



NEW MEXICO
FINANCE AUTHORITY

**Presentation to
NMFA Oversight
Committee**



Update on the Small Business Recovery Programs

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The **Small Business Recovery Loan Fund** (“SBRLF”) was created in June 2020 during the 1st Special Session of the 2020 Legislature and significantly expanded during the 2021 Regular Session through Senate Bill 3. The SBRLF provides very low-cost loans of up to \$150,000 to New Mexico businesses that were significantly impacted by the pandemic and the related Emergency Health Orders. The **\$500 million loan** program is funded from the State Severance Tax Permanent Fund.

House Bill 11 made temporary changes to LEDA to create the **LEDA Recovery Grants** program, a **\$200 million grant program** to provide grants of up to **\$100,000** for rent, lease, or mortgage payments to businesses that experienced a decline in revenue during the pandemic and are now reinstating jobs lost. NMFA is the administrator of the grant program and the New Mexico Economic Development Department (“NMEDD”) is charged with policy oversight of the grant funds.

◆ Application Process:

- ❑ Businesses apply through an **online application** accessed at NMFA's website: www.nmfinance.com. Account registration is required
 - ❑ Once started, applications may be “saved” and submitted at a future date
 - Applications that have been started, but not submitted, and have not have any activity in 30 days are deemed inactive
 - Applicants may access inactive applications by contacting NMFA
 - ❑ The application system requires that businesses submit all documents in electronic format
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- ◆ The applications are housed in a secure, third-party site
 - ◆ The NMFA application system has three tiers of identity tools to mitigate errors and the potential for fraud

- ◆ Small Business Recovery Act of 2020 (1st Special Session of 2020)
 - ❑ Program directed State Investment Council to invest up to \$400 million of Severance Tax Permanent Fund for unsecured loans to small businesses with gross revenues of less than \$5 million
 - ❑ Three-year, interest-only loans at 1.625%; interest paid annually with the ability to convert the loan to a three-year, fully amortizing loan paid monthly
 - ❑ Qualifying businesses received loans equal to 2x their monthly adjusted gross revenue, not to exceed \$75,000
 - ❑ Businesses must have experienced at least 30% revenue decline in each of April and May of 2020 over those same months in 2019 determined by reports submitted to NM Taxation & Revenue Department
 - ❑ Businesses must have been owned at least 80% by NM residents
- ◆ Applications
 - ❑ Applications opened from August 7th – December 31, 2020
 - ❑ 880 loans made totaling \$42,032,663

- ◆ Small Business Recovery and Stimulus Act modified SBRLF
 - Substantially increased number of borrowers eligible to apply
 - Eliminated specific revenue decline formula and substituted broader rule of “substantial disruption” or “substantial decline in revenue”
 - Broadened the definition of New Mexico business to at least 51% ownership or at least 10-full time New Mexico resident employees
 - Raised maximum revenues to \$5 million of net revenues
 - Provided for more advantageous repayment terms
 - Modified for no interest in the first year and interest only payments for the next two years with interest paid annually
 - Provides for seven-year repayment terms following interest only period
 - Increased the amount of funding available to qualifying businesses
 - Loans of up to 3x monthly adjusted gross revenue, not to exceed \$150,000
 - Provides that NMFA may seek guarantees and/or collateral on loan amounts greater than \$75,000
 - Increased maximum State Investment Council investment to \$500 million



SBRLF Loans To Date

| Small Business Recovery Loan Fund Activity | | |
|----------------------------------------------------|------------|----------------------|
| Amount Drawn from State Investment Council to date | | \$ 140,000,000 |
| Paid to Date: | | |
| SBRLF 1.0 | 880 | \$ 42,032,663 |
| Total SBRLF 2.0 made to date | 1040 | \$ 82,546,583 |
| Less Amount of 1.0 Loans Seeking Refinancing | <u>261</u> | <u>\$ 12,844,603</u> |
| Net New Funding for 2.0 Loans | 779 | \$ 69,701,980 |
| Total Loans Paid to Date | 1659 | \$ 111,734,643 |
| Applications Approved | | |
| SBRLF 2.0 Pending Documents | 175 | \$ 13,459,857 |
| Less Amount of 1.0 Loans Seeking Refinancing | <u>34</u> | <u>\$ 1,695,507</u> |
| Net New Funding for 2.0 Loans | 141 | \$ 11,764,350 |
| Total Use of Funds | 1800 | \$ 123,498,993 |
| Applications Pending | 184 | \$ 10,988,802 |
| Applications Declined (~12%) | 182 | \$ 9,243,961 |

◆ New Mexico LEDA Recovery Grants

- \$200 million in grants for rent, lease or mortgage payments for businesses with fewer than 75 employees per location
 - Applications open from May 11 through December 31st in rounds
 - Approximately 67% of the funding requests have come from businesses in Bernalillo, Dona Ana, Sandoval and Santa Fe Counties; 33% for the funding requests have come from businesses in rural communities
 - Program is undersubscribed. To date, approximately 1,000 grants have been approved and funded totaling approximately \$50 million; with 100 pending totaling \$5 million.
 - Approximately 25% decline rate; most likely reason for decline is that business utilizes contractors that do not count as employees

◆ Applicant must qualify as a Recovery Entity

- ❑ A business organized as a corporation (including a nonprofit corporation), limited liability company, partnership, joint venture, syndicate, association or other person that operates in New Mexico
- ❑ At least one but fewer than 75 employees per location
- ❑ Business must have experienced a decline in business revenues between one or more comparable quarters in 2019 and 2020
- ❑ Business must be current on all state and local tax obligations and must certify that the business does not anticipate filing bankruptcy

◆ Other eligibility

- ❑ Must have been in business by October 1, 2019
- ❑ New FTEs must be employees for whom unemployment taxes are paid and wage reports are filed with the New Mexico Department of Workforce Solutions (NM DWS). Contract employees do not qualify

◆ What can the funds be used for?

- ❑ Funds may only be used for reimbursement of rent, lease or mortgage payments made for the building occupied by the business
 - Amount of funds disbursed cannot exceed amount of rent, lease or mortgage payments made during the period
 - Rent paid to an affiliated landlord will be allowed if the affiliated company has a mortgage on the building

◆ How are Awards determined?

- ❑ Awards of up to \$100,000 per business location
- ❑ Award amount is based upon:
 - Full-Time Equivalent Employees (FTEs) added after April 1, 2021
 - Percentage loss of revenue from one or more quarters in 2019 to the same period in 2020
 - Average wages to be paid to the new FTE

LEDA Recovery Grant

- ❑ **Base Grant** for each *projected* new FTE is based upon the percentage of revenue decline experienced by the business

Revenue Loss

- Less than 20%:
- At least 20%, but less than 40%:
- At least 40%, but less than 60%
- At least 60%, but less than 80%
- 80% or more

Base Grant per FTE

- \$10,000
- \$12,000
- \$14,000
- \$16,000
- \$18,000

- ❑ **Wage Bonus**

- Average wage of new FTEs of more than \$13 per hour: \$1,000 bonus
- Average wage of new FTEs of more than \$17 per hour: \$2,000 bonus

Grant Amount = (Base Grant Amount + Wage Bonus) x (number of new FTEs)

- ❑ **Full Time Equivalent Employee (FTE)** is an employee that regularly works at least 40 hours per week. The hours of employees that regularly work less than 40 hours are prorated and added together
- ❑ **Baseline Jobs** is the **number** of FTE reported to NM DWS for the quarter ended December 31, 2020 or March 31, 2021
- ❑ **Disbursal:** 25% of the grant is funded at closing, thereafter the grant is “post-performance” meaning the amount eligible to be disbursed is based upon the actual net increase in FTEs over the Baseline, less any amounts disbursed to date, not to exceed 25% of the grant award. Businesses may request reimbursement quarterly
- ❑ **Use of Funds:** Reimbursement of rent, lease or mortgage payments made for the building occupied by the business only. Amount of funds disbursed cannot exceed amount of rent, lease or mortgage payments made during the period

CARES Relief Grants

- ◆ House Bill 1 from the Second Special Session of 2020 authorized the Dept. of Finance and Administration to contract with NMFA to operate a \$100 million grant program using Federal CARES funding
- ◆ HB 1 directed that the grants not exceed \$50,000 and that the businesses receiving grants:
 - must be at least 51% NM owned by New Mexicans
 - Have fewer than 100 employees
- ◆ HB 1 also directed that NMFA ensure geographic dispersion of the funds and that priority be given to hospitality and leisure businesses and those businesses that are experiencing severe economic impact from the public health orders
- ◆ NMFA had to obligate the funds by December 28, 2020
- ◆ NMFA was reimbursed \$500,000 to administer the program

- ◆ The NMFA Board-adopted rules provided that:
 - The funding be offered in application cycles
 - 60% of the funds be directed to businesses in urban communities and the remaining 40% to all other businesses
 - Hospitality and leisure businesses have dedicated pools of funding
- ◆ Results:
 - More than 14,000 applications were filed
 - Requests totaled more than \$150 million
 - Funded 6,737 awards at an average award of \$15,000
 - NMFA awarded funds to eligible totaling \$99.5 million, however the final amount of the grants totaled \$96.94 million after applications were reviewed and corrected

Final CARES Grant

14

% of

| Application type | Location | funding | Total Awards | Average Award | |
|-----------------------------------------|----------|---------|-------------------|---------------|---------------------|
| 722: Food Services and Drinking Places | Urban | 16% | \$ 15,820,000 | 677 | \$ 23,367.80 |
| 722: Food Services and Drinking Places | Rural | 10% | \$ 9,990,000 | 460 | \$ 21,717.39 |
| 721: Accommodation | Urban | 3% | \$ 2,555,000 | 126 | \$ 20,277.78 |
| 721: Accommodation | Rural | 4% | \$ 3,925,000 | 213 | \$ 18,427.23 |
| 71: Arts, Entertainment, and Recreation | Urban | 4% | \$ 3,635,000 | 203 | \$ 17,906.40 |
| 71: Arts, Entertainment, and Recreation | Rural | 2% | \$ 1,762,000 | 113 | \$ 15,592.92 |
| All Other Industries | Urban | 34% | \$ 33,255,000 | 2,129 | \$ 15,620.01 |
| All Other Industries | Rural | 22% | \$ 21,550,000 | 1,387 | \$ 15,537.13 |
| Non-Employer (all industries) | Urban | 2% | \$ 1,702,000 | 847 | \$ 2,009.45 |
| Non-Employer (all industries) | Rural | 1% | \$ 1,121,000 | 546 | \$ 2,053.11 |
| Destination Marketing Organization | Urban | 1% | \$ 1,000,000 | 20 | \$ 50,000.00 |
| Destination Marketing Organization | Rural | 1% | \$ 625,000 | 16 | \$ 39,062.50 |
| Total | | | 96,940,000 | 6,737 | \$ 14,389.19 |

Stay up-to-date!

- ◆ Visit our Recovery Page on our website www.nmfinance.com for Frequently Asked Questions, application tips and tutorials
- ◆ Join our Recovery and Stimulus Programs Mailing List
- ◆ Additional Questions? Call 505-992-9696. Funding specialists are available from 7am to 6pm to help applicants.
- ◆ Or email:
 - ◆ For LEDA Recovery Grants: LEDA@nmfa.net
 - ◆ For SBRLF Loans: Recovery@nmfa.net