

**DEPARTMENT OF FINANCE &
ADMINISTRATION
Capital Development Program Fund (HB253)
GRANT PROGRAMS MANAGEMENT POLICY FOR FISCAL YEAR 2025**

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Policy for [House Bill 253: Capital Outlay Reform Act of 2024](#)**Effective Date:** July 1, 2025**Authority:** New Mexico State Legislature, 2024 Regular Session**Purpose:** To streamline and enhance transparency, accountability, and efficiency in the allocation and management of state funds for capital outlay projects across New Mexico.**I. INTRODUCTION**

House Bill 253 (HB 253) from the New Mexico 2024 Legislative Session, titled "Capital Outlay Changes," was signed into law by Governor Michelle Lujan Grisham on March 5, 2024. This bill creates a new source for funding capital outlay projects, which typically involve infrastructure, public buildings, and other long-term investments.

II. PURPOSE

The State of New Mexico, through HB 253, seeks to enhance the capital outlay process by improving transparency in project sponsorship, establishing clearer timelines for fund expenditure, and ensuring equitable distribution of resources. This policy ensures compliance with legislative requirements and promotes efficient use of public funds for infrastructure and community development projects.

For 2025, \$24,000,000 in CDPF funds were allocated as part of the Capital Outlay bill, HB 450. Statutory language in the bill allocated the funding specifically for project completion with amounts not to exceed \$1,000,000 or 20% of the total project cost.

This Grant Programs Management Policy ("Policy") establishes the process and associated criteria that DFA will use to manage the available grant funding. 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 Capital Development Program Fund (CDPF).

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 CDPF or to otherwise ensure appropriate utilization of state funds. The applying entity will submit a waiver request in writing to the Secretary of DFA for consideration.

III. GOALS

The State of New Mexico hereby establishes the following goals to govern the administration of capital outlay funding pursuant to Section 7-27-51 NMSA 1978:

1. Transparent Allocation Process

All capital outlay funds shall be allocated through a clear and publicly accessible process. The Department of Finance and Administration (DFA) will maintain an updated registry of

proposed and approved projects, including funding sources, project descriptions, and anticipated completion dates, available on a state-managed website.

2. Prioritization of Projects

Capital projects will be prioritized based on project readiness, demonstrated community need, economic impact, the applicant's history of effective capital outlay expenditures, and alignment with state infrastructure goals. A standardized evaluation rubric, developed by the DFA will be applied to ensure equitable distribution of resources.

3. Funding Accountability

Recipients of capital outlay funds from the Capital Development Program Fund, including state agencies, municipalities, counties, and tribal governments, are required to submit quarterly progress reports to the DFA. These reports must detail expenditures, project milestones, and any deviations from the approved budget or timeline. Any unexpended or unencumbered balance of an appropriation for a capital project remaining after two years following the date of appropriation will revert to the Severance Tax Permanent Fund.

4. Rural or Underserved Areas Collaboration

A minimum of 40% of annual CDPF funds in the capital development program fund shall be reserved for projects benefiting rural or underserved areas, as defined by the most recent U.S. Census data. If insufficient applications from rural or underserved areas are received for a CDPF grant, the minimum requirement may be waived.

5. Legislative Oversight

DFA will provide the Legislative Finance Committee (LFC) with the list of projects awarded CDPF appropriations by September 30, 2025.

Objectives

- To improve the efficiency of capital project delivery by reducing bureaucratic delays.
- To enhance public trust through increased transparency and accountability in the use of taxpayer dollars.
- To provide a reliable funding source for completion of smaller projects
- To support equitable access to funding across urban, rural, underserved and tribal communities in New Mexico.

IV. ELIGIBILITY

The Policy provides implementation guidance to DFA for distribution of funding as set forth above.

Project Completion - An eligible entity applying for a CDPF Grant shall request the full amount of the funds required to complete existing capital projects not to exceed \$1,000,000 or twenty (20) percent of the total project cost. Any request in which the funding gap exceeds \$1,000,000 or 20% of the total project cost will not be deemed an eligible project. A project that includes a complete useable phase is eligible to receive funding through the CDPF.

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;
- Acequias and 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

DFA will create an online application form available on the DFA website. DFA will review applications in accordance with this Policy.

Applications will be reviewed by August 31, 2025. The review, conducted by DFA staff, will determine if the eligibility and criteria have been met. For certain 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. Eligible entities will be notified of award by September 30, 2025.

Criteria for CDPF Grant

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

- Eligible Entity
- Project Readiness
- Project Details
- 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. Project Readiness

DFA will require documentation showing the entity has the required amount of funding to complete the project or a useable phase. If the applicant does not have the funding to complete the project or a useable phase, the application will be automatically disqualified and will not be considered for funding. Project Details: An eligible entity will be required to submit a detailed scope for the project for which they are requesting CDPF funding. Entities are encouraged to have the project listed on their ICIP with current and accurate information,

as priority will be given to projects that are listed as a top priority on the entity's ICIP. The amount of funding requested in the CDPF Grant application may not exceed the minimum amount required for project completion, provided the amount does not exceed the limits set forth in Section 4 of this Policy.

3. Compliance Requirements

Entities must meet the requirements set forth in the Public Finance Accountability Act, Section 6-3B-1 through 6, NMSA 1978.

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

Additional considerations:

1. Review Cycle
2. Reserved Funds for Rural, Frontier and Tribal Applicants

1. Review Cycle

Applications will be due July 31, 2025. Project awards will be determined by August 15, 2025. In the event eligible funding requests exceed the amount available in the Capital Development Program Fund, projects will be prioritized based on the final score determined using DFA's scoring rubric.

2. Reserved Funds for Rural, Underserved and Tribal Applicants

DFA supports projects that address the needs of communities that typically do not have the financial resources required to provide necessary services to residents. As provided above, DFA will ensure that 40% of available CDPF funds are reserved for projects benefiting and/or located in underserved areas, as defined by the USDA's Economic Research Service Frontier and Remote (FAR) Area Codes.

VI. IMPLEMENTATION

All state agencies and local entities receiving capital outlay funds from the CDPF must comply with these policies by July 31, 2025.

CDPF Grants

After the DFA announces a grant opportunity for eligible entities, an eligible entity may choose to apply for a CDPF 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 CDPF Grant, DFA - Local Government Division (LGD) or the relevant state agency will send the applicant a grant agreement.

The entity will receive a grant agreement from LGD for execution and the entity will report quarterly on project progress. Funds will be available to the entity on a reimbursement basis. The entity must return the grant agreement to LGD within 30 days of receiving it or the CDPF Grant award will be rescinded and made available to a different project.

VII. REPORTING

Based on the nature of both types of grants covered by this Policy, which are directly related to capital projects, the proper frequency for each grantee's reports to DFA will be quarterly upon execution of the grant agreement.

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 to the legislative finance committee and any other appropriate interim committee no later than August 31 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.

"Date of Appropriation" means the date the bill that includes the funds for the Capital Development Program Fund becomes law.

"Frontier" means a geographic area that is relatively remote and sparsely settled territory (consistent with USDA Economic Research Service definition). To determine whether a CDPF 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 U.S. Department of Agriculture (USDA) Rural Development definition).

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

"Useable Phase" means a distinct portion of a capital project that has been sufficiently completed and meets all applicable safety, operational, and regulatory requirements such that it can be safely and effectively occupied, operated, or used for its intended purpose, even if other phases of the overall project are still to be initiated or completed.

IX. DECLINED OR RESCINDED FUNDS

A. A 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. Funds from declined or rescinded awards will be redistributed to approved but unfunded projects, provided spending occurs within the original timeframe.

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

1. Any change to the entity's plans for the associated grant application, including a change to readiness to proceed, or a change to the financial position of the entity.
2. 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 comply with any terms or conditions of the grant agreement, including compliance with reporting requirements.
2. Any other breach of the grant agreement left uncured after proper notice.
3. The eligible entity must submit a resolution from the Governing Body accepting the CDPF grant award.
4. If the grant agreement is not executed within 60 days of receipt from LGD, the grant award may be revoked.

D. Pursuant to the Severance Tax Bonding Act, funds remaining at the completion of grant agreements executed pursuant to this Policy shall revert to the Severance Tax Permanent Fund.