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DEPARTMENT OF FINANCE AND ADMINISTRATION
BOARD OF FINANCE**

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DEBT AFFORDABILITY STUDY

December 18, 2018

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Introduction and Scope

The New Mexico Department of Finance and Administration, in conjunction with the State Board of Finance and its Financial Advisors, prepare this Debt Affordability Study on an annual basis as a management tool for assessing the affordability of projected debt issuance by the State and monitoring the State's debt capacity. The prudent management of capital for investment in critical State infrastructure is essential for the long-term health of the New Mexico economy, and in turn for increasing real incomes and the quality of life for New Mexicans. Properly managed, debt is a critical tool for investing in our schools, addressing essential water needs, improving roads, and building our economy.

The core State bonding programs that are the focus of this study include general obligation bonds, severance tax bonds and supplemental severance tax bonds issued by the State Board of Finance, and transportation revenue bonds issued by the Department of Transportation through the New Mexico Finance Authority. The Fort Bayard lease appropriation bonds are also addressed, as will be any future state lease appropriation bonds. These bonding programs, along with periodic appropriated General Funds, are the primary sources of capital investment funding for the State. The study incorporates the bonds issued by the New Mexico Finance Authority on behalf of the Department of Transportation as statewide debt, but does not address debt issuance by State higher educational institutions, the Mortgage Finance Authority, or the regional housing authorities. Finally, the study references the Public Project Revolving Fund of the New Mexico Finance Authority, but does not address other bonds and indebtedness issued by political subdivisions of the State.

The core State long-term bonding programs have projected capacity of \$3.16 billion (see table on page 18) of new money general obligation and senior severance tax bonds over the next 10 years for State capital projects based upon the policies described herein, as well as a further \$2.84 billion of short term "sponge" funding notes for statewide capital projects and public school purposes. In aggregate, this level of funding represents a 63 percent increase in projected capital capacity over the amounts projected one year ago in the annual Debt Affordability Study. The regular issuance of long-term debt in a manner that projects available capacity over a ten-year horizon, in conjunction with the continued use of short-term notes to direct annually available balances in the Severance Tax Bonding Fund to investment in State economic infrastructure and other critical state facilities, has been central to the State long-term capital investment planning for many years.

The projected available debt capacity for the core State bonding programs as described herein is not funded from, and therefore does not place stress on, the State General Fund, and this projected capital capacity is affordable within currently projected levels of the revenue streams that are dedicated to debt repayment. As the increase in projected debt capacity noted above suggests, the traditional volatility of natural resource pricing is now working in the State's favor, after a number of lean years. Due in large measure to the conservative debt management practices of the State, the key debt ratios have not suffered on account of the downturn in State revenues over the past several years, even as new long-term debt was issued. Now, revenue prospects over the near and medium term are decidedly positive.

The key debt ratios used in this study to assess the state debt burden are debt per capita and debt as a percentage of personal income, which provide a basis for comparing levels of debt use across states and against peers. These ratios, along with the level of financial reserves and trends in State revenues and other financial resources, directly impact the State bond ratings, and the State bond ratings, in turn, directly impact the State's cost of capital. Understanding the position of the State relative to its peers allows stakeholders across the state to monitor its financial and debt positions, and provide a framework for benchmarking with respect to debt issuance levels, debt capacity, and levels of new investment.

The State bond ratings are now in the middle tier of the “*double-A*” level, the second highest investment grade rating category, and continue to benefit from strong debt management attributes, which include rapid debt retirement, moderate debt levels and debt ratios relative to population and personal income that have shown a downward trend over time. These credit strengths have been balanced against the State's historical dependence on federal employment, low levels of personal income relative to national averages and state peers, and the inherent revenue volatility derived from volatility in oil and natural gas pricing and production levels.

The State bond ratings from Moody's and Standard & Poor's each have stable outlooks. A primary driver of the one-notch decreases in the State's general obligation and severance tax bond ratings over the past two years were the deterioration in General Fund reserves and the downturn in natural resource revenues, each of which have now stabilized.

Public employee pension funds continue to be under significant scrutiny by both the public and bond investors, as well as the bond rating agencies, and the underfunding of State employee pension funds has also negatively impacted the State's bond ratings. Moody's Investors Services, in particular, incorporates pension fund liabilities into its credit analysis, and does so based upon lower assumed long-term pension fund earnings. Both PERA and ERB funding commitments are a significant source of financial pressure on the State General Fund, and Moody's, in particular, is increasingly viewing ERB as a funding obligation of the General Fund in a manner that has not been fully recognized previously. The ERB issue, and Moody's overall pension methodology are discussed herein, and we provide a comparison of the State debt and liability position to all of the states, utilizing Moody's adjustments to state net pension liabilities. In addition to unfunded pension liabilities, the State's historically slow process in producing annual Comprehensive Annual Financial Reports (CAFR) continues to be a negative factor affecting the State's general obligation bond ratings.

Core State Bonding Programs

The core State bonding programs that are the focus of this study include general obligation bonds, severance tax bonds and supplemental severance tax bonds issued by the State Board of Finance, transportation revenue bonds issued by the Department of Transportation through the New Mexico Finance Authority, and lease appropriation bonds. The State general obligation bonds are secured by the full faith and credit pledge of the State, and are repaid from a dedicated *ad valorem* statewide mill levy. The severance tax and supplemental severance tax bonds are secured by and repaid from revenues deposited into the Severance Tax Bonding Fund, which primarily include taxes on mineral extraction in the state. The transportation revenue bond program is secured by a pledge of revenues received into the State Road Fund, which are

principally derived from gasoline and diesel fuel taxes, motor vehicle registration and road user fees, plus an additional pledge of certain federal revenues received annually by the Department of Transportation. Accordingly, the lease appropriation bonds issued to fund the Fort Bayard Medical Center are the only core state bonds currently outstanding that are payable from General Fund resources.

The following table sets forth the sources of capital funding for the State over the past five years, including the core State bonding programs, the severance tax note program as well as other sources of funding and pay-as-you-go funding from the General Fund.

Principal Sources of Capital Funding by Fiscal Year						
(Millions of dollars)						
	2014	2015	2016	2017	2018	Total
General Obligation Bonding Program						
General Obligation Bonds	-	\$167.0	-	-	174.3	\$341.3
Subtotal	-	167.0	-	-	174.3	341.3
Severance Tax Bonding Program						
Severance Tax Bonds	\$339.7	0.0	\$293.1	\$51.0	\$222.5	906.3
Severance Tax Funding Notes	90.5	128.2	8.6	38.5	28.9	294.7
Supplemental Severance Tax Bonds	0.0	0.0	81.0	0.0	0.0	81.0
Supplemental Severance Tax Funding Notes	175.2	214.5	127.3	120.4	139.2	776.6
Subtotal	605.4	342.7	510.0	209.9	390.6	2,058.6
Other Sources						
Transportation Bonds	70.1	-	-	-	-	70.1
Subtotal	70.1	-	-	-	-	70.1
Total	\$675.5	\$509.7	\$510.0	\$209.9	\$565.0	\$2,470.0

Note: Dollar amounts from SBOF bonding programs reflect net proceeds available for capital expenditure.

As of the end of fiscal year 2018, the State had \$411.5 million of outstanding general obligation bonds and \$943.7 million of Senior and Supplemental Severance Tax Bonds. In addition, the State had \$51.7 million of lease appropriation bonds, and \$1.1 billion of transportation bonds supported by State Road Fund revenues. The following table sets forth the State tax-supported debt outstanding as of June 30, 2018.

State Bonds Outstanding as of June 30, 2018	
(millions)	
General Obligation Bonds	\$411.53
Severance Tax Bonds	\$849.99
Supplemental Severance Tax Bonds	\$93.68
Transportation Bonds	\$1,091.46
Lease Appropriation	\$51.69
	\$2,498.35

Review of the State Credit

Ratings on State Bonds

The ratings on the State’s bonds represent the assessment by each rating agency of the credit quality of each bond issue, and the State’s ability and willingness to repay its debt on a timely basis. The State’s general obligation bonds are rated *AA* and *Aa2* by Standard & Poor’s Ratings Services (“S&P”) and Moody’s Investors Service (“Moody’s”), respectively. Each of these ratings were downgraded over the past two years, in the face of the downturn in State revenues and the ensuing deterioration in reserves in the General Fund, as well as concerns over unfunded pension liabilities. Until recently both rating agencies maintained a negative outlook on those ratings, however with the rebound in revenues and the restoration of General Fund reserves, both rating agencies now have a stable outlook on those ratings.

The key credit factors that rating analysts have historically looked to as credit strengths in evaluating New Mexico’s general obligation bond ratings include (i) the historical commitment to maintaining strong General Fund reserves balances and cash liquidity, (ii) the performance and stability of General Fund revenues, and (iii) rapid debt retirement and moderate debt levels. These credit strengths have been balanced against historically low levels of personal income, the inherent volatility of oil and natural gas-related revenues, a relative lack of economic diversity, and dependence on federal employment. Continuing challenges facing the State bond ratings include (i) the underfunding of public employee pension funds and post-retirement benefits, (ii) the timeliness of CAFR publication, and (iii) healthcare and education funding pressures in the General Fund.

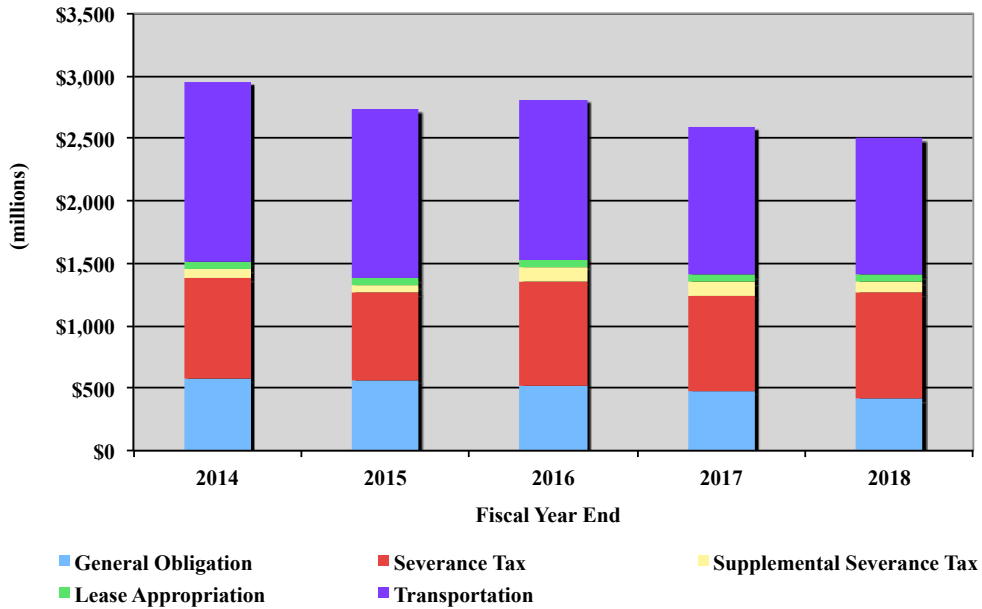
The table below sets forth the ratings on outstanding bonds for State bonding programs.

State Board of Finance	Moody's	Standard & Poors
General Obligation Bonds	Aa2	AA
Severance Tax Bonds	Aa2	AA-
Supplemental Severance Tax Bonds	Aa3	A+
Lease Appropriation Bonds	Aa3	AA-
State Transportation Revenue Bonds		
Senior Lien	Aa1	AAA
Subordinate Lien	Aa2	AA
New Mexico Finance Authority		
Senior Lien Public Project Revolving Fund	Aa1	AAA
Subordinate Lien Public Project Revolving Fund	Aa2	AA

Trends in State Debt Issuance

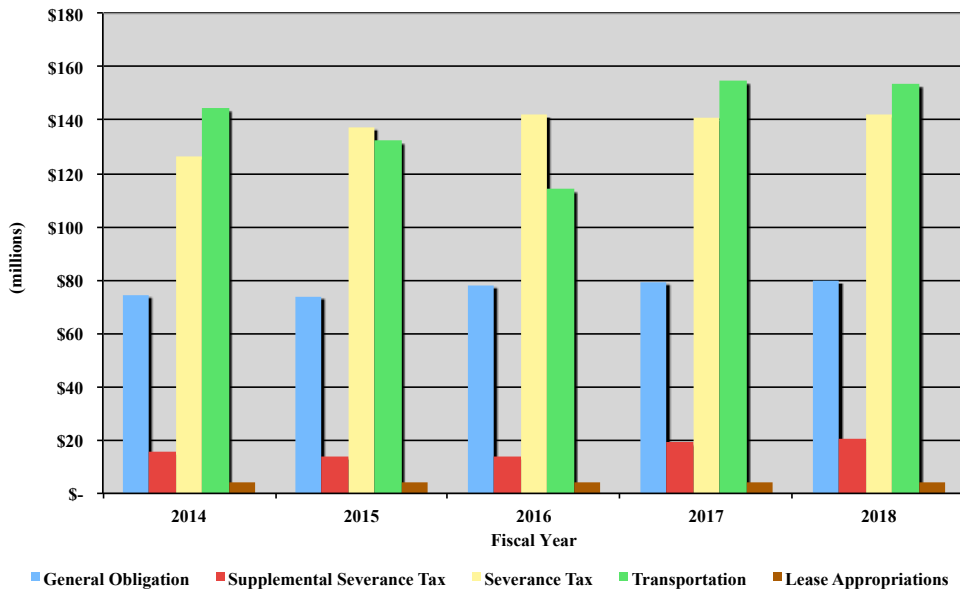
Trends in debt issuance are an integral factor in evaluating the State’s debt levels. The State has made and continues to make substantial investment in basic capital infrastructure, particularly in the areas of transportation, educational facilities and water supply. As illustrated in the following graph, total outstanding tax-supported state debt has declined 15.3 percent over the past five years, from \$3.0 billion in 2014 to \$2.5 billion in 2018.

Outstanding Tax-Supported Bonds



The State’s aggregate annual debt service payments on its core bonding programs have in aggregate remained stable over the past five years, while oscillating somewhat within each bonding program. Over the past five years, aggregate bond debt service rose 10 percent, from \$364.9 million in 2014 to \$400.0 million in 2018.

Tax Supported Bond Debt Service 2014-2018



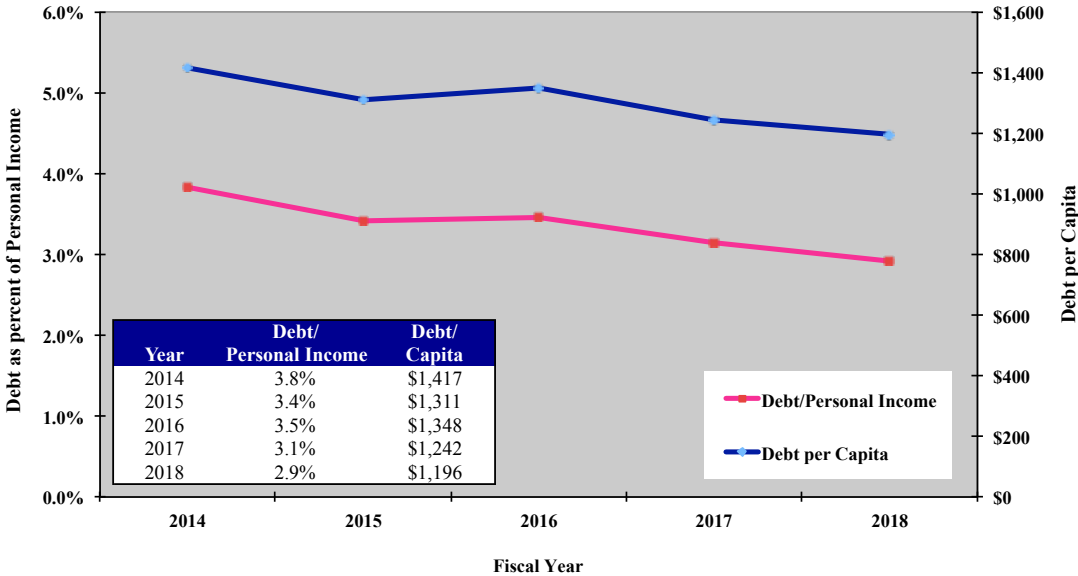
State Debt Ratios

In addition to examining an issuer’s total debt position, rating analysts review the issuer’s debt ratios and their change over time. The key debt ratios developed and utilized by the

bond rating agencies with respect to the evaluation of the credit quality of the State of New Mexico are Net Tax-Supported Debt to Personal Income and Net Tax-Supported Debt per Capita.

Two other metrics impacting the credit quality of general obligation bonds are the amount of outstanding debt as a percentage of the assessed value of the property that will be taxed to pay for those bonds, and the rate of repayment of the bonds. As of June 30, 2018, State general obligation bonds totaled 0.68 percent of statewide assessed value of property, or approximately two-thirds of the maximum of 1 percent of statewide assessed value permitted by the State Constitution. Another important credit factor is that the public referendum to authorize the issuance of general obligation bonds also provides for the imposition of a mill levy that is solely dedicated to the repayment of those bonds. With respect to the pace of repayment of outstanding bonds, repayment of 25 percent of the par amount of the bonds in five years and 50 percent of the par amount of the bonds in 10 years is considered average for general obligation issuers nationally. Therefore, the State’s issuance of bonds with a final maturity of 10 years is substantially more conservative than the norm. The following graph presents the State’s tax-supported debt ratios over the past five years, and demonstrates the downward trend in debt per capita and as a percent of personal income.

Key Debt Ratios

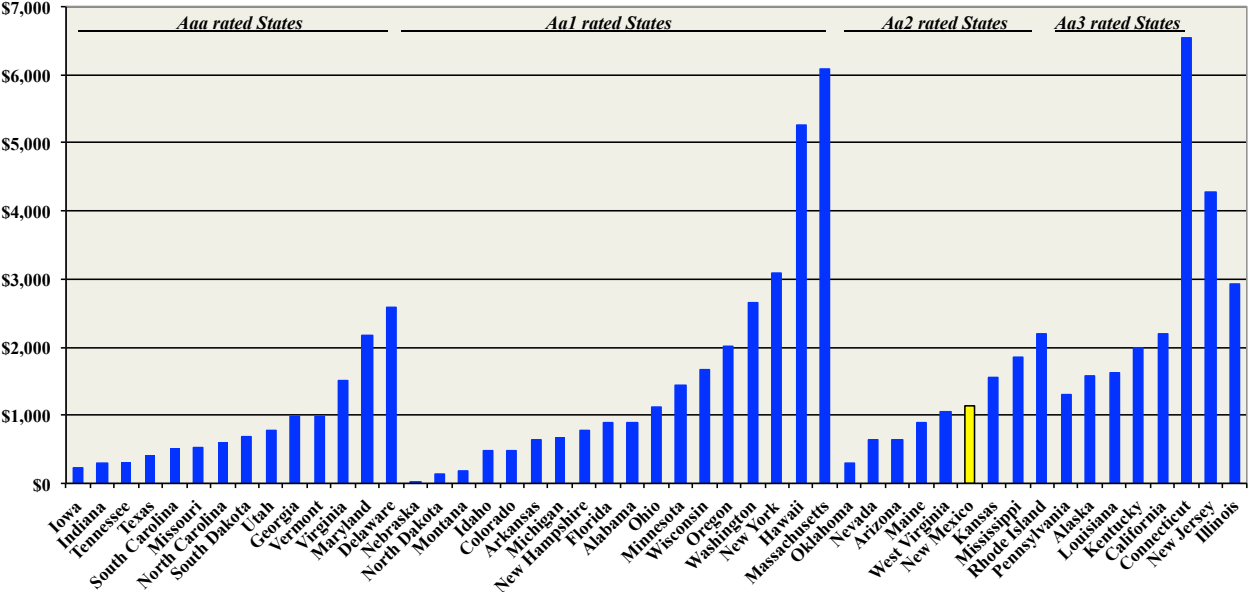


Because the rate of debt repayment is a contributing factor to credit ratings, it is notable that both State general obligation bonds and bonds issued under the Severance Tax Bonding Program are fully retired within 10 years. The five-year retirement rates of the State general obligation, severance tax and supplemental severance tax bonds as of the date of this report are 65.7 percent, 70.0 percent and 77.4 percent, respectively. With respect to the transportation bonds, the five-year retirement rate is 52.2 percent, while 91.6 percent mature within 10 years. Historically, the State debt management practices have provided for the rapid repayment of bonds, which is generally a positive credit consideration.

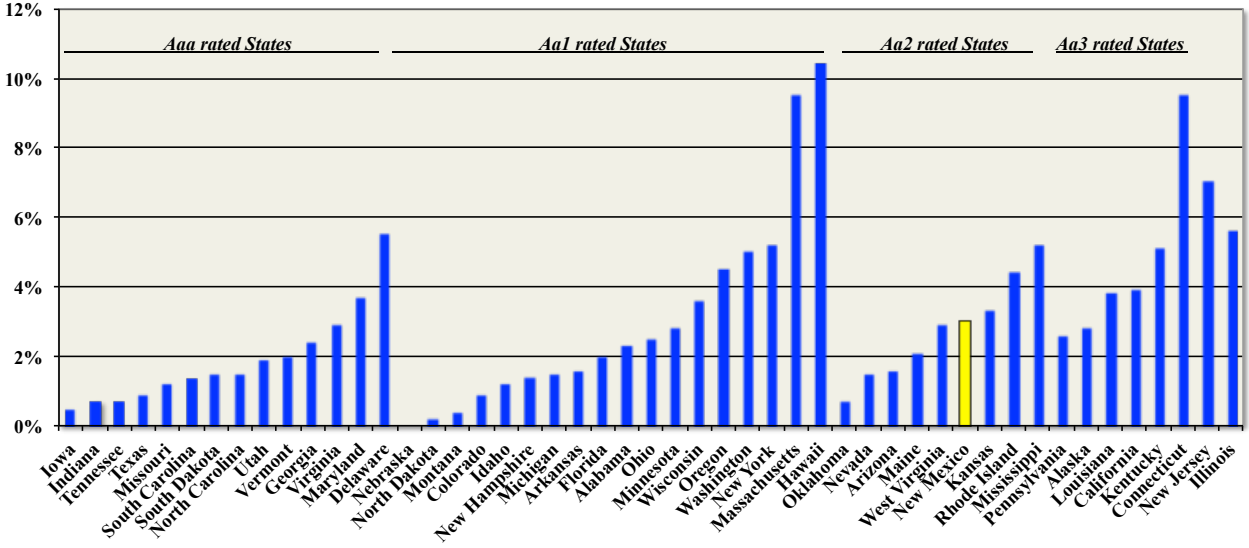
Comparison of Debt Ratios to Selected Peer Group and National Medians

A comparison of key New Mexico debt ratios to those of the rest of the states is useful to place the State’s debt position in a national context. Both Moody’s and S&P publish ratio data on state governments on a regular basis. For the purposes of benchmarking the State’s key debt ratios, we have provided a comparison with all of the states, sorted by rating category, utilizing data published by Moody’s in April 2018. The first graph below presents a comparison of net tax supported debt per capita among the states, sorted by rating category, with New Mexico highlighted in yellow. The second graph presents a comparison of net tax supported debt to personal income among the states, again sorted by rating category.

Peer Comparison: Net Tax Supported Debt per Capita



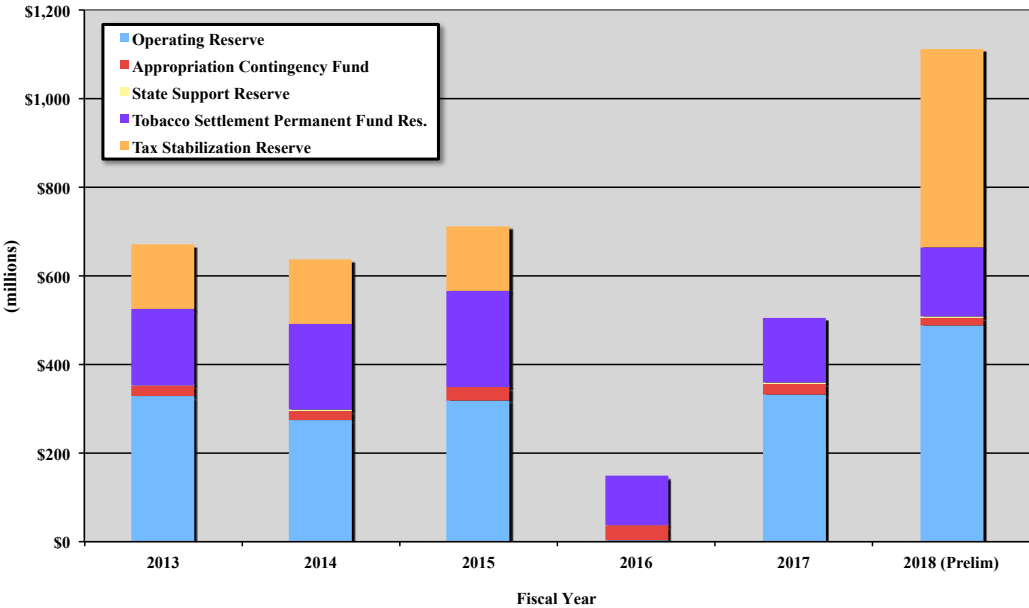
Peer Comparison: Net Tax Supported Debt as Percent of Personal Income



General Fund Reserves

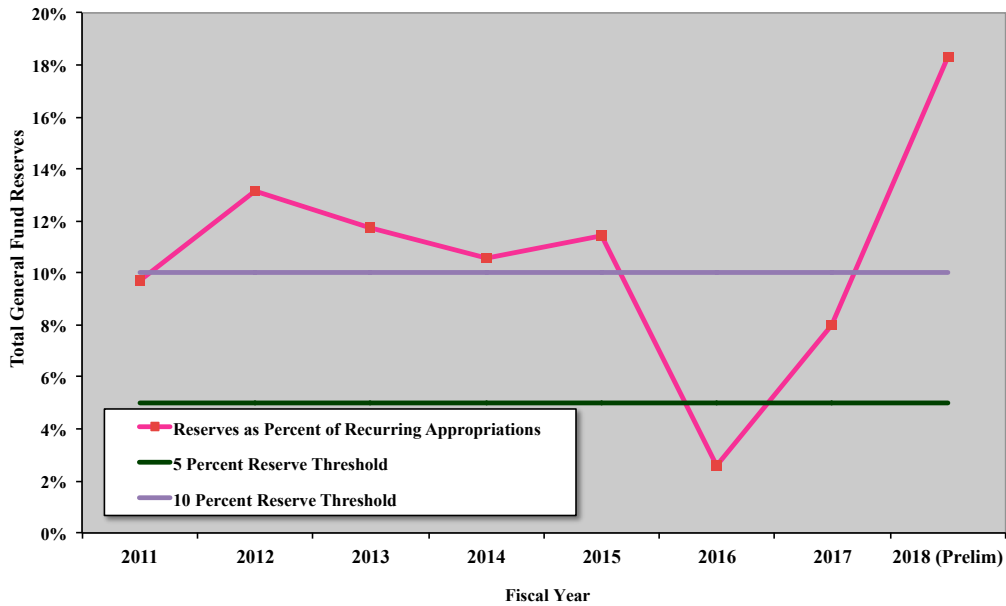
Strong reserve balances in the General Fund have historically underpinned New Mexico’s general obligation bond ratings, and have offset negative credit attributes, including low personal income levels, the relative lack of economic diversity, and vulnerability to federal budget risk. The following graph presents the components of the General Fund reserve balances over the past decade, including preliminary results for 2018. This graph illustrates the impact of the decline in reserves in 2016 and the progress since then in rebuilding reserve levels. General Fund balances in New Mexico comprise the General Operating Reserve Fund, Appropriation Contingency Reserve, the State Support Reserve, the Tobacco Settlement Permanent Fund Reserve and the Tax Stabilization Reserve. Each of these funds is legally available for appropriation by the Legislature, though utilization of the Tax Stabilization Reserve requires a super-majority vote. As the graph illustrates year-end results for fiscal year 2016 showed a 79.3 percent decline in reserve balances from the prior year level, to \$147.7 million. In contrast, the recovery of reserves has been dramatic. Preliminary results for year-end 2018 reserve levels indicate that balances have been restored to approximately \$1.1 billion, the highest level ever.

General Fund Reserves FY 2013-2018 (Prelim)



The graph on the following page presents the General Fund reserves as a percentage of recurring appropriations. This graph includes a line designating the 5 percent reserve floor established as a credit criteria by S&P and a second line designating the 10 percent reserve target. Over the past 10 years, the reserve ratio generally remained at or above the 10 percent target level, until falling below the 5 percent threshold in fiscal year 2016 with the significant decline in energy prices. In fiscal year 2017, reserve balances were restored to 8.0 percent, back above the 5 percent threshold, and in fiscal year 2018, preliminary results indicate total General Fund reserve balances of 18.3 percent of recurring appropriations. The establishment in conjunction with the adoption of the fiscal year 2018 budget of a Rainy Day Fund in the General Fund, which will capture growth in natural resource derived revenues, is expected to further strengthen State reserves. As of July 2018, this new fund is expected to have a balance of \$162 million.

General Fund Reserves as Percent of Recurring Appropriations

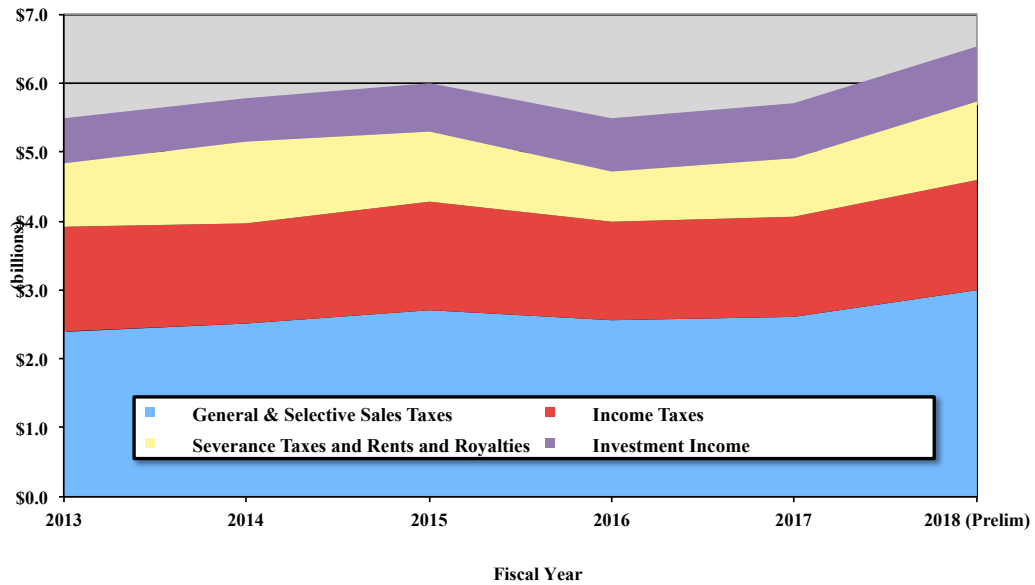


Revenue Volatility and Forecast Error

While historically strong General Fund reserves have been a key credit factor supporting the strong State ratings, cyclical volatility of General Fund revenues has contributed to fluctuations in reserve levels and the decline and then recovery in reserves, as illustrated in the two previous graphs. Trends in primary General Fund revenues, which comprise sales taxes, income taxes, revenues derived from mineral extraction activities and investment earnings, including contributions from State permanent funds, are evaluated by the rating agencies as they consider fundamental issues of fiscal stability and trends. These revenue trends are illustrated in the graph below.

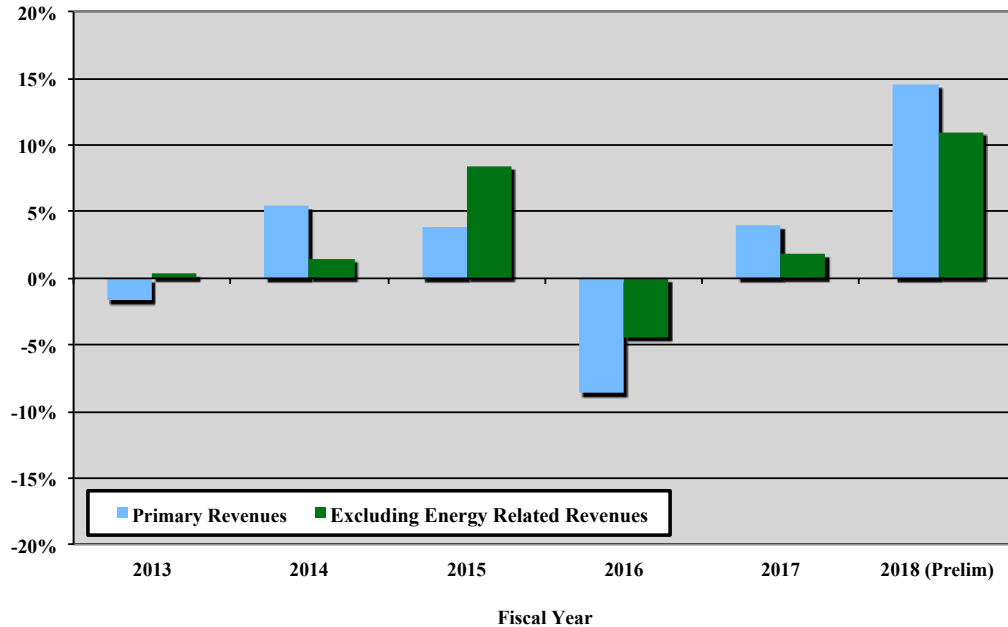
The normal fluctuation in the General Fund revenues reflecting economic cycles mirror those of peer states with a mix of income and gross receipts taxes. The State's revenue mix reflects these revenues, along with taxes and royalties derived from mineral extraction industries. The extraction industry revenues give the State the posture of being a seller of oil and natural gas, and therefore reflect volatility in price, and to a lesser extent production levels, over time. Both Moody's and S&P have focused historically on the volatility in General Fund revenues created by the State's mineral taxes and revenues, though for many years natural resource revenues were seen as a counter-cyclical hedge against volatility in other revenues sensitive to broader economic activity—as they suggested that higher oil price had historically been correlated with broader economic downturns. As this graph illustrates, while there had been volatility within individual revenue categories in recent years, the aggregate revenue trends remained positive until the downturn in energy prices in 2016, followed by a recovery in revenues the subsequent two years.

Primary General Fund Revenues 2013-2018



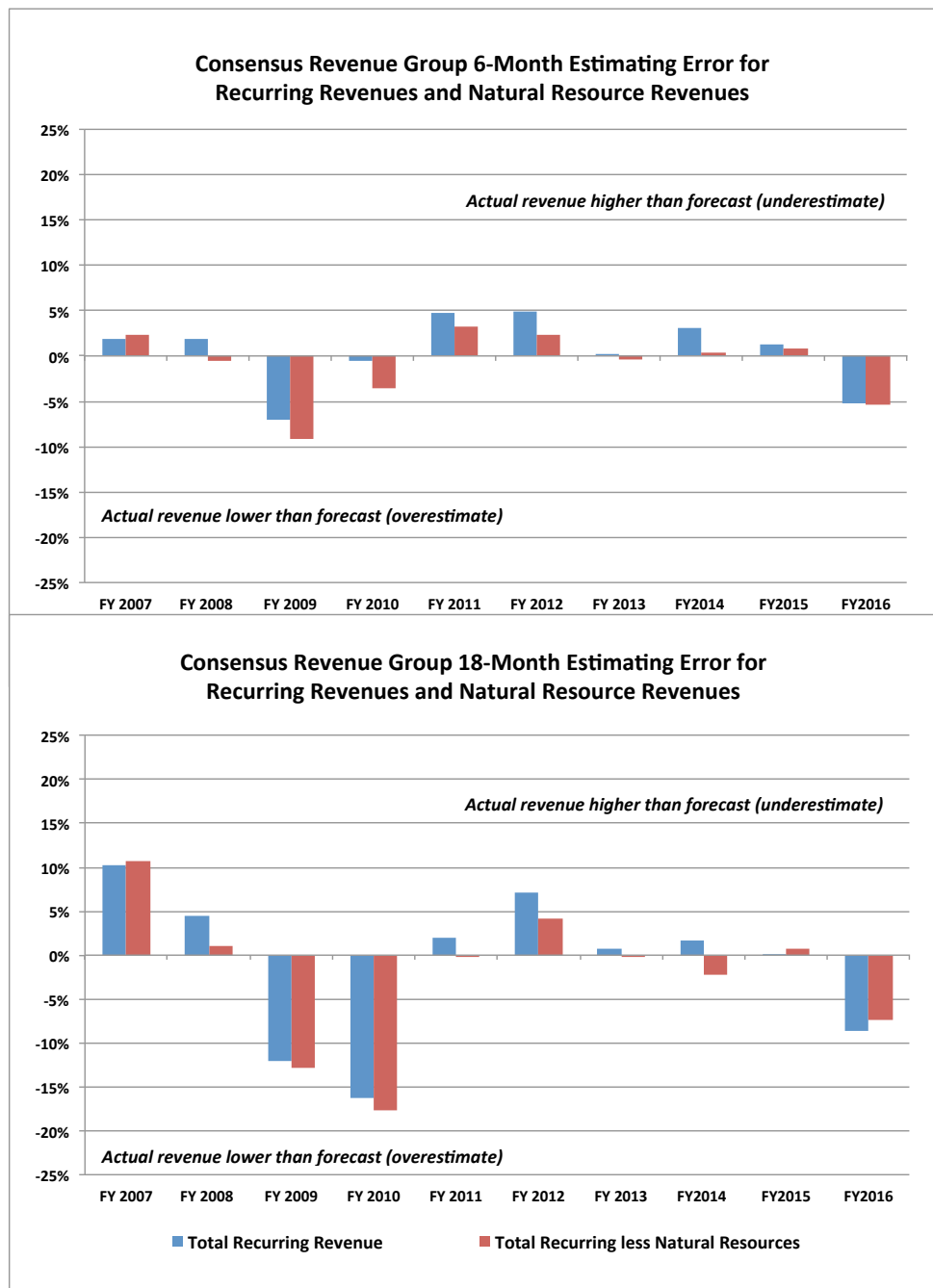
The year-over-year changes in the primary General Fund revenues are presented below, further illustrating the volatility of revenues over the past several years.

Annual Fluctuation in Primary Revenues



Because of the role of mineral taxes and revenues in the State revenue mix, the State tracks the 6-month and 18-month forecast error in State revenue planning. The 18-month estimate represents projections at the time the fiscal year budget is adopted. As illustrated in the following two graphs, State revenue estimates developed through the Executive-Legislative consensus revenue estimation process have tended to result in core revenues outperforming

projections during expansions and underperforming during periods of revenue contraction. Those periods, such as 2009-2010 and 2016, correlate to the downturn in reserve levels and ensuing rating pressures. In these graphs, negative error indicates that actual revenue receipts fell short of the estimate. Positive error indicates actual revenue receipts exceeded the estimate.

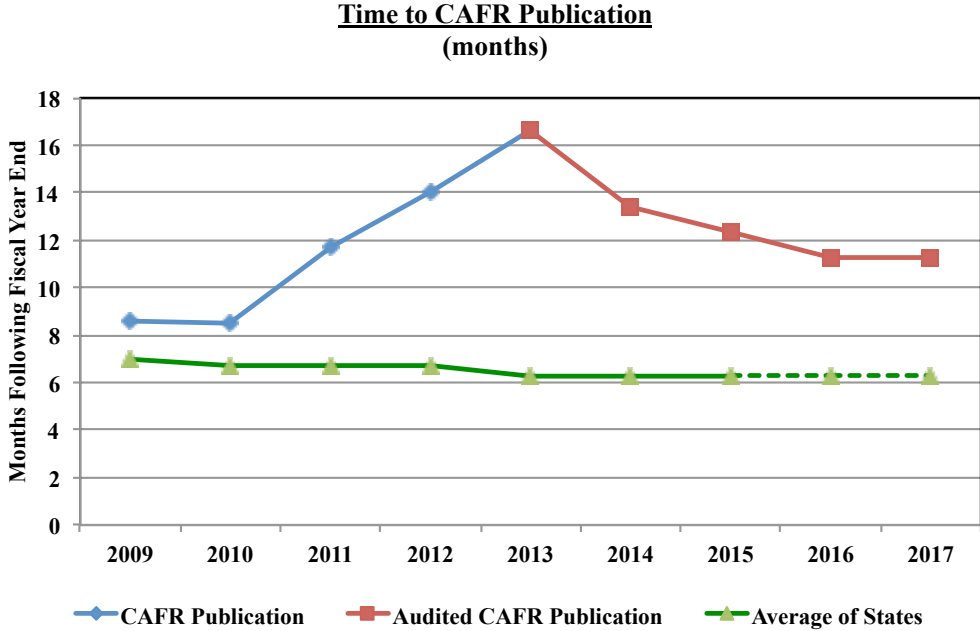


Financial Reporting

Delays in the issuance of the State CAFR have historically been a continuing negative credit factor for the State. On average, state governments issue their audited comprehensive

annual financial reports within six to seven months of the end of the fiscal year, with many states publishing their audited CAFR in less than six months. Fiscal year 2013 was the first year that the State CAFR was audited. While the shift to an audited CAFR in 2013 caused a temporary increase in the time to the release, the practices that have now been established have produced annual reports on an improving timeline. However, the delayed production of the State CAFR is fundamentally constrained by state law, as the state agencies whose audits are aggregated into the State CAFR are not obligated to complete their own audits until December 1st of each year. While the Department of Finance and Administration (DFA) sought to change the law that has constrained improvements in the timing of financial reporting during the most recent legislative session, that legislation did not pass. DFA is proposing a new draft of the legislation, and has been working with a task force during the interim to increase chances of passage in January.

The graph below presents the number of months following fiscal year end in which the CAFR was published, with a line comparing the State’s performance with the average timing in CAFR production by states across the country.



State Pension Funds and Other Post-Employment Benefit Liabilities

The financial position of public pension funds and the projected liabilities for other post-employment benefits have become a significant focus of attention for bond rating analysts as well as the public, and now constitute the largest share of the long-term liabilities of many states. The bond rating agencies have recently intensified their analytic focus on the legal and economic circumstances of state pension funds, and the long-term consequences of underfunded public pension obligations.

Moody’s has taken the most aggressive stance with respect to its evaluation of pension obligations, and has implemented new practices that recognize unfunded pension obligations as

long-term obligations comparable to long-term debt. Specifically, Moody’s approach comprises three specific analytic steps: (i) allocating cost-sharing plan liabilities to the balance sheets of the underlying obligors, (ii) adjusting an issuer’s total actuarial liability to reflect a portfolio yield over time that is somewhat lower than an issuer’s actuarial yield assumption – reflecting a discount rate approximating the return on high-grade corporate bonds rather than a mix of bonds and equities – and, (iii) looking at market values of assets without regard to asset-smoothing.

The impact of Moody’s approach is illustrated in its 2017 adjustment of New Mexico’s net pension liabilities and funding levels, presented below. As shown in this table, Moody’s uses discount rates of 3.61-4.44 percent, instead of the 7.75 percent rated used by the systems’ actuaries. For PERA, the State’s largest pension system, the lowering of the discount rate more than doubles PERA’s unfunded net pension liability. Moody’s intention is ultimately to recognize issuer pension liabilities on par with debt obligations in its credit review process. While the Moody’s adjustment is only for its own analytic purposes, the data illustrates the impact of increasing the level of unfunded liabilities by changing the discount rate that is utilized in calculation those liabilities.

Moody's 2017 Pension Adjustment			Plan Total	State Share		Moody's Adjusted State Share		
Plan Name	Investment Rate of Return/ Single Equivalent Discount Rate	Reported State Share of Cost-sharing Liabilities	Total Pension Liability= (NPL/funded ratio)	State Total Pension Liability	State Plan Fiduciary Net Position	Discount Rate***	State Share Adjusted Total Pension Liability	State Share Adjusted Net Pension Liability
New Mexico Judicial Retirement Fund	7.75%	100.00%	191,555	191,555	84,933	3.61%	159,308	233,897
Magistrate Retirement Fund	5.61%	100.00%	74,518	74,518	31,038	3.61%	62,225	64,520
Volunteer Firefighters Retirement Fund	7.75%	100.00%	48,936	48,936	61,049	3.61%	136,219	20,402
Educational Employees' Retirement Plan	7.75%	0.34%	18,729,272	56,169	34,589	4.44%	39,187	51,072
Public Employees Retirement Fund	7.75%	52.70%	19,986,039	10,242,651	7,085,866	4.44%	8,487,672	6,189,257
Total			39,030,319	10,613,829	7,297,475		8,884,611	6,559,148

(5000)

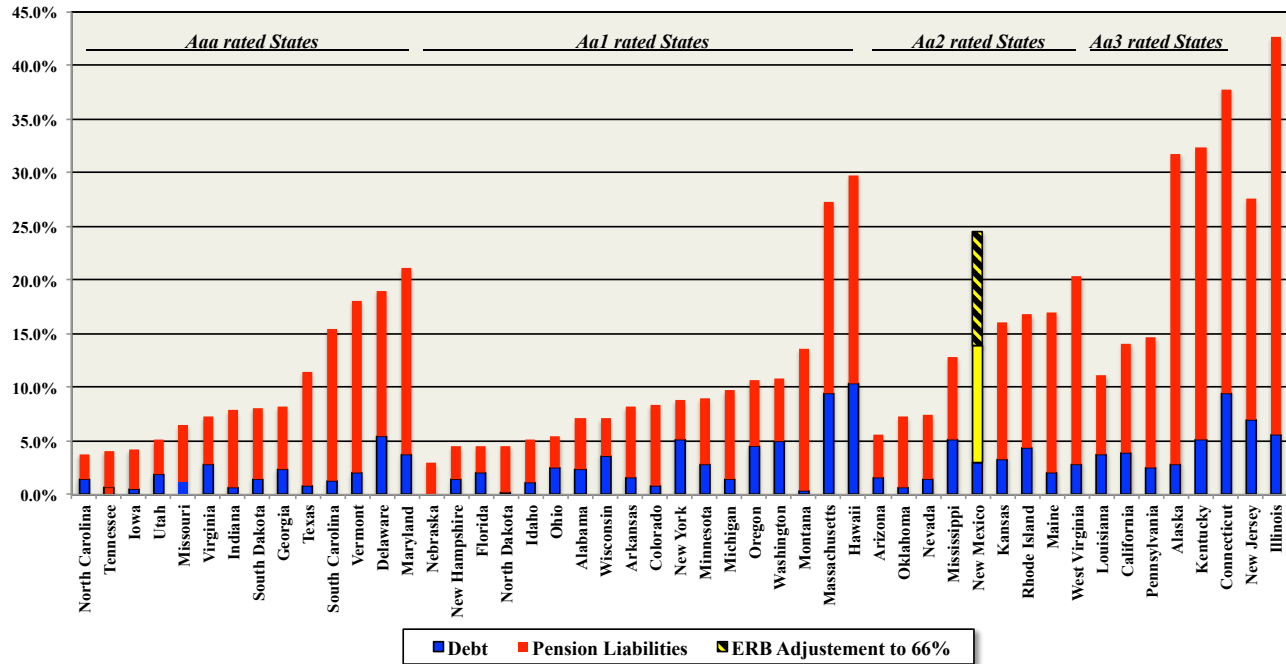
Historically, the characterization of local school district ERB liabilities remains an issue of dispute. While ERB contends that the liabilities belong to the individual school district, substantially all of local school district operating funds – including funds necessary for the payment of ERB pension obligations – are provided by annual state appropriations. Accordingly, Moody’s is now considering reframing those liabilities as State obligations in its pension adjustment. The table below recalculates the Moody’s 2017 pension adjustment to reflect 66.1 percent of the ERB liability as a state obligation, as compared to 0.34 percent as presented in the table above. This reflects the share of ERB liabilities related to public, charter and special schools. This has the effect of increasing the aggregate state unfunded pension liability from \$6.6 billion to \$16.4 billion.

Moody's 2017 Pension Adjustment: with ERB Adjusted			Plan Total	State Share		Moody's Adjusted State Share: ERB@66.1%		
Plan Name	Investment Rate of Return/ Single Equivalent Discount Rate	Reported State Share of Cost-sharing Liabilities	Total Pension Liability= (NPL/funded ratio)	State Total Pension Liability	State Plan Fiduciary Net Position	Discount Rate***	State Share Adjusted Total Pension Liability	State Share Adjusted Net Pension Liability
New Mexico Judicial Retirement Fund	7.75%	100.00%	191,555	191,555	84,933	3.61%	318,830	233,897
Magistrate Retirement Fund	5.61%	100.00%	74,518	74,518	31,038	3.61%	95,558	64,520
Volunteer Firefighters Retirement Fund	7.75%	100.00%	48,936	48,936	61,049	3.61%	81,451	20,402
Educational Employees' Retirement Plan	7.75%	0.34%	17,971,135	61,102	39,087	4.44%	17,524,087	9,926,797
Public Employees Retirement Fund	7.75%	52.70%	18,504,990	9,752,130	7,508,165	4.44%	13,697,422	6,189,257
Total			36,791,134	10,128,240	7,724,271		31,717,347	16,434,873

(5000)

The graph below illustrates the impacts of the proposed changes, based upon data provided by Moody's. The graph presents each state's Net Tax Supported Debt as a Percentage of State Personal Income in blue, and then includes each state's Adjusted Net Pension Liabilities as a Percentage of State Personal Income added on in red. In the case of New Mexico, a third bar is added to illustrate what the impact of adding 66.1 percent of ERB liabilities would be on New Mexico's overall position relative to its peers.

**Peer Comparison:
Adjusted Debt and Pension Liabilities as Percent of Personal Income
Moody's Data August 2018**



Projected State Debt Issuance

The table below represents the projected sources and uses of funds from the core State bonding programs as of the date of this report for State capital investment over the next five years, reflecting the capacity available from each of the core funding sources. This table includes the issuance of long-term general obligation, severance tax, supplemental severance tax and transportation bonds, and projected lease appropriation obligations, as well as the current year funding provided from the cash available in the Severance Tax Bonding Fund through the issuance of severance tax and supplemental severance tax notes. Projected debt issuance is based on statutory and constitutional capacity constraints and incorporates estimates of property values and future oil and gas revenues.

Core Bonding Programs: Sources and Uses of Funds (millions)

Sources of Funds (millions)	FY19	FY20	FY21	FY22	FY23	Five-Year
General Obligation Bonds		\$171.5	-	\$171.5		\$343.0
Severance Tax Bonds	230.3	230.3	230.3	230.3	230.3	1,151.5
Severance Tax Notes	77.2	116.0	106.6	108.2	99.9	507.9
Additional Severance Tax Notes	-	-	-	-	-	-
Total Seniors	307.5	346.3	336.9	338.5	330.2	1,659.4
Supplemental Severance Tax Bonds	-	-	-	-	-	-
Supplemental Severance Tax Notes	181.8	212.5	209.9	224.8	232.6	1,061.6
Total Supplemental STBs	181.8	212.5	209.9	224.8	232.6	1,061.6
Total Sources of Funds	\$489.4	\$730.3	\$546.8	\$734.8	\$562.8	\$3,064.0
Uses of Funds (millions)	FY19	FY20	FY21	FY22	FY23	Five-Year
Projects approved by referendum	-	\$171.5	-	\$171.5	\$0.0	\$343.0
New Statewide Capital Projects	233.0	283.9	276.3	277.6	270.8	1,341.5
Reassigned STB Projects	0.9	-	-	-	-	0.9
Authorized but Unissued STB Bonds	18.3	-	-	-	-	18.3
Water Projects	27.7	31.2	30.3	30.5	29.7	149.3
Colonias Project Capital	13.8	15.6	15.2	15.2	14.9	74.7
Tribal Projects Capital	13.8	15.6	15.2	15.2	14.9	74.7
Education Capital	174.8	187.5	184.9	199.8	232.6	979.6
PED Instructional Materials/Transportation	7.0	25.0	25.0	25.0	-	82.0
Total Uses of Funds	\$489.4	\$730.3	\$546.8	\$734.8	\$562.8	\$3,064.0

State Board of Finance Bonding Programs

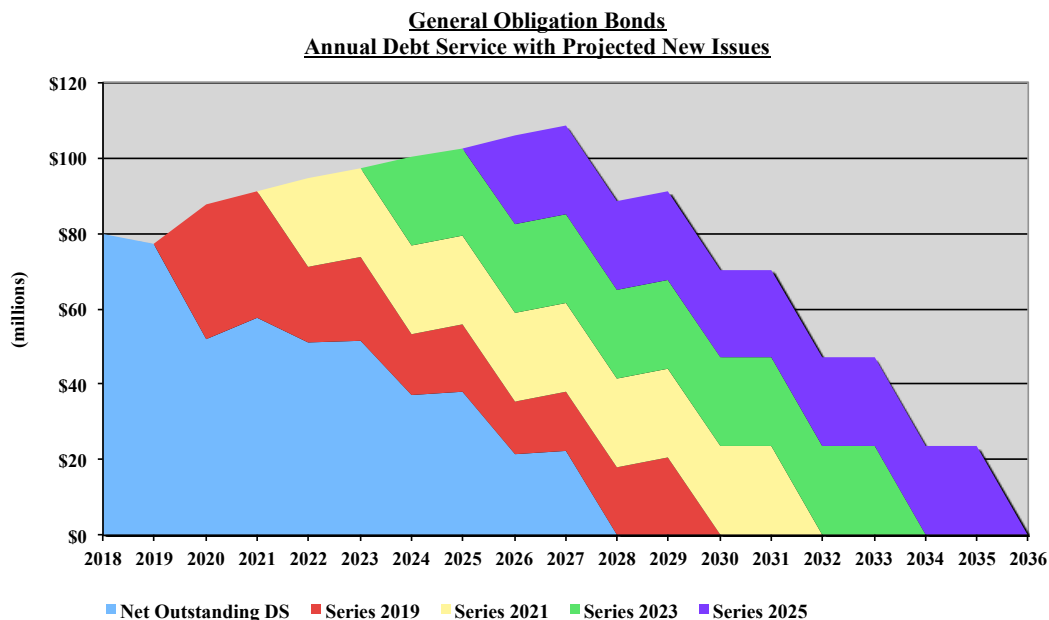
As presented in the table below, the State Board of Finance currently projects \$6.0 billion of new money financing for statewide capital projects over the next 10 years. This amount comprises \$857.5 million of projected general obligation bonding capacity, with issuances subject to legislative authorization and voter approval, \$3.0 billion of senior severance tax bonds and notes subject to legislative authorization and appropriation, and \$2.1 billion of supplemental severance tax notes for education projects designated for funding by the Public School Capital Outlay Council. Projections of severance tax bonding capacity reflect long-term natural resource price and production projections developed by DFA economists and the consensus revenue estimating group, and are revised on a regular basis as new consensus revenue estimates are produced.

State Board of Finance Projected Bonding Capacity by Fiscal Year (millions of dollars)						
	GO Bonds	Severance Tax Bond Program		Supplemental STB Program		Total
		Bonds	Notes	Bonds	Notes	
2019	-	\$230.3	\$77.2	--	\$181.8	\$489.4
2020	\$171.5	230.3	116.0	--	212.5	730.3
2021	-	230.3	106.6	--	209.9	546.8
2022	171.5	230.3	108.2	--	224.8	734.8
2023	-	230.3	99.9	--	232.6	562.8
2024	171.5	230.3	79.0	--	227.8	708.6
2025	-	230.3	59.4	--	218.2	507.9
2026	171.5	230.3	39.8	--	209.0	650.6
2027	-	230.3	21.3	--	209.3	460.8
2028	171.5	230.3	0.0	--	200.9	602.7
Total	\$857.5	\$2,303.0	\$707.4	\$0.0	\$2,126.7	\$5,994.6

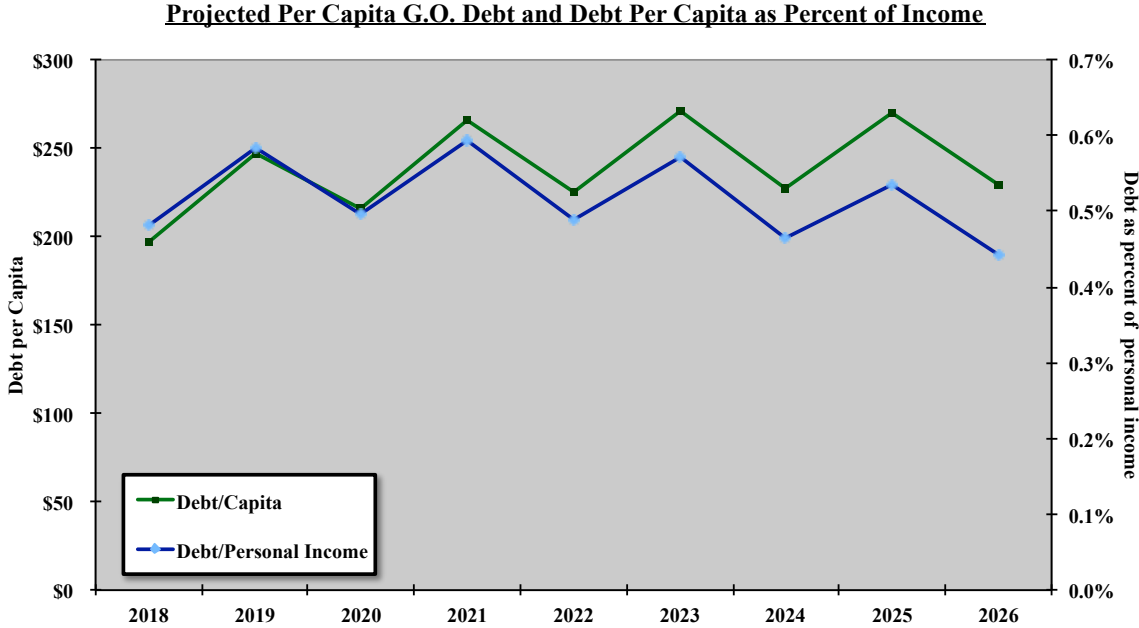
General Obligation Bond Issuance

State general obligation bonds are authorized by the Legislature and placed on the ballot for voter approval on a biennial basis. As a general matter, state general obligation bonds are subject to a debt limit equal to 1 percent of statewide net taxable property value. The debt limit as of the most recent property valuation was \$608.0 million, and \$411.5 million in general obligation bonds were outstanding as of the date of this report. General obligation bonds are secured by the full faith and credit of the State and are repaid from a dedicated property tax millage assessment established pursuant to the voter approval of the bonds.

The projected general obligation bond issuance, reflected in the Sources and Uses of Funds table above, reflects the administration policy to limit general obligation bond authorizations to amounts that can be issued while keeping the statewide property tax mill rate flat. The graph below illustrates the debt service profile of outstanding general obligation debt and projected new bond issuance. The debt service profile on currently outstanding general obligation bonds is net of the funds contributed to the debt service account from the economic defeasance of Series 2015 Bonds maturing from 2021-2025.



General obligation bonds are sold with a maximum maturity of 10 years. As illustrated in the following graph, the projected biennial issuance of general obligation bonds sustains a stable level of debt per capita and debt service as a percentage of personal income in the State. For the purposes of this projection of future debt ratios, population growth in the State is projected to remain flat, and annual personal income growth in the State is projected to be 3.0 percent.



Severance Tax Bond and Supplemental Severance Tax Bond Issuance

Severance tax bonds are authorized by the Legislature for statewide and local capital projects, with set-asides established by statute of 9 percent of capacity for water projects and 4.5 percent each for tribal and colonias projects. The Legislature has authorized the State Board of Finance to issue supplemental severance tax bonds for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council.

Severance tax bonds and supplemental severance tax bonds are secured by and repaid from pledged revenues received in the Severance Tax Bonding Fund. Under the statutory test governing the issuance of severance tax bonds and supplemental severance tax bonds prior to fiscal year 2016, severance tax bonds and notes could only be issued to the extent that severance tax bond debt service did not exceed 50 percent of revenues received into the Severance Tax Bonding Fund during the most recently completed fiscal year, and long-term supplemental severance tax bonds could only be issued to the extent that the combined debt service on outstanding severance tax bonds and long-term supplemental severance tax bonds did not exceed 62.5 percent of revenues received into the Severance Tax Bonding Fund during the most recently completed fiscal year. Severance tax notes issued to make cash available for capital projects prior to the semi-annual transfer to the Severance Tax Permanent Fund were subject to the same limitations as severance tax bonds, while supplemental severance tax notes could be issued to the extent that the severance and supplemental severance tax bond and note debt service did not exceed 95 percent of revenues as defined by the statutory test.

Changes to the New Mexico Severance Tax Bonding Act

In accordance with statutory changes approved during the 2015 Legislative Session and signed into law by the Governor, changes to the Severance Tax Bonding Act were put in place designed to reduce bonding capacity for severance tax bonds and notes, increase coverage ratios on long-term severance tax bonds, increase the amount of severance tax revenue that flows to the Severance Tax Permanent Fund, and eventually increase general fund distributions from the Severance Tax Permanent Fund. The statutory tests defined in the prior paragraph were changed as set forth in the graphic here. The statutory issuance test for senior severance tax bonds will ultimately be reduced from 50.0 to 47.6 percent of Severance Tax Bonding Fund revenues. Overall combined debt service capacity for both the senior and supplemental severance tax bonds programs will be reduced from 95.0 to 86.2 percent of Severance Tax Bonding Fund revenue, resulting in an effective reduction of the revenue share to the supplemental severance tax bond program for the benefit of public schools from 45.0 to 38.6 percent. These rate reductions will be phased in over several years.

SEVERANCE TAX BONDING FUND REVENUES
Maximum revenues available to pay debt service on <i>Severance Tax Bonds and Notes</i> : 47.6% from 2019 onward
Maximum revenues available to pay debt service on <i>Supplemental Severance Tax Bonds, and Severance Tax Bonds and Notes</i> : 60.1% from 2019 onward
Maximum revenues available to pay debt service on <i>Supplemental Severance Tax Notes, and Supplemental Severance Tax Bonds, and Severance Tax Bonds and Notes</i> : 91.0% in 2019 decreasing to 86.2% in 2022
Remaining Revenues at maximum debt service: 9.0% increasing to 13.8% in 2022

A further amendment was signed into law that will ensure more stable inflows to the Severance Tax Permanent Fund. Whereas previously the statutory issuance test that limited bonding capacity was calculated on the basis of previous fiscal year revenues, this further change provides that statutory capacity to issue bonds be calculated on the basis of the lesser of previous fiscal year revenues or estimated current fiscal year revenues. This will have the effect of ensuring that, in years when revenues decline versus the previous fiscal year, revenue for bond issuance will also decline, leaving more money to flow to the Severance Tax Permanent Fund. Similarly, in years when revenues increase, the amount available to the bonding programs will be tied to the prior year's

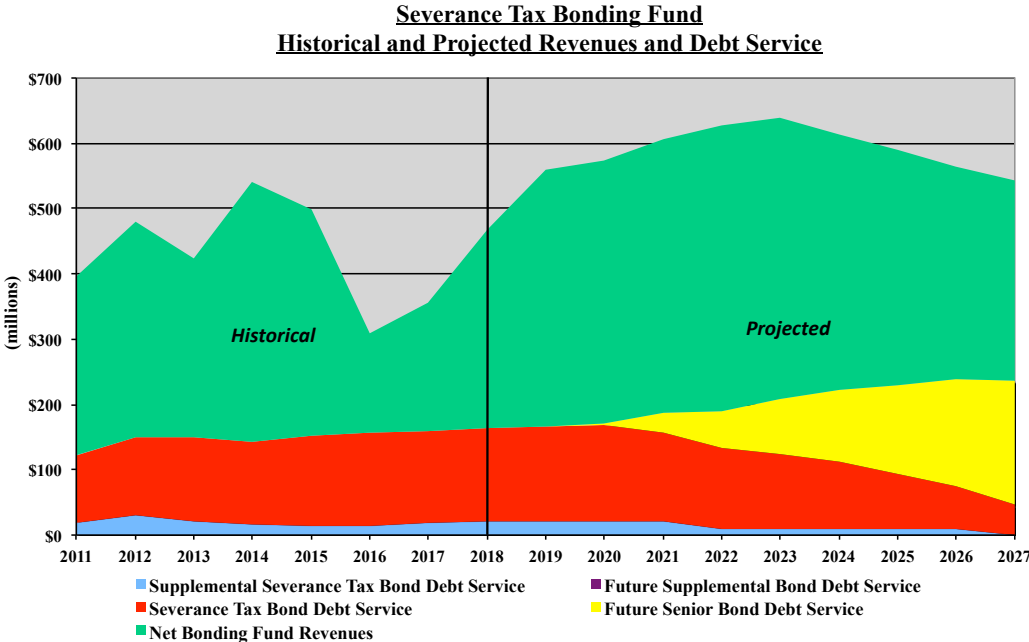
revenue, leaving more money to go to the Severance Tax Permanent Fund.

The statutory issuance tests and State Board of Finance policies constraining the issuance of long-term debt are key attributes of the strong credit quality of the Severance Tax Bonding Program. Central to the analysis of both Moody's and Standard & Poor's is the debt service coverage ratio of current Severance Tax Bonding Fund revenues, excluding interest earnings, relative to maximum annual debt service on outstanding bonds. Both agencies maintain current rating levels based upon the expectation that coverage levels will be maintained well in excess of the minimum 2.10 times coverage reflected in the revised statutory issuance test. The increases

in debt service coverage that will be created by the new, more restrictive statutory issuance tests, will enhance debt service coverage and support the strong bond ratings on the severance tax bond program

Annual long-term capacity for severance tax bond issuance is determined by the State Board of Finance, based upon outstanding debt service and projections of future Severance Tax Bonding Fund revenues. As a general matter, annual long-term bonding capacity is calculated as 10 percent of the long-term debt capacity under the statutory test, and based upon level-debt service bond amortization over a 10-year life. Annual capacity for severance tax and supplemental severance tax notes are similarly calculated based upon long-term revenue forecasts, projections of long-term bond issuance, and the resulting cash flow available on an annual basis to be set aside for capital purposes through note issuance.

The following graph illustrates the historical and projected revenue and debt service profile of the Severance Tax Bonding Program reflecting the projected annual issuance of \$230.3 million of new long-term severance tax bond. It also illustrates the State practice of projecting Severance Tax Bonding Fund revenues based upon flat to declining oil and natural gas prices and production levels over the long term, which has tended to suppress the volume of long-term bond debt service and increase the use of cash funding for capital projects.



Key Revenue Estimate Inputs										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Gas Price	\$3.54	\$3.14	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Oil Price	\$50.89	\$49.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Gas Volume	1,443	1,504	1,538	1,556	1,571	1,493	1,418	1,347	1,280	1,216
Oil Volume	238.6	265.0	281.3	292.5	300.0	288.0	276.5	265.4	254.8	244.6

The table below presents the historical and projected debt service coverage for long-term severance tax and supplemental severance tax bonds. The first two columns present the

severance tax bond debt service coverage for the outstanding bonds, while the second two columns present historical coverage and projected coverage taking into account future issues. Rating analysts and investors look at the second two columns as a projection of actual coverage in future years, taking into account future bond issuance and revenue projections.

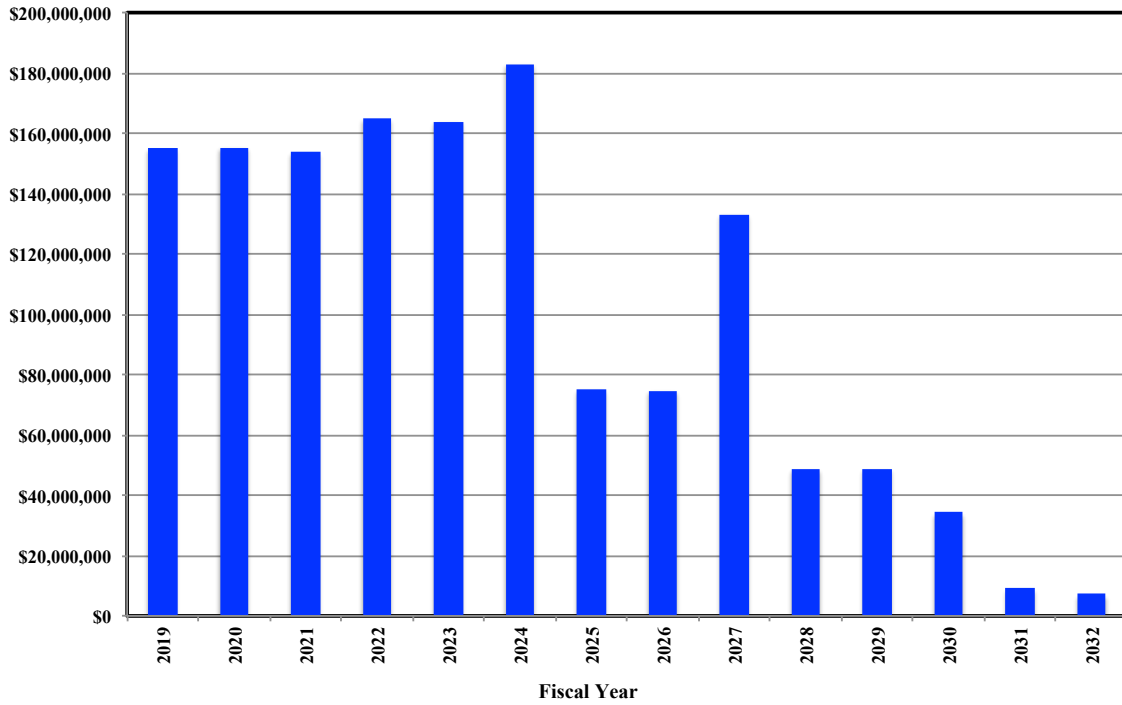
Severance Tax Bonding Program Historical and Projected Debt Service Coverage					
Fiscal Year	Coverage with No Future Issues		Coverage with		
	Senior Severance	Supplemental	Projected Future Issues		
	Tax Bonds	Bonds	Senior	Supplemental	
2011	3.84	3.24			
2012	3.95	3.19			
2013	3.31	2.83			
2014	4.28	3.81			
2015	3.64	3.30			
2016	2.18	1.98			
2017	2.52	2.22	2.52	2.22	
2018	3.29	2.88	3.29	2.88	Actual
2019	3.85	3.36	3.85	3.36	Projected
2020	3.90	3.41	3.81	3.34	
2021	4.45	3.87	3.64	3.24	
2022	5.07	4.72	3.47	3.31	
2023	5.58	5.17	3.23	3.09	
2024	5.96	5.48	2.88	2.76	
2025	7.01	6.32	2.67	2.56	
2026	8.61	7.56	2.47	2.56	
2027	11.61		2.29		
2028	16.83		2.10		

Transportation Bond Program Projected Revenues and Bond Issuance

The New Mexico State Department of Transportation has managed the largest capital investment program in the State over the past decade. The Statewide transportation capital investment program is funded from State and federal revenues in addition to bond proceeds. Bonds issued by the State Department of Transportation through the New Mexico Finance Authority are secured by and repaid from revenues received into the State Road Fund, which are principally derived from gasoline taxes, registration fees and road user fees, as well as certain federal revenues received annually by the State Department of Transportation. As of July 1, 2018, the transportation debt outstanding was \$1.09 billion.

The graph below presents the net annual debt service due on currently outstanding transportation bonds. The strong ratings and stable outlook reflect the rating agencies' assessment of long and stable trends in pledged state revenues and strong historical and projected coverage.

Transportation Bond Debt Service



The table below presents total transportation bond debt outstanding, annual debt service on outstanding transportation bonds, and the projected level of debt service coverage from the pledged revenues.

<u>Transportation Program</u>				
<u>Projected Revenues, Debt Service, and Coverage</u>				
	<u>Total</u>	<u>Principal</u>	<u>Pledged</u>	<u>Debt Service</u>
	<u>Debt Service</u>	<u>Outstanding</u>	<u>Revenues</u>	<u>Coverage</u>
2019	\$154,859,731	\$988,670,000	\$776,158,000	5.01
2020	\$155,245,850	\$881,560,000	\$776,735,000	5.00
2021	\$153,604,600	\$770,820,000	\$779,187,000	5.07
2022	\$164,711,725	\$643,500,000	\$782,587,000	4.75
2023	\$163,872,700	\$510,885,000	\$770,000,000	4.70
2024	\$182,837,200	\$353,140,000	\$770,000,000	4.21
2025	\$75,063,925	\$295,115,000	\$770,000,000	10.26
2026	\$74,748,550	\$234,900,000	\$770,000,000	10.30
2027	\$133,130,000	\$133,515,000	\$770,000,000	5.78
2028	\$48,780,750	\$91,410,000	\$770,000,000	15.78
2029	\$48,890,500	\$47,090,000	\$770,000,000	15.75
2030	\$34,279,500	\$15,165,000	\$770,000,000	22.46
2031	\$9,103,250	\$6,820,000	\$770,000,000	84.59
2032	\$7,161,000	\$0	\$770,000,000	107.53

Lease Appropriation Bond Financing

Lease appropriation financing has become one of the central tools for the financing of public facilities in the United States. However, until the approval of a constitutional amendment in 2006, New Mexico was one of very few states lacking the legal authority to utilize lease appropriation financing.

In September 2008, the State completed its first issuance of lease appropriation bonds in the amount of \$60,000,000 for the New Mexico Department of Health Fort Bayard Medical Center in Grant County. In anticipation of that financing, the Department of Finance and Administration established policies and procedures that govern the issuance of lease appropriation bonds and limit their use to development and construction of essential state facilities. This policy document is attached hereto as Appendix B. The 2008 lease appropriation bonds were refinanced in November 2018 with lease appropriation refunding bonds issued through the New Mexico Finance Authority.

Public Project Revolving Fund

The Public Project Revolving Fund (“PPRF”) is the central public sector financing program operated by the New Mexico Finance Authority. The PPRF provides market rate loans and loans to disadvantaged communities at a subsidized rate. Debt service on PPRF bonds is funded by repayments on its loan portfolio. The program is funded by various sources of local revenue including net system revenues, property taxes and gross receipts taxes among others, and is further secured by the NMFA’s share of the Governmental Gross Receipts Tax.

Because the PPRF obligations are issued to fund loans for local projects and are primarily repaid from local revenues pledged to repay those loans, they have not been treated as State obligations for the purposes of this Debt Affordability Study. As of July 1, 2018 the NMFA had \$1.19 billion of PPRF bonds outstanding.

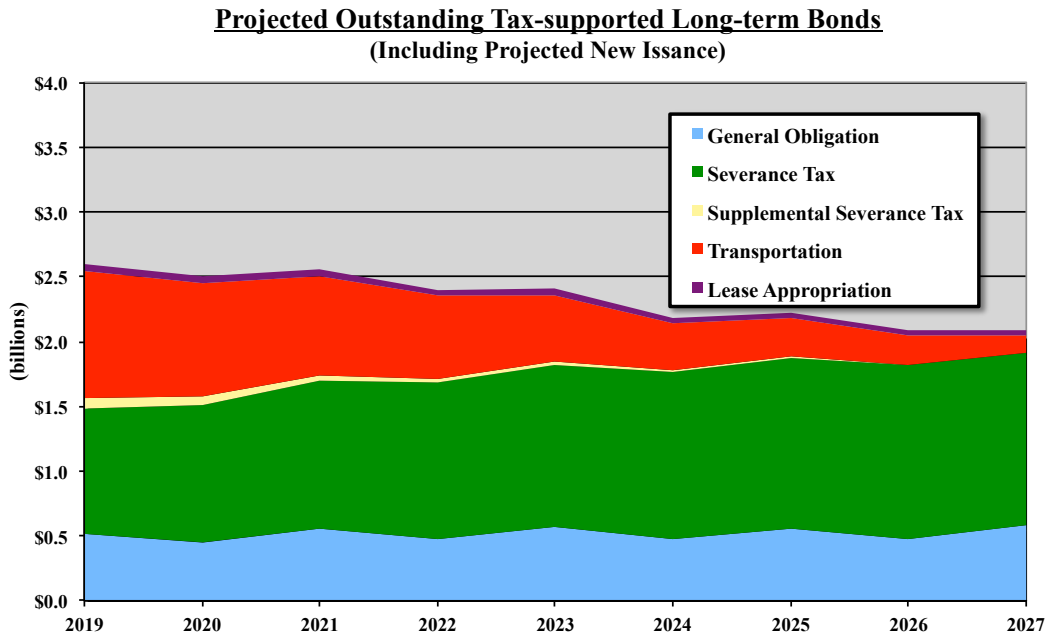
Affordability of Projected State Debt Issuance

The core State bonding programs project bonding capacity for the issuance of \$3.16 billion of new money long-term general obligation and severance tax bonds over the next 10 years, as presented above. Each of the core bonding programs is funded by dedicated revenue streams. The dedicated sources of repayment for the general obligation, severance tax and transportation bonding programs are the general obligation bond property tax millage, the Severance Tax Bonding Fund revenues and the State Road Fund revenues, respectively.

None of these core bonding programs, with the exception of lease appropriation financing, utilize revenues that flow into or would otherwise flow into the General Fund of the State. However, we do note that State Road Fund revenues that secure the transportation bonding program are dedicated to transportation operations as well as bond debt service.

Each of the core state bonding programs provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage. All long-term debt obligations, however, are repaid from the underlying State economy and rely upon economic stability and expansion to assure that the repayment of debt does not become an increasing burden on the taxpayers of the State.

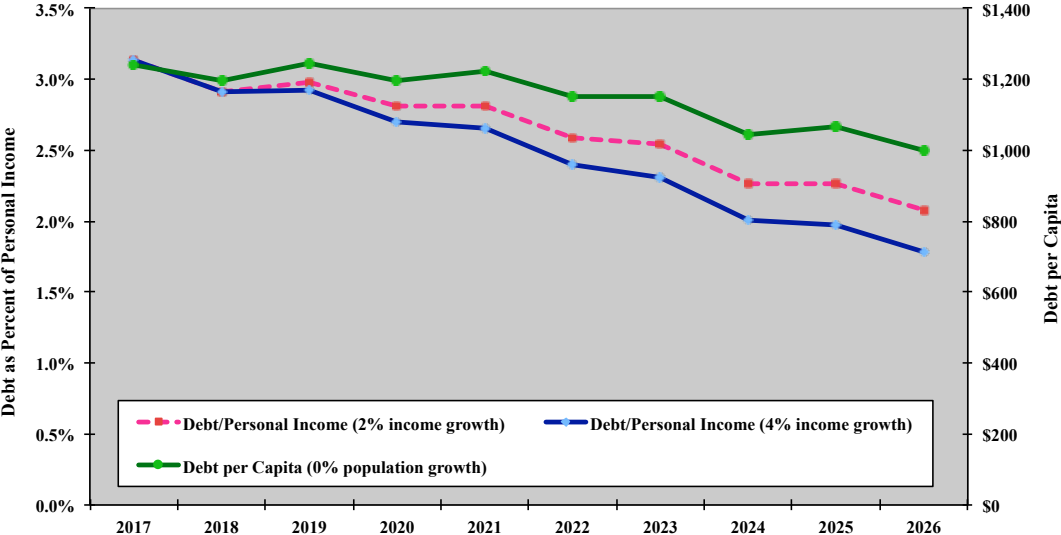
The following graph presents the projected levels of outstanding tax-supported debt, categorized by debt type, over the next 10 years. This includes the issuance of \$3.16 billion in new bonds, as described in the course of this study.



The following graph projects the impact of the planned issuance of \$3.16 billion of new general obligation and severance tax debt on the key debt ratios of the State over the next 10 years. These projected ratios do not include any further issuance of transportation bonds, which would increase projected debt ratios from the levels shown here. As illustrated, the debt ratios

are projected to trend steadily downward over time based upon current debt issuance policies and retirement of outstanding debt. State debt ratios peaked in 2009, when debt per capita reached a high of \$1,798 and debt as a percentage of personal income was 5.4 percent. Both measures have steadily declined since then. The projection of Net Tax Supported Debt Per Capita is based upon flat population growth. Two projections are provided for Net Tax Supported Debt as a Percent of Personal Income, the first reflecting a 4.0 percent growth rate reflective of historical State growth, and the second using a lower, 2.0 percent growth rate.

Historical and Projected Debt Ratios



The inclusion of long-term pension liabilities in the assessment of the aggregate long-term obligations of the State will place increasing scrutiny on the funding of those liabilities. It is notable that, as is the case with many of its peer states, the unfunded pension obligations of the State far exceed the amount of outstanding debt or future contemplated debt that may be issued to fund investment in state infrastructure. While the change in the calculation of key debt ratios, as Moody’s has suggested, may materially change how the State credit is perceived, it will not change the underlying strength of the State debt structure. The core State debt funding programs, with the exception of lease appropriation debt, are self-supporting from pledged revenue streams and those debt obligations neither compete with pension obligations for limited General Fund resources, nor compete with pension obligations for other public resources. The Constitution of the State of New Mexico sets forth a structural framework that provides for the integrity of the public debt, and that framework is extraordinarily strong, and not affected by other financial challenges the State may face.

As is illustrated here, the projected debt issuance plans for the core State bonding programs are affordable as measured by projected moderation in overall debt ratios and with respect to the revenue streams that are dedicated to debt repayment, which do not place stress on the State General Fund. The threats to the State’s credit ratings will come from the extent to which the severance tax bonding program is leveraged, and from the continuing challenges with respect to pension funding and financial reporting.

Capital Project Planning and Prioritization

State and Local Government

New Mexico Department of Finance and Administration works with State agencies and local entities each year to develop an Infrastructure Capital Improvement Plan. This five-year plan identifies and prioritizes capital needs. In Executive Order number 2012-023, Governor Susana Martinez directed the General Services Department and the Department of Finance and Administration to collaborate on improving the process by which capital projects for state agencies are identified, prioritized and funded. State agencies will prepare a five-year facilities master plan incorporating preventive and deferred maintenance planning, program justification and a criteria-based weighting system to determine priority. The goal is to increase the efficiency in the use of capital outlay funds in meeting critical capital outlay needs statewide and reflects the importance of attention to the allocation of scarce resources across myriad statewide capital projects. Executive Order 2013-006 required that local entities demonstrate compliance with State Audit Act and also budget reporting requirements in order to be awarded capital outlay funds from Severance Tax Bond proceeds. Implementation of this requirement has resulted in a dramatic decrease in the number of local entities found to be out of compliance with the State Audit Act by the Office of the State Auditor.

Transportation

The New Mexico Department of Transportation develops the Statewide Transportation Improvement Program (STIP) annually to allocate capital resources to transportation purposes. The STIP is a six-year multi-modal transportation preservation and capital improvement program that lists prioritized projects for a three-year funding period and provides information for planning and programming purposes for the subsequent three years. The STIP is a product of the transportation programs planning process involving local and regional governments, Metropolitan Planning Organizations, Regional Planning Organizations, other state and transportation agencies, and the public.

Public Schools

The Public School Capital Outlay Council is responsible for implementing a standards-based process for prioritizing and funding public school capital needs throughout the state. All school facilities are ranked in terms of relative need and resources are directed to schools with the greatest needs. Funding for projects is provided annually through the supplemental severance tax bonding program.

Higher Education

The New Mexico Higher Education Department is responsible for the review and prioritization of higher education capital projects for all public four-year, two-year, and constitutionally-created special schools. Based upon this review and prioritization, the recommended higher education capital plan is submitted to the Governor and Legislature for funding through the general obligation bond and severance tax bond programs.

Debt Management Policies

State debt management policies and practices are established in statute and policy documents. The primary policies governing the issuance of bonds by the State Board of Finance are set forth below.

<u><i>Policy Area</i></u>	<u><i>G.O. Bonds</i></u>	<u><i>Severance Tax Bonds</i></u>	<u><i>Transportation Bonds</i></u>
<i>Bond Life</i>	10-year maximum term.	10-year maximum term.	Bond life may not exceed project design life.
<i>Bond Amortization</i>	Substantially level debt service.	Substantially level debt service.	Substantially level debt service.
<i>Debt Service Coverage</i>	The state constitution establishes a debt limit of 1% of statewide assessed value, essentially providing asset coverage of at least 100 to 1.	Senior and supplemental bonds subject to the terms of the statutory issuance test and the market test, which suggest a minimum coverage level of 2.10x, though actual coverage realized has historically been higher.	Long-term coverage projected at 4.50x.
<i>Variable Rate Bond Limits</i>	Not utilized.	Unhedged exposure will not exceed 20% of par outstanding.	Unhedged exposure will not exceed 20% of par outstanding.
<i>Variable Rate Bond Considerations</i>	Not utilized.	Balance interest savings and cashflow risks. Short bond life lessens potential savings.	Balance interest savings, cashflow risk and balance sheet management considerations.
<i>Debt Staging</i>	Traditionally issued as ten-year fixed rate bonds.	Traditionally issued as five to ten-year fixed rate bonds. Construction financing permitted but has not been utilized.	Construction financing may utilize short-term, variable rate or bond anticipation financing.
<i>Interest Rate Swaps</i>	Not utilized.	Not utilized to date due to short bond life.	Limited to 30% of par outstanding.
<i>Refundings</i>	Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities.	Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities.	Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities.

<u><i>Policy Area</i></u>	<u><i>G.O. Bonds</i></u>	<u><i>Severance Tax Bonds</i></u>	<u><i>Transportation Bonds</i></u>
<i>Cash Financing</i>	General Fund cash contribution to capital program sought annually, with funding based on magnitude of non-recurring and surplus revenues.	Funding notes utilized to direct available cash in Severance Tax Bonding Fund to capital projects each December 31 st and June 30 th .	Transportation capital primarily funded with bond proceeds, with cash contributions from the Road Fund, the General Fund and federal revenues.
<i>Disclosure</i>	Separate Disclosure Counsel retained to oversee disclosure practices. Annual financial disclosure statement published.	Separate Disclosure Counsel retained to oversee disclosure practices. Annual financial disclosure statement published.	Separate Disclosure Counsel retained to oversee disclosure practices. Annual financial disclosure statement published.

Use of Interest Rate Exchange Agreements

Interest rate exchange agreements may be used by the State Board of Finance and the Department of Transportation as a debt management tool to reduce interest expense, manage financial risk or to create a risk profile not otherwise achievable through traditional debt or investment instruments. The risk factors to evaluate when considering interest rate exchange agreements include (i) interest rate risk, (ii) termination risk, (iii) counterparty risk, (iv) basis risk, (v) rating considerations, (vi) liquidity risk, and (vii) tax risk. To date, among the core State financing programs, only the Department of Transportation has utilized interest rate exchange agreements to reduce and manage its cost of capital. The benefits of interest rate exchange agreements, particularly with respect to the creation of synthetic fixed rate debt, have not been attractive for issuers whose bonds mature in ten years or less. Accordingly, they have not been attractive for use in conjunction with the State’s general obligation or severance tax bonding programs.

Other information on debt management and related policies is provided in the State Board of Finance Debt Policy, included as Appendix A of this study.

Conclusions

The State of New Mexico's core debt programs administered by the State Board of Finance are affordable. These programs reflect solid debt management policies and practices, reliable repayment structures, and minimal reliance upon or competition for General Fund dollars.

Over the past several years, the State has weathered significant volatility in global natural resource pricing and in-state production levels, which resulted in the near-elimination of General Fund reserves. True to its history, however, the State worked diligently to restore operating balance and restore strong balances in the General Fund. Now, based upon current projections, the tide has turned and the revenue future is bright. As described herein, each of the core State bonding programs are funded by dedicated revenue streams, including the dedicated general obligation bond millage, the Severance Tax Bonding Fund revenues and the State Road Fund revenues, for the general obligation, severance tax and transportation bonding programs, respectively, and none of these core bonding programs utilize revenues that flow into or would otherwise flow into the General Fund. Each of the programs continue to provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage.

As discussed in detail in this study, the projected capacity to issue \$3.16 billion of new general obligation and severance tax secured debt over the next 10 years will allow for continued stability and improvement in the key debt ratios of the State. As presented herein, the debt ratios are projected to trend downward from their 2009 peak after taking into account future planned debt issuance.

Global energy markets will no doubt continue to contribute to volatility in domestic oil and gas pricing in the medium and long term. Revenue volatility in recent years overwhelmed even the strong historical state reserve policies, and highlights the importance of both the State's continuing commitment to sustaining strong reserve levels, and the importance of the State's historically conservative management practices with respect to the severance tax bonding program.

The State's determination since that time to maintain its reserve balances above the 10 percent levels remains an important policy objective, and Moody's has suggested it will look for higher target levels. The State's historically strong General Fund reserves underpin its historically strong credit ratings, and these reserves will now be augmented by the establishment of the new Rainy Day Fund that will capture a portion of the growth in natural resource derived revenues. Accordingly, with the change in administration to come, actions taken by the Legislature and the Executive over the course of the upcoming legislative session will be closely watched by rating analysts and investors alike to gauge the continuing commitment of the State to sustaining strong reserve levels.

While New Mexico's bond rating outlook is stable at this time, over the medium term, the State bond ratings will continue to be under pressure for reasons noted in this study, notably the underfunding of public employee pension funds, as well healthcare cost pressures, and the timeliness of financial reporting. Other management practices that bond rating analysts continue

to focus on that would be viewed as positive credit improvements include (i) improving and professionalizing the process of capital project prioritization, (ii) granting the Governor executive power to take intra-year budget actions without convening the Legislature, (iii) establishing target levels for state reserves in statute, and (iv) addressing the statutory construct of CAFR production to enable the State to achieve financial reporting benchmarks that have become the norm for its state peers.

Appendix A: State Board of Finance Debt Policies



**STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE BOARD OF FINANCE**

**GOVERNOR SUSANA MARTINEZ
PRESIDENT**

**THOMAS E. CLIFFORD, PhD
CABINET SECRETARY**

**STEPHANIE SCHARDIN CLARKE
DIRECTOR**

DEBT POLICIES

FEBRUARY 21, 2012

**BATAAN MEMORIAL BUILDING, SUITE 181 SANTA FE, NM 87501
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I. INTRODUCTION

These debt policies have been developed and approved by the New Mexico State Board of Finance (the “Board”) to provide for the effective management of the Board’s debt programs in a manner consistent with applicable laws, industry standards and the maintenance of the highest credit ratings. It is the intention of the Board to oversee the implementation of these policies on an ongoing basis and to assure transparency in and public understanding of State debt management practices.

II. GOVERNING LAWS AND PRINCIPLES

New Mexico laws establish the Board as the issuer of the State’s core bonding programs. These include the General Obligation Bonds, the Senior Severance Tax Bonds, and the Supplemental Severance Tax Bonds.

General Obligation Bonds

General Obligation bonds are a primary source of funds for capital projects statewide. State General Obligation bonds are secured by the full faith and credit of the State and are repaid from a dedicated statewide property tax. Article 9, Section 8 of the New Mexico Constitution limits General Obligation indebtedness to no more than one percent of the assessed valuation of all the property subject to taxation in the state.

In even-numbered years, the New Mexico Legislature authorizes General Obligation Bonds to be voted on in public referendum at the subsequent November general election. General Obligation Bonds that are approved by a majority vote are issued by the Board.

Severance Tax Bonds

The State Severance Tax Bonding Act, Sections 7-27-1 through 7-27-27 NMSA 1978, as amended (the “Severance Tax Bonding Act”) authorizes the Board to issue bonds secured by revenues received by the State into the Severance Tax Bonding Fund, and which include Severance Tax Bonds and Supplemental Severance Tax Bonds. Severance and Supplemental Severance Tax Bonds are repaid from revenues deposited into the Severance Tax Bonding Fund, which primarily include taxes on mineral production in the State.

Severance Tax Bonds are used to finance statewide capital projects, and as a general practice are issued in the spring following the Legislative Session to fund projects that have been authorized by the Legislature and approved by the Governor. Supplemental Severance Tax Bonds are used to fund public school projects approved for funding by the Public School Capital Outlay Council. Public sales of Supplemental Severance Tax Bonds have been infrequent in recent years but, when issued, have historically taken place in the fall.

Senior Long-Term Severance Tax Bond Statutory Capacity

The Severance Tax Bonding Act sets forth a Statutory Issuance Test that limits the amount of Severance Tax Bonds that may be issued in any year. Specifically, that test requires that the Board not issue new Severance Tax Bonds unless the debt service obligation in any future year on all outstanding and newly issued Severance Tax Bonds is not more than 50 percent of the deposits into the Severance Tax Bonding Fund for the fiscal year immediately preceding the issuance of new Severance Tax Bonds.

Supplemental (Subordinated) Long-Term Severance Tax Bond Statutory Capacity

The Severance Tax Bonding Act sets forth a Statutory Issuance Test that limits the amount of Supplemental Severance Tax Bonds that may be issued in any year. Specifically, that test requires that the Board not issue new long term Supplemental Severance Tax Bonds unless the debt service obligation in any future year on all outstanding and newly issued long term Senior and Supplemental Severance Tax Bonds is not more than 62.5 percent of the deposits into the Severance Tax Bonding Fund for the fiscal year immediately preceding the issuance of new Supplemental Severance Tax Bonds.

Covenant to Maintain Debt Service Coverage

In addition to the Statutory Issuance Tests, the Board covenants in the Bond Resolutions that secure the Severance Tax and Supplemental Severance Tax Bonds, that the State will use its best efforts to maintain actual annual debt service coverage in every year of at least 2.00x on all Severance Tax Bonds and 1.60x on all Supplemental Severance Tax Bonds.

Short-Term Severance Tax Note Program and Statutory Capacity

In addition to the issuance of long-term Severance Tax and Supplemental Severance Tax Bonds, on or prior to each December 31st and June 30th, the Board issues short-term Severance Tax and Supplemental Severance Tax Notes to enable the State to utilize additional Severance Tax Bonding Fund revenues available on an annual basis for funding authorized capital projects. The purpose of the Severance Tax Note Program is to make funds in the Severance Tax Bonding Fund that are not needed to fund long-term Severance Tax and Supplemental Severance Tax Bonds available for cash funding of capital projects.

Severance Tax and Supplemental Severance Tax Notes are subject to the Statutory Issuance Tests. Severance Tax Notes can be issued in each fiscal year to the extent that total debt service on Severance Tax Bonds and Notes does not exceed 50 percent of the receipts into the Severance Tax Bonding Fund during the prior fiscal year, and Supplemental Severance Tax Notes can be issued in each fiscal year to the extent that total debt service on Severance Tax and Supplemental Severance Tax Bonds and Notes does not exceed 95 percent of the receipts into the Severance Tax Bonding Fund during the prior fiscal year.

In addition to the issuance limitations and other requirements set out by State and Federal laws, the Board policies with respect to the issuance of debt are guided by the principles

of prudence, cost effectiveness and transparency. The purpose of this Debt Policy is to set forth the parameters for the issuance of debt by the Board, and provide guidance and understanding of Board debt management procedures and practices.

III. DEBT POLICIES

Policy 1: Credit Ratings

It is the objective of the Board to achieve and maintain the highest possible credit rating for the State's bonds. The Board will continue a practice of full and timely disclosure of information to the rating agencies and to the investor community, and will comply with all regulations and industry standards with respect to primary and secondary market disclosure (see Policy 14: Financial Disclosure below for more information). The Board will work with the Governor's Office to coordinate annual rating agency and periodic investor meetings in New York or in New Mexico to provide information on policy initiatives and ongoing financial performance and outlook.

The Board, together with the Department of Finance and Administration will continue to work on key areas that have been identified by the rating agencies. These include:

- a. Implementing Timely Financial Reporting
- b. Creating Policies Regarding the Funding of General Fund Reserves
- c. Implementing Multi-Year Financial Planning and Budgeting
- d. Monitoring Credit Vulnerabilities to Federal/Sovereign Risk

Policy 2: Capital Planning

Prior to each legislative session, the State Board of Finance provides an estimate of Severance Tax Bond capacity to the legislature. As detailed below, 20 percent of senior Severance Tax Bond capacity is earmarked for water, tribal and colonias projects. Each legislative session, the Legislature considers legislation authorizing specific capital projects to be funded with the remaining 80 percent of senior Severance Tax Bond capacity. Often, negotiation between the Legislative and Executive branches has resulted in the splitting of Severance Tax Bonding capacity between the Governor, who has normally recommended projects addressing statewide infrastructure needs, the House of Representatives, and the Senate. Portions assigned to the House of Representatives and the Senate have sometimes been further split so that each individual legislator has a certain portion to allocate amongst capital projects.

The New Mexico Department of Finance and Administration works with State agencies and local entities each year to develop an Infrastructure Capital Improvement Plan. This five-year plan identifies and prioritizes capital needs and encourages State agencies and local entities to plan for the development of capital improvements to prevent emergency situations and instead allow capital needs to be planned, funded and developed at a pace that sustains State and local activities.

The New Mexico Department of Transportation develops the Statewide Transportation Improvement Program (STIP) annually to allocate capital resources to transportation

purposes. The STIP is a six-year multi-modal transportation preservation and capital improvement program that lists prioritized projects for a three-year funding period and provides information for planning and programming purposes for the subsequent three years. The STIP is a product of the transportation program's planning process involving local and regional governments, Metropolitan Planning Organizations, Regional Planning Organizations, other State and transportation agencies, and the public.

Subject to certification of need by the Water Trust Board, 10 percent of senior Severance Tax Bond capacity is allocated to the Water Trust Fund for water projects statewide. Subject to certification of need by the Tribal Infrastructure Board, 5 percent of senior Severance Tax Bond capacity is allocated to the Tribal Infrastructure Fund for tribal infrastructure improvements. Subject to certification of need by the Colonias Infrastructure Board, 5 percent of senior Severance Tax Bond capacity is allocated to the Colonias Infrastructure Fund for infrastructure improvements in colonias (small rural communities within 150 miles of the U.S. – Mexico border).

The Public School Capital Outlay Council is responsible for implementing a standards-based process for prioritizing and funding public school capital needs throughout the State. All school facilities are ranked in terms of relative need and resources are directed to schools with the greatest needs. Funding for projects is provided annually through the Supplemental Severance Tax Bonding Program.

The New Mexico Higher Education Department is responsible for the review and prioritization of higher education capital projects for all public four-year, two-year, and constitutional special schools. Based upon this review and prioritization, the recommended capital project funding plan is submitted to the Governor and Legislature for funding.

Policy 3: Debt Affordability and Limits

In an effort to assess the affordability of projected debt issuance, the Board shall conduct a debt affordability study on an annual basis. The study provides a review of the State's core bonding programs, including the General Obligation Bonds, the Severance Tax Bonds, the Supplemental Severance Tax Bonds, and the Transportation Revenue Bonds, the long-term debt issuance plans, the impact of debt service costs on the State budget, and the impact of debt issuance trends on key bond rating ratios and related metrics. The study serves as a management tool for State policymakers, provides a basis for assessing history and trajectory of the State's credit position, and compares the State with peer states.

Policy 4: Length of Debt

The State will issue debt in a manner that provides for a fair allocation of costs to current and future beneficiaries and in compliance with applicable federal tax law.

Long-Term Bonds

The State issues General Obligations Bonds and long-term Severance and Supplemental Severance Tax Bonds with a maximum maturity of ten years.

Short-Term Notes

The State issues short-term Severance and Supplemental Severance Tax bonds (as described above in Section II: Governing Laws and Principles) with a maximum maturity of one week.

Policy 5: Debt Structure

The Board structures its long-term bonds so as to minimize the net cost to the State.

General Obligation Bonds are issued with a ten-year term, or other such term as may be provided in the referendum presented to the voters of the State for their approval. Bonds are structured with a level debt service amortization.

As a general practice, both Severance Tax and Supplemental Severance Tax Bonds are sold with a ten-year maximum maturity and a level debt service amortization. The ten-year maximum maturity mirrors the economic life of the underlying oil and gas proven reserves, and is an important factor in the strong bond ratings on the Severance Tax Bonds. In the event the Board issues bonds with a non-level debt service amortization structure, the average life of that bond issue should not exceed the average life of a level debt service amortization structure.

Policy 6: Severance Tax Bonding Capacity

In order to allocate limited bonding capacity for current and future capital needs, the Board determines current year long-term severance tax bonding capacity in a manner that allows for the level allocation of long-term bond issuance over a ten-year horizon. In the event that severance tax bonding capacity calculated in this manner is not fully utilized in a given fiscal year, the Board may determine it is in the best interest of the State to add such unutilized capacity to the following fiscal year.

Policy 7: Variable Rate Debt

While the Board evaluates the cost effectiveness of the use of variable rate debt on an ongoing basis, currently 100 percent of the State's outstanding General Obligation and Severance Tax Bonds are fixed rate obligations. At no time will the use of variable rate debt exceed 20 percent of the par amount of total debt outstanding.

Policy 8: Use of Derivative Products

The Board may consider the use of derivative products, including interest rate swaps, caps and floors when the use of such products provides an economic benefit to the State that outweighs the risks involved or reduces the risk of existing or planned debt. The following additional requirements must be met in the utilization of such debt management tools:

- a. The use of these products must be associated with underlying debt issued by the Board and may not be used for speculative purposes;
- b. Master swap agreements shall contain terms and conditions as set forth in the International Swaps and Derivatives Association (ISDA) Master Agreement;

- c. When considering the use of these products, the Board will utilize its independent financial advisor and bond counsel to ensure that the State is receiving a fair market value for the contract and that the terms of the contract are reasonable and within the limits of the applicable law and this Board of Finance Debt Policy; and
- d. At no time will the notional amount of the derivatives being used exceed 20 percent of the par amount of total debt outstanding;
- e. Counterparties must be rated at least “AA-” or “Aa3” by Moody’s, Standard & Poor’s and Fitch, as required by New Mexico Law and Board regulations;
- f. Uncollateralized exposure to a single counterparty should not exceed 10 percent of the total par amount of bonds outstanding; and
- g. No less than semi-annually, outstanding agreements will be reviewed by the Board’s financial advisor with respect to the following issues: (i) projected and cashflow receipts with respect to basis risk exposure, (ii) worst-case scenario analysis assuming counterparty default, (iii) available cash balances and total unhedged exposure to risks under the contracts, (iv) changes in counterparty rating position, and (v) counterparty collateral requirements, if any.

Policy 9: Cash Financing

State funding of capital projects is provided through a combination of proceeds of long-term bonds, proceeds of short-term Severance Tax notes, and cash funding provided through General Fund appropriations. General Fund appropriations may be provided annually, as the Legislature and the Governor allocate General Fund resources through the annual budget process to finance a portion of the State’s capital investment plan. Cash financing is provided through the semi-annual issuance of Severance Tax and Supplemental Severance Tax Notes, as discussed above.

During Fiscal Years 2007 through 2011, Statewide capital funding, including transportation and New Mexico Finance Authority programs, totaled \$4.3 billion. Of this total, 45.9 percent, or \$2.0 billion, was provided through cash appropriations or the Severance Tax Note Program.

Policy 10: Informational Presentations

From time to time, the Board may receive presentations from staff of various State entities to remain informed of items affecting the Board’s bonding programs and potential disclosure concerns. The Board may request presentations from, among others:

- a. the Public School Facilities Authority to discuss use of Supplemental Severance Tax Bond and Note proceeds;
- b. the State Investment Council to discuss performance of the Severance Tax and Land Grant Permanent Funds;
- c. the Public Employees Retirement Association, the Educational Retirement Board, and the New Mexico Retiree Health Care Authority to remain informed about actuarial findings related to funds under the management of such entities;

- d. the Taxation and Revenue and Energy, Minerals and Natural Resources Departments to discuss trends in tax collections and natural resource production; and
- e. the Financial Control Division of the Department of Finance and Administration concerning financial reporting issues.

Policy 11: Refunding Bonds

The Board may advance refund bonds or call outstanding bonds prior to their final maturity from time to time to achieve positive net present value savings to the State. Refunding bonds will only be issued when there is a clear economic benefit to the State, and as a general matter the Board seeks to achieve a net present value savings target of 3 percent or greater when considering the issuance of advance refunding bonds. The State also seeks to refund bonds on a current basis at the time of the issuance of new money bonds when a positive net present value can be achieved. The life of any refunding bonds will not exceed the life of the bonds being refunded. The Board evaluates its outstanding bonds on an ongoing basis to identify bond refunding and cash and economic defeasance opportunities.

Policy 12: Credit Enhancements

The Board regularly considers the use of credit enhancement, primarily through the use of bond insurance, to reduce the net cost of its debt. As a general matter, the Board pre-qualifies its bonds for bond insurance on a bidder-option basis, and the determination of the cost effectiveness of utilizing such insurance is made through the competitive bid process.

Policy 13: Method of Sale

The Board issues its bonds, including current refunding bonds, through a competitive bidding process. The Board sells its bonds through open, online bid platforms and awards the sale of bonds on a lowest true interest cost basis. From time to time, the Board may select an investment banking team for the purpose of the negotiated sale of advance refunding bonds, and may issue advance refunding bonds through a negotiated sale if the Board determines that it is in the best interest of the State.

Policy 14: Investment of Bond Proceeds

Bond proceeds are invested with the State Treasurer in the Tax-Exempt and Taxable Bond Proceeds Investment Pools (collectively “BPIP”) as set forth in the State Treasurer’s Investment Policy. The investment objectives of the BPIP are to preserve capital, provide liquidity and generate the highest return possible. All investments are in accordance with the State Treasurer’s Investment Policy, which is approved by the Board.

The BPIP investment strategy is a two-tiered money market and enhanced cash strategy, which aims to (i) preserve capital and provide liquidity by investing in short-term (0 to 3 year) fixed income securities with high investment grade ratings per the State Treasurer’s Investment Policy, and (ii) earn excess returns relative to traditional money market strategies by slightly increasing duration consistent with the timing of the need for funds.

Monthly position reports and quarterly performance reports can be found on the State Treasurer's website at www.nmsto.gov.

Policy 15: Arbitrage Rebate and Tax Compliance

The Board will fully comply with federal arbitrage rebate regulations, while minimizing the cost of arbitrage rebate and compliance. Through its investments in the BPIP, earnings on invested bond proceeds are allocated and tracked by issue, and invested to the maximum benefit of the State, while assuring the availability of funds in accordance with the disbursement requirements of the projects funded with bond proceeds. Rebate calculations are performed annually, with a five-year report prepared for each tax-exempt issue as required under applicable regulations, and a final report upon the final maturity of the bonds. Arbitrage earnings subject to future rebate are segregated for future payment, and recorded as a liability on the financial accounts of the State. The Board provides arbitrage rebate reports to the IRS for each bond issue as required, and makes rebate payments on a timely basis as required by Federal law.

Policy 16: Financial Disclosure

The Board is committed to full and complete financial disclosure, and to full cooperation with rating agencies, institutional and individual investors, State agencies, other levels of government and the general public to share clear, comprehensible and accurate financial information. The Board is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

It is the Board's policy to provide full and complete disclosure to bondholders and the investment community on a periodic basis as required by the Securities and Exchange Commission (SEC) Disclosure Rule 15c2-12, SEC Antifraud Provision Rule 10b-5 and Municipal Securities Rulemaking Board (MSRB) Rule G-36. Official statements accompanying Board debt issues and continuing disclosure statements will meet or exceed the minimum standards applicable to each debt issue, as promulgated by regulatory bodies and professional organizations, including the SEC, the MSRB and the Governmental Accounting Standards Board (GASB), and follow Generally Accepted Accounting Principles (GAAP).

Policy 17: Expert Advisors

The Board has procured experts to provide financial advisor, bond counsel, disclosure counsel, and arbitrage consulting and compliance services, and will continue to retain qualified experts to provide these services to help remain fully informed of the Board's fiduciary duties, legal issues related to the issuance of bonds, disclosure obligations, arbitrage rebate liabilities, and matters of post-issuance compliance. The Board will seek advice from its staff and advisors related to implementation of the policies herein when necessary.

Approved by the state Board of finance this 20th day of March, 2012.

A handwritten signature in cursive script, appearing to read "Stephanie Schardin Clarke", written over a horizontal line.

Stephanie Schardin Clarke, Director

Appendix B: Lease Appropriation Debt Policy

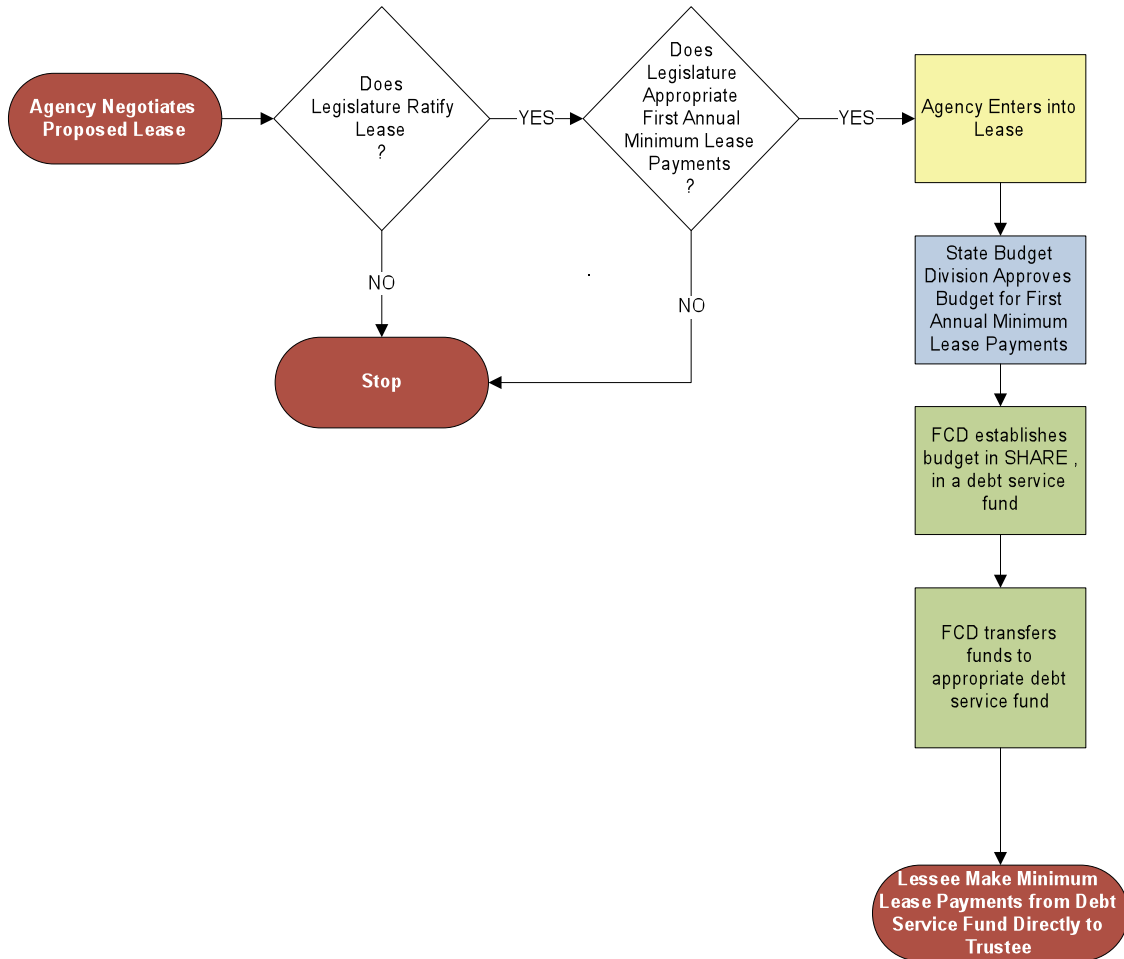
Department of Finance and Administration Policy
on Administering Capital Lease Obligations

Capital leasing is a new tool for the State of New Mexico, pursuant to a 2006 Constitutional Amendment, Article 9, Section 8, Subsection B, and will be a valuable tool for the financing of essential State facilities in the years ahead. Section 15-3-35 NMSA 1978 requires lease purchase agreements be ratified by the Legislature before an agreement can become effective. Accordingly, the Department of Finance and Administration will institute policies and procedures that will reflect the important role of bonds in financing the retirement of capital lease obligations.

Policies and Procedures Related to Incurring and Retiring Capital Lease Obligations for the Purpose of Financing State Facilities

- Capital lease purchase agreements entered into for the purpose of funding the development and construction of State facilities, and subject to these policies and procedures, shall (i) be reviewed and approved by the Attorney General and authorized by law; (ii) be for an essential state facility, and (iii) provide for ownership of the facility to revert to the State at minimal cost upon the retirement of the bonds issued to fund the development of the facility.
- By September 1 each year, in conjunction with its annual budget request, each lessee agency will submit a request for an appropriation for its minimum lease payments due the following fiscal year. The request will be made under a separate fund/program (debt service) and will include an amount for principal (account 547700) and interest (account 547800). DFA will include the request in the Executive Budget recommendation prepared by the State Budget Division.
- SHARE will maintain a schedule of the State's capital lease obligations and minimum lease payments payable. This schedule will provide information to the State Budget Division on the lease obligations outstanding and will also provide an official record of minimum lease payments to compare to the annual budget requests.
- Upon the approval of the State Budget by the State Budget Division, the Division will submit the approved budget for minimum lease payments to the Financial Control Division. The Financial Control Division will then establish the budget in a debt service fund in SHARE. The State Budget Division will send the Financial Control Division an approved allotment request. The Financial Control Division will then make the allotment (transfer the cash) to the applicable debt service fund. The lessee will make the payment from the debt service fund directly to the trustee.
- The State Board of Finance, in its annual update of the State Debt Affordability Study, will include a section on State lease appropriation financing, include outstanding lease appropriation debt in the calculations of State debt burden, and in other respects include those obligations as long-term obligations of the State.

State of New Mexico Capital Lease Process and Policies



Appendix C: Overview of State Bonding Authority

STATE FINANCING OPTIONS: MAJOR STATE AND STATE INSTRUMENTALITY BOND PROGRAMS

The following are brief descriptions of statutes authorizing the issuance of bonds by the state, state instrumentalities and related institutions:

General Obligation Bonds

Article IX, Section 8 of the New Mexico State Constitution provides that the State may issue general obligation bonds authorized by legislation and approved at the general election. The law must provide an annual tax levy sufficient to pay interest and to provide a sinking fund to pay principal within 50 years. Total general obligation indebtedness may not exceed 1% of the assessed valuation of all of the property subject to taxation in the State.

State Treasurer may issue refunding bonds to refund general obligation bonded indebtedness of the State. The approval of the State Board of Finance is required. Maturity of the refunding bonds may not exceed the lesser of 20 years or the final maturity of the bonds refunded. Debt service on the refunding bonds is to be on a level payment basis. The refunding bonds are payable from an ad valorem tax levy. The State Treasurer is also authorized to borrow to pay interest on bonded indebtedness and to meet outstanding certificates of indebtedness and interest coupons as they mature. (6-12-1 NMSA 1978)

Severance Tax Bonds

The State Board of Finance may issue severance tax bonds in the amounts and for the purposes specified in legislation adopted from time to time and when so instructed by the governing body of the recipient of the proceeds. Severance tax bonds are secured by monies deposited in the Severance Tax Bonding Fund (the "Bonding Fund") from taxes levied on the severance of oil, gas, and certain minerals in New Mexico. No maximum maturity is specified. The bonds must be sold at public sale. The State Board of Finance is prohibited by statute from issuing severance tax bonds unless the aggregate amount of total severance tax bonds outstanding, including the severance tax bonds proposed to be issued, can be serviced with not more than The following percentages of the annual deposits into the Bonding Fund: (1) for fiscal year 2016, forty-nine and four-tenths percent; (2) for fiscal year 2017, forty-eight and eight-tenths percent; (3) for fiscal year 2018, forty-eight and two-tenths percent; and (4) for fiscal year 2019 and subsequent fiscal years, forty-seven and six-tenths percent, as determined by the lesser of deposits made in the fiscal year immediately preceding the issuance of the proposed severance tax bonds or the deposits during the current fiscal year as estimated by the State Board of Finance. The State Board of Finance may also issue refunding bonds to refund outstanding severance tax bonds. Refunding bonds may be sold at public or private sale. (7-27-6 to 7-27-27 NMSA 1978)

Supplemental Severance Tax Bonds

The State Board of Finance may issue supplemental severance tax bonds, which are also payable from amounts in the Bonding Fund, but subject to the prior payment of severance tax bonds.

Proceeds from supplemental severance tax bonds are used for public school capital outlay projected pursuant to the Public School Capital Outlay Act. No maximum maturity is specified. The bonds must be sold at public sale. The State Board of Finance is prohibited by statute from issuing supplemental severance tax bonds unless the aggregate amount of total severance tax bonds and supplemental severance tax bonds outstanding, including those proposed to be issued, can be serviced with not more than the following percentages of the annual deposits into the Bonding Fund: (1) for fiscal year 2016, sixty-one and nine-tenths percent; (2) for fiscal year 2017, sixty-one and three-tenths percent; (3) for fiscal year 2018, sixty and seven-tenths percent; and (4) for fiscal year 2019 and subsequent fiscal years, sixty and one-tenth percent, as determined by the lesser of the deposits made in the fiscal year immediately preceding the issuance of the proposed severance tax bonds or the deposits during the current fiscal year as estimated by the State Board of Finance. The State Board of Finance may issue supplemental severance tax bonds with a term that does not extend beyond the fiscal year in which they are issued if the debt service on such bonds, when added to the debt service previously paid or scheduled to be paid during that fiscal year on severance tax bonds and supplemental severance tax bonds does not exceed the following percentages of the annual deposits into the Bonding Fund: (1) for fiscal year 2016, ninety-four and four-tenths percent; (2) for fiscal year 2017, ninety-three and eight-tenths percent; (3) for fiscal year 2018, ninety-three and two-tenths percent; (4) for fiscal year 2019, ninety-one percent; (5) for fiscal year 2020, eighty-nine and four-tenths percent; (6) for fiscal year 2021, eighty-seven and eight-tenths percent; and (7) for fiscal year 2022 and subsequent fiscal years, eighty-six and two-tenths percent, as determined by the lesser of the deposits made in the fiscal year immediately preceding the issuance of the proposed severance tax bonds or the deposits during the current fiscal year as estimated by the State Board of Finance. The State Board of Finance may also issue refunding bonds to refund outstanding severance tax bonds. Refunding bonds may be sold at public or private sale. (7-27-6 to 7-27-27 NMSA 1978)

Tax and Revenue Anticipation Notes

The State Treasurer may issue tax and revenue anticipation notes (TRANs) pursuant to the Short-Term Cash Management Act in order to anticipate the collection and receipts of anticipated revenue and after certifying the need for such issuance. Maturity of the TRANs may not exceed the end of the fiscal year in which they are issued. The TRANs are secured by tax receipts and other state revenues that are to be credited by law to the General Fund (the “anticipated revenue”). TRANs may be sold at a public or negotiated sale. The TRANs may be issued in an aggregate principal amount not to exceed 50 percent of anticipated revenue that the State Treasurer anticipates will be collected by the state and credited to the General Fund in the fiscal year in which the TRANs are issued. Approval of the State Board of Finance is required. (6-12A-5 NMSA 1978)

State Highway Debentures

The State Transportation Commission may issue up to \$150,000,000 of state highway debentures to finance highway projects. Approval of the State Board of Finance is required. Maturity of the debentures may not exceed 25 years. The debentures may be sold at a public or negotiated sale.

The debentures are payable from proceeds of gasoline excise taxes and motor vehicle registration fees. (67-3-59.1 NMSA 1978)

Water Conservation Revenue Bonds

The Interstate Stream Commission may issue bonds to finance water conservation projects. Approval of the State Board of Finance is required. Maturity of the bonds may not exceed 50 years, except that revenue bonds issued by the Commission for obtaining hydrographic surveys used by the State Engineer must mature no later than 10 years from their date of issuance. The bonds may be sold at a public or private sale. The bonds are payable from and secured by a pledge of moneys in a debt service fund, into which are paid certain proceeds of the projects financed and other moneys pledged to repay the bonds. (72-14-13 NMSA 1978)

Wastewater Bonds

The State Board of Finance, on recommendation of the Water Quality Control Commission, may issue wastewater bonds. Proceeds of the bonds may be used by the Commission to provide finance assistance to local authorities to finance wastewater facilities. Maturity of the bonds may not exceed 25 years. The bonds may be sold at public or private sale. Payment of the bonds may be secured by a pledge of the obligations of local authorities receiving financial assistance and of federal grant moneys. The Board or the Commission may issue bond anticipation notes payable from the proceeds of issuance of bonds, and may issue refunding bonds to refund outstanding wastewater bonds, with the recommendation of the Commission. (74-6A-12 NMSA 1978)

Institution Bonds

The governing boards of various enumerated educational, health, and corrections institutions may issue bonds to finance land and buildings or to refinance outstanding bonds. The approval of the State Board of Finance is required. Maturity of the bonds may not exceed 50 years. The bonds may be sold at public or private sale. The bonds are backed by a pledge of the institution's income and current funds and the income from the institution's portion of the permanent fund. Annual debt service on the bonds (together with the institution's other outstanding bonds) may not exceed the income from the institution's permanent fund in the fiscal year before issuance. The governing board may also issue refunding bonds at public or private sale to refund outstanding bonds. The maturity of the refunding may not exceed that of the refunded bonds by more than 15 years. (6-13-1 NMSA 1978)

Educational Institution Revenue Bonds

The boards of regents of state educational institutions may issue bonds to finance income producing facilities. The approval of the State Board of Finance is required. Maturity of the bonds may not exceed 40 years. The bonds may be sold at public or private sale. Payment of the bonds is secured by a pledge of the income from the facility financed. The boards may also issue refunding bonds, subject to the same restrictions as apply to the bonds being refunded. (6-17-1 NMSA 1978)

New Mexico Highlands University Building and Improvement Bonds

The NMSU board of regents may issue bonds to finance improvements or to retire outstanding bonds. Approval of the State Board of Finance is required. Maturity of the bonds may not exceed 50 years. The bonds may be sold at public or private sale. The bonds are secured by a pledge of income from NMHU's permanent fund. Annual debt service on the bonds (together with other outstanding bonds) may not exceed income from NMHU's permanent fund in the fiscal year before issuance. (21-3-14 NMSA 1978)

University of New Mexico Building and Improvement Bonds

The UNM board of regents may issue bonds to finance land, buildings and equipment or to retire outstanding bonds. Maturity of the bonds may not exceed 20 years. The bonds must be sold at a public sale. The bonds are secured by a pledge of the income from UNM's permanent fund. Annual debt service on the bonds (together with other outstanding bonds) may not exceed income from UNM's permanent fund in the fiscal year before issuance. (21-7-13 NMSA 1978)

New Mexico State University Building and Improvement Bonds

The NMSU board of regents may issue bonds to finance land, buildings and equipment or retire outstanding bonds. Maturity of the bonds may not exceed 20 years. The bonds must be sold at a public sale. The bonds are secured by a pledge of the income from NMSU's permanent fund. Annual debt service on the bonds (together with other outstanding bonds) may not exceed income from NMSU's permanent fund in the fiscal year before issuance. (21-8-16 NMSA 1978)

New Mexico Institute of Mining and Technology Building and Improvement Bonds

The NMIMT board of regents may issue bonds to finance land, buildings and equipment or to retire outstanding bonds. Maturity of the bonds may not exceed 25 years. The bonds must be sold at a public sale. The bonds are secured by a pledge of the income from NMIMT's permanent fund. (21-11-16 NMSA 1978)

Game and Fish Bonds

The State Game Commission may issue up to \$2,000,000 in bonds to finance game and fish capital projects. Maturity of the bonds may not exceed 20 years. The bonds may be sold at a public or private sale. The bonds are secured by and payable from a portion of the receipts from the sale of certain hunting and fishing licenses. The approval of the State Board of Finance is required. (17-1-16 NMSA 1978)

Border Authority Revenue Bonds

The Border Authority may issue bonds as an issuing authority under the New Mexico Private Activity Bond Act to finance projects to foster development of the Mexico-New Mexico border. Approval of the State Board of Finance is required. Maturity of the bonds may not exceed 30 years. The bonds may be sold at a public or negotiated sale. The bonds are secured by a pledge

of and payable out of the revenues of the project financed. The Border Authority is also authorized to issue refunding bonds to refund the Border Authority's outstanding revenue bonds. (58-27-15 NMSA 1978)

Hospital Equipment Loan Council Bonds

The council may issue bonds to finance or refinance certain health-related equipment for certain hospitals and health-related facilities. Maturity of the bonds may not exceed 20 years (30 years if issued to finance the acquisition, lease or improvement of real property). The bonds may be sold at a public or private sale. The bonds are payable from and may be secured by a pledge of the proceeds of the lease, sale or financing of the related equipment. The council is also authorized to issue refunding bonds to refund outstanding bonds of the council. (58-23-15 NMSA 1978)

Joint Powers Agreements

Entities governed by the Joint Powers Agreements Act (11-1-1 to 11-1-7 NMSA 1978), including the State, counties, municipalities and public districts, may form agencies, commissions and boards under joint powers agreements. Such agencies, commissions and boards may issue revenue bonds to finance the acquisition or construction of structures, facilities or equipment necessary to effectuate the purposes of the joint powers agreements under which they are created.

New Mexico College Student Loan Bonds

On certification by the Board of Educational Finance [Commission on Higher Education], the State Board of Finance may issue bonds to provide funds for student loans. Maturity of the bonds may not exceed 40 years. The bonds may be sold at a public or private sale. The bonds are secured by a pledge of moneys in a sinking fund. On the recommendation of the State Treasurer, the State Board of Finance may issue refunding bonds to refund outstanding student loan bonds, subject to the same restrictions as apply to the bonds being refunded. (21-21-8 NMSA 1978)

New Mexico Student Loan Foundation Bonds

The board of directors of the Education Assistance Foundation, a nonprofit corporation, may issue bonds to finance, among other matters, the making or purchase of student loans. Maturity of the bonds may not exceed 30 years. The bonds may be sold at public or private sale. The board may also issue refunding bonds, subject to the same restrictions as apply to the bonds being refunded. (21-21A-8 NMSA 1978)

Mortgage Finance Authority (MFA) Bonds

The MFA may issue bonds to provide funds for MFA's various corporate purposes. Maturity of the bonds may generally not exceed 45 years, and bond anticipation notes are limited to 10 years.

The bonds may be sold at a public or private sale. The MFA may issue refunding bonds to refund outstanding MFA bonds. (58-18-11 NMSA 1978)

New Mexico Finance Authority (NMFA) Board Programs

The Senior Lien and Subordinate Lien Programs

The NMFA is authorized to issue bonds to provide funds to governmental units for projects that have been approved by the Legislature for funding through the Public Project Revolving Fund. In connection with the issuance of Senior Bonds, the NMFA may enter into a loan agreement with the governmental unit or may purchase securities of the governmental unit in consideration for the loan of a portion of the proceeds of such Senior Bonds for projects. The proceeds of such bonds are used to make loans and grants (or to reimburse the NMFA for making loans and grants) to numerous governmental units, including local governmental entities of the State, an Indian Nation, and departments and agencies of State government, for the construction of infrastructure projects. (6-21-1, 6-21-11 NMSA 1978)

The NMFA also is authorized to issue bonds to provide funds to Governmental Units for projects that have been approved by the Legislature for funding through the Public Project Revolving Fund. As in the senior lien program, the NMFA may, in connection with the issuance of Subordinate Lien Bonds, enter into a loan agreement with the governmental unit or may purchase securities of the governmental unit in consideration for the loan of a portion of the proceeds of such Subordinate Lien Bonds for projects. The proceeds of such Subordinate Lien Bonds are used to make loans for the construction of infrastructure projects. (6-21-1, 6-21-11 NMSA 1978)

The bonds issued by the NMFA may be sold at public or private sale. The NMFA also may issue refunding bonds for the purpose of refunding any outstanding bonds. Further, the NMFA may issue bond anticipation notes from time to time. The maturity of the anticipation notes may not exceed 10 years.

Transportation Financings

During the 2003 special legislative session, the Legislature authorized the NMFA, when directed by the State Transportation Commission, to issue up to \$1,585,000,000 in bonds for the purpose of financing state transportation projects. The Bonds are payable from the State Road Fund and the State Highway Infrastructure Fund. (67-3-59.4 NMSA 1978)

Drinking Water Program

The New Mexico Drinking Water State Revolving Loan Fund Act (the “Drinking Water Fund Act”) was created in 1997. The Drinking Water Fund Act creates the New Mexico Drinking Water State Revolving Loan Fund (“DWRLF”). The NMFA administers the DWRLF. The purpose of the Drinking Water Fund Act is to provide local authorities with low-cost financial assistance in the construction and rehabilitation of drinking water facilities necessary to protect drinking water quality and the public health. The passage of the Drinking Water Fund Act was

in response to the re-authorization by Congress and the President of the federal Safe Drinking Water Act (“SDWA”), which required the Environmental Protection Agency (“EPA”) to make capitalization grants to the states to further the health objectives of the SDWA. The State has been awarded approximately \$75,500,000 in capitalization grants from the U.S. Environmental Protection Agency through December 31, 2005, approximately \$67,200,000 of which is dedicated solely to the Drinking Water Revolving Loan Fund, and the NMFA has provided a total state match of approximately \$15,100,000, all of which is deposited in the Drinking Water Revolving Loan Fund. (6-21A-8 NMSA 1978)

Water and Wastewater Grant Fund Program

The Legislature established the Water and Wastewater Project Grant Fund in 1999. In 2000, the Legislature authorized the NMFA to issue up to \$5,000,000 in bonds to fund grants for 38 public water and wastewater systems. In 2001, the Legislature appropriated \$40,910,000 to the Water and Wastewater Grant Fund Program to fund 76 public water and wastewater systems. The Legislature has appropriated and authorized the use of \$15,000,000 to the Water and Wastewater Grant Fund for emergency public purposes. In 2004, the Legislature authorized the NMFA to make grants to benefit 153 projects. The NMFA will fund grants for these projects on a first come, first served basis. All funds in the Water and Wastewater Grant Fund have been obligated. (6-21-6.3 NMSA 1978)

Local Government Planning Fund Program

The Water and Wastewater Planning Fund was created by the Legislature in 2002 to provide grants for qualified entities to evaluate and to estimate the costs of implementing the most feasible alternatives for meeting water and wastewater public project needs and to pay the administrative costs of the program. In 2005, the Legislature changed the name of the fund to the Local Government Planning Fund and expanded the scope of the types of grants allowed under the statute to include water conservation plans, long-term master plans and economic development plans. The grants need not have specific authorization by statute. The 2003 Legislature appropriated an additional \$1,000,000 to this fund. (6-21-6.4 NMSA 1978)

State Building Bonding Fund Program

The Legislature in 2001 authorized the NMFA to issue revenue bonds in an amount not to exceed \$75,000,000 to finance several State building projects in Santa Fe, namely the National Education Association Building, a new office building with integrated parking at the West Capitol Complex, the Public Employees Retirement Association Building, and the purchase of land adjacent to the District 5 Office of the State Highway and Transportation Department. In 2005, the Legislature authorized an additional \$15 million in revenue bonds and expanded the list of projects that would benefit from the bond proceeds to include a central capitol campus parking structure and a state laboratory facility in Bernalillo County.

Bonds issued under the State Building Bonding Fund Program are payable from the State Building Bond Fund, consisting of funds appropriated and transferred to the fund as well as gross receipts tax revenues distributed to the Fund. The Legislature in 2003 authorized the NMFA to

issue bonds in the amount of \$5,760,000 for the purpose of renovating and maintaining existing structures and developing permanent exhibits at state museums and monuments. The Bonds are purchased as securities with moneys on deposit in the public project revolving fund as authorized by State law. (6-21C-4 NMSA 1978)

Local Transportation Infrastructure Project Revenue Bonds

The NMFA may issue Local Transportation Project Revenue Bonds in an amount outstanding at any time of not more than \$20,000,000 payable from the Local Transportation Infrastructure Fund. (6-21-6.9 NMSA 1978)

Energy Efficiency Bonds

The NMFA may issue \$20,000,000 of tax-exempt energy efficiency bonds pursuant to the Energy Efficiency and Renewable Energy Bonding Act. The bond proceeds may be distributed to state agencies or school districts certified by the New Mexico Energy, Minerals and Natural Resources Department as committed to installing energy efficiency measures. Debt service on energy efficiency bonds is paid from the Energy Efficiency and Renewable Energy Bonding Act Fund, which consists of gross receipts tax revenues distributed to the fund by law, money transferred to the fund pursuant to the Energy Efficiency and Renewable Energy Bonding Act, and other transfers and appropriations made to the Fund. (6-21D-1 through 6-21D-10, NMSA 1978)

Bonds for County Correctional Facility Loans

The NMFA may issue bonds for a county to design, contract, or improve a county correctional facility pursuant to the County Correctional Facility Gross Receipts Tax Act after a majority of the registered qualified electors of such county has voted to permit the county to impose a correctional facility gross receipts tax in an amount necessary to repay bonds issued by the NMFA for the purpose of designing, constructing or improving a county correctional facility. (6-21-5.1 NMSA 1978)

Cigarette Tax Bond Projects

University of New Mexico Health Sciences Center Project. In 1993, the Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The proceeds of the bonds are used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

In 2003, the Legislature authorized the NMFA to issue up to \$60,000,000 of revenue bonds payable from a separate and distinct portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. In 2005, the Legislature authorized an additional \$15,000,000 of revenue bonds. NMFA is authorized to secure the additional bonds by a pledge of funds from the PPRF with a lien priority on the PPRF, as determined by the NMFA. The proceeds of the bonds are used for the purpose of providing funds to design, construct, equip and furnish

additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center at the University of New Mexico Health Sciences Center. (6-21-6.11, 7-1-6.11 NMSA 1978)

Department of Health Projects. Also, in 2005, the Legislature authorized the NMFA to issue another series of revenue bonds secured by a separate distribution of cigarette tax receipts in an aggregate amount not to exceed \$39,000,000 for improvements to the southern New Mexico rehabilitation center, the Las Vegas medical center, the Fort Bayard medical center and for purchasing land, building, designing and constructing and equipping a state laboratory facility in Bernalillo County for the New Mexico Department of Health. (9-7-10.1 NMSA 1978)

Behavioral Health Care Capital Fund. The 2004 Legislature created the Behavioral Health Capital Fund to provide low-cost financing to non-profit behavioral health clinics for their capital equipment and infrastructure projects. In 2005, the New Mexico Legislature authorized the NMFA to issue up to \$2,500,000 of taxable cigarette tax bonds. (6-21-6.10 NMSA 1978)

Workers' Compensation Administration Building Financing

In 1994, the Legislature authorized the NMFA to sell \$6,000,000 in revenue bonds for the acquisition of land and site improvements to the land and the planning, design, construction, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). The Legislature also provided for the pledge to the NMFA for payment of the revenue bonds associated with the WCA project of a portion of the quarterly Workers' Compensation assessment paid to the State. (7-1-6.29 NMSA 1978)

Child Care Revolving Loan Fund

Created by the 2003 Legislature, the Child Care Revolving Loan Fund partners the NMFA with the Children Youth and Families Department to provide low-cost financing to licensed child care providers. (24-24-2 NMSA 1978)

Statewide Economic Development Finance Act

With the passage of the Statewide Economic Development Finance Act ("SWEDFA"), the 2003 Legislature authorized the NMFA to issue taxable and tax-exempt bonds, make loans and provide loan and bond guarantees on behalf of private for-profit and not-for-profit entities. The 2005 Legislature appropriated \$10,000,000 to the Economic Development Revolving Fund authorized under SWEDFA from which the NMFA will buy portions of bank loans made to New Mexico businesses. (6-25-6 NMSA 1978)

Primary Care Capital Fund

In 1994, a \$5,000,000 revolving fund was created in the State treasury to be administered by the NMFA and from which loans and contracts for services would be provided to primary care health clinics and agencies in rural or other healthcare underserved areas of the State. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume

responsibility for all financial duties related to the program. The New Mexico Department of Health and the NMFA have negotiated a joint powers agreement whereby the Department of Health will provide all required health-related services and the NMFA will administer the revolving fund. In September 1994, later amended in April 1998, the NMFA and the Department of Health adopted and periodically updated program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. (24-1C-1 NMSA 1978)

Regional Spaceport District

The Spaceport Authority may issue revenue bonds on its own behalf or on the behalf of a regional spaceport district, for regional spaceport purposes and spaceport-related projects. The maturity of the bonds may not exceed 20 year if secured by revenue from the county or a municipal regional spaceport gross receipts tax, or 30 years if secured by revenue from other sources. The bonds may be sold at a public or private sale. (58-31-6 NMSA 1978)

State Fair Bonds

The New Mexico State Fair may issue negotiable bonds from time to time. The maturity of the bonds may not exceed 30 years. The bonds may be sold at a public sale or a private sale to the NMFA. The New Mexico State Fair may also issue refunding bonds to refund, refinance, pay or discharge outstanding bonds, notes, loans or obligations. (16-6-13 NMSA 1978)

Enhanced 911 Bonds

The State Board of Finance may issue bonds for the purpose of improving the enhanced 911 system and reimbursing commercial mobile radio service providers and local governing bodies for enhanced wireless 911 service costs. Payment of the bonds is secured by enhanced 911 or network and database surcharge revenues and wireless enhanced 911 revenues. The maturity of the bonds may not exceed 20 years, and the bonds may be sold at a public or private sale. (63-9D-12 NMSA 1978)

University Research Park Bonds

A Research Park Corporation may issue negotiable revenue bonds and/or notes from time to time in accordance with the University Research Park Act. The maturity of the bonds may not exceed 40 years. The bonds may be sold at a public or private sale. A Research Park Corporation also may issue refunding bonds to refund any outstanding bonds. (21-28-1 to 21-28-25 NMSA 1978)

Regional Transit District

A Regional Transit District may issue bonds to finance the purchase, construction, equipping and renovation of a regional transit system project. Maturity of the bonds may not exceed 40 year. The bonds are payable from specified revenues. The bonds may be sold at a public or private sale. (73-25-8 NMSA 1978)

Regional Housing Authority Bonds

A Regional Housing Authority may issue bonds to finance the purchase, construction or improvement of any housing project or undertaking. A Regional Housing Authority also may issue refunding bonds to retire any previously-issued bonds. The bonds are payable from project revenues and/or aid from the federal government or other sources. (11-3A-14 NMSA 1978)

New Mexico School for the Visually Handicapped Bonds

The State Board of Finance may issue bonds to improve buildings, acquire land or retire previously issued bonds. The maturity of the bonds may not exceed 20 years. The bonds are secured by a pledge of the income from the school's permanent fund. Annual debt service on the bonds (together with other outstanding bonds) may not exceed income from the school's permanent fund in the fiscal year before issuance. (21-5-12 NMSA 1978)

Teacher Housing Revenue Bonds

A local school board may issue bonds to finance the purchase, construction or improvement of a housing project. Pledged revenues include, at least in part, net income of the housing project financed by the bonds. (22-19A-1 NMSA 1978)

Compilation Commission Bonds

The New Mexico Compilation Commission may issue debentures in an amount not to exceed \$200,000 in anticipation of the proceeds of the collection of any or all taxes or fees on civil actions. Payment of the bonds is pledged by such taxes and fees. The maturity of the bonds may not exceed 20 years. The bonds may be sold at a private or public sale. (12-1-11 NMSA 1978)

State Park and Recreation Bonds

The State Park and Recreation Division may issue bonds whenever the Secretary deems necessary by written order to raise funds for the development and maintenance of state parks or recreation areas. The bonds may be pledged by any or part of project revenues, all or any part of the division's appropriated governmental gross receipts tax distributions (except as contractually prohibited), and future or present operating revenues or donations. The bonds may be sold at a public or private sale. (16-2-20 NMSA 1978)

State Land Office Debentures

The Commissioner of Public Lands may issue State Land Office Debentures in a principal amount not to exceed \$1,500,000 (with \$50,000 of the bonds to mature prior to June 3, 1960, and an additional \$50,000 in bonds to mature every six-month interval thereafter). (19-12-1 NMSA 1978)

ONGARD System Development Bonds

The Commissioner of Public Lands may issue bonds to develop the ONGARD system in a principal amount not to exceed \$18,000,000. The bonds may be sold at a private or public sale. Payment of the bonds is pledged from an amount of funds in the State Lands Maintenance Fund. (19-10B-1 NMSA 1978)

Certificates of Indebtedness (for payment of militia expenses)

The Governor may order the issuance of certificates of indebtedness in such amount as he/she deems required or necessary to provide funds for the payment of any expenses and costs incident to or connected with an emergency (e.g., in order to suppress insurrection or to provide for the public defense). (20-1-1 NMSA 1978)

State Armory Board Building and Improvement Bonds

The State Armory Board may issue bonds for the purpose of improving buildings or structures or acquiring necessary lands. The maturity of the bonds may not exceed 20 years. The bonds may be sold at a public or private sale. (20-8-6 NMSA 1978)

Industrial and Agricultural Finance Authority Bonds

The Industrial and Agricultural Finance Authority may issue bonds from time to time to provide sufficient funds for achieving its corporate purposes. The maturity of the bonds may not exceed 10 years. The bonds may be sold at a public or private sale. (58-24-11 NMSA 1978)

New Mexico Exposition Center Authority Act

The New Mexico Exposition Center Authority may issue bonds to make grants for and finance projects, to purchase securities and make loans through such purchase and to pay any other costs in connection with carrying out its corporate purposes. The bonds may be sold at a public or private sale. Payment of the bonds is secured by revenues, income and fees. (6-25A-1 NMSA 1978)