



NEW MEXICO  
**FINANCE AUTHORITY**

**Presentation to  
New Mexico  
Finance Authority  
Oversight  
Committee**



**Response to the Council of Development Finance  
Agencies' Access to Capital Report  
Review of Proposed Legislative Changes to Statutory  
Programs Operated by the New Mexico Finance Authority**

**Marquita D. Russel, CEO**

October 14, 2021

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NM Environment Department
- ❑ **Alicia Keyes**  
NM Economic Development Department
- ❑ **Debbie Romero**  
NM Dept of Finance & Administration
- ❑ **Martin Suazo**
- ❑ **Two vacancies**

- ◆ Created in 1992. NMFA is a government instrumentality to improve the planning and financing of state and local government public projects
- ◆ Broad-based finance agency that finances public infrastructure and economic development projects through 20 different programs authorized under 10 Acts
- ◆ NMFA's mission is to **advance New Mexico by financing impactful, well-planned projects**
- ◆ NMFA's vision is to be **New Mexico's partner in building economic prosperity and stronger communities**

# Funding Programs

Active?	FY	Program Name	Enabling Act	Statute
✓	1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0
✓	1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4
✓	1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4
	1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3
✓	2001	Water Project Fund	Water Project Finance Act	72-4A-9
✓	2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4
✓	2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-6.1
	2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0
	2004	Acequia Project Fund	Water Project Finance Act	72-4A-9.1
✓	2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4
	2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5
	2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8
✓	2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1
	2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12
✓	2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-1.0
*	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13
*	2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-13
✓	2021	New Markets Tax Credit Small Loan Pool	Statewide Economic Development Finance Act	6-21-6.12
✓	2021	Small Business Recovery Loan Fund	Small Business Recovery and Stimulus Act	6-32-1
✓	2021	New Mexico LEDA Recovery Grants	Local Economic Development Act	5-10-16

✓12 programs are active; \*2 programs have outstanding loans, but are not accepting new applications

# Financing by Program

	FY 2018	FY 2019	FY 2020	FY 2021
<b>Programs for Public Entities</b>				
Public Project Revolving Fund	\$ 240,740,847	\$ 292,065,615	\$ 300,371,255	\$ 249,893,547
Drinking Water State Revolving Loan Fund	\$ 11,789,905	\$ 19,308,157	\$ 8,116,040	\$ 38,423,929
Water Trust Board	\$ 4,415,442	\$ 17,305,000	\$ 22,734,559	\$ 33,086,115
Colonias Infrastructure Board	\$ 4,479,976	\$ 9,519,823	\$ 14,671,481	\$ 19,482,093
Local Government Planning Fund	\$ 2,033,155	\$ 1,787,967	\$ 349,395	\$ 915,000
<i>Public Financing Programs</i>	\$ 263,459,325	\$ 339,986,561	\$ 346,242,730	\$ 341,800,684
<b>Programs for Private Entities</b>				
New Markets Tax Credit	\$ 15,000,000	\$ 47,000,000	\$ 5,500,000	\$ 32,000,000
NMTC Small Loan Pool	n/a	n/a	\$ 5,067,500	\$ 692,500
Primary Care/Behavior Health Capital Fund	\$ -	\$ 1,600,000	\$ -	\$ 250,000
Smart Money Loan Participation	\$ -	\$ -	\$ 751,431	\$ 1,200,000
Essential Services Working Capital Program	\$ -	\$ -	\$ -	\$ 5,434,850
<i>Private Financing Programs</i>	\$ 15,000,000	\$ 48,600,000	\$ 11,318,931	\$ 39,577,350
<b>Total</b>	<b>\$ 278,459,325</b>	<b>\$ 388,586,561</b>	<b>\$ 357,561,661</b>	<b>\$ 381,378,034</b>

Does not include recovery programs

# Financing by Project

Project Type	FY 2020			FY 2021		
	Public Entites	Private Entites	Total	Public Entites	Private Entites	Total
Economic Development	\$ -	\$ 6,411,141	\$ 6,411,141	\$ 9,620,221	\$ 34,669,550	\$ 44,289,771
Education	\$ 113,529,430	\$ 875,000	\$ 114,404,430	\$ 96,007,471	\$ 875,000	\$ 96,882,471
Energy Efficiency	\$ 31,637,987	\$ -	\$ 31,637,987	\$ 9,401,159	\$ -	\$ 9,401,159
Healthcare	\$ 5,285,000	\$ 4,032,800	\$ 9,317,800	\$ 1,182,350	\$ 4,032,800	\$ 5,215,150
Other	\$ 5,431,500	\$ -	\$ 5,431,500	\$ -	\$ -	\$ -
Public Safety	\$ 21,116,331	\$ -	\$ 21,116,331	\$ 11,743,710	\$ -	\$ 11,743,710
Public Works	\$ 26,792,125	\$ -	\$ 26,792,125	\$ 20,573,185	\$ -	\$ 20,573,185
Refunding	\$ 67,874,404	\$ -	\$ 67,874,404	\$ 85,342,967	\$ -	\$ 85,342,967
Transportation	\$ 21,997,694	\$ -	\$ 21,997,694	\$ 12,107,984	\$ -	\$ 12,107,984
Utility	\$ 2,984,382	\$ -	\$ 2,984,382	\$ -	\$ -	\$ -
Wastewater	\$ 4,795,312	\$ -	\$ 4,795,312	\$ 9,486,419	\$ -	\$ 9,486,419
Water	\$ 44,798,565	\$ -	\$ 44,798,565	\$ 86,335,218	\$ -	\$ 86,335,218
<b>Total Financing</b>	\$ 346,242,730	\$ 11,318,941	\$ 357,561,671	\$ 341,800,684	\$ 39,577,350	\$ 381,378,034

Does not include recovery programs

- ◆ Purpose: As part of our strategic planning efforts, NMFA commissioned the Council of Development Finance Agencies (“CDFA”) to undertake a comprehensive review of “development finance tools”
- ◆ Scope: to review current infrastructure, economic development, and COVID-19 relief and recovery programs and offers suggestions for new programs or opportunities to improve NM’s existing economic development finance climate
- ◆ Process: CDFA independently reviewed public resources to gather information and conducted interviews with stakeholders in NM to inform the recommendations
- ◆ Goal of the report is to advance the ongoing conversation about how to best support capital access in NM and improve economic vitality across the state

- ◆ CDFA is a national association formed in 1982 to advance development finance concerns and interests
  - Organized by leading finance agencies to strengthen and increase use of tax-exempt and other finance tools that foster job creation and economic growth
  - CDFA assists the development finance industry including education, advocacy, research, resources and networking
  - CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community. Members are
    - state, county and municipal development finance agencies
    - authorities that provide or otherwise support economic development
    - non-governmental and private organizations including bankers, underwriters, attorneys, financial advisors and other organizations interested in development finance

- ◆ Development finance is broadly defined as the use of public sector resources to facilitate private sector investment that is expected to have a positive developmental impact on the community
  - Development finance institutions use direct loans, loan guarantees, equity investments, and a variety of other products to support and enable these investments
  - In recent years, development finance has emerged as an increasingly important tool to fight global poverty and reduce income inequality
- ◆ Development finance tools in New Mexico are administered by:
  - New Mexico Finance Authority (NMFA)
  - New Mexico Economic Development Department (NMEDD)
  - New Mexico Environment Department (NMED)
  - New Mexico Department of Finance and Administration

## ◆ Address Structural Shortcomings

- Reforming the capital outlay process is the single most important action that would catalyze economic development finance in New Mexico
  - For projects relying on that capital from certain programs, the annual legislative process creates uncertainty about whether the project can occur or meet construction or financing milestones
  - Dividing up funding based on a formula, rather than a need-based system, often means that expansive or transformative projects may not receive the necessary funding
- The legislature should consider appropriating funds to specific financing programs and then delegating authority to the appropriate agencies to make financing decisions
  - Those agencies would then be able to more quickly and more efficiently meet the needs of critical economic development projects
- Create a Consolidated Funding Application
  - A single point of entry that offers a streamlined application process would make it easier for practitioners to better understand and navigate New Mexico's funding process.

- ❑ Improve coordination between Development Finance Agencies. Decentralized administration of development finance tools made it very difficult to understand what is available
  - Provide consistent information about all financing programs that help businesses develop a more complete picture of the economic development landscape in New Mexico
  - The easier information is to access across all agencies, the better the job the State will do in meeting its commitment to offer a competitive business climate
- ❑ Explore the consolidation of finance programs
- ❑ Increase flexibility of existing programs
- ❑ Expand capacity of existing programs that work
- ❑ Create programs that fill gaps in the capital structure
  - Capital Access Program through the Federal State Small Business Credit Initiative (“SSBCI”)
  - Food-focused revolving loan fund
  - Beginning and Expanding Farmer Loan program (“Aggie Bonds”)
  - Use American Rescue Plan funding to increase broadband availability

- ◆ Water and Wastewater Grant Fund (1999)
  - ❑ Overview: Program provided grants to projects authorized by the legislature. Grant amounts determined using a sliding scale
  - ❑ Funding: Program was capitalized by \$5 million in PPRF bond proceeds and net appropriations of \$55 million. 160 projects were funded. Last appropriation received in FY 2002
  - ❑ Recommendation: Repeal 6-21-6.3
  
- ◆ Acequia Project Fund (2004)
  - ❑ Overview: Program funded improvements to acequias authorized by the legislature. Project recommendations, planning and oversight provided by Interstate Stream Commission
  - ❑ Funding: Received \$200,000 donation from a private family foundation. No state appropriations received to date.
  - ❑ Recommendation: Repeal 72-4A-9.1

- ◆ Local Transportation Infrastructure Fund (2005)
  - Overview: Grants of up \$500,000 to support Local Transportation Projects as prioritized by the Secretary of the NM DOT
  - Funding: Capitalized by 50% of NMFA's administrative fee for issuing and managing NMDOT bonds. Approximately 10 years ago, NMFA and NMDOT amended their Memorandum of Understanding to provide that NMFA is reimbursed for actual costs of bond issuance and management, rather than collecting the 25 basis point origination fee
  - Recommendation: Repeal 6-21-6.8
- ◆ Local Government Transportation Fund (2007)
  - Overview: Grants for transportation project authorized by the legislature and certified as ready to proceed by the NM DOT
  - Funding: Severance tax bond proceeds issued in 2007, 2008 and 2009
  - Recommendation: Repeal 6-21-6.12

## ◆ Child Care Revolving Loan Fund (2003)

- ❑ Overview:: Program funded expansion and/or equipping of licensed child care centers recommended by Children, Youth and Families Department. Funds could not be used for new facilities, which limited demand
- ❑ Funding: Received \$250,000 of federal funds; \$200,000 reverted to state for solvency
- ❑ Recommendation: Repeal 24-24-4.0 et seq

- ◆ Energy Efficiency & Renewable Energy Bonding Act (2005)
  - Overview: Financing mechanism that allows universities, schools and state agencies to borrow for energy efficiency projects and repay the loan with savings from the energy improvements. Loans are secured with State GRT and paid by withholding 90% of the annual certified energy savings from the borrower's budget.
  - Funding: The Act authorizes an amount not to exceed \$20 million in outstanding projects at any given time. Projects are funded from the PPRF. Eight projects financed to date; current outstanding balance is approximately \$19 million.
  - Recommendation: Consider increasing program cap

- ◆ PPRF Authorization Bill
- ◆ Water Trust Board Authorization Bill
- ◆ PPRF Appropriation Bill
  - Drinking Water State Revolving Loan Fund State Match
  - Clean Water State Revolving Loan Fund State Match
  - Department of Cultural Affairs Infrastructure Fund
  - Local Government Planning Fund appropriation
- ◆ Amend Primary Care Capital Fund to make working capital an eligible use and to move the Fund into the NMFA
- ◆ Amend to Behavioral Health Capital Fund to make working capital an eligible use

- ◆ Amend the Statewide Economic Development Finance Act (NMSA 6-25-6.1 et seq)
  - To eliminate the requirement for projects to receive legislative authorization prior to NMFA providing financial assistance.
    - Current temporary provision in place since 2011
  - To broaden the tools that NMFA establish by rule. Specifically, to allow NMFA to operate a capital access program using Federal State Small Business Credit Initiative (SSBCI) funds (SB 440, 2021 Legislature)
    - Capital Access Program is a tool used to incentivize bank lending to targeted businesses by creating loan loss reserves funded by the bank, the business and SSBCI funds
    - State is poised to receive up to \$56,234,176 for use in eligible programs including loan participation, capital access, collateral support, loan guarantees, and venture capital programs
    - State must leverage each Federal dollar with 10 private dollars