment loans may receive up to \$150,000 in disadvantaged funding
  - ❑ Infrastructure and building loans may receive 10% of the PPRF loan in disadvantaged funding
- ◆ In partnership with the NM Environment Dept, the NMFA administers the federal Drinking Water State Revolving Loan Fund which provides very low interest rate loans – 0% and .01% -- with grant-like terms for water quality projects
  - ❑ The State received between \$8 million and \$11 million in annual federal funding from inception in 1997 until 2022 when the federal Bipartisan Infrastructure Law increased funding levels to the DWSRLF and added dedicated funding for Lead Service Line Replacements and Emerging Contaminants
  - ❑ From inception through the FYE 2026, the DWSRLF has received approximately \$444 million in federal funding which NMFA matched with approximately \$64.5 million
  - ❑ The State is expecting to receive an additional \$38.3 million in federal funding in FY 2027 and NMFA will provide the \$5.7 million in State match with a legislatively authorized transfer of PPRF

- ❑ **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

- ❑ Primary responsibility of the WTB is to recommend projects to NMFA for funding from the Water Project Fund
- ❑ Since the 2017 application cycle, the WTB has relied upon comprehensive policies and evaluation criteria to prioritize project applications and set conditions for funding. This criteria incorporated into the Act in 2026
- ❑ A multi-agency Project Management Team evaluates applications and their required planning documents and recommends prioritization to the WTB
- ❑ Funding recommendations made in priority order by project type within WTB Policy Targets
- ❑ 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

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partner in building  
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communities.***

