



At a Glance

New Mexico's Capacity to Effectively Manage Clean Water Infrastructure Funds Faces Challenges

Why We Did This Evaluation

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this evaluation to determine the financial capacity of the New Mexico Environment Department to manage its Infrastructure Investment and Jobs Act funding for the Clean Water State Revolving Fund Program.

The EPA awards the New Mexico Environment Department federal funds to administer its Clean Water State Revolving Fund for local water-infrastructure improvement projects. Grantees should meet four dimensions of capacity: financial, organizational, stakeholder, and human capital. Challenges in any of these four dimensions can adversely impact the grantee's capacity to effectively manage and implement federal grants.

New Mexico is a part of EPA Region 6.

To support this EPA mission-related effort:

- Ensuring clean and safe water.

To address these top EPA management challenges:

- Managing grants, contracts, and data systems.
- Maximizing compliance with environmental laws and regulations.
- Overseeing, protecting, and investing in water and wastewater systems.

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What We Found

The New Mexico Environment Department, or NMED, is sufficiently meeting the financial and organizational dimensions of capacity to manage and use its infrastructure funds for the Clean Water State Revolving Fund, or CWSRF, Program. The NMED has consistently met or exceeded its financial match requirements, and both Region 6 and NMED staff indicated that the NMED's administrative fund can meet operational needs. Additionally, the NMED has made several structural and policy changes to increase visibility of its CWSRF Program and its pool of potential loan recipients. For example, the NMED has modified its staffing plan to create a loan marketing position, lowered its interest rate to 0.01 percent, and revised its affordability criteria so that more potential loan recipients may qualify for assistance.

However, the NMED faces stakeholder- and human-capital-related challenges that limit its capacity to effectively manage and use its CWSRF Infrastructure Investment and Jobs Act, or IIJA, funding. Specifically, the NMED has limited participation in its CWSRF Program because its stakeholders, or potential loan recipients, cannot afford to take out loans, generally operate only small water systems, or seek alternative funding. Competing funds undercut the CWSRF Program and offer grants or low-interest loans without additional federal requirements. As a result, the NMED is below the national average on several financial indicators that assess the overall health of its CWSRF and has an excess of available funds, projected to be \$75.6 million in fiscal year 2024. These challenges are compounded by the fact that the NMED is not fully staffed and has difficulty filling its vacancies. Should program participation increase, NMED staff may have difficulty managing the corresponding increase in the CWSRF workload. Addressing the NMED's capacity challenges should decrease the current excess of available funds and empower the NMED to manage and use future CWSRF funds more efficiently.

Limited capacity can hinder the NMED's success in implementing its CWSRF IIJA funding, meaning that New Mexico would not fully benefit from the funds available for public health and water quality improvements.

Recommendations and Planned Agency Corrective Actions

We recommend that the regional administrator for Region 6 develop and implement a plan to conduct additional monitoring of the NMED's relevant hiring efforts until fiscal year 2026 or until all vacancies are filled, whichever is sooner. We also recommend that the regional administrator for Region 6 provide annual training through fiscal year 2026 on the CWSRF Program to the NMED's staff to enhance their knowledge of the program and IIJA requirements.

The Agency agreed with our recommendations and provided acceptable planned corrective actions with estimated completion dates. We consider the recommendations resolved with corrective actions pending. The Agency also provided technical comments, which we considered and incorporated, as appropriate.