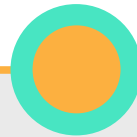


NEW MEXICO
FINANCE AUTHORITY



**Program Review:
Recommendation for Eliminating Dormant Programs
and Increasing Program Impact and Efficiency**

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- ◆ In 2020 NMFA commissioned a comprehensive review of “development finance tools” in New Mexico. The study was completed by the Council of Development Finance Agencies (“CDFA”), a national association formed in 1982 to advance development finance concerns & interests. CDFA supports state, county and municipal development finance agencies through education, advocacy, research, resources and networking. The goal of the report was to advance NMFA’s understanding about how to best support capital access in NM and improve economic vitality. CDFA independently reviewed public resources to gather information and conducted interviews with stakeholders in NM to inform its recommendations.
- ◆ **Development finance** is broadly defined as the use of public sector resources to facilitate private sector investment that is expected to have a positive developmental impact on the community. Development finance institutions use direct loans, loan guarantees, equity investments, and a variety of other products to support and enable these investments.
- ◆ **Scope:** to review current infrastructure, economic development, and COVID-19 relief and recovery programs and offer suggestions for new programs or opportunities to improve NM’s existing economic development finance climate. CDFA reviewed programs offered by:
 - ❑ New Mexico Finance Authority (NMFA)
 - ❑ New Mexico Economic Development Department (EDD)
 - ❑ New Mexico Environment Department (NMED)
 - ❑ New Mexico Department of Finance and Administration (DFA)

Recommendations

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◆ Among the recommendations made:

- The Legislature should consider appropriating funds to specific financing programs and then delegating authority to the appropriate agencies to make financing decisions. Those agencies would then be able to more quickly and more efficiently meet the needs of critical economic development and public health projects
 - Consider eliminating legislative authorization on Public Project Revolving Fund and Water Trust Board so that NMFA may address needs as they arise
 - Consider making permanent a temporary provision that has been in place since 2011 that eliminates legislative authorization for “standard” projects funded from the Economic Development Revolving Fund
 - Support request for increased funding for Primary Care Capital Fund (PCCF), Behavioral Health Capital Fund (BHCF), and Child Care Revolving Loan Fund
- Explore the consolidation of finance programs
 - Consolidation of programs means less fragmentation and reduced competition amongst funders and improved operating efficiency and more streamlined accounting
 - PCCF and BHCF are nearly identical and could either be combined into one health care program or they could be blended into the Statewide Economic Development Finance Act (SWEDFA) laws if SWEDFA is amended to allow for contract-for-services
- Increase flexibility of existing programs
 - Give NMFA more discretion over eligibility. SWEDFA, for instance, requires the EDD determine that a project “serves an economic development purpose and is suitable for financing” before funding can be provided and confidential information protected

Recommendations

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- Expand capacity of existing programs that work
 - Consider broadening the types of Qualified Entities that may borrow from the PPRF for public infrastructure
 - Consider allowing NMFA to fund through either the PPRF or the Opportunity Enterprise Fund workforce housing projects not currently addressed by NM Mortgage Finance Authority
 - Allow PPRF to finance capitalized software and purchase power agreements
- Create programs that fill gaps in the capital structure
 - SSBCI Capital Access Program and NMFA Venture Capital Program fill significant gaps in the small business finance eco-system
- ◆ Improve operating efficiency and sustainability
 - Consider eliminating Advisory Boards for programs that do not receive annual earmarks
 - Administrative requirements such as bylaws, charters, rules, policies and application forms must be established regardless of how much money is appropriated to the fund or how often the funding is replenished
 - Subject matter experts must be hired or contracted for regardless of the number of projects that may be recommended by the Advisory Board or funded by NMFA
 - Align definitions, provisions, and reporting dates
 - Current NMFA laws have conflicting provisions
 - Current NMFA laws contain different standards for how similar/identical information is handled
 - Report dates and audiences for these reports differ across NMFA programs,

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	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	Loan Participation Program (Smart Money)	Statewide Economic Development Finance Act	6-25-6	NMEDD
		2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4	ECECD
✓		2004	Acequia Project Fund	Water Project Finance Act	72-4A-9.1	WTB/ISC/Leg
✓		2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4.	HSD
		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	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	6-30-8	CIB
✓	○	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-6	NMEDD
✓		2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-6	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 and Stimulus Act	6-32-3	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 Improvements Act	6-21-6.16	(PSCOC)
✓	✓	2022	Opportunity Enterprise Fund	Opportunity Enterprise Act	6-34-12	OERB
○	○	2024	SSBCI Capital Access Program	Statewide Economic Development Finance Act	6-25-6	NMEDD

◆ Water and Wastewater Grant Fund (1999)

- ❑ Overview: Program provided grants to projects authorized by the legislature. Grant amounts determined using a sliding scale
- ❑ Funding: Program was capitalized by \$5 million in PPRF bond proceeds and net appropriations of \$55 million. 160 projects were funded. Last appropriation received in FY 2002
- ❑ Recommendation: Repeal 6-21-6.3

◆ Acequia Project Fund (2004)

- ❑ Overview: Program funded improvements to acequias authorized by the legislature. Project recommendations, planning and oversight provided by Interstate Stream Commission
- ❑ Funding: Received \$200,000 donation from a private family foundation. No state or federal appropriations received to date.
- ❑ Recommendation: Repeal 72-4A-9.1

- ◆ **Local Transportation Infrastructure Fund (2005)**
 - Overview: Grants of up to \$500,000 to support Local Transportation Projects as prioritized by the Secretary of the NM DOT
 - Funding: Capitalized by 50% of NMFA's administrative fee for issuing and managing NMDOT bonds. Approximately 10 years ago, NMFA and NMDOT amended their Memorandum of Understanding to provide that NMFA is reimbursed for actual costs of bond issuance and management, rather than collecting the 25 basis point origination fee
 - Recommendation: Repeal 6-21-6.8

- ◆ **Local Government Transportation Fund (2007)**
 - Overview: Grants for transportation project authorized by the legislature and certified as ready to proceed by the NM DOT
 - Funding: Severance tax bond proceeds issued in 2007, 2008 and 2009
 - Recommendation: Repeal 6-21-6.12