

**DEPARTMENT OF FINANCE &
ADMINISTRATION
NEW MEXICO MATCH FUND (HB177)
GRANT PROGRAMS MANAGEMENT POLICY**

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I. INTRODUCTION

The Office of Governor Michelle Lujan Grisham and the Department of Finance and Administration (DFA) launch implementation of the New Mexico Match Fund, established in 2024 by House Bill 177 (“HB177”). The Match Fund provides a unique opportunity to leverage once-in-a-generation federal funding for infrastructure, research, economic development, the energy transition, and other projects that foster healthy communities. With this Fund, New Mexico is prioritizing state funding to put more federal dollars to work in New Mexico and enhancing support for state, local, tribal, and community capabilities in pursuing and managing federal grants.

Implementation of the three grant programs created through the Fund 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, frontier, and tribal communities, political subdivisions, colleges, and state programs for federal funds.
- Upgrade aging infrastructure, spur economic growth, and enhance resiliency and public health.

As set forth in this Policy, 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 New Mexico Match Fund Act 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 by October 1.

DFA will review this Policy annually or more frequently, if needed, and make necessary and appropriate updates to improve management of the Match Fund programs.

II. PURPOSE

The purpose of the New Mexico Match Fund (“Fund”) is to help eligible entities utilize federal funding for state, tribal and local programs and projects. Using the resources provided through the Fund, the three authorized grant programs provide a unique opportunity to leverage federal funding for infrastructure, research, economic development, the energy transition, and other projects.

This funding is available for three grant programs:

- 1) Matching Grant: to an eligible entity for state matching funds for federal grants;
- 2) Project Implementation Grant: to an eligible entity that receives a grant for state matching funds for federal grants to administer that grant provided that a grant shall not exceed five percent (5%) of the combined total amount of the federal grant and state matching funds awarded to an eligible entity; and
- 3) Federal Compliance Offset Grant: to an eligible entity to offset higher project costs incurred due to compliance with federal requirements, such as sourcing US-made materials for construction projects.

The New Mexico Match Fund Act also authorizes DFA to use no more than three (3) percent of the total appropriation amount to administer the Fund.

This Grant Programs Management Policy (“Policy”) establishes the process and associated criteria that DFA will use to manage the three grant programs. The Policy also provides clarity to prospective applicants about how the applications will be reviewed and what to expect before, during and after applying to receive financial assistance from the Fund.

This Policy will be implemented by DFA and supported by staff. The Secretary of DFA retains the discretion to waive provisions of the Policy if a deviation from these adopted policies is necessary to adhere to the provisions of the New Mexico Match Fund Act or to otherwise ensure appropriate utilization of state funds. The applying entity will submit a waiver request to the Secretary of DFA for consideration. Any waiver request that contradicts the provisions of Section 9-6-20 NMSA 1978 will not be approved.

III. GOALS

The goals of this Policy are to:

- Establish clear standards and procedures for administration of three types of grants available through the New Mexico Match Fund, including standard terms and conditions of grant agreements;
- Ensure consistent and reliable review and selection of all applications;
- Provide clarity and predictability for all prospective applicants and selected grant recipients; and
- Support transparency and required reporting to the New Mexico Legislature.

In developing a comprehensive framework for program management, DFA provides guidance to applicants regarding suitability for financial assistance from the Fund.

IV. ELIGIBILITY

Eligible entities include a:

- County;
- Municipality (city, town or village);
- Drainage, conservancy, irrigation, soil and water conservation, water or sanitation district;
- Public water cooperative association;
- Acequia or Community ditch association;
- Public schools;
- Public post-secondary education institution;
- State of New Mexico or any of its branches, agencies, departments, boards, instrumentalities or institutions;
- Any other political subdivision of the state; and
- Federally recognized Indian nation, tribe or pueblo, the boundaries of which are located wholly or partially in New Mexico.

V. APPLICATION AND CRITERIA

Online application forms are available on the DFA website. DFA reviews applications in accordance with this Policy.

Applications will be reviewed on a first come, first served basis. The review will determine if the eligibility and criteria have been met. The review will be conducted by DFA staff. For some applications from tribal governments, local governments and other political subdivisions of the state, DFA may consult with staff in other state agencies that have expertise in the type of program or project that would be funded with the federal grant.

For Matching Grant applications from eligible tribal governments and entities that meet the definition of rural or frontier, DFA will set aside 40% of all Matching Grant funds available as of the start of the State Fiscal Year (July 1) to be awarded to rural, frontier and tribal communities that submit qualified applications.

A. Criteria for Matching Grant

Criteria

DFA will consider the following criteria when reviewing Matching Grant applications:

1. Eligible Entity
 2. Project Readiness
 3. Federal Grant Details
 4. Compliance Requirements
1. Eligible Entity: DFA will ensure the applicant is an eligible entity as described above in Section III, Eligibility, and consistent with the New Mexico Match Fund Act. If the applicant is not an eligible entity, the application will be automatically disqualified and will not be considered for funding.
 2. Project Readiness: DFA will require documentation showing the entity is ready to proceed and has either submitted a federal grant application or will be submitting a federal grant application within 120 days. If the applicant has not submitted a federal grant application or will not be submitting a federal grant application within 120 days, the application will be automatically disqualified and will not be considered for funding. The same entity may reapply when they meet the readiness requirement in this paragraph.
 3. Federal Grant Details: Entity will be required to state the associated federal grant opportunity for which they are requesting a match. The entity may be asked to provide documentation proving the existence of the federal grant, the amount of their grant application and the total associated amount of match. The amount of funding requested in the Matching Grant application may not exceed the minimum match requirement for the federal award.

4. Compliance Requirements: Entities must meet the requirements set forth in the Public Finance Accountability Act.

DFA will ensure that all above eligibility requirements are met prior to reviewing the submitted applications.

Additional considerations:

1. Rolling Review Cycle
 2. Reserved Funds for Rural, Frontier and Tribal Applicants
 3. Funding Cap for Individual Matching Grant Applications
 4. Leveraging Other Funds and In-Kind Match
 5. Congressionally Direct Spending (CDS)
 6. Formula and Noncompetitive Funding
1. Rolling Review Cycle: The applications will be reviewed in the order in which they are received. Each application will be date/time stamped after each is submitted. If eligible projects are submitted after available funding is exhausted, they will be placed on a waitlist. If full funding for the project on the waitlist becomes available, it will be made available to the project in the order in which the project application was received.
 2. Reserved Funds for Rural, Frontier and Tribal Applicants: DFA supports projects that address the needs of communities that typically do not have the financial resources necessary to receive and utilize federal funds. As provided above, DFA will ensure that 40% of available Matching Grant funds are reserved for rural, frontier and tribal communities.
 3. Funding Cap for Individual Matching Grant Applications: State agencies and higher education institutions will be capped at \$2.5 million per application and per federal grant. State agencies are advised to carefully evaluate whether the annual appropriations process for recurring and nonrecurring funding and/or the annual capital funding process is a better avenue to secure required matching funds for federal grants.

The cap for all other applicants will be \$10 million per application and per federal grant. Applications from non-state agency entities that request more than \$2.5 million in a Matching Grant may be subject to requests from DFA to submit additional information to further demonstrate the need for requested match funds and the ability to fully utilize the federal and state funding sought.
 4. Leveraging Other Funds and In-Kind Match: The purpose of this funding is to provide a state match for federal funding to maximize the amount of federal funds flowing to the state. Each applicant for a Matching Grant will need to report total match required for the federal award, total amount of match funding from other sources, and total amount requested from the Match Fund to make up any difference. The total of the amount requested from the Match Fund and the amount of funding from other sources should equal the total match amount required by the federal award. The applicant will need to sign a certification statement that the information provided is factual and that all other potential

sources of match funding have been exhausted. Leveraging of other funding sources is highly recommended but not required.

5. Congressionally Direct Spending (CDS): If the applicant is seeking a matching grant for congressionally direct spending, they must have documentation from the federal awarding agency, such as an invitation to apply, award letter, or agreement. Documentation from the congressional office notifying an entity of a CDS award is not sufficient to qualify for a matching grant.
6. Formula and Noncompetitive Funding: The applicant must have documentation from the federal awarding agency, verifying the funds are committed and not contingent on additional approvals. Notification of the award is not sufficient to qualify for a matching grant.

B. Criteria for Project Implementation Grant

For State Fiscal Year (SFY) 2026, the Project Implementation Grant set-aside is \$7.2million. A project implementation grant shall not exceed five percent (5%) of the combined total amount of the federal grant and state matching funds awarded to an eligible entity.

DFA will consider the following criteria in reviewing applications:

1. Recipient of Matching Grant Award
 2. Proof of associated federal award
 3. Complete narrative plan and budget
 4. Compliance requirements
1. Recipient of Matching Grant Award: The entity applying for a Project Implementation Grant must have applied for and received a Matching Grant award.
 2. Proof of associated federal award: The entity applying must have an award from the federal government that is associated with the Matching Grant award and provide to DFA documentation of the award amount and term of the federal grant award.
 3. Complete narrative plan and budget: The entity applying for the Grant must submit a written plan and proposed budget for how the entity intends to utilize the Project Implementation Grant. The plan and budget must demonstrate how the Project Implementation Grant will support the entity's ability to manage both the federal grant award and the Matching Grant to complete all grant funded activities on time and in compliance with all applicable grant requirements.
 4. Compliance Requirements: Entities must meet the requirements set forth in the Public Finance Accountability Act in House Bill 493, 2025.

C. Criteria for Federal Compliance Offset Grant

DFA will set-aside a portion of the Match Fund balance each year for Federal Compliance Offset Grants. In SFY 2026 the Federal Compliance Offset Grant set-aside is \$3 million.

DFA will consider the following criteria in reviewing projects:

1. Eligible entity
 2. Proof of federal grant
 3. Documentation proving cost increase due to federal requirements
 4. Compliance requirements
1. Eligible Entity: DFA will ensure the applicant is an eligible entity as described above in Section III, Eligibility. If the applicant is not an eligible entity, the application will be automatically disqualified and will not be considered for funding.
 2. Qualifying Award: The entity applying for a Federal Compliance Offset Grant will need to provide documentation showing they have a federal award.
 3. Proof of Cost Increase: The entity applying for a Federal Compliance Offset Grant will need to provide documentation showing how the cost increase was calculated, including a comparison of project cost estimates with and without federal compliance.
 4. Compliance Requirements: Entities must meet the requirements set forth in the Public Finance Accountability Act in House Bill 493 2025.

VI. IMPLEMENTATION

A. Matching Grants

After a Federal agency announces a grant opportunity for eligible entities in New Mexico with a requirement for non-federal match, an eligible entity may choose to apply for a Matching Grant.

Barring unforeseen circumstances, DFA will review each application and make a determination within 20 business days of receiving the complete application.

If a reopened application is inactive for 20 business days, applications will receive a system generated notification to complete their application. If no activity is completed after ten business days, the applicant will be emailed and called. If the application remains inactive after an additional ten business days, the application will be closed. The applicant will need to reapply if they are still seeking a Matching Grant.

If the application is denied for any reason pursuant to this Policy, the entity will receive a denial letter from DFA explaining the reason for denial.

If the application is eligible to receive a Matching Grant, DFA will send the applicant a contingent award letter that specifies the amount of the Matching Grant award that is contingent upon the entity's successful application for federal funding.

The entity will apply for the federal grant. The federal agency will review and approve or deny the application.

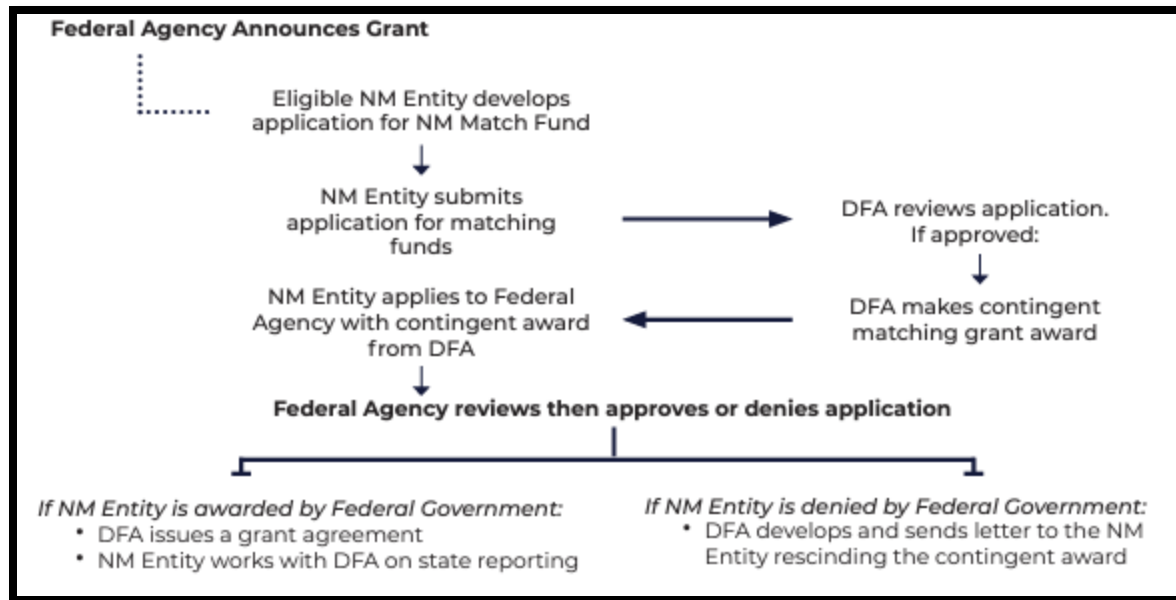
If selected, the entity will receive an award letter from the federal government. If the amount received in the federal award letter is less than the amount applied for from the federal government, the Matching Grant award will be reduced to the minimum amount needed for the federal match. (Example: If an entity applies for a \$5 million federal grant with a 10% match requirement and is only awarded \$3 million, the maximum amount that can be awarded in a Matching Grant is \$300,000, not \$500,000.)

Upon receiving notification of award/selection from the federal agency, the entity will notify DFA of the award, including the grant amount, within 20 business days of receiving notification or five business days after approval of funding at a local government meeting, whichever is greater.

The entity will receive a grant agreement from DFA for execution and the entity will work with DFA to determine the appropriate state grant reporting frequency, to be informed by the reporting requirements associated with the federal grant.

If the entity receives a denial letter from the federal agency, the entity will notify DFA within five business days. DFA will develop and send a letter to the entity rescinding the contingent award.

Matching Grant Implementation Process Flow:



B. Project Implementation Grant

Eligible entity will apply for the project implementation grant after receiving both the federal grant award and the state Matching Grant award.

If a reopened application is inactive for 20 business days, applications will receive a system generated notification to complete their application. If no activity is completed after ten business days, the applicant will be emailed and called. If the application remains inactive after an additional ten business days, the application will be closed. The applicant will need to reapply if they are still seeking a Matching Grant.

If selected for a Project Implementation Grant, the entity will receive a grant agreement from DFA for execution and the entity will work with DFA to determine the appropriate state grant reporting frequency.

If the Match Fund set-aside for Project Implementation Grants is exhausted or the application is denied for any reason, the entity will receive a denial letter from DFA explaining the reason for denial.

C. Federal Compliance Offset Grant

Eligible entity will apply for the Federal Compliance Offset Grant in accordance with Policy provisions set forth above and the associated DFA grant application form.

Entity will need to provide documentation showing how the cost increase was calculated, including a comparison of project cost estimates with and without federal compliance.

If a reopened application is inactive for 20 business days, applications will receive a system generated notification to complete their application. If no activity is completed after ten business days, the applicant will be emailed and called. If the application remains inactive after an additional ten business days, the application will be closed. The applicant will need to reapply if they are still seeking a Matching Grant.

The entity will receive a grant agreement from DFA for execution and the entity will work with DFA to determine the appropriate state grant reporting frequency.

If the Match Fund set-aside for Federal Compliance Offset Grants is exhausted or the application is denied for any reason, the entity will receive a denial letter from DFA explaining the reason for denial.

VII. REPORTING

Based on the nature of all three types of grants covered by this Policy, which are directly related to federal grants and/or federally funded projects, the proper frequency for each grantee's reports to DFA will vary. As noted in section VI above, grant reporting frequency will be determined by DFA and the grantee on a case-by-case basis.

DFA will create a standard reporting form and will require the entity receiving a grant to submit the report to DFA on or before the dates specified in the grant agreement.

DFA will report annually to the legislative finance committee and any other appropriate interim committee no later than October 1 of each year on grants made from the Fund.

VIII. DEFINITIONS

“Audit Compliance” means the adherence to applicable laws, regulations, or standards governing the use of public funds, specifically the requirements included in the Public Finance Accountability Act of 2025.

“Certified Completion” means the entity has submitted in writing to DFA that they have expended all funding.

“Federal Single Audit Act of 1984” means the establishment of a single financial audit requirements for State and local governments that receive \$100,000 or more in Federal assistance in any fiscal year. In 1984, Congress passed the Single Audit Act, which required most governmental recipients of federal assistance (e.g., state and local governments) to have organization-wide financial and compliance audits on an annual basis.

“Frontier” means a geographic area that is relatively remote and sparsely settled territory (consistent with United States Department of Agriculture (USDA) Economic Research Service definition). To determine whether a Match Fund applicant is “frontier,” DFA will use USDA mapped area codes for “frontier and remote” areas, available at <https://www.ers.usda.gov/data-products/frontier-and-remote-area-codes/>.

“Rural” means open country and settlements with fewer than 2,000 housing units and 5,000 residents, based on the 2020 decennial census, and released in 2022 (consistent with USDA Rural Development definition).

“State Agency” means any department, institution, board, bureau, commission, district, or committee of the state of New Mexico, including institutions of higher education that receive state funding

“Tribal Community” means any legally recognized group of indigenous people recognized as having rights and obligations independent of the State of New Mexico.

IX. DECLINED OR RESCINDED FUNDS

A. A Fund grant recipient may decline or may not be able to utilize the funding. Grant awards may be returned by the grantee or rescinded by DFA. The funds associated with declined or rescinded awards will return to the available Fund balance and subsequently available for a new eligible grant application in accordance with DFA policy.

B. Prior to executing a Match Grant agreement, DFA may rescind the contingent award for any of the following reasons:

1. Any change to the entity’s plans for the associated federal grant application, including a change to readiness to proceed, or a change to the financial position of the entity.
2. Failure to secure the award from the Federal funder.
3. Any other reason deemed appropriate by DFA and allowed by applicable law.

C. Subsequent to executing a Fund grant agreement for any type of grant covered by this Policy, DFA may terminate the agreement and rescind the funds for the following reasons:

1. Failure to encumber at least 50% of total grant award amount within 24 months after execution of the grant agreement.
2. Failure to comply with any terms or conditions of the grant agreement, including compliance with reporting requirements.
3. Any other breach of the grant agreement left uncured after proper notice.

D. Pursuant to the New Mexico Match Fund Act, funds remaining at the completion of grant agreements executed pursuant to this Policy shall revert to the Fund.