

NONPROFIT CAPITAL

NMFA Oversight Committee

NORTHERN NEW MEXICO COLLEGE
(F/K/A NM SPANISH-AMERICAN SCHOOL)

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The Goal: To find a way to fund non-profit capital needs in a way that

- (1) is sustainable and consistent;
- (2) meets the needs of the communities they serve; and
- (3) doesn't burden County and City governments.

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Current system:

- (1) Legislators get individual capital allotments;
- (2) Legislators make allocations for a nonprofit, but have to name a local government to be the fiscal sponsor;
- (3) Funding is inconsistent and inadequate.

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In 2023: Legislators distributed \$ 351 Million in Capital Outlay

Total Project Costs: \$ 122 Million (34% / \$351M)

Total Requested: \$ 77 Million (22% / \$351M; 63% / \$122M)

Total Funded: \$ 23 Million (06% / \$351M; 18% / \$122M; 30% / \$77M)

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The current system has local governments seeking capital for their own needs and also for nonprofits in their communities – often competing against themselves for limited funds.

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Local governments often discover after the fact they they have been named fiscal agent for programs they didn't even know were seeking funding.

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Some local governments – such as the City of Albuquerque – have decided to refuse to be fiscal agent for any new programs and are discontinuing existing programs.

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Bernalillo County has now hired staff exclusive to trying to keep up with all the accountability required of being fiscal agent for all nonprofit capital allocations in their County.

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Other local governments may lack capacity to provide adequate oversight. In addition, due to anti-donation concerns, many local governments only fund projects where they are willing to operate the building or use the capital assets themselves.

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In sum, the current system results in underfunded projects, inconsistent availability, haphazard oversight, and differential accountability for the use of public funds.

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Proposal today is to move nonprofit capital outlay from
Legislative Allocations to a merit-based system operated by
NMFA.

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Expand SWEDFA (StateWide Economic Development Finance Act) to include a new fund for Community Service Providers for loans for contracts for services for capital projects.

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The Legislature would appropriate to the fund -- both bond and cash – for administration by NMFA.

Legislature funds Colonias & Water Trust Board off the top before Legislative & Executive Capital allocations are made.

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Advisory Board appointed for Implementation Phase – thereafter administered by NMFA Board.

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This will allow for year-round funding of capital projects.

If included in ICIP, need to be vetted by August but no award until the following June.

Not nimble and costs change during that time.

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NMFA will evaluate capacity to fulfill programs; overall sources of funding of programs; and ensure the proposed program meets the needs of the communities where based.

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NMFA would offer a combination of grants and loans to fulfill nonprofit capital needs.

Loans could be repaid with cash or forgiven / earned by fulfilling the mission for which they are funded.

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When a non-profit buys property, a building or equipment in this process, they would ultimately own it after repayment of cash or by contract for services. This would enable these groups to build equity and stabilize their future financial status.

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As with NMFA vetting and funding the Water Trust Board, Colonias, New Market Tax Opportunity Enterprise -- these programs all benefit from transparency & predictability.

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DISCUSSION