
*Presentation to
New Mexico Finance Authority
Oversight Committee*

New Mexico Finance Authority Report on Low Activity Funds

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NMFA Oversight Committee 2018 Interim Work Plan includes:

NMFA's response to the findings and recommendations of the Office of the State Auditor (OSA) regarding low activity ("stagnant") funds

The OSA Report defined "Stagnant Funds" as those with balances that:

- ❖ Contain positive balances
- ❖ Posted a 1% or less change in value between FY 15 and FY 16
- ❖ Did not post a significant programmatic activity during FY 16
- ❖ Were not reserves or funds that are otherwise required to maintain a static balance
- ❖ Were not debt service funds



OSA's Report Focused on Programs with Stagnant Balances

NMFA Stagnant Funds Identified by OSA:

- ❖ Primary Care Capital Fund
- ❖ Local Transportation Program
- ❖ Water/Wastewater Project Fund

Of those identified, only the Primary Care Capital Fund is active.

- ❖ Established in 1994, the fund provides 3% interest loans for non-profit primary care clinics in rural and medically underserved communities
- ❖ NMFA and Department of Health jointly administer the program
- ❖ Recent changes at the federal level have impacted non-profit clinic's ability to borrow funds, resulting in low activity
- ❖ NMFA will be suggesting legislative changes to broaden this program include primary care clinics operated by public bodies



All Other Identified “Stagnant” Funds were Dormant Programs:

Fund	Description	Amount
Local Government Transportation Fund (AKA GRIP II)	GRIP II was funded by General Obligation and Severance Tax Bonds for local road projects prioritized and recommended by NMDOT. \$19.4 million was reverted in 2010 and 2011. These are the remaining funds and interest earnings from this program.	\$640,083.29
Local Transportation Infrastructure Fund (aka Local Road Fund)	The Local Road Fund provided the local match to state funded projects. The Fund was capitalized from a portion of the NMFA administrative fee charged for the management of the GRIP bonds. \$5 million was reverted in 2011 and 2012, but this left some funds for the last draws on a few remaining projects. These are the unused balances and interest earnings.	\$277,205.51
Water and Wastewater Project Grant Fund	The Water and Wastewater Project Grant Fund program provided grants on a sliding scale to authorized projects. The fund received its last appropriation in 2002 and the funds on deposit continued to accrue interest. Over time, the unused funds were returned to the state in 2011, but not the interest earned in the idle funds	\$554,027.44



All Other Identified “Stagnant” Funds were Dormant Programs:

Fund	Description	Amount
Emergency Drought Relief Fund	In 2002, the governor made emergency declarations for several drought related projects. The NMFA received \$750,000 per emergency declaration to fund projects determined by the WTB. Unused funds were reverted to the state in 2011, but not the interest earned on the idle funds	\$105.12
Dairy Bio Mass	The Dairy Biomass Fund was not statutorily created, but was established pursuant to an MOU with EMNRD to fund dairy projects recommended by the Dept. No projects were funded. In 2012, the unused funds were reverted to the state, but not the interest earned on the idle funds	\$ 36,405.14
Total		<u>\$ 1,507,826.50</u>



Section 11 of the Conference Committee Report on HB 2 authorized NMFA to transfer dormant funds to the State:

SECTION 11. FUND TRANSFERS.--

A. Notwithstanding any restriction on the use of the money in the funds, no later than June 29, 2018, all amounts, including all accumulated interest within each fund or account, are transferred to the general fund from the following funds or accounts within or administered by the New Mexico finance authority for the purpose of meeting appropriations from the general fund:

- (1) the local government transportation fund;
- (2) the water and wastewater project grant fund;
- (3) the local transportation infrastructure fund;
- (4) the emergency drought relief fund; and
- (5) the biomass dairy fund.

On June 20, 2018, NMFA transferred \$1,507,826.50 in dormant funds to the State and these funds will be eliminated from our audits in FY19