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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, 2029.

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:

"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  
plan accepted by the interstate stream commission;

(2) availability of federal or local  
matching contributions;

(3) project readiness, including the  
acquisition of required state and federal permits and  
authorizations;

(4) regional impacts;

(5) efforts to mitigate or alleviate a  
project's potential human health and safety concerns;

(6) level of planning and design;

1 (7) improvement of water quality or  
2 quantity; and

3 (8) other goals established for each project  
4 type pursuant to the Water Project Finance Act and rules  
5 adopted under that act.

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

8 (1) have completed planning and design;

9 (2) provide regional impacts;

10 (3) mitigate or alleviate human health and  
11 safety concerns; and

12 (4) improve water quality or quantity and  
13 advance project-type specific goals established pursuant to  
14 the Water Project Finance Act.

15 C. The board shall develop and use a weighted  
16 scoring system that incorporates the criteria provided  
17 pursuant to Subsection A of this section to evaluate and rank  
18 all applications for loans and grants pursuant to the Water  
19 Project Finance Act. A ten-point score increase shall be  
20 granted in the event of an emergency situation.

21 Recommendations for expenditure of money from the water  
22 project fund shall be based on the scoring and ranking of  
23 applications in accordance with this section."

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

1 "72-4A-5. BOARD--DUTIES.--The board shall:

2 A. adopt rules governing terms and conditions of  
3 grants or loans recommended by the board for appropriation by  
4 the legislature from the water project fund, giving priority  
5 to projects pursuant to Section 1 of this 2026 act;

6 B. authorize qualifying water projects to the  
7 authority that are for:

8 (1) storage, conveyance or delivery of water  
9 to end users;

10 (2) implementation of federal Endangered  
11 Species Act of 1973 collaborative programs;

12 (3) wastewater conveyance and treatment;

13 (4) restoration and management of  
14 watersheds;

15 (5) flood prevention; or

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

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

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

24 "72-4A-6. AUTHORITY--DUTIES.--

25 A. The authority shall:

- 1 (1) provide staff support for the board;
- 2 (2) develop application procedures and forms
- 3 for qualifying entities to apply for grants and loans from
- 4 the water project fund; and
- 5 (3) make loans or grants to qualifying
- 6 entities for qualifying water projects pursuant to the Water
- 7 Project Finance Act; provided that the service area for the
- 8 project is wholly within the boundaries of the state or the
- 9 project is an interstate project that directly benefits New
- 10 Mexico.

11 B. The loans and grants made pursuant to Paragraph

12 (3) of Subsection A of this section shall require legislative

13 authorization on and after December 31, 2029."

14 SECTION 4. Section 72-4A-9 NMSA 1978 (being Laws 2001,

15 Chapter 164, Section 9, as amended) is amended to read:

16 "72-4A-9. WATER PROJECT FUND--CREATED--PURPOSE.--

17 A. The "water project fund" is created in the

18 authority and shall consist of distributions made to the fund

19 from the water trust fund and payments of principal of and

20 interest on loans for approved water projects. The fund

21 shall also consist of any other money appropriated,

22 distributed or otherwise allocated to the fund for the

23 purpose of supporting water projects pursuant to provisions

24 of the Water Project Finance Act. The fund shall be

25 administered by the authority. Income from investment of the

1 water project fund shall be credited to the fund. Balances  
2 in the fund at the end of any fiscal year shall not revert to  
3 the general fund. The water project fund may consist of such  
4 subaccounts as the authority deems necessary to carry out the  
5 purposes of the fund. The authority may establish procedures  
6 and adopt rules as required to administer the fund and to  
7 recover from the fund costs of administering the fund and  
8 originating grants and loans. Ten percent of all water  
9 project funds shall be dedicated to the state engineer for  
10 water rights adjudications, and twenty percent of the money  
11 dedicated for water rights adjudications shall be allocated  
12 to the administrative office of the courts for the courts'  
13 costs associated with water rights adjudications; provided  
14 that from July 1, 2024 through June 30, 2029, the lesser of  
15 four million dollars (\$4,000,000) or eight percent of all  
16 water project funds shall be dedicated to the state engineer  
17 for water rights adjudications and two percent of all water  
18 project funds shall be dedicated to the administrative office  
19 of the courts for the courts' costs associated with water  
20 rights adjudications.

21 B. Money in the water project fund may be used by  
22 the authority to:

23 (1) make loans or grants to qualified  
24 entities for projects and water rights adjudications pursuant  
25 to the requirements of the Water Project Finance Act; and

