THE STATE OF NEW MEXICO

CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION FILING

FISCAL YEAR 2005

NEW MEXICO
STATE BOARD OF FINANCE

January 2006

STATE OF NEW MEXICO
OUTSTANDING AND ADDITIONAL BONDS

CAPITAL PROGRAM

Capital projects funded by the State of New Mexico (the "State") are financed primarily by surplus general fund balances, General Obligation Bonds, Severance Tax Bonds (including Supplemental or Subordinated Severance Tax Bonds), Highway Bonds and obligations of the New Mexico Finance Authority. Table 1 details capital funding, by source, for fiscal years 2001 through 2005 and for the first six months of Fiscal Year 2006.

TABLE 1
Principal Sources of Capital Project Funding
Fiscal Year Ending June 30
(Dollars in millions)

	2001	2002	2003	2004	2005	2006 (As of Dec. 31)
Proceeds from General Obligation Bonding Program						
General Obligation Bonds	$ 62.6	$ ---	$130.9	$ ---	$111.9	$ ---
Subtotal	$ 62.6	$ 0.0	$130.9	$ 0.0	$111.9	$ 0.0
Proceeds from Severance Tax Bonding Program						
Severance Tax Bonds	$ ---	$ 67.0	$ 73.9	$ 71.0	$ 85.6	$ ---
Severance Tax Funding Notes[1]	5.7	103.0	56.3	63.7	87.8	16.8
Supplemental Severance Tax Bonds	12.0	65.0	45.0	10.0	10.0	---
Supplemental Severance Tax Funding Notes[1]	74.5	35.1	111.8	151.8	213.3	155.4
Subtotal	$92.2	$270.1	$287.0	$ 296.5	$396.7	$172.2
Proceeds From Other Sources						
General Fund	$ 28.0	$103.4	$ 74.0	$ 28.0	$183.4	$239.7
E-911 Revenue Bonds	4.5	---	---	---	---	---
Special Funds	15.1	5.3	19.2	15.2	24.4	10.0
Highway Bonds	217.3	258.7	---	1,138.0[2]	---	---
New Mexico Finance Authority	18.5	69.7	24.9	39.0	10.0	23.63
Subtotal	$283.4	$437.1	$118.1	$1,220.2	$217.8	$273.3
Total	**$438.2**	**$707.2**	**$536.0**	**$1,516.7**	**$726.4**	**$445.5**

(1) The Board, in order to take advantage of Severance Tax Bonding Fund revenue that would otherwise be transferred to the Severance Tax Permanent Fund, issues Funding Notes to the State Treasurer (which are retired within the same Fiscal Year with such revenue) to fund authorized projects.

(2) The $1.138 billion issuance included $700 million issued for the purpose of funding high priority statewide transportation projects identified in Governor Richardson's Investment Program (GRIP). The remainder was used to refinance existing higher interest rate bond issues.

GENERAL OBLIGATION BONDS

Sections 7 and 8 of Article IX of the Constitution of the State limits the power of State officials to incur general obligation indebtedness extending beyond the fiscal year in three ways:

(a) The state may borrow money not exceeding the sum of two hundred thousand dollars ($200,000) in the aggregate to meet casual deficits or failure in revenue, or for necessary expenses.

(b) Other debt may be contracted by or on behalf of the State only when authorized by law for some specified work or object. Such a law takes effect only after being submitted to the qualified electors of the State and having received a majority of all votes cast thereon at a general election. No debt may be created if the total indebtedness of the State, exclusive of the debts of the territory and several counties thereof assumed by the State, would thereby be made to exceed one percent (1%) of the assessed valuation of all property subject to taxation in the State, as shown by the last preceding general assessment.

(c) The State may also contract debts to suppress insurrection and to provide for the public defense.

Outstanding and Additional Parity General Obligation Bonds

The principal amounts of outstanding General Obligation Bonds, as of December 31, 2005, are shown in Table 2.

TABLE 2
Outstanding General Obligation Bonds

Series	Principal Outstanding
Series 2001	$ 41,210,000
Refunding Series 2001B	8,415,000
Series 2003	109,245,000
Refunding Series 2003B	28,575,000
Series 2005	111,850,000
Total	**$299,295,000**

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Future debt payments, by fiscal year, on General Obligation Bonds outstanding, as of December 31, 2005, are shown in Table 3.

TABLE 3
Future General Obligation Bond Debt Service Requirements on Outstanding Bonds

Date	Principal	Interest	Total Debt Service	Calendar Year Debt Service	Fiscal Year Debt Service
03/01/06	$ 26,015,000	$ 6,830,168.75	$32,845,168.75	$ ---	$32,845,168.75
09/01/06	17,475,000	6,251,918.75	23,726,918.75	56,572,087.50	
03/01/07	27,940,000	5,815,043.75	33,755,043.75		57,481,962.50
09/01/07	9,515,000	5,148,393.75	14,663,393.75	48,418,437.50	
03/01/08	29,275,000	4,910,518.75	34,185,518.75		48,848,912.50
09/01/08	10,000,000	4,275,518.75	14,275,518.75	48,461,037.50	
03/01/09	30,670,000	4,025,518.75	34,695,518.75		48,971,037.50
09/01/09	0	3,355,837.50	3,355,837.50	38,051,356.25	
03/01/10	32,135,000	3,355,837.50	35,490,837.50		38,846,675.00
09/01/10	0	2,649,518.75	2,649,518.50	38,140,356.25	
03/01/11	33,670,000	2,649,518.75	36,319,518.75		38,969,037.50
09/01/11	0	1,909,400.00	1,909,400.00	38,228,918.75	
03/01/12	27,180,000	1,909,400.00	29,089,400.00		30,998,800.00
09/01/12	0	1,305,950.00	1,305,950.00	30,395,350.00	
03/01/13	28,460,000	1,305,950.00	29,765,950.00		31,071,900.00
09/01/13	0	674,000.00	674,000.00	30,439,950.00	
03/01/14	13,160,000	674,000.00	13,834,000.00		14,508,000.00
09/01/14		345,000.00	345,000.00	14,179,000.00	
03/01/15	13,800,000	345,000.00	14,145,000.00		14,490,000.00
09/01/15		0.00	0.00	14,145,000.00	
Total	**$299,295,000**	**$57,736,493.75**	**$357,031,493.75**	**$357,031,493.75**	**$357,031,493.75**

The issuance of additional General Obligation Bonds, other than for refunding purposes, and the levy of additional *ad valorem* taxes are subject to approval of the voters. Any such additional General Obligation Bonds may be issued on a parity with, or subordinate to, all outstanding General Obligation Bonds.

Calculation of 1% Bonding Limitations

Net Taxable Value as of December 31, 2005	$38,549,097,626
General obligation bond limitation @ 1% of Net Taxable Value	$385,490,976
Total general obligation bonds outstanding as of December 31, 2005	$299,295,000
Ratio of total debt to net taxable value	0.776%

Underlying General Obligation Bonds

The following table presents the most recent information on outstanding county, city, local and public school district debt outstanding as of June 30, 2005.

Underlying General Obligation Debt

Counties	$173,392,101
Cities	$196,711,000
Schools	$952,289,000

Source: Local Government Division, Department of Finance and Administration, Department of Education.

SEVERANCE TAX BONDS

Amendments to the Severance Tax Bonding Act enacted in 1999 and 2000 permit the Board to issue two categories of bonds against Severance Tax Bonding Fund revenues: "New Mexico Severance Tax Bonds" and "New Mexico Supplemental Severance Tax Bonds" which are referred to herein as "Senior Severance Tax Bonds" and "Supplemental Severance Tax Bonds", respectively. The Board is prohibited by statute from issuing Senior Severance Tax Bonds and short term Senior Severance Tax Funding Notes unless the aggregate amount of total Senior Severance Tax Bonds and Funding Notes outstanding, after giving effect to the proposed issuance, can be serviced with not more than 50% of the annual deposits into the Bonding Fund, from the preceding fiscal year. Pursuant to the 1999 and 2000 amendments to the Severance Tax Bonding Act, the Board is prohibited by statute from issuing Supplemental Severance Tax Bonds unless the aggregate amount of total Senior Severance Tax Bonds and Supplemental Severance Tax Bonds outstanding, after giving effect to the proposed issuance, can be serviced with not more than 62.5% of the annual deposits into the Bonding Fund, from the State's preceding fiscal year. In addition, short-term Supplemental Severance Tax Funding Notes may be issued if the debt service on such Supplemental Severance Tax Funding Notes, when added to the debt service previously paid or scheduled to be paid during that fiscal year on Senior and Supplemental Severance Tax Bonds and Funding Notes does not exceed 95% of the deposits into the Bonding Fund. The Senior Severance Tax Bonds and Funding Notes fund all types of capital projects while Supplemental Severance Tax Bonds and Funding Notes are earmarked for capital projects for public education.

The Legislature had authorized $600,000,000 of Supplemental Severance Tax Bonds (including short-term funding notes) for issuance by the Board from time to time after July 1, 1999. Effective April 5, 2001, as a result of an amendment made to the Act in the 2001 Regular Session of the Legislature and other previous legislation, the Legislature repealed the authority of the Board to issue the remaining authorized but unissued Supplemental Severance Tax Bonds and replaced it with authority 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 of the State. The lien of the pledge of such Supplemental Severance Tax Bonds (including short-term funding notes) is subordinate to any outstanding Senior Severance Tax Bonds.

Outstanding Senior Severance Tax Bonds

The principal amounts of outstanding Senior Severance Tax Bonds, as of December 31, 2005, are shown in Table 4.

TABLE 4
Outstanding Senior Severance Tax Bonds

Severance Tax Bonds, Refunding Series 2001A	$63,360,000
Severance Tax Bonds, Series 2002A	19,440,000
Severance Tax Bonds, Series 2003A	61,855,000
Severance Tax Bonds, Series 2004A	64,810,000
Severance Tax Bonds, Series 2005A	97,000,000
Severance Tax Bonds, Refunding Series 2005B-1	37,040,000
Total	**$343,505,000**

Future payments, by fiscal year, on outstanding Senior Severance Tax Bonds, as of December 31, 2005, are shown in Table 5.

TABLE 5
Future Senior Severance Tax Bond Debt Service

Fiscal Year	Principal	Interest	Total
2006	$0	$ 7,931,102.53	$ 7,931,102.53
2007	55,530,000	14,170,350.00	69,700,350.00
2008	50,270,000	11,621,012.50	61,891,012.50
2009	50,610,000	9,156,737.50	59,766,737.50
2010	35,270,000	7,153,400.00	42,423,400.00
2011	30,415,000	5,729,656.25	36,144,656.25
2012	31,855,000	4,439,050.00	36,294,050.00
2013	33,420,000	3,070,900.00	36,490,900.00
2014	26,805,000	1,811,737.50	28,616,737.50
2015	18,595,000	843,725.00	19,438,725.00
2016	10,735,000	214,700.00	10,949,700.00
Total	**$343,505,000**	**$66,142,371.28**	**$409,647,371.28**

Outstanding Supplemental Severance Tax Bonds

The principal amounts of Supplemental Severance Tax Bonds that are outstanding, as of December 31, 2005 are shown in Table 6.

TABLE 6
Outstanding Supplemental Severance Tax Bonds

Supplemental Severance Tax Bonds, Series 1999A	$1,975,000
Supplemental Severance Tax Bonds, Series 2000C	3,930,000
Supplemental Severance Tax Bonds, Series 2002A	19,655,000
Supplemental Severance Tax Bonds, Series 2002B	33,720,000
Supplemental Severance Tax Bonds, Series 2003B	8,425,000
Supplemental Severance Tax Bonds, Series 2004B	9,150,000
Supplemental Severance Tax Bonds, Refunding Series 2005B-2	21,095,000
Total	**$97,950,000**

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The future fiscal year debt payments on outstanding Supplemental Severance Tax Bonds, as of December 31, 2005, are shown in Table 7.

TABLE 7
Future Supplemental Severance Tax Bond Debt Service

Fiscal Year	Principal	Interest	Total
2006	$ 0	$ 2,187,799.58	$2,187,799.58
2007	16,140,000	3,979,154.38	20,119,154.38
2008	14,765,000	3,255,276.25	18,020,276.25
2009	13,275,000	2,624,232.50	15,899,232.50
2010	13,555,000	2,043,982.50	15,598,982.50
2011	14,145,000	1,444,920.00	15,589,920.00
2012	14,760,000	808,238.75	15,568,238.75
2013	7,805,000	317,848.75	8,122,848.75
2014	2,355,000	108,282.50	2,463,282.50
2015	1,150,000	28,750.00	1,178,750.00
Total	**$97,950,000**	**$16,798,485.21**	**$114,748,485.21**

The lien of the pledge of such Supplemental Severance Tax Bonds is subordinate to any outstanding Senior Severance Tax Bonds.

TAX AND REVENUE ANTICIPATION NOTES

The State has issued, and expects to issue from time to time, Tax and Revenue Anticipation Notes. The Notes are not general obligations of the State. The purpose of the Notes is to fund a portion of the State's cash flow needs during the fiscal year in which the Notes are sold. As of December 31, 2005, $400,000,000 Tax and Revenue Anticipation Notes, Series 2005 and $150,000,000 Tax and Revenue Anticipation Notes, Series 2005A were outstanding and are due to mature on June 30, 2006.

ENHANCED 911 REVENUE BONDS

The E-911 Act was adopted in response to a perceived need to upgrade basic 911 service throughout most areas of the state. The primary objectives of the E-911 Program are to provide statewide funding, administrative and technical services leading to the installation of better telecommunications and computer equipment for faster location of and response to emergency calls. The Act authorizes the Board of Finance to issue and sell Enhanced 911 bonds to provide grant funds to local governments to acquire, extend, enlarge, better, repair, improve, construct, purchase, furnish, equip or rehabilitate E-911 systems. The Act initially imposed an Equipment Surcharge of twenty-five cents ($.25) to be billed monthly, with certain exceptions as set forth in the Act by local exchange telephone companies on all local exchange lines in the state, and to be remitted to the Taxation and Revenue Department for deposit into the E-911 Fund. In 2005, the Legislature consolidated the twenty-five cent ($.25) Equipment Surcharge and a twenty-six cent ($.26) Network and Database Surcharge into one fifty-one cent ($.51) Emergency Surcharge on all lines (land and wireless) and directed that the entire surcharge be deposited into the E-911 Fund. The Bonds are payable from amounts on deposit in the E-911 Fund.

Outstanding Enhanced 911 Revenue Bonds

The principal and interest amounts of Enhanced 911 Revenue Bonds outstanding, as of December 31, 2005, are shown in Table 8.

TABLE 8
A. Outstanding Enhanced 911 Revenue Bonds
Enhanced 911 Revenue Bonds, Series 2000 $1,455,000

B. Future Enhanced 911 Revenue Bond Debt Service

Fiscal Year	Principal	Interest	Total
2006	$0	$32,737.50	$32,737.50
2007	710,000	49,500.00	759,500.00
2008	745,000	16,762.50	761,762.50
Total	**$1,455,000**	**$99,000.00**	**$1,554,000.00**

SEVERANCE TAX BONDING FUND AND DEBT SERVICE REQUIREMENTS

Severance tax receipts contribute over 79% percent of total revenue to the Severance Tax Bonding Fund, with the remainder attributable to interest and other investment income. Severance taxes are almost entirely attributable to natural gas, crude oil and coal sales. Natural gas and crude oil together accounted for approximately 95% percent of total Fiscal Year 2005 severance tax receipts as shown in Table 9.

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TABLE 9
Severance Tax Bonding Fund
Receipts, Disbursements and Transfers
Fiscal Year Ended June 30[1][2][3]
(Dollars in thousands)

	2001	2002	2003	2004	2005[8]
Beginning Balance	$70,521	$80,748	$8,258	$10,183	$27,174
Receipts:					
Oil & Gas Severance Tax	$309,364	$206,552	$218,410	$287,320	$372,943
Other Minerals Severance Taxes	28,255	23,954	19,232	18,274	18,638
Total Severance Taxes	$337,620	$230,506	$237,643	$305,594	$391,581
Other Income:					
Interest on Investments	$13,879	$11,007	$5,526	$5,475	$10,986
Bond Proceeds	100	-	-	-	-
Other financial sources	4,662	4,533	13,988	8,268	2,974
Subtotal	$18,641	$15,540	$19,514	$13,743	$13,960
Total Receipts	$356,261	$246,046	$257,157	$319,337	$405,541
Disbursements:					
Senior Bond Debt Service[4][5][6]	$68,227	$132,511	$71,425	$67,596	$68,205
Senior Short-term Obligations[7]	5,685	103,078	54,026	63,653	87,777
Supplemental Bond Debt Service[4][5][6]	2,101	14,947	17,569	18,216	19,007
Supplemental Short-term Obligations[7]	74,500	35,075	111,752	151,857	213,345
Fiscal Charges	367	890	459	618	533
Total Disbursements	$150,880	$286,501	$255,230	$301,940	$388,867
Transfers:					
To Severance Tax Permanent Fund	$ 195,153	$32,035	$0	$406	$0
Total transfers	$195,153	$32,035	$0	$406	$0
Ending Balance, June 30	$80,748	$8,258[4]	$10,183[5]	$27,174[6]	$43,848

(1) All receipts, expenditures and balances exclude amounts in rebate accounts retained for potential arbitrage rebates.

(2) Balances exclude loan receivable from Department of Labor. Loan repayment amounts are included as other income received.

(3) Proceeds and expenditures attributable to refunding bonds are excludable from this table because these amounts are reserved for payment to the escrow agent and are not available for debt service payments.

(4) Includes payment of $71.5 million of debt service due 7/1/02 on senior and supplemental bonds that was paid on 6/29/02. Ending balance would have been $79.8 million if this payment was not made during the period.

(5) Includes payment of $77.4 million of debt service due 7/1/03 on senior and supplemental bonds that was paid on 6/19/03. Ending balance would have been $87.6 million if this payment was not made during the period.

(6) Includes payment of $77.43 million of debt service due 7/1/04 on senior and supplemental bonds that was paid on 6/29/04. Ending balance would have been $104.5 million if this payment was not made during the period.

(7) The Board, in order to take advantage of Bonding Fund revenues that would otherwise be transferred to the Severance Tax Permanent Fund, issues short-term Severance Tax funding notes and Supplemental Severance Tax funding notes to the State Treasurer which are retired within the same fiscal year with such revenue to fund authorized projects.

(8) Preliminary.

Source: State Board of Finance based on the Comprehensive Financial Reporting Accounting System.

TABLE 9A
State of New Mexico Severance Tax Bonds
Projected Receipts, Debt Service Requirements and Coverage

Fiscal Year Ending 6/30	Projected STBF Revenues	Scheduled Senior Debt Service[(1)]	Projected Senior Coverage	Scheduled Supplemental Debt Service	Projected Parity Coverage
2006	$532,257,993	$59,005,228	9.02x	$19,645,925	6.77x
2007	432,206,816	69,700,350	6.20x	20,118,842	4.81x
2008	400,317,992	61,891,013	6.47x	18,020,276	5.01x
2009	369,501,459	59,766,738	6.18x	15,899,233	4.88x
2010	366,846,831	42,423,400	8.65x	15,598,983	6.32x
2011	330,655,761	36,144,656	9.15x	15,589,920	6.39x
2012	327,608,061	36,294,050	9.03x	15,568,239	6.32x
2013	323,009,438	36,490,900	8.85x	8,122,849	7.24x
2014	319,616,939	28,616,738	11.17x	2,463,283	10.28x
2015	316,852,977	19,438,725	16.30x	1,178,750	15.37x
2016	313,424,082	10,949,700	28.62x	0	28.62x

(1) Excludes debt service on economically defeased or refunded bonds which will be payable from escrowed securities and severance tax debt obligations sold to the State Treasurer which are retired within the same fiscal year.

Source: NM Department of Finance and Administration and Fiscal Strategies Group.

Investments

Funds on deposit in the Severance Tax Bonding Fund, including the Debt Service Account and Project Fund (established in accordance with the Bond Resolutions) are invested by the State Treasurer at the direction and approval of the Board, pursuant to the State Treasurer's Investment Policy. Investments are made in securities, which are at the time legal investments of the State, and no such investment or deposit shall violate any applicable restrictions imposed by the Code (defined below) and applicable Treasury Regulations relating to the market price and the existence of an established market.

Except for funds deposited into the Rebate Fund (defined in the Bond Resolutions), interest earned on the amounts on deposit in the Debt Service Account shall be retained therein, and interest earned on the amounts on deposit in the Project Fund shall be credited to the Debt Service Account and applied to the payment of principal and interest on the Bonds next becoming due. Any loss resulting from any such investment shall be charged to the applicable account from which such investments were made.

Severance Tax Collections and Reporting

Operators, purchasers and working interest owners are required to submit monthly reports to the Taxation and Revenue Department showing the total value, volume and kind of products sold from every production unit each month. Taxes must be paid at the same time and are due 55 days after the month of production. Each production report must be accompanied by a company identification number, which facilitates automated processing of return information. Production and associated tax liability is reported by "production unit" and a designation for a well or group of wells that is assigned by the Taxation and Revenue Department based on the master operation, property name identification and pool. A suffix is added to the production unit number to designate the specific land type and taxing authority including county, school districts, and municipalities.

The state maintains an automated database system ("ONGARD" for Oil and Natural Gas Administration and Revenue Database) to monitor production and sales activities of oil and natural gas producers. ONGARD functions include: managing the inventory of lands within the state and tracking all leases to determine whether royalty payments are owed to the state; monitoring all oil and gas wells for compliance with unitization agreements and other production-related information; and processing tax and royalty payments due to the state. The integrated database gives the state enhanced capabilities to compare and evaluate production, tax and royalty reports, and to issue automated exception reports.

Severance tax amounts received by the Taxation and Revenue Department are deposited into the Oil and Gas Suspense Fund. Using the ONGARD system, the Taxation and Revenue Department reconciles monthly information reports with the payments received to identify the appropriate amounts to distribute to each tax beneficiary. Oil and gas severance tax amounts that have been reconciled are then transferred, once a month, to the bonding fund. Table 10 presents sales volume and total sales revenue for oil and natural gas subject to severance tax.

TABLE 10
New Mexico Oil and Natural Gas Subject to Taxation
Fiscal Years Ending June 30

	2000	2001	2002	2003	2004	2005
Oil						
Sales volume (million barrels)	67.3	70.3	69.0	68.5	66.5	63.5
Value ($millions)	$1,485	$2,018	$1,521	$1,904	$2,126	$2,794
Average price ($ barrel)	22.07	$28.71	$22.04	$27.80	$31.97	$44.00
Natural Gas						
Sales Volume (bcf)	$1,625	$1,627	$1,614	$1,570	$1,534	$1,550
Value ($ millions)	$4,004	$8,105	$4,318	$5,652	$7,179	$8,990
Average Price ($/mcf)	$2.46	$4.98	$2.68	$3.60	$4.68	$5.80

Source: NM Department of Finance and Administration and Taxation and Revenue Department.

Severance Taxes on Oil, Natural Gas, and Carbon Dioxide

The State collects taxes on the severance and sale of oil, natural gas and carbon dioxide. Table 11 summarizes the history of statutory tax rates imposed on natural gas, oil, and carbon dioxide. Tax rates are set by statute and are levied on the volume and/or value of product sold. With the exceptions noted below, tax rates have been imposed on an ad valorem basis, with deductions allowed for royalties paid to governments and also for certain expenses of transporting and processing products downstream of the production facility.

TABLE 11

History of Severance Tax Rates on Oil, Natural Gas and Carbon Dioxide

Year of Statutory Change	Natural Gas	Oil	Carbon Dioxide
1959	2.5%	2.5%	
1974	3.75%	3.75%	
1977	\$0.05/mcf + surtax	\$0.45/bbl + surtax	
1980	\$0.087/mcf + surtax	3.75%	
1987	3.75%	3.75%	3.75%

Source: NM Department of Finance and Administration.

Oil and Natural Gas Incentives

Although the State now offers reduced severance tax rates for several categories of production, the cumulative effect of these programs on severance tax receipts is expected to be small. Table 12 summarizes incentive tax rates applying to various categories of production as of Fiscal Year 2005. Due to the rise in oil and gas prices, most of these incentive programs are not currently in effect. Should prices decline in the future, some of these incentives will be applicable again.

TABLE 12

Oil and Gas Tax Incentive Programs

Incentive	Incentive Tax	Threshold price below which incentive rate applies:	Qualified production as a percent of Fiscal Year
Restoration wells	0.0%	\$24.00 per barrel[(1)]	0.0% Oil[(3)] 0.0% Natural Gas[(3)]
Well workover	2.45%	\$24.00 per barrel[(1)]	0.0% Oil[(3)] 0.0% Natural Gas[(3)]
Stripper wells	1.875%	\$1.15 per mcf-Gas[(2)] \$15.00 per barrel-Oil[(2)]	0.0% Natural Gas[(3)] 0.0% Oil[(3)]
	2.8125%	\$1.35 per mcf-Gas[(2)] \$18.00 per barrel-Oil[(2)]	0.0% Natural Gas[(3)] 0.0% Oil[(3)]
Enhanced oil recovery	1.875%	\$28.00 per barrel[(1)]	0.0% Oil[(3)]

(1) Twelve-month average price for West Texas Intermediate crude oil as reported on Oil Postings for last day of each month.

(2) Average annual taxable value of natural gas or oil sold in New Mexico during the preceding calendar year.

(3) No natural gas volumes are expected to qualify for these incentives during the period because average taxable value exceeds the threshold levels.

Source: NM Department of Finance and Administration.

Severance Tax on Indian Land

The United States Supreme Court has ruled that the state can tax non-Indian oil and gas production on tribal land (Cotton Petroleum Co. v. State of New Mexico, 490 US 163, 104 L. Ed. 2d 209, 109 S. Ct. 1968 (1989)). The authority of the state to impose severance taxes on Indian oil and gas production on tribal land was upheld by the United States District Court in New Mexico (Jicarilla Apache Tribe v. New Mexico Taxation and Revenue Department, No. USDC 87-922). The Taxation and Revenue Department reports that natural gas production and crude oil production on Indian land was approximately 3.7% and 0.8%, respectively, of total taxable statewide production in 2005. The Tax Department estimates that coal production on Indian land ranges from 40-45 percent of total statewide production from year to year. No potash or copper is produced on Indian land.

The Laws of 1995, Chapter 171 authorized a credit against state production and property taxes for similar taxes imposed by tribal governments. The credit applies to crude oil and natural gas from new wells drilled on or after July 1, 1995 on land within Indian reservation boundaries on March 1, 1995. The amount of the credit is 75% of the lesser of state taxes or tribal taxes imposed. If the applicable tribal taxes were raised after March 1, 1995, then the amount of the state's credit is lowered. The Tax Department estimates that total credits claimed under this provision were about $1.7 million in 2005. About $1.4 million of these credits were applied against oil and gas severance tax liability. The Bonding Fund revenue projection assumes that this amount will grow slowly in the future.

Laws 2001, Chapter 134, provides a similar 75 percent intergovernmental tax credit against severance tax and severance surtax on coal mined on the Navajo Nation. The Taxation and Revenue Department reports that this credit reduced Severance Tax Bonding Fund revenue by $4.7 million in Fiscal Year 2005. Laws 2002, Chapter 15, created the Jicarilla Apache Tribal Capital Improvement Tax Credit. This new tax credit can reduce the Oil and Gas Emergency School Tax on products severed from wells drilled on the Jicarilla Apache Nation by up to 0.7 percent of the taxable value of production. This credit does not apply against the severance tax revenues due on the same production, and therefore does not affect revenue pledged to the Bonds.

Carbon Dioxide

The Bravo Dome carbon dioxide field, encompassing 1.2 million acres in Harding, Union and Quay Counties in the northeastern area of the State, contains estimated resources of 16.3 trillion cubic feet, of which 7.0 to 10.6 trillion cubic feet are considered economically recoverable. Although the state has long produced limited quantities of liquid and solid carbon dioxide (CO_2) for use in the food and the engineering industries, the main commercial value of carbon dioxide deposits is derived from the use of the product in its gaseous form in enhanced oil recovery projects in the Permian Basin of Texas and New Mexico. Future sales ultimately will depend on the CO_2 requirements of such projects and on the state's proportion of the market, which is shared with Colorado's Sheep Mountain and Little Sheep Mountain, McElmo Dome and Doe Creek Fields. Sales of CO_2 are expected to remain near 125 bcf per year. The wellhead value of CO_2 sales currently is approximately $0.35 per mcf reported at the production facility, and is expected to remain stable over the forecast period. Severance taxes on CO_2 are levied at the rate of 3.75 percent of sales value.

Severance Taxes on Coal

Excise taxes have been imposed on coal sales in New Mexico since 1937 and tax rates have been changed several times over the years. Revenues were initially earmarked to the Severance Tax Bonding Fund in 1961. At that time the tax rate on coal was 0.125 percent.

The 1999 Legislature reexamined coal severance taxes in the light of deregulation of the electric power market. Increased competition in power markets makes it harder for utilities to pass on the cost of high production taxes on coal used in generation. A study of New Mexico's coal taxes by economists at the Tax Department and the DFA indicated that New Mexico's taxes were among the highest in the region.[1] In view of these facts, the 1999 Legislature and Governor acted to repeal the sunset of the severance surtax exemption. Thus, as existing contracts expire which are currently subject to the surtax, any subsequent contracts will be exempt from the surtax. Although a total of $10.8 million in severance surtax was collected in Fiscal Year 2005, the impacts of the new statute are expected to be small, as most contracts subject to the surtax do not expire for a number of years. The full impact of the provision will not be felt until all existing contracts expire, in about 12 years.

TABLE 13
Coal Production, Pricing and Tax Rates
Fiscal Years 2000-2005

	2000	2001	2002	2003	2004*	2005
Total Sales Volume (short tons)	27,259,907	27,131,704	26,589,634	26,704,979	25,584,920	26,555,045
Surface Mined Surtax Exempt Volume	9,293,451	10,318,045	10,405,420	10,918,338	10,104,895	6,207,544
Surface Mined Non-Exempt Volume	17,960,718	15,705,560	14,715,458	13,626,804	14,066,790	13,434,239
Underground Non-Exempt Volume	5,738	1,108,099	1,468,656	2,159,837	1,512,643	6,913,261
Total Sales Revenue	$567,067,376	$548,233,652	$528,324,790	$611,561,557	$583,588,317	$659,066,157
Average Price Per Ton	$21	$20	$20	$22	$23	$25
Total Intergovernmental Tax Credits	NA	NA	$4,154,255	$6,180,464	$6,965,252	$6,463,061
Estimated Net Severance Tax Liability	$26,497,456	$25,677,079	$20,761,702	$18,712,346	$17,161,561	$16,729,934
Average Tax Rate (dollars per ton)	$0.97	$0.95	$0.78	$0.67	$0.67	$0.63

* Total Volumes for 2004 are actual; Exempt and Non-Exempt Volumes are estimates from previous years' trends.

Source: NM Taxation and Revenue Department.

(1) "Taxation of Coal Production in Western States," by Kelly O'Donnell, N.M. Taxation and Revenue Department and Dr. Thomas Clifford, N.M. Department of Finance and Administration, presentation to the Revenue Stabilization and Tax Policy Committee, November, 1998.

Severance Taxes on Other Minerals

Many other minerals and natural resources are taxed in the State upon their Severance from the earth or, in some cases, their sale or shipment. Existing tax rates are listed in Table 15. In many cases, flat percentage deductions are allowed to account for certain production costs. The result is that the taxable value is a percentage of the "full value." The "full value," in turn, is sometimes based upon published prices rather than actual revenues, as noted in Table 14.

TABLE 14
Severance Tax Rates on Other Minerals

Mineral Resources	Tax Rate	Taxable Value as % of Full Value
Potash	2.500%	16.67%
Copper	0.500	16.67[1]
Timber, Pumice, Gypsum, Sand, Gravel, Clay, Fluorspar, Other	0.125	100.00[2]
Molybdenum	0.125	50.00
Lead, Zinc	0.125	16.67[1]
Gold	0.200	50.00[1]
Silver	0.200	30.00[1]
Uranium	3.500	50.00

[1] Value based upon the indicated percentage of specified Comex, LME or London spot prices published in Metals Week.
[2] For products with a price at the point of production, value is that price less deductions allowed for actual costs for hoisting, loading, and crushing of up to 50 percent of price. For products, which must be processed before sale, deductions are allowed for cost of processing and freight charges to the point of sale.

Source: NM Energy Minerals and Natural Resources Department.

Tax revenue from potash was about $651,014 in Fiscal Year 2005. Severance tax revenue from copper is limited because of the statutorily defined narrow tax base. Revenue from copper peaked at $593,000 in Fiscal Year 1996, a result of the combination of high prices and strong production, but most recent revenues were $772,323 in Fiscal Year 2005. Copper prices have been depressed for the last several years by weakness in world copper prices.

GENERAL INFORMATION CONCERNING THE STATE OF NEW MEXICO

The State of New Mexico, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state in land area, containing approximately 121,593 square miles. Sunshine and warm bright skies characterize the State's climate in both winter and summer. The State has a semiarid climate with light precipitation. Thunderstorms in July and August bring monsoon moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains). New Mexico is currently experiencing a statewide drought, which has been detrimental to the State's agricultural sector, as well as to many tourist activities on which limitations have been imposed to preserve water and protect against wildfires.

Major industries in the State are energy resources, manufacturing, services, tourism, arts and crafts, agribusiness, government, and mining. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. Agriculture plays a major role in the State's economy with irrigation and a variety of climatic conditions, a diverse assortment of quality agriculture products are produced.

Governmental Organization

The State's government mirrors the American political system with executive, legislative and judicial branches. The head of the executive branch is the Governor who is elected for a four-year term. A governor may succeed himself in office once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are currently carried out by approximately 20 cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Board of Finance has seven members consisting of the Governor, the Lieutenant Governor, the Treasurer and four members appointed by the Governor with the advice and consent of the Senate; no more than two such appointed members may be from the same political party. The Board, in addition to other powers and duties provided by law, has general supervisory authority over the fiscal affairs of the State and over the safekeeping and depositing of all money and securities belonging to, or in the custody of, the State.

The Department of Finance and Administration, created in 1957 as a part of governmental reorganization measures of that year, is the principal financial organization of State government and performs through its divisions the duties and functions relating to State and local government financing and general administration. On July 1, 1983, the Department of Finance and Administration ("DFA") was reorganized. DFA handles the State's financial functions, while the General Services Department now handles most administrative functions. The executive and administrative head of the DFA is the Secretary, who is appointed by the Governor with the advice and consent of the Senate, and who also serves as Executive Officer of the Board. In 1983, a Board of Finance Division was created in the DFA, to staff and coordinate the functions of the Board.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms, members of the House for two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature may be convened by the Governor, and under certain limited circumstances, extraordinary sessions may be convened by the Legislature. Legislators receive no salary, but do receive per diem and mileage allowances while in session or performing official State business.

The judicial branch is composed of a statewide system including Magistrate and District Courts, the Court of Appeals and the Supreme Court. The district court is the trial court of record with general jurisdiction.

Pension Funds

Two retirement plans, covering most of the employees of the State and its political subdivisions, have been established by statute. These retirement plans are described below. All financing of the plans, including employer and employee contributions and fund investment provisions, as well as all benefit provisions, are established by the Legislature and are not subject to negotiation.

Educational Retirement Board

Total Educational Retirement Board ("ERB") membership as of June 30, 2005 was officially reported as 114,890. The annual actuarial valuation of the Educational Retirement Fund of the State was conducted and reported as of June 30, 2005 by Gabriel Roeder, Smith & Co. Accrued assets at fair value on June 30, 2005 were \$7.451 billion and the unfunded liability was \$3.134 billion. As of June 30, 2005, ERB's underfunded actuarial liability had an amortization period of infinity. This is the same as last year's funding period.

Member and employer contribution rates are established by statute. Since the prior actuarial valuation, Senate Bill 181 was signed into law and will increase the employer contribution rate by 75 basis points (0.75%) each of the next seven years, and increase member contribution rates by 7.50 basis points (0.075%) for each of the next four years. Therefore, as of July 1, 2005, the current employer contribution rate is 9.40 % and the current member contribution rate is 7.675%. The member rate will reach its ultimate level of 7.90% in FY 2009, and the employer rate will reach its ultimate level of 13.90% in FY 2012.

These rates are intended to be sufficient to pay ERB's normal cost and to amortize ERB's unfunded actuarial liability (UAAL) in payments which are level as a percentage of payroll. Except for short-term fluctuations, the amortization period should not exceed the maximum period allowed under GASB No. 25 (30 years after a transition period expires at the end of FY 2006). (The amortization period, also referred to as the funding period, is the number of years expected to be required to completely amortize the UAAL, assuming that ERB's experience exactly follows the actuarial assumptions).

As indicated above, as of June 30, 2005, ERB has an infinite funding period. Therefore, if the employer contribution rate (9.40% as of July 1, 2005) and member contribution rate (7.675% as of July 1, 2005) were to remain in place, and all actuarial assumptions are exactly realized, including an 8.00% investment return on the actuarial value of assets, then the UAAL will never achieve complete amortization. The employer contribution that would be required in order to amortize the UAAL over 40 years is 12.50%. (Last year the 40-year funding rate was 10.67%). Forty years is the maximum funding period under GASB 25, effective through FY 2006, when a GASB 25 transition period ends and the maximum amortization period becomes 30 years. As mentioned above, under current law, the employer and member rates will increase to 13.90% and 7.90%, respectively. However, GASB 25 does not permit the consideration of contribution rates not yet in effect, so an infinite funding period must be reported.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio at June 30, 2004 was 75.4%, while it is now 70.4%.

The Public Employees Retirement Association

Gabriel, Roeder, Smith & Co. completed an actuarial valuation of the Public Employees Retirement Fund (PERA), Judicial Retirement Fund, Magistrate Fund, Legislative Division and Volunteer Firefighter Fund (VFF) as of June 30, 2005. The Public Employees Retirement Board accepted the actuary's conclusions that the assets, benefit values, reserves and computed contribution rates reflect utilization of an inflation rate of 5 percent per annum, compounded annually, and other risk assumption changes including salary increases for longevity and merit, the real rate of return on investments, mortality, active member withdrawals, disability and retirement rates to allow for expected future experience. Actuarial information, for each fund, as of June 30, 2005, is shown below.

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TABLE 15
Summary of State Retirement Funds
(Dollars in thousands)

	PERA[1]	Judicial	Magistrate	VFF	Legislative
Membership	73,372	212	110	6,580	252
Actuarial Information					
Accrued Liability[2]	$ 10,902,768	$87,175	$31,384	$25,151	$18,198
Value of Assets	9,997,484	68,780	31,303	35,651	11,026
Unfunded (Overfunded) Accrued Liability	$ 905,284	$18,394	$81	$(10,499)	$ 7,171
Present Value of Statutory Obligations	$ 13,877,750	$117,000	$40,817	$44,152	$20,385

[1] Includes both the state and municipal divisions.
[2] Includes the accrued liability of both the retired and active members.

FINANCIAL OVERVIEW

State Auditing and Accounting Systems

By statute, the financial affairs of every agency in the State are thoroughly examined and audited each year by the State Auditor, personnel of his office designated by him, or by the independent auditors approved by him. The audits are conducted in accordance with generally accepted auditing standards. The audit reports include financial statements that are presented in accordance with generally accepted accounting principles.

State Budgetary and Appropriation Process

All State agencies are required to submit their budget requests to the Budget Division of the DFA by September 1 of each year following guidelines and forms provided in advance for this purpose. Budget hearings are scheduled for the purpose of examining the merits of budget requests through the fall and are usually completed by the middle of December. Statutes require the Budget Division to present comprehensive budget recommendations to the Governor annually by January 2.

By statute, the Governor is required to submit a budget for the upcoming fiscal year to the Legislature by the twenty-fifth legislative day. The Governor's budget includes the executive recommendations for higher education, public education and State agencies as well as historical information on prior expenditures and revenues and revenue projections, among other information. The State budget is contained in a General Appropriation Bill, which is first referred to the House Appropriations and Finance Committee for consideration. The General Appropriation Act may also contain proposals for supplemental and deficiency appropriations for the then current fiscal year.

The Senate and the Senate Finance Committee consider the General Appropriation Act after its approval by the House of Representatives. Upon Senate passage the Governor may sign the General Appropriation Act, veto it, veto line items or veto parts of it. After the Governor has signed the General Appropriation Act, the Budget Division of the DFA approves the agency budgets and monitors the expenditure of the funds beginning on July 1, the first day of the fiscal year.

State Treasurer's Investment Responsibilities

A major responsibility of the State Treasurer is to invest money in his custody not immediately needed for the operations of State government in order to enhance state revenues. The State Treasurer's Investment Policy states that in keeping with the office's fiduciary responsibility, all investment decisions made by the State Treasurer will adhere to the following three fundamental principles: safety, liquidity and return.

This investment policy is a comprehensive one that governs the investment activities of the State Treasurer. This policy applies to all financial assets of the State invested by the Treasurer in the exercise of his statutory authority or invested as directed by other agencies which have specific investment authority and for which the Treasurer acts as agent. These funds include, but are not limited to the State's General Fund, and agency funds such as the Local Government Investment Pool, bond funds, debt service reserve funds, those pension and permanent fund monies not yet allocated to money managers and all float.

According to the investment policies, an Investment Committee must be appointed by the State Treasurer with the specific purpose and responsibility of establishing, maintaining and administering the investment policy. The Investment Committee consists of five (5) voting members: the State Treasurer, or designee, who serves as Chairman, the State Cash Manager, the Director of the State Board of Finance or designee, and two members that are professional participants in the private investment community or have expert knowledge or professional experience in the subject or professional practice of public finance or public fund investing, of which one member will be appointed by the State Treasurer and approved by the State Board of Finance and one member will be appointed by the State Board of Finance and approved by the State Treasurer.

The Investment Committee is charged with the following responsibilities:

- Reviewing the investment policy no less than annually and recommending, if advisable, modifications in the investment policy of the State Treasurer from time to time;
- Assessing the utility and efficacy of established internal controls as loss prevention measures with respect to the investment portfolio subject to the investing authority of the State Treasurer;
- Determining whether legislation affecting the investment activities of State Treasurer should be recommended;
- Recommending investment procedures that may be useful or required in maintaining currency with public finance market practices;
- Meeting monthly to deliberate such topics as: economic outlook, portfolio diversification and maturity structure, potential risks, the target rate of return on the investment portfolio and the like;
- Identifying potential violations of and suggesting remedial actions to achieve conformity with the investment policy;
- Recommending action on depositories, custodians, broker/dealers and investment managers and advisors; and
- Assessing whether the investment policy of State Treasurer is being properly implemented by the individuals and entities involved in the administration and management of investment activities.

On October 26, 2005, following indictment on charges of 26 counts of extortion, money laundering and conspiracy, the New Mexico State Treasurer resigned. An Interim State Treasurer was appointed by the Governor on November 3, 2005. The Interim State Treasurer will serve until December 2006. In November 2006, the electorate will vote for State Officials, including the State Treasurer. Following the indictment of the former State Treasurer, the State engaged the law firm of Hogan and Hartson, LLP and Deloitte Financial Advisory Services L.L.P. to conduct a special audit of the State Treasurer's Office. The special audit found a significant number of internal control weaknesses and deficiencies in the operations of the State Treasurer's Office; however, the special audit did not find that the integrity of funds held at the State Treasurer's Office had been compromised. The special audit recommended a slate of legislative, rulemaking and control enhancements designed to ensure that the funds held by the State Treasurer's Office are prudently invested and safely handled. The Interim State Treasurer is responsible for implementing the recommendations of the special audit and currently is developing a detailed corrective action plan of the type necessary to establish an effective internal control management program.

General Fund

The State derives the majority of its recurring General Fund revenues from four major sources: general and selective sales taxes, income taxes, taxes and royalties on natural resource production, and investment earnings from its two permanent funds and investments made by the State Treasurer's Office.

Weakness in crude oil and natural gas markets in the 1980's contributed to a major restructuring of the State's tax base by the 1986, 1987, 1988, 1990, 1993 and 1994 Legislatures. Reliance on sales and income taxes were increased to offset declines in mineral resource taxes and royalty revenues. In recent years, volatility in oil and gas markets have resulted in an increased percentage of General Fund revenues generated from oil and gas taxes. Table 16 lists revenues, expenditures and ending fund balances over the last four fiscal years and estimated amounts for the current fiscal year.

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General Fund Financial Summary*
Fiscal Year 2002 – Fiscal Year 2006
(Dollars in thousands)

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Estimated 2006
A. APPROPRIATION ACCOUNT					
Recurring Receipts:					
General & Selective Sales Taxes	$1,581,937	$1,651,614	$1,797,835	$1,946,395	$2,040,275
Income Taxes	1,188,605	1,040,203	1,153,133	1,333,402	1,375,500
Severance Taxes	241,511	268,411	329,559	426,998	573,800
License Fees	30,892	38,420	42,885	44,265	44,798
Investment Income	473,093	478,596	484,324	547,287	594,900
Rents & Royalties	249,242	283,552	356,944	476,198	637,600
Miscellaneous Receipts	30,520	30,625	26,146	40,850	25,200
Tribal Revenue Sharing	18,721	32,596	35,097	41,263	43,000
Tobacco Settlement		43,759	37,449	38,009	29,658
Reversions/adjustments	32,793	23,288	19,623	11,592	22,090
Total Recurring Receipts	**$3,847,314**	**$3,891,064**	**$4,282,996**	**$4,906,259**	**$5,386,821**
Growth	-3.6%	1.1%	10.1%	14.6%	9.8%
Non-recurring & Adjustments	-	57,821	48,324	62,769	(105,520)
Tribal Revenue Sharing	88,618	-	-	-	-
Accounting Policy Change	-	-	280,392	-	-
Total Non-Recurring & Adjustments	**$88,618**	**$57,821**	**$328,716**	**$62,769**	**$(105,520)**
Total Receipts	**$3,935,931**	**$3,948,885**	**$4,611,711**	**$4,969,028**	**$5,281,301**
Growth	-1.5%	0.3%	**16.8%**	7.7%	6.3%
Recurring Appropriations:					
Legislative	$17,657	$21,198	$14,892	$15,434.6	$16,113
Judicial	126,116	133,555	136,557	146,704.5	159,339
General Control	188,963	142,331	135,479	144,007.8	149,242
Commerce & Ind./Exam. & Lic.	46,129	45,409	47,285	48,595.3	46,201
Agric., Energy & Nat. Res.	63,611	59,192	58,708	62,022.4	68,052
Health & Human Services	791,953	814,136	911,320	1,003,064.0	1,113,641
Public Safety	256,280	266,699	280,690	286,757.7	294,849
Other Education	23,328	20,112	20,365	17,950.3	7,518
Higher Education	569,978	605,050	639,328	670,120.7	705,015
Public School Support	1,782,210	1,788,566	1,863,274	1,974,906.4	2,118,958
Recurring Appropriations	3,866,226	3,896,247	4,107,896	4,369,563.7	4,678,928.4
Other Recurring Appropriations			11,908	15,435	29,709
Total Recurring Appropriations	**$3,866,226**	**$3,896,247**	**$4,119,803**	**$4,384,999**	**$4,708,638**
Growth	**8.2%**	0.8%	5.7%	6.4%	7.4%
Nonrecurring Appropriations(1)					
Capital Outlay/Supplemental/Contingency	$180,354	$155,289	$178,319	$8,900.0	-
Other Nonrecurring adj for leg	2,075	-	84,871	315,833.2	38,633
Total Nonrecurring	**$182,429**	**$155,289**	**$263,190**	**$324,733**	**$38,633**
Total Expenditures	**$4,048,655**	**$4,051,536**	**$4,382,993**	**$4,709,732**	**$4,747,271**
Growth	5.8%	0.1%	8.2%	7.5%	0.8%
Transfer to Appropriation Contingency Fund	-	-	(120,000)	-	-
TRANSFER TO RESERVES	**(112,723)**	**(102,650)**	**108,718**	**259,295**	**534,030**
B. OPERATING RESERVE					
Beginning Balance	**$267,187**	**$154,778**	**$46,931**	**$128,832**	**$330,148**
Revenues/Loan Repayments	-	-	-	-	-
Appropriations: Contingencies	-	-	-	-	(277)
Other Appropriations & Adjustments	(350)	(5,200)	(26,817)	(2,644)	(1,500)
Total Appropriations(2)	**$(350)**	**$(5,200)**	**$(26,817)**	**$(2,644)**	**$(1,777)**
Transfers:					
To General Fund/State Support Reserve	-	-	-	-	
From General Fund (Approp. Account)	(112,723)	(102,650)	108,718	259,295	534,030
Special Session/Approp. Cont. Fund	-	-	-	-	-
To Tax Stabilization Reserve Fund	-	-	-	(55,336)	-
Total Transfers	(112,723)	(102,650)	108,718	203,959	534,030
Other Adjustments	664	-	-	-	-
Changes in Loan Repay Balances	-	-	-	-	-
Ending Balance	**$154,778**	**$46,931**	**$128,832**	**$330,148**	**$862,401**

* Detail may not add to column total due to independent rounding.

General Fund Financial Summary
Fiscal Year 2002 – Fiscal Year 2006

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Estimated 2006
C. APPROPRIATION CONTINGENCY FUND					
Beginning Balance	**$93,987**	**$77,934**	**$58,535**	**$169,903**	**$147,626**
Expenditures/Appropriations(3):					
Disasters	(20,379)	(8,117)	(10,248)	(8,113)	(10,000)
Medicaid	(5,000)	(19,500)	-	-	-
Other	-	-	(2,381)	(6,178)	(525)
Education Reform	-	-	-	(14,650)	-
Allot. Reversions(4)	9,326	8,218	3,997	6,664	-
Transfers:					
From General Fund	-	-	120,000	-	-
To Surplus/State Support Reserve	-	-	-	-	-
Ending Balance	**$77,934**	**$58,535**	**$169,903**	**$147,626**	**$137,101**
D. RISK RESERVE FUND					
Beginning Balance	**$0**	**$0**	**$0**	**$0**	**$0**
Transfers					
From Risk Mgmt Funds	-	-	-	-	-
To Risk Mgmt Funds	-	-	-	-	-
Interest Earnings	-	-	-	-	-
Ending Balance	**$0**	**$0**	**$0**	**$0**	**$0**
E. TAX STABILIZATION RESERVE					
Beginning Balance	**$87,715**	**$87,715**	**$77,715**	**$77,715**	**$133,051**
Transfer In	-	-	-	55,336	-
Transfers Out(5)	-	(10,000)	-	-	-
Ending Balance	**$87,715**	**$77,715**	**$77,715**	**$133,051**	**$133,051**
F. TOBACCO SETTLEMENT PERMANENT FUND RESERVE					
Beginning Balance	**$0**	**$105,768**	**$62,009**	**$70,689**	**$77,333**
Transfers In	-	-	46,129	38,009	29,658
Transfers Out	-	(43,759)	(37,449)	(38,009)	(29,658)
Gains Losses	-		-	6,644	6,341
Ending Balance	**$0**	**$62,009**	**$70,689**	**$77,333**	**$83,675**
G. TOTAL BALANCES					
Beginning of Period	**$448,889**	**$320,427**	**$245,190**	**$447,139**	**$688,158**
End of Period	**$320,427**	**$245,190**	**$447,139**	**$688,158**	**$1,216,227**
Reserves as % of recurring appropriations	**8.3%**	**6.3%**	**10.9%**	**15.7%**	**25.8%**

(1) **Non-Recurring Appropriations:** Fiscal Year 2003 includes $3.6 million for the purchase of Eagle Nest Lake and a $151.7 million appropriation from the 2002 legislative session.

(2) **Appropriations from the Operating Reserve**: Fiscal Year 2003 includes a $3.5 million appropriation for the Department of Corrections, $0.664 million appropriation to the Computer Systems Enhancement Fund, and $1.036 million for BOF emergencies.

(3) **Appropriation Contingency Fund Expenditures**: Fiscal Year 2003 includes $8.1 million for disaster allotments and $19.5 million for Medicaid ($0.1 million for the Racing Commission was excluded).

(4) **Appropriation Contingency Fund Revenue & Reversions**: Fiscal Year 2003 includes $8.2 million for federal reimbursements for fire season 2002.

(5) **Tax Stabilization Reserve Transfers Out**: Fiscal Year 2003 includes $10.0 million to purchase water rights (see Laws 2002, Chapter 109).

Review of Historical Results in the General Fund

Fiscal Year 2002. Recurring revenue was $143.2 million lower than Fiscal Year 2001 or $3.85 billion. Revenue declined considerably due to the September 11, 2001 terrorist attacks and an already weakening economy. A significant downward revision in the price of natural gas also contributed to the decline. Recurring appropriations of $3.87 billion were signed into law, an increase of 8.2 percent over the previous Fiscal Year. Total General Fund reserves were $320.4 million, or 8.3 percent of recurring appropriations, comprising the Operating Reserve of $154.8 million, and the Appropriation Contingency Fund and Tax Stabilization Reserve of $77.9 million and $87.7 million, respectively.

Fiscal Year 2003. Recurring general fund revenue was $3.89 billion in Fiscal Year 2003, growing 1.1 percent over Fiscal Year 2002. High oil and natural gas prices led to strong growth in mineral production taxes and rents, royalties, and bonuses, but were offset by weakness in income tax collections. Total appropriations were $4.05 billion, representing growth of only 0.1 percent over the previous Fiscal Year. To meet appropriations, $103.3 million was transferred from the operating reserve to the general fund. Total General Fund reserves at the close of Fiscal Year 2003 were $244.5 million, or 6.3 percent of recurring appropriations.

Fiscal Year 2004. In Fiscal Year 2004, recurring General Fund revenue totaled $4.293 billion or 10.3 percent above Fiscal Year 2003. Abnormally high oil and natural gas prices resulted in 22.8 percent growth in severances taxes, and 25.9 percent growth in rents and royalties. Sales and income taxes grew 8.6 and 10.9 percent, respectively. Total appropriations were $4.383 billion, growing by 8.2 percent over Fiscal Year 2003. Year-end results included a transfer to reserves of $108.7 million, increasing year-end reserves in the General Fund to $447.1 million, or 10.9 percent of recurring appropriations.

Fiscal Year 2005. In Fiscal Year 2005, recurring General Fund revenue totaled $4.906 billion, representing growth of 14.6 percent over Fiscal Year 2004. Prices for oil and natural gas remained elevated, leading to growth of 29.6 percent in mineral production taxes and 33.4 percent in rents and royalties. General and selective sales taxes grew by 8.3 percent. Growth in selective sales was due to adoption of a health insurance premium surtax and to the opening of a new casino in Hobbs that increased gaming excise tax collections. Income taxes grew 15.6 percent in Fiscal Year 2005. Revenues from investments increased by 13.0 percent in Fiscal Year 2005. Total recurring appropriations were $4.385 billion, representing 6.4 percent growth over the previous year. Non-recurring appropriations of $324.7 million were appropriated by the legislature, largely for capital investments. Year-end reserves in the General Fund increased by $259.2 million and are $688.2 million or 15.7 percent of recurring appropriations.

Fiscal Year 2006. Fiscal Year 2006 recurring General Fund revenue is expected to be $5.387 billion. The estimates imply recurring growth of 9.8 percent in Fiscal Year 2006. Such growth is expected to result from higher energy prices and improvements in many broad-based revenue categories such as the personal income tax and corporate income tax. Revenue from gross receipts tax is projected to continue at 4.5 percent for Fiscal Year 2006. Revenue from PIT is expected to decline in Fiscal Year 2006 as personal income tax rate reductions are phased-in. Double-digit growth in corporate income revenue is expected to continue in Fiscal Year 2006 at 40.2 percent projected growth. Growth of revenues from mineral production taxes and rents and royalties collectively is expected to exceed 34 percent in Fiscal Year 2006. Recurring appropriations are $4.709 billion. Currently, ending balances are projected to be $1,216.2 million or 25.8% of recurring appropriations.

General Fund Taxes and Revenues

Programs and operations of the State are predominantly funded through a system of approximately 30 major taxes administered by the Taxation and Revenue Department. The Public Regulation Commission collects taxes on insurance premiums. In addition, interest income and earnings from the Land Grant Permanent Fund and the Severance Tax Permanent Fund provide important sources of revenue for State purposes. The most important tax and revenue sources, as measured by magnitude of revenue generation, and the application of the monies to certain funds and purposes are described below.

Gross Receipts and Compensating Taxes

The gross receipts tax is levied on the total amount of money or the value of other consideration received from selling property (including tangible personal property) in the State, from leasing property employed in the State, from performing services in the State and from research and development services performed outside the State on a product which is initially used in the State. The tax is remitted by the seller but generally passed on to the purchaser. The compensating tax is imposed generally on property used in the State but purchased elsewhere. Gross receipts and compensating taxes are due on the 25th day of the month following the month in which the transaction occurs.

Exemptions from the gross receipts tax include, but are not limited to, certain receipts of governmental agencies and certain non-profit organizations and receipts from the sale of certain vehicles, occasional sales of property or services, wages, certain agricultural products, dividends and interest and receipts from the sale of or lease of natural gas, oil or mineral interests. Deductions from the gross receipts tax include, but are not limited to, receipts from various types of sales or leases of tangible personal property or service, receipts from certain sales of property to governmental agencies or to certain non-profit organizations, receipts from certain processing of some agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions, and as set forth below, beginning January 1, 2005, certain food and medical services. There are over 50 specified exemptions and deductions from gross receipts taxation; nevertheless, the general presumption is that all receipts of a person engaging in business are subject to the gross receipts tax.

The gross receipts and compensating taxes are the largest single source of State General Fund revenue. The gross receipts tax is also a significant source of revenue for cities and counties. The gross receipts tax includes the statewide gross receipts tax levy of 5 percent plus several city and county local-option gross receipts taxes. Until January 1, 2005, a credit of 0.5 percent against the statewide rate of 5 percent was allowed for municipal local-option taxes. Receipts from the statewide gross receipts tax levy, less disbursement to each incorporated municipality of 1.225 percent of the taxable gross receipts reported in that municipality and less disbursement to the State Aviation Fund of 3.59 percent of the value of jet fuel sales, are deposited in the State General Fund. After all other distributions, the General Fund share of gross receipts tax collections is about 63 percent. In terms of the compensating tax, after distributions of 10 percent to the small cities assistance fund and 10 percent to the small counties assistance fund, the remaining receipts from the 5 percent compensating tax are deposited in the State General Fund.

Laws of 2004, Chapter 116, effective January 1, 2005, made a number of changes to the state gross receipts tax laws. The taxes on food and certain medical services were eliminated. The credit of 0.5 percent against the statewide rate granted municipalities was eliminated. The legislation created a deduction for gross receipts tax from retail sales of food as defined for federal food stamp program purposes. The legislation requires retailers to report receipts from sales of these groceries and then claim a deduction for the receipts. The legislation enacts significant penalties for improper filings. The deduction does not apply to receipts of restaurants and sellers of prepared foods. The legislation also created a gross receipts tax deduction for some receipts of licensed health care providers (broadly defined) from Medicare Part C and managed health care plans, and health care insurers. The legislation also provides for payments from the State to reimburse local governments for lost gross receipts tax revenues.

In Fiscal Year 2005, total distributions to the General Fund from gross receipts and compensating taxes grew by 5.3 % percent over the previous Fiscal Year to $1.520 billion. These combined revenues represented 31.1 percent of recurring General Fund revenue.

Personal Income Tax

The personal income tax is imposed on the net income of every resident individual and upon the net income from business, property, or employment of non-resident individuals. State taxable income is generally equal to federal adjusted gross income less standard deductions or itemized deductions and amounts not taxable by the laws or Constitution of the State or the United States. The State also allows deductions for income earned by Indians on reservations and graduated deductions for income earned by taxpayers 65 years or older. Collections, net of refunds, are placed in the General Fund.

State statutes provide for a number of tax rebates and tax credits which are paid from or credited against the personal income tax and which have the effect of reducing available personal income tax collections. Rebate programs target those with very low incomes and include a general low-income rebate and a rebate for property taxes paid by the elderly. Credits are available for day care costs.

Laws of 2003, Chapter 2, enacted a significant personal income tax reduction that will reduce the top marginal personal income tax rate from 8.2 percent to 4.9 percent, to be phased in from Calendar Year 2002 to Calendar Year 2007. The legislation will encourage economic development and investment in New Mexico by making State income tax rates more competitive with neighboring states.

In Fiscal Year 2005, the personal income tax grew by 6.9 percent over the previous fiscal year to $1.077 billion. This tax makes up 22.0 percent of total recurring General Fund revenue.

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State tax rates by filing status effective Calendar Year 2005, are set forth below:

If the taxable income is:	Married Filing Separate:	If the taxable income is:	Surviving Spouse and Married Filing Joint
Not over $4,000	1.7% of taxable income	Not over $8,000	1.7% of taxable income
$4,000 to $8,000	$68.00 plus 3.2% of excess over $4,000	$8,000 to $16,000	$136.00 plus 3.2% of excess over $8,000
$8,000 to $12,000	$196.00 plus 4.7% of excess over $8,000	$16,000 to $24,000	$392.00 plus 4.7% of excess over $16,000
Over $12,000	$384.00 plus 5.7% of excess over $12,000	Over $24,000	$768.00 plus 5.7% of excess over $24,000

If the taxable income is:	Single Including Trust and Estates:	If the taxable income is:	Head of Household:
Not over $5,500	1.7% of taxable income	Not over $7,000	1.7% of taxable income
$5,500 to $11,000	$93.50 plus 3.2% of excess over $5,500	$7,000 to $14,000	$119.00 plus 3.2% of excess over $7,000
$11,000 to $16,000	$269.50 plus 4.7% of excess over $11,000	$14,000 to $20,000	$343.00 plus 4.7% of excess over $14,000
Over $16,000	$504.50 plus 5.7% of excess over $16,000	Over $20,000	$625.00 plus 5.7% of excess over $20,000

State tax rates by filing status effective Calendar Year 2006, are set forth below:

If the taxable income is:	Married Filing Separate:	If the taxable income is:	Surviving Spouse, Married Filing Joint & Head of Household
Not over $4,000	1.7% of taxable income	Not over $8,000	1.7% of taxable income
$4,001 to $8,000	$68.00 plus 3.2% of excess over $4,000	$8,001 to $16,000	$136.00 plus 3.2% of excess over $8,000
$8,001 to $12,000	$196.00 plus 4.7% of excess over $8,000	$16,001 to $24,000	$392.00 plus 4.7% of excess over $16,000
Over $12,000	$384.00 plus 5.3% of excess over $12,000	Over $24,000	$768.00 plus 5.3% of excess over $24,000

If the taxable income is:	Single Including Trust and Estates:
Not over $5,500	1.7% of taxable income
$5,501 to $11,000	$93.50 plus 3.2% of excess over $5,500
$11,001 to $16,000	$269.50 plus 4.7% of excess over $11,000
Over $16,000	$504.50 plus 5.3% of excess over $16,000

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State tax rates by filing status effective Calendar Year 2007 and on are set forth below:

If the taxable income is:	Married Filing Separate:	If the taxable income is:	Surviving Spouse, Married Filing Joint & Head of Household
Not over $4,000	1.7% of taxable income	Not over $8,000	1.7% of taxable income
$4,001 to $8,000	$68.00 plus 3.2% of excess over $4,000	$8,001 to $16,000	$136.00 plus 3.2% of excess over $8,000
$8,001 to $12,000	$196.00 plus 4.7% of excess over $8,000	$16,001 to $24,000	$392.00 plus 4.7% of excess over $16,000
Over $12,000	$384.00 plus 4.9% of excess over $12,000	Over $24,000	$768.00 plus 4.9% of excess over $24,000

If the taxable income is:	Single Including Trust and Estates:
Not over $5,500	1.7% of taxable income
$5,501 to $11,000	$93.50 plus 3.2% of excess over $5,500
$11,001 to $16,000	$269.50 plus 4.7% of excess over $11,000
Over $16,000	$504.50 plus 4.9% of excess over $16,000

State tax rates by filing status effective Calendar Year 2008 and on are set forth below:

If the taxable income is:	Married Filing Separate:	If the taxable income is:	Surviving Spouse, Married Filing Joint & Head of Household
Not over $4,000	1.7% of taxable income	Not over $8,000	1.7% of taxable income
$4,001 to $8,000	$68.00 plus 3.2% of excess over $4,000	$8,001 to $16,000	$136.00 plus 3.2% of excess over $8,000
$8,001 to $12,000	$196.00 plus 4.7% of excess over $8,000	$16,000 to $24,000	$392.00 plus 4.7% of excess over $16,000
Over $12,000	$384.00 plus 4.9% of excess over $12,000	Over $24,000	$768.00 plus 4.9% of excess over $24,000

If the taxable income is:	Single Including Trust and Estates:
Not over $5,500	1.7% of taxable income
$5,501 to $11,000	$93.50 plus 3.2% of excess over $5,500
$11,001 to $16,000	$269.50 plus 4.7% of excess over $11,000
Over $16,000	$504.50 plus 4.9% of excess over $16,000

Corporate Income Tax

The corporate income tax is imposed on the net income of a corporation doing business in the State or deriving any income from property and employment in the State. No corporate income tax is imposed upon insurance companies, which pay a premium tax to the State, or on nonprofit organizations or retirement trust funds. Collections, net of refunds, are placed in the General Fund. Corporations are required to file a return on or before the fifteenth day of the third month following the end of each taxable year at which time corporate income taxes are also due. A corporation is required to file estimated tax payments if the tax, net of credits, is $5,000 or more.

Tax rates are established under a graduated table and range from 4.8 percent on the first $500,000 or less of taxable income to 7.6 percent on income in excess of $1,000,000. In Fiscal Year 2005, net receipts received by the General Fund from corporate income tax were $252.9 million, representing an increase of 83.0 percent over the prior Fiscal Year and an increase of 148.7 percent from Fiscal Year 2003. The corporate income tax represents 5.2 percent of recurring General Fund revenue.

Oil and Gas Emergency School Tax

The oil and gas emergency school tax is imposed for the privilege of engaging in the business of severing oil, natural gas, liquid hydrocarbons and carbon dioxide from the soil of the State. Oil and gas emergency school tax receipts are disbursed to the General Fund. Tax is imposed at a rate of 3.15 percent of taxable value of oil and 4.0 percent of taxable value for natural gas. Taxable value reflects gross sales value less deductions for royalties paid to government entities and for certain processing and transportation expenses. This is the same definition of taxable value that is used for calculation of oil and gas severance tax liability.

Oil and gas emergency school tax receipts are disbursed to the General Fund. Oil and gas emergency school tax receipts were $387.4 million in Fiscal Year 2005. Other General Fund taxes on natural resources production amounted to $46.1 million. Together, mineral production taxes contributed approximately 8.9 percent of recurring General Fund revenue in Fiscal Year 2005.

Royalties, Rents and Bonuses

Federal Lands. Under terms of the 1920 federal Mineral Leasing Act the State receives a 50 percent share of all income generated from the leasing of federally held lands located in the State for mineral production. Principal sources of income on federal lands are royalty payments on oil and gas production. Additional income is derived from bonus payments for oil and gas leases and royalty payments on production of coal, potash and other minerals. The U.S. Minerals Management Service collects federal mineral lease income where the State's share of administrative costs is deducted. The State receives payments on a monthly basis and makes the deposits to the General Fund. In Fiscal Year 2005, an estimated $445.0 million, approximately 9.1 percent of recurring General Fund receipts, was derived from Federal mineral leases.

State Lands. The State Land Office manages lands acquired by the State under the federal Fergusson Act enacted prior to statehood, as well as under the State Constitution. All income from such lands is dedicated to specific educational purposes and institutions. As with federal lands, the oil and gas industry is the principal source of revenue from State lands. Bonus income is also collected in the form of cash payments as a result of competitive bidding for State leases. Rentals and bonus income are distributed to the respective beneficiary institutions, with the single largest beneficiary being the State's public schools. Minerals production from State trust lands also generates royalty income which is deposited in the State Land Grant Permanent Fund ("LGPF"). Royalties are imposed on most minerals production values at the rate of 12.5 percent, although there is a provision for rates of up to 20 percent for new leases on developed acreage. Beneficiaries of the State Land Grant Permanent Fund are the same as those educational institutions and public schools benefiting from "State lands."

In September 2003, the electorate of the State of New Mexico approved a constitutional amendment regarding distributions for educational purposes from the State LGPF. The amendment provided that beginning in Fiscal Year 2005 and ending in Fiscal Year 2016, certain additional distributions shall be made to implement and maintain educational reforms as provided by law. A three-fifths majority of members elected to each house of the legislature may suspend this additional distribution.

Severance Tax Permanent Fund and the Land Grant Permanent Fund

The Severance Tax Permanent Fund was established in the State Treasury in 1973 to receive the residual revenues from the Severance Tax Bonding Fund and serve as an endowment for future capital projects. In the General Election of 1976, the electorate approved a constitutional amendment giving the Severance Tax Permanent Fund constitutional status. In the General Election of 1982, the electorate approved a second constitutional amendment that removed the discretionary power of the Legislature to appropriate funds from the corpus of the Severance Tax Permanent Fund. Distributions from investments of the Fund, however, may be appropriated by the Legislature in the same manner as other general revenues are appropriated. Severance tax receipts have been the primary source of funding for the Severance Tax Permanent Fund. The State Investment Officer under the direction of the State Investment Council invests the corpus and income of the Severance Tax Permanent Fund. The market value of the Severance Tax Permanent Fund as of June 30, 2005 was approximately $3.77 billion, an increase of approximately 4.1 percent from the prior year. Money on deposit in the Severance Tax Permanent Fund is not pledged to and may not be used to pay the Bonds.

The LGPF is designed solely to benefit the educational system of the State and other specified institutions. The origins of the LGPF are found in the Fergusson Act of 1898, which granted two sections of land in every township for the benefit of the public schools in the territories of New Mexico. Also under this Act, specific acreage was granted to individual education, medical and penal institutions in the territory. The initial grant totaled in excess of 5.5 million acres. In 1910, the Enabling Act granted additional lands to various beneficiaries in New Mexico, including the public schools, with the latter receiving the largest share. This brought the total lands placed in trust for the common school system and other beneficiaries to over 13 million acres. Over the years, some land has been sold (and the proceeds used to increase the corpus of the LGPF), bringing the current total to nine million surface acres and 12.8 million subsurface acres.

The State Land Office is charged with the custody and disposition of the land granted to the State. Through the Commissioner of Public Lands these properties granted to the State are sold and/or leased in accordance with the provisions of the appropriate statutes. The State Investment Officer under the direction of the State Investment Council invests the corpus and income of the LGPF. As of June 30, 2005, the market value of the LGPF was approximately $8.25 billion, an increase of approximately 8.0 percent from the prior year. The LGPF is also protected by the Federal Enabling Act of 1910.

In accordance with a constitutional amendment approved in November 1996, distributions from the permanent funds are now based on a total return basis rather than an income distribution method. Distributions to beneficiaries are based on a formula under which 4.7 percent of the previous average five-year market value of the fund is distributed.

In September 2003, the electorate of the State of New Mexico approved a constitutional amendment regarding distributions for educational purposes from the State LGPF. The Amendment increases the rate of distribution from the LGPF from 4.7 percent to 5.0 percent of the average Fiscal Year market value of the LGPF beginning in Fiscal Year 2005. Certain additional distributions shall be made to implement and maintain educational reforms as provided by law. An additional 0.8 percent will be distributed in Fiscal Years 2005 through 2012 and an additional 0.5 percent will be distributed in Fiscal Years 2013 through 2016. A three-fifths majority of members elected to each house of the Legislature may suspend this additional distribution.

Investment Income

Investment earnings are generated from three primary sources: the State Land Grant Permanent Fund, the Severance Tax Permanent Fund, and cash balances held by the State Treasurer. Income from the State Land Grant Permanent Fund is distributed among the beneficiary educational institutions and public schools. The 82.8 percent share dedicated to public schools is deposited in the General Fund. In Fiscal Year 2005, $350.3 million of Land Grant Permanent Fund distributions were transferred to the General Fund for public school purposes. $173.2 million of income was distributed from the Severance Tax Permanent Fund, all of which was deposited in the General Fund. In Fiscal Year 2005, Treasurer's cash balances produced $23.8 million of investment income, which was credited to the General Fund. Total Fiscal Year 2005 interest and investment income credited to the General Fund was $547.3 million, representing 11.2 percent of recurring General Fund receipts

PROPERTY VALUATION AND TAXATION

Property Tax Year ("PTY") is September 1 to August 31. A revaluation assessment started in property tax year 1986, as mandated by statute, and was completed within a 10-year period. In PTY 1995, strong growth in residential valuations occurred as a result of timely revaluation assessment to comply with the statute. The valuation of oil and gas production and the assessment of the ad valorem production tax are based on the actual value of production on a monthly basis from September 1 to August 31 of each year. Pursuant to Section 7-32-15 NMSA 1978 as amended, oil and gas valuation is from the calendar year preceding the property tax year. For rate setting, Local Government Division ("LGD") may adjust levy for changes in oil and gas values.

On November 3, 1998, as a result of approval by the New Mexico electorate, Article 8, Section 1 of the New Mexico Constitution was amended to authorize the Legislature to limit increases in valuation of residential property for property taxes. The limitation may be applied to classes of residential property taxpayers based on owner-occupancy, age or income. The limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions under which the limitation is applied. Any valuation limitations authorized, as a local jurisdiction option, shall provide for applying statewide or multi-jurisdictional property tax rates to the value of the property as if the valuations increase limitation did not apply. This amendment may have an impact on future property taxation increases.

The 2000 Legislature passed and the Governor signed legislation limiting the increase in the value of residential property for property valuation purposes. Laws of 2000, Chapter 21, provides for a freezing of values for single-family dwellings occupied by certain low-income owners 65 years of age or older. Laws of 2000, Chapter 10, provides that the value of a residential property in any tax year, starting with the year 2001, shall not exceed certain percentage increases based on whether the county where the property is situated has a sales assessment ratio of at least 85%. Sales assessment ratios are computed annually by TRD and measure a county's assessment valuations against current sales information. Counties that have at least an 85% sales assessment ratio are considered "current and correct" while counties that fall below that threshold are considered not "current and correct." If a property is situated in a current and correct county, the law limits the annual increase to no more than 3% (and 6.1% over the value two years ago). If a property is situated in a county that is not current and correct, the law limits the annual increase to 5%. In addition, in such a non-current and correct county, the law limits the aggregate annual increases for all properties (excluding net new properties added to the tax rolls) in that county to 3%. The annual limitations do not apply to new improvements or to any property that has had a change in ownership, use or zoning during the year.

The 2005 Legislature passed and the Governor signed Laws of 2005, Chapter 24, amending Section 7-38-12.1 of the Property Tax Code. The statute requires the disclosure of sale prices and other items of value upon the sale of residential real property. This amendment to the statute may lead to an increase in the assessed value of residential property.

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TABLE 17
Final Net Taxable Valuations
(Dollars in thousands)

Property Tax Year	Residential	Non-Residential	Oil and Gas	Copper	Net Taxable Value
1994	$ 8,723,123	$ 7,342,186	$1,893,527	$ 173,007	$ 18,131,843
1995	10,729,781	7,867,383	1,694,195	184,300	20,475,659
1996	11,150,455	8,120,033	1,562,623	214,300	21,047,411
1997	12,228,583	8,563,893	2,371,034	235,557	23,399,067
1998	12,678,034	8,750,029	2,520,530	236,629	24,185,223
1999	14,660,993	9,311,907	1,852,447	192,897	26,018,245
2000	15,311,042	9,946,121	2,166,427	160,906	27,584,497
2001	16,336,147	10,209,818	4,238,592	117,376	30,901,933
2002	17,133,856	10,336,906	3,024,570	-	30,495,332
2003	18,279,692	10,778,559	3,024,570	66,614	32,149,435
2004	19,421,800	10,839,281	5,563,785	65,157	35,890,023
2005(1)	21,085,810	11,821,267	5,563,785	78,236	38,549,098

(1) Estimate.

Source: Department of Finance and Administration.

Production and Property Taxes on Oil and Gas

Statutory tax rates on oil and gas for the School Tax (3.15% and 4.0%, respectively), the Oil and Gas Severance Tax (3.75%) and the Conservation Tax (0.19%) are effectively reduced by deductions for royalties paid to governments and for certain transportation expenses. The ad valorem taxes are imposed in lieu of property taxes on reserves and lease equipment, and local rates vary in accordance with jurisdiction.

The 2005 Legislature amended current severance tax laws to include helium and hydrocarbon gases in the definition of products subject to the oil and gas severance tax, the oil and gas conservation tax, the oil and gas school emergency tax and the oil and gas production equipment ad valorem tax. The Taxation and Revenue Department is not aware of any wells currently producing commercial helium in the State. However, according to a study by the New Mexico Bureau of Geology and Mineral Resources,[2] the State has produced commercial volumes of helium in the recent past. If the historical production volumes are reached in the future, increased taxes on helium and new hydrocarbon gases could generate as much as $1.3 million in revenue for the Bonding Fund.

Current effective production and property tax rates expressed on ad valorem and unit bases are shown below. The rates were based on data from Fiscal Year 2005 and reflect an average sales price of $44.00 per barrel for oil and $5.80 per thousand cubic feet (mcf) for natural gas. The effective rates presented in Table 18 shows taxes paid as a percentage of gross sales value before subtracting allowable deductions.

(2) "Helium in New Mexico: Geologic Distribution and Exploration Possibilities," Ronald F. Broadhead and Lewis Gillard, N.M. Bureau of Geology and Mineral Resources.

TABLE 18
Effective Tax Rates

Type of Tax	**Crude Oil** Ad Valorem	Per Barrel	**Natural Gas** Ad Valorem	Per mcf
	0.75	$44.00	0.785	$5.80
Oil and Gas School Tax	2.86%	$1.26	3.31%	$0.19
Oil and Gas Severance Tax	3.35%	$1.47	3.08%	$0.18
Oil and Gas Conservation Tax	0.16%	$0.07	0.15%	$0.01
Natural Gas Processors Tax	N/A	N/A	0.25%	$0.01
Oil and Gas Production ad valorem Tax	0.95%	$0.42	0.87%	$0.05
Oil and Gas Production Equipment ad valorem	0.17%	$0.05	0.19%	$0.01
Total	7.50%	$2.42	7.85%	$0.36
Subtotal-State tax only excludes ad valorem	6.37%	$2.80	6.79%	$0.39

Production, Sales and Property Taxes on Coal

The average burden of production and property taxes on a ton of coal produced and sold during Fiscal Year 2005 are shown in Table 19:

TABLE 19
Tax Burden

Type of Tax	**Tax Burden Effective Rate**	**Amount**
Severance Tax & Surtax	$.67 per ton	$17,791,880
Resources Excise Tax	.15 per ton	3,983,257
Conservation Tax	.04 per ton	1,062,202
Property Tax	.26 per ton	6,904,312
Gross Receipts Tax	.72 per ton	19,104,501
Total	**$1.84 per ton**	**$48,846,151**
Price		**$25**
Total Production		**26,555,045**
Total Value		**$659,066,157**

Statutory rates for the Resources Excise and the Conservation Tax are effectively reduced by a deduction for Federal, State and Indian royalties. The effective severance tax rate on coal reflects the mix of old and new contract sales and of underground and surface mines. Property tax pertained to both equipment and production values. Fundamental differences in tax bases preclude a true comparison between property taxes and other taxes shown above. However, property taxes are included in this analysis to prevent understating the tax burden.

In addition to production taxes, gross receipts tax is imposed on coal produced and sold within the State. Currently, approximately 68.0 percent of all coal produced in the State is subject to gross receipts tax, even though a substantial portion is shipped out of the State for ultimate consumption. The combined state and local tax rate is 7.41 percent of value. To convert taxes per unit of output to tax rates per dollar of sales, the taxes shown above may be divided by the average price per ton of coal in Fiscal Year 2005, which was approximately $24.82.

Excluding Gross Receipts Tax	$1.12/$24.82 = 4.51%
Including Gross Receipts Tax	$1.84/$24.82 = 7.41%

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

Exhibit B-1
(Page 1 of 2)

	General	NM Business Development Corp. Fund	Bond Issuance Fund	General Obligation Bond Funds	Severance Tax Bond Funds	Total Governmental Funds
ASSETS						
Cash and Investments:						
Cash and cash equivalents	$ 112,570	$ 1,357,139	$ 8,000,000	$	$ -	$ 9,469,710
Repurchase agreements	-	-	-	46,474,071	105,720,325	152,194,396
Total Cash and Investments	112,570	1,357,139	8,000,000	46,474,071	105,720,325	161,664,106
Restricted Assets:						
Investment in New Mexico Business Development Corporation	-	-	-	-	-	-
Other Assets:						
Due from other agencies	461	-	-	1,583,040	35,054,497	36,637,999
Accrued interest receivable	-	-	-	848,510	1,205,931	2,054,441
Total Assets	$ 113,032	$ 1,357,139	$ 8,000,000	$ 48,905,621	$ 141,980,754	$ 200,356,546
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable - unencumbered	$ 63,280	$ -	$ -	$ -	$ 76,928	$ 140,208
Accounts payable - encumbered		-	-	-	-	-
Accrued payroll	97,185	-	-	-	-	97,185
Due to State General Fund		-	8,000,000	23,581	73,536	8,097,117
Other liabilities	1,520	-	-	-	-	1,520
Due to Severance Tax Permanent Fund	-	-	-	-		-
Accrued arbitrage interest payable	-	-	-	-		-
Total liabilities	161,985	-	8,000,000	23,581	150,464	8,336,030
Fund balances:						
Reserved for:						
Encumbrances	(277,833)	-	-	-	-	(277,833)
New Mexico Business Development Corporation	-		-	-	-	-
Unreserved:						-
Designated for subsequent year's expenditures, reported in:						-
Debt service funds:						-
Debt service	-	-	-	48,882,040	141,830,290	190,712,330
Arbitrage	-	-	-			-
Undesignated, reported in:						-
General fund	228,879	1,357,139	-	-	-	1,586,018
Total fund balances	(48,954)	1,357,139	-	48,882,040	141,830,290	192,020,516
Total liabilities and fund balances	$ 113,032	$ 1,357,139	$ 8,000,000	$ 48,905,621	$ 141,980,754	$ 200,356,546

The accompanying notes are an integral part of these financial statements.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2004

Exhibit B-1
(Page 2 of 2)

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	$	192,020,516
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Deferred charges for bond issuance costs are recorded as expenditures in the governmental funds, but their effect on net assets is recorded in the government wide statements when the bonds are issued.		
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Net assets of governmental activities	$	192,020,516

The accompanying notes are an integral part of these financial statements.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2004

Exhibit B-2
(Page 1 of 2)

	General	NM Business Development Corp. Fund	Bond Issuance Fund	General Obligation Bond Funds	Severance Tax Bond Funds	Total Governmental Funds
Revenues:						
Federal funds	$	$ -	$ -	$ -	$ -	$ -
State general fund appropriations	3,379,300	-	-		-	3,379,300
Special appropriation		-	-	-	-	-
Interest income	-	23,019	-	4,586,278	-	4,609,297
Interest income - debt service	-	-	-		13,599,555	13,599,555
Interest income - arbitrage	-	-	-		2,978	2,978
Miscellaneous	13,883	-	-	-	-	13,883
Total revenues	3,393,183	23,019	-	4,586,278	13,602,533	21,605,013
Expenditures:						
Current:						
Personnel services and employee benefits	2,462,855	-	-	-	-	2,462,855
Operating costs		-	-	-	-	-
Contractual services	136,365	29,043	-	-	-	165,408
Other administrative expenditures	838,363	-	-	-	-	838,363
Capital outlay		-	-	-	-	-
Debt service:		-				-
Principal and interest on long-term debt	-	-	-	775,855,756	365,196,085	1,141,051,841
Other charges	-	-	-	538,670	680,304	1,218,974
Total expenditures	3,437,583	29,043	-	776,394,426	365,876,389	1,145,737,441
Excess (deficiency) of revenues over (under) expenditures	(44,400)	(6,025)	-	(771,808,148)	(352,273,856)	(1,124,132,429)
Other financing sources (uses):						
Operating transfers in (out)						
State property tax levy	-	-	-	38,325,393	-	38,325,393
Severance taxes	-	-	-		399,867,860	399,867,860
Bond proceeds	-	-		1,438,715,034	-	1,438,715,034
Other taxes	-	-	-		-	-
Capital projects - reversions in	-	-	-		95,329,687	95,329,687
Payment to escrow agent	-	-	-		-	-
Severance tax permanent fund - reversions out	-	-	-			-
Transfer to other state agency	47,100	-		4,013,151	(110,978,372)	(106,918,121)
Total other financing sources (uses)	47,100	-	-	1,481,053,577	384,219,175	1,865,319,853
Net change in fund balances	2,700	(6,025)	-	709,245,430	31,945,319	741,187,424
Fund balances - beginning of year	(30,602)	1,363,164	-	(656,764,046)	109,884,971	(545,546,513)
Restatements						
Accrued payroll understated	-	-	-			-
Reversions not reflected	(21,052)	-	-	(3,599,344)		(3,620,395)
Fund balance, as restated	(51,654)	1,363,164	-	(660,363,389)	109,884,971	(549,166,908)
Fund balances - end of year	$ (48,954)	$ 1,357,139	$ -	$ 48,882,040	$ 141,830,290	$ 192,020,516

The accompanying notes are an integral part of these financial statements.

UNAUDITED

Exhibit B-2

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$ 741,187,424
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Governmental funds report payments of compensated absences as expenditures. However, changes in the accrued balances of compensated absences are reported in the statement of activities.	
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This following amounts are the effect of these differences in the treatment of long-term debt and related items.	
Bond Proceeds	
Principal payments on long-term debt	
Bond issuance costs	
Amortization of bond issuance costs	
Change in net assets of governmental activities	$ 741,187,424

The accompanying notes are an integral part of these financial statements.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	Investment Trust Fund			Total
	Short-Term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	(Memorandum Only)
ASSETS				
Cash and Investments:				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Certificates of deposit	60,000,000	-	208,450,000	268,450,000
Commericial Paper	232,836,067	-	79,841,509	
U.S. Government securities	289,255,567	-	1,171,240,724	1,460,496,291
Corporate Bonds	-	-	21,171,538	21,171,538
Repurchase agreements	450,000,000	1,116,906,840	739,609,402	2,306,516,243
Total Cash and Investments	1,032,091,634	1,116,906,840	2,220,313,173	4,056,634,072
Other Assets:				
Accrued interest receivable	-	-	-	-
Total Assets	$ 1,032,091,634	$ 1,116,906,840	$ 2,220,313,173	$ 4,056,634,072
LIABILITIES AND FUND EQUITY				
Fund equity:				
Fund balances, unreserved:				
Net assets held in trust	$ 1,032,091,634	$ 1,116,906,840	$ 2,220,313,173	$ 4,369,311,648
Total fund equity and net assets held in trust	1,032,091,634	1,116,906,840	2,220,313,173	4,369,311,648
Total liabilities and fund equity and net assets held in trust	$ 1,032,091,634	$ 1,116,906,840	$ 2,220,313,173	$ 4,369,311,648

The accompanying notes are an integral part of these financial statements.

UNAUDITED

Schedule 8

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
June 30, 2005

	Investment Trust Fund			Total
	Short-Term Investment Pool	Consolidated Investment Pool	State Funds Investment Pool	(Memorandum Only)
Investment Income	$ 27,505,320	$ 22,646,590	$ 50,065,974	$ 100,217,884
Expenses - Management Fees	(50,133)	(333,875)	-	(384,008)
Net Investment Income	27,455,187	22,312,715	50,065,974	99,833,876
Net proceeds of deposits (withdrawals)	(172,829,507)	140,315,028	650,494,770	617,980,292
Net Assets, held in trust for pool participants, June 30, 2004	1,177,465,954	954,279,097	1,519,752,429	3,651,497,480
Net Assets, held in trust for pool participants, June 30, 2005	$ 1,032,091,634	$ 1,116,906,840	$ 2,220,313,173	$ 4,369,311,648

The accompanying notes are an integral part of these financial statements.

Schedule 9

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING BALANCE SHEET-GENERAL OBLIGATION AND REVENUE BONDS
GENERAL OBLIGATION BOND FUNDS
June 30, 2005

Schedule 2

		Assets				
		10190000	14190000	13490000		
	CAS Fund #	Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	Total Assets	Total Liabilities and Fund Equity
		$ -	$ -	$ -	$ -	$ -
1999 Series-Debt Service	640	-	-	26	26	26
2001 Series-Debt Service	414	8,259,314	9,201	268,897	8,537,412	8,537,412
2001-B Series-Refunding	482	4,601,190	11,279	371	4,612,841	4,612,841
2003 Series-Debt Service	031	15,306,630	22,034	132,115	15,460,778	15,460,778
2003B Series - Refunding	418	6,490,957	15,666	514	6,507,137	6,507,137
2005 Series Debt Service	032	11,081,013	42,655	403,003		
Total - Debt Service		45,739,104	100,835	804,926	35,118,193	35,118,193
2001 Series-Rebate	415	623,436	1,546	43,577	668,559	668,559
2000 Series-Enhanced			-	-		
911-Rebate	488	87,951	211	7	88,169	88,169
Total - Rebate Accounts		711,387	1,757	43,584	756,728	756,728
2003 Series-Cost of Issuance	416	23,581	-	-	-	-
Total - Cost of Issuance		23,581	-	-	-	-
Combined Total		$ 46,474,071	$ 102,591	$ 848,510	$ 35,874,921	$ 35,874,921
		46,386,120				
		87,951				

The accompanying notes are an integral part of these financial statements.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL OBLIGATION BOND FUNDS
June 30, 2005

Schedule 3
(Page 1 of 2)

		Revenues	Expenditures				Other Financing Sources (Uses)			
			47710000	47910000						99980000
		41260000	47810000	47920000			01160000	91180000	66110000	55110000
	CAS Fund #	Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures	Excess (Deficiency) of Revenues over Expenditures	State Property Tax Levy	Bond Proceeds	Capital Projects Reversions	Interfund Transfers
1995 Series-Debt Service	419	$ 504	$ -	$ -	$ -	$ 504	$ -	$ -	$ -	$ (504)
1999 Series-Debt Service	640	25,777	9,168,625	1,750	9,170,375	(9,144,598)	52,100	-	-	(31,154)
2001 Series-Debt Service	414	609,412	7,716,438	-	7,716,438	(7,107,025)	5,437,039	-	-	215,849
2001-A Series-Refunding	487	20,968	9,230,125	7,315	9,237,440	(9,216,473)	(306)	-	-	1,358,473
2001-B Series-Refunding	482	83,942	8,489,375	-	8,489,375	(8,405,433)	5,078,233	-	-	1,068,829
2003 Series-Debt Service	031	2,394,528	16,125,000	-	16,125,000	(13,730,472)	11,265,595	-	-	(2,496,520)
2003B Series - Refunding	418	107,349	1,776,750	750	1,777,500	(1,670,151)	6,170,520	-	-	215,849
2005 Rebate	426	-	-	-	-	-	-	-	-	-
2001A Refunding	487	20,968	9,230,125	7,315	9,237,440	(9,216,473)	(306)	-	-	1,358,473
2005 Series Debt Service	032	1,291,636	-	-	-	1,291,636	10,322,212	-	-	23,581
Total - Debt Service		4,555,083	61,736,438	17,131	61,753,568	(57,198,486)	38,325,087	-	-	1,712,874
1997 Series-Rebate	959	-	-	-	-	-	-	-	-	-
1999 Series-Rebate	409	1,770	-	212,037	212,037	(210,267)	-	-	-	(255,159)
2001 Series-Rebate	415	48,914	-	-	-	48,914	-	-	-	-
2001-A Series-Rebate	712	11	-	-	-	11	-	-	-	(2,757)
2000 Series-Enhanced									-	-
911-Rebate	488	1,973	-	-	-	1,973	-	-	-	-
Total - Rebate Accounts		52,667	-	212,037	212,037	(159,369)	-	-	-	(257,915)
2003 Series-Cost of Issuance	416	-	-	316,818	316,818	(316,818)	-	-	-	316,818
2003-B Ref.-Cost of Issuance	866	-	-	-	-	-	-	-	-	-
Total - Cost of Issuance		-	-	316,818	316,818	(316,818)	-	-	-	316,818
Combined Total		$ 4,607,750	$ 61,736,438	$ 545,985	$ 62,282,423	$ (57,674,673)	$ 38,325,087	$ -	$ -	$ 1,771,776

The accompanying notes are an integral part of these financial statements.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AN CHANGES IN FUND BALANCES
GENERAL OBLIGATION BOND FUNDS
June 30, 2005

Schedule 3
(Page 2 of 2)

	CAS Fund #	Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Fund Balances June 30, 2004	Fund Balances June 30, 2005
1995 Series-Debt Service	960	$ -	$ 482	$ 482
1999 Series-Debt Service	640	(9,123,653)	9,134,834	11,181
2001 Series-Debt Service	414	(1,454,138)	10,040,751	8,586,613
2001-A Series-Refunding	487	(7,858,306)	7,858,306	0
2001-B Series-Refunding	482	(2,258,371)	7,419,841	5,161,470
2003 Series-Debt Service	031	(4,961,397)	20,558,110	15,596,713
2003B Series - Refunding	418	4,716,217	2,415,691	7,131,908
2005 Series Debt Service	032	11,637,428	-	23,581
Total - Debt Service		(9,302,219)	57,428,015	36,511,948
1997 Series-Rebate	959	-	-	-
1999 Series-Rebate	409	(465,425)	465,425	(0)
2001 Series-Rebate	415	48,914	619,645	668,559
2001-A Series-Rebate	712	(2,746)	2,748	2
911-Rebate	488	1,973	86,196	88,169
Total - Rebate Accounts		(417,285)	1,174,014	756,729
2003 Series-Cost of Issuance	416	-	63,369	63,369
2003-B Ref.-Cost of Issuance	032	-	9,866	9,866
		-	73,235	73,235
Combined Total		$ (9,719,504)	$ 58,675,264	$ 37,341,913

The accompanying notes are an integral part of these financial statements.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING BALANCE SHEET-SEVERANCE TAX BONDS
SEVERANCE TAX BOND FUNDS
June 30, 2005

		Assets				Liabilities			Fund Equity	
		10190000	14190000 14290000	13490000		23190000	20290000		32890000	32299900
44,546	CAS Fund #	Repurchase Agreements	Due From Other Agencies	Accrued Interest Receivable	Total Assets	Due To Severance Tax Permanent Fund	Accrued Arbitrage Interest Payable	Total Liabilities	Unreserved-Designated for Debt Service	Unreserved-Designated for Arbitrage
Severance Tax Bonding	410	$ 12,219,910	$ 34,868,796	$ -	$ 47,088,706	$ -	$ 76,928	$ 76,928	$ 47,011,778	$ -
1999-A Series-Debt Service	184	1,990,366	4,936	162	1,995,464	-	-	-	1,995,464	-
1999-B Series-Debt Service	186	-	-	(16)	(16)	-	-	-	(16)	-
2000 Series-Debt Service	389	11,127,333	1,914	12,938	11,142,185	-	-	-	11,142,185	-
2000-C Series-Debt Service	405	2,091,874	5,002	170	2,097,046	-	-	-	2,097,046	-
2001-A Series-Refunding	408	25,665,370	4,503	34,392	25,704,265	-	-	-	25,704,265	-
2002-A Series-Debt Service	699	7,785,581	3,672	11,039	7,800,291	-	-	-	7,800,291	-
2002-A Supp. Series - DS	095	7,738,656	5,135	9,080	7,752,871	-	-	-	7,752,871	-
2002-B Supp. Series - DS	390	9,035,718	24,813	749	9,061,280	-	-	-	9,061,280	-
2003-A Series-Debt Service	884	8,645,080	4,533	44,634	8,694,246	73,536	-	73,536	8,620,710	-
2003-B Series-Debt Service	484	1,086,430	4,026	123	1,090,579	-	-	-	1,090,579	-
2004-A Series-Debt Service	492	15,195,122	5,898	1,072,882	16,273,903	-	-	-	16,273,903	-
2004-B Series Debt Service	183	1,327,752	7,782	10,024	1,345,559	-	-	-	1,345,559	-
2005-A Series Debt Service	412	-	109,000	7,127	116,127	-	-	-	116,127	-
Total - Debt Service		103,909,192	35,050,008	1,203,305	140,162,505	73,536	76,928	150,464	140,012,041	-
1998-A Series-Rebate	486	-	-	-	-	-	-	-	-	-
1998-B Series-Rebate	426	-	-	-	-	-	-	-	-	-
1999-A Series-Rebate	185	236,754	587	19	237,360	-	-	-	237,360	-
1999-B Series-Rebate	461	-	-	-	-	-	-	-	-	-
2000 Series Rebate	391	1,274,507	3,159	2,582	1,280,248	-	-	-	1,280,248	-
2000-C Series Rebate	406	299,872	744	24	300,640	-	-	-	300,640	-
Total - Rebate Accounts		1,811,133	4,490	2,626	1,818,249	-	-	-	1,818,249	-
Combined Total		$ 105,720,325	35,054,497	1,205,931	141,980,754	$ 73,536	$ 76,928	$ 150,464	$ 141,830,290	$ -

The accompanying notes are an integral part of these financial statements.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING BALANCE SHEET-SEVERANCE TAX BONDS
SEVERANCE TAX BOND FUNDS
June 30, 2004

	CFAS Fund #	Total Fund Equity	Total Liabilities and Fund Equity
Severance Tax Bonding	410	$ 47,011,778	$ 47,088,706
1999-A Series -Debt Service	184	1,995,464	1,995,464
1999-B Series-Debt Service	186	(16)	(16)
2000 Series-Debt Service	389	11,142,185	11,142,185
2000-C Series-Debt Service	405	2,097,046	2,097,046
Series 2001-A Refunding	408	25,704,265	25,704,265
2002-A Series-Debt Service	699	7,800,291	7,800,291
2002-A Supp. Series - DS	095	7,752,871	7,752,871
2002-B Supp. Series - DS	390	9,061,280	9,061,280
2003-A Series-Debt Service	884	8,620,710	8,694,246
2003-B Series-Debt Service	484	1,090,579	1,090,579
2004-A Series-Debt Service	492	16,273,903	16,273,903
2004-B Series Debt Service	183	1,345,559	1,345,559
2005-A Series Debt Service	412	116,127	116,127
Total - Debt Service		140,012,041	140,162,505
1998-A Series-Rebate	486	-	-
1998-B Series-Rebate	426	-	-
1999-A Series-Rebate	185	237,360	237,360
1999-B Series-Rebate	461	-	-
2000 Series Rebate	391	1,280,248	1,280,248
2000-C Series Rebate	406	300,640	300,640
		-	-
Total - Rebate Accounts		1,818,249	1,818,249
Combined Total		$ 141,830,290	141,980,754

The accompanying notes are an integral part of these financial statements.

1 Fund Balance on Fund 884 does not rollforward correctly

2 Accrued Interest receivable on Investments needs to be calculated and entered into the system. It will appear on the FS once the ledger is updated.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEVERANCE TAX BOND FUNDS
June 30, 2005

Schedule 5
(Page 1 of 2)

		Revenues	Expenditures				Other Financing Sources (Uses)				
		41260000 41560000	47710000 47810000	47910000 47920000			04360000 04860000	91181234	99980000	55110000	
	CAS Fund #	Interest Income	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures	Excess (Deficiency) of Revenues over Expenditures	Severance Taxes	Bond Proceeds	Capital Projects Reversions	Interfund Transfers	Payment to Escrow Agent
Severance Tax Bonding	410	$ 8,235,689	$ 301,137,816	$ 595,337	$ 301,733,153	$ (293,497,464)	$ 399,867,860	$ -	$ 3,679,687	$ (107,968,268)	$ -
1999-A Series-Debt Service	184	18,239	2,034,672	-	2,034,672	(2,016,432)	-	-	2,050,000	-	-
1999-B Series-Debt Service	186	976	5,450,375	-	5,450,375	(5,449,399)	-	-	-	(101,584)	-
2000 Series-Debt Service	389	678,583	11,929,038	-	11,929,038	(11,250,454)	-	-	10,400,000	(284,875)	-
2000-C Series-Debt Service	405	194,934	2,042,419	-	2,042,419	(1,847,485)	-	-	1,900,000	-	-
2001-A Series-Refunding	408	476,980	15,891,750	-	15,891,750	(15,414,770)	-	-	25,750,000	(191,250)	-
2002-A Series-Debt Service	699	183,216	8,450,725	-	8,450,725	(8,267,509)	-	-	8,450,000	(769,250)	-
2002-A Supp. Series - DS	095	175,038	8,460,038	-	8,460,038	(8,284,999)	-	-	8,150,000	(551,500)	-
2002-B Supp. Series - DS	390	189,681	5,407,900	-	5,407,900	(5,218,219)	-	-	8,950,000	-	-
2003-A Series-Debt Service	884	672,689	1,248,463	-	1,248,463	(575,773)	-	-	7,750,000	-	-
2003-B Series-Debt Service	484	50,737	1,062,296	-	1,062,296	(1,011,560)	-	-	1,150,000	-	-
2004-A Series-Debt Service	492	2,366,708	2,080,594	-	2,080,594	286,113	-	-	15,950,000	-	-
2004-B Series Debt Service	183	195,559	-	-	-	195,559	-	-	1,150,000	-	
2005-A Series -Debt Service	412	116,127	-	-	-	116,127	-	-	-	-	
2005-B1 Series-Debt Service		-	-	-	-	-	-	-	-	-	
2005 B-2 Series-Debt Service		-	-	-	-	-	-	-	-	-	
Total - Debt Service		13,555,156	365,196,085	595,337	365,791,422	(352,547,952)	399,867,860	-	94,179,687	(109,866,727)	-
1998-A Series-Rebate	486	-	-	-	-	-	-	-	-	-	-
1998-B Series-Rebate	426	-	-	-	-	-	-	-	-	-	-
1999-A Series-Rebate	185	8,385	-	-	-	8,385	-	-	-	-	-
1999-B Series-Rebate	461	1,964	-	84,968	84,968	(83,003)	-	-	-	(1,111,645)	-
2000 Series-Rebate	391	30,549	-	-	-	30,549	-	-	-	-	-
2000-C Series Rebate	406	6,479	-	-	-	6,479	-	-	-	-	-
Total - Rebate Accounts		47,377	-	84,968	84,968	(37,590)	-	-	-	(1,111,645)	-
Combined Total		$ 13,602,533	$ 365,196,085	$ 680,304	$ 365,876,389	$ (352,585,543)	$ 399,867,860	$ -	$ 94,179,687	$ (110,978,372)	$ -

The accompanying notes are an integral part of these financial statements.

UNAUDITED

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEVERANCE TAX BOND FUNDS
June 30, 2005

Schedule 5
(Page 2 of 2)

	CFAS Fund #	Other Financing Sources (Uses) 86110000 Severance Tax Permanent Fund Reversions	Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Fund Balances June 30, 2004	Fund Balances June 30, 2005
Severance Tax Bonding	410	$ -	$ 2,081,815	$ 28,611,659	$ 30,693,474
1999-A Series-Debt Service	184	-	33,568	1,945,896	1,979,464
1999-B Series-Debt Service	186	-	(5,550,983)	5,550,967	(16)
2000 Series-Debt Service	389	-	(1,135,329)	12,277,514	11,142,185
2000-C Series-Debt Service	405	-	52,515	2,044,532	2,097,047
2001-A Series-Refunding	408	-	10,143,980	15,560,285	25,704,265
2002-A Series-Debt Service	699	-	(586,759)	8,387,050	7,800,291
2002-A Supp. Series - DS	095	-	(686,499)	8,439,370	7,752,871
2002-B Supp. Series - DS	390	-	3,731,781	5,329,499	9,061,280
2003-A Series-Debt Service	884	-	7,174,227	1,292,095	8,466,322
2003-B Series-Debt Service	484	-	138,440	952,138	1,090,578
2004-A Series-Debt Service	492	-	16,236,113	37,790	16,273,903
2004-B Series Debt Service	183	-	1,345,559		1,345,559
2005-A Series -Debt Service	412	-	116,127		116,127
2005-B1 Series-Debt Service		-	-		-
2005 B-2 Series-Debt Service		-	-		-
Total - Debt Service		-	33,094,554	90,428,795	123,523,349
1998-A Series-Rebate	486	-	-	-	-
1998-B Series-Rebate	426	-	-	-	-
1999-A Series-Rebate	185	-	8,385	228,976	237,361
1999-B Series-Rebate	461	-	(1,194,648)	1,109,680	(84,968)
2000 Series-Rebate	391	-	30,549	1,249,699	1,280,248
2000-C Series Rebate	406	-	6,479	294,161	300,640
Total - Rebate Accounts		-	(1,149,236)	2,882,516	1,733,280
Combined Total		$ -	$ 31,945,319	$ 93,311,311	$ 125,256,630

The accompanying notes are an integral part of these financial statements.

UNAUDITED

OFFICE OF THE STATE TREASURER
LONG TERM DEBT
June 30, 2005

Issue			Date	Amount	Interest Rate	Unpaid Balance 6/30/2004	New Bonds	Refunded Debt
General Obligation and Revenue Bonds								
Capital Projects-Series 1999	409		3/1/1999	80,895,000	4.00-5.00%	$ 8,945,000	$ -	$ -
Capital Projects-Series 2001	414		3/1/2001	62,550,000	4.00-5.00%	47,000,000	-	-
Refunding Series 2001-A	487		9/1/2001	33,615,000	5.00%	9,005,000	-	-
Enhanced 911 Revenue Bonds-Series 2000	488		8/1/2000	4,545,000	4.35-5.90%	2,775,000	-	-
2001-B Refunding		482	11/1/2001	23,830,000	1.80-3.04%	23,830,000	-	-
Capital Projects-Series 2003	031		3/1/2003	130,900,000	2.00-5.00%	120,320,000	-	-
Refunding Series 2003-B	418		4/1/2003	44,955,000	3.00-5.00%	37,275,000	-	-
Series 2005 Debt Service			3/1/2005	111,850,000	4.00-5.00		111,850,000	
Total General Obligation Bonds				493,140,000		249,150,000	111,850,000	-
Severence Tax Bonds								
Series 1999-A Supplemental		184	10/1/1999	12,000,000	4.25-5.50%	5,655,000	-	-
Series 1999-B		186	6/15/1999	50,668,000	5.00%	5,185,000	-	
Series 2000		389	6/1/2000	59,650,000	5.00%	32,035,000	-	-
Series 2000-C Supplemental		405	7/1/2000	12,000,000	4.50-5.00%	7,480,000	-	-
Series 2001-A Refunding		408	11/1/2001	115,380,000	1.85-3.60%	103,530,000	-	
Series 2002-A	095		5/1/2002	67,000,000	4.00-5.00%	61,675,000	-	-
Series 2002-A Supplemental		699	12/1/2001	65,000,000	4.00-5.00%	53,765,000	-	-
Series 2002-B Supplemental		390	11/1/2002	45,000,000	4.00-5.00%	41,425,000	-	-
Series 2003-A		884	6/1/2003	89,660,000	2.50-5.00%	89,660,000.00	-	-
Series 2003-B Supplemental		484	11/1/2003	10,000,000	2.00-3.70%	-		
Series 2004-A		492	6/15/2004	76,430,000	5.00%	-		
Series 2004- B			11/17/2004	10,000,000	2.00-5.00%		10,000,000	
Series 2005-A		412	6/15/2005	97,000,000	4.00-5.50%	-	97,000,000	
Series 2005B-1			6/28/2005	37,040,000	3.00-5.00%		37,040,000	
Series 2005B-2			6/28/2005	21,095,000	3.25-5.00%		21,095,000	
Total Severence Tax Bonds				767,923,000		400,410,000	165,135,000	-
Total General Long-Term Debt				$ 1,261,063,000		$ 649,560,000	$ 276,985,000	$ -
						PY		

(continued)

UNAUDITED

Principal Payments	Total Reductions	Unpaid Balance 6/30/2005	Interest to Maturity	Debt Service Requirements
$ -	$ -	$ 8,945,000	$ 743,725	$ 9,688,725
5,790,000	5,790,000	41,210,000	8,168,154	49,378,154
9,005,000	9,005,000	-	225,125	225,125
-	-	2,775,000	256,967	3,031,967
7,485,000	7,485,000	16,345,000	1,833,750	18,178,750
11,075,000	11,075,000	109,245,000	26,108,700	135,353,700
-	-	37,275,000	5,569,625	42,844,625
		111,850,000		
33,355,000	33,355,000	327,645,000	42,906,046	258,701,046
1,795,000	1,795,000	3,860,000	447,379	4,307,379
5,185,000	5,185,000	-	401,125	401,125
10,565,000	10,565,000	21,470,000	2,570,538	24,040,538
1,730,000	1,730,000	5,750,000	739,234	6,489,234
10,990,000	10,990,000	92,540,000	15,050,750	107,590,750
5,935,000	5,935,000	55,740,000	14,728,065	70,468,065
5,595,000	5,595,000	48,170,000	11,254,538	59,424,538
1,647,900	1,647,900	39,777,100	8,230,050	48,007,150
-	-	89,660,000	13,758,934.00	103,418,934
730,000.00	730,000	(730,000)	1,800,331.00	11,800,331
-	-	-	21,005,844.00	97,435,844
		10,000,000		
-	-	97,000,000		
		37,040,000		
		21,095,000		
44,172,900	44,172,900	463,237,100	89,986,788	533,383,888
$ 77,527,900	$ 77,527,900	$ 790,882,100	$ 132,892,834	$ 792,084,934

(continued)