



Alliance for Local
Economic Prosperity

Keeping Our Public Funds Safe, Local and Working

NOW IS THE TIME FOR A STATE PUBLIC BANK TO INVEST IN NEW MEXICANS

ECONOMIC & RURAL DEVELOPMENT & POLICY COMMITTEE

NOVEMBER 13, 2024

Small Business and Rural Economic Development

54.2% of NM employees work in small businesses (2020 Bureau of Labor). There are 156,996 small NM businesses, 99% of the total. Less than one-third are led by “self-employed minorities.”

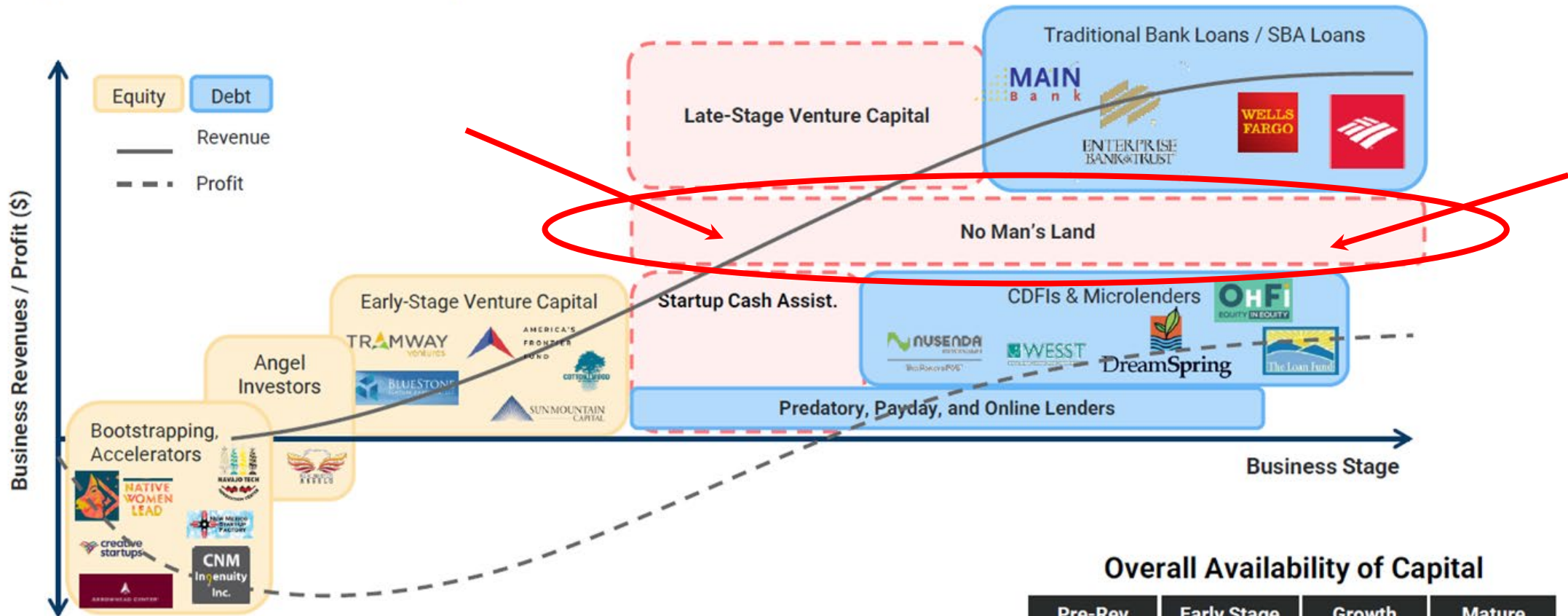
Challenges in accessing financing—awareness of programs, education on application processes, bias in loan approvals and criteria for approval. Creative Industries, Outdoor Economies surveys and conference input confirm the lack of capital access.

LULAC notes **redlining** continues in NM banks.

Lending Programs Are Not Reaching Small Businesses in Rural NM

- Zach and Mary Ben—farming, processing, and distributing baby foods; Navaho Nation; tribal liaison with UNM Rainforest Innovations Program; could not obtain financing, rather patchwork of savings and family support. Many reports of similar experiences.
- Outdoors Economics Conference—many individual owners and wannabes, including Indigenous people; #1 issue is access to capital.
- Creative Industries Conference—many individual owners, many Indigenous; lack of access to capital is a major issue.
- Banking newsletters report that as interest rates decrease small business lending is tightening even further than in the past year.
- Recent First Nation (Canada) study proposed formation of a Development Bank to address gaps in Indigenous access to capital.

Capital Landscape: Local Providers



Overall Availability of Capital

	Pre-Rev	Early Stage	Growth	Mature
Main Street Businesses				
Growth Businesses				

Key Findings: New Mexico Small Business Snapshot



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NMFA commissioned Next Street to research New Mexico small businesses and their funding needs to help inform how the NMFA Venture Capital Program and SSBCI funding could be best utilized in New Mexico.

There are **167,784 New Mexico small businesses with fewer than 50 employees**; 75% of these New Mexico small businesses do not have employees.

76% of employer small businesses have fewer than 10 employees and account for 47% of private employment in New Mexico.

42% of employer small businesses are located in rural communities.

Minority-owned businesses are significantly underrepresented in small business ownership statewide

Source: Research commissioned by
NMFA in 2023 conducted by Next
Street



New Mexico Needs More Financial Resources

- More financing for small businesses, rural, and tribal development needs and potential.
- Lending programs that support industry diversification and access to financing by entrepreneurs from marginalized backgrounds.
- Oil and gas revenues drop in 5-7-10 years. Current federal and state monies **will not meet all the need**, especially in 2+ years. Need to expand the state's financing capacity.

The State's need for development capital, especially for its socioeconomically disadvantaged communities, is addressed by a Public Bank of New Mexico.



Financing Gaps Ahead

- Reduced revenue in NM from Oil and Gas
- Federal monies through Inflation Reduction Act and other legislation diminishes or ends in 2026; no signals for extension of those bills.
- Impact of Project 2025
- Revolving funds do not expand beyond their established amounts.



Project 2025

- Calls for stronger Office of Advocacy within Small Business Administration pointed toward reduced regulations for small businesses, no additional funding in near future, outsource disaster loan programs, and remove all religious exclusions.
- Potential impact for NM, “...initiatives aimed at ‘inclusivity’ are in fact creating exclusivity and stringent selectivity in deciding what types of small businesses and entities can use SBA programs.” p. 749
- Unease on how SBA has become “hyper-focused on ‘disproportionately impacted,’ politically favored, or geographically situated small businesses and entrepreneurs.”



PB Implementation Plan

- Pass legislation in 2025 Session.
- July 1--begin process to charter bank, identify board members, bank location determined, executive team recruited and hired.
- Loan programs are developed and partner contracts established with community banks, credit unions, and CDFI's.
- August-October 2026, Public Bank of NM opens.

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Borrower Access to Loans

- 1. Borrower applies for loan in community bank, credit union, or CDFI holding a partner agreement with the state bank.**
2. Borrower brings documentation—business plan, financials
3. Loan officer determines eligibility based on criteria developed by PBNM staff and agreed to meet in the partnership contract.
4. When questions of eligibility arise, local institution contacts PBNM staff for consultation.
5. **Loan approved → Payments made to local financial institution.** Repayments and interest are allocated on a predetermined timeframe and in a percentage determined by the particular loan program engaged. (Example: a loan covered 70% by PBNM, 30% by local institution with 6% interest would have an agreed upon split on the interest payment + an administrative fee for the bank/CU/CDFI to handle the loan.)



Typical Loans in PBNM Model

Small business startups & expansions, Entrepreneurial Loans, Cooperatives
@ \$1.5-2 Million/each

Smaller loans @\$25-250K

Long-term loans @\$10-40K, including home solar installations

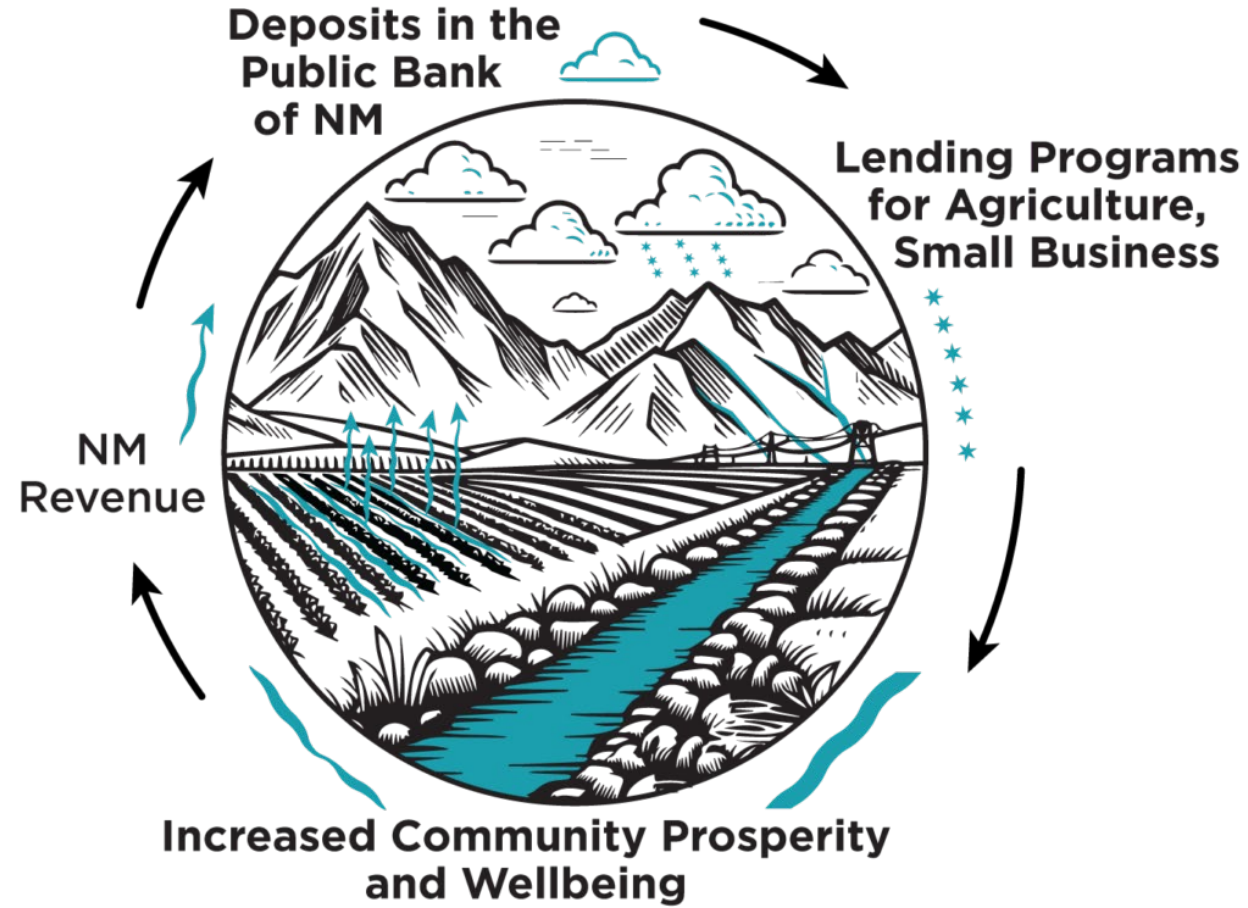
Medical, dental and veterinarian students, new clinic loans, low default rates

Initial lending programs: Accelerated Growth, Business Development, Value-Added Guarantee,
Bank Participation



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Questions? Contact Us

Angela Merkert, Executive Director, Alliance for Local Economic Prosperity
angela@aflep.org

Harold Dixon, former President and CEO, State Employees Credit Union;
member, AFLEP Advisory Board

AFLEP website: www.aflep.org