



Office of the Governor

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## **New Mexico Match Fund**

*Bill number: HB177 - Sponsored by Rep. Meredith Dixon, Rep. Gail Armstrong,  
Rep. Susan Herrera, Sen. Pete Campos and Sen. Pat Woods*

New Mexico is presented with a unique opportunity to leverage once-in-a-lifetime federal funding for infrastructure, research, economic development, the energy transition, and other projects that foster healthy communities. Many federal programs require matching funds, sometimes up to 50% of the federal award. State agencies, tribal governments, counties, municipalities and other entities eligible to apply for federal grants may devote significant time and energy to identify required match and still come up short. In addition, sometimes New Mexico communities are unable to leverage federal dollars because some of the federal requirements can drive up the total cost of a project. New Mexico must prioritize state funding for match and enhance support for state, local, tribal, and community capabilities in pursuing and managing federal grants.

### **The Opportunity**

The New Mexico Match Fund has the potential to leverage billions of federal dollars in the coming years, including through Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA) programs, such as:

- Regionally significant road, rail, and transit projects
- Transportation projects to advance neighborhood access and equity
- Watershed protection and restoration
- Water conservation, treatment, and supply
- Clean power generation and storage

Enacting this legislation will:

- Support community needs through state investments that mitigate or remove the systemic barriers of lack of capacity and match.
- Increase the competitiveness of rural, small, and tribal communities, political subdivisions, colleges, and state programs for federal funds.
- Upgrade aging infrastructure, spur economic growth, and enhance resiliency and public health.

### **How it Works**

House Bill 177 creates a new reliable and flexible source of funding for state, tribal and local entities that require matching funds to be eligible for a federal grant. The Match Fund will also create opportunities for match grant recipients to receive an additional grant award to cover the costs of administering their project, thereby addressing the lack of capacity that too often holds our communities back from making needed investments.

The Department of Finance and Administration (DFA) will administer the Match Fund on a rolling basis, which means entities can seek the match grant when they need it in order to meet federal application deadlines. The authority for DFA to make contingent match grant awards is another component of the bill that makes entities across New Mexico more competitive for federal dollars. DFA will track the federal funds leveraged through the Match Fund and report annually to the Legislative Finance Committee.

## Why Now?

Through recent federal laws, such as the BIL, IRA, and CHIPS and Science Act, there are unprecedented levels of federal funding available for states, tribes, and local communities. Many of these federal programs are time-limited, with new or increased funding available to states, tribes, communities and other entities beginning in 2022 and will continue through 2027.

With record levels of federal infrastructure funds and record state revenues, now is the time to dedicate \$100 million to the new Match Fund and ensure that the lack of match never gets in the way of infusing federal dollars into our communities. Recent state appropriations for match funding are narrow in statutory scope and/or are one-time agency appropriations that fail to provide certainty, continuity, and coverage for entities in New Mexico who need it the most.

Federal funding conditions such as “Build America Buy America” can sometimes raise project costs while the American manufacturing sector expands to meet current demands. The higher costs may cause communities to opt out of federal programs. Without the New Mexico Match Fund Act, we lack a nimble mechanism to strategically use state funds to mitigate these incremental costs so that communities do not opt out.

## Building on Our Progress

DFA has implemented smaller matching grant funds to tremendous success. DFA received 42 applications totaling over \$10.3 million for the FY24 matching funds appropriation of \$10 million. DFA awarded 41 projects totaling the full appropriation of \$10 million. The total federal funds leveraged with these projects is nearly \$86 million. That is more than \$8 for every \$1 of state funding awarded to these county, municipal and regional entities across New Mexico. In addition, the Indian Affairs Department is currently administering a special appropriation of \$12.5 million to support tribal entities in need of matching funds for federal awards. So far, this appropriation has leveraged over \$5.3 million in federal grants for Tribes, Nations and Pueblos in New Mexico.

## Potential Process

### Federal Agency Announces Grant



Eligible NM Entity develops application for NM Match Fund



NM Entity submits application for matching funds



DFA reviews application. If approved:



DFA makes contingent matching grant award



NM Entity applies to Federal Agency with contingent award from DFA



Federal Agency reviews then approves or denies application



*If NM Entity is awarded by Federal Government:*

- DFA issues a grant agreement
- NM Entity works with DFA on state reporting

*If NM Entity is denied by Federal Government:*

- DFA develops and sends letter to the NM Entity rescinding the contingent award