**State of New Mexico**
**Department of Finance and Administration**

**New Mexico State Board of Finance**

# *Debt Affordability Study*

**November 1, 2006**

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## Executive Summary

The New Mexico Department of Finance and Administration, in conjunction with the State Board of Finance and its Financial Advisors, and with the participation of other State Agencies, have developed this Debt Affordability Study as a management tool for assessing the affordability of projected debt issuance by the State and monitoring the State's debt capacity. The availability of capital for investment in critical State infrastructure is essential for the long-term health of the New Mexico economy and for building real incomes and the quality of life for New Mexicans. Debt is a critical tool in building our schools, addressing critical water needs, building roads and building our economy.

The core State bonding programs that are the focus of this study include general obligation bonds, severance tax bonds and supplemental severance tax bonds issued by the State Board of Finance, and transportation revenue bonds issued by the Department of Transportation through the New Mexico Finance Authority. These bonding programs are the primary sources of capital investment funding for the State, as set forth in the following table.

**State-wide Sources of Capital Funding by Fiscal Year**

**(Millions of dollars)**

| | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|---|---|---|---|---|---|---|
| **General Obligation Bonding Program** | | | | | | |
| General Obligation Bonds | - | $130.9 | - | $111.9 | - | 242.8 |
| **Subtotal** | - | 130.9 | - | 111.9 | - | 242.8 |
| **Severance Tax Bonding Program** | | | | | | |
| Severance Tax Bonds | 67.0 | 73.9 | 71.0 | 85.6 | 136.1 | 433.6 |
| Severance Tax Funding Notes | 103.0 | 56.3 | 63.7 | 87.8 | 102.1 | 412.9 |
| Supplemental Severance Tax Bonds | 65.0 | 45.0 | 10.0 | 10.0 | - | 130.0 |
| Supplemental Severance Tax Funding Notes | 35.1 | 111.8 | 151.8 | 213.3 | 193.6 | 705.6 |
| **Subtotal** | 270.1 | 287.0 | 296.5 | 396.7 | 431.8 | 1,682.1 |
| **Other Sources** | | | | | | |
| General Fund | 76.0 | 36.9 | 183.4 | 238.6 | 454.6 | 989.5 |
| E-911 Revenue Bonds | - | - | - | - | - | - |
| Special Funds | 9.7 | 31.5 | 72.0 | 95.0 | 5.6 | 213.8 |
| Transportation Bonds | 165.0 | 16.0 | 700.0 | - | - | 881.0 |
| New Mexico Finance Authority | 34.7 | - | 39.0 | 5.6 | 23.6 | 102.9 |
| **Subtotal** | 285.4 | 84.4 | 994.4 | 339.2 | 483.8 | 2,187.2 |
| **Total** | **$555.5** | **$502.3** | **$1,290.9** | **$847.8** | **$915.6** | **$4,112.1** |

The State's general obligation bonds are rated *Aa1*, with a "stable" outlook, by Moody's Investors Service ("Moody's") and *AA+,* also with a "stable" outlook, by Standard & Poor's Ratings Services ("S&P"). These ratings are the second highest ratings offered by each rating agency, one notch below the "gilt-edged" triple-A ratings, and by way of comparison only seven states are rated *AAA* and twelve are in the *AA+/Aa1* category. The State's general obligation bond ratings from both Moody's and Standard & Poor's reflect strong credit attributes that include (i) the long-term trend of economic diversification and expansion, (ii) very strong General Fund reserves, (iii) solid revenue performance, even during periods of national economic weakness, and (iv) rapid debt retirement and moderate, though increasing, debt levels.

These credit strengths are balanced by traditionally low levels of personal income and the inherent volatility of oil and natural gas related revenues. The chart below sets forth the ratings on outstanding bonds for the core State bonding programs.

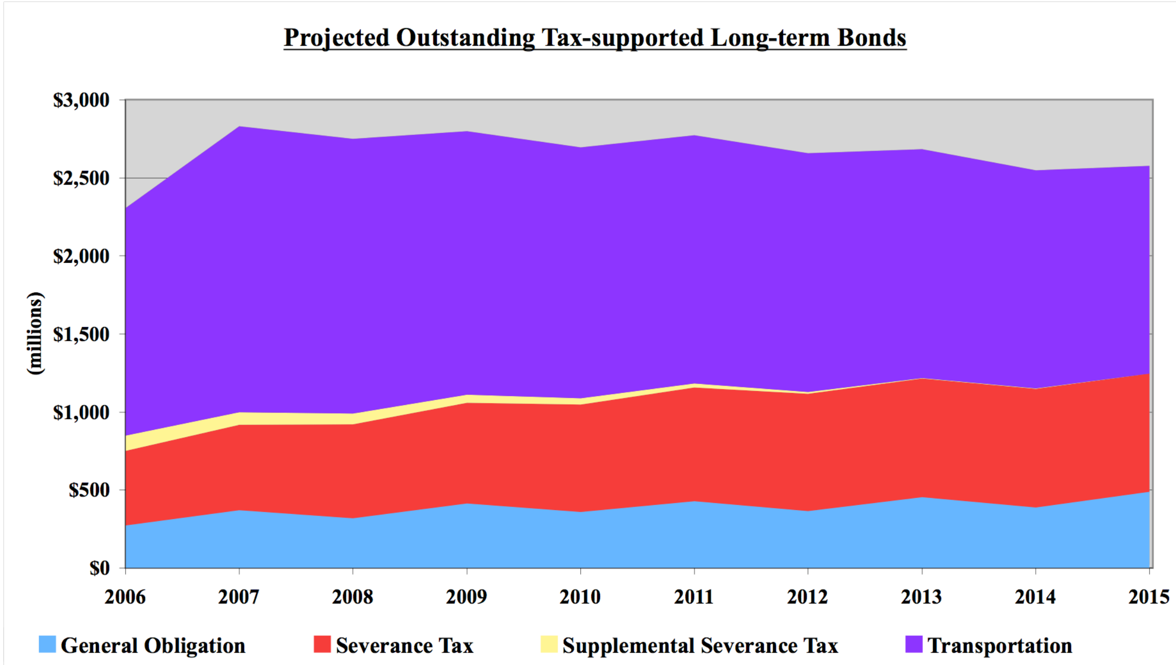
**Outstanding State Bond Ratings**

| **State Board of Finance** | **Moody's** | **Standard & Poors** |
|---|---|---|
| General Obligation Bonds | Aa1 | AA+ |
| Severance Tax Bonds | Aa2 | AA |
| Supplemental Severance Tax Bonds | Aa3 | A+ |
| E-911 Revenue Bonds | Aa3 | AA |
| **State Transportation Revenue Bonds** | | |
| Senior Lien | Aa2 | AA+ |
| Subordinate Lien | Aa3 | AA- |
| Adjustible Rate Subordinate Lien | Aa3 | AA- |

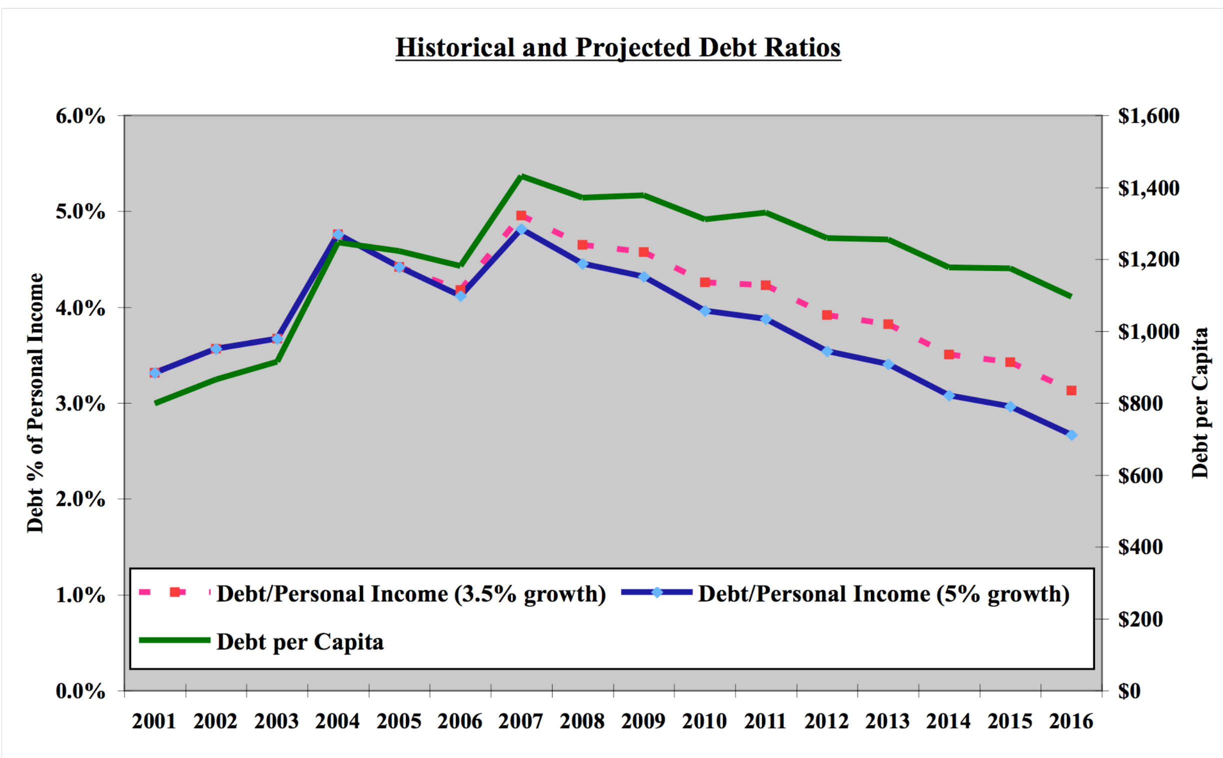
A comparison of key State debt ratios to national medians and peer group performance ratios is useful to locate the State's debt position in a national context. Both Moody's and Standard & Poor's publish state debt medians along with comparative data on state government debt ratios on a regular basis. A peer comparison of Net Debt per Capita with states rated *Aa1* by Moody's, and the Moody's national median data indicates that New Mexico has a net debt per capita and a net debt as a percentage of personal income that is high relative to its peers. These high debt ratios are a function of the infrastructure requirements of being one of the largest states in the nation in terms of land area while having a small population base. The large land area combined with the small population base creates disproportionate costs for roads and other infrastructure on a per capita basis relative to its state peers.

The core State bonding programs project the issuance of $4.9 billion of new money bonds over the next ten years. Each of the bonding programs are funded by dedicated revenue streams, including the general obligation bond millage, the Severance Tax Bonding Fund revenues and the Road Fund revenues, for the general obligation, severance tax and transportation bonding programs, respectively. None of these core bonding programs utilize revenues that flow into or would otherwise flow into the General Fund of the State, although Road Fund revenues that secure the transportation bonding program are dedicated to transportation operations as well as bond debt service. Each of the programs provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage.

The following graph presents the projected levels of outstanding tax-supported debt by debt type over the next ten years.




The graph below projects the impact of the planned issuance of $4.9 billion of new debt over the next ten years, and retirement of outstanding debt, on the key debt ratios of the State. As illustrated here, the debt ratios that had been trending downward since peaking in 2004 move upward in 2007 before both measures trend downward over time.



As is illustrated here, the projected debt issuance plans for the core State bonding programs do not place stress on the State General Fund, and are affordable with respect to the revenue streams that are dedicated to debt repayment, as the key debt ratios are projected to trend downward over time even as the new debt is issued. The increase in debt ratios that is anticipated in 2007 does not carry forward into the future and should not impair the State's strong bond ratings. Furthermore, as economic growth continues, the State indebtedness as measured by the key credit ratios should continue to decline, converging with national state medians.

In order to continue to strengthen the overall financial position of the State, this study recommends implementation of a range of debt and financial policies, as well as consideration of legislation to place an effective floor on the State budget reserves in the General Fund. Additionally, it recommends the formal annual adoption of a State-wide capital improvement program, the development of five-year expenditure forecasts in parallel with the current long-term revenue estimation process and consideration of the use of financial hedging tools to mitigate the State's substantial exposure to fluctuations in oil and natural gas pricing.

## Introduction and Scope

The New Mexico Department of Finance and Administration, in conjunction with the State Board of Finance and its Financial Advisors, and with the participation of other State Agencies, have developed this Debt Affordability Study as a management tool for assessing the affordability of projected debt issuance by the State and monitoring the State's debt capacity. The availability of capital for investment in critical State infrastructure is essential for the long-term health of the New Mexico economy and for building real incomes and the quality of life for New Mexicans. Debt is a critical tool in building our schools, addressing critical water needs, building roads and building our economy.

This study focuses on the core State bonding programs, which include the general obligation bond and severance tax bond programs of the State Board of Finance and the transportation bonding program. Other State Agencies that have issued debt in the past but that are not active issuers and are not central to this study include the Energy Minerals and Natural Resources Department, the State Parks, the Miners Hospital, the State Fair, the State Game Commission and the Interstate Stream Commission. (See Appendix A for a comprehensive overview of State agency bonding authority).

The study does not address debt issuance by State higher educational institutions, the Mortgage Finance Authority, debt programs of the New Mexico Finance Authority beyond the NMFA issuance of bonds on behalf of the Department of Transportation, or the regional housing authorities.

Debt capacity for core state infrastructure investment is a limited and scarce resource. State decision makers in the Executive Branch and in the Legislature should have solid information for understanding the alternative sources of debt financing for State purposes, and the implications and opportunity costs of decisions regarding the use of scarce debt resources. The Debt Affordability Study will enable the State to structure its future use of debt in a manner that is consistent with preferred debt policies and cognizant of existing and future resource constraints. It will provide a comparison of the State's debt position to relevant industry standards and assess the impact of new debt issuances on the State's debt position.

The Debt Affordability Study will also provide a tool for evaluating the effect of existing and new debt programs on the State credit position. Debt and debt management is one of the four critical factors assessed in the determination of the State bond ratings, along with economic and demographic factors, financial performance, and management. The study will assist in guiding the development of debt management policies as well as policies regarding the use of other financial products to manage the State's financial position and prospects over time. A Debt Affordability Study is considered a positive factor by the rating agencies when they evaluate issuers and assign credit ratings. Moody's Investors Service specifically noted in their report on State Rating Methodology that highly rated states use "debt affordability analysis to inform capital budgets and debt authorization decisions," while Standard and Poor's has recommended that "Capital planning and, more recently, debt affordability models or guidelines that evaluate capital requirements and funding sources and assess the future impact of current bond programs are strong management tools."

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

This study is organized into the following sections:

- Executive Summary
- Core State Bonding Programs
- Review of the State Credit
- Projected State Debt Issuance
- Affordability of Projected State Debt Issuance
- Debt and Financial Policies
- Recommendations
- Conclusion

## Core State Bonding Programs

The core State bonding programs that are the focus of this study include general obligation bonds, severance tax bonds and supplemental severance tax bonds issued by the State Board of Finance, and transportation revenue bonds issued by the Department of Transportation through the New Mexico Finance Authority. The State general obligation bonds are secured by the full faith and credit pledge of the State, and are repaid from a dedicated *ad valorem* State-wide property tax. The severance and supplemental severance tax bonds are secured by and repaid from revenues deposited into the Severance Tax Bonding Fund, which primarily include taxes on mineral production in the state. The transportation revenue bond program is secured by a pledge of revenues received into the Road Fund, which are principally derived from gasoline taxes, registration fees and road user fees, plus an additional pledge of certain federal revenues received annually by the Department of Transportation.

Other State-wide bonding programs, but which are not State Agencies and therefore not the focus here, include the New Mexico Finance Authority Public Project Revolving Fund and the Mortgage Finance Authority. The PPRF program is a bond financed revolving loan program that utilizes a pledge of governmental gross receipts tax revenues to provide capital to eligible State Agencies and local governmental borrowers for infrastructure and capital equipment projects.

The table below sets forth the sources of capital investment funding for the State over the past six years, including the core State bonding programs as well as other sources of funding and pay-as-you-go funding from the General Fund.

**State-wide Sources of Capital Funding by Fiscal Year**

**(Millions of dollars)**

| | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|---|---|---|---|---|---|---|
| **General Obligation Bonding Program** | | | | | | |
| General Obligation Bonds | - | $130.9 | - | $111.9 | - | 242.8 |
| **Subtotal** | - | 130.9 | - | 111.9 | - | 242.8 |
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| **Subtotal** | 270.1 | 287.0 | 296.5 | 396.7 | 431.8 | 1,682.1 |
| **Other Sources** | | | | | | |
| General Fund | 76.0 | 36.9 | 183.4 | 238.6 | 454.6 | 989.5 |
| E-911 Revenue Bonds | - | - | - | - | - | - |
| Special Funds | 9.7 | 31.5 | 72.0 | 95.0 | 5.6 | 213.8 |
| Transportation Bonds | 165.0 | 16.0 | 700.0 | - | - | 881.0 |
| New Mexico Finance Authority | 34.7 | - | 39.0 | 5.6 | 23.6 | 102.9 |
| **Subtotal** | 285.4 | 84.4 | 994.4 | 339.2 | 483.8 | 2,187.2 |
| **Total** | **$555.5** | **$502.3** | **$1,290.9** | **$847.8** | **$915.6** | **$4,112.1** |

## State Debt Outstanding

As of June 30, 2006, the State had $273.3 million of outstanding general obligation bonds. In addition, the State had $2.0 billion of bonds outstanding supported by dedicated tax revenues of the State. This amount included $1.5 billion of transportation bonds supported by Road Fund revenues, and $576.5 million of senior and supplemental severance tax bonds supported by Severance Tax Bonding Fund revenues.

The following table sets forth the State tax-supported debt outstanding as of June 30, 2006.

**State Debt Outstanding as of June 30, 2006**

| | |
|---|---|
| General Obligation Bonds | $273,280,000 |
| Severance Tax Bonds | 478,505,000 |
| Supplemental Severance Tax Bonds | 97,950,000 |
| E911 Revenue Bonds | 1,445,000 |
| Transportation Bonds | 1,455,505,000 |
| | $2,306,685,000 |

## Review of the State Credit

The State's general obligation bonds are rated *Aa1*, with a "stable" outlook, by Moody's Investors Service ("Moody's") and *AA+,* also with a "stable" outlook, by Standard & Poor's Ratings Services ("S&P"). These ratings are the second highest ratings offered by each rating agency, one notch below the "gilt-edged" triple-A ratings.

The ratings on State's bonds represent the assessment by each rating agency of the credit quality of each bond issue, and the State's ability and willingness to repay its debt on a timely basis. Bond ratings are an important factor in the capital markets and directly affect interest rates on State bonds when they are issued. While each series of bonds carries its own credit rates, the general obligation bond rating represents the overall credit rating of the State.

The State's general obligation bond ratings from both Moody's and Standard & Poor's reflect strong credit attributes that include (i) the long-term trend of economic diversification and expansion, (ii) very strong General Fund reserves, (iii) solid revenue performance, even during periods of national economic weakness, and (iv) rapid debt retirement and moderate, though increasing, debt levels. These credit strengths are balanced by traditionally low levels of personal income and the inherent volatility of oil and natural gas related revenues. The rating analysts have recommended specific management practices that would strengthen the State credit position, including legislation to mandate minimum reserve levels in the General Fund, and the development of a debt affordability study as a debt management tool. With respect to underlying economics, the primary State credit weakness is the low levels of personal income, which will only be alleviated as economic diversification, and investments in education and transportation lead to real personal income growth over time. The other significant credit weakness is in the area of financial reporting, and the inability of the State to produce a Comprehensive Annual Financial Report on a timely basis.

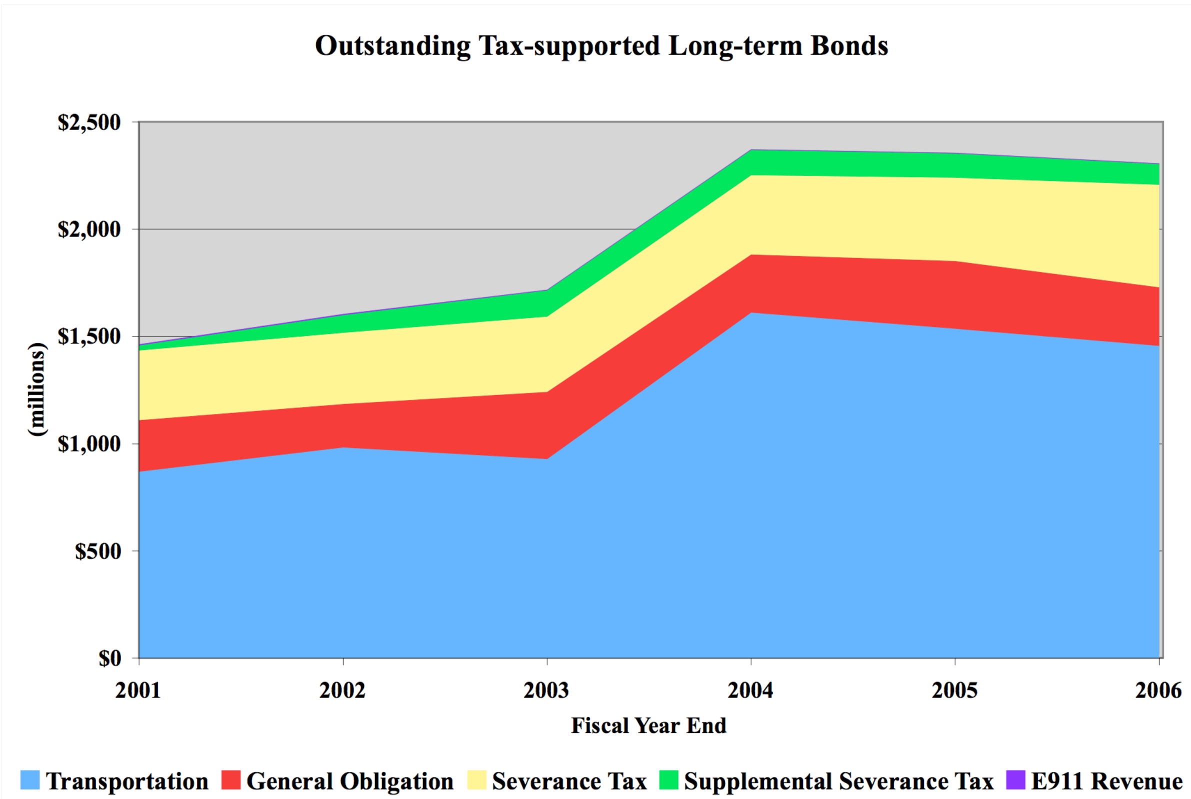
The chart below sets forth the ratings on outstanding bonds for the core State bonding programs.

### Outstanding State Bond Ratings

| | Moody's | Standard & Poors |
|---|---|---|
| **State Board of Finance** | | |
| General Obligation Bonds | Aa1 | AA+ |
| Severance Tax Bonds | Aa2 | AA |
| Supplemental Severance Tax Bonds | Aa3 | A+ |
| E-911 Revenue Bonds | Aa3 | AA |
| **State Transportation Revenue Bonds** | | |
| Senior Lien | Aa2 | AA+ |
| Subordinate Lien | Aa3 | AA- |
| Adjustible Rate Subordinate Lien | Aa3 | AA- |

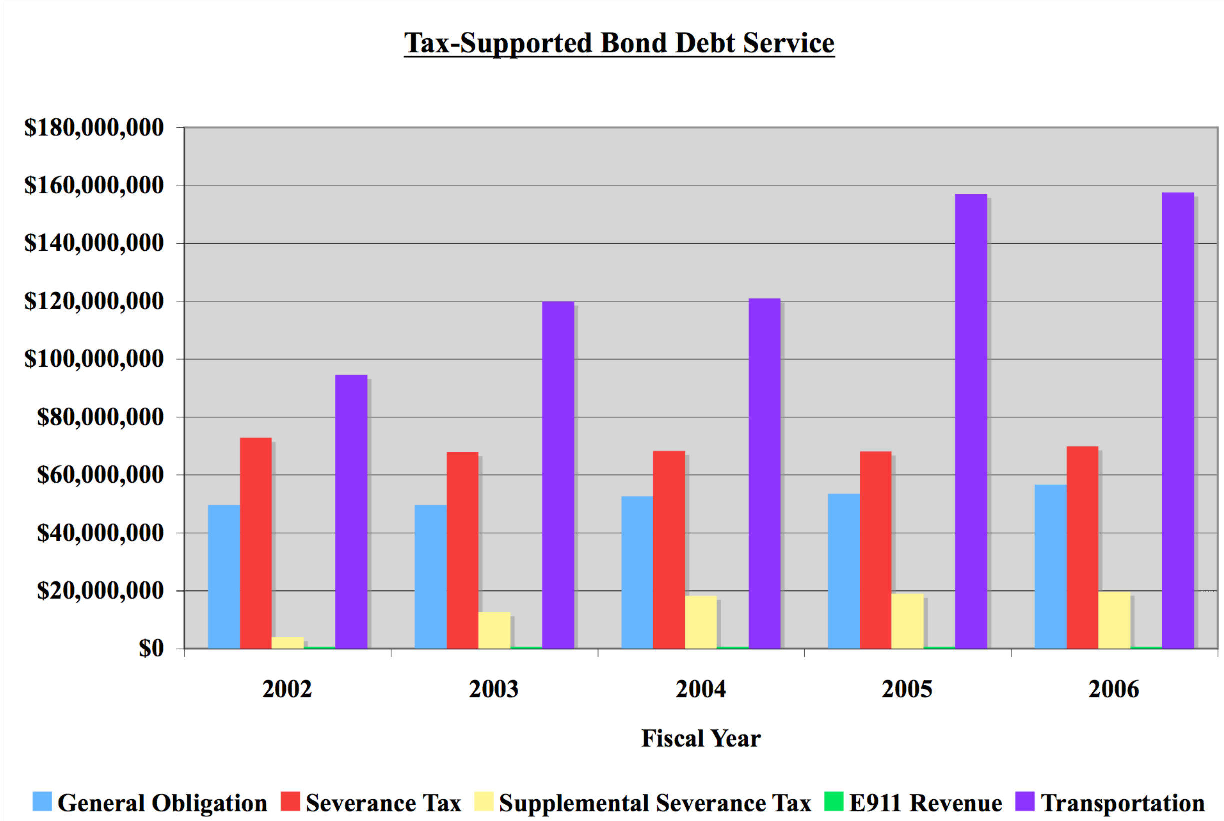
## Trends in State Debt Issuance

Trends in debt issuance are an integral factor in evaluating the State's debt levels. The State has and continues to make substantial investment in basic capital infrastructure, particularly including transportation, educational facilities and water supply and conveyance. The growth in total outstanding state tax-supported debt is illustrated in the graph below, with the primary increase in outstanding debt coming from the issuance of bonds for the statewide transportation capital investment plan.




The State's annual debt service payments have increased over the last five years, rising from approximately $220 million in fiscal year 2002 to approximately $305 million in fiscal year 2006 at an average annual growth rate of approximately 6.5 percent. However, as illustrated above, most of the growth in annual debt service is attributable to the State transportation capital investment program.

The graph below illustrates the trends in annual debt service costs over the past five fiscal years for State tax-supported bond debt service.

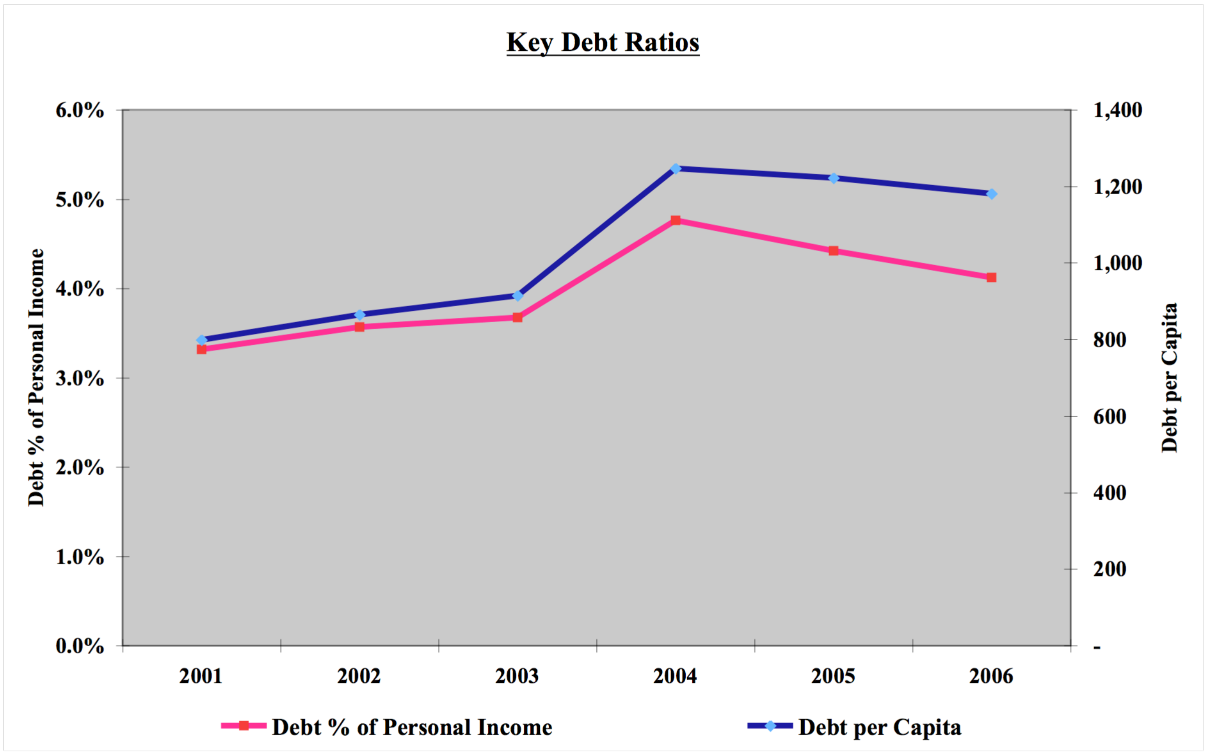



### State Debt Ratios

In addition to examining an issuer's total debt position, rating analysts review its debt ratios and their change over time. The key debt ratios that are evaluated with respect to the credit quality of the State of New Mexico are Net Tax-Supported Debt to Personal Income and Net Debt per Capita. The debt to personal income provides an indication of the burden a state's indebtedness on the income tax base, the ultimate source of repaying state obligations, while debt per capita provides a relative measure of an entity's debt position compared to its peer.

Other credit factors related particularly to the credit quality of general obligation bonds are the amount of outstanding debt as a percentage of the assessed value of the property that will be taxed to pay for the bonds, and the rate of repayment of the bonds. Payment of 25 percent in five years and 50 percent in 10 years is considered average for general obligation issuers nationally.

The graph below presents the State's tax-supported debt ratios over the past five years. The increase in the debt ratios mirrors the increase in outstanding indebtedness discussed above. Those increases were mitigated by increase in State population, personal incomes and income per capita by 5 percent, 21 percent and 15 percent, respectively, during the same five-year period.



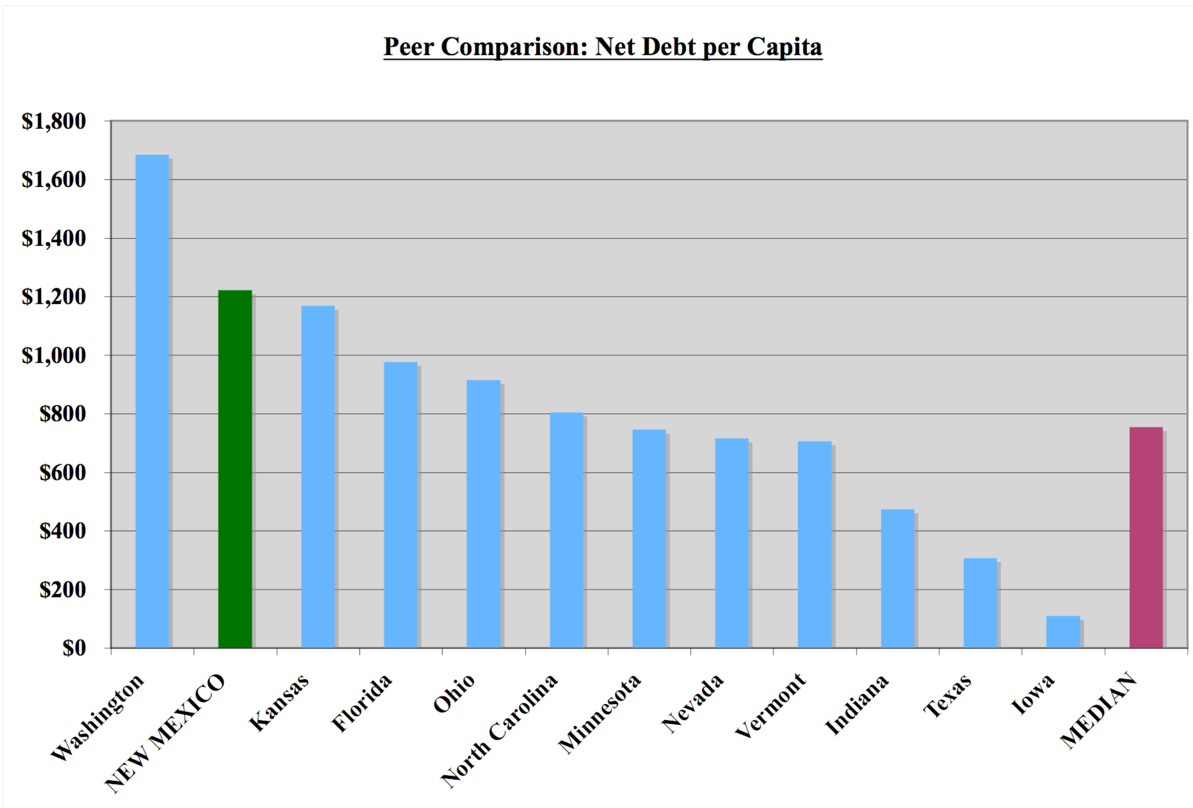

As noted above, rating analysts also consider the rate of debt repayment as a credit factor. By law, both State general obligation bonds and bonds issued under the Severance Tax Bonding Program are fully retired within ten years, and the five-year retirement rates of the State general obligation, severance tax and supplemental severance tax bonds are 63 percent, 54 percent and 72 percent, respectively. With respect to the transportation bonds, the five-year retirement rate is 25 percent and 46 percent mature within ten years, indicating that debt is being paid more quickly than the norm for transportation revenue bonds. Overall, the State debt management practices have historically provided for the rapid repayment of bonds, which is generally a positive credit consideration. However, it should be noted that following the original structuring of the State transportation bonding program, which provided for more rapid bond amortization than is currently the case, a senior rating analyst for one bond rating agency expressed the concern that overly rapid bond repayment for the transportation program could be an undue constraint on debt capacity, and result in the deferral of much-needed improvements to the State's transportation infrastructure.

## Comparison of Debt Ratios to Selected Peer Group and National Medians

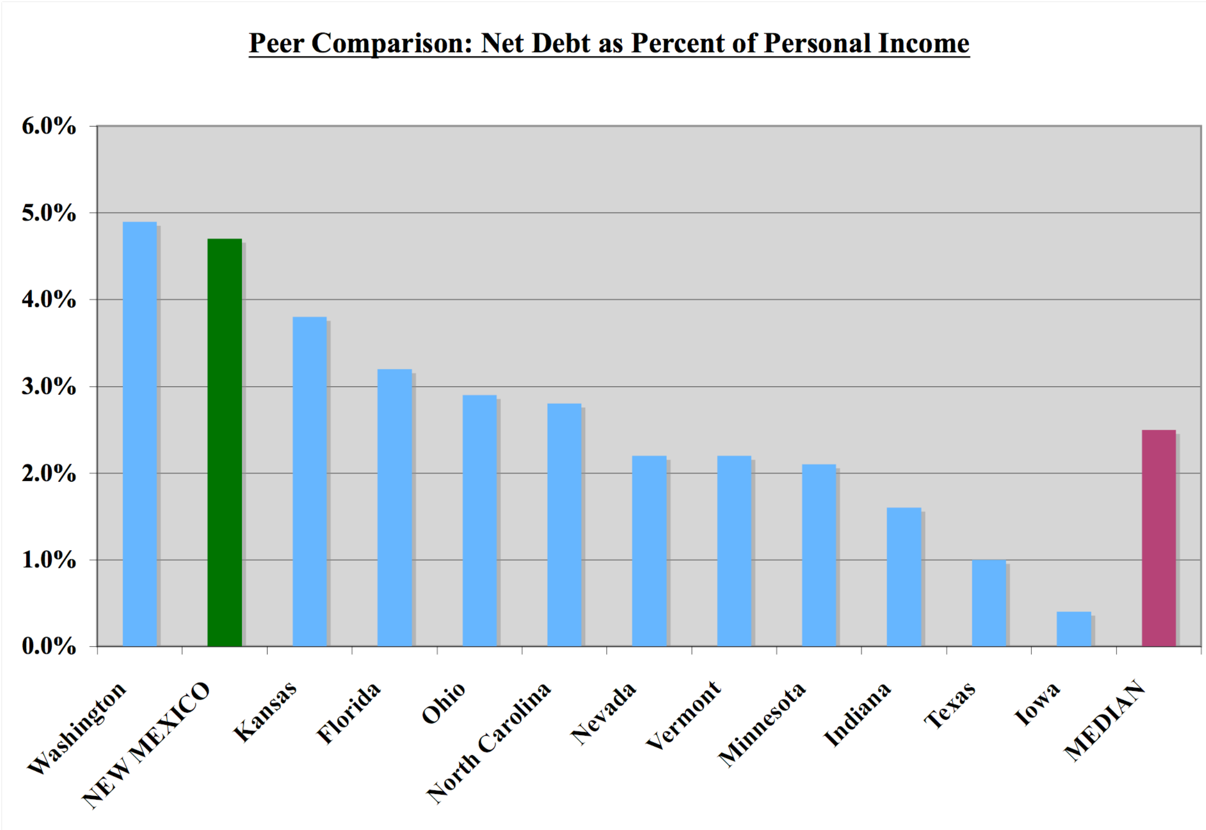
A comparison of key State debt ratios to national medians and peer group performance ratios is useful to place the State's debt position in a national context. Both Moody's and Standard & Poor's publish state debt medians along with ratio data state governments on a regular basis.

For the purposes of benchmarking the State's key debt ratios, we have provided a comparison below with the published national medians, as well as in the context of a peer group comparison, utilizing data published by Moody's in April 2006. The peer group that we have utilized here comprises states that rated in the same *Aa1* rating category by Moody's.

The graph below presents a peer comparison of Net Debt per Capita for states rated *Aa1* by Moody's, and the Moody's national median. As is illustrated here, New Mexico has a net debt per capita that is high relative to its peers, exceeded only by Washington. New Mexico's high debt per capita is a function of the infrastructure requirements of being one of the largest states in the nation in terms of land area while having a small population base. The large land area combined with the small population base creates disproportionate costs for roads and other infrastructure on a per capita basis relative to its state peers.




Similarly, the next graph presents the ratio of State net tax-supported debt to personal income for states rated *Aa1* by Moody's, and the Moody's national median. As illustrated here, New Mexico has a ratio of net tax-supported debt to personal income that is high relative to its peers. Historically, the net debt levels of the State were moderate to low, and have reached or exceeded national norms as the State has begun to address its State-wide transportation investment needs.



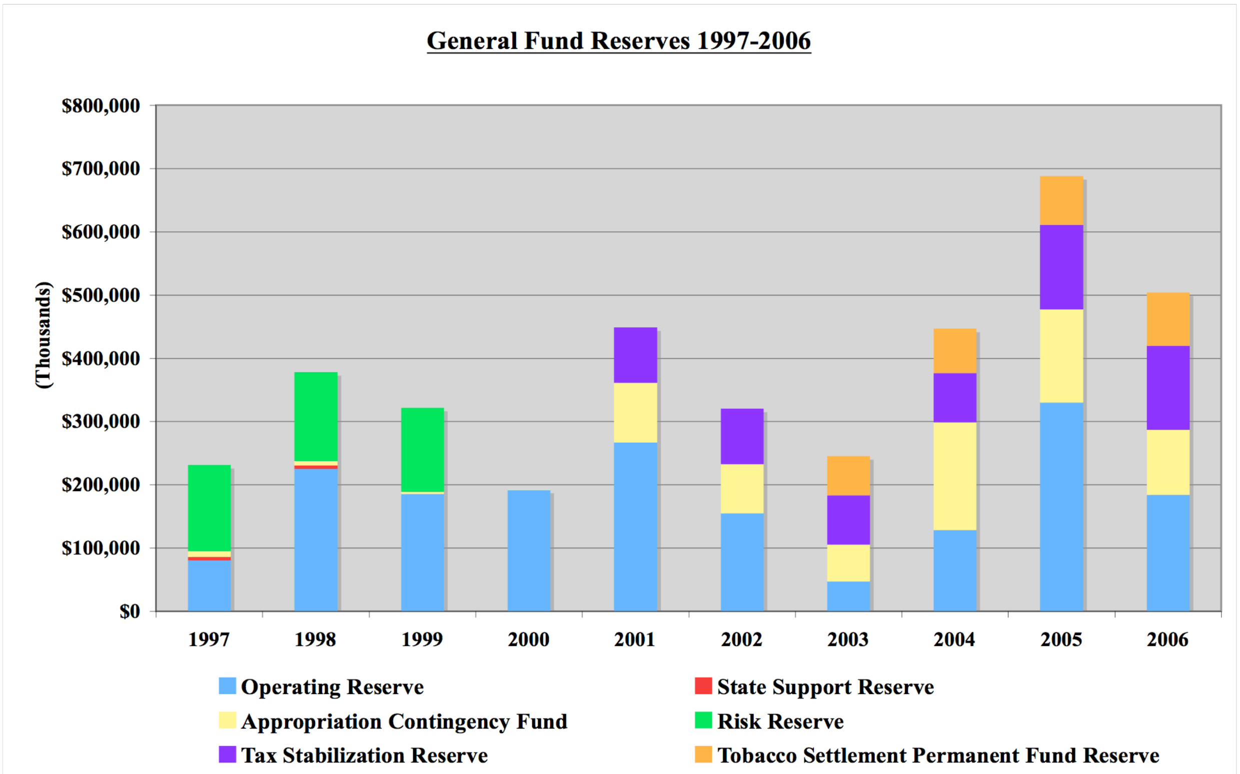

## General Fund Reserves

Strong reserve balances in the General Fund have been the strongest attribute of the State general obligation bond ratings. When the State bond ratings were upgraded by both Moody's and Standard & Poor's from *Aa/AA* to the current ratings in the 1993-1994 period, the State economy was strong and General Fund reserves—which at that point were primarily held in the Operating Reserve—were annually 5-10% of recurring appropriations, and reached a peak of over $200 million at the end of fiscal year 1993. Immediately following the two bond upgrades, the State reserves fell by 90% over a two-year period, with the Operating Reserve falling to a low of $22 million by fiscal year 1996. The State added the Risk Reserve to the General Fund to bolster the budgetary reserves, but the Risk Reserve was never viewed as a true operating reserve by rating analysts as its primary function was as its name suggests, as a risk reserve.

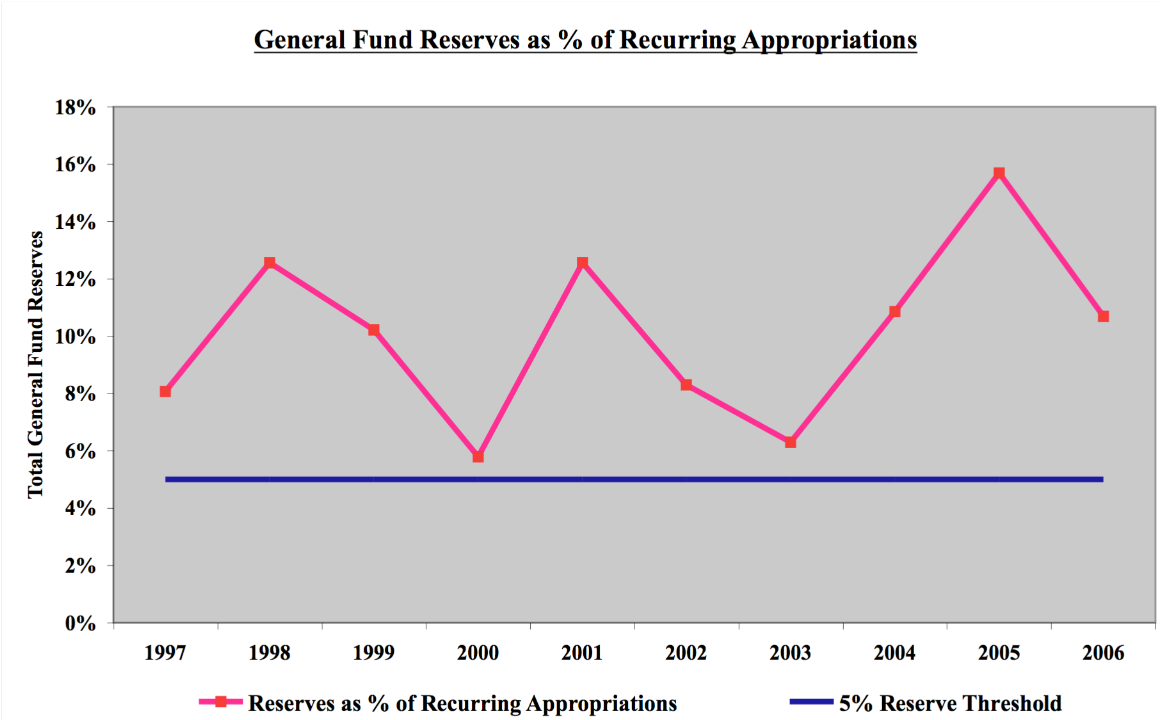
Neither rating agency downgraded the State in the wake of the reserve decline, however Standard & Poor's put the State on CreditWatch and informed the State that the general obligation bond rating would be lowered if the reserves were not reestablished above 5% of recurring appropriations and maintained at that level.

The graph below presents the components of the General Fund reserve balances and illustrates the strong growth over the past ten years. The reserve balances have grown steadily, approaching $700 million, or over 15% of recurring revenues in fiscal year 2005 and all-time high. The Risk Reserve was removed from the General Fund following fiscal year 1999 as the Operating Reserve balances were reestablished. Beginning in fiscal year 2000, the Appropriation

Contingency Fund and Tax Stabilization Reserve have been funded, providing additional permanence to the State operating reserves. In addition, beginning in fiscal year 2003 the unencumbered Tobacco Settlement Permanent Fund Reserve was created within the State General Fund.

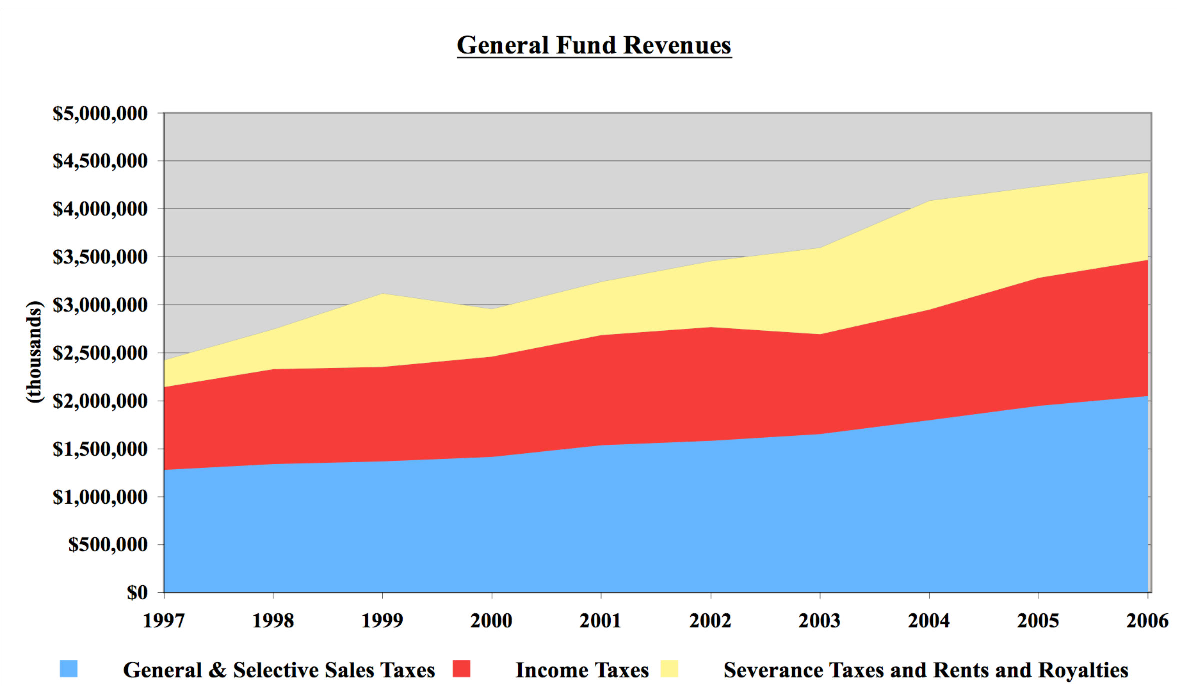


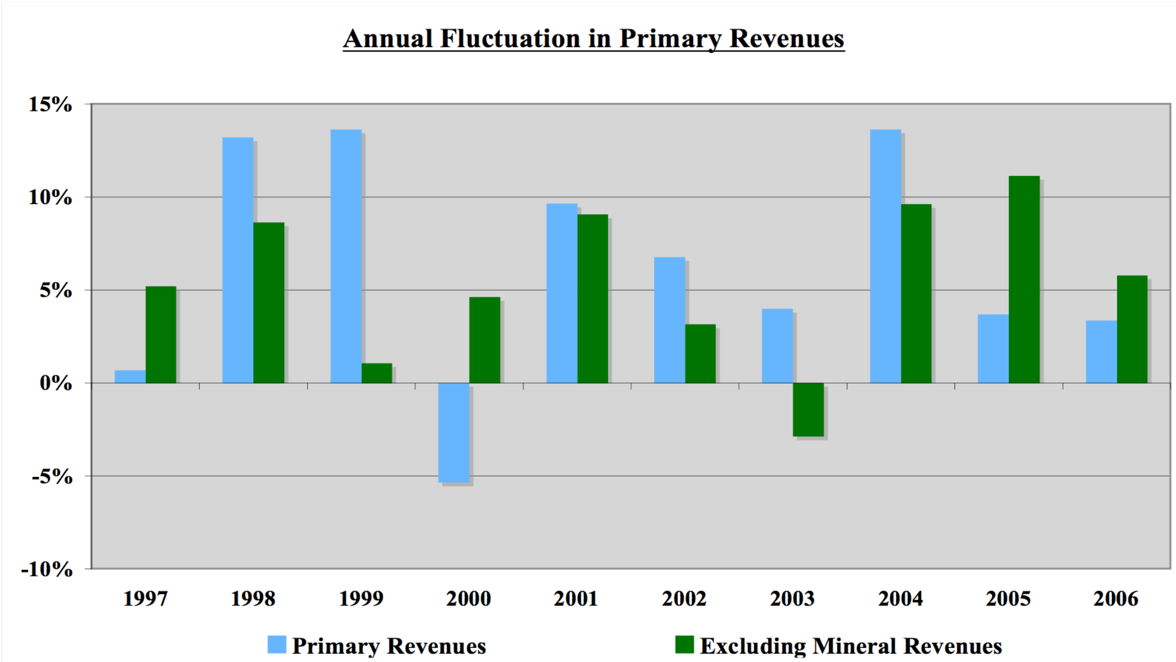

The following graph presents the General Fund reserves as a percentage of recurring appropriations, with a line designating the five percent reserve floor established as a credit criteria by Standard & Poor's. Over the past ten years, the reserve ratio has fluctuated, but has remained above the five percent reserve threshold at all times.




## Revenue, Volatility and Forecast Error

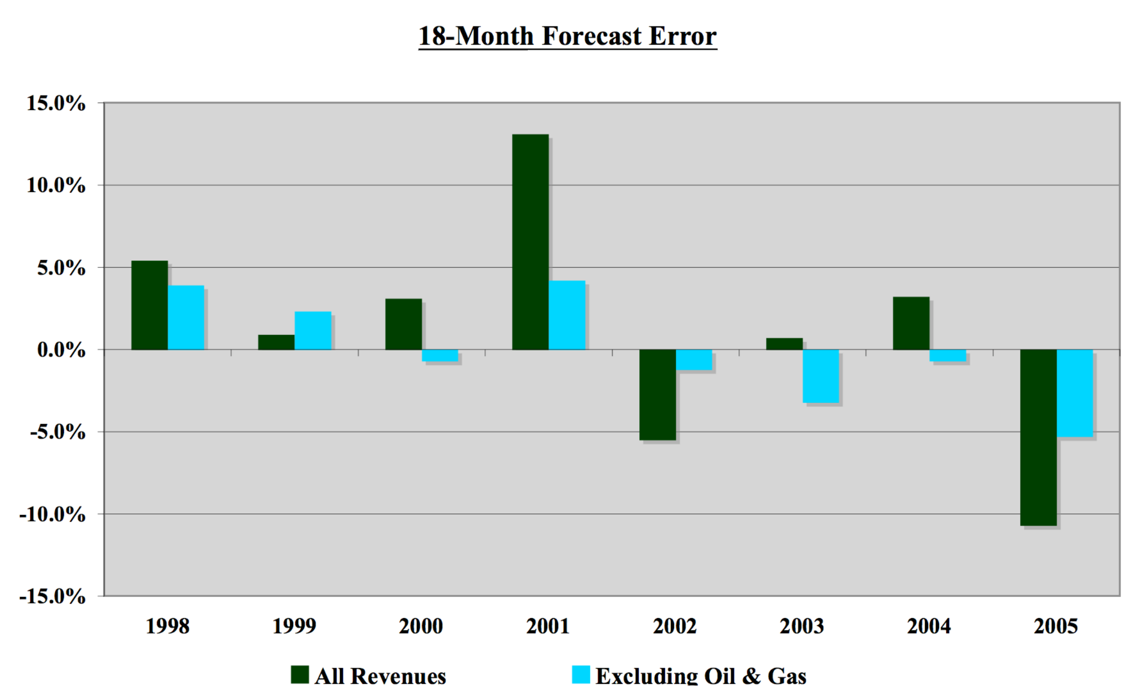
While strong General Fund reserves has been a credit factor supporting the strong State ratings, historical volatility of General Fund receipts has led to volatility in reserve levels. Volatility in the primary General Fund revenues, which comprise sales taxes, income taxes, and revenues derived from mineral extraction activities are illustrated in the following two graphs.






The fluctuation in the primary General Fund revenues are exacerbated by the inherent volatility in revenues related to mineral extraction, as these State revenues give the State the posture of being a seller of oil and natural gas, and therefore vulnerable to changes in price, and to a lesser extent production, over time. While Moody's has focused on the volatility in General Fund revenues created by the State's mineral taxes and revenues, Standard & Poor's has noted the counter-cyclic benefits of the revenue diversity, and the strong revenue performance that the State has realized during periods of national economic weakness.

From a financial management standpoint, the reliance on mineral taxes and revenues is evident as well in the 18-month forecast error in State revenue planning, as illustrated below. Positive error indicates actual revenue fell short of estimate. Negative error indicates actual revenues exceeded the estimate.




## Financial Reporting and Capital Planning

The lack of timely issuance of financial statements and a Comprehensive Annual Financial Report remains a fundamental negative credit factor for the State, which is the only State government that does not publish its financial reports on a timely basis. The standard for the issuance of annual financial reports is within six to eight months of the end of the fiscal year, with many states publishing their audited CAFR in less than six months. The State is actively tackling this issue, which is related to historical factors, and has dedicated manpower and funding to replacing the State-wide financial reporting systems with a single financial control and reporting system that will allow for timely financial reporting and audits.

## Projected State Debt Issuance

The table below represents the projected sources and uses of funds from the core State bonding programs for State capital investment over the next five years. This table includes both the long-term general obligation, severance tax, supplemental severance tax and transportation bonds, as well as the current year funding provided from the cash available in the Severance Tax Bonding Fund through the issuance of severance tax and supplemental severance tax notes. Projected debt issuance is based on statutory and constitutional capacity constraints and incorporates estimates of property values and future oil and gas revenues. This table also assumes that the Legislature and the Governor authorize projects up the maximum projected debt capacity.

General Fund pay-as-you-go funding, which totaled $656.5 million during the period 2001-2006 is not projected here, as, traditionally, pay-as-you-go funding decisions are made as the funds are deemed to be available on a year to year basis.

**Core State Bonding Programs:**
**Sources and Uses of Funds**

| Sources of Funds (millions) | FY07 | FY08 | FY09 | FY10 | FY11 | Five-Year |
|---|---|---|---|---|---|---|
| General Obligation Bonds | 142.8 | - | 147.3 | - | 130.6 | 420.7 |
| Severance Tax Bonds | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 | 625.0 |
| Supplemental Severance Tax Bonds | - | - | - | - | - | - |
| Severance Tax Notes | 191.7 | 156.3 | 135.0 | 119.7 | 95.4 | 698.0 |
| Supplemental Severance Tax Notes | 183.9 | 192.3 | 181.7 | 167.1 | 162.3 | 887.4 |
| Transportation Bonds | 450.0 | - | - | 485.0 | - | 935.0 |
| **Total Sources of Funds** | $1,093.4 | $473.7 | $589.0 | $896.8 | $513.2 | $3,566.1 |

| Uses of Funds (millions) | FY07 | FY08 | FY09 | FY10 | FY11 | Five-Year |
|---|---|---|---|---|---|---|
| Projects approved by referendum | 142.8 | - | 147.3 | - | 130.6 | 420.7 |
| New Statewide Capital Projects | 185.2 | 251.2 | 232.0 | 218.2 | 196.3 | 1,082.9 |
| Authorized but Unissued STB Projects | 99.8 | 2.0 | 2.0 | 2.0 | 2.0 | 107.8 |
| Water Projects | 31.7 | 28.1 | 26.0 | 24.5 | 22.0 | 132.3 |
| Education Capital | 183.9 | 192.3 | 181.7 | 167.1 | 162.3 | 887.4 |
| Transportation Bonds | 450.0 | - | - | 485.0 | - | 935.0 |
| **Total Uses of Funds** | 1,093.4 | 473.7 | 589.0 | 896.8 | 513.2 | 3,566.1 |

In addition, as of the end of fiscal year 2006, the amount of State authorized but unissued bonds totaled $1.0 billion, comprising $137.8 million of severance tax bonds and $885.0 million transportation bonds. In addition, $142.8 million general obligation bonds have been authorized by the Legislature and are subject to public referendum in November 2006. Supplemental severance tax bonds are no longer subject to direct authorization by the Legislature, as the Legislature has authorized the State Board of Finance to issue supplemental severance tax bonds for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council of the State.

## State Board of Finance Bonding Programs

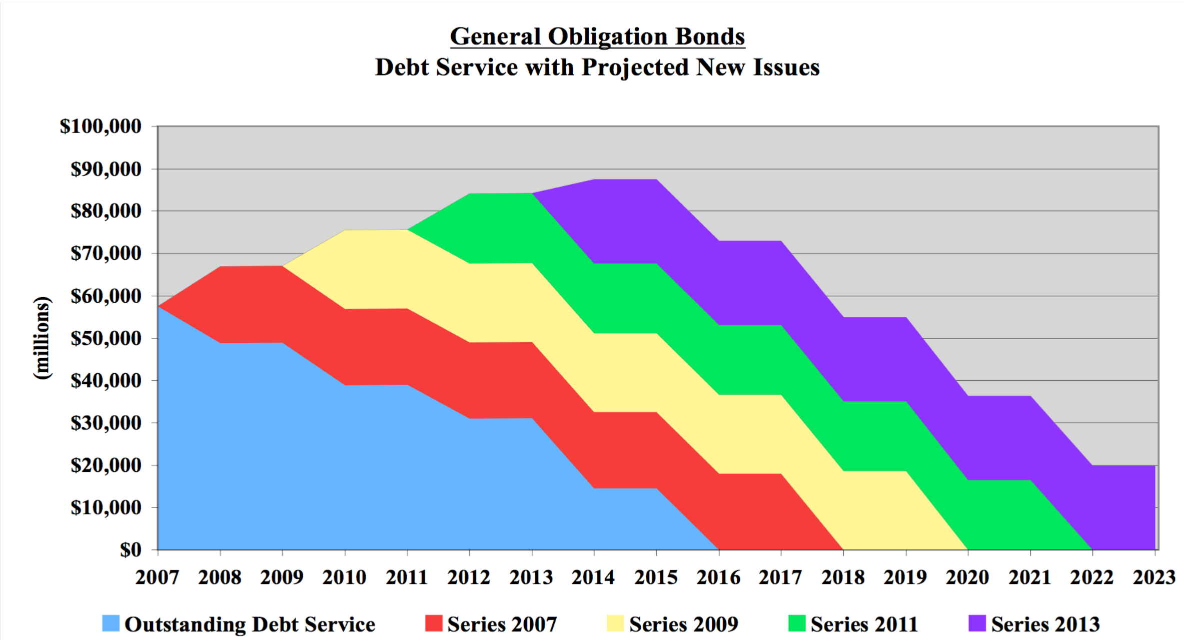
As presented in the table below, the State Board of Finance bonding programs currently project $4.4 billion of new money financing for State-wide capital projects over the next ten years. This amount comprises $748.1 million of projected general obligation bonding capacity, with issuances subject to legislative authorization and voter approval, $2.1 billion of severance tax bonds and notes subject to legislative authorization and appropriation, and $1.6 billion of capital capacity for education projects designated for funding by the Public School Capital Outlay Council.

**State Board of Finance**
**Projected Bonding Capacity**
**(millions of dollars)**

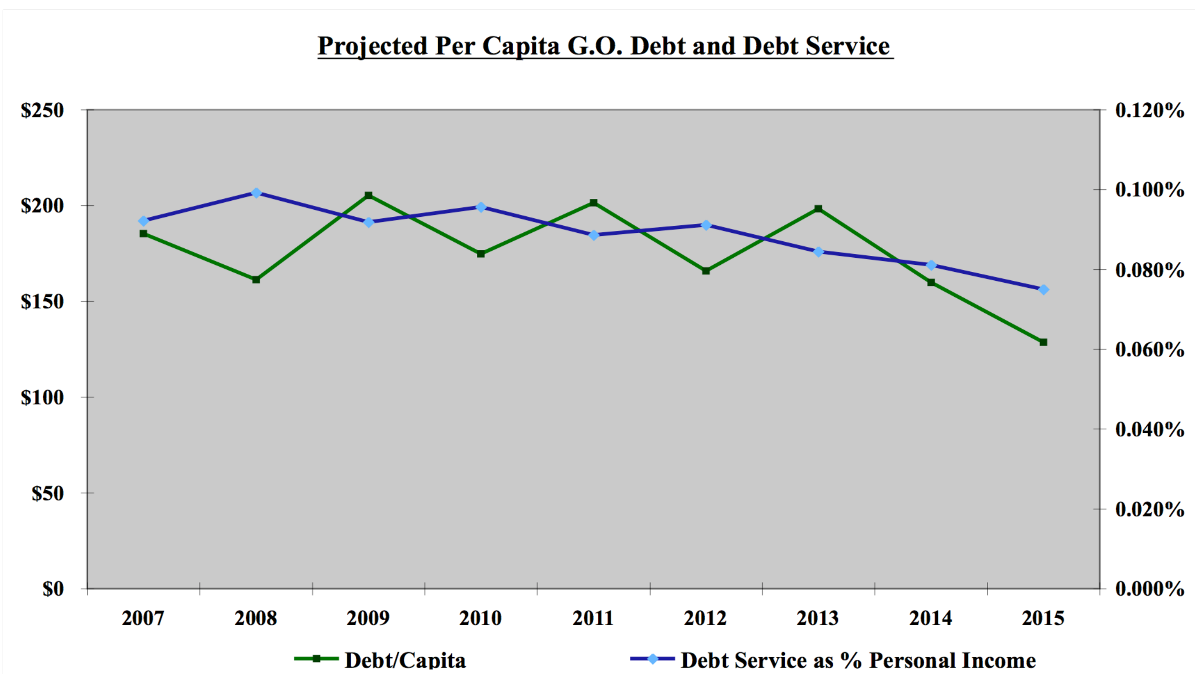
| | | Severance Tax Bonds | | Supplemental STB Program | | |
|---|---|---|---|---|---|---|
| | **GO Bonds** | **Bonds** | **Notes** | **Bonds** | **Notes** | **Total** |
| **2007** | $142.8 | $125.0 | $191.7 | -- | $183.9 | $643.4 |
| **2008** | -- | $125.0 | $156.3 | -- | $192.3 | $473.7 |
| **2009** | $147.3 | $125.0 | $135.0 | -- | $181.7 | $589.0 |
| **2010** | -- | $125.0 | $119.7 | -- | $167.1 | $411.8 |
| **2011** | $130.6 | $125.0 | $95.4 | -- | $162.3 | $513.3 |
| **2012** | -- | $125.0 | $75.9 | -- | $119.1 | $320.0 |
| **2013** | $157.2 | $125.0 | $30.2 | -- | $139.8 | $452.3 |
| **2014** | -- | $125.0 | $19.5 | -- | $142.8 | $287.3 |
| **2015** | $170.2 | $125.0 | $10.2 | -- | $141.5 | $446.8 |
| **2016** | -- | $125.0 | $0.2 | -- | $140.1 | $265.2 |
| **Total** | $748.1 | $1,250.0 | $834.0 | -- | $1,570.6 | $4,402.7 |

### *General Obligation Bond Issuance*

State general obligation bonds are authorized by the Legislature and placed on the ballot for voter approval on a biennial basis. General obligation bonds are subject to a capacity limit of one percent of State-wide net taxable value. The capacity limit as of the current property valuation is approximately $428.0 million, and $273.3 million are currently outstanding. General obligation bonds are secured by the full faith and credit of the State and repaid from a dedicated property tax millage assessment established pursuant to the voter approval of the bonds. The graph below illustrates the debt service profile of outstanding and the projected new general obligation bond issues projected in the table above.




General obligation bonds are sold with a maximum maturity of ten years. As illustrated in the graph below, the projected biennial issuance of general obligation bonds sustains a stable level of debt per capita and a moderately declining level of general obligation debt services as percentage of personal income in the State.[1]




[1] Note that for the purposes of projecting future debt ratios, we have projected population growth in the State at a continuing annual rate of 1.3 percent, and projected personal income growth in the State at a continuing annual rate of 5 percent. Personal income growth over the past two years has been between 6.5 and 7.0 percent, however for long-term planning purposes we have utilized a rate that roughly comprises population growth of 1.3 percent, inflation of 2.7 percent and real growth of 1.0 percent.

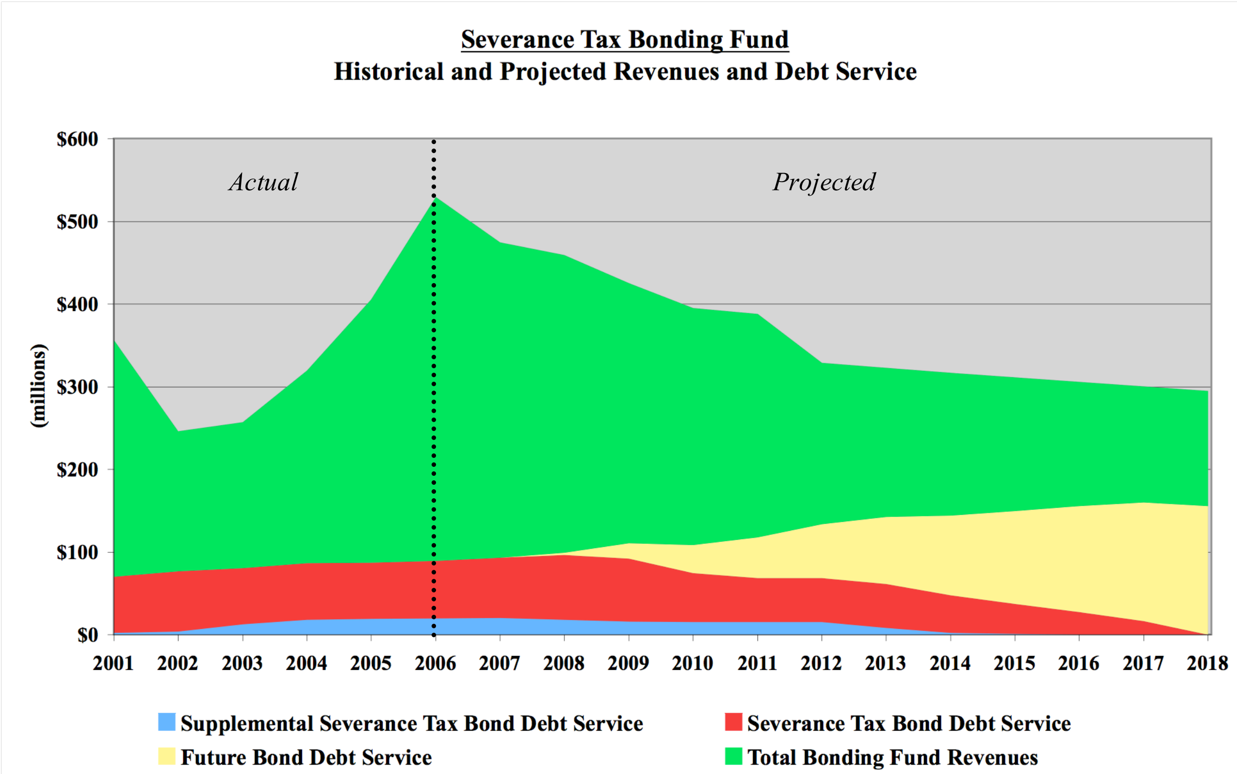
### *Severance Tax and Supplemental Severance Tax Bond Issuance*

Severance tax bonds are authorized by the Legislature for State-wide capital projects. Currently, ten percent of severance tax bonding capacity is set aside for water projects. As noted earlier, the Legislature has authorized the State Board of Finance to issue supplemental severance tax bonds for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council.

Severance tax and supplemental severance tax bonds are secured by a pledge of and repaid from revenues received in the Severance Tax Bonding Fund. Under the Statutory Test governing the issuance of severance tax and supplemental severance tax bonds, severance tax bonds and notes can only be issued to the extent that severance tax bond debt service does not exceed 50 percent of revenues received into the Severance Tax Bonding Fund during the most recent completed fiscal year, and supplemental severance tax bonds can only be issued to the extent that the severance tax bond and supplemental severance tax bond debt service does not exceed 62.5 percent of revenues received into the Severance Tax Bonding Fund during the most recent completed fiscal year. Severance tax notes issued to make cash available in the Severance Tax Bonding Fund prior to the semi-annual transfer to the Severance Tax Permanent Fund available for capital projects are subject to the same test as severance tax bonds, while supplemental severance tax notes can be issued to the extent that the severance tax bond and note, and supplemental severance tax bond and note debt service does not exceed 95 percent of revenues received into the Severance Tax Bonding Fund during the prior fiscal year.

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

The graph below illustrates the historic and projected revenue and debt service profile of the Severance Tax Bonding Program reflecting the projected issuance of $125 million of new long-term severance tax bond issues annually, as projected in the table earlier. It also illustrates the State practice of projecting Severance Tax Bonding Fund revenues based upon declining oil and natural gas prices and production levels, which has tended to suppress the volume of long-term financing and debt service and increase the use of cash funding for capital projects.




The table below presents the historic and projected debt service coverage for long-term severance tax and supplemental severance tax bonds. The first column presents the severance tax bond debt service coverage for the outstanding bonds, and the second column presents the debt service coverage that is projected based upon current revenue projections, but for the continued issuance of new bond issues annually as presented earlier.

**Severance Tax Bonding Program**
**Historical and Projected Debt Service Coverage**

| Fiscal Year | Severance Tax Bonds | Severance Tax w/future issues | Supplemental Bonds | |
|---|---|---|---|---|
| **2001** | 5.22 | 5.22 | 5.07 | |
| **2002** | 3.38 | 3.38 | 3.20 | |
| **2003** | 3.78 | 3.78 | 3.18 | |
| **2004** | 4.68 | 4.68 | 3.69 | |
| **2005** | 5.95 | 5.95 | 4.65 | |
| **2006** | 7.57 | 7.57 | 5.91 | **Actual** |
| **2007** | 6.51 | 6.51 | 5.10 | **Projected** |
| **2008** | 5.87 | 5.67 | 4.64 | |
| **2009** | 5.57 | 4.49 | 3.85 | |
| **2010** | 6.70 | 4.25 | 3.64 | |
| **2011** | 7.36 | 3.79 | 3.29 | |
| **2012** | 6.22 | 2.78 | 2.46 | |
| **2013** | 6.07 | 2.41 | 2.27 | |
| **2014** | 6.99 | 2.23 | 2.20 | |
| **2015** | 8.61 | 2.10 | 2.08 | |
| **2016** | 11.05 | 2.00 | 2.00 | |

## Transportation Bond Program Projected Revenues and Bond Issuance

The Department of Transportation has managed the largest capital investment program in the State over the past decade, and projects the issuance of an additional $500 million of transportation revenue bonds through 2010. The State-wide transportation capital investment program is funded from State and federal revenues in addition to bond proceed. Bonds issued by the Department of Transportation through the New Mexico Finance Authority are secured by and repaid from revenues received into the Road Fund, which are principally derived from gasoline taxes, registration fees and road user fees, plus an additional pledge of certain federal revenues received annually by the Department of Transportation.

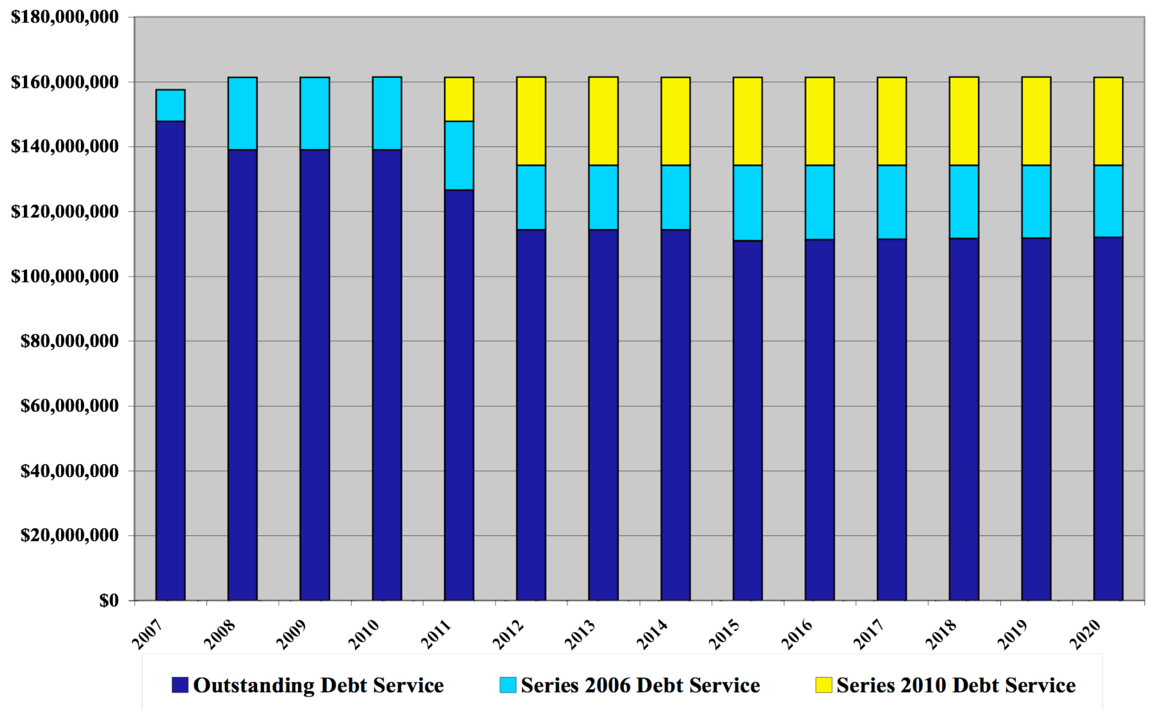
The table below presents the State and federal revenues that are received by the Department of Transportation and pledged to the repayment of transportation revenue bonds. Aggregate debt service as presented here includes both senior and subordinated revenue bonds, and debt service coverage is presented based upon State Road Funds only, as well as based upon the combined State and federal revenues pledge to secure the bonds. Revenues, debt service and coverage are projected to remain constant beyond 2020.

**Transportation Program**
**Projected Revenues, Debt Service and Debt Service Coverage**

| | Revenues | | | | Debt Service Coverage | |
|---|---|---|---|---|---|---|
| | **State** | **Federal** | **Total** | **Debt Service** | **State Revs** | **Total Revs** |
| **2007** | 390,014,000 | 267,423,000 | 657,437,000 | 157,524,057 | 2.48 | 4.17 |
| **2008** | 399,756,000 | 267,423,000 | 667,179,000 | 161,408,923 | 2.48 | 4.13 |
| **2009** | 407,751,120 | 267,423,000 | 675,174,120 | 161,408,747 | 2.53 | 4.18 |
| **2010** | 415,906,142 | 267,423,000 | 683,329,142 | 161,410,495 | 2.58 | 4.23 |
| **2011** | 424,224,265 | 267,423,000 | 691,647,265 | 161,407,890 | 2.63 | 4.29 |
| **2012** | 432,708,751 | 267,423,000 | 700,131,751 | 161,409,400 | 2.68 | 4.34 |
| **2013** | 441,362,926 | 267,423,000 | 708,785,926 | 161,410,581 | 2.73 | 4.39 |
| **2014** | 450,190,184 | 267,423,000 | 717,613,184 | 161,409,049 | 2.79 | 4.45 |
| **2015** | 459,193,988 | 267,423,000 | 726,616,988 | 161,407,234 | 2.84 | 4.50 |
| **2016** | 459,193,988 | 267,423,000 | 726,616,988 | 161,408,974 | 2.84 | 4.50 |
| **2017** | 459,193,988 | 267,423,000 | 726,616,988 | 161,406,866 | 2.84 | 4.50 |
| **2018** | 459,193,988 | 267,423,000 | 726,616,988 | 161,410,838 | 2.84 | 4.50 |
| **2019** | 459,193,988 | 267,423,000 | 726,616,988 | 161,409,564 | 2.84 | 4.50 |
| **2020** | 459,193,988 | 267,423,000 | 726,616,988 | 161,408,684 | 2.84 | 4.50 |

The graph below presents current and projected transportation revenue bond debt service based upon currently planned bond issuance. Planned future bond issues include $450 million to be sold during the current calendar year and an additional $50 million planned for 2010.

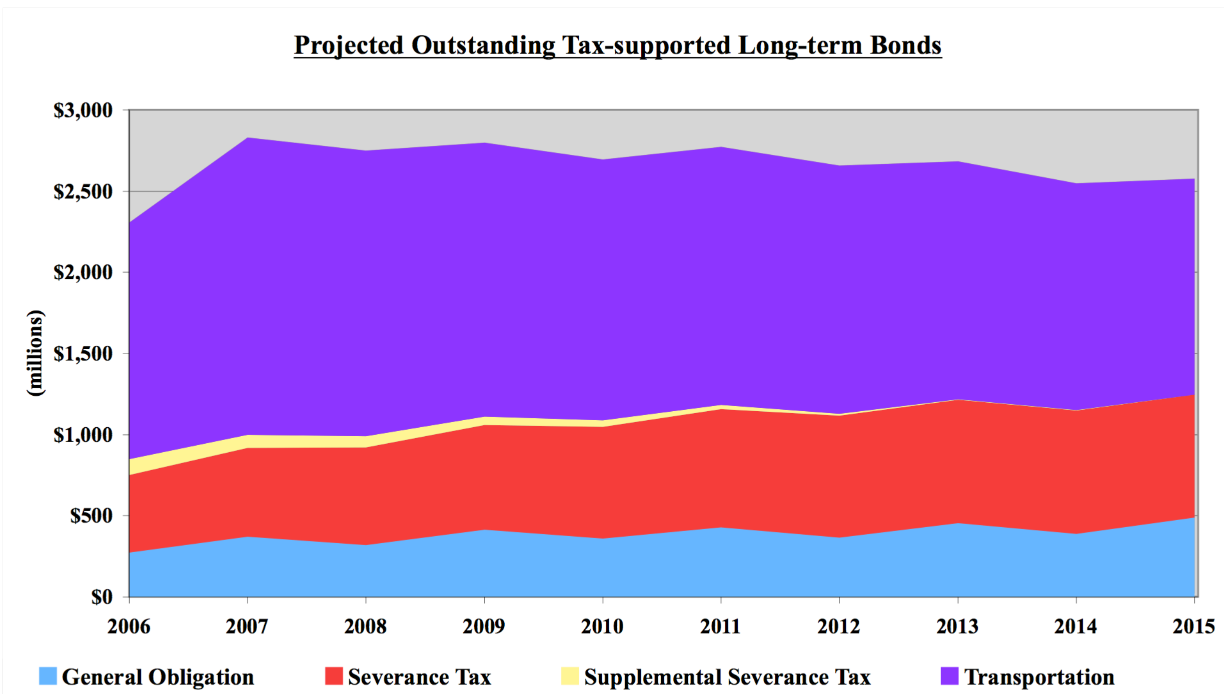
**Transportation Bond Debt Service with 2006 and 2010 Issues**



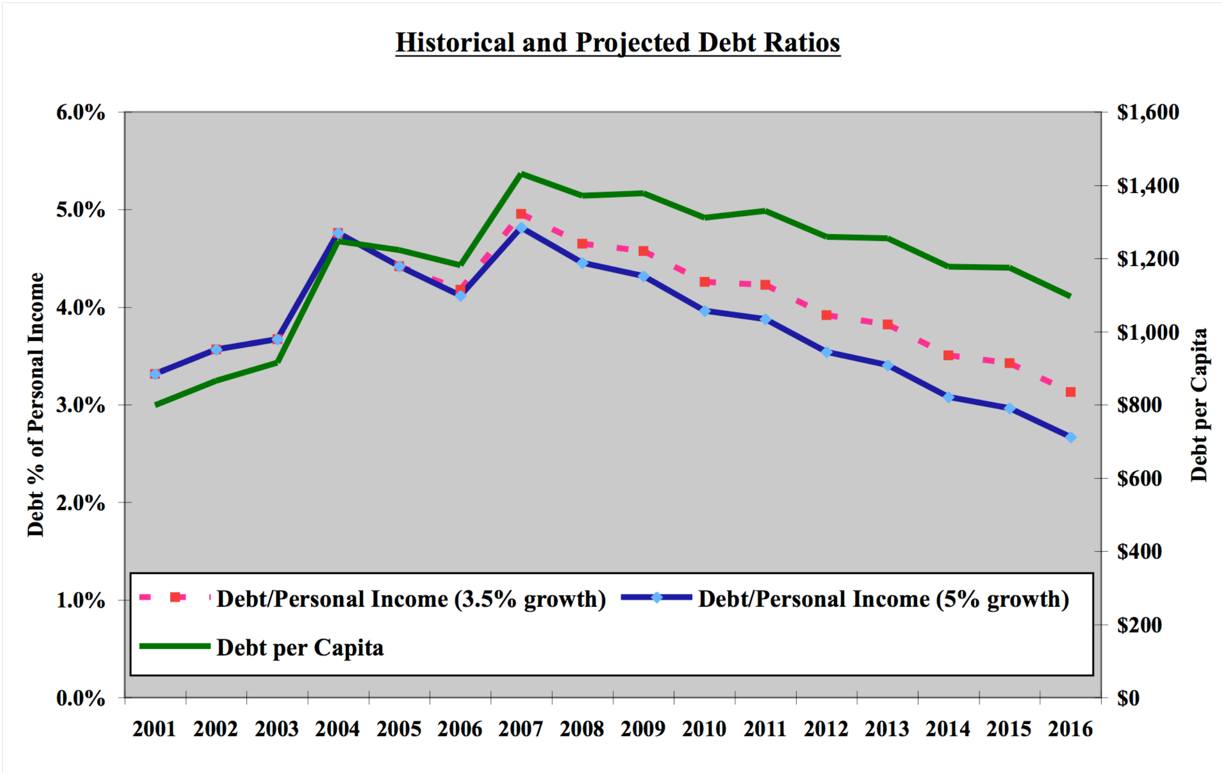
## Affordability of Projected State Debt Issuance

The core State bonding programs project the issuance of $4.9 billion of new money bonds over the next ten years. Each of the bonding programs are funded by dedicated revenue streams, including the general obligation bond millage, the Severance Tax Bonding Fund revenues and the Road Fund revenues, for the general obligation, severance tax and transportation bonding programs, respectively. None of these core bonding programs utilize revenues that flow into or would otherwise flow into the General Fund of the State, although Road Fund revenues that secure the transportation bonding program are dedicated to transportation operations as well as bond debt service. Each of the programs provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage. All long-term debt obligations, however, are repaid from the underlying State economy and rely upon economic strength and continued growth to assure that the repayment of debt does not become an increasing burden on the taxpayers of the State.

The following graph presents the projected levels of outstanding tax-supported debt-by-debt type over the next ten years.




The graph below projects the impact of the planned issuance of $4.9 billion of new debt over the next ten years, and retirement of outstanding debt, on the key debt ratios of the State. As illustrated here, the debt ratios that had been trending downward since peaking in 2004 move upward in 2007 as a result of the biennial general obligation bonds and $450 million transportation bonds issued that year. Debt per capita reaches $1,431 and debt as a percentage of personal income reaches the 2004 level of 4.8 percent, before both measures trend downward over time. In the event that the long-term rate of growth in personal income is 3.5 percent rather than 5 percent, then as illustrated in the red dotted line, debt as a percentage of personal income peaks at 5.0 percent in 2007 before declining.




As is illustrated here, the projected debt issuance plans for the core State bonding programs do not place stress on the State General Fund, and are affordable with respect to the revenue streams that are dedicated to debt repayment. The increase in debt ratios that is anticipated in 2007 does not carry forward, and the debt ratios remain manageable. These ratios do suggest, however, that for the foreseeable future, the State indebtedness as measured by the key credit ratios will remain high relative to both New Mexico's rating peer group as well as relative to national state medians, though as economic growth continues, State indebtedness as measured by these credit ratios should converge with national medians.

The projected ratios for the State indicate that the projected level of debt issuance is manageable and should not impair the State's strong bond ratings. The regular updating of this debt affordability analysis, however, should be used as a tool to identify changes in economic or demographic trends, or debt program management, and consider appropriate changes to its debt policies and bonding plans.

## Debt and Financial Policies

### Governor's Finance Council

In May 2003, Governor Richardson established the "Governor's Finance Council" and charged it with drafting a strategic infrastructure plan for New Mexico. The Governor's Finance Council developed the "Invest New Mexico" plan. The plan identifies priorities and funding sources for big, bold infrastructure projects throughout New Mexico. It also proposes the use of strategic partnerships with the public and private sector to share responsibility in planning and financing of infrastructure.

### Capital Project Prioritization

New Mexico Department of Finance and Administration works with State Agencies and local entities each year to develop an Infrastructure Capital Improvement Plan. This five-year plan identifies and prioritizes capital needs and encourages state and local entities to coordinate their priorities with the Invest New Mexico plan prepared by the Governor's Finance Council.

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

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

The New Mexico Higher Education Department is responsible for the review and prioritization of higher education capital projects for all public 4-year, 2-year, and constitutional special schools. Based upon this review and prioritization, the recommended capital project funding plan is submitted to the Governor and Legislature for funding.

## Debt Management Policies

| Policy Area | G.O. Bonds | Severance Tax Bonds | Transportation Bonds |
|---|---|---|---|
| *Bond Life* | 10-year maximum term. | 10-year maximum term. | Bond life may not exceed project design life. |
| *Bond Amortization* | Substantially level debt service. | Substantially level debt service. | Substantially level debt service over time. |
| *Debt Service Coverage* | Not applicable. | Senior and supplemental bonds subject to the terms of the statutory issuance test and the market test. | Long-term coverage projected at 4.50x. |
| *Variable Rate Bond Limits* | Not utilized. | Unhedged exposure will not exceed 20% of par outstanding. | Unhedged exposure will not exceed 20% of par outstanding. |
| *Variable Rate Bond Considerations* | Not utilized. | Balance interest savings and cashflow risks. Short bond life lessens potential savings. | Balance interest savings, cashflow risk and balance sheet management considerations. |
| *Debt Staging* | Traditionally issued as ten-year fixed rate bonds. | Traditionally issued as five to ten-year fixed rate bonds. Construction financing permitted but has not been utilized. | Construction financing may utilize short-term, variable rate or bond anticipation financing. |
| *Interest Rate Swaps* | Not utilized. | Not utilized to date due to short bond life. | Limited to 30% of par outstanding. |
| *Refundings* | Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities. | Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities. | Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities. |
| *Cash Financing* | General Fund cash contribution to capital program sought annually, with funding based on magnitude of non-recurring and surplus revenues. | Funding notes utilized to direct available cash in Severance Tax Bonding Fund to capital projects each December 31st and June 30th. | Transportation capital primarily funding with bond proceeds, with cash contributions from the Road Fund, the General Fund and federal revenues. |

| ***Policy Area*** | ***G.O. Bonds*** | ***Severance Tax Bonds*** | ***Transportation Bonds*** |
|---|---|---|---|
| *Disclosure* | Separate Disclosure Counsel retained to oversee disclosure practices. Annual financial disclosure statement published. | Separate Disclosure Counsel retained to oversee disclosure practices. Annual financial disclosure statement published. | Separate Disclosure Counsel retained to oversee disclosure practices. Annual financial disclosure statement published. |

## Use of Interest Rate Swaps

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

Swap counterparties must meet one of the following credit critieria: (i) Rated at least in the "AA" by Moody’s, Standard & Poor’s or Fitch, without regard to modifiers such as “+” or “–”, or (ii) the obligations of the Counterparty are guaranteed by a person with such rating, or (iii) the obligations of the Counterparty are 100 percent collateralized by obligations with such rating, all as required by New Mexico law and State Board of Finance regulations. Notwithstanding the above, uncollateralized counterparty exposure shall not exceed $75 to $100 million for any single counterparty.

### Ongoing Swap Management and Evaluation

No less than semi-annually, outstanding swap agreements will be reviewed with an independent swap advisor with respect to the following issues: (i) Review of weekly BMA or percent of LIBOR receipts to assess basis risk exposure. (ii) Update worst-case scenario analysis assuming swap default. (iii) Review available cash balances and total unhedged exposure to interest rate risk from variable rate bond and contingent adjustable rate obligation, such as swaptions, to analyze internal hedging.  If total investment assets of 2-years or shorter are less than the total actual and contingent floating rate exposure, review additional risk management tools to reduce floating rate risk. (iv) Review the investment policy on available average cash balances to confirm the role of cash balances as an internal hedge against the outstanding natural and contingent floating rate debt obligations. (v) Request updates from swap counterparties on rating actions, if any. (vi) Review collateral requirements with swap counterparties, if any.

## Recommendations

In the course of the development of this study, several recommendations have been developed for consideration.

- **Create a State Debt Policy.** The State Board of Finance should adopt a State Debt Policy to provide guidelines for debt issuance and management by the State and State Agencies.

- **Implement Timely Financial Reporting.** The project is in process, but the timely publication of an audited Comprehensive Annual Financial Report must become a standard state practice. The CAFR should be published within a year of the end of the fiscal year, and the goal should be the publication of the CAFR no later than February 1 following the end of the fiscal year.

- **Create Firm Policies Regarding Funding of General Fund Reserves.** We recommend implementation of legislation to establish a reserve funding floor of five percent in the Tax Stabilization Reserve to serve as a permanent State rainy day fund, and that the State establish a policy of maintaining aggregate General Fund reserves of at least eight percent. These reserves are a key factor in the long-term stability of State financial operations as they serve as a source of flexibility in times of economic and fiscal stress, and many states concluded that the traditional five percent “rainy day” reserve was inadequate alone to carry them through the recession of the early 1990s.

- **Adoption of a Five-year Capital and Investment Plan.** The State should adopt annually a five-year capital and investment plan that sets forth the combined projected capital spending plans for the State and State Agencies, and identifies projected source of federal, State, local and bond funding. An adopted five-year capital plan is an important tool for the identification, management and allocation of scarce capital resources.

- **Annual Debt Affordability Review.** The Department of Finance and Administration and the State Board of Finance should provide an annual update of debt affordability at the State level. While the State’s projected level of debt issuance over the next ten years is manageable, monitoring the impact of future debt issuance on key debt ratios, and the consistency of financial performance is a critical part of prudent financial and debt management. Ongoing monitoring and review of debt and financial management policies and practices through an annual review process will create a framework for ensuring that the issuance of additional debt will not harm the State’s financial position.

- **Implementation of Commodity Price Hedging Program.** The State should consider the implementation of a commodity price-hedging program to manage the State’s risk exposure to commodity price swings. Oil and natural gas price volatility is a major source of General Fund revenue uncertainty from one year to the next, and the capital markets provide the highly efficient means for those with the same risk exposure as the State to manage that exposure on a multi-year basis.

- **Development of a Five-year Financial Plan.** The Department of Finance and Administration should prepare annually for presentation to the Governor's Finance Council a five-year revenue and expenditure plan for the State that incorporates the consensus revenue forecast and projections of expenditures and key growth assumptions for a five-year period. A five-year financial plan will provide an effective management tool for budget planning, for rating agency review and for anticipation of financial difficulties in the out-years and allow time for the development of timely and appropriate solutions.

## Conclusion

Strong and steady revenues and continuing economic growth and diversification underpin the State of New Mexico bonding programs, and assure the affordability of its capital improvement program. Each of the core State bonding programs are funded by dedicated revenue streams, including the general obligation bond millage, the Severance Tax Bonding Fund revenues and the Road Fund revenues, for the general obligation, severance tax and transportation bonding programs, respectively, and none of these core bonding programs utilize revenues that flow into or would otherwise flow into the General Fund. Each of the programs provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage.

Currently, the State's key debt ratios are at the high end of its peer group and above national median levels. However, the State's high debt ratios relative to its highly-rated peers are a function of the infrastructure requirements of being one of the largest states in the nation in terms of land area while having a small population base. The State retires its debt rapidly and funds a significant portion of its annual capital expenditures utilizing cash resources from the State General Fund and from the Severance Tax Bonding Fund. The State's strong General Fund reserves are central to its strong credit ratings.

The planned issuance of $4.9 billion of new debt over the next ten years only modestly affects the key debt ratios of the State. These debt ratios, which have been trending downward since peaking in 2004, move upward in slightly in 2007 as a result of a large volume of debt issuance planned for that year, the most significant of which is the issuance of $450 million transportation bonds. Debt per capita reaches $1,431 and debt as a percentage of personal income reaches the 2004 level of 4.8 percent, before both measures trend downward over time.

The projected debt issuance plans for the core State bonding programs do not place stress on the State General Fund, and are affordable with respect to the revenue streams that are dedicated to debt repayment. The modest increase in debt ratios that is anticipated in 2007 does not carry forward into the future, and key debt ratios trend downward beginning in 2008.

This study recommends the implementation of a range of debt and financial policies, including a State Debt Policy, the annual adoption of a State-wide capital improvement program, the development of five-year expenditure forecasts in parallel with the current long-term revenue estimation process and as well as consideration of legislation to place an effective floor on the State budget reserves in the General Fund.

# Appendix I: Overview of State Bonding Authority

## STATE FINANCING OPTIONS

## MAJOR STATE AND STATE INSTRUMENTALITY BOND PROGRAMS

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

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

### Refunding Bonds

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

### Severance Tax Bonds

The State Board of Finance may issue severance tax bonds in the amounts and for the purposes specified in legislation adopted from time to time and when so instructed by the governing body of the recipient of the proceeds. Severance tax bonds are secured by monies deposited in the Severance Tax Bonding Fund (the "Bonding Fund") from taxes levied on the severance of oil, gas, and certain minerals in New Mexico. No maximum maturity is specified. The bonds must be sold at public sale. The State Board of Finance is prohibited by statute from issuing severance tax bonds unless the aggregate amount of total severance tax bonds outstanding, including the severance tax bonds proposed to be issued, can be serviced with not more than 50 percent of the annual deposits into the Bonding Fund, as determined by the deposits made in the fiscal year immediately preceding the issuance of the proposed severance tax bonds. The State Board of Finance may also issue refunding bonds to refund outstanding severance tax bonds. Refunding bonds may be sold at public or private sale. (7-27-9 NMSA 1978)

### Supplemental Severance Tax Bonds

The State Board of Finance may issue supplemental severance tax bonds, which are also payable from amounts in the Bonding Fund, but subject to the prior payment of severance tax bonds. Proceeds from supplemental severance tax bonds are used for public school capital outlay projected pursuant to the Public School Capital Outlay Act. No maximum maturity is specified. The bonds must be sold at public sale. The State Board of Finance is prohibited by statute from issuing supplemental severance tax bonds unless the aggregate amount of total severance tax bonds and supplemental severance tax bonds outstanding, including those proposed to be issued, can be serviced with not more than 62.5 percent of the annual deposits into the Bonding Fund, as determined by the deposits made in the fiscal year immediately preceding the issuance of the proposed severance tax bonds. The State Board of Finance may issue supplemental severance tax bonds with a term that does not extend beyond the fiscal year in which they are issued if the debt service on such bonds, when added to the debt service previously paid or scheduled to be paid during that fiscal year on severance tax bonds and supplemental severance tax bonds does not exceed 95 percent of the deposits into the Bonding Fund during the preceding fiscal year. The State Board of Finance may also issue refunding bonds to refund outstanding severance tax bonds. Refunding bonds may be sold at public or private sale. (7-27-9 NMSA 1978)

**Tax and Revenue Anticipation Notes**

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

**State Highway Debentures**

The State Transportation Commission may issue up to $150,000,000 of state highway debentures to finance highway projects. Approval of the State Board of Finance is required. Maturity of the debentures may not exceed 25 years. The debentures may be sold at a public or negotiated sale. The debentures are payable from proceeds of gasoline excise taxes and motor vehicle registration fees. (67-3-59.1 NMSA 1978)

**Water Conservation Revenue Bonds**

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

## Wastewater Bonds

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

## Institution Bonds

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

## Educational Institution Revenue Bonds

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

## New Mexico Highlands University Building and Improvement Bonds

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

**University of New Mexico Building and Improvement Bonds**

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

**New Mexico State University Building and Improvement Bonds**

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

**New Mexico Institute of Mining and Technology Building and Improvement Bonds**

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

**Game and Fish Bonds**

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

**Border Authority Revenue Bonds**

The Border Authority may issue bonds as an issuing authority under the New Mexico Private Activity Bond Act to finance projects to foster development of the Mexico-New Mexico border. Approval of the State Board of Finance is required. Maturity of the bonds may not exceed 30 years. The bonds may be sold at a public or negotiated sale. The bonds are secured by a pledge of and payable out of the revenues of the project financed. The Border Authority is also authorized to issue refunding bonds to refund the Border Authority's outstanding revenue bonds. (58-27-15 NMSA 1978)

**Hospital Equipment Loan Council Bonds**

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

**Joint Powers Agreements**

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

**New Mexico College Student Loan Bonds**

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

**New Mexico Student Loan Foundation Bonds**

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

**Mortgage Finance Authority (MFA) Bonds**

The MFA may issue bonds to provide funds for MFA's various corporate purposes. Maturity of the bonds may generally not exceed 45 years, and bond anticipation notes are limited to 10 years. The bonds may be sold at a public or private sale. The MFA may issue refunding bonds to refund outstanding MFA bonds. (58-18-11 NMSA 1978)

**New Mexico Finance Authority (NMFA) Board Programs**

<u>The Senior Lien and Subordinate Lien Programs</u>

The NMFA is authorized to issue bonds to provide funds to governmental units for projects that have been approved by the Legislature for funding through the Public Project Revolving Fund. In connection with the issuance of Senior Bonds, the NMFA may enter into a loan agreement with the governmental unit or may purchase securities of the governmental unit in consideration for the loan of a portion of the proceeds of such Senior Bonds for projects. The proceeds of such bonds are used to make loans and grants (or to reimburse the NMFA for making loans and grants) to numerous governmental units, including local governmental entities of the State, an Indian Nation, and departments and agencies of State government, for the construction of infrastructure projects. (6-21-1, 6-21-11 NMSA 1878)

The NMFA also is authorized to issue bonds to provide funds to Governmental Units for projects that have been approved by the Legislature for funding through the Public Project Revolving Fund. As in the senior lien program, the NMFA may, in connection with the issuance of Subordinate Lien Bonds, enter into a loan agreement with the governmental unit or may purchase securities of the governmental unit in consideration for the loan of a portion of the proceeds of such Subordinate Lien Bonds for projects. The proceeds of such Subordinate Lien Bonds are used to make loans for the construction of infrastructure projects. (6-21-1, 6-21-11 NMSA 1878)

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

Bonds for County Correctional Facility Loans

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

Local Transportation Infrastructure Project Revenue Bonds

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

Workers' Compensation Administration Building Financing

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

Cigarette Tax Bond Projects

*University of New Mexico Health Sciences Center Project*

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

In 2003, the Legislature authorized the NMFA to issue up to $60,000,000 of revenue bonds payable from a separate and distinct portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. In 2005, the Legislature authorized an additional $15,000,000 of revenue bonds. NMFA is authorized to secure the additional bonds by a pledge of funds from the PPRF with a lien priority on the PPRF, as determined by the NMFA. The proceeds of the bonds are used for the purpose of providing funds to design, construct, equip and furnish additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center at the University of New Mexico Health Sciences Center. (6-21-6.11, 7-1-6.11 NMSA 1978)

*Department of Health Projects*

Also, in 2005, the Legislature authorized the NMFA to issue another series of revenue bonds secured by a separate distribution of cigarette tax receipts in an aggregate amount not to exceed $39,000,000 for improvements to the southern New Mexico rehabilitation center, the Las Vegas medical center, the Fort Bayard medical center and for purchasing land, building, designing and constructing and equipping a state laboratory facility in Bernalillo County for the New Mexico Department of Health. (9-7.10.1 NMSA 1978)

*Behavioral Health Care Capital Fund*

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

Child Care Revolving Loan Fund

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

Statewide Economic Development Finance Act

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

Primary Care Capital Fund

In 1994, a $5,000,000 revolving fund was created in the State treasury to be administered by the NMFA and from which loans and contracts for services would be provided to primary care health clinics and agencies in rural or other healthcare underserved areas of the State. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Department of Health and the NMFA have negotiated a joint powers agreement whereby the Department of Health will provide all required health-related services and the NMFA will administer the revolving fund. In September 1994, later amended in April 1998, the NMFA and the Department of Health adopted and periodically updated program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. (24-1C-1 NMSA 1978)

Transportation Financings

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

Drinking Water Program

The New Mexico Drinking Water State Revolving Loan Fund Act (the "Drinking Water Fund Act") was created in 1997. The Drinking Water Fund Act creates the New Mexico Drinking Water State Revolving Loan Fund ("DWRLF"). The NMFA administers the DWRLF. The purpose of the Drinking Water Fund Act is to provide local authorities with low-cost financial assistance in the construction and rehabilitation of drinking water facilities necessary to protect drinking water quality and the public health. The passage of the Drinking Water Fund Act was in response to the re-authorization by Congress and the President of the federal Safe Drinking Water Act ("SDWA"), which required the Environmental Protection Agency ("EPA") to make capitalization grants to the states to further the health objectives of the SDWA. The State has been awarded approximately $75,500,000 in capitalization grants from the U.S. Environmental Protection Agency through December 31, 2005, approximately $67,200,000 of which is dedicated solely to the Drinking Water Revolving Loan Fund, and the NMFA has provided a total state match of approximately $15,100,000, all of which is deposited in the Drinking Water Revolving Loan Fund. (6-21A-8 NMSA 1978)

Water and Wastewater Grant Fund Program

The Legislature established the Water and Wastewater Project Grant Fund in 1999. In 2000, the Legislature authorized the NMFA to issue up to $5,000,000 in bonds to fund grants for 38 public water and wastewater systems. In 2001, the Legislature appropriated $40,910,000 to the Water and Wastewater Grant Fund Program to fund 76 public water and wastewater systems. The

Legislature has appropriated and authorized the use of $15,000,000 to the Water and Wastewater Grant Fund for emergency public purposes. In 2004, the Legislature authorized the NMFA to make grants to benefit 153 projects. The NMFA will fund grants for these projects on a first come, first served basis. All funds in the Water and Wastewater Grant Fund have been obligated. (6-21-6.3 NMSA 1978)

Local Government Planning Fund Program

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

State Building Bonding Fund Program

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

Bonds issued under the State Building Bonding Fund Program are payable from the State Building Bond Fund, consisting of funds appropriated and transferred to the fund as well as gross receipts tax revenues distributed to the Fund. The Legislature in 2003 authorized the NMFA to issue bonds in the amount of $5,760,000 for the purpose of renovating and maintaining existing structures and developing permanent exhibits at state museums and monuments. The Bonds are purchased as securities with moneys on deposit in the public project revolving fund as authorized by State law. (6-21C-4 NMSA 1978)

**University Research Park Bonds**

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

**State Fair Bonds**

The New Mexico State Fair may issue negotiable bonds from time to time. The maturity of the bonds may not exceed 30 years. The bonds may be sold at a public sale or a private sale to the

NMFA. The New Mexico State Fair may also issue refunding bonds to refund, refinance, pay or discharge outstanding bonds, notes, loans or obligations. (16-6-13 NMSA 1978)

**Enhanced 911 Bonds**

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

**Regional Transit District**

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

**Regional Housing Authority Bonds**

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

**Regional Spaceport District**

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

**New Mexico School for the Visually Handicapped Bonds**

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

**Teacher Housing Revenue Bonds**

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

**Compilation Commission Bonds**

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

**State Park and Recreation Bonds**

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

**State Land Office Debentures**

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

**ONGARD System Development Bonds**

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

**Certificates of Indebtedness** (for payment of militia expenses)

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

**State Armory Board Building and Improvement Bonds**

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

**Industrial and Agricultural Finance Authority Bonds**

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

**New Mexico Exposition Center Authority Act**

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