

NEW MEXICO  
**FINANCE AUTHORITY**



**Report to the  
New Mexico Finance Authority Oversight Committee**

# **Implementation of Charter School Financing Programs**

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July 10, 2025

# 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 Finance Act	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
✓	✓	2025	Local Solar Access Fund	Local Solar Access Fund	6-21-6.17	EMNRD

- ◆ House Bill 43 (HB 43/a) - '*Charter School Facility Improvements*' - was sponsored by Representatives Garratt, Dixon, Brown and Hernandez and Senator Correa Hemphill during the 2022 Regular Session
- ◆ The bill created the Charter School Facility Revolving Loan Fund within the NMFA to make loans to charter schools for the purchase, construction, expansion or renovation of facilities or to pay-off lease-purchase agreements
  - ❑ NMFA shall adopt rules to govern application procedures, requirements for disbursing loans and for determining eligibility
    - Rules and Policies were adopted by the NMFA in October 2024
  - ❑ Applications must include:
    - Evidence lease purchase agreements are in accordance with the Public School Lease Purchase Act
    - Evidence a charter school's charter has been renewed at least once
    - A review of the last two audits of the charter school
  - ❑ Requires annual reports by each December 1st to the NMFAOC

- ◆ The PPRF is a loan program funded by Governmental Gross Receipts Tax and replenished by periodic issuances of tax-exempt municipal bonds that enjoy a 'AAA' rating from S&P.
  - PPRF makes low-cost loans to State, local and Tribal governments to finance public projects
  - PPRF bondholders are paid from the principal and interest payments from the PPRF loans that NMFA makes
  - The PPRF is conservatively managed and has resulted in stable bond coverage and no defaults or delinquencies in the PPRF's 30+-year lending history
- ◆ NMFA has authority to make loans to or enter into leases with PPRF Qualified Entities for public projects
  - Qualified Entities include charter schools (amended into the NMFA Act in 2009)
  - Charter school foundations are not Qualified Entities under the PPRF
- ◆ Charter Schools expose the PPRF to risks that it is not designed to absorb
  - Charter schools cannot enter into debt; financings must be structured as Lease Purchase Agreements
  - NMFA purchases the building with PPRF funds and leases it to the Charter School.
  - Charter School has no legal obligation to continue the lease from year to year; non-renewal is not a default
  - In the event of a lease non-renewal, NMFA must take immediate steps to replace the revenue it expected to receive from the Lease to the Charter School in order to make payments to the PPRF bondholders
    - Re-lease the building for rents not less than the lease payments or
    - Sell the building for an amount not less than the amount remaining on Lease Purchase Agreement.
- ◆ PPRF's strength allowed NMFA to create in 2024 a junior lien indenture within the PPRF bond program. The bond program expansion allows NMFA to extend the benefits of the PPRF to Qualified Entities such as charter schools that have not enjoyed access to the PPRF because of credit considerations.

- ◆ Construction risk complicates the financing risk because increases in costs may increase the risk beyond the operating capacity of the borrower.
  - PPRF does not take construction risk where the borrower has no ability to increase rates or otherwise increase the revenue necessary to repay the loan.
  - Charter School facilities also have to meet PSFA standards which not all contractors may understand
- ◆ Drawing on junior lien capacity, the PPRF can offer long term permanent financing for projects with no construction component (e.g. refinancing of an existing lease purchase agreement)
- ◆ Charter School Facility Revolving Fund (CSFRF) rules and policies were crafted to offer short term financing during construction periods, then expected to be taken out by permanent financing offered by PPRF upon project completion.
- ◆ Given the limited amount of capital in the CSFRF, the NMFA's Charter School Policy includes prioritization criteria to ensure that in the event that demand exceeds the amount of funding available that the project with the greatest opportunity to be impactful and sustainable:
  - Projects improving an existing public school facility not current owned by the school
  - Applicant academic performance as assessed by PED statewide standards
  - Applicant standing with their Chartering Authority
  - Demand from the local community
  - Rural projects Financing Parameters – Applications from charter schools will be evaluated and must meet the following criteria:

- ◆ Charter School credit and structuring parameters are the same for the CSFRF and the PPRF
  - ❑ Charter School Performance & Sustainability: longer term operating and financial sustainability of the school will be assessed based on the school's track record and strategic plan
  - ❑ Project Size: Applicants may request between \$500,000 and \$5,000,000
  - ❑ Uses: Reimbursable costs include predevelopment costs, buildings, land, construction and renovation costs and equipment
  - ❑ Financing Costs: lease purchase financing is offered at fixed interest rates of 3% during the construction period and thereafter at PPRF junior lien rates for a term up to the useful life of the building
  - ❑ Lease Cost Coverage Requirement: schools must meet 1.0x based on lease assistance from the Public School Capital Outlay Council or 1.3x based on all allowable general fund sources
  - ❑ Collateral: schools must meet 75% LTV and authorizers 80% LTV
  - ❑ Financial Assistance Agreements: LPAs must be approved by PED, include a Lease Purchase Security Deposit and meet all standard NMFA contract terms and conditions
  - ❑ Reporting: schools are required to submit quarterly project and annual performance and financial reports

## CSFRF

## PPRF

	CSFRF	PPRF
<b>Eligible Applicants</b>	<ul style="list-style-type: none"> <li>Charter schools renewed at least once</li> <li>District authorizers on behalf of eligible charter schools</li> </ul>	<ul style="list-style-type: none"> <li>Charter schools renewed at least once</li> <li>District authorizers on behalf of eligible charter schools</li> </ul>
<b>Type of financing</b>	<ul style="list-style-type: none"> <li>Construction project financing</li> </ul>	<ul style="list-style-type: none"> <li>Permanent/acquisition/takeout financing</li> </ul>
<b>Types of projects</b>	<ul style="list-style-type: none"> <li>Building construction</li> <li>Renovations</li> <li>Facility expansion</li> </ul>	<ul style="list-style-type: none"> <li>Refinancing existing LPA</li> <li>Takeout/permanent financing</li> <li>Acquisition LPA financing</li> </ul>
<b>Eligible Costs</b>	<ul style="list-style-type: none"> <li>Construction costs</li> </ul>	<ul style="list-style-type: none"> <li>Planning/pre-development costs</li> <li>Land acquisition</li> <li>Buildings (existing) acquisition</li> <li>Equipment (within Federal tax guidelines)</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>Up to 3 years</li> </ul>	<ul style="list-style-type: none"> <li>Up to 30 years</li> </ul>
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>PPRF Tax Exempt + Up to 15 bps</li> </ul>	<ul style="list-style-type: none"> <li>PPRF Tax Exempt + Up to 15 bps</li> </ul>
<b>Application Requirements</b>	<ul style="list-style-type: none"> <li>LPA approved by the PED</li> <li>Repair and Replacement Fund</li> <li>School business plan and financial projections</li> <li>Audits</li> </ul>	<ul style="list-style-type: none"> <li>LPA approved by the PED</li> <li>Repair and Replacement Fund</li> <li>School business plan and financial projections</li> <li>Audits</li> </ul>



### Charter School Revolving Loan Fund (CSRLF)

<u>Applicant</u>	<u>Location</u>	<u>Project Description</u>	<u>Amount Requested</u>
East Mountain High School	Sandia Park	New parking lot	\$1,000,000
Anansi	Taos	Improvements to facilities	\$800,000
McCurdy Charter School	Espanola	New Cafeteria project	\$5,845,427
Cottonwood Classical Prep.	Albuquerque	Expansion of campus facilities	\$3,000,000
Mark Armijo Charter School	Albuquerque	Expansion of campus facilities	\$6,000,000
<b>Total Funds Requested for CSRLF</b>			<b>\$16,645,427</b>

### Public Project Revolving Fund (PPRF)

School of Dreams Academy	Los Lunas	Refunding Lease Purchase Agreements	\$6,000,000
Tierra Adentro	Albuquerque	Refunding Lease Purchase Agreements	\$6,664,150
<b>Total Funds Requested for PPRF</b>			<b>\$12,664,150</b>





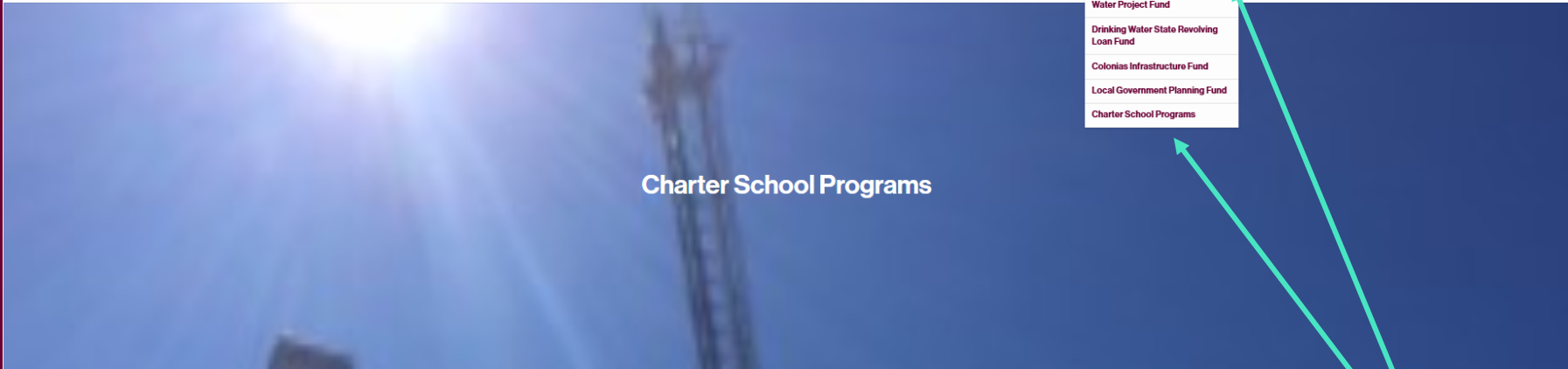
# Charter School Financing Information

https://www.nmfinance.com/charter-school-facility-revolving-fund/



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- Public Project Revolving Fund
  - Water Project Fund
  - Drinking Water State Revolving Loan Fund
  - Colonias Infrastructure Fund
  - Local Government Planning Fund
  - Charter School Programs



## Charter School Programs

### Programs

#### Overview

Public Project Revolving Fund

#### Business Financing

Opportunity Enterprise – Commercial Development

Opportunity Enterprise – Housing Development Program

State Small Business Credit Initiative (SSBCI)

Venture Capital Program

New Markets Tax Credit Program

Smart Money Business Loan Participation Program

Primary Care Capital Fund / Behavioral Health Capital Fund

Small Business Recovery Loan Fund

Water Project Fund

Drinking Water State Revolving Loan Fund

Colonias Infrastructure Fund

### About

NMFA has programs to help charter schools in New Mexico improve their facilities to better serve their students. These programs will provide low-interest financing for construction, refinancing, long-term financing, renovation or expansion, and more to meet the needs of charter schools. The charter school programs opened December 2024.

The **Charter School Facility Revolving Fund** was created to make loans to charter schools to help improve their facilities. This \$10 million fund is available for renovation, expansion, or other construction needs of charter school facilities. The application round for the Charter School Facility Revolving Fund closed on March 6, 2025.

NMFA's flagship program, the **Public Project Revolving Fund**, is available to refinance lease-purchase agreements. Charter schools with an existing lease-purchase agreement in place and no construction needs may be eligible to refinance at a lower interest rate using the Public Project Revolving Fund. There is no deadline to apply to the Public Project Revolving Fund.

### Application

[Click here to apply](#)

Please submit the completed form to [business@nmfa.net](mailto:business@nmfa.net)

### Information

### Resources

[Charter School Revolving Fund Policy](#)

[Charter School Revolving Fund Rules](#)

[HB 43 \(2022 Regular Session\)](#)

For more information on the PPRF and the Charter School Facility Revolving Fund

https://www.nmfinance.com/oroarams/

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