

NEW MEXICO  
**FINANCEAUTHORITY**

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**Presentation to Economic Development  
and Policy Committee**

**NMFA Role in Supporting  
Small Businesses**

**Marquita D. Russel, CEO**

July 26, 2021

- ◆ Created in 1992 as a governmental instrumentality to improve the planning and financing of state and local government public projects
- ◆ Governed by an 11-member Board of Directors
- ◆ Overseen by a 39-member Legislative Oversight Committee
- ◆ Broad-based finance agency that finances public infrastructure and community and economic development projects. Currently, NMFA:
  - operates programs created under ten statutes
  - authorized to operate 20 programs, 13 of the programs are currently active
  - partnered with six policy agencies in operating programs
- ◆ Not including the administration of the short-term Recovery and Stimulus programs, administration of programs for private entities make up approximately 15% of NMFA's budgeted expense

- **Katherine Miller, *Chair***  
Santa Fe County
- **Steve Kopelman, *Vice Chair***  
New Mexico Counties
- **Leslie Nathanson Juris, *Secretary***
- **Andrew Burke**  
New Mexico State University
- **Sarah Cottrell Propst**  
Energy, Minerals and Natural Resources
- **AJ Forte**  
New Mexico Municipal League
- **James Kenney**  
NM Environment Department
- **Alicia Keyes**  
NM Economic Development Department
- **Debbie Romero**  
NM Department of Finance & Administration
- **Martin Suazo**

## ◆ Independent Board of Directors

- Establishes annual budget
- Approves grants, loans and bond issuances
- Approves rules and policies

## ◆ Active Committee process provides high level of oversight of NMFA's diverse and complex operations:

- Executive Committee
- Finance & Disclosure Committee
- Audit Committee
- Public Lending Committee
- Economic Development Committee

# Funding Programs

Active	Private	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		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

- ◆ The majority of NMFA's programs for economic development are authorized under the Statewide Economic Development Finance Act:
  - ❑ **Essential Services Working Capital Loans** – emergency loan program operated during FY 2021 to help critical care providers with covid related short-term cash flow difficulties.
  - ❑ **Smart Money Loan Participations** – loan participation program that provides long-term support of economic development projects by purchasing portions of loans made by local banks.
  - ❑ **Collateral Support Participation Program** – short-term loan participation program operated from 2011 – 2017; funded through federal SSBCI funds.
  - ❑ **New Markets Tax Credits** – federal tax credit program that incentivizes investment in low-income communities.
  - ❑ **NMTC Small Loan Pool** – flexible loan program for high-impact projects that don't meet traditional lending criteria



# Private Loan Portfolios

<b>NMFA Private Lending Programs</b>	<b>Total Loans Made</b>	<b>Total Amount of Loans Made</b>
Primary Care Capital Fund	19	\$ 9,524,659
Behavioral Health Capital Fund	6	\$ 3,615,000
Smart Money Loan Participations	7	\$ 7,620,593
New Markets Tax Credits	28	\$ 306,000,000
Collateral Support Loan Participation	16	\$ 8,336,120
Essential Services Working Capital Program	16	\$ 5,434,850
NMTC Small Loan Pool	6	\$ 6,860,000
<b>TOTAL</b>	<b>98</b>	<b>\$ 347,391,222</b>

*Loans made include* projects approved by NMFA Board and are in the process of closing

# Total Capitalization of Private Loan Programs

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FY Created	Program Name	Statute	Source of Capitalization	Initial Capitalization	Net Appropriations	Total Capitalization
1994	Primary Care Capital Fund*	24-1C-4	General Fund*	\$ 5,000,000	\$ (5,800,000)	\$ (800,000)
2003	Smart Money Loan Participation Program**	6-25-13	General Fund**	\$ 12,000,000	\$ (6,900,000)	\$ 5,100,000
2004	Behavioral Health Capital Fund	6-26-4	Cigarette Tax Bonds	\$ 2,500,000	\$ -	\$ 2,500,000
2006	New Markets Tax Credit	6-25-6.1	Federal/Private	\$ 110,000,000	\$ 196,000,000	\$ 306,000,000
2011	Collateral Support Participation Program***	6-25-13	Federal/Private	\$ 13,200,000	\$ (5,000,000)	\$ 8,200,000
2021	Essential Services Working Capital Program	6-25-13	Internally Funded	\$ 12,000,000	\$ -	\$ 12,000,000
2021	New Markets Tax Credit Small Loan Pool	6-21-6.12	Federal/Private	\$ 15,000,000	\$ -	\$ 15,000,000

\* Sweeps for solvency: \$2.81 million in 2011; \$3.0 million in 2020 1st Special Session

\*\* Sweeps for solvency: \$5.0 million in 2010; \$1.9 million in 2011

\*\*\* NMEDD repurpose of funds: \$5.0 million in 2016 for venture capital; program inactivated in 2017 with all principal repayments reverting to NMEDD quarterly for its loan programs

◆ Approximate balances available for lending:

- Primary Care Capital Fund: \$ 707,000
- Behavioral Health Capital Fund: \$ 416,000
- Economic Development Revolving Fund: \$950,000

The **Small Business Recovery Loan Fund** (“SBRLF”) was created in June 2020 during the 1<sup>st</sup> 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.



- ◆ SBRLF application is open until **May 31, 2022** and applications are processed on a first-come, first-served basis.
- ◆ LEDA Grant application is operating in two week cycles until December 31, 2021 or until funds are fully obligated. Pursuant to statute, applications must be prioritized based upon the percentage of revenue decline from 2019 to 2020.
- ◆ Businesses apply through an **online application** accessed at NMFA's website: [www.nmfinance.com](http://www.nmfinance.com). Account registration is required.
- ◆ All activity happens through the on-line application system:
  - The process for both applications involves different touch points throughout the process. Applicants may check the status of their applications and ask questions regarding their applications by logging into their accounts.
  - Applicants will be notified of any needed clarifications or corrections and will be provided an opportunity to correct applications while the applications period is open.

Terms	SBRLF 1.0	SBRLF 2.0
<b>Determination of Loan Amount</b>	<u>Equal to Two times Average Adjusted Monthly Business Expenses</u> (Total expenses for 2019, excluding 179 deductions and depreciation, less CARES funding DIVIDED by 12) NOT TO EXCEED <b>\$75,000</b>	<u>Up to Three times the Average Monthly Business Expense</u> (Expenses for 2019 or 2020 less depreciation divided by the number of months in operation during the respective tax year) NOT TO EXCEED <b>\$150,000</b>
<b>Qualifying Small Business</b>		
<b>Revenue Cap</b>	<u>Gross</u> revenues of less than \$5 million in 2019	<u>Net</u> revenues of less than \$5 million in 2019
<b>Decline Measure</b>	30% in each of April & May 2020 (over same in 2019) as reported by business to TRD monthly  30% decline in non-profit's monthly revenue as determined by financials certified by officer	<b>Substantial Disruption (one of the following):</b> ✓ Closed for 14 cumulative days ✓ Reduced Operations for at least 30 days ✓ 20% Reduction in workforce or layoff ✓ 20% increase in cost of goods sold  <b>OR</b>  <b>Substantial Decline in Gross Revenues</b> ✓ 20% decline in Gross Receipts as reported to TRD ✓ For businesses exempt from GRT, 20% decline in revenues evidenced from 2019 and 2020 tax returns

Terms	SBRLF 1.0	SBRLF 2.0
<b>Eligible Businesses</b>	Sole Proprietor, Corp, partnership, joint venture, llc, limited partnership or other business entity, with at least <u>80% control &amp; equity with NM residents</u>	Sole Proprietor, Corp, partnership, joint venture, llc, limited partnership or other business entity, with at least <u>51% ownership by NM residents</u> , <b>or</b>  Business physically located in New Mexico with at least 10 full-time employees at any point during 2019
<b>NM Resident</b> - definition unchanged	Evidenced by personal tax returns	Evidenced by copies of Driver's Licenses or other government ID
<b>Eligible Nonprofits</b>	501(c)3 and 501(c) 6	501(c)3, 501(c)6, <b>501(c)8, 501(c)19, and 501(c)23</b>
<b>Credit Standards</b>	<b>Law:</b> NMFA "shall evaluate the creditworthiness of an applicant based on information received from the applicant, which may include an independent credit reporting agency when available" <b>By rule:</b> no collections or charge-offs in 2019 from telecommunications, utility or rent/mortgage creditors	<b>Meet Credit and Identification Standards:</b> ✓Credit Standards for loans < \$75K = SBRLF 1.0 Creditworthiness Standard ✓Credit Standards for loans > \$75K = above plus no additional collections or charge offs, if so, then collateral is required on loan amounts exceeding \$75k
<b>Loan Fund</b>		
<b>SIC Commitment for Fund</b>	\$400 million	\$500 million
<b>NMFA Administrative Fee</b>	Up to 1% of Fund Balance	Up to 2% of Fund Commitment
<b>Application Date</b>	submitted by December 31, 2020	submitted by May 31, 2022

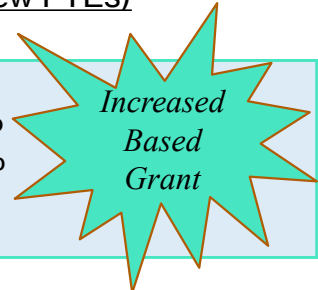
Loan Terms	SBRLF 1.0	SBRLF 2.0
<b>Loan Amount</b>	Not to exceed \$75,000	Not to exceed \$150,000
<b>Eligible items</b>	Proceeds to be used for ordinary and necessary business expenses, including capital expenses	<ul style="list-style-type: none"> <li>✓ Proceeds to be used for ordinary and necessary business expenses, including capital expenses</li> <li>✓ Technology and facility upgrades to accommodate covid-safe operations, including e-commerce</li> </ul>
<b>Ineligible items</b>	Limited use for equity owner salaries	Increased use for non-employer business owner compensation from not more than 20% to not more than 50%
<b>Refinancing</b>	n/a	SBRLF 1.0 loans may be refinanced with SBRLF 2.0 loans. Any accrued but unpaid interest will be added to the interest due on the refinanced loan and paid at the second anniversary of the refinanced loan.
<b>Guarantees</b>	None	None up to \$75,000, thereafter personal guarantees
<b>Collateral</b>	None	None unless borrower has blemished credit history, then on amounts greater than \$75k
<b>Maturity</b>	Three years, with option to extend an additional three years (see Repayment Terms below)	Ten years
<b>Interest rate</b>	1/2 of the WSJ Prime Rate	Unchanged – 1/2 of WSJ Prime
<b>Repayment Terms</b>	<ul style="list-style-type: none"> <li>✓ Interest only (paid annually) for three years.</li> <li>✓ Principal due at maturity</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>✓ If requested by borrower, monthly P &amp; I for three years after 3-year interest only period</li> </ul>	<ul style="list-style-type: none"> <li>✓ No interest during first year</li> <li>✓ Interest-only for next two years (paid annually)</li> <li>✓ 7 years of monthly P &amp; I payments thereafter</li> <li>✓ Borrowers <u>without</u> credit blemishes may request quarterly, semi-annual or annual payments</li> </ul>
<b>Prepayment Penalties</b>	None	None
<b>Receipts of payments</b>	Not specified	Electronic loan payments required

## What is the Local Economic Development Act or LEDA?

In November 1994, New Mexico voters approved a change to the “anti-donation” clause of the NM constitution to allow public funds to be used for private benefit in limited instances and when authorized by the state or a local government. LEDA is the law that implements the 1994 change and guides the determination of whether public funds may be used for private benefit.

The 2021 Legislature passed, and Governor Lujan Grisham signed into law, House Bill 11 which made temporary changes to LEDA to allow for NMEDD and NMFA to operate a \$200 million grant program to provide rent, lease and mortgage assistance to businesses that experienced hardship due to the pandemic and are now reinstating jobs lost during the pandemic.

Terms	LEDA Grant										
<b>Determination of Grant Amount</b>	<ul style="list-style-type: none"> <li>✓ <u>Sliding Scale</u> established by NMEDD, takes into consideration the number of jobs to be created, the relative revenue decline of the business and the wages to be paid</li> <li>✓ Grant Amount = (Base Grant Amount + Wage Bonus) x (# of new FTEs)</li> <li>✓ NOT TO EXCEED <b>\$100,000</b> PER BUSINESS LOCATION</li> </ul>										
<b>Base Grant per Net New FTE</b>	<table border="0"> <tr> <td>\$10,000</td> <td>Revenue decline of less than 20%</td> </tr> <tr> <td>\$12,000</td> <td>Revenue decline of at least 20%, but less than 40%</td> </tr> <tr> <td>\$14,000</td> <td>Revenue decline of at least 40%, but less than 60%</td> </tr> <tr> <td>\$16,000</td> <td>Revenue decline of at least 60%, but less than 80%</td> </tr> <tr> <td>\$18,000</td> <td>Revenue decline of 80% or more</td> </tr> </table>	\$10,000	Revenue decline of less than 20%	\$12,000	Revenue decline of at least 20%, but less than 40%	\$14,000	Revenue decline of at least 40%, but less than 60%	\$16,000	Revenue decline of at least 60%, but less than 80%	\$18,000	Revenue decline of 80% or more
\$10,000	Revenue decline of less than 20%										
\$12,000	Revenue decline of at least 20%, but less than 40%										
\$14,000	Revenue decline of at least 40%, but less than 60%										
\$16,000	Revenue decline of at least 60%, but less than 80%										
\$18,000	Revenue decline of 80% or more										
<b>Wage Bonus per Net New FTE</b>	<p>Average wage of new FTE more than \$13 per hour: \$1,000 bonus per FTE            Average wage of new FTE more than \$17 per hour: \$2,000 bonus per FTE</p>										
<b>Baseline Employees</b>	The lower of FTEs on either December 31, 2020 or March 31, 2021										
<b>Important Definitions</b>	<p>"Full-Time Equivalent Employee or FTE" is an employee who works an average of 40 hours or more per week            "Qualifying Date of Hire" is on or after April 1, 2021</p>										
<b>Decline Measure</b>	<p>Percentage decline of revenues over one or more quarters in 2020 over the same quarter(s) in 2019:</p> <ul style="list-style-type: none"> <li>✓ CRS reports</li> <li>✓ Tax Returns</li> <li>✓ Financial Statements</li> </ul>										
<b>Eligible Businesses</b>	Corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is a business operating in New Mexico with one or more employees but fewer than 75 per NM location.										



Terms	LEDA Recovery Grants
<b>NM Resident</b>	New Mexico ownership not required.
<b>Business Cap</b>	75 employees per location
<b>Credit Standards</b>	Must meet Credit and Identification Standards
<b>Application Period:</b>	May 11, 2021 – December 31, 2021. Awards made after application period ends. Awards based upon percentage of lost revenue.
<b>Eligible items</b>	<ul style="list-style-type: none"> <li>✓ Reimbursement of Past-due, Current or Pre-paid rent, lease or mortgage payments</li> <li>✓ Lease payments to affiliated landlords is permitted as long as affiliate can demonstrate the commercial premise is subject to a mortgage or commercial loan agreement</li> </ul>
<b>Ineligible items</b>	No equipment leases permitted pursuant to LEDA
<b>Term</b>	Grant Agreement not to exceed 2 years
<b>Disbursals</b>	<ul style="list-style-type: none"> <li>✓ <u>Initial disbursement</u> equal to 25% of the grant paid following the execution of the grant agreement</li> <li>✓ <u>Each draw thereafter: post-performance.</u> Grantees may request grant disbursals every quarter based upon net new jobs created as evidenced on DWS form 903 not to exceed 25% per disbursal.</li> </ul>
<b>Draw Requirements</b>	Evidence of: <ul style="list-style-type: none"> <li>✓ Good standing &amp; current on state obligations</li> <li>✓ Any prior funds were used in accordance with Grant Agreements</li> <li>✓ Quarterly DWS Wage Report (Form 903)</li> <li>✓ Compliance certificate regarding wages and hours</li> </ul>
<b>Receipts of payments</b>	Grant disbursements will be made via Automated Clearinghouse
<b>IPRA Protections</b>	Yes

Questions on program specifics ***before*** you apply?

- ❑ Visit [www.NMFinance.com](http://www.NMFinance.com) for program information
- ❑ For SBRLF email: [recovery@nmfa.net](mailto:recovery@nmfa.net)
- ❑ For LEDA Grant before you apply? Email: [LEDA@nmfa.net](mailto:LEDA@nmfa.net)

Questions on application status or glitches ***as or after*** you apply?

- ❑ Submit your questions at the Contact Us button in the application.
- ❑ Visit our Recovery Page on our website [www.nmfinance.com](http://www.nmfinance.com) for Frequently Asked Questions, application tips and tutorials
- ❑ Call us at **505-992-9696** or 866-ASK-NMFA
- ◆ **Stay up-to-date!** Join our Recovery and Stimulus Programs Mailing List by submitting a form at [nmfinance.com](http://nmfinance.com)