

NEW MEXICO  
**FINANCE AUTHORITY**

1

**Presentation to the NMFA Oversight Committee**

**Update on the  
2022 Legislative Session  
and NMFA Activities**

Marquita Russel, CEO

5-27-2022

## ◆ NMFA Oversight Committee Endorsed:

- ❑ Public Project Revolving Fund Projects (HB 42/a) – signed Feb. 28<sup>th</sup>
  - Authorized 190 separate entities to apply for PPRF loans
- ❑ Water Project Fund Authorization (SB 17) - signed Feb. 28<sup>th</sup>
  - Authorized 32 entities to receive funding from the for 36 projects recommended to the Legislature by the Water Trust Board for funding
- ❑ PPRF Appropriations Bill (SB 37) – Signed Feb. 28<sup>th</sup>
  - Authorized transfers to three funds:
    - NMFA-administered Drinking Water State Revolving Loan Fund (state match for federal capitalization grant);
    - NMED-administered Clean Water State Revolving Fund (state match for federal capitalization grant); and
    - DCA-administered Cultural Affairs Infrastructure Facilities Fund
    - Did not include transfers to Local Government Planning Fund because of the higher than usual federal match requirements

- ◆ Three bills (not endorsed by NMFAOC) passed by the Legislature:
  - Venture Capital Program Act – signed March 1st
    - Authorizes NMFA to administer alternative venture capital fund
    - HB2 provided \$35 million for this new program
  - Opportunity Enterprise Act (HB 7) – signed March 9th
    - Creates a 12-member Board administered by NMFA and authorizes NMFA to fund or guarantee loans to acquire or construct an economic development facility
    - HB2 provided \$70 million for this new program
  - Charter School Facility Improvements (HB 43) – signed March 1st
    - Creates new program for charter schools.
    - HB2 provided \$10 million for this fund
  
- ◆ Other Legislative Activity
  - Senate Confirmation of NMFA Board Members Martin Suazo and Andrew Burke

## ◆ NMFA-Endorsed Legislation

### □ Repeal Four Programs

- Water and Waste Water Project Grant Fund
- Child Care Facility Revolving Loan Fund
- Local Transportation Infrastructure Fund
- Local Government Transportation Fund
- Bill determined “not Germane,” did not receive Executive Message

## ◆ Other Legislation Impacting NMFA (not endorsed by NMFAOC):

- Water Trust Fund Appropriation (HB 41 /SB 18)
- Hydrogen Hub Development Act (HB 4)
- Public-Private Partnership Act (HB 55)
- Rural Health Care Project Loans (HB 97)

- ◆ Three new programs –Opportunity Enterprise, Venture Capital, and Charter School – represent significant increases in mission and will new personnel and contractors
  - ❑ FY 2023 budget adds five FTEs to NMFA headcount, bringing the total to 64 FTEs
  - ❑ Programs become law July 1, 2022
  - ❑ NMFA has been in contact with program stakeholders and has begun initial program design
- ◆ NMFA now partnered with nine departments and four (non-NMFA) Boards in its mission-based programs. Brings the total authorized programs NMFA is authorized to operate 23
- ◆ NMFA operations also impacted by additional funding expected over next five years in the Water Project Fund, the Colonias Infrastructure Project Fund, and the Drinking Water State Revolving Loan Fund

## ◆ Water Trust Board

- ❑ Capitalized annually from 9% of Senior Severance Tax Bonds
- ❑ Awards delivered as grant / loan (loans of 10% - 40% based upon capacity). Local match required
- ❑ Annual application cycle begins late summer; funding awards recommended by the WTB were approved by the NMFA Board at its May 26, 2022 meeting
  - 32 projects awarded totaling \$68,670,000; \$3.6 million held back for potential cost over-runs of approved projects
  - In total, 13.5% delivered as loan; 86.5% delivered as grant

## ◆ Colonias Infrastructure Board

- ❑ Capitalized annually from 4.5% of Senior Severance Tax Bonds
- ❑ Awards delivered as 90% grant / 10% loan. Local match required
- ❑ At its May 24<sup>th</sup> Meeting, the Colonias Infrastructure approved
  - 38 projects awarded totaling \$36,276,713 with a cost overrun reserve of \$1,910,670
  - Awards expected to be finalized at NMFA's June Board meeting

- ◆ Water Trust Board & Colonias Infrastructure Board Policies require:
  - Planning:
    - WTB: Current PER or relevant planning document required
    - CIB: Planning strongly encouraged
  - Minimum contributions from all applicants in the form of local or federal matching funds. STB matches do not count toward local contribution.
    - WTB: Amount of match determined on sliding scale
    - CIB: 10% local match
  - Mandatory loan component
    - WTB: 10% - 40% for all entities supported by a rate-paying constituency
    - CIB: 10% loan for all projects
  - Awards to be sized to complete a functional project or stand-alone phase of a project that can be accomplished within 24 months of award
- ◆ NMED Construction Program Bureau key partner in these programs

- ◆ WTB will review policy and process changes needed to accommodate high levels of funding anticipated for the next three years
- ◆ Current policies require complete vetting of projects, including review of the relevant planning documents, prior to recommending projects to the Legislature. This level of review is not sustainable at the anticipated funding levels
  - ❑ WTB Planning document requirement is increasingly seen as a barrier to accessing these funds as fewer PERs are being completed
  - ❑ Agency staff, particularly NMED Construction Programs Bureau, cannot commit the resources to review each PER as it has done for the past six years
  - ❑ Application timeline, which typically begins in August with training seminars, will not accommodate the Board's review of policies
  - ❑ NMFA Oversight Committee is slated to receive the list of projects recommended by the Water Trust Board at its November 11<sup>th</sup> meeting

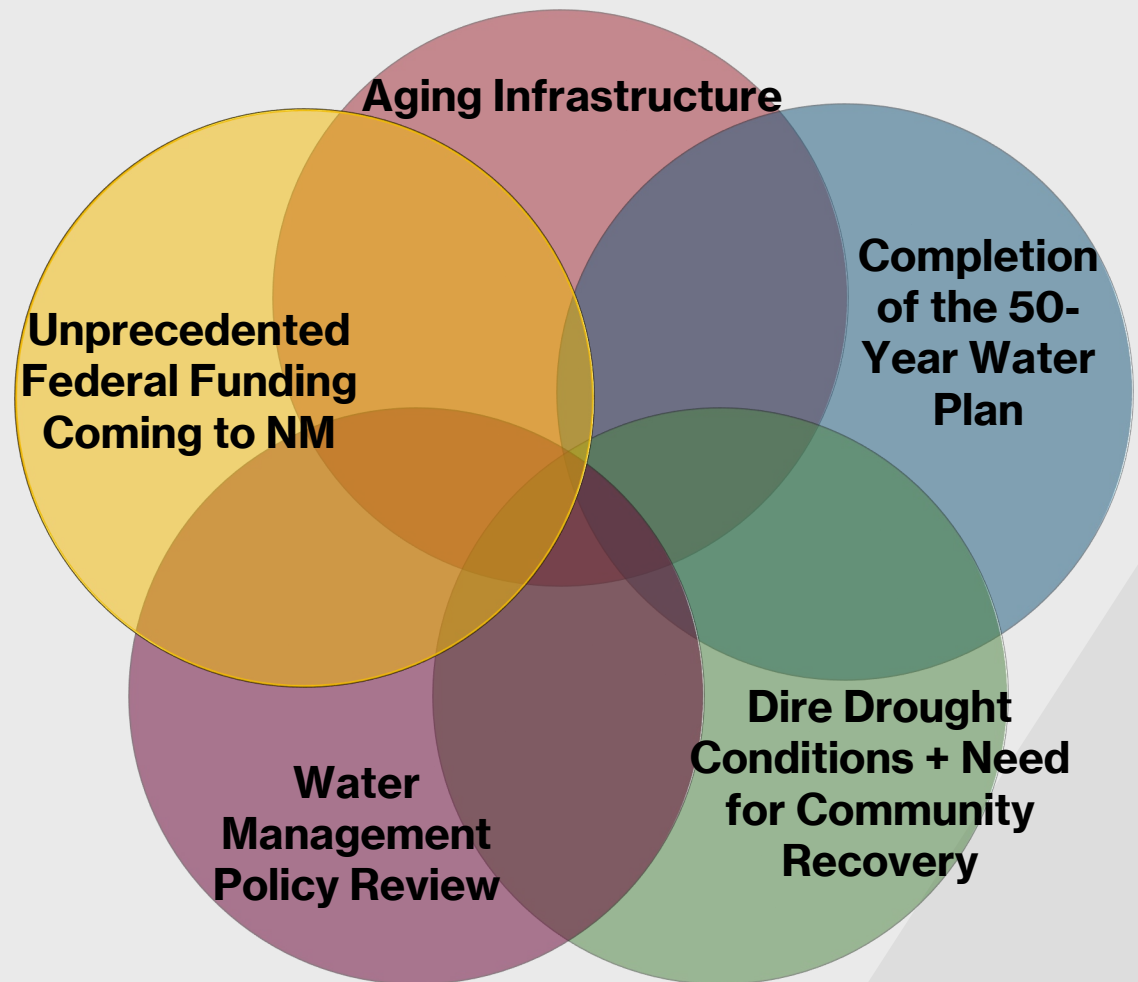


- ◆ Over past ten years, the federal capitalization grants have required states to provide affordable loans with grant-like subsidy. The Bipartisan Infrastructure Law significantly increases the total amount of subsidy that states must provide (from 6% to 61%)
  - Since 2019, NMFA has offered two levels of Disadvantaged Status defined solely by the Median Household Income (“MHI”) of the water system
    - Disadvantaged Community = MHI between 75% - 100%
    - Severely Disadvantage Community = MHI less than 75%
  - At its May 26th Board Meeting, the NMFA:
    - Amended its affordability criteria by pegging the MHI benchmark from state MHI to federal MHI. This change increases both the number of NM communities that can qualify for subsidy and the amount that certain communities can receive
    - New criteria creates an additional 176 census tracts and Census Designated Places that qualify under the Disadvantaged Community Program and moves 218 from “Disadvantaged” to “Severely Disadvantaged”
    - Lowered interest rates to 0% and .01% (depending on MHI)

This Summer, NMFA is slated to be an active participant in upcoming Water Task Force Chaired by State Engineer Hamman

The Task Force will contribute to the 50-year water plan and make recommendations for more effective use of state and federal funding available for water projects.

The Committee's inaugural meeting is June 1st



◆ Task Force will be informed by existing reports and data, including a June 2021 LFC Report Evaluation on State-Funded Water Projects found:

- ❑ New Mexico made proportionally more state grant and loan dollars available for water projects than any other state
- ❑ High availability of grant dollars disincentivized use of loan funds
- ❑ Funding programs that require planning, local cost share and full functional phases expend program funds more efficiently

**Table 4. New Mexico is the Only State to Provide a Majority of Drinking Water and Wastewater Funding from its Own Loan and Grant Programs Rather than its Federally-Backed Revolving Funds**

Rank	State	Total State Funding for Drinking Water and Wastewater Projects, 1988-2019 (in thousands)	Percent from State-Based Loan and Grant Programs	Percent from Federally-Backed Clean Water and Drinking Water State Revolving Funds
1	New Mexico	\$2,179,818	67%	33%
2	West Virginia	\$2,831,061	46%	54%
3	Maryland	\$5,970,111	46%	54%
4	Texas	\$17,522,755	44%	56%
5	Colorado	\$3,380,531	42%	58%
6	Wisconsin	\$5,783,485	37%	63%
7	Washington	\$4,486,283	36%	64%
8	Kentucky	\$3,052,105	35%	65%
9	Oregon	\$2,726,221	35%	65%
10	Alaska	\$1,378,690	33%	67%

Source: EPA NIMS data

**GOAL** » Bring expertise from every water use sector to the table to craft recommendations for action related to:

- 1) Preparing for Continued Drought and Climate Change Impacts to Water Resources

= *Input to the 50-Year Water Plan*

Summer 2022

- 2) Review Current Water Policies to Address Both Regional and Statewide Water Management Goals » Recommended Legislation

- 3) Funding Reform for Water Infrastructure

- 4) Capacity Development on Multiple Levels

= *Report to the Legislature*

Fall 2022