

Reforming Capital Outlay for Water Project Infrastructure

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The Challenge

- Current sources provide almost \$800 million per year for State-funded capital outlay projects not including transportation
- These funds are sufficient to meet the critical infrastructure needs of the state **if they are spent wisely**
- In the past, this has not always been the case
- Governor Martinez and the Legislature are working together to fund local as well as statewide projects
- **Opportunity: Addressing the longstanding weaknesses in our capital outlay will increase confidence in government and contribute to the future well-being of our citizens**

What Do We Do Right?

- State/Local cooperation:
 - Funding: Grants, Loans
 - Technical assistance: e.g. PSFA, NMED, DOT; DFA/LGD
 - Oversight: e.g. DFA/LGD, OSA, OSE, NMED
 - Revenue sharing
- Some agencies and communities are utilizing best practices
 - Water Trust Board; PSFA
 - Specialization improves targeting and oversight
- Education and training: e.g. IFC

What Can We Do Better?

- Increase and improve **staffing**
- Improve **co-ordination**
- Improve **planning**
- Improve **prioritization**
- Improve oversight and **accountability**

Funding Resources

Source	Target Entities	FY15 Appropriations
Severance Tax Bonds (STB's)*	Statewide and Local	\$185 million
STB's for Water Trust Fund	Water Projects	\$29 million
STB's for Colonias Fund	Qualified communities	\$14 million
STB's for Tribal Fund	Qualified communities	\$14 million
STB's for Public Schools	Public Schools	\$175 million
NMFA loans	Local entities	\$200 million
Other Funding Sources	Statewide and Local	\$15 million
Subtotal		\$632 million
General Obligation bonds	Higher Ed, Aging, Libraries	\$167 million
Total		\$799 million

Excludes \$900 million per year for state highways; Local GO funds

Important Developments: 2013 – 2014

- Executive Order 2013-006 improves accountability and coordination
- NMFA recovery continues
- CIB/TIF programs implemented, expanded
- WTB process improvements
- HB 55 addresses critical water supply issues
- Improved targeting of GO bond appropriation

Improve Co-ordination Between Governments

- NM is one of few states that fund local projects at the state level, **raises many challenges:**
 - Support Local planning, and management, e.g. Education and coordination on Federal funding requirements
 - Co-ordinate among overlapping programs:
 - Improved awareness of funding boards, Legislature and local governments
 - Coordinate regionally wherever possible/relevant
 - Need for State oversight

Improve Planning

- Planning and design should be completed prior to full project funding
- Planning contractors must be carefully supervised to provide real value
- Infrastructure Capital Improvement Plan (ICIP) is a critical tool that supports the statewide allocation process
- **Governor and Legislature should look to the ICIP for adequate, consistent information with which to evaluate projects, this would improve co-ordination among the State's different capital outlay funding programs**

Improve Prioritization

- Default past priorities have been to “spread the wealth”
- Problems:
 - Projects are not fully funded, often take years to complete with associated inflation, depreciation and sometimes failure to complete;
 - Funds often sit for long periods until complete phase funding is possible
- Set aside for some project types may be needed; e.g. WTB
- **Promise of full funding should be used to encourage entities to plan ahead and improve preparation**

Improve Oversight and Accountability

- Huge volume of local projects sometimes limits staff time available at the state level for oversight
- Options:
 - Audit/budget compliance required
 - Utilize regional and state staff to supplement local resources
 - Improve on-line reporting

Executive Order 2013-006

- Audit/Budget Act compliance = prerequisite to capital funding
- Public assurance that funds are appropriately used
- Material weaknesses must be addressed or alternative fiscal agent or added grant conditions
- **Capital outlay is a shared State/Local responsibility:
Improved coordination & collaboration will enable project
funding and accountability**

EO has improved Audit Act Compliance

- Total “At-Risk” entities decreased from 51 to 32:
 - Counties: 1 to 0
 - Municipalities: 28 to 14
 - Special districts: 11 to 6
- Some At Risk entities have made significant progress:
 - San Ysidro: 2010 to 2012
 - Magdalena: 2009 to 2012
 - Maxwell: 2007 to 2012
- Newly-compliant entities:
 - Carlsbad; Santa Rosa; Reserve schools

HB 55 Targeted Critical Water Projects

- Executive initiative sponsored State/Local collaboration:
 - Watershed protection
 - Failing dams
 - Failing or polluted water supply
 - Key to economic growth
- \$89 million for critical projects funded around the State:
 - Water supply: Santa Cruz, Gabaldon, Algodones, Willard, La Bajada, Magdalena, Maxwell, Vaughn
 - Watershed restoration:
 - Dams: Las Vegas; Raton; Ruidoso; Cimarron
 - Desalinization: Alamagordo
 - Wastewater: Chama; Santa Teresa;

WTB Process Improvements

- Simplified project interest form enables eligibility review and identifies fundable projects for the Legislature while enabling as many potentially eligible projects as possible to move forward for Legislative consideration
- Full application due in March with public hearing before Tier II scoring, Project Review Committee (PRC) prioritized list provided to WTB
- Technical support provided to smaller communities
- Projects are approved as close as possible to time of funding – gives entities more time to prepare and insures better prioritized spending

LFC 2013 Review of WTB

- Increase Loans vs Grants
 - WTB PRC reviews local capacity, factors in to loan/grant ratio
- Lack of coordination:
 - Duplication “may exist” but staff works hard to minimize
 - Program goals vary, requiring different applications
 - Federal requirements impose specific challenges
- New policies improve planning, management and compliance but create more requirements
 - “Streamline process and provide more time for applicants”
 - “Improve financial and environmental accountability”

WTB Membership

- Current membership 16 members:
 - 6 Cabinet Secretaries – Confirmed by Senate
 - NMFA Director
 - NMML, NMAC
 - 5 Public members: Confirmed by Senate
 - Environmental, Irrigation/Conservancy Districts (2), Acequias, S&W Conservation Districts
 - Indian Affairs Commission appointee
 - Navajo Nation representative

Conclusions

- State/Local collaboration on capital is a major undertaking with important consequences for all New Mexicans
- Many good practices are in place, further improvement is needed
- Audit/Budget compliance insures accountability
- Significant progress is being made on improved targeting of critical water projects:
 - HB 55 Set aside of \$89 million for water projects
 - WTB process improvements
- Continued Legislative/Executive cooperation is critical