

NEW MEXICO
FINANCE AUTHORITY

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Presentation to the
Public School Capital Outlay Oversight Task Force

New Mexico Finance Authority Assisting School Districts and Charter Schools

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August 14, 2024

NMFA Governance



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 - **Martin Suazo, Vice Chair**
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Secretary, NM Environment Dept
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Secretary, NM Dept of Finance & Administration
 - **Mark Roper**
Acting Secretary, NM Economic Development Dept
- ◆ Broad-based finance agency created in 1992 as a government instrumentality
 - ◆ Governed by an 11-member independent Board
 - Approves rules, policies, and projects
 - Oversees operations and approves budget
 - Active Committee process provides high level of oversight of NMFA's diverse and complex operations
 - ◆ Expansive programming and service to New Mexico
 - Authorized to operate 25 programs through 13 Acts
 - New Mexico Finance Authority Act (NMSA § 6-21-2):
 - Purpose: "...to coordinate the planning and financing of state and local public projects ... and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects."
 - Statewide Economic Development Finance Act (NMSA § 6-25-6):
 - Purpose: "assist eligible entities in financing projects" and to promote "achievement of economic development goals..."
 - ◆ Administrator of four other Boards and their respective committees and one Executive Task Force
 - ◆ Overseen by 29-Member NMFA Oversight Committee

Statutory Authority

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Active?	Funded	FY	Program Name	Enabling Act	Statute	Policy Partner
✓	✓	1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0	Legislature
✓		1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4	DOH
✓	annually	1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4	NMED
		1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3	Legislature
✓	annually	2001	Water Project Fund	Water Project FinanceAct	72-4A-9	WTB/Leg
✓	✓	2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4	Various
✓		2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-6.1	NMEDD
	✓	2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0	ECECD
		2004	Acequia Project Fund	Water Project FinanceAct	72-4A-9.1	WTB/ISC/Leg
✓		2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4	HCA
		2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5	EMNRD
		2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8	DOT
✓	✓	2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1	FNM/NMEDD
		2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12	DOT
✓	annually	2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-1.0	CIB
	✓	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13	NMEDD
✓		2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-13	NMEDD
✓		2021	New Markets Tax Credit Small Loan Pool	Statewide Economic Development Finance Act	6-21-6.12	FNM/NMEDD
✓		2021	Small Business Recovery Loan Fund	Small Business Recovery Act of 2020	6-32-1	Legislature
		2021	New Mexico LEDA Recovery Grants	Local Economic Development Act	5-10-16	NMEDD/Leg
✓		2022	Cannabis Microbusiness Program	Statewide Economic Development Finance Act	6-25-6	RLD/NMEDD
✓	✓	2022	Venture Capital Fund	Venture Capital Program Act	6-33-3	(NMEDD)
✓	✓	2022	Charter School Facility Revolving Fund	Charter School Facility Improvement Act	6-21-6.16	(PSCOC)
✓	✓	2022	Opportunity Enterprise Revolving Fund	Opportunity Enterprise and Housing Development Act	6-34-12	OE&HDRB
✓	✓	2024	SSBCI Capital Access Program	Statewide Economic Development Finance Act	6-25-6	NMEDD
✓	✓	2024	Housing Development Revolving Fund	Opportunity Enterprise and Housing Development Act	6-34-1	OE&HDRB

Despite recent growth, PPRF continues to be NMFA's flagship program

as of August 2024

- ◆ Public Project Revolving Fund (“PPRF”) is NMFA’s flagship program. PPRF makes low-cost loans to School Districts, Public Universities, and State, local and Tribal governments to finance public infrastructure and equipment.
 - Borrowers receive the PPRF’s ‘AAA’ interest rates regardless of the borrower’s credit or size
 - NMFA’s approval includes a 90-day interest rate cap
 - NMFA absorbs underwriting, rating and other issuance costs, and produces the Official Statements, resulting in savings of time, effort, and costs to the borrower – all with no fees
 - Applications accepted monthly; applicants seeking to borrow more than \$1 million must first receive authorization by the legislature
- ◆ In addition to low ‘AAA’ interest rates, borrowers located in communities with Median Household Incomes (“MHI”) below the State’s MHI may receive Disadvantaged Entity Funding:
 - Clients with an MHI between 80% to 100% of the State MHI may receive 2% interest rate and Clients with an MHI that is less than 80% of the State MHI may receive 0% interest rate
 - Infrastructure and building loans may receive 10% of the PPRF loan in disadvantaged funding, up to \$500,000
 - Clients are limited to \$500,000 of disadvantaged funds per fiscal year
 - Disadvantaged entity funding is not provided for loans greater than \$5 million or for refunding loans

Security, Structure and Breadth of the PPRF



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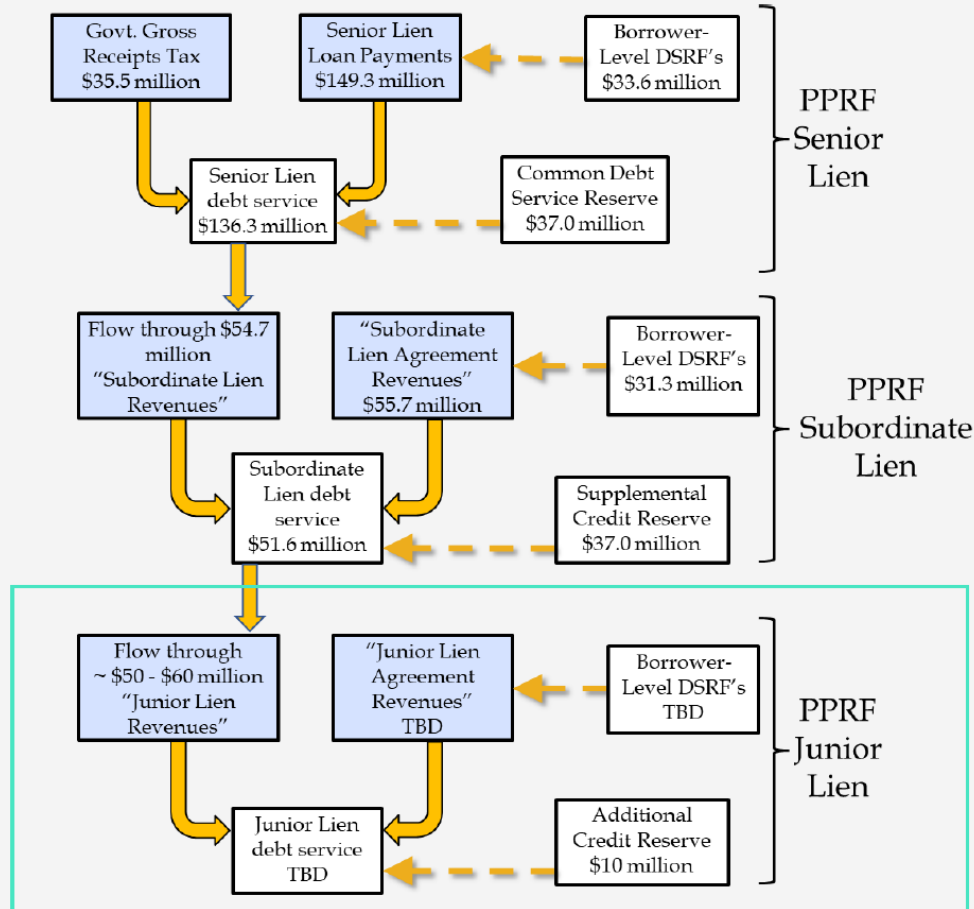
- ◆ The strength, liquidity and flexibility of the PPRF comes from a statutory dedication of Governmental Gross Receipts Tax (“GGRT”) that is pledged to bondholders.
 - GGRT is a 5% tax levied on county and municipal operated services. The PPRF receives 75% of statewide GGRT generated. GGRT tax revenues flow monthly to the PPRF and are held by PPRF’s Trustee until released to NMFA in June for PPRF purposes
 - GGRT and Senior Lien loan revenues flow to the Bond Senior Lien before flowing to the Bond Subordinate Lien. Subordinate Lien Loan Revenues flow directly to the Bond Subordinate Lien.. After Subordinate Lien Bonds are paid, remaining funds flow into the Fund for new loans.
 - Bonds are fixed rate with generally 10-year calls
 - Actively managed program has resulted in stable bond coverage and no defaults/delinquencies in PPRF’s 30-year history
 - PPRF is diverse in types of pledged revenues and borrower types:
 - 11 loan revenue pledge types
 - The PPRF lends to 33 counties, 104 municipalities, to the State, Tribes, Schools Districts, Public Universities, Hospitals and various types of Utilities

PPRF Junior Lien

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Program design extends the strength of the Senior and Subordinate Liens to a new "Junior Lien"

Through this structure, as much as \$300 million could be made available to under-served credits



PPRF Program Developments

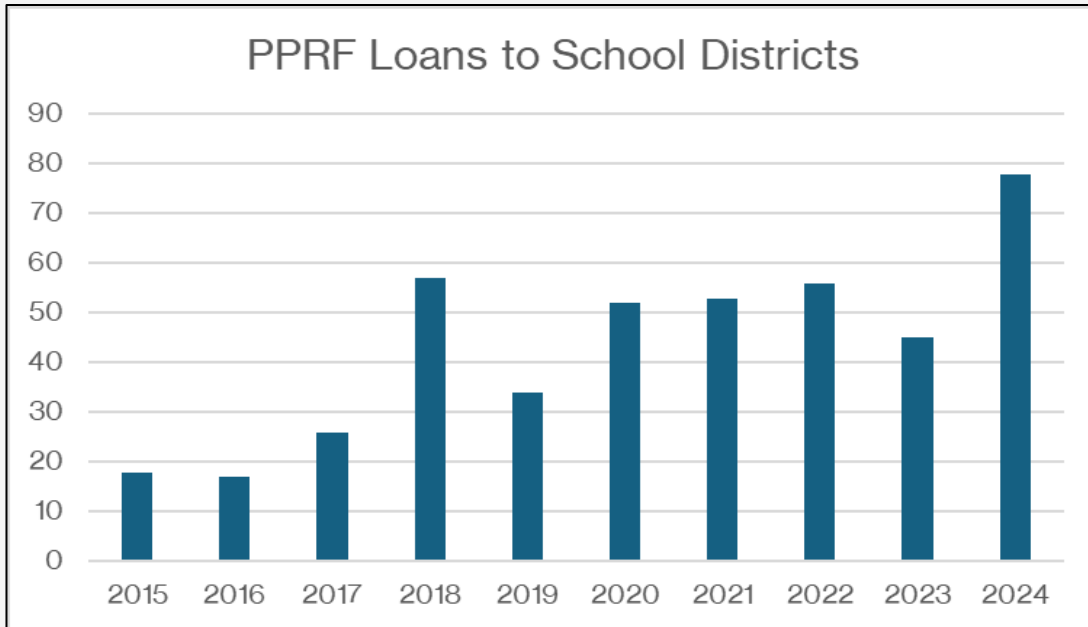


- ◆ Legislation passed during the 2024 session:
 - House Bill 207 eliminated discretion for Public School Capital Outlay Committee to provide lease assistance to charter schools (if funding is appropriated by the Legislature, then it must be provided to the charter schools)
 - Included a number of charter school facilities projects on the PPRF Legislative Authorization List, which authorizes entities to apply to the PPRF for project funding
- ◆ NMFA program developments since the 2024 session:
 - New Junior Lien (approved by the NMFA Board in March 2024) extends the benefits of the PPRF to Qualified Entities that historically have had less access due to credit considerations (e.g. charter schools, special districts, non-profit housing developers, etc.)
 - New/updated rule and policy frameworks, and project application systems
 - Education efforts and outreach to prospective applicants

PPRF Lending to Public Schools

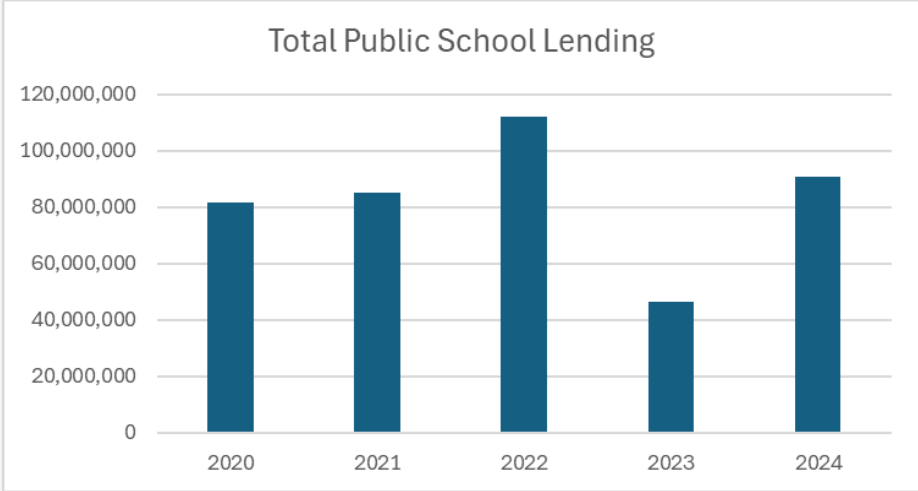


- ◆ The NMFA, through the PPRF, has financed more than \$660 million of school capital projects throughout the state over the past 10 years.
- ◆ PPRF Senior and Subordinate Lien bonds are rated AAA (S&P) and Aa1 (Moody's).



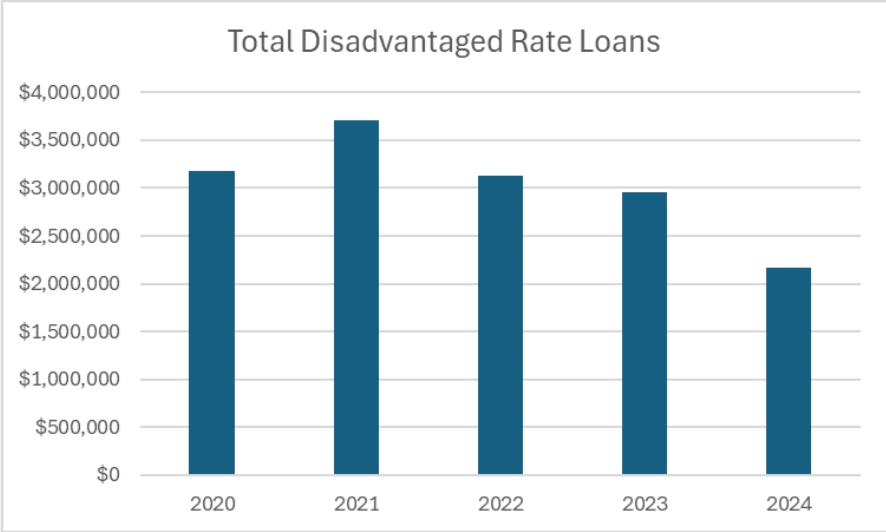
County	Number of Loans	Number of	Value of Loans
	2015-2024	School Districts	2015-2024
Catron County	4	1	950,000
Chaves County	20	3	10,950,000
Cibola County	11	1	21,999,999
Colfax County	39	4	24,151,200
Curry County	20	4	19,951,468
De Baca County	2	1	1,900,000
Dona Ana County	25	3	77,700,000
Eddy County	2	1	3,500,000
Grant County	3	1	7,000,000
Guadalupe County	7	1	2,400,000
Harding County	8	2	2,896,000
Hidalgo County	10	1	7,000,000
Lea County	4	2	27,820,000
Lincoln County	22	4	18,640,000
Luna County	2	1	3,000,000
McKinley County	17	1	75,885,000
Mora County	2	1	300,000
Otero County	17	2	15,975,000
Quay County	20	4	12,505,000
Rio Arriba County	14	2	25,150,363
Roosevelt County	25	2	25,050,000
San Juan County	14	2	60,410,000
San Miguel County	12	1	18,500,000
Sandoval County	28	2	22,156,658
Santa Fe County	6	2	14,183,992
Sierra County	11	1	13,500,000
Socorro County	20	2	16,387,179
Taos County	27	4	20,318,452
Torrance County	16	3	38,005,000
Union County	13	2	11,573,000
Valencia County	15	2	63,955,000
Grand Total	436	63	663,713,311

PPRF Lending to Public Schools



◆ NMFA has provided \$83.2 million per year on average of market rate loans to New Mexico school districts since 2020.

◆ The NMFA has provided \$24.1 million of low interest “disadvantaged rate” loans (0% to 2%) to New Mexico school districts since 2015 and averaged \$3 million annually since 2020.



Charter Schools - The Basics

- ◆ Charter schools are public schools independently managed by a governing council that have flexibility on content and teaching methods.
 - Charter schools are funded with public dollars through many of the same mechanisms as schools operated by public school districts and have the same accountability when spending public dollars.
 - Charter schools are overseen by publicly-elected authorizers and are committed, through a public charter contract, to specific academic, financial and organizational performance. When charter schools fail to meet criterion specified in charter contracts, they are put on corrective action and may be ordered to close.
- ◆ Charters offer no cost education to any student that chooses to attend. Charters often seek to offer pioneering educational models including specialized pedagogy focused on arts, local culture and language, project-based learning, Montessori, blended learning and college prep.
- ◆ Charter schools have existed in New Mexico for over twenty (20) years. There are currently 100 charters throughout the state serving 29,016 students. ~70% of charters are in urban centers of Albuquerque (55%), Santa Fe (8%) and Las Cruces (7%), and the remainder in rural communities.

- ◆ Securing quality educational facilities and expanding facilities to meet growing student populations and pedagogical needs is a challenge: relative to public school districts, charter schools lack comparable access to public funding resources to meet facility and student transportation needs.
 - Charter school facilities needs vary largely depending on school size, pedagogy and geographic location.
 - Projects range from shorter-term renovations and improvements, to longer-term expansion and acquisition of permanent facilities.
- ◆ In a recent survey by Public Charter Schools of New Mexico respondents indicated key challenges include:
 - *lack of affordable financing*
 - *strained finances overall*
 - *lack of available educational facilities in rural areas*
 - *lack of facilities support from public school districts*
 - *insufficient cash to fund down payments*

Charter School Facilities - Credit Challenges



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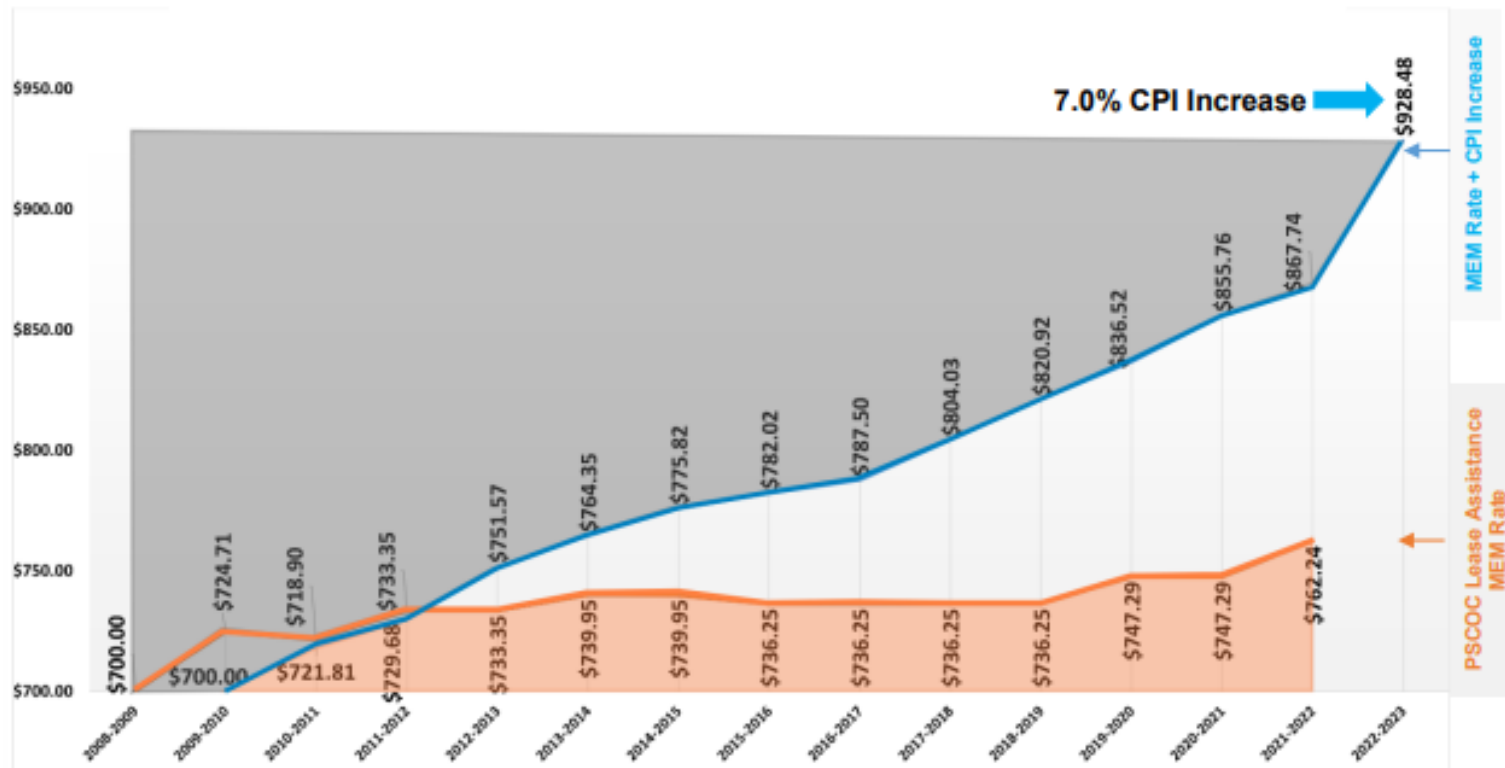
- ◆ Pursuant to the Bateman Act¹ it is unlawful for local school boards to become indebted beyond the current year. Therefore, in order to finance facilities projects, charter schools must enter into a lease purchase agreement (LPA).
- ◆ Lease assistance payments – the primary source of debt service – are subject to an annual discretionary Public School Capital Outlay Council grant award and funding process. Future annual per student MEM distribution amounts are subject to change.
- ◆ In FY23, publicly funded lease assistance payments covered ~70% of total lease costs², leaving a funding shortfall charter schools must meet with operating funds intended for educational purposes.
- ◆ LPAs are collateralized by educational facilities, a niche asset with a limited secondary market, posing valuation and liquidation challenges.
- ◆ Charter school contracts may be suspended or revoked by an authorizer. Renewed charter school contracts have a maximum term of five years, creating potential for mismatch between the life of the borrower and loans of longer duration.
- ◆ Charter schools can lose lease assistance if they fail to meet standards for educational occupancy as determined by the relevant local authority.

(1) [Link to full text of Bateman Act](#)

(2) Source: [Public School Facilities Authority](#)

Historic Lease Assistance MEM Rate relative to CPI

Mem Rate + CPI & PSCOC Discretionary Rate per MEM



Source: [Public School Capital Outlay Council, October 11, 2022; meeting materials page 161](#)

School & Project

- ◆ New school vs. an operational and renewal track record
- ◆ Enrollment; size of current or projected student population
- ◆ Strength of administration, staffing, Board; community support for school
 - Overall financial health
 - Facilities expertise to manage facilities project
- ◆ Educational quality; competitive environment for student attraction/retention
 - Performance compared to other schools in the community
- ◆ Facility project readiness
 - Total capital needs; ability to cover project cost overruns, maintenance costs
 - Site selection, lease terms, permitting

Structuring

- ◆ Contractual agreements and required approvals
 - Lease purchase agreement (LPA) must be approved by PED and school facility by PSFA
 - LPAs have annual terms and PSCOC lease assistance payments are granted annually
 - Charter contracts have five-year terms
 - Affiliated foundations may act as landlords
- ◆ Relationship with authorizer, public school district, local county
 - Existence of mill levy / county level GRT
 - Availability of vacant school district facilities vs. new construction
 - Other measures of support/cooperation within District (transportation)
 - Charter granted via school district or PEC