

Table of Contents

Introduction	2
Water Conservation	2
1.1 Water Management.....	2
1.2 Water Desalination	6
1.3 Water Recycling and Reuse.....	7
1.4 Cooperative Watershed Management	7
Water Supply.....	8
2.1 Clean Water State Revolving Fund Loan Program	8
2.2 Drinking Water State Revolving Fund Loan Program.....	10
2.3 Water and Ground Water Storage and Conveyance	11
Land Restoration and Protection	12
3.1 Mine and Well Site Reclamation.....	12
3.2 Forest Health and Wildfire Management	13
Habitat Management and Ecosystem Restoration	15
4.1 Wildlife and Sport Fish Restoration	15
4.2 Wildlife Crossings	16
4.3 Good Neighbor Agreements	16
4.4 Voluntary Ecosystem Restoration Projects.....	17
4.5 Collaborative-Based, Aquatic-Focused, Landscape-Scale Restoration	17
4.6 Aquatic Ecosystem Restoration and Protection	18
4.7 Multi-Benefit Watershed Health	18
Overcoming New Mexico’s IJJA Challenge	18
Obstacles and Policy Alternatives	18
Concluding Thoughts and Recommendations	22

Introduction

The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law, authorized more than \$250 billion in federal spending for initiatives to advance natural resources conservation, restoration, and accessibility across the country. With nearly all the funding being distributed to states, local governments, and other political subdivisions, New Mexico has an unprecedented opportunity to address the environmental crises that affect every corner of the state.

The historic opportunity created by the IIJA does not come without challenges. To capitalize on the law's federal investments, the state must make investments of its own. Federal grants – even non-competitive grants apportioned to all states – have application requirements that demand time and expertise. Most grants stipulate non-federal matching funds, so applicants need a revenue source to support a portion of program costs. And infrastructure projects with complex water and other environmental considerations need technical as well as financial oversight and management once funding is secured.

The goals of this report are to:

- Provide lawmakers, state agency officials, Tribes, local governments, and any entity in New Mexico eligible for IIJA grants with a guide of the law's available conservation funding and key information about ongoing and upcoming opportunities;
- Highlight types of projects and initiatives relevant to New Mexico communities that could leverage IIJA funds;
- Identify the primary challenges state agencies and local entities face in accessing and spending federal funds; and
- Propose and assess actions policymakers can take to best equip the state and its subdivisions to apply for and implement federal grants.

This report was finalized in January of 2023, so information made available after that date may not be included.

Water Conservation

1.1 Water Management

The IIJA appropriated \$400 million to the existing WaterSMART grant program in the Bureau of Reclamation ("Reclamation") for competitive grants to fund water management improvements that contribute to water supply sustainability, increase drought resilience, and have environmental benefits. Eligible applicants for WaterSMART grants fall into one of two categories:

- Category A: states, Tribes, irrigation districts, water districts, or other organizations with water or power delivery authority

- Category B: nonprofit conservation organizations that are acting in partnership with a Category A entity

Applicants must also be located in one of the 17 Western States, Alaska, Hawaii, American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, or Puerto Rico.

IJJA funding for the WaterSMART program is divided into two portions – one for projects that improve the condition of a natural or nature-based feature and the other for general implementation of Section 9504 of the Secure Water Act. The first portion of funding, an appropriation of \$100 million, is being disbursed through the Environmental Water Resources Projects grant program (see section 1.1-A).

The grants for general implementation of the Secure Water Act are awarded through five distinct programs:

- Water and Energy Efficiency Grants (see section 1.1-B)
- Small-Scale Water Efficiency Projects (see section 1.1-C)
- Water Marketing Strategy Grants (see section 1.1-D)
- Drought Resiliency Projects (see section 1.1-E)
- Applied Science Grants (see section 1.1-F)

Each program has its own specific purpose and criteria, but in general these grants may be used to assist recipients with planning, designing, or constructing any improvement project to:

- Conserve water,
- Increase water use efficiency,
- Facilitate water markets,
- Enhance water management,
- Accelerate adoption and use of advanced water treatment technologies to increase water supply,
- Prevent the decline of species proposed or being considered for protection under the Endangered Species Act,
- Accelerate the recovery of threatened and endangered species as well as designated critical habitats,
- Increase ecological resiliency to the impacts of climate change, or
- Prevent a water-related crisis or conflict in a watershed that has a nexus to a federal reclamation project.

In total, IJJA appropriated \$300 million to these grant programs, with \$120 million allocated for FY22 grants.

Western States

The federal designation of “Western States” includes:

- Arizona
- California
- Colorado
- Idaho
- Kansas
- Montana
- Nebraska
- Nevada
- New Mexico
- North Dakota
- Oklahoma
- Oregon
- South Dakota
- Texas
- Utah
- Washington
- Wyoming

Although states are eligible to apply, most applicants for WaterSMART grants in New Mexico would be smaller entities, due to the typical award size and localized nature of eligible projects. However, with small staff sizes and, often, sparsely populated locations, water districts and other political subdivisions of the state rarely have access to the resources or expertise needed to navigate the federal grant application process. Furthermore, funding opportunities are frequently announced, opened, and closed within a short period of time. For example, the FY23 funding opportunity for the WaterSMART Water and Energy Efficiency Grants Program was announced on May 2, 2022, and applications were due July 28. Without staff to track federal funding announcements and prepare grant applications, these opportunities can be easily missed.

An examination of the New Mexico Department of Finance and Administration's local Infrastructure Capital Improvement Plan (ICIP) Dashboard shows that local governments and subdivisions have included 819 water-related projects in their FY23 ICIPs. Total estimated costs for these projects are upwards of \$3.8 billion, with funding of \$913.7 million, or just 24 percent, secured to date. WaterSMART grants offer the opportunity for local governments to double those existing investments, provided the projects are eligible and are not already supported by federal funds. More than half the ICIP water projects are for water supply infrastructure and other projects, such as reservoir lining and water line improvements, that would enhance water management and water use efficiency, among other project outcomes that meet the criteria for various WaterSMART grants.

1.1-A Environmental Water Resources Projects

This category of funding is made available for projects that improve natural features, including:

- Water conservation and efficiency projects that result in quantifiable and sustained water savings and benefit ecological values,
- Water management or infrastructure improvements to mitigate drought-related impacts to ecological values, and
- Watershed management or restoration projects benefitting ecological values that have a nexus to water resources or water resources management.

Of the \$100 million appropriated to this program, Reclamation allocated \$40 million for FY22, which was the first year of funding for Environmental Water Resources Projects (EWRP). The award cap was \$2 million and grant recipients are required to provide a 25 percent cost share. In this first year, funding opportunity was announced August 3, 2021, more than three months before IJIA was signed into law, and applications were due in December. If water districts and local governments were not already following announcements for WaterSMART programs and preparing grant applications, they likely missed this early opportunity to apply for IJIA funds. Indeed, of the 53 applications submitted, only three came from entities in New Mexico.

This lack of engagement may have cost the state significantly. Reclamation awarded a total of \$36.1 million, including \$26.7 million of IJIA funds, in FY22 EWRP grants to 12 states and Puerto Rico for 27 projects to advance quantifiable and sustained water savings. Several states received more than one grant, with California receiving four grants that, combined, total over \$6.7 million. Although California's population outnumbers that of the other Western States, its success in securing multiple awards cannot be attributed to size alone, as Idaho, Oregon, Utah, and Washington – all much smaller in population and land mass – received three EWRP grants each. New Mexico must be able to compete at the same level as

these states, and to do so requires knowledge of federal funding opportunities, effective communication of the state's water scarcity problems, and the ability to plan innovative, efficient water management projects.

1.1-B Water and Energy Efficiency Grants

The Water and Energy Efficiency Grants program (WEEG) provides a 50 percent cost-share for on-the-ground water management improvement projects that conserve and use water more efficiently, increase the production of hydropower, mitigate the risk of future water conflict, and improve water supply reliability in other ways. The program's focus is on projects that can be completed within two to three years. Reclamation is awarding grants in three funding groups.

- Group I: grants up to \$500 thousand for smaller on-the-ground projects
- Group II: grants up to \$2 million for larger, phased on-the-ground projects that may take up to three years to complete
- Group III: grants up to \$5 million for larger, phased on-the-ground projects that may take up to three years to complete

Reclamation has stated most awards will be for projects in Funding Group I, so communities should be aware that a large amount of funding is being made available for small-scale projects.

In FY22, Reclamation awarded \$42.8 million in grants with a combination of existing program funds and IJA appropriations. The funding was awarded for 36 projects, none of which are located in New Mexico. Of the 136 grant applications that were submitted, only five came from New Mexico-based entities. The selected projects include lining and piping canals, installing and upgrading water meters and timers, installing solar energy equipment to reduce power demand, and adding automated gates to control water flow, among other infrastructure improvements.

1.1-C Small-Scale Water Efficiency Projects

Small-Scale Water Efficiency grants provide 50/50 cost share funding to states, Tribes, irrigation and water districts, and other entities with water or power delivery authority for small water efficiency improvements that have been identified through previous planning efforts. Eligible projects include installation of flow measurement or automation in a specific part of a water delivery system, lining of a section of a canal to address seepage, or similar projects that are limited in scope. This program targets small projects that Reclamation prefers cost less than \$225 thousand total and grant awards are limited to \$100 thousand each.

In FY21, the City of Las Cruces received a Small-Scale Water Efficiency grant of \$75 thousand to install a smart irrigation system at four city parks and two recreation complexes. The total project was estimated to cost \$150 thousand and was expected to reduce both irrigation water waste and labor requirements.

1.1-D Water Marketing Strategy Grants

This program provides assistance to states, tribes, and local governments to conduct planning activities to develop water marketing strategies that establish or expand water markets or water marketing activities between willing participants. Grants up to \$200 thousand are available for projects to be completed within two years or up to \$400 thousand for projects to be completed within three years. The non-federal cost share requirement for Water Marketing Strategy grants is at least 50 percent.

IIJA funds for Water Marketing Strategy grants have not yet been awarded – the most recent grants from this program were awarded in July 2021. According to the Bureau of Reclamation, the next funding opportunity was expected in fall or winter 2022 but has not yet been announced at the time of publication of this document.

1.1-E Drought Resiliency Projects

This WaterSMART program provides grants of up to \$500 thousand for projects with a two-year timeline, up to \$2 million for projects with a three-year timeline, and up to \$5 million for larger projects with a three-year timeline. Recipients must provide cost share of at least 50 percent. A funding opportunity for the FY23 allocation of IIJA funds was open from March to June 2022. The FY22 awards totaled \$38 million and did not include any funding from IIJA. The City of Gallup, New Mexico, received a grant of \$2 million during that round of funding to construct a new production well that will produce 217 acre-feet per year of drinking water for the city and the surrounding area, increasing the water supply reliability for the region.

1.1-F Applied Science Grants

Applied Science Grants provide financial assistance to non-federal entities for the development of tools and information to support water management for multiple uses. Eligible projects may include the development of modeling and forecasting tools, hydrologic data platforms, and new data sets. Applied Science Grants require a 50 percent non-federal cost share and are capped at \$200 thousand. Eight FY22 funding recipients were announced for projects in Arizona, California, Nevada, and Texas. For the past two fiscal years prior to publication of this document, the application period for this program opened in February.

1.2 Water Desalination

IIJA appropriated \$250 million for the Bureau of Reclamation’s desalination construction program, which provides federal funding opportunities for ocean or brackish water desalination projects. Projects are selected through a competitive application process and must meet the following eligibility criteria:

- An applicant is a state/state agency, subdivision of a state, or public agency organized pursuant to a state law that is a sponsor of seawater and brackish water desalination projects located in the Western States or United States Territories.
- Projects must have a completed feasibility study submitted to Reclamation that is found to meet all requirements of BOR's Directives and Standards WTR 11-01 by the time the Notice of Funding Opportunity was posted.
- Projects must be located in the Western United States or United States Territories.
- Projects must be included in a state-approved plan.
- Projects must be ready to proceed within a reasonable amount of time once a financial assistance agreement is in place.

While the maximum award amount is \$30 million, grants more typically range between \$1 million and \$6 million. Applicants must cost share at least 75 percent of total project costs. FY22 grants were funded by \$15 million from IIJA in addition to general FY22 appropriations for this program. That funding opportunity

was open from January to March 2022. In FY23, \$20 million from IJA supported desalination grants, in addition to other base appropriations.

1.3 Water Recycling and Reuse

Funding of \$1 billion for water reuse and recycling projects was made available through Reclamation's WaterSMART Title XVI – Water Recycling and Reuse Program, with \$450 million set aside for large-scale projects (see section 1.3-A). The remaining funds are allocated to the existing Water Recycling and Reuse Program, which helps support planning, design, and construction of water recycling and reuse projects in partnership with local project sponsors under Title XVI of the Reclamation Projects Authorization and Adjustment Act of 1992 (P.L. 102-575). Grants and financial assistance are available for projects that reclaim and/or reuse municipal, industrial, and agricultural wastewater or impaired ground and surface waters. These initiatives promote greater water reliability and contribute to the resiliency of water supply issues by stretching limited water resources and improving efficiency and flexibility.

The federal cost share for Water Recycling and Reuse grants is up to 25 percent, not to exceed \$20 million. Funding opportunities for the FY22 allocation of \$245 million closed in March 2022. Reclamation ultimately awarded nearly \$310 million to 25 projects in six states, with none in New Mexico. The selected projects are expected to increase annual capacity by approximately 213,000 acre-feet of water, or enough to support more than 850 thousand people each year. \$150 million was made available for FY23.

1.3-A Large Scale Water Recycling and Reuse Projects

Large scale water recycling is defined in the IJA as projects that reclaim and reuse municipal, industrial, domestic, or agricultural wastewater or impaired groundwater or surface water located in a Reclamation state and with a total project cost of \$500 million or more. The law authorized \$450 million for this new program to provide grant funding to support planning, design, and construction of large-scale water recycling and reuse projects in partnership with local project sponsors. The first \$50 million of IJA funding will be available beginning in FY23.

Applicants must have feasibility studies that identify federal benefits and demonstrate both technical and financial feasibility. Priority will be given to projects that serve multiple purposes, including fish and wildlife enhancement, that address environmental impacts from Reclamation projects, or that are multi-state or regional in nature. Unlike other Title XVI projects, there is no dollar cap on the federal cost share for large-scale projects; selected projects will receive grants for 25 percent of project costs.

1.4 Cooperative Watershed Management

Through the Cooperative Watershed Management Program, the Bureau of Reclamation provides funding to watershed groups to encourage diverse stakeholders to form local solutions to address their water management needs. A watershed group is defined in statute as a self-sustaining, non-regulatory, consensus-based group composed of diverse stakeholders of the relevant watershed that promotes sustainable water use and improves the condition of rivers and streams through conservation, improved water quality, ecological resiliency, and reduction of water conflicts.

The program awards grants of up to \$200 thousand per applicant and does not have a match requirement. Eligible applicants for cooperative watershed management grants may be existing watershed groups or applicants forming a new watershed group, and there are three eligible project types.

- Watershed group development: efforts to establish or expand a watershed group
- Watershed restoration planning: developing or updating a watershed restoration plan, mapping and modeling, technical assessments of water quantity or quality, collaborating with stakeholders to gather information and seek input, developing restoration goals and general watershed management project concepts, and creating a matrix to evaluate and prioritize potential projects
- Watershed management project design: conducting analyses to prioritize watershed management projects and identify specific project locations, completing site-specific design and engineering, developing project timelines and milestones, and researching potential environmental compliance requirements

The IJJA included \$100 million for this program, with \$18 million allocated for FY22 and \$20 million allocated for FY23. FY22 recipients included two groups from New Mexico – an existing watershed group, Amigos Bravos based in Taos, and a new group being established by the Santa Cruz Irrigation District. Each group received full funding for its project.

Water Supply

2.1 Clean Water State Revolving Fund Loan Program

The Clean Water State Revolving Fund (CWSRF) Loan Program, administered at the federal level by the Environmental Protection Agency (EPA) and at the state level by the Environment Department (NMED), provides low-cost loans for planning, design, and construction of public wastewater facilities and other eligible water quality projects. The state receives an annual capitalization grant from the EPA and must provide matching funds of 20 percent. However, the state match for IJJA funds was reduced to 10 percent for FY22 and FY23. New Mexico usually supplies its state match from the public project revolving fund, which also supports the Drinking Water State Revolving Fund Loan Program and a low-cost loan program for state, local, and Tribal governments to finance public infrastructure and equipment.

New Mexico's FY22 allotment of funds were a base capitalization grant of \$5.7 million and an additional \$9.2 million from the IJJA. To receive the funds, states must submit intended use plans – including a list of publicly owned treatment works projects on the state's Project Priority List – that meet existing state revolving fund (SRF) requirements under the Clean Water Act (CWA). The EPA also required states to submit separate grant applications for IJJA appropriations and base CWSRF capitalization grants. The FY22 funds are available to states in both FY22 and FY23, and states must make commitments within one year after receipt of each capitalization grant from the EPA.

NMED's current interest rates for CWSRF loans are between 0 percent and 0.1 percent for public borrowers, varying based on a community's per capita income and user rates. Borrowers are not required to begin repayment until one year after their project's completion, and the repayment period may be up to 30 years, depending on the useful life of the infrastructure constructed. In addition to low-interest loans, the CWSRF program may provide the following forms of financial assistance: purchase or refinancing of debt; guarantees and insurance; guaranteed state revolving fund revenue debt; loan

guarantees; and principal forgiveness, negative interest rates, and grants, under certain conditions. The IIJA requires 49 percent of a state’s capitalization grant to be used to provide additional subsidization to CWSRF recipients in the form of principal forgiveness or grants.

The IIJA also grants additional administrative expenditure authority that allows states to use an additional 2 percent of their annual award to hire nonprofit organizations or state, regional, interstate, or municipal entities to provide technical assistance to rural, small, and Tribal publicly owned treatment works. NMED is using its set-aside of approximately \$175 thousand to hire a contractor who will work with communities to help increase their capacity to apply for and oversee funding. Congress also granted states additional authority for the CWSRF program in the Consolidated Appropriations Act of 2022. The “congressional additional subsidy authority” requires that states use 10 percent of their FY22 base capitalization grant to provide additional subsidization to CWSRF loan recipients in the form of principal forgiveness, negative interest loans, or grants. Another provision, the “CWA additional subsidy authority,” allows states to use between 10 percent and 30 percent of the capitalization grant amount to provide additional subsidy to certain eligible recipients (in the form of principal forgiveness, grants, negative interest loans, other loan forgiveness, and purchase, refinancing, or restructuring of debt).

2.1-A CWSRF Subsection on Emerging Contaminants

Of the total IIJA CWSRF appropriation to New Mexico, \$459 thousand is appropriated for eligible projects to address emerging contaminants. These are substances and microorganisms, either manufactured or naturally occurring physical, chemical, biological, radiological, or nuclear materials, which are known or anticipated in the environment and may pose newly identified or re-emerging risks to human health, aquatic life, or the environment. The most widely known class of emerging contaminants are perfluoroalkyl and polyfluoroalkyl substances, or PFAS, which have been found in ground water in some parts of New Mexico.

Types of Projects Eligible for CWSRF Loans

- Construction of publicly owned treatment works
- Nonpoint source pollution management
- Development and implementation of a conservation management plan under the national estuary program (Clean Water Act Section 320)
- Construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage
- Measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water
- Water conservation, efficiency, and reuse measures
- Watershed pilot projects (as defined by criteria in CWA Section 122)
- Measures to reduce the energy consumption needs for publicly owned treatment works
- Reuse or recycling of wastewater, stormwater, or subsurface drainage water
- Measures to increase the security of publicly owned treatment works
- Technical assistance to plan, develop, and obtain financing for CWSRF-eligible projects and to achieve compliance with the CWA

This funding is available for projects or activities that are eligible under section 603(c) of the CWA and have the primary purpose of addressing emerging contaminants. The state may use 2 percent of the emerging contaminants appropriation to provide technical assistance to small, rural, and Tribal publicly owned treatment works. The state cost share requirements for this appropriation are waived, and the full amount must be provided as principal forgiveness or grants.

2.2 Drinking Water State Revolving Fund Loan Program

The EPA administers funds for the Drinking Water State Revolving Fund (DWSRF) Loan Program, operated at the state level by NMED and the New Mexico Finance Authority (NMFA). Through this program, states may provide financial assistance to public water systems in the form of low-interest loans, refinancing, purchasing, guaranteeing local debt, and purchasing bond insurance for replacement and repair of infrastructure that protects drinking water quality. States may also provide additional subsidization in the form of grants, principal forgiveness, or negative interest rate loans. In addition to construction costs, the DWSRF program can finance planning, design, and associated pre-project costs and land acquisition, if needed for locating project components. As with the CWSRF, the state receives an annual capitalization grant from the EPA and must provide matching funds of 20 percent, which are usually appropriated from the public project revolving fund. The IJJA reduced the state match to 10 percent for FY22 and FY23.

In addition to New Mexico's FY22 base allotment of \$7 million, the IJJA provides an additional \$53.9 million for the DWSRF program. To receive the funds, states must submit intended use plans, including a list of publicly owned treatment works projects on the state's Project Priority List, that meet existing SRF requirements under the SDWA. The EPA also required states to submit separate grant applications for IJJA appropriations and base DWSRF capitalization grants. The FY22 funds are available in both FY22 and FY23, and states must make commitments within one year after receipt of each grant from the EPA.

Types of Projects Eligible for DWSRF Loans

- Installation or upgrade of facilities to improve drinking water quality to comply with SDWA regulations
- Rehabilitation, replacement, or installation of pipes to improve water pressure to safe levels or to prevent contamination caused by leaky or broken pipes
- Rehabilitation of wells or development of eligible sources to replace contaminated sources
- Installation or upgrade of finished water storage tanks to prevent microbiological contamination from entering the distribution system
- Interconnecting two or more water systems
- Creation of new systems to serve homes with contaminated individual wells or to consolidate existing systems into a new regional water system

The federal Safe Drinking Water Act (SDWA) requires states to give priority to projects that address the most serious risks to human health, are necessary to ensure compliance with the SDWA, and assist systems most in need according to state affordability criteria.

NMFA's current interest rates for DWSRF loans are between 0 percent and 4 percent, varying based on the public water system's ownership and median household income. DWSRF loans have a two-year interim period during which only interest and administrative fees are paid on the amounts drawn.

Following the interim period, the repayment period may be up to 30 years. In addition to low-interest loans, the DWSRF program may provide the following forms of financial assistance: purchase or refinancing of debt; guarantees and insurance; guaranteed state revolving fund revenue debt; loan guarantees; and principal forgiveness, negative interest rates, and grants, under certain conditions. The IIJA requires 49 percent of a state's capitalization grant to be used to provide additional subsidization to CWSRF recipients in the form of principal forgiveness or grants.

Like the CWSRF program, the DWSRF was granted additional authority by the Consolidated Appropriations Act of 2022. The program's congressional additional subsidy authority requires states to use 14 percent of the FY22 base capitalization grant to provide additional subsidization to DWSRF recipients in the form of principal forgiveness, negative interest loans, or grants. The SDWA disadvantaged community additional subsidy authority requires states to use between 12 percent to 35 percent of the capitalization grant amount to provide additional subsidy to state-defined disadvantaged communities (in the form of principal forgiveness, grants, negative interest loans, other loan forgiveness, and purchase, refinancing, or restructuring of debt).

2.2-A DWSRF Subsection on Emerging Contaminants

Of the total IIJA DWSRF grant to New Mexico, \$7.6 million is specifically appropriated for eligible projects to address emerging contaminants in drinking water, with a focus on PFAS. Funds appropriated under these provisions are not subject to the typical state cost share requirements, and the full amount of the capitalization grant must be provided as principal forgiveness or grants. At least 25 percent of these funds must be directed to disadvantaged communities or public water systems serving fewer than 25,000 people. The EPA recommends states coordinate with other funding programs that received IIJA funding to address emerging contaminants in drinking water, such as the Assistance for Small and Disadvantaged Communities Grant program.

2.2-B DWSRF Subsection on Lead Service Line Replacement

An additional set-aside of \$28.4 million is allocated from the IIJA funds for lead service line replacement projects or associated activity directly connected to the identification, planning, design, and replacement of lead service lines. Grants provided by this section are not subject to a state match requirement. States are required to provide 49 percent of the capitalization grant amount as additional subsidization in the form of principal forgiveness and/or grants. States must provide additional subsidization to water systems that meet the state's disadvantaged community criteria. Any lead pipe replacement project funded with the IIJA appropriation must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source.

2.3 Water and Ground Water Storage and Conveyance

Reclamation received \$1.15 billion from IIJA to provide state and local grants for water storage, groundwater storage, and conveyance projects through an existing program. Supported projects will provide benefits of increased water via construction of water storage or conveyance infrastructure or by providing technical assistance to non-Federal entities. Funding will be allocated through a combination of formula and competitive grant application processes and may be used for both feasibility studies and construction. However, the IIJA defines specific eligibility criteria for studies and projects to receive funding. Specific projects in Arizona and Oregon are named as eligible; outside of those two projects, feasibility studies and construction funding must have been authorized by Congress or approved in the

Water Infrastructure Improvements for the Nation Act by the time of IJJA's enactment in order to be eligible for this funding.

The Congressional Research Service (CRS) conducted a review of IJJA's eligibility requirements and previously enacted legislation to determine how many projects may be eligible to receive funding under this section of the law. According to their analysis, New Mexico does not have any projects that meet the criteria.

2.3-A Small Surface Water and Ground Water Storage Projects

Of the \$1.15 billion appropriation for storage and conveyance projects, \$100 million was set aside for a new grant program to support small surface and ground water storage projects. These grants do not have the same eligibility criteria as the existing program described in section 1.6 above, so there may be projects in New Mexico that qualify.

The first round of funding, \$20 million, will be released in FY23. The first year's grant application due date was in early December and applications were required to submit a completed feasibility study by the following October. Eligible projects will have water storage capacity between 2,000 and 30,000 acre-feet and will either increase surface water or ground water storage or convey water to or from surface water or ground water storage. Project sponsors must cover at least 75 percent of project costs, and the federal awards are capped at \$30 million per project.

Land Restoration and Protection

3.1 Mine and Well Site Reclamation

3.1-A Abandoned Mine Reclamation

IJJA appropriated \$11.3 billion to the Abandoned Mine Reclamation Fund, of which \$10.9 billion was allocated to the Abandoned Mine Land grants program. Funding is distributed via formula under this existing program that provides grants to states and Tribes for coal-related land and water reclamation projects. In addition to annual base federal funding, each eligible state will receive at least \$20 million over 15 years through IJJA.

New Mexico's annual IJJA distribution is \$2.4 million, subject to any required adjustments. When added to the existing grant distribution, the state received a total of \$5.3 million in FY22. EMNRD's Abandoned Mine Land Program (AMLP) in the Mining and Minerals Division administers this annual federal funding. The DOI's Office of Surface Mining Reclamation and Enforcement (OSMRE), which oversees and provides technical assistance to state abandoned mine land programs, evaluates New Mexico's program annually and reported in the most recent evaluation that EMNRD's AMLP is successfully implementing its program. AMLP has expended nearly \$22 million in grant funding since 1978 for 419.5 acres of coal-related reclamation. According to OSMRE, New Mexico has 329.3 coal-related acres remaining to be reclaimed.

3.1-B Orphan Well Site Plugging, Remediation, and Restoration

IJJA established a new grant program to plug, remediate, and reclaim orphan oil and gas wells on state and private land. Funds will be allocated via formula grants, initial grants, and performance grants, each with their own deadlines and application criteria. In January 2022, DOI announced Phase One of orphan

well funding, which included one quarter of the total formula grant money available to eligible states. New Mexico's formula grant allocation for Phase One was \$18.7 million.

Initial grants are available to states in amounts of up to \$25 million for large-scale programs or up to \$5 million for small-scale programs. New Mexico was awarded an initial grant for the maximum amount of \$25 million to plug and remediate 200 identified wells. Initial grants may be used to plug, remediate, and reclaim orphaned wells on state-owned or private land; identify and characterize undocumented orphaned wells on state and private land; rank orphaned wells by public health and safety risk, potential environmental harm, and other land use priorities; publish grant expenditure information on a website; measure and track greenhouse gas emissions and ground or surface water contamination associated with orphan wells; remediate soil and restore degraded habitat; remediate land adjacent to orphaned wells and decommission or remove associated pipelines, facilities, and infrastructure; identify and address any disproportionate burden of adverse human health or environmental effects of orphaned wells on communities of color, low-income communities, and Tribal or Indigenous communities; and administer the work identified in the grant agreement. States may receive either large-scale or small-scale grants, but not both.

States are eligible for performance grants if in the past 10 years they strengthened plugging standards in a manner that protects groundwater, public health, etc. and made improvements to state programs designed to reduce future orphaned well burdens, such as financial assurance reform, alternative funding mechanisms for orphaned well programs, or reforms to programs relating to well transfer or temporary abandonment.

3.1-C Abandoned Hardrock Mine Reclamation

IIJA created a new state grant program to inventory, assess, decommission, reclaim, and remediate abandoned hardrock mines. Funds may be distributed to states and Tribes through either formula or competitive grants for projects on state, Tribal, local, or private lands impacted by past hardrock mining activities or water resources that traverse such lands.

3.2 Forest Health and Wildfire Management

IIJA appropriated \$1.5 billion to the U.S. Forest Service (USFS) for State and Private Forestry programs focused on wildfire risk reduction and ecosystem restoration activities. \$305.4 million is appropriated in each year from FY22 through FY26, and each year's appropriation has a four-year period of availability. In FY23, \$83.8 million will be available primarily for grants to states, Tribes, and communities to carry out the general purposes of IIJA Sections 40803 and 40804 as well as to help states execute priorities in their State Forest Action Plans. These dollars are unallocated and may be used for the following authorized activities:

- Financial assistance to fuelwood banks
- A new rental program for states and tribes for portable skidder bridges, bridgemats, or other temporary water crossing structures to minimize stream bed disturbance
- Invasive species detection, prevention, and eradication on federal and non-federal lands
- Implementation of the National Seed Strategy for Rehabilitation and Restoration
- State Forest Action Plan priorities

3.2-A Community Wildfire Defense Grants

IJJA allocated \$500 million to the USFS for a new, competitive grant program to help at-risk communities mitigate the risks of wildfire by developing community wildfire protection plans (CWPPs) or carrying out projects contained in existing plans. Communities, state forestry agencies, Tribes, non-profits, and local governments are eligible to receive funds, but communities must have adopted an ordinance requiring the construction of new roofs to be similar or more stringent than standards set by the National Fire Protection Council or the International Code Council. Priority will be given to communities that have a high or very high wildfire hazard potential, are low-income, or have been impacted by a severe disaster.

In total, \$200 million was made available for the program in FY22 and another \$200 million for FY23. The maximum grant amount available for this funding opportunity is \$250 thousand to create or update a Community Wildfire Protection Plan or \$10 million for a project described by a Community Wildfire Protection Plan that is less than 10 years old. The state match requirement varies depending on the grant type: for grant proposals that would create or update a CWPP, the required non-federal match is 10 percent; for proposals to implement CWPP projects, the required match is 25 percent. Communities meeting the definition of "underserved" may request a match waiver.

Projects may be conducted on lands owned privately, by state or local governments, or by homeowner associations and must be completed within five years. Four separate opportunities are available for different regions and Tribes.

3.2-B State Fire Assistance

IJJA invested \$88 million in the USFS State Fire Assistance Program, which provides financial and technical support directly to states to enhance firefighting capacity, support community-based hazard mitigation, and expand outreach and education to homeowners and communities concerning fire prevention. The program promotes coordinated responses to wildfire by helping state foresters improve preparedness, such as fire planning and initial attack capabilities, and mitigation, such as hazardous fuels reduction and wildfire prevention activities.

States may use funds for preparedness activities (e.g., facility maintenance or development of fire readiness plans); for firefighting activities, training, and support (e.g., dispatch centers); for the purchase, maintenance, or rehabilitation of equipment; and for program administration. Assistance is also provided for community mitigation programs, including conducting hazardous fuels reduction projects on nonfederal lands and supporting the development of Community Wildfire Protection Plans and/or Firewise certification.

For FY22 and FY23, \$17.6 million was allocated for this program in each year. A minimum funding level of \$100 thousand is allocated to each state annually and additional funds are provided based on the state's acres of nonfederal land, population, and required level of fire protection. This program requires a 50 percent state match.

3.2-C Volunteer Fire Assistance

The Volunteer Fire Assistance program provides grants to state forestry agencies to support efforts to provide organization, training, and equipment for rural fire departments for wildfire prevention and response on nonfederal, rural lands. States may use funds to support any organized, not-for-profit, fire protection organization that provides services to a community with a population under 10,000 or whose

firefighting personnel is at least 80% volunteer. The IJA appropriated \$20 million to the program and \$4 million was allocated for each FY22 and FY23.

3.2-D Joint Chiefs Landscape Restoration Partnership Program

The Joint Chiefs Landscape Restoration Partnership Program, jointly operated by the USFS and the Natural Resources Conservation Service (NRCS), was formalized and made permanent in the IJA. The law authorized \$180 million for the program in FY22 and FY23 to conduct landscape restoration activities to mitigate wildfire risk, protect water quality and quantity, and improve wildlife habitat on eligible private, Tribal, state, and federal lands. IJA allocated at least 40 percent of the authorized funds to the USFS, at least 40 percent to NRCS, and up to 20 percent for program administration or other related purposes.

In FY22, the program invested \$48 million in 41 new and ongoing targeted forestry management projects that facilitate collaboration between USDA experts and private landowners to improve forest health across private and public boundaries.

Habitat Management and Ecosystem Restoration

4.1 Wildlife and Sport Fish Restoration

The IJA reauthorized the Wildlife and Sport Fish Restoration (WSFR) Program, also known as Pittman-Robertson/Dingell-Johnson funding, which provides formula grant funding to all 50 states and U.S. territories for a variety of conservation and outdoor recreation investments, including wildlife research, habitat restoration, hunter education, fish stocking and research, and boating infrastructure. Funding apportionments are based on a state's land and water area and number of paid recreational hunting and fishing license holders. The program is funded with excise tax revenue from hunting, shooting, and fishing equipment and boat fuel.

In New Mexico, WSFR funding is the primary revenue source of the state's game protection fund, which supports most of the operating budget of the Department of Game and Fish (DGF). The agency allocates the federal funds among its various programs through the annual budget request and subsequent legislative appropriations process. The federal funds are distributed on a cost-reimbursement basis, so DGF must cover the full cost of an approved project and then apply for reimbursement of up to 75 percent of the project costs. To get project approval, DGF must submit a work plan to be reviewed by the DOI.

New Mexico's FY22 apportionment, which DGF has access to for two years, is \$29.6 million. This is roughly \$10 million higher than the state's average apportionment in recent years, but not far outside the typical range of funds the agency might spend in a given year. For example, in FY19, DGF expended nearly \$27.8 million in WSFR funds. DGF's revenue from hunting and fishing license and permit fees, which average \$30.8 million annually, typically fund the required 25 percent state match for these grants and support other initiatives and agency operations as well. Sometimes the matching funds are provided by state general fund appropriations to other agencies that DGF partners with, such as State Parks or State Forestry, when a project is mutually beneficial.

4.2 Wildlife Crossings

4.2-A Wildlife Crossings Safety Pilot Program

The IIJA authorized \$350 million for a new Wildlife Crossings Safety Pilot Program established by the Federal Highway Administration (FHWA) within the Department of Transportation (DOT). This represents the first major investment Congress has made in wildlife crossings. The competitive grant program will support projects that have the goal of reducing wildlife-vehicle collisions and improving habitat connectivity for terrestrial and aquatic species.

Eligible applicants may be state highway agencies, metropolitan planning organizations, local governments, federally-recognized Indian tribes, federal lands management agencies, or the Commonwealth of Puerto Rico. The IIJA requires that 60 percent of grant funds be spent in rural areas, where wildlife-vehicle collisions are more likely to occur.

4.2-B Surface Transportation Block Grant (STBG) Program

The Surface Transportation Block Grant (STBG) Program, also administered by the FHWA, provides flexible funding to States and local governments for projects to preserve and improve surface transportation infrastructure, including highways, bridges, tunnels, public roads, pedestrian and bicycle infrastructure, and transit capital projects. IIJA amended the program to include wildlife collision mitigation projects, among others, in the types of projects that qualify for funding. STBG funding is distributed to states as formula grants and New Mexico's apportionment for FY22 was just under \$132 million.

4.3 Good Neighbor Agreements

Section 40804 of the IIJA authorized over \$2 billion for the Department of the Interior (DOI) and the Department of Agriculture (USDA) for various ecosystem restoration activities, including \$200 million to be distributed to states and Indian tribes through Good Neighbor agreements. The Good Neighbor Authority allows state forestry agencies to enter into agreements with the USFS and the Bureau of Land Management to perform forest, rangeland, and watershed restoration work on federal land. Under this provision of IIJA, \$40 million is allocated to BLM and \$160 million is allocated to USFS.

The BLM funds apply to federal land, non-federal land, and land owned by an Indian tribe. Therefore, projects need not be on BLM-managed lands so long as they directly benefit BLM-managed lands. This provides a mechanism for federal, state, county, and Tribal partners to implement restoration projects across jurisdictional boundaries. To be eligible for BLM Good Neighbor agreement funding, a project must fit the following criteria:

- The project consists of treatment of insect and disease infected trees, hazardous fuels reduction, or any other activities to restore or improve forest, rangeland, and watershed health, including fish and wildlife habitat.
- The agreement or contract is with either a state or county government or an Indian tribe.
- The project does not include construction, reconstruction, repair, or restoration of paved or permanent roads or parking areas, or the construction, alteration, repair or replacement of public buildings or public works.

- The project does not include public lands that have the designation of National Wilderness Preservation System, where removal of vegetation is prohibited or restricted by Act of Congress or Presidential Proclamation including the applicable implementation plan, or Wilderness Study Areas.
- The BLM provides or approves all silviculture prescriptions and marking guidelines for projects that include the sale of forest products.
- The decision to authorize a project is the responsibility of the BLM and cannot be delegated.

The USFS portion of this funding is part of the agency's National Forest System budget, separate from the State and Private Forestry grant programs discussed in sections 3.2-A through 3.2-C. In its FY23 IJA spend plan, USFS did not specify an amount to be allocated for Good Neighbor Authority agreements.

The Good Neighbor Authority does not function as a typical competitive grant program and, therefore, funding announcements are not required. Rather, contract opportunities and procurement notices are announced on the federal System for Award Management website, SAM.gov. Alternatively, opportunities are not announced at all, and states work directly with the BLM or USFS to identify an eligible project and develop a financial assistance agreement or contract. Good Neighbor agreements do not require matching funds.

DOI selected 24 projects to receive FY22 funding through Good Neighbor agreements, including one in New Mexico that provides \$25 thousand for a Taos pronghorn water catchment program. In total, \$5.3 million was invested through Good Neighbor agreements in this round of funding, with project costs ranging from \$10 thousand to \$800 thousand.

4.4 Voluntary Ecosystem Restoration Projects

Section 40804 of the IJA authorized \$400 million to DOI to provide grants to states, territories, and Indian tribes for implementing voluntary ecosystem restoration projects on private or public land, in consultation with USDA. The grants will prioritize funding cross-boundary projects and require state matching funds at a rate that has not yet been determined. To date, just one grant under this provision has been announced for a \$6.5 million U.S. Fish and Wildlife Service project in Hawaii.

4.5 Collaborative-Based, Aquatic-Focused, Landscape-Scale Restoration

Section 40804 of the IJA provided \$80 million to the USDA for a new competitive grant program managed by the USFS for projects that restore water quality or fish passage on federal land. Projects must last five years, have non-federal funding, and request no more than \$5 million. The USFS is directed to prioritize proposals that would result in the most miles of stream restoration for the lowest amount of federal funding. This funding is allocated to the National Forest System program in USFS's FY23 budget justification, separate from State and Private Forestry financial assistance programs. At this time, the type of assistance this program will provide and the eligible recipients have not been announced.

4.6 Aquatic Ecosystem Restoration and Protection

Reclamation's Aquatic Ecosystem Restoration and Protection program received \$250 million from the IJA. These funds will support voluntary, collaborative restoration projects by providing funding to eligible applicants for the design, study, and construction of projects for fish passage improvements and aquatic habitat restoration. Project criteria and a funding allocation process are currently being developed.

4.7 Multi-Benefit Watershed Health

IJA established a new Watershed Health Improvement program in the Bureau of Reclamation that will make competitive grants available for improving watershed health in river basins adversely impacted by a Reclamation water project. Funding will support the design, implementation, and monitoring of such habitat restoration projects. Benefits of eligible projects can be to a broad range of listed environmental, Tribal, and recreational purposes, but must only be for enhancement, not mitigation. Eligible projects will accomplish one or more of the following:

- Ecosystem benefits
- Restoration of native species
- Mitigation against the impacts of climate change to fish and wildlife habitats
- Protection against invasive species
- Restoration of aspects of the natural ecosystem
- Enhancement of commercial, recreational, subsistence, or Tribal ceremonial fishing
- Enhancement of river-based recreation

A total of \$100 million was appropriated in IJA, and the first allocation of \$20 million is being made available for FY23. The federal cost share will be up to 50 percent in most cases, but if non-consumptive conservation benefits account for at least 75 percent of project costs, the federal share can increase to 75 percent. A maximum award amount has not yet been announced.

Overcoming New Mexico's IJA Challenge

Obstacles and Policy Alternatives

While the IJA could potentially bring hundreds of millions of dollars in federal conservation funds to New Mexico, it first demands time and resources from the state, local governments, Tribes, water systems and districts, and all other would-be grant recipients. To fully realize the benefits from IJA's natural resources investments, these entities must be well-equipped to meet the various requirements involved in applying for and implementing federal grants. New Mexico has several hurdles to overcome in order to see actual increases in federal spending from IJA programs.

Tracking and Applying for Grants

First, appropriators should ensure the Executive branch has the staff to track notices of funding opportunities and coordinate with federal partner agencies to stay aware of non-competitive or contract funding not announced through the usual channels. This is a need at both the state and local level:

unsurprisingly, most small, rural, community-based groups report not having administrative capacity to monitor and respond to grant notices, but even large state agencies such as the Office of the State Engineer do not have staff dedicated for this purpose. The lack of federal funds monitoring at the state level means not only will state agencies miss chances to apply for grants, but also that local communities have few, if any, options for getting assistance. Regional associations may be well-suited to fill this gap, but they are also unlikely to have the existing resources to do so.

As detailed in the previous sections, the federal funds authorized by IJA cannot be obtained without project planning documents and other application materials to demonstrate a proposal's eligibility and merit. The state and its subdivisions must be prepared to complete an increased number of grant applications,

Policy Option: Status Quo. For those agencies that currently do not have any staff to dedicate time to grant tracking and applications, the new Federal Grants Bureau within the Department of Finance and Administration (DFA) should add this capacity without the need for increased agency operating budgets and full-time equivalent employees (FTEs). Agencies that are working on this task should shift the responsibility to DFA in order to free up their own resources for programmatic work that requires their technical and subject-matter expertise. Having a centralized state office for federal grants assistance should be more efficient than creating specific positions for this purpose in every state agency. DFA also received an FY23 special appropriation for \$1.5 million to award grants to local and Tribal governments or councils of government (COGs) to hire grant writers and managers. The application period for that grant, called the NM Capacity Building Grant, was open between September 9 and September 23 and the opportunity was announced in an email to local government officials.

While the creation of the Federal Grants Bureau and Capacity Building Grant provides essential resources, performance data will be needed to determine whether the current funding and staffing levels are sufficient. The Federal Grants Bureau currently has six positions, two of which are management positions. With dozens of grant programs authorized by the IJA for conservation and natural resources alone, it seems likely that DFA will find the workload exceeds the capacity of three analysts and one technical assistance supervisor/grant writer. According to the Federal Grants Bureau website, each analyst is assigned to work with between 26 and 33 state agencies.

The NM Capacity Building Grant is unlikely to meet the need for federal grant specialists throughout the state's local, regional, and Tribal governments and government associations. In its webinar explaining the grant application process and criteria, DFA acknowledged that it would be a highly competitive program with requests that far surpass available funds. One COG, the North Central New Mexico Economic Development District (NCNMEDD), has already created a grant writing assistance program using a state appropriation of \$370 thousand from the 2022 3rd special session Senate Bill 1 (also known as the "Junior Bill"). NCNMEDD is using the funds to support nine grant writers from whom communities can request technical support for both finding grants their projects are eligible for and preparing the grant applications. NCNMEDD is also providing engineering assistance for scoping budgets when local entities don't have the technical expertise in house or an engineering company on contract to develop the budgets for their projects. If the \$1.5 million Capacity Building Grant funding were divided equally among the six remaining COGs, to the exclusion of all local and Tribal governments, each one would receive \$250 thousand – over \$100 thousand less than the amount received by NCNMEDD in the Junior Bill.

Policy Option: Increase DFA's operating budget to create additional positions in the Federal Grants Bureau. In the upcoming appropriations cycle, the Legislature will have the opportunity to evaluate the current operations and progress of the Federal Grants Bureau and consider increasing its budget to accommodate more staff. The salary midpoint for a federal analyst in the bureau is \$62.4 thousand. With one additional analyst, Federal Grants Bureau staff could manage grant tracking and application preparation for an average of 22 agencies each rather than 30 agencies each.

Policy Option: Appropriate additional funds for the NM Capacity Building Grant. The Legislature could make an additional appropriation to DFA to increase the funds available for grants to local governments, Tribes, and COGs for hiring federal grant specialists and other technical support staff. To be most effective at capitalizing on IJA investments, the appropriation would need to be available for DFA to use in FY23 and the agency would need to quickly implement another grant application cycle. Unfortunately, several IJA funding opportunities passed in the time between when the Legislature appropriated these funds and when DFA created and announced the grant program. Now that DFA has the program infrastructure and award criteria in place, an additional round of funding should be able to reach communities within a shorter time frame than the first appropriation.

Policy Option: Appropriate funds to COGs for regional grants assistance. Using NCNMEDD as a model, the Legislature could appropriate funds directly to COGs to hire grant specialists and technical staff. The COGs could serve many communities with one grants management staff, thus conserving resources by avoiding the duplication of efforts among several entities in one region. This option would also conserve DFA's Capacity Building Grant funds for local and Tribal governments that either are not served by a COG or find COG assistance unable to meet their needs. Appropriations to COGs could vary based on the size and existing resources of each.

Policy Option: Partner with higher education institutions to access labor from the workforce-in-training. Having the funds to hire grant specialists does not guarantee local governments will be able to do so. High demand for workers with this skill set will affect organizations' ability to fill positions statewide, but sparsely populated areas will struggle even more. One potential solution for policymakers to consider is a collaboration with New Mexico's colleges and universities to provide technical assistance to communities via grant writing courses. Different formats of grant writing courses and workshops are already offered by several of the state's higher education institutions. The state could provide funding to small entities such as mutual domestic water associations and irrigation districts to enroll their typically volunteer staff in this type of course. However, an alternative and potentially more efficient option could be to pair these entities with students who enroll in a grant writing class and make the preparation of a real grant application or application template the central assignment. In this way, the class or workshop becomes a practicum that benefits both students by giving them real professional experience and local communities by providing the labor they may otherwise be unable to access.

Providing State and Local Matching Funds

Most of the IJA grants available for conservation work require a non-federal cost share of some percentage, ranging from 10 percent to 75 percent, of the total grant project costs. State match dollars are often supplied by special appropriations to agencies receiving federal grants; this allows for flexibility to meet match obligations that can change from year to year. A drawback to this approach, however, is that each request for a special appropriation must compete with the same agency's other special

appropriations requests as well as all other agencies' requests. Legislators are consequently forced to choose between funding federally required match contributions or non-recurring agency priorities. Furthermore, the potential influx of IJA grants may create state match requirements too large for the special appropriations process to accommodate.

Although securing matching funds for grants to state agencies is an issue that needs attention, the bigger challenge is figuring out how small, rural entities that desperately need infrastructure funding can afford a local cost share. Many are looking to state government to provide a funding source and mechanism for resource-strapped communities that do not have the capital to take advantage of federal grant opportunities.

Policy Option: Status Quo. Continuing the current method of funding match requirements means that requests for special appropriations related to IJA conservation grants will be compared with all non-recurring funding priorities statewide. This necessarily limits the amount of information about natural resources infrastructure requests that appropriators will receive, as they are tasked with reviewing hundreds of one-time appropriations requests. The current approach also does not address the question of providing a source for local matching funds.

DFA received an FY23 special appropriation of \$1 million for awarding grants to local governments for matching federal infrastructure and other funding. For the programs discussed in this report that are available to local entities, all of which fall under the water conservation category, the average dollar amount of a local match (based on maximum award levels) is \$8.8 million; the minimum dollar amount of a local match (based on maximum award levels) is \$100 thousand. While this appropriation will undoubtedly help some communities in a very significant way, it will not go very far in helping many local entities fund water management projects.

Policy Option: Invest in a fund limited in purpose to financing natural resources infrastructure projects. Building off the work done by a coalition of conservation advocacy groups in recent years, the Legislature could create a state fund dedicated solely to supporting infrastructure projects that improve natural resources conservation, restoration, and accessibility. The revenue surplus anticipated for this year could produce an even greater long-term return for New Mexico if a portion is committed to state and local natural resources infrastructure projects eligible for IJA funding. Part of the fund could be invested to ensure it is self-sustaining over time, and the rest would be available to support state and local match requirements to leverage federal spending.

Project Management and Oversight

If communities are successful in securing federal grants, their next challenge is ensuring the funds are administered efficiently and responsibly and the project is implemented with appropriate technical management and oversight. The lack of this type of financial and technical capacity is commonly reported by local entities as a reason they do not pursue federal funds in the first place. Organizations may have staff capable of administering grant funds, but not enough to manage both their existing priorities and new federal infrastructure investments.

Policy Option: Status Quo. Select programs, such as the CWSRF and DWSRF loan programs, have personnel at the state level who provide management and oversight of funded projects, but current data indicate their workloads have become unmanageable. In its August 2022 Capital Outlay Quarterly Report, the Legislative Finance Committee reported the Environment Department’s capital projects management workload exceeds its staff’s capacity by 123 percent. In practical terms, this translates to project managers who provide crucial engineering expertise making few site visits and being unable to provide technical review of water and wastewater projects funded through other state programs.

Policy Option: Appropriate funds for project managers. Given the wide variety of programs authorized by IJJA, the Legislature should consider funding new project manager positions at both the state and regional level. State agencies can house technical experts such as professional engineers to manage projects that are funded by federal programs the agency administers or that are supported by a substantial state match. For smaller projects and ones that are not funded by federal grants that pass through a state agency, the state can provide COGs with funding to hire project managers that meet the specific needs of their region.

Policy Option: Reform state hiring practices to increase the candidate pool and streamline the bureaucratic process. Staff at NMED suggested changes could be made to the existing job classification for project managers so that the candidate pool is not limited to professional engineers. Project managers with expertise in construction more generally would improve the workload distribution among the agency’s infrastructure projects staff and would likely be easier to recruit than engineers. NMED also pointed out that overly bureaucratic processes hinder the ability to quickly fill positions when they become vacant, which increases the strain on other employees as well as the communities relying on their assistance. Exceptions or reforms to the State Personnel Office’s hiring practices could help cut down on extra administrative work that takes time away from programmatic priorities.

Concluding Thoughts and Recommendations

If New Mexico policymakers wish to make meaningful progress on alleviating drought, improving water quality and supply, restoring environmentally damaged lands and ecosystems, mitigating wildfire risk and damage, increasing climate change resilience, and protecting wildlife, a strategy for accessing federal infrastructure funds must be implemented. Less than one year after enactment of the IJJA, the state has already forgone chances to bring millions in new federal spending to its communities. To take advantage of the historic opportunity presented by IJJA’s natural resources infrastructure investments, New Mexico needs an army of grant writers working statewide to connect small and rural communities with federal funds, a revenue source for state and local cost share of grant-funded projects, and project management teams at both the state and local level to ensure the investments are administered effectively to have the greatest impact.