

# Water Trust Board A Review of Planning, Spending, and Outcomes

Joint Meeting of the NMFA Oversight Committee  
and the Water and Natural Resources Committee  
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# Background

- ▶ Water infrastructure funding plays a crucial role to New Mexico's scarce water resources.
- ▶ The Water Trust Board (WTB) was created in 2001 to conserve, protect, and distribute NM's scarce water resources by providing funding for water infrastructure projects.
- ▶ The WTB is the largest of seven water infrastructure programs in New Mexico, funding \$250 million for projects since 2002.
- ▶ There are seven water infrastructure programs in NM funding \$583 million for projects since 2002.

# Key Findings

- ▶ New Mexico's high rate of grant awards for water projects adversely impacts the effectiveness of related loan programs.
- ▶ Challenges exist for the fair and effective administration of the water project fund.
- ▶ The Water Trust Fund is projected to be depleted within 19 years.
- ▶ The WTB is implementing new policies to improve water systems planning, management, and compliance, but creating more requirements and review.

# New Mexico's high rate of grant awards for water projects adversely impacts the effectiveness of related loan programs

- ▶ New Mexico provides mostly grant funds for water projects, while the majority of states provide mostly self-sustaining, revolving loan funds.
- ▶ New Mexico spends six times more on water project grants than all neighboring states combined.

# New Mexico Water Infrastructure Funding (in thousands)

Program/ Agency	Water Trust Board/ NMFA	State Capital Outlay Grants/ NMED	Drinking Water State Revolving Loan Fund/ NMFA/NMED	State & Tribal Federal Earmarks/ NMED	Tribal Infrastructure Fund/ BIA	Colonias/ NMFA	Rural Infrastructure Loan Program/ NMED	Total
2002	\$0	\$2,855	\$9,434	\$1,793	\$0	\$0	\$0	\$14,082
2003	\$0	\$5,674	\$5,940	\$1,908	\$0	\$0	\$0	\$13,523
2004	\$3,600	\$15,799	\$1,780	\$4,459	\$0	\$0	\$1,229	\$26,867
2005	\$0	\$13,203	\$14,741	\$2,021	\$0	\$0	\$30	\$29,995
2006	\$0	\$36,208	\$6,565	\$910	\$1,273	\$0	\$831	\$45,787
2007	\$700	\$45,888	\$5,757	\$0	\$0	\$0	\$650	\$52,995
2008	\$2,252	\$12,633	\$27,841	\$1,622	\$1,625	\$0	\$260	\$46,233
2009	\$41,467	\$3,217	\$17,050	\$970	\$3,844	\$0	\$2,185	\$68,734
2010	\$66,160	\$663	\$17,189	\$0	\$240	\$0	\$490	\$84,742
2011	\$45,649	\$2,046	\$1,148	\$0	\$0	\$0	\$337	\$49,180
2012	\$53,473	\$3,022	\$0	\$0	\$6,484	\$6,585	\$790	\$70,355
2013	\$36,592	\$9,615	\$25,526	\$0	\$0	\$8,553	\$599	\$80,885
<b>Total</b>	<b>\$249,893</b>	<b>\$150,824</b>	<b>\$132,971</b>	<b>\$13,683</b>	<b>\$13,466</b>	<b>\$15,138</b>	<b>\$7,401</b>	<b>\$583,376</b>

Source: NMFA, NMED, BIA

# New Mexico's high rate of grant awards for water projects adversely impacts the effectiveness of related loan programs

- ▶ The Water Project Finance Act requires the WTB to prioritize the planning and financing of water projects required to implement the State Water Plan.
- ▶ A lack of coordination and fragmentation exists between funding programs
  - programs continue to operate independently of each other;
  - they compete for the same customers;
  - they have widely different eligibility criteria; and
  - no one agency is held accountable, for a coordinated, and centralized reporting function.

# New Mexico's high rate of grant awards for water projects adversely impacts the effectiveness of related loan programs

- ▶ Separate grant programs compete with and undermine the effectiveness of existing loan programs such as the State Revolving Loan Funds.
- ▶ NM has multiple application processes for water project funding. Communities wanting to secure funding for water projects can apply at three separate governmental websites, the NMFA, the New Mexico Environment Department, and the Legislature.

# Challenges exist for effective administration of the Water Project Fund

- ▶ The Board does not comply with rules for interest rates for borrowers.
- ▶ A relaxed loan forgiveness policy does not encourage fiscal responsibility or efficiency.
- ▶ Policy waivers are routinely requested and granted.

# Challenges exist for effective administration of the Water Project Fund

- ▶ Increased oversight is needed for the administration of the Board and projects.
  - Funding recommendations regarding the proportion of loans versus grants regularly include errors and include loans to communities that have not demonstrated an ability to pay.
  - The Board has not provided a statutorily required annual report to the Legislature since 2006.
  - Prior to 2011, \$159 million in state funds were disbursed with no technical oversight.

# Challenges exist for effective administration of the Water Project Fund

- ▶ On average, the Board has awarded projects according to policy targets, but the benefits of this are not easily measured.

Percentage of Type of WTB Projects Awarded, 2007 – 2013

Project Type	Policy Target July 2013:	2007	2008	2009	2010	2011	2012	2013	Total	Average % of Total
Endangered Species Act Collaborative Program	up to 10	0%	2%	0%	0%	0%	0%	0%	\$750,000	0%
Flood Prevention	up to 10%	0%	2%	0%	1%	5%	15%	7%	\$9,562,885	4%
Water Conservation, Re-Use, Recycling and Treatment	15 - 30%	32%	8%	14%	29%	34%	70%	16%	\$66,431,830	28%
Water Storage, Conveyance and Delivery	60 - 75%	64%	84%	78%	62%	52%	5%	67%	\$145,353,056	60%
Watershed Restoration and Management	5 - 15%	5%	5%	8%	8%	9%	11%	9%	\$18,597,846	8%

Source: NMFA

WTB Requests and Funding by Entity, 2007-2013

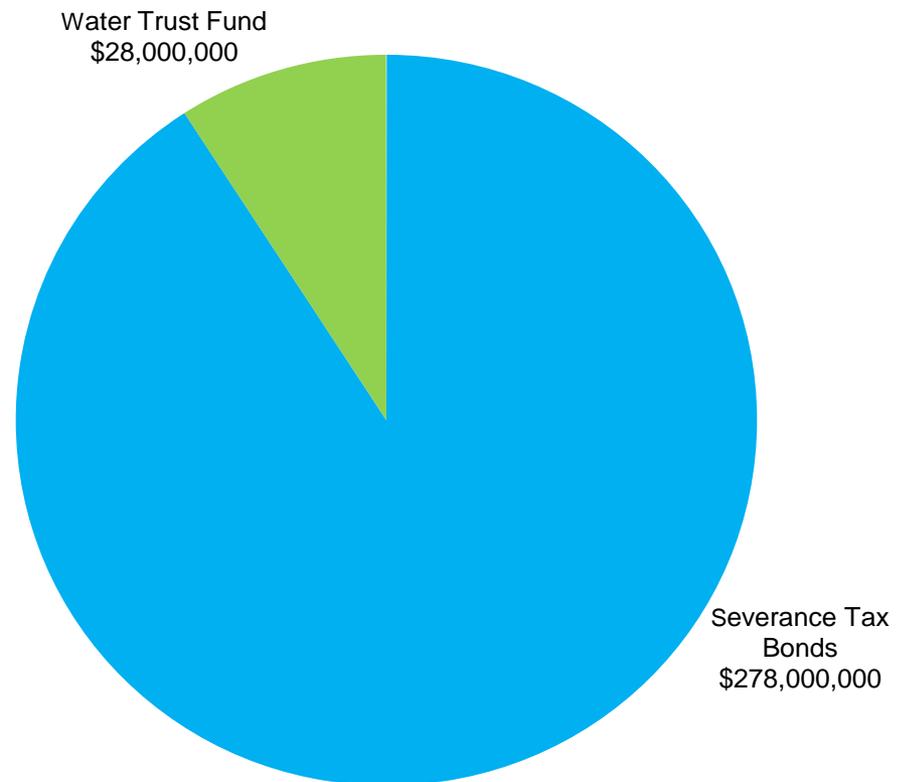
Applicants	Sum of Requested Amount	Sum of Awarded	Percent Requested vs. Awarded	Percent of Total Funding Awarded
Acequia	\$793,000	\$579,000	73%	0%
City*, Town or Village	\$332,044,000	\$109,824,000	33%	46%
COG	\$341,000	\$0	0%	0%
County	\$79,777,000	\$26,999,000	34%	11%
Joint City/County (San Juan-Chama)	\$6,000,000	\$0	0%	0%
State Government	\$2,383,000	\$1,374,000	58%	1%
Mutual Domestic	\$145,231,000	\$31,855,000	22%	13%
Tribe	\$32,667,000	\$10,137,000	31%	4%
Water&San&Soil Districts	\$71,748,000	\$25,479,000	36%	11%
Water Utility Authority**	\$65,926,000	\$34,449,000	52%	14%
Total	\$736,911,000	\$240,696,000	33%	100%

Source: NMFA

# The Water Trust Fund is projected to be depleted by 2033

- ▶ The Trust Fund provided 9 percent of WTB project funding from 2004–2013.
- ▶ State Investment Council Recommendations:
  - A single appropriation of \$18 million dollars to adjust for inflation;
  - Annual appropriations to achieve solvency; or
  - Reducing the required annual distribution.

Water Project Fund Revenues, 2004 - 2013



# The Water Trust Board is implementing new policies to improve planning, management, and compliance

- ▶ Show a stronger commitment to sustainability and best practices.
- ▶ Improve financial and environmental accountability of public utilities.
- ▶ Smaller utilities will require assistance in complying, which may be available through federal funding or non-profit agencies.

# Key Recommendations

## Water Trust Board

- ▶ Establish a centralized process for funding water projects statewide.
- ▶ Require the use of a uniform application process to serve all applicants and funding agencies.
- ▶ Provide loans with interest rates consistent with law and rule.
- ▶ Remove exceptions to policies, such as loan forgiveness.
- ▶ Utilize the Local Government Planning Fund to contract with third-party providers to assist with asset management plans, source water protection plans, and user rate analysis.

# Key Recommendations

## Legislature

- ▶ Require the use of a uniform application process to serve all applicants and funding agencies.
- ▶ Establish a single interagency committee responsible for coordinating all funding programs for water infrastructure projects and require a centralized reporting process to measure effectiveness.
- ▶ Prioritize and fund water-related capital outlay infrastructure projects only when loan and grant programs cannot.

# Summary of Relevant 2014 Legislation

- ▶ Senate Bill 42 sought to address the threat of insolvency by appropriating \$18 million to the Water Trust Fund, but did not pass.
  - LFC recommendation included \$10 million to begin addressing this issue
- ▶ Senate Bills 43 and 138 proposed funding for water planning and a demand & supply study.
  - LFC recommended \$483,000 for planning, and the GAA appropriated \$175,000 for this purpose
- ▶ Senate Bill 112 appropriated \$30.2 million of severance tax bond revenue for water projects.