

**MINUTES
of the
FIRST MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**August 14, 2020
Video Conference Meeting**

The first meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Senator Jacob R. Candelaria, chair, on August 14, 2020 at 8:40 a.m. by video and audio conference via an online platform.

Present

Sen. Jacob R. Candelaria, Chair
Rep. Tomás E. Salazar, Vice Chair
Rep. Alonzo Baldonado
Rep. Micaela Lara Cadena
Sen. Joseph Cervantes
Rep. Jack Chatfield
Rep. Rebecca Dow
Rep. Harry Garcia
Rep. Susan K. Herrera
Rep. D. Wonda Johnson
Rep. Raymundo Lara
Sen. Michael Padilla
Sen. Nancy Rodriguez
Rep. Patricia Roybal Caballero

Absent

Sen. Craig W. Brandt
Sen. Ron Griggs
Sen. Richard C. Martinez
Rep. Jane E. Powdrell-Culbert
Sen. William E. Sharer

Advisory Members

Rep. Kelly K. Fajardo
Rep. Natalie Figueroa
Rep. Willie D. Madrid
Sen. Mary Kay Papen
Rep. Andrea Romero
Sen. Clemente "Memé" Sanchez
Rep. Sheryl Williams Stapleton
Rep. Candie G. Sweetser
Sen. Bill Tallman

Rep. Doreen Y. Gallegos
Rep. Georgene Louis
Sen. Pat Woods

Staff

Tom Kricka, Staff Attorney, Legislative Council Service (LCS)
Erin Bond, Research Assistant, LCS
Clinton Turner, Fiscal Analyst, LCS

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

Updates from the Border Authority and the Spaceport Authority (8:55 a.m.)

Marco Grajeda, executive director, Border Authority, provided the committee with a presentation on the current status of the Border Authority. The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%201%20FINAL%20NMFA%20Oversight%20Committee%20Presentation%20NMBA%202020.pdf>.

Questions and comments from committee members included the following:

- public health restrictions implemented at the U.S.-Mexico border caused manufacturing operations to open at 50% capacity in June, then increase to 60% capacity thereafter;
- 4,500 workers in Dona Ana County are impacted by border activity;
- in response to the COVID-19 pandemic, at least one New Mexico company at the border reduced operations, and one company furloughed employees;
- at the Columbus port of entry, there is a hazardous materials containment site, and there are emergency response teams in Santa Teresa and El Paso;
- approximately 80% of Border Authority operations are publicly funded by the General Fund, and approximately 20% of operations are funded through various enterprise funds;
- in the 2020 legislative special session, Senate Bill 5 swept \$2.4 million of road funding for the Border Authority. Better communication is paramount both for this project and overall during transitions; and
- a new hazardous materials fee would make additional revenue available for emergency responders. A private company would be responsible for cleanup costs.

Scott McLaughlin, interim executive director and director of business development, Spaceport Authority, provided the committee with a presentation on the current status of the Spaceport Authority. The presentation can be found here:

https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%201%20SA_NMFA-Oversight-Committee_McLaughlin_2020-08-12v3_FINAL.pdf.

Comments from committee members included the following:

- the Spaceport Authority is an independent agency governed by a board of directors and administratively attached to the Economic Development Department. Alicia Keyes, secretary of economic development, is currently the chair of the board of directors;
- approximately two-thirds of the spaceport's operating budget comes from private sources, such as leases. AeroVironment, Inc., and SpinLaunch have made recent

- capital investments at the spaceport; the majority of capital is publicly funded and is currently under review;
- gross receipts tax revenue should not be used for salaries, and its use is currently under review; and
 - the spaceport is funded for approximately 30 public employees, and the private sector at the spaceport employs 230 New Mexico workers.

Testimony on the State of the Economy in New Mexico and the Implications of the COVID-19 Pandemic on NMFA Operations; Public Project Revolving Fund and Economic Development Fund Updates (10:55 a.m.)

Michael Zavelle, chief financial strategist, NMFA, Marquita Russel, chief executive officer, NMFA, and John Brooks, managing director, Commercial Lending, NMFA, provided the committee with a presentation on implications of the COVID-19 pandemic on NMFA operations and an update on the Public Project Revolving Fund and Economic Development Revolving Fund. The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%202%20NMFA%20Update%2008-2020.pdf>.

Questions and comments from committee members included the following:

- information for applicants to the Small Business Recovery Loan Fund can be found at www.nmfinance.com, and additional information will be posted on the website soon. An email address has been set up for questions at recovery@nmfa.net;
- the NMFA is not subject to federal fair lending requirements. However, the NMFA adheres to the guidelines as a best practice so that all New Mexicans can equally access the programs offered;
- applicants must be current on tax obligations incurred prior to the pandemic. The NMFA verifies statutory revenue requirements based on April and May of 2018 compared to April and May of 2019;
- applicants will not meet the residency requirement even if the business pays gross receipts tax if the business is not at least 80% New Mexico-owned as determined by owner domicile;
- at the time of the meeting, the NMFA had 375 active loan applications averaging less than \$50,000 each; and
- hospitality and food and beverage businesses are the most common type of applicant.

Report on the Economic Impact of the COVID-19 Pandemic on the Health Care Industry; the Essential Services Working Capital Program and the NMFA Emergency Rule Change (1:15 p.m.)

Nick Autio, J.D., general counsel, New Mexico Medical Society, Karen Carson, M.D., pediatrician, New Mexico Medical Society, and Tony Lenhart, executive vice president, Eye Associates of New Mexico, provided the committee with a presentation on the COVID-19

pandemic's economic and operational impact on physicians in New Mexico. The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%203%20COVID-19s%20Economic%20Impact%20on%20Physicians%20in%20New%20Mexico.pdf>.

Jeff Dye, president and chief executive officer, New Mexico Hospital Association, provided the committee with a status report on the financial impact on hospitals and relief funding related to the COVID-19 pandemic. The report can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%203%20Hospital%20Financial%20Impact%20August%2013%20Update.pdf>.

Mr. Dye shared two slides taken from the Human Services Department presentation to the Medicaid Advisory Committee on August 3, 2020 showing options for expense reductions to provider rates and other program options. The slides can be found here:

https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%203%20Pages%20from%20MAC%20Meeting%20Presentation%20Deck_Rev.%2008.03.20_FINAL.pdf.

The New Mexico Hospital Association's handout titled "Hospitals are Protecting New Mexicans – Now they Need the Legislature's Help" can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%203%20NMHA-coronavirus-financial-impact-august-13-2020.pdf>.

The New Mexico Hospital Association's handout titled "New Mexico's Community Hospitals, Always There, Ready to Care" can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%203%20statewide%20hospital%20impact%202020%20session%20one-pager,%201-22-2020.pdf>.

Questions and comments from committee members included the following:

- the experience between rural and urban hospitals has been very mixed without a clear grouping. Mr. Dye encouraged committee members to speak directly with hospitals in their districts to learn about their unique set of impacts;
- many smaller hospitals in New Mexico participated in the federal Paycheck Protection Program;
- the federal government provided relief to states by increasing the Medicaid Federal Medical Assistance Percentage by 6.2%. For the first two quarters of 2020, the General Fund benefit was estimated at \$149 million. This increase will continue through the duration of the federally declared public health emergency; and

- due to the economic downturn, there may be potential cuts to reimbursement rates in the Legislative Finance Committee and executive recommendations. The New Mexico Medical Society advocates for maintaining or increasing rates.

Ms. Russel provided the committee with a memorandum recommending adoption of rules governing the Essential Services Working Capital Program under the Economic Development Revolving Fund. The memorandum and proposed rules can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%203%20NMFA%20Essential%20Services%20Working%20Capital%20Program%20Rules%20-%20proposed%20final%208-14-2020.pdf>.

The presentation can be found here:

<https://www.nmlegis.gov/handouts/NMFA%20081420%20Item%203%20NMFA%20ESWCP%20Overview%208-2020.pdf>.

It was noted that the NMFA will continue operating under emergency rules until the proposed rules are considered at the September 18, 2020 committee meeting.

Proposed Interim Work Plan and Meeting Schedule (3:00 p.m.)

Mr. Kricka provided the committee with an overview of the proposed interim work plan and meeting schedule.

The next meeting dates are planned for September 18, a proposed meeting on October 9 and a final meeting on November 30. The October 9 meeting is planned to focus on the implementation of the Small Business Recovery Act of 2020 and additional recommendations for fiscal stimulus for small businesses and nonprofit organizations in New Mexico.

During the 2020 interim, the committee proposes to:

1. receive reports from the Border Authority, the Spaceport Authority, the New Mexico Renewable Energy Transmission Authority, the Water Trust Board, the Tribal Infrastructure Board and the Colonias Infrastructure Board;
2. receive reports from the NMFA regarding the revenues, transfers, expenditures and status of projects funded from the Public Project Revolving Fund and the Economic Development Revolving Fund;
3. receive testimony on emergency rule changes made by the NMFA Board of Directors on April 23, 2020 to establish the Essential Services Working Capital Program;
4. receive testimony on renewable energy transmission and storage in New Mexico;
5. receive testimony on the economic impact of the COVID-19 pandemic on the health care industry and the NMFA;
6. receive testimony on the outcome of litigation involving the Public Regulation Commission (PRC) and the Energy Transition Act and the potential economic impacts of the PRC's adoption of the Energy Transition Act plan;

7. receive testimony regarding the implementation of the Small Business Recovery Act of 2020 and recommendations for economic stimulus for small businesses and nonprofit organizations in New Mexico; and
8. receive educational presentations or materials on topics of interest to committee members related to finance and programs under the committee's purview.

Approval of Work Plan

Upon a motion made by Representative Roybal Caballero and seconded by Senator Padilla, the committee voted to adopt the proposed work plan and meeting schedule.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the meeting adjourned at 3:20 p.m.