



NEW MEXICO
FINANCE AUTHORITY



**Report to
New Mexico Finance Authority Oversight Committee**

Update on Water Trust Board Activities

Marquita D. Russel, CEO

July 20, 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. 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
 - ❑ Water Project Fund, created in the NMFA, which is used to make grants and loans recommended by the Water Trust Board and authorized by the Legislature.
 - The Water Project Fund receives annual distributions 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
 - ◆ In 2025, HB 109 temporarily eliminated legislative authorization and provided clear guidance on project selection

WTB Project Evaluation and Prioritization

- ❑ Primary responsibility of the WTB is to recommend projects 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
- ❑ A multi-agency Project Management Team evaluates applications and recommends prioritization to the WTB
 - ❑ Watershed projects reviewed by ENMRD, NMED, and Dept. of Agriculture – scores averaged
 - ❑ All others evaluated by NMED or NMFA
 - ❑ Evidence of appropriate planning required for all design and/or construction projects
- ❑ Funding recommendations made in priority order by project type within WTB Policy Targets

	Policy Target	2023	2024	2025
Conservation, Treatment, Reuse	15% - 30%	10%	18%	9%
Flood Prevention	Up to 10%	10%	7%	12%
Storage, Delivery, Conveyance	50% - 75%	75%	75%	78%
Watershed Restoration & Mgmt	Up to 5% (from 10 - 20%)	5%	1%	1%
Wastewater Collection and Treatment	15% - 30%	n/a	n/a	n/a
Endangered Species Act	Up to 5%	0%	0%	0%
Authorizations as a % of Expected Funding		121%	207%	157%

Effective June 25, 2025

- ◆ In 2025, the Water Trust Board revised its rules to accommodate the HB 211 revisions to the Water Project Finance Act:
 - ❑ Removed requirement that the Board give priority to projects considered urgent to meet the needs of a regional water plan
 - ❑ Removed submission of a water conservation plan
 - ❑ Removed fiscal agent fees as eligible project costs
 - ❑ Added Wastewater projects as an eligible Water project
 - Defined “appropriate planning documents” for wastewater
 - Definition of scope of eligible wastewater projects
 - Reallocated spending targets
- ◆ In August 2026, the Water Trust Board is expected to revise its policies to accommodate changes from HB 109:
 - ❑ Change from a two-part application into a single application
 - ❑ Incorporating a definition of Emergency Project and providing additional points for these projects:
 - 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, may be scored an extra 10 points.

- ◆ The 2025 policy amendments also provided an expansion to the loan forgiveness policy to incentive and facilitate regionalization projects.:
 - ❑ Current policy provides that 100% grant is made when the project includes system consolidation (physical interconnections) and expansion to unserved areas.
 - ❑ 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 not able to operate sustainably
 - ❑ Aligns with the WTB’s Technical Assistance priority of regionalization
- ◆ In August the Water Trust Board is expected to approve changes to reduce the local match and loan requirements
 - ❑ Currently local matches are determined on a sliding scale from 0% - 20% that differentiates match based upon type of project, size of award, and median household income of the applicant community.
 - ❑ Currently, all projects are structured with a loan of 10% - 40%.
 - Currently, projects that are not supported by rate-paying constituents can provide an additional match in lieu of the required loan and receive 100% grant.
 - For those projects supported by rate-paying constituents, if a match cannot be provided, the entity can take on an additional loan in lieu of the match.

Policy changes to Reduce Local Match and Increase to Access to Funding

- ◆ Proposed policy amendments will reduce the maximum local match for the Wastewater, Water Conservation/Treatment, Water Storage/Conveyance/Delivery projects types
 - ❑ Decreases maximum local contribution to 15%, matching the current maximum for Flood Prevention, Watershed Restoration, and Endangered Species Act, the project types.
 - ❑ Increases award bracket size, with the smallest bracket increasing from \$750,000 to \$5 million and the largest bracket size increase from \$1.5 million or greater to \$10 million or greater.
 - ❑ Based on 2026 applications, many fewer applicants will reach the maximum local match

2026 WTB Awarded Projects

Scale of Request	Water Systems	Municipalities/Tribes	Counties
Less than \$2,500,000	14	15	3
\$2,500,001-\$5,000,000	4	10	
\$5,000,001 or \$10,000,000	1	17	
\$10,000,001 or larger	2	7	1

- ◆ Proposed policy amendments also provide greater watch waivers for entities that have completed their asset management plans.
 - ❑ Currently the system must serve fewer than 250 connections and must have previously secured WTB funding for a separate phase of the same project
 - ❑ Proposed policy increases the water system size from 250 connections to serving fewer than 5,000 residents
 - ❑ Proposed policy provide a match waiver if a community has experienced an emergency event such as a natural disaster, within the past 4 years

- ◆ The 2026 legislative session enabled streamlined funding timelines and a \$100 million appropriation to accelerate water projects.
- ◆ HB 109's temporary suspension of legislative authorization means that the 2027 application cycle will not have to open until January, with decisions by the Water Trust Board expected in April.
 - The streamlined process will shave off application by 4 ½ months from the application period
- ◆ Fall Design-Only Grant Cycle
 - At its August Meeting, the Water Trust Board is expected to give final approval of a Fall 2026 grant cycle to provide \$100 million in grant funding for design project
 - 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 projects

2026 – *Draft* Timeline for Design Grants

- July 14 2027 WTB Application Training
- July 16-31 Notice of Intent
- Aug.10-Sept. 10 2027 WTB On-line Application
- Sept. 16-Oct. 15 Application Evaluations
- *September Regulatory Compliance Notification Reminder**
- October 28 Funding Recommendations

2027 – *Draft* WTB Application

- Dec. 28, 2026 – Jan. 8, 2027, Notice of Intent
- January 11 2027 WTB Application Training
- Jan. 13 – Feb. 22 2027 WTB On-line Application
- Mar. 2 – Apr. 8 Application Evaluations
- April 13-14 Project Presentations/Waiver Considerations
- April 27 2027 WTB Funding Recommendations