



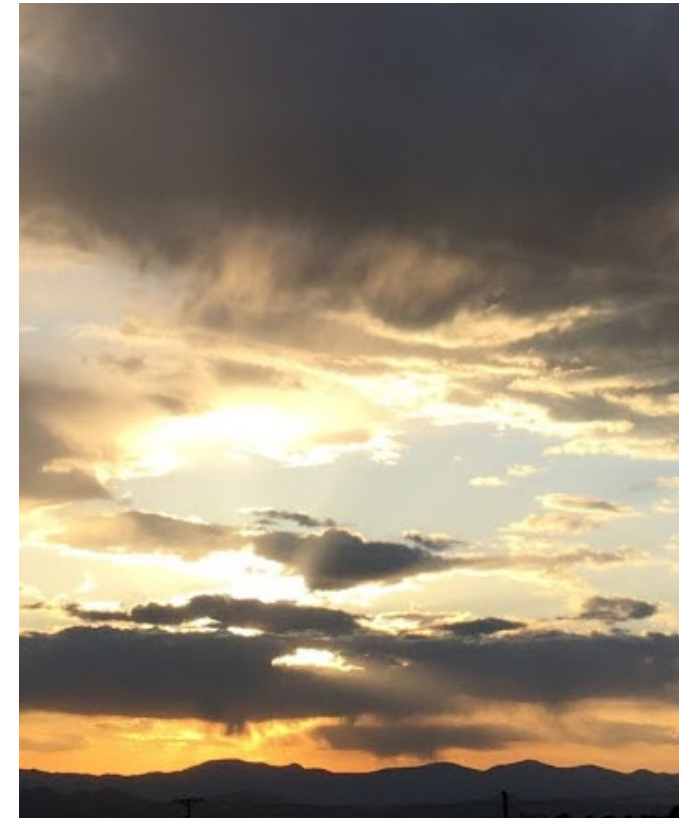
New Mexico Environment Department



New Mexico Finance Authority

Water Policy and Infrastructure
Task Force

July 18, 2022



Water Policy and Infrastructure Task Force

- Addition of BIL funding to “business as usual” will not serve most communities across NM
- Robust barriers analysis by Task Force will lead to recommendations for practical reforms
- Climate change impacts, Task Force and increased state/federal investments converge as catalysts for change



The Town of Bloomfield CWSRF 103 WWTP Construction



Today we work toward a shared understanding of the problems we strive to solve together.



Photo credit: livewiremarkets.com

Phone: 505-827-2855 | 1-800-219-6157 | Environmental Emergencies: 505-827-9329 (24 hours) f t in v

NMED
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Home

Historic Investments in Local Water Infrastructure

Learn more about the Bipartisan
Infrastructure Law



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Mission

Our mission is to protect and restore the environment and to foster a healthy and prosperous New Mexico for present and future generations. We implement our mission guided by four tenets:

Frequently Viewed

ABOUT NMED



PROGRAMS ▾

INVESTORS ▾

NEWS & RFPs ▾

ABOUT ▾

Public Infrastructure & Capital Financing

Small Business Recovery and Stimulus Programs ▾

Business Financing ▾

Water Project Fund

Drinking Water State Revolving Loan Fund

Colonias Infrastructure Fund

Local Government Planning Fund

The phone system at NMFA is not currently working. Please email us at info@nmfa.net with your name, phone number and the NMFA staff member you're looking for. We will do our best to respond and apologize for the inconvenience.

New Mexico's partner in building economic prosperity and stronger communities

NMFA improves the quality of life for New Mexicans by providing financing for infrastructure, capital equipment, and economic development projects to communities and businesses throughout the state.



New Mexico is unusual and fortunate because we have a large number of funding options for water and wastewater projects:

- ◆ NMFA-Administered Programs
 - ❑ Public Project Revolving Fund
 - ❑ Drinking Water State Revolving Loan Fund
 - ❑ Water Trust Board
 - ❑ Local Government Planning Fund
 - ❑ Colonias Infrastructure Board
- ◆ NMED-Administered Programs
 - ❑ Rural Infrastructure Program
 - ❑ Clean Water Revolving Loan Fund
 - ❑ Capital Outlay

The abundance of funding programs unintentionally creates competition among the programs

Water and Wastewater Funding -- Requirements

State Funded Programs	Year Established	Administering Agency	Water	Waste-water	Eligible Entities	Type of Funding	Planning Docs Req'd?	Environmental Review	Legislative Authorization	Executive Order Compliance
Special Appropriation Grants (Capital Outlay)	1977	NMED	✓	✓	Public	Grant	No	No	Yes	Yes
Local Government Planning Fund	2002	NMFA	✓	✓	Public	Grant	N/A	No	No	No
Colonias Infrastructure	2011	NMFA	✓	✓	Public	Grant	No	No	No	Yes
Tribal Infrastructure Board	2011	IAD	✓	✓	Tribal	Grant	No	No	No	Yes
Water Trust Board	2001	NMFA	✓	*	Public	Loan/ Grant	Yes	No	Yes	Yes
Rural Infrastructure Program	1988	NMED	✓	✓	Public	Loan	No	No	No	Yes
Public Project Revolving Fund	1994	NMFA	✓	✓	Public	Loan	No	No	Yes for loans greater than \$1 million	No
Federally Funded Programs										
Clean Water State Revolving Fund	1972	NMED		✓	Public & Private	Loan/ Grant	Yes	Yes	No	No
Drinking Water State Revolving Loan Fund	1997	NMFA	✓		Public & Private	Loan/ Grant	Yes	Yes	No	No

*wastewater treatment allowed as part of a reuse projects

Water and Wastewater Funding -- Terms

State Funded Programs	Match Required	Application Frequency	Application Timeline*	Standards Based Funding	Interest Rate	Funding Terms
Special Appropriation Grants (Capital Outlay)	No	N/A	3-4 months	No	N/A	Timing from signing of capital outlay bill
Local Government Planning Fund	Sliding Scale	Monthly	6-24 months	No	N/A	Funding occurs upon completion and acceptance of planning document
Colonias Infrastructure	10% Match	Annually	8-12 months	Yes	0%	10% loan / 90% grant; no-interest loans with 20-year payback
Tribal Infrastructure Board	No	Annually	9 months	Yes	N/A	100% grants
Water Trust Board	Sliding Scale	Annually	12-15 months	Yes	0%	Loans of 10% - 40%, based upon 3-year analysis of borrowing capacity, remainder delivered as grant. 20-year payback at 0% interest
Rural Infrastructure Program	No	As Needed	2-3 months	No	0.02375	\$2 million maximum per year
Public Project Revolving Fund	No	Monthly	3 months	No	Market and below market rates, fixed at closing	Loans up to 30 years; 'AAA' tax-exempt bond market interest rates based upon term of loan; 0% available to Severely Disadvantaged Entities (less than 75% of the State's MHI) and 2% to Disadvantaged Entities (76-100% of State's MHI)
Federally Funded Programs						
Clean Water State Revolving Fund	No	As needed	6-9 months	Yes	Public: 0% or 0.01% Private 2.375%	Loan terms of up to 30 years; project must appear on fundable priority list published by NMED. Limited grant dollars
Drinking Water State Revolving Loan Fund	No	3x per year	9-12 months	Yes	Public: 0% or 0.01% Private 4%	Loan terms of up to 30 years; project must appear on fundable priority list published by NMED. Limited grant dollars
*from point of application to funding						

Water Infrastructure Funding through the Bipartisan Infrastructure Law (BIL)

Five New Pots of Funding for Five Years



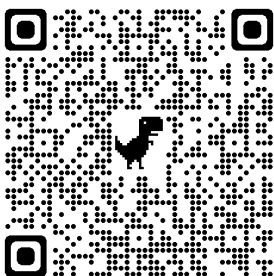
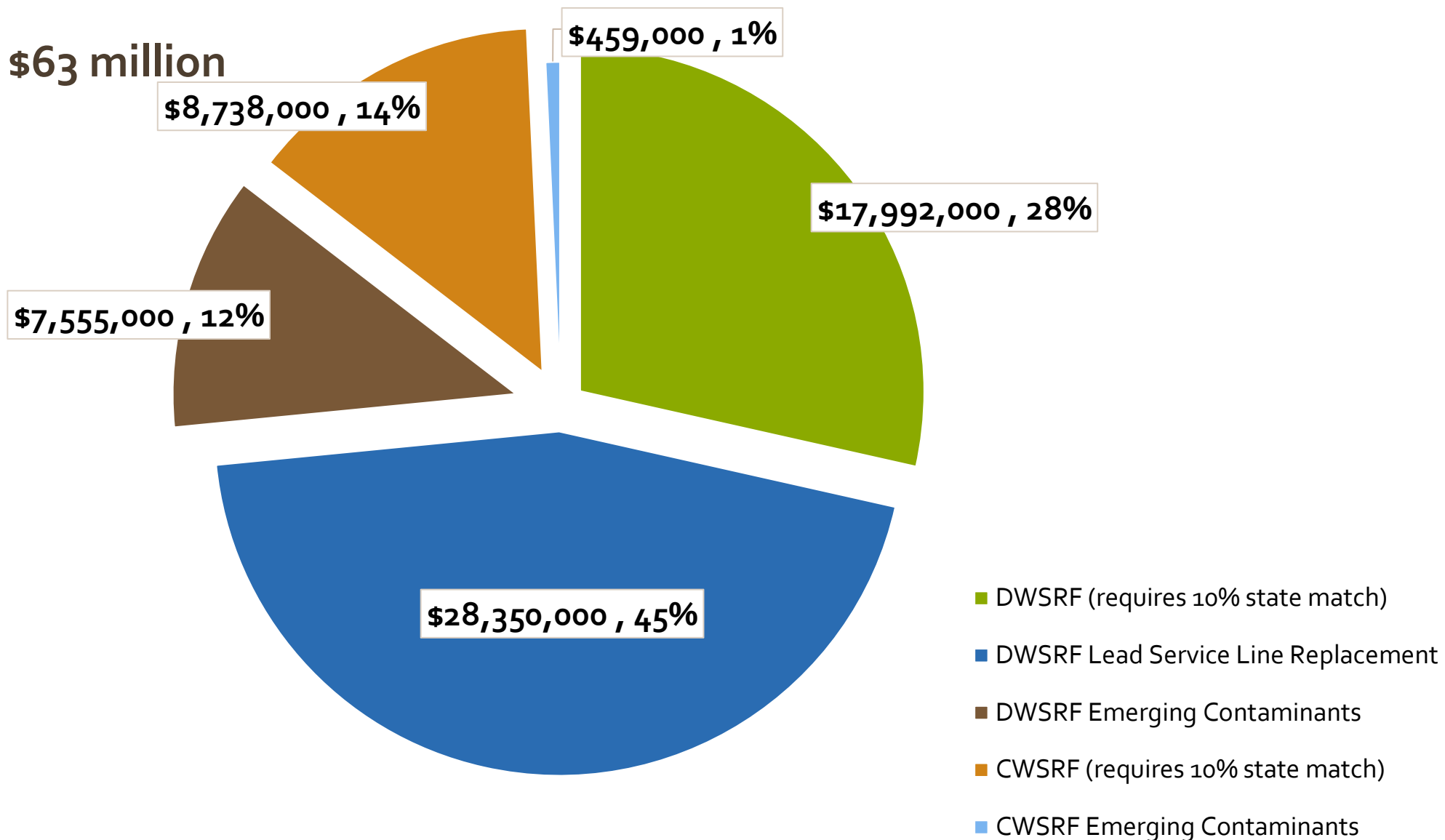
- NMED administration
 - Clean Water State Revolving Loan Fund (CWSRF) general
 - CWSRF Emerging Contaminants
- Joint NMED and New Mexico Finance Authority administration
 - Drinking Water State Revolving Loan Fund (DWSRF) general
 - DWSRF Lead Service Line Replacement
 - DWSRF Emerging Contaminants



...plus new grant funding to support actions to address emerging contaminants in small and disadvantaged communities

NM Allocations for BIL Water Infrastructure Programs

Funding in 2022: \$63 million



SCAN ME

BIL Water Funding Basics

- National focus is to support:
 - “Shovel worthy” projects
 - Disadvantaged communities
 - Domestic sourcing of materials for infrastructure projects
- Increased federal and state resources for technical assistance
- USEPA determined state allocations (March 2022)
- State SRF programs apply for funds (Summer and Fall 2022)
 - Applications include lists of eligible projects for the total amount of funding sought (aka, Priority Lists)
- Communities submit applications to get their project reviewed and added to the Priority List (Rolling basis)
 - Visit <https://www.env.nm.gov/funding-opportunities/> for details

The Problem

- At least \$3.5 billion in water infrastructure project needs
- Available funding programs and policies cause or exacerbate project delays
- Needs are disproportionately concentrated in small communities
- Native American homes are 19x more likely than non-Native homes to lack indoor plumbing
- Inadequate infrastructure is tied to:
 - Groundwater and surface water pollution
 - Public health risks from contaminated drinking water
 - Stunted economic growth at the local level



Drums for water hauling are common in many New Mexico places, especially Native American communities. Photo by John Fleck

Known Obstacles

- Programs and funding sources scattered across nine state programs in three agencies
- Structure and process of state grant programs creates disincentive for pursuit of federal money and loan programs and results in piecemeal funding
- Lack of capital outlay project vetting/criteria creates risk of project delay or failure
- Small community lack of capacity to plan projects, apply for money, and see projects through to completion



Chama residents were left without water this summer after a major system leak. Photo courtesy Santa Fe New Mexican

Common Barriers through Life Cycle of Project

Examples of barriers at local and state levels...

Project Conception

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graph TD; A[Project Conception] --> B[Application for Funding]; B --> C[Project Implementation];
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Application for Funding

Project Implementation

Common Barriers through Life Cycle of Project (cont)

Project Conception

Local: Technical capacity to plan for improvements; Volunteer-run systems; Competing priorities for time and effort by limited staff

State: Limited staff for focused technical and financial assistance

Common Barriers through Life Cycle of Project (cont)

Application for Funding

Local: Navigating state and federal funding sources; debt capacity; preparing submittal, e.g., current audit; federal purchasing requirements

State: Limited staff to review all applications for technical and financial sufficiency in context of all state and federal requirements

Common Barriers through Life Cycle of Project (cont)

Project Implementation

Local: Staff/board member turnover; unanticipated costs; supply-chain issues; lack of engineering firms; procurement expertise

State: Staff overloaded with active infrastructure projects, including capital outlay

Problem Statement: Illustrations

Large Municipality

- Since 2019, \$7.5 million in capital outlay grants for projects eligible for CWSRF
- Contributes to underutilization of federal funds and piecemeal funding for small community projects that must rely on capital outlay and other grant programs
- Intermittent noncompliance with surface water discharge requirements

Small Municipality

- Water system outage in June 2022 from multiple leaks in the distribution system
- County emergency declaration
- Since 2002, \$19.2 million for w/ww projects across 30 awards, including:
 - \$13.28 million in capital outlay
 - \$2.4 million in grants from WTB and NMED
 - \$3.57 million in loans from WTB and NMED
- Chronic noncompliance with drinking water standards and surface water discharge requirements

Back to the Task Force: Possible Workgroups...

1. Title: Financing Community Drinking Water and Wastewater Infrastructure Projects (Finance)

Problem Statement: Although New Mexico provides proportionately more non-federal dollars for water infrastructure projects than any other state, many critical projects go unfunded or underfunded due to a combination of factors beyond local capacity (see WG #2 below), including the current capital outlay process, unpredictability of funding levels in a given year, shortage of available consulting engineers to assist with project planning and vetting, and multiple funding programs with different requirements and selection criteria.

2. Title: Management Structures and Capacity for Planning, Operation and Maintenance of Community Drinking Water and Wastewater Infrastructure (Capacity)

Problem Statement: Despite the availability of nearly a dozen funding programs for community infrastructure projects, rural New Mexico has been left behind and faces aging water and wastewater infrastructure problems in all regions, in part due to a lack of local capacity (technical, managerial and financial) that creates barriers for communities to solve their water challenges. Many small communities have no capacity to tackle long-term planning and build resilient infrastructure.

Recent Research and Reports Support our Work

- LFC Evaluation of State-Funded Water Projects (2021)
- Southwest Environmental Finance Center report on Infrastructure Funding for Community Water Systems in New Mexico, Including Tribal Community Systems (2022)
- Pivot NM (for NM Legislative Counsel Service) Rural Infrastructure Study (2021)

Utton Center hand-out with quick review of what we know from these and other reports.