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HOUSE BILL 109

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

INTRODUCED BY

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AN ACT

RELATING TO FINANCE; PROVIDING CRITERIA FOR PRIORITIZING WATER
PROJECTS PURSUANT TO THE WATER PROJECT FINANCE ACT; ALLOWING
THE NEW MEXICO FINANCE AUTHORITY TO FUND WATER PROJECTS FROM
THE WATER PROJECT FUND WITHOUT RECEIVING THE APPROVAL OF THE
LEGISLATURE UNTIL DECEMBER 31, 2028; REQUIRING A TWO-THIRDS
MAJORITY OF BOTH HOUSES OF THE LEGISLATURE TO EXTEND THIS DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Water Project Finance Act
is enacted to read:

"[NEW MATERIAL] PROJECT PRIORITIZATION.--

A. The board shall prioritize projects based on the
following criteria:

(1) urgency of need, as identified in a
regional water planning area with a completed regional water

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1 plan accepted by the interstate stream commission;
2 (2) availability of federal or local matching
3 contributions;
4 (3) project readiness, including the
5 acquisition of required state and federal permits and
6 authorizations;
7 (4) regional impacts;
8 (5) efforts to mitigate or alleviate a
9 project's potential human health and safety concerns;
10 (6) level of planning and design;
11 (7) improvement of water quality or quantity;
12 and
13 (8) other goals established for each project
14 type pursuant to the Water Project Finance Act and rules
15 adopted under that act.

16 B. Pursuant to Subsection A of this section, the
17 board shall give higher priority to projects that:

18 (1) have completed planning and design;
19 (2) provide regional impacts;
20 (3) mitigate or alleviate human health and
21 safety concerns; and
22 (4) improve water quality or quantity and
23 advance project-type specific goals established pursuant to the
24 Water Project Finance Act.

25 C. The board shall develop and use a weighted

1 scoring system that incorporates the criteria provided pursuant
2 to Subsection A of this section to evaluate and rank all
3 applications for loans and grants pursuant to the Water Project
4 Finance Act. A ten-point score increase shall be granted in
5 the event of an emergency situation. Recommendations for
6 expenditure of money from the water project fund shall be based
7 on the scoring and ranking of applications in accordance with
8 this section."

9 SECTION 2. Section 72-4A-5 NMSA 1978 (being Laws 2001,
10 Chapter 164, Section 5, as amended) is amended to read:

11 "72-4A-5. BOARD--DUTIES.--The board shall:

12 A. adopt rules governing terms and conditions of
13 grants or loans recommended by the board for appropriation by
14 the legislature from the water project fund, giving priority to
15 projects ~~[that have been identified by the board as being~~
16 ~~urgent to address public health and safety issues; that have~~
17 ~~matching contributions from federal or local funding sources~~
18 ~~available; and that have obtained all requisite state and~~
19 ~~federal permits and authorizations necessary to initiate the~~
20 ~~project]~~ pursuant to Section 1 of this 2026 act;

21 B. authorize qualifying water projects to the
22 authority that are for:

23 (1) storage, conveyance or delivery of water
24 to end users;

25 (2) implementation of federal Endangered

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Species Act of 1973 collaborative programs;

(3) wastewater conveyance and treatment;

(4) restoration and management of watersheds;

(5) flood prevention; or

(6) water conservation or recycling, treatment or reuse of water as provided by law; and

C. evaluate projects, including their environmental impacts, and recommend projects to the interstate stream commission pursuant to the provisions of Section 72-14-45 NMSA 1978."

SECTION 3. Section 72-4A-6 NMSA 1978 (being Laws 2001, Chapter 164, Section 6, as amended) is amended to read:

"72-4A-6. AUTHORITY--DUTIES.--

A. The authority shall:

~~[A-]~~ (1) provide staff support for the board;

~~[B-]~~ (2) develop application procedures and forms for qualifying entities to apply for grants and loans from the water project fund; and

~~[C-]~~ (3) make loans or grants to qualifying entities for qualifying water projects ~~[authorized by the legislature]~~ pursuant to the Water Project Finance Act; provided that the service area for the project is wholly within the boundaries of the state or the project is an interstate project that directly benefits New Mexico.

B. The loans and grants made pursuant to Paragraph

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1 (3) of Subsection A of this section shall require legislative
2 authorization on and after December 31, 2028.

3 C. Any amendment to extend the date upon which
4 legislative authorization shall be required pursuant to
5 Subsection B of this section shall require a two-thirds'
6 majority of both houses of the legislature."

7 SECTION 4. Section 72-4A-9 NMSA 1978 (being Laws 2001,
8 Chapter 164, Section 9, as amended) is amended to read:

9 "72-4A-9. WATER PROJECT FUND--CREATED--PURPOSE.--

10 A. The "water project fund" is created in the
11 authority and shall consist of distributions made to the fund
12 from the water trust fund and payments of principal of and
13 interest on loans for approved water projects. The fund shall
14 also consist of any other money appropriated, distributed or
15 otherwise allocated to the fund for the purpose of supporting
16 water projects pursuant to provisions of the Water Project
17 Finance Act. The fund shall be administered by the authority.
18 Income from investment of the water project fund shall be
19 credited to the fund. Balances in the fund at the end of any
20 fiscal year shall not revert to the general fund. The water
21 project fund may consist of such subaccounts as the authority
22 deems necessary to carry out the purposes of the fund. The
23 authority may establish procedures and adopt rules as required
24 to administer the fund and to recover from the fund costs of
25 administering the fund and originating grants and loans. Ten

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1 percent of all water project funds shall be dedicated to the
2 state engineer for water rights adjudications, and twenty
3 percent of the money dedicated for water rights adjudications
4 shall be allocated to the administrative office of the courts
5 for the courts' costs associated with water rights
6 adjudications; provided that from July 1, 2024 through June 30,
7 2029, the lesser of four million dollars (\$4,000,000) or eight
8 percent of all water project funds shall be dedicated to the
9 state engineer for water rights adjudications and two percent
10 of all water project funds shall be dedicated to the
11 administrative office of the courts for the courts' costs
12 associated with water rights adjudications.

13 B. Money in the water project fund may be used by
14 the authority to:

15 (1) make loans or grants to qualified entities
16 for projects and water rights adjudications [~~provided that~~
17 ~~projects shall require legislative approval~~] pursuant to the
18 requirements of the Water Project Finance Act; and

19 (2) hire contractors to provide financial and
20 administrative capacity development and direct technical
21 assistance on water projects.

22 C. The authority is authorized to issue revenue
23 bonds payable from the proceeds of loan repayments made into
24 the water project fund upon a determination by the authority
25 that issuance of the bonds is necessary to replenish the

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1 principal balance of the fund. The net proceeds from the sale
2 of the bonds shall be deposited in the water project fund. The
3 bonds shall be authorized and issued by the authority in
4 accordance with the provisions of the New Mexico Finance
5 Authority Act."

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