



NEW MEXICO
FINANCE AUTHORITY

Report on the Public Project Revolving Fund

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NMFA Oversight Committee, October 5-6, 2026

- ◆ The Public Project Revolving Fund (“PPRF”) was created in 1992 to assist state and local governments plan and finance capital projects
- ◆ PPRF makes low-cost loans to State, local and Tribal governments to finance public infrastructure and equipment.
- ◆ Borrowers are given access to the PPRF’s ‘AAA’ interest rates regardless of their underlying credits.
 - Loans are approved at current interest rates plus 75 bps to assure required coverage at closing. The 75 bps serves as a no-cost interest rate cap for the borrower
 - Loans close at the lower of current interest rates or the cap
- ◆ In addition to low ‘AAA’ interest rates, clients with Median Household Incomes (“MHI”) below the State’s MHI may receive subsidized Disadvantaged Entity Funding.
 - Clients with an MHI between 80% - 100% of the State MHI may receive 2% interest rate and Clients with an MHI that is less than 80% of the State MHI may receive 0% interest rate
 - Equipment loans may receive up to \$150,000 in disadvantaged funds
 - Infrastructure and building loans may receive 10% of the PPRF loan in disadvantaged funding, up to \$500,000
 - Clients are limited to \$500,000 of disadvantaged funds per fiscal year

- ◆ There are high costs involved in issuing bonds, for lawyers, advisors, underwriters, and ratings, and tax-exempt issues are more complicated and incur greater expenses. The expenses associated with issuing tax-exempt bonds do not end at the bond closing.
- ◆ Post-closing tax and disclosure compliance and adherence to other IRS regulations requires adequate staffing by the Issuer and frequently contractors to ensure that all regulations have been met.
- ◆ Because most tax-exempt bonds will remain outstanding for many years, it is important to have reliable staffing, record keeping and reporting systems to produce accurate and timely data.
- ◆ As a result, costs associated with bond issuances can be prohibitive for smaller governmental Issuers, particularly because smaller issuers have a harder time receiving good bond ratings and therefore getting the best interest rate.
- ◆ As a frequent issuer, the NMFA has market knowledge and expertise in issuing bonds that infrequent issuers lack.
- ◆ Borrowers of all sizes can benefit from the PPRF's low interest and avoid time-consuming and costly disclosure requirements after the loan is made.

Estimated PPRF Savings on \$1 million loan* to unrated community

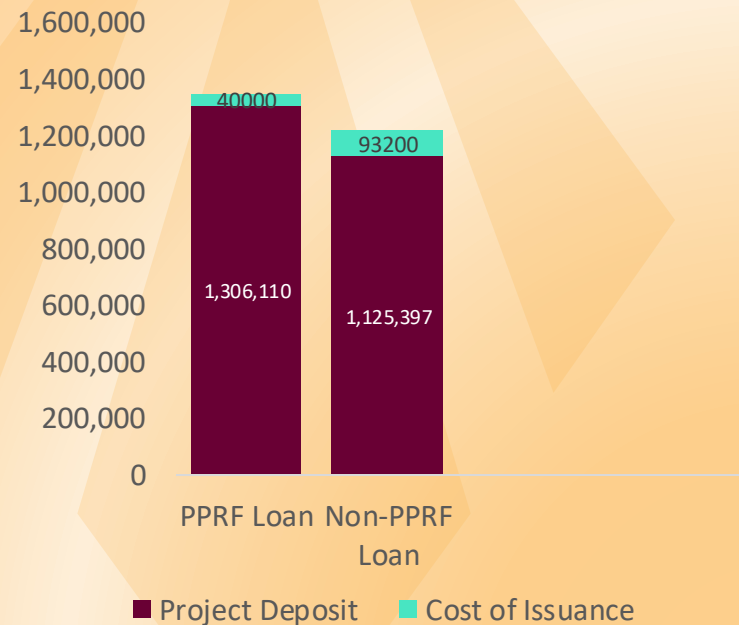
- ◆ Interest Savings – approximately \$16 thousand per year, over \$300,000 over the life of the loan
 - ❑ Reflects lower interest rates based on the PPRF's AAA/Aa1 ratings versus interest rates associated with an unrated loan
 - ❑ NMFA offers 0% or 2% loans for 10% of a disadvantaged borrower's loan up to \$500,000
 - ❑ Lower costs of issuance – NMFA covers all costs of underwriting and ratings which reduces the amount of effort and costs of borrowers' advisors and counsel
- ◆ Administrative Burden Savings - NMFA staff are experts in designing financing solutions for our borrower-clients, relieving borrowers of much of the complexity associated with borrowing from the capital markets.

* Assumes \$1 million project costs on a 20-year loan.

Estimated Project Funds Available on a Loan Secured by \$100,000 Annual Revenues

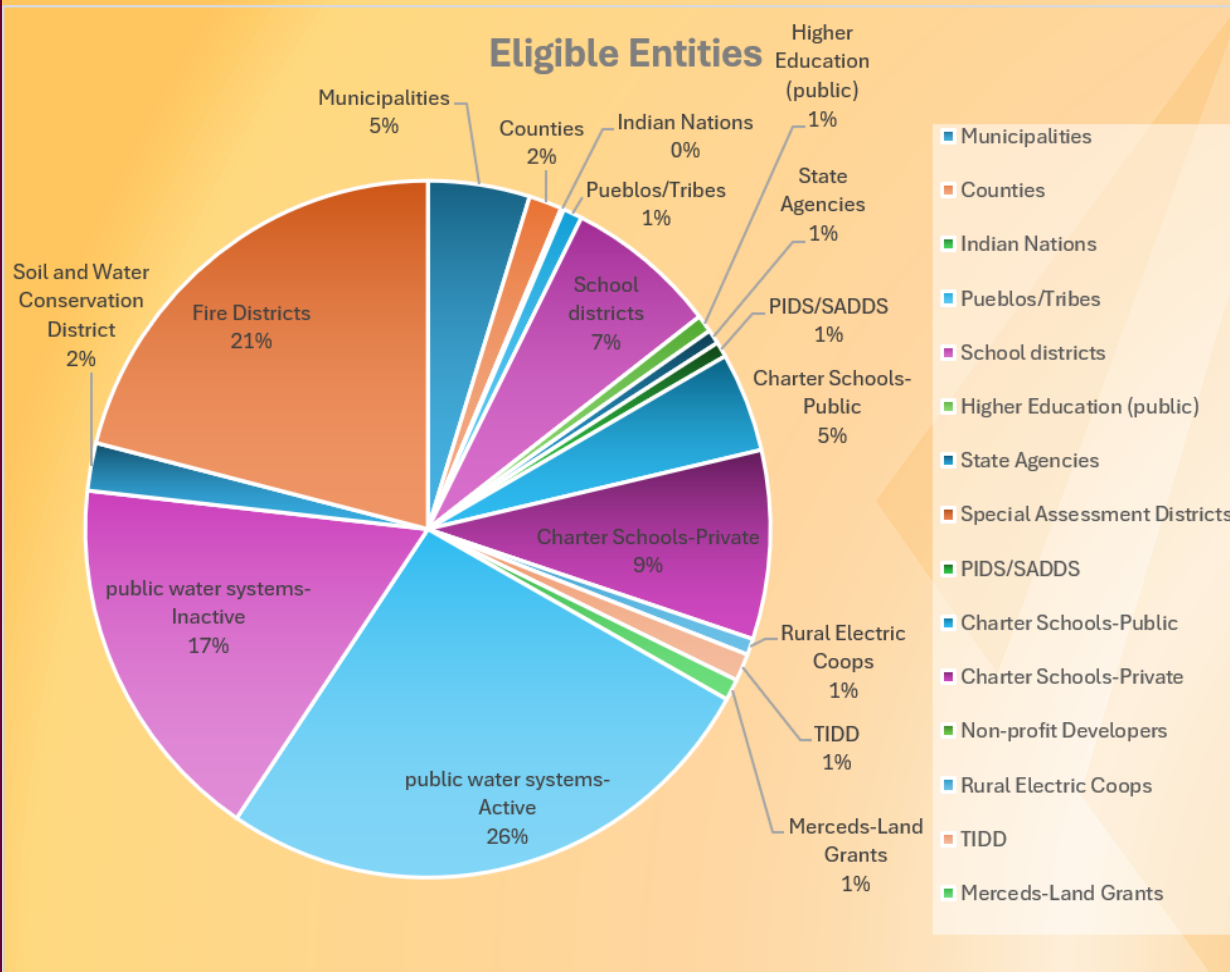
- ◆ Borrower as result of lower rates can borrow more with NMFA vs. Non-PPRF
- ◆ Using the PPRF, the borrower receives additional \$180,713 into their project account
- ◆ This will give additional money for the project during an uncertain interest rate environment
- ◆ Cost of issuance savings from a PPRF Loan to Bond Issuance is \$53,280

PPRF vs Non-PPRF Loan Comparison
(\$100K/Yr Available to Service Loan)



PPRF Authorization Bill requirements

- ◆ Prior temporary suspension provided by SB 170 in 2025, projects greater than \$1 million or more would require prior PPRF Authorization
- ◆ Staff compiles the authorization list by working with the communities and their Municipal Advisors
 - ❑ Projects greater than \$1 million not on the list must wait until the next session and will likely face higher costs and delays in major projects
 - ❑ Projects unable to wait for a year likely face higher interest rates and/or financing costs
 - ❑ The value of the PPRF is greatest when interest rate markets are volatile
- ◆ Historically, authorization provided for the projects on the legislative authorization bill expires after three years
- ◆ There are 2,122 eligible entities which can apply for the PPRF. Each year there is an average of 320 entities appear on the list PPRF Authorization list.



Entities	Count
Municipalities	102
Counties	33
Indian Nations	3
Pueblos/Tribes	19
School districts	152
Higher Education (public)	17
State Agencies	14
Special Assessment Districts	
PIDS/SADDS	15
Charter Schools-Public	98
Charter Schools-Private	186
Non-profit Developers	
Rural Electric Coops	16
TIDD	27
Merced's-Land Grants	21
public water systems-Active	558
public water systems-Inactive	368
nonprofit foundations	
Soil and Water Conservation District	47
Fire Districts	446
Totals	2122

PPRF Impact on Rural Projects

- ◆ Those projects under \$1 million would not need authorization has average 24.8%
- ◆ Since 2023 the average loans that would need authorization are 57%
- ◆ On average 34.5 projects would need to be authorized
- ◆ 90% of the loans made over this timeframe have been rural projects
- ◆ Rural projects are affected the most because they pay more in the open market

	2023	2024	2025	YTD 2026
Loans that do not need legislative authorization	30	28	23	18
Loans over \$1 Million needing authorization	39	37	43	19
Total Loans	69	65	66	37
Percent needing Legislative authorization	57%	57%	65%	51%

	2023	2024	2025	YTD 2026
Rural	63	62	58	28
Urban	6	3	7	5
Total Loans	69	65	65	33
Rural Percentage	91%	95%	89%	85%

PPRF is more Responsive

- ◆ On average, \$222 million in projects per year require legislative authorization.
- ◆ Rural projects represent 50% of projects each year at \$112 million over the past 4-years
- ◆ Without authorization, rural communities will be paying higher costs going to the open markets to get financing for these same projects

	2023	2024	2025	YTD 2026
Dollar amount Rural	\$ 146,799,214	\$ 17,530,000	\$ 218,689,171	\$ 67,185,544
Dollar amount Urban	\$ 131,240,000	\$ 123,143,726	\$ 213,327,000	\$ 30,583,885
Total Project Amounts	\$ 278,039,214	\$ 140,673,726	\$ 432,016,171	\$ 97,769,429
Number that require legislative authorization	39	37	43	19
Dollar impact	\$ 266,448,888	\$ 111,658,098	\$ 422,008,773	\$ 88,341,048

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