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BOARD OF FINANCE**

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DEBT AFFORDABILITY STUDY

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Introduction and Scope

The New Mexico Department of Finance and Administration, in conjunction with the State Board of Finance and its Financial Advisors, has 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 prudent management of capital for investment in critical State infrastructure is essential for the long-term health of the New Mexico economy and for increasing real incomes and the quality of life for New Mexicans. Properly managed, debt is a critical tool for investing in our schools, addressing essential water needs, improving roads and building our economy.

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

The core State bonding programs have projected capacity of \$2.85 billion (see table on page 18) of new money long-term general obligation and senior severance tax bonds over the next 10 years for State capital projects based upon the policies described herein. This projected available debt capacity for the core State bonding programs would not be funded from, and therefore would not place stress on, the State General Fund, and is affordable within currently projected levels of the revenue streams that are dedicated to debt repayment. The key debt ratios are projected to trend downward over time even as the new debt is issued. The regular issuance of affordable levels of long-term debt, in conjunction with the continued use of short-term notes for capital funding, as contemplated for investment in State economic infrastructure and other critical state facilities, is consistent with the State's strong bond ratings.

The key debt ratios used in this study to assess the state debt burden are debt per capita and debt as a percentage of personal income that evaluate the ability to pay and provide a basis for comparing levels of debt use across states and against peers. These ratios, along with the level of financial reserves and trends in State revenues and other financial resources, directly impact the State bond ratings, and the State bond ratings 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.

New Mexico's general obligation bond ratings from both Moody's and Standard & Poor's reflect strong credit attributes that include historically strong General Fund reserves, repayment of bonded debt from non-general fund sources, solid performance of General Fund

revenue streams over time, even during periods of national economic weakness, rapid debt retirement and moderate debt levels. These credit strengths have been balanced against dependence on federal employment at a time of fiscal stress at the federal level, historically low levels of personal income, the inherent volatility of oil and natural gas-related revenues, and a relative lack of economic diversity, as evidenced by the historically high concentration of economic activity in agriculture, natural resource production and government.

This Debt Affordability Study also includes a discussion of the impact of unfunded pension liabilities on the credit of the State. Public employee pension funds are being increasingly scrutinized by both the public and bond investors, and the bond rating agencies are focusing more attention on the impact of these long-term liabilities on public finances. Moody's Investors Services now incorporates pension fund liabilities into its credit analysis, and does so based upon lower assumed long-term pension fund earnings. We discuss the Moody's methodology herein, and provide a peer comparison of how the State debt position compares to its peer-rated states utilizing Moody's adjustments to state net pension liabilities. Unfunded pension liabilities, along with the continuing challenges around the State's annual State Comprehensive Annual Financial Report (CAFR), loom as the two greatest threats to the State's high general obligation bond ratings.

Debt capacity for core state infrastructure investment is a limited resource. State decision makers in the Executive Branch and in the Legislature require solid information to understand the alternative sources of debt financing for State purposes, and the implications and opportunity costs of decisions regarding the use of scarce debt resources. This Debt Affordability Study will inform the State as it structures 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.

This Debt Affordability Study will also provide a tool for evaluating the effect of existing and new debt programs on the State's 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.

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

Over the last five years, \$2.3 billion of capital funding was derived from the core State bonding programs, which include General Obligation Bonds, Severance Tax Bonds and Notes, Supplemental Severance Tax Notes and Transportation Revenue Bonds.

Board of Finance, transportation revenue bonds issued by the Department of Transportation through the New Mexico Finance Authority, and lease appropriation bonds. The State general obligation bonds are secured by the full faith and credit pledge of the State, and

are repaid from a dedicated *ad valorem* statewide 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 State Road Fund, which are principally derived from gasoline and diesel fuel taxes, registration fees and road user fees, plus an additional pledge of certain federal revenues received annually by the Department of Transportation. Accordingly, the lease appropriation bonds issued to fund the Fort Bayard Medical Center are the only core state bonds issued to date that are payable from General Fund resources.

The following table sets forth the sources of capital infrastructure funding for the State over the past five years, including the core State bonding programs, the severance tax note program as well as other sources of funding and pay-as-you-go funding from the General Fund. As shown in this table, in 2010 the General Fund contribution to capital funding was negative. This reflects the decision to re-appropriate available prior year funds that had been appropriated for capital projects for current year operating purposes. This decision, necessitated by a sharp drop in operational funding due to the national economic downturn, marked a significant change from prior year practices, when the State appropriated excess general fund revenues, primarily derived from activities related to oil and natural gas production, for direct expenditure for capital purposes.

Principal Sources of Capital Funding by Fiscal Year						
(Millions of dollars)						
	2010	2011	2012	2013	2014	Total
General Obligation Bonding Program						
General Obligation Bonds	-	\$19.7	-	\$139.3	-	\$159.0
Subtotal	-	19.7	-	139.3	-	159.0
Severance Tax Bonding Program						
Severance Tax Bonds	\$315.3	0.0	\$121.2	0.0	\$339.7	776.2
Severance Tax Funding Notes	178.5	27.3	76.2	112.0	90.5	484.5
Supplemental Severance Tax Bonds	112.9	0.0	0.0	0.0	0.0	112.9
Supplemental Severance Tax Funding Notes	97.0	206.1	148.7	167.8	175.2	794.8
Subtotal	703.7	233.4	346.1	279.8	605.4	2,168.4
Other Sources						
General Fund	(\$259.2)	-	-	-	-	(\$259.2)
Transportation Bonds	52.5	-	-	-	-	52.5
Lease Appropriation Bonds	-	-	-	-	-	-
Subtotal	(206.7)	-	-	-	-	(206.7)
Total	\$497.0	\$253.1	\$346.1	\$419.1	\$605.4	\$2,120.7

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

At the end of fiscal year 2014, the State had \$311.27 million of outstanding general obligation bonds and \$875.82 million of Senior and Supplemental Severance Tax Bonds. In addition, the State had \$56.72 million of lease appropriation bonds, and \$1.44 billion of transportation bonds supported by State Road Fund revenues. The following table sets forth the State tax-supported debt outstanding as of June 30, 2014.

State Debt Outstanding as of June 30, 2014	
(millions)	
General Obligation Bonds	\$311.27
Severance Tax Bonds	\$802.60
Supplemental Severance Tax Bonds	\$73.23
Transportation Bonds	\$1,443.29
Lease Appropriation	\$56.72
	\$2,687.10

Review of the State Credit

Ratings on State Bonds

The State's general obligation bonds are rated *Aaa* by Moody's Investors Service ("Moody's") and *AA+* by Standard & Poor's Ratings Services ("S&P"). These ratings are the highest ratings offered by Moody's and one notch below the "gilt-edged" triple-A ratings by S&P. The Moody's outlook was revised from negative to stable in July 2013, reflecting Moody's

New Mexico's general obligation bond ratings are Aaa and AA+ from Moody's and Standard & Poor's, respectively, while S&P recently changed its outlook from stable to negative.

improved outlook for the credit rating of the United States, while S&P changed the outlook on its general obligation bond rating from stable to negative in November 2014. S&P's outlook change reflected the State's relatively slow recovery from the

recent recession and S&P's concern that depressed energy prices could dampen economic growth going forward. It also reflected uncertainties surrounding the State's ongoing cash reconciliation initiative and the potential for adverse impacts on State fund balances. S&P has indicated that should the State complete its cash reconciliation and confirm reserve and cash balance levels in line with current estimates, it could revise the outlook back to stable.

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. As it reviews New Mexico's credit against federal risk factors, Moody's analytic focus has been on the following:

- Employment volatility due to U.S. budget challenges;
- Federal employment as a percentage of total state employment;
- Federal procurement contracts as a percentage of state gross domestic product;
- Medicaid as a percentage of total state expenditures;
- Put-able variable rate debt as a percentage of available resources;
- Availability of operating fund balance as a percentage of operating revenue, as an offset to these risk factors.

In Moody's assessment of New Mexico against these factors, it concluded that the State's risk exposure is above average with respect to (i) federal employment as a share of total state

New Mexico's strong bond ratings reflect (i) historically strong General Fund reserves, (ii) solid revenue performance, even during periods of national economic weakness, and (iii) rapid debt retirement and moderate, though increasing, debt levels.

employment, (ii) put-able variable rate debt (associated with transportation bonds issued by the New Mexico Finance Authority), (iii) levels of federal procurement contracts as a percentage of state gross domestic product, and (iv) the level of Medicaid expenditures as a percentage of total expenditures. Against these negative factors, Moody's noted that the State

has historically maintained strong operating fund balances as a percentage of operating revenue.

To date, Moody's has sustained New Mexico's *Aaa* rating. The key credit factors that have supported the State's strong general obligation bond ratings from both Moody's and S&P

over the past two decades include (i) strong General Fund reserves, (ii) solid performance of general fund revenues, even during periods of national economic weakness, and (iii) rapid debt retirement and moderate debt levels. These credit strengths have been balanced against historically low levels of personal income, the inherent volatility of oil and natural gas-related revenues, a relative lack of economic diversity, and dependence on federal employment. As noted above, pension underfunding and issues with the timeliness of annual financial reporting represent primary risks to the State's high general obligation bond ratings.

The rating analysts have historically recommended specific management practices that would strengthen the State credit position, including the implementation of coordinated, multi-year revenue and expenditure planning, and addressing the timeliness of financial reporting.

Critical to the State bond ratings is continued progress to improve the timeliness of financial reporting and the moving to an audited Comprehensive Annual Financial Report.

They have also suggested that legislation to mandate minimum reserve levels in the General Fund would provide additional rating strength. A recurring credit issue has been the timeliness of the State financial reporting. It is notable that while the Comprehensive Annual Financial

Report for fiscal year 2013 is dated June 29, 2014, or 12 months after the end of the fiscal year, it was not publicly released until November 17th. It is significant that fiscal year 2013 is the first year the State's CAFR was audited rather than reviewed. The State has spent much of the last year putting in place the staff and software to ensure it will be able to produce audited CAFRs in a more timely manner in the future.

The table below sets forth the ratings on outstanding bonds for State infrastructure bonding programs including the general obligation bond, severance tax bond and lease appropriation programs implemented through the State Board of Finance, as well as the state transportation revenue bonds and the Public Project Revolving Fund bonds issued through the New Mexico Finance Authority.

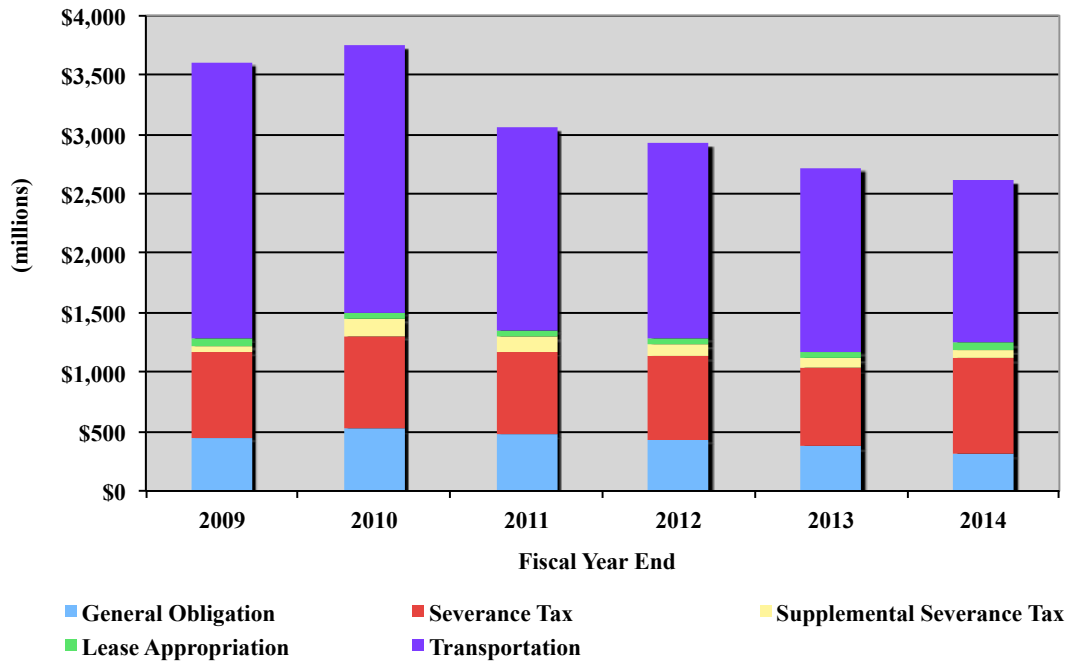
Outstanding State Bond Ratings		
	<u>Moody's</u>	<u>Standard & Poors</u>
State Board of Finance		
General Obligation Bonds	Aaa	AA+
Severance Tax Bonds	Aa1	AA
Supplemental Severance Tax Bonds	Aa2	AA-
Lease Appropriation Bonds	Aa1	AA
State Transportation Revenue Bonds		
Senior Lien	Aa1	AAA
Subordinate Lien	Aa2	AA
Adjustable Rate Subordinate Lien	Aaa	AAA
New Mexico Finance Authority		
Senior Lien Public Project Revolving Fund	Aa1	AAA
Subordinate Lien Public Project Revolving Fund	Aa2	AA+

Trends in State Debt Issuance

Trends in debt issuance are an integral factor in evaluating the State's debt levels. The State has made and continues to make substantial investment in basic capital infrastructure,

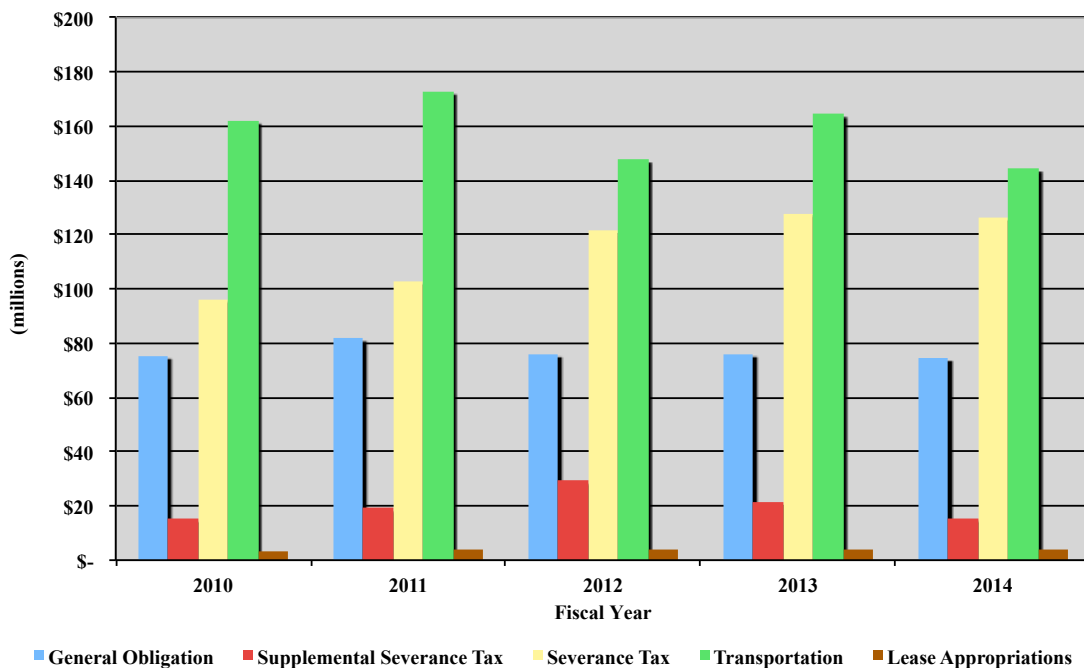
particularly in the areas of transportation, educational facilities and water supply. The trends in total outstanding state tax-supported debt are illustrated in the following graph.

Outstanding Tax-Supported Bonds



The State’s annual debt service payments have increased modestly over the last five years, rising from approximately \$352.0 million in fiscal year 2010 to approximately \$364.9 million in fiscal year 2014, representing an average annual growth rate of less than 1 percent.

Tax Supported Bond Debt Service 2010-2014



State Debt Ratios

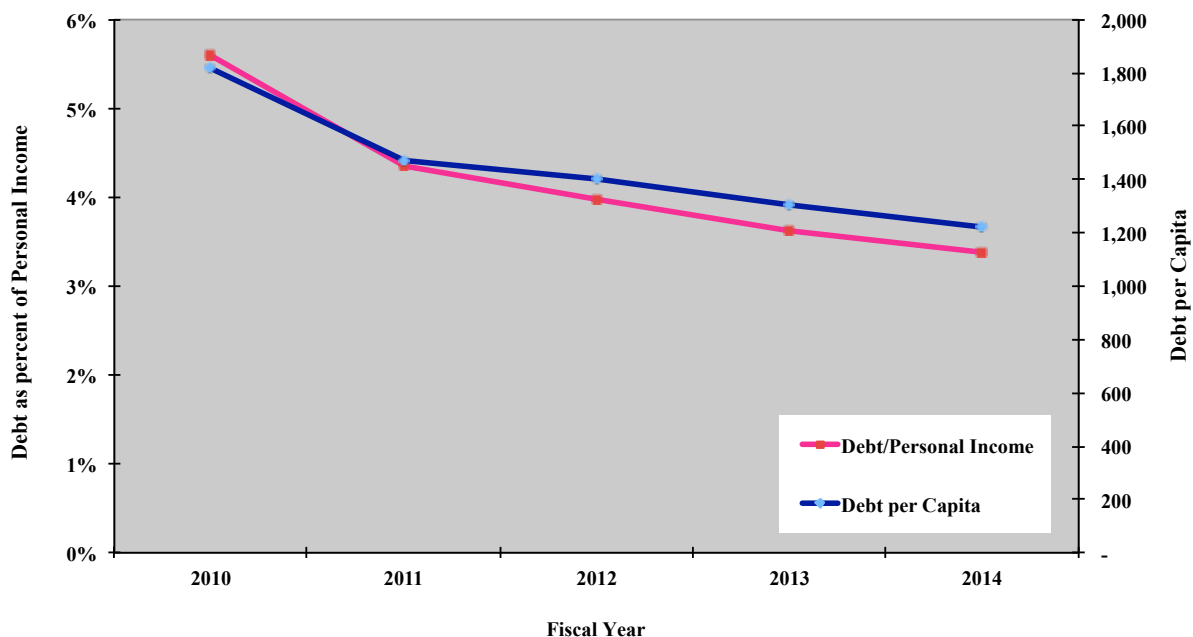
In addition to examining an issuer's total debt position, rating analysts review the issuer's debt ratios and their change over time. The key debt ratios developed and utilized by the bond rating agencies with respect to the evaluation of the credit quality of the State of New Mexico are Net Tax-Supported Debt to Personal Income and Net Tax-Supported Debt per Capita. Comparing the debt to Personal Income gives an approximate measure of the State's total fiscal resources which can be readily compared with those of other states, while debt per capita provides a relative measure of an entity's debt position compared to its peers.

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. Currently, State general

State law mandates short debt maturities and rapid debt amortization, both strong, structural debt features that contribute to strong rating and low interest rates.

obligation bonds total 0.55 percent of statewide assessed valuations, or just over 50 percent of the maximum of 1 percent permitted by the State Constitution. With respect to the pace of repayment of outstanding bonds, repayment of 25 percent of the par amount of the bonds in five years and 50 percent of the par amount of the bonds in 10 years is considered average for general obligation issuers nationally. Therefore, the State's issuance of bonds with a final maturity of 10 years is substantially more conservative than the norm. The following graph presents the State's tax-supported debt ratios over the past five years, and demonstrates the downward moderating trend in debt per capita and as a percent of personal income.

Key Debt Ratios



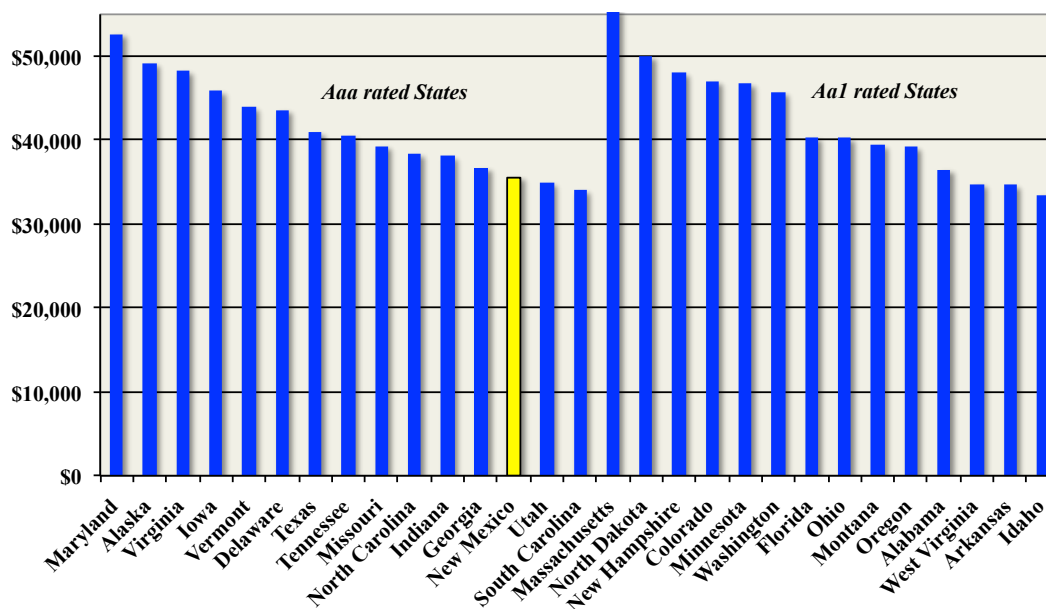
Because the rate of debt repayment is a contributing factor to credit ratings, it is notable that both State general obligation bonds and bonds issued under the Severance Tax Bonding Program are fully retired within 10 years. The five-year retirement rates of the State general obligation, severance tax and supplemental severance tax bonds are 80.0 percent, 69.5 percent and 82.0 percent, respectively. With respect to the transportation bonds, the five-year retirement rate is 31.9 percent, while 75.6 percent mature within 10 years. Historically, the State debt management practices have provided for comparatively rapid repayment of bonds, which is generally a positive credit consideration.

Comparison of Debt Ratios to Selected Peer Group and National Medians

A comparison of key State debt ratios to peer group performance ratios is useful to place the State’s debt position in a national context. Both Moody’s and S&P publish ratio data on state governments on a regular basis. For the purposes of benchmarking the State’s key debt ratios, a comparison with peer states is provided below utilizing data published by Moody’s in May 2014. The peer group comprises states that are rated *Aaa* and *Aa1*.

The following table provides the context of a peer group comparison, as it sets forth a comparison of per capita income in New Mexico with other states rated *Aaa* or *Aa1* by Moody’s.

Peer Comparison: Per Capita Income

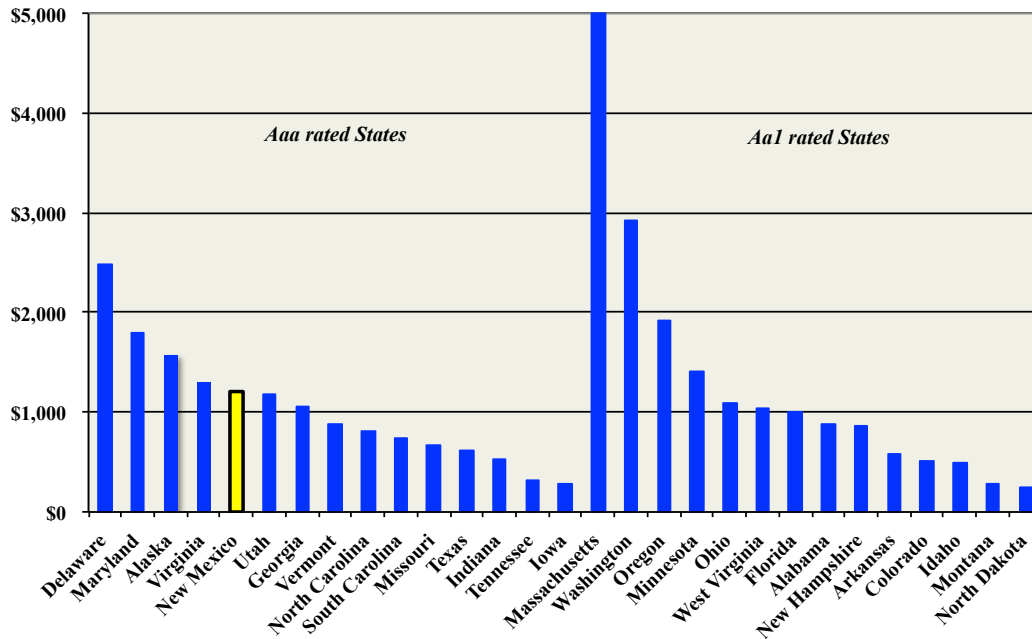


The graph below presents a peer comparison of net tax supported debt per capita for states in the two highest rating categories. As is illustrated here, New Mexico’s net tax supported debt per capita is toward the higher end of the range among its triple-A rated peer states. Some have suggested that New Mexico’s debt levels reflect the infrastructure requirements of being one of the largest states in the nation in terms of

Debt ratios are stable, though high compared to peer states relative to both population and personal income, reflecting both the large size of the State relative to population, as well as per capita income.

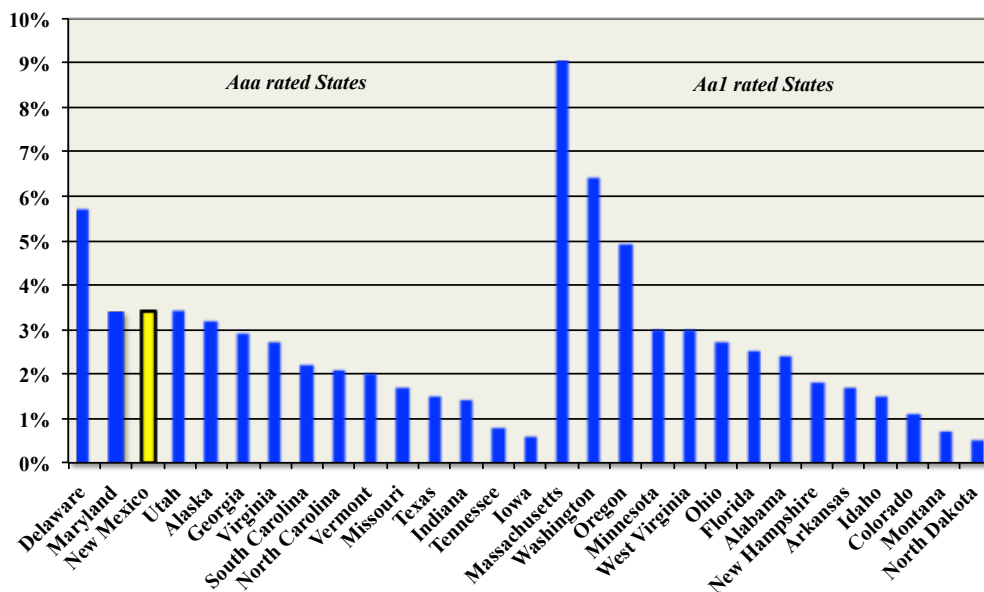
land area while having a small population base. The large land area combined with the small population base creates disproportionate costs for roads and other infrastructure on a per capita basis.

Peer Comparison: Net Tax Supported Debt per Capita



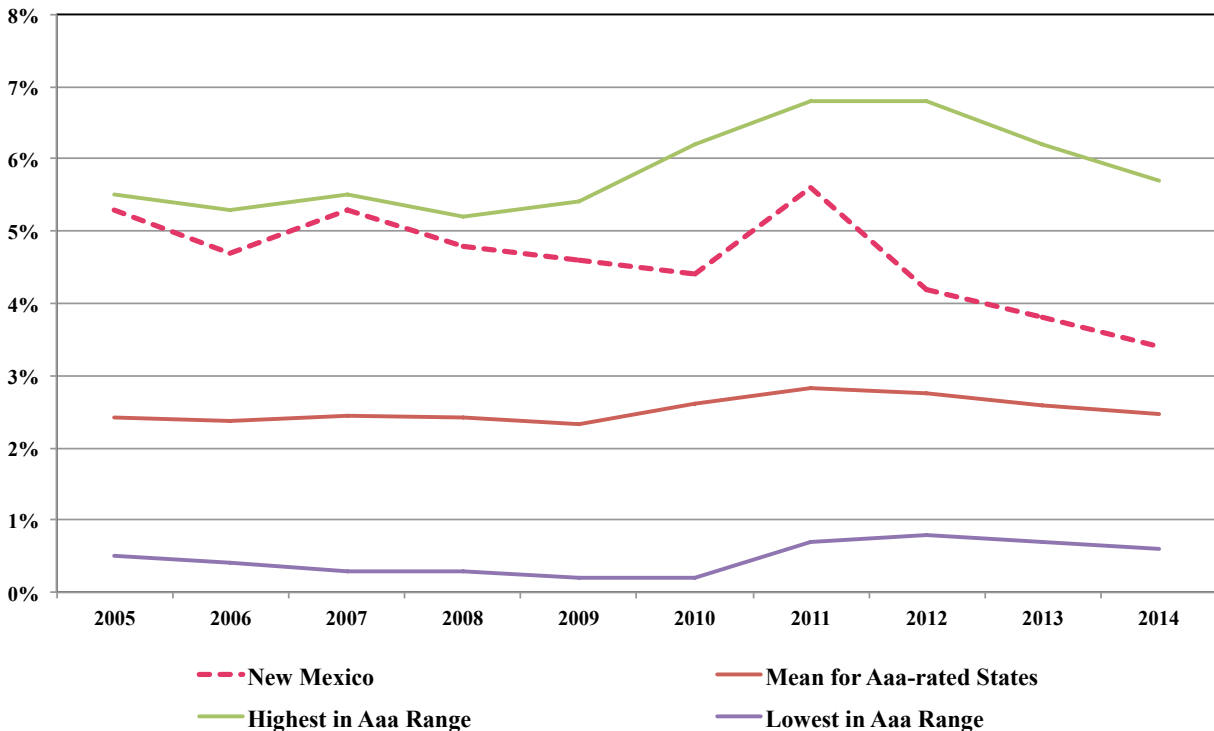
Similarly, the graph below presents the ratio of State net tax supported debt to personal income in comparison with the same peer group. As illustrated here, New Mexico has a ratio of net tax-supported debt to personal income that again is toward the higher end of the range among its peers.

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



Finally, the graph below presents the 10-year trend in State tax supported debt to personal income and the comparable trends of peer states, based on data provided by Moody's. This graph illustrates the downward trend of State debt over the past decade. As presented here, New Mexico's indebtedness as measured by this key ratio is solidly within the range of the peer population of *Aaa*-rated states.

Trends in Net Tax Supported Debt as a Percentage of Personal Income: *Aaa*-rated States



General Fund Reserves

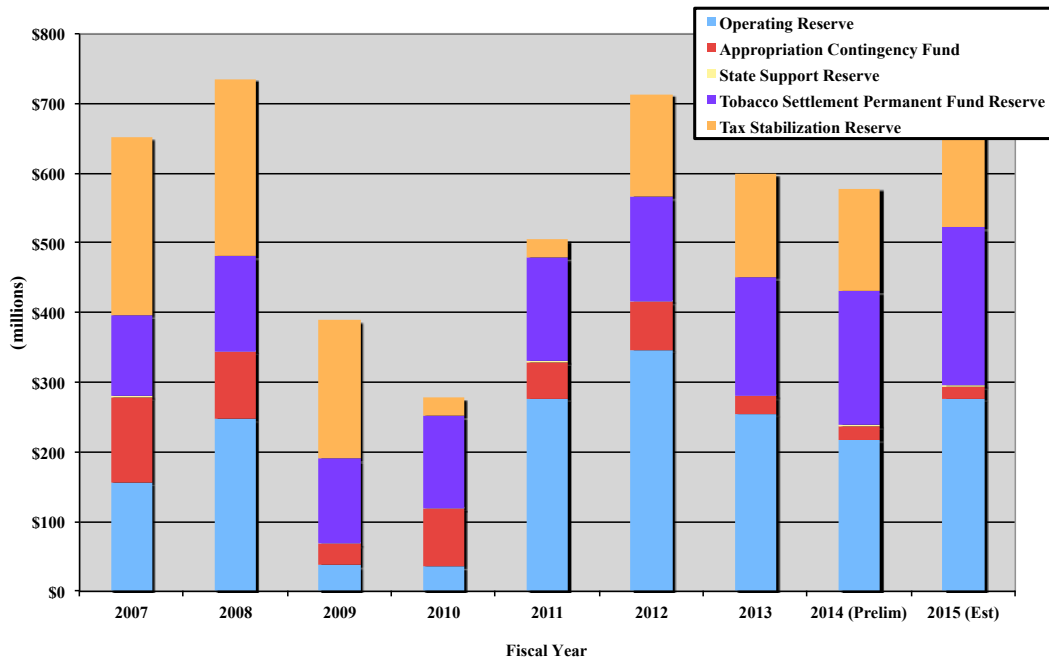
Strong reserve balances in the General Fund have been a credit strength of the State general obligation bond ratings, and are viewed by Moody's as a potential offset against the State's vulnerability to federal budget risk. The following graph presents the components of the General Fund reserve balances over the past decade, including preliminary results for 2014 and estimated 2015 year-end balances. As illustrated here, in fiscal year 2008, reserve balances reached a peak of \$735 million, before declining to \$278 million in the wake of the 2008 financial crisis. Two years later, reserves were once again over \$700 million, before moderating slightly. At the end of fiscal year 2014, the preliminary

General Fund Reserve levels have been critical to the New Mexico bond ratings. Keeping aggregate reserves above five percent and toward 10 percent are key rating metrics for both bond rating agencies.

reserve estimate is \$578.4 million, or 9.8 percent of recurring appropriations. Fiscal year 2015 estimated reserves as shown here will likely be impacted by non-recurring appropriations during the 2015 legislative session.

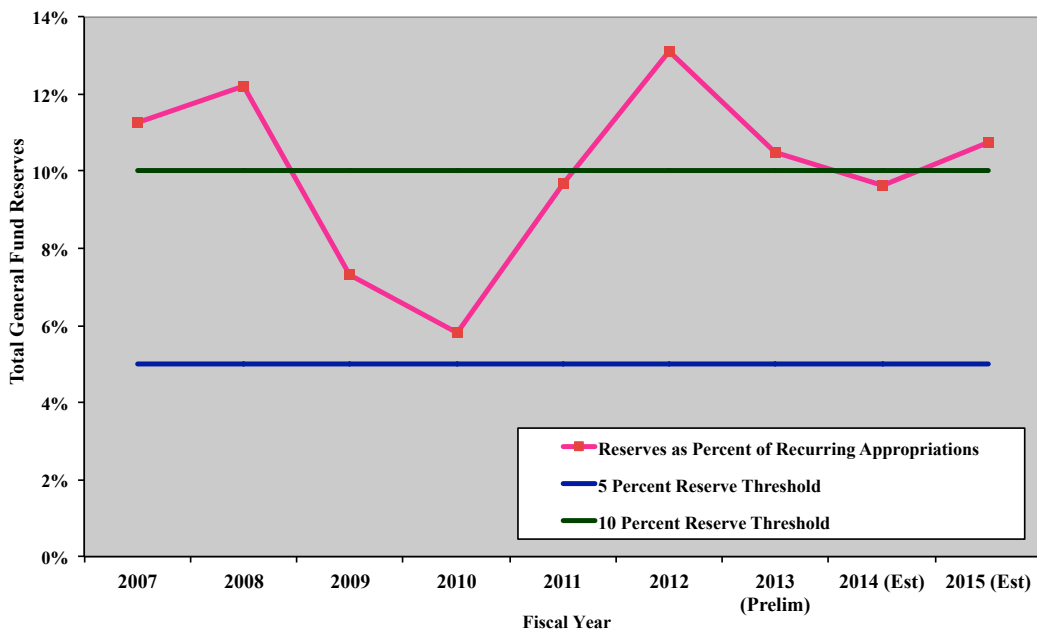
reserve estimate is \$578.4 million, or 9.8 percent of recurring appropriations. Fiscal year 2015 estimated reserves as shown here will likely be impacted by non-recurring appropriations during the 2015 legislative session.

General Fund Reserves FY 2007-2015 (Est)



The following graph presents the General Fund reserves as a percentage of recurring appropriations, with a line designating the 5 percent reserve floor established as a credit criteria by S&P and a line designating the 10 percent reserve target established within the Executive Branch. Over the past 10 years, the reserve ratio has fluctuated, but as illustrated here has remained close to or above the 10 percent target level over the past four years.

General Fund Reserves as Percent of Recurring Appropriations



General Fund Revenues and Forecast Error

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

The normal fluctuation in the primary General Fund revenues reflecting economic cycles mirror those of peer states with a mix of income and gross receipts taxes. The State's revenue mix reflects these revenues, along with taxes and royalties derived from mineral extraction industries. These revenues give the State the posture of being a seller of oil and natural gas, and

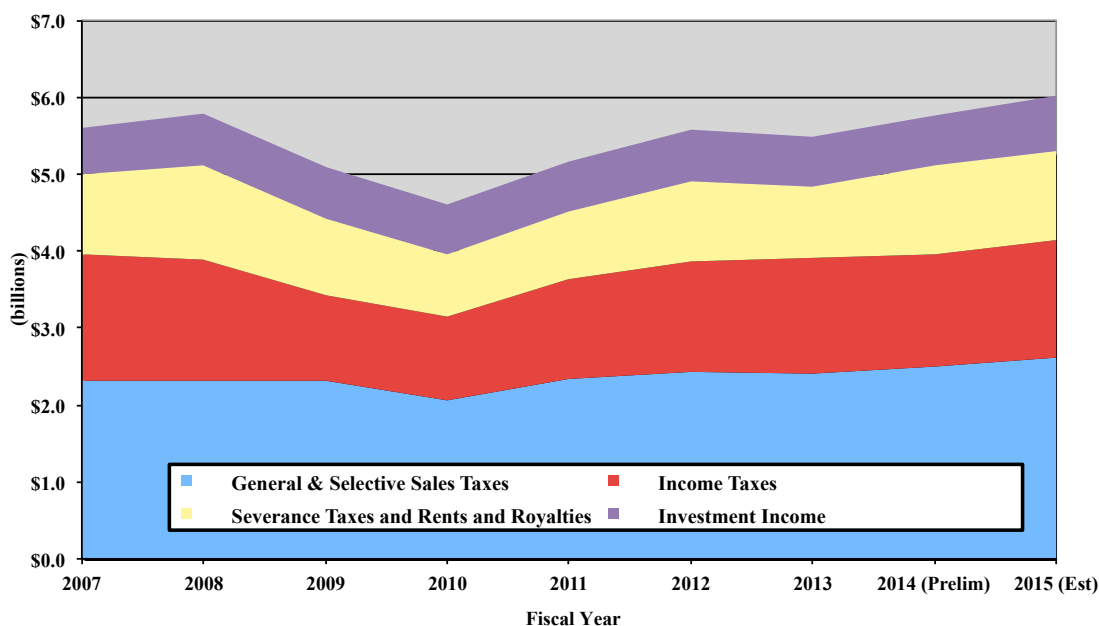
Severance taxes have tended to provide a counter-cyclical benefit to the State revenue mix.

therefore reflect 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

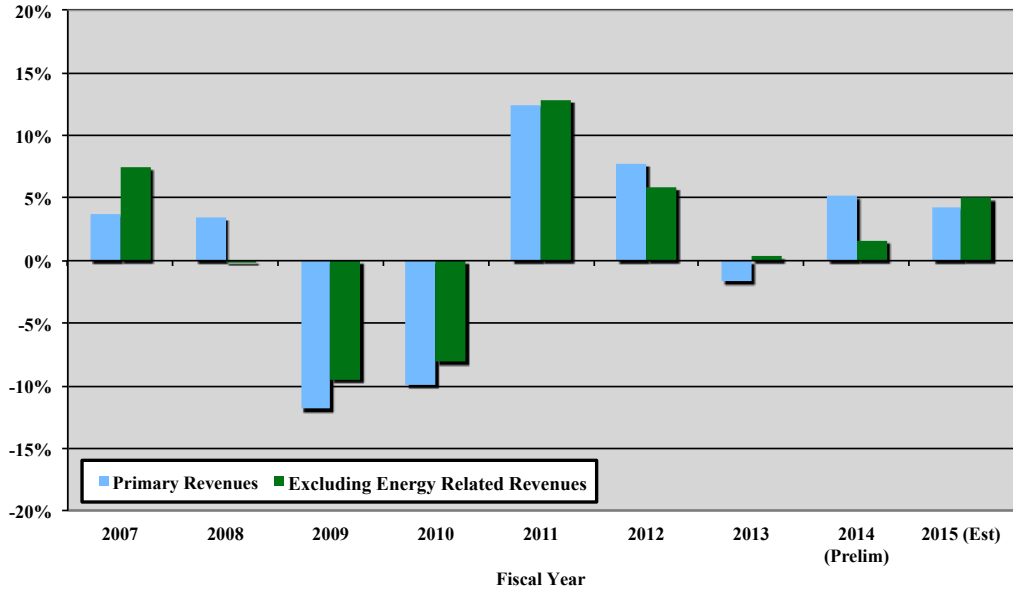
mineral taxes and revenues, S&P has noted the counter-cyclic benefits of the revenue diversity, and the strong revenue performance that the State has realized during periods of national economic weakness. It is notable that the only one-half of these revenues flow into the State General Fund, with the remainder utilized for capital project funding and deposits into the State permanent funds. Earnings on the State's two permanent funds, contributing over 10 percent of General Fund revenue, are a stabilizing factor that help to mitigate the volatility of other revenues.

The year-over-year growth in the primary General Fund revenues, which comprise sales taxes, income taxes, revenues derived from mineral extraction activities and investment earnings, including those from State permanent funds, is presented below.

Primary General Fund Revenues 2007-2015 (Est)

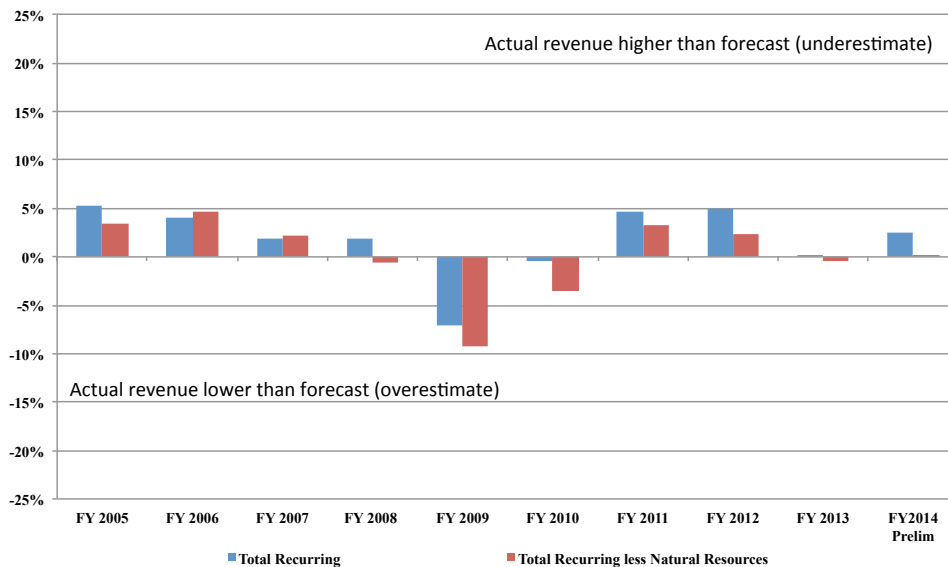


Annual Fluctuation in Primary Revenues

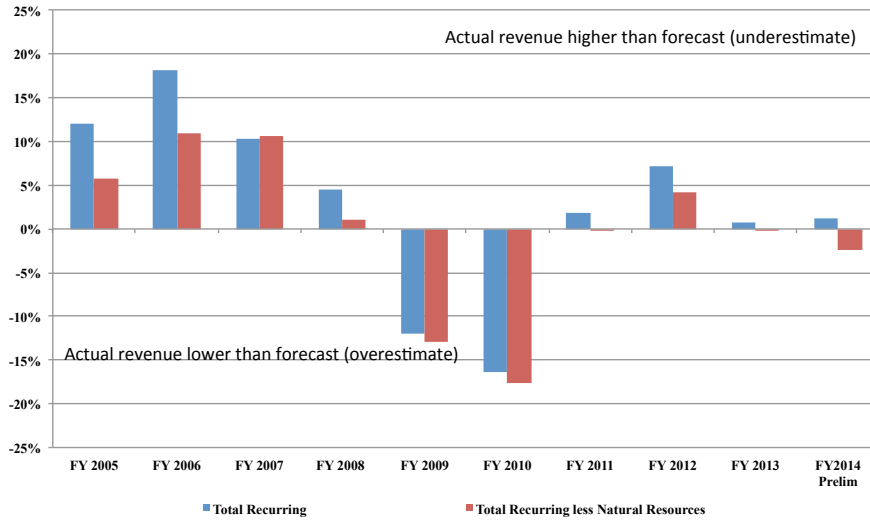


Because of the role of mineral taxes and revenues in the State revenue mix, the State closely tracks the 6-month and 18-month forecast error in State revenue planning. The 18-month estimate represents projections at the time the fiscal year budget is adopted. As illustrated in the following two graphs, State revenue estimates developed through the Executive-Legislative consensus revenue estimation process have tended to result in core revenues outperforming projections during expansions and underperforming during contractions. Negative error indicates that actual revenue receipts fell short of the estimate. Positive error indicates actual revenue receipts exceeded the estimate.

Consensus Revenue Group 6-Month Estimating Error for Recurring Revenues and Natural Resource Revenues



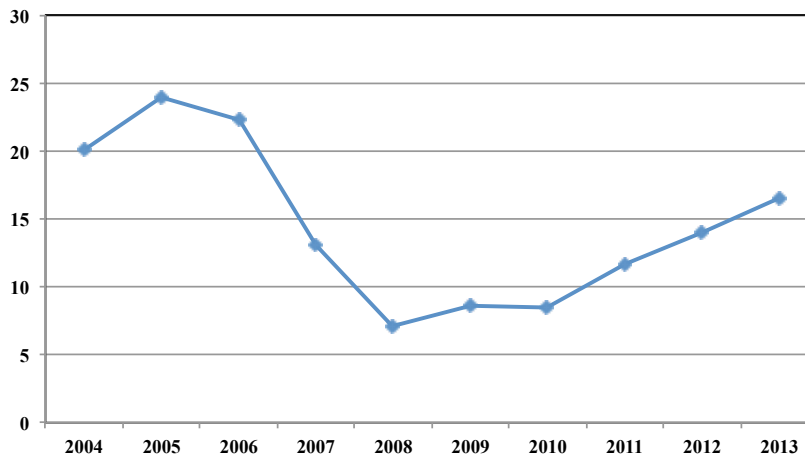
Consensus Revenue Group 18-Month Estimating Error for Recurring Revenues and Natural Resource Revenues



Financial Reporting

Delays in the issuance of the State CAFR have historically been a negative credit factor for the State. 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. Prior to fiscal year 2007, the State issued its CAFR on average 19 months after the end of the fiscal year. By 2007, the implementation of a centralized accounting system contributed to improvement in the timeliness of publication, however until fiscal year 2013 the CAFR was reviewed and not audited. Fiscal year 2013 was the first year that the State CAFR was audited, and practices implemented for the fiscal year 2013 CAFR audit will enable future CAFR's to be published on a more timely basis. It will be important for the State to continue to make every effort to have its financial reporting practices conform to industry standards as noted above. The graph below illustrates the number of months following fiscal year end in which the CAFR was published.

Time until CAFR Publication
(months)



State Pension Funds and Other Post-Employment Benefit Liabilities

The funding levels of PERA and ERB continue to constitute a significant fiscal challenge to the State, as bond raters increasingly look at unfunded pension liabilities as part of the overall state debt burden.

The financial position of the State pension funds and the projected liabilities for Other Post-Employment Benefits (OPEB) have over the past several years become an increasing focus of attention for both rating analysts and the public and now constitute the largest share of the long-term liabilities of many states. The bond rating agencies have recently intensified their analytic focus on the legal and economic circumstances of state pension funds, and the long-term consequences of underfunded public pension obligations.

Moody's has taken the most aggressive stance with respect to its evaluation of pension obligations, and has begun to implement new procedures that recognize unfunded pension obligations as long-term obligations comparable to long-term debt. Specifically, Moody's approach comprises three specific analytic steps: (i) allocating cost-sharing plan liabilities to the balance sheets of the underlying obligors, (ii) adjusting an issuer's total actuarial liability to reflect a 5.5 percent portfolio yield over time, approximating the return on high-grade corporate bonds, and (iii) looking at market values of assets without regard to asset-smoothing.

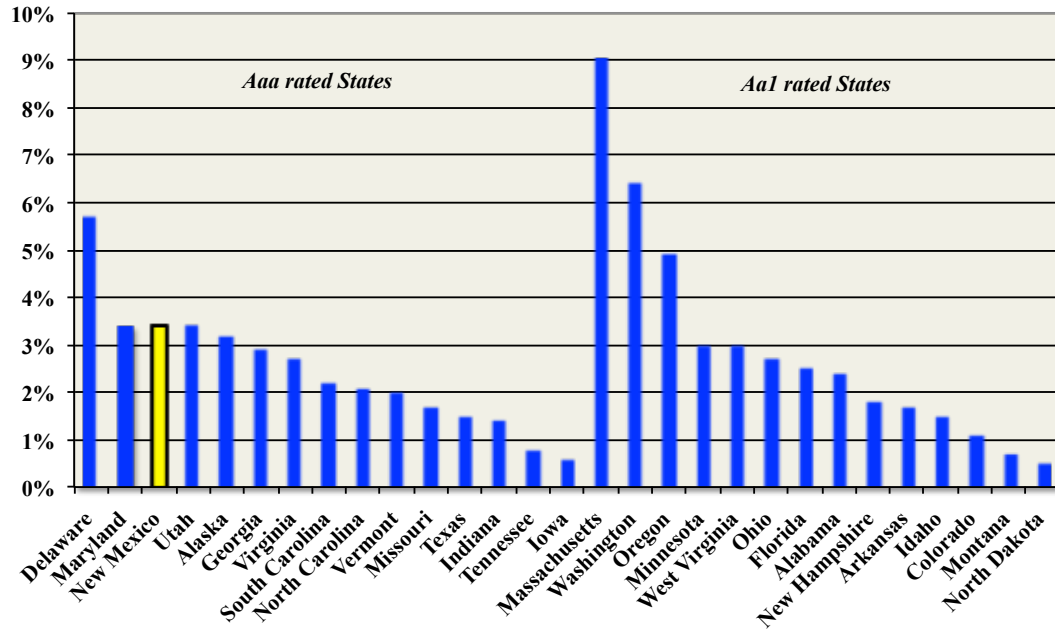
Moody's analytic approach will recognize issuer pension liabilities on par with debt obligations in its credit review process. The results of Moody's most recent analysis of New Mexico's pension position, prepared based on 2011 data, are presented below.

Moody's Adjustments to US New Mexico Reported Pension Data
(dollars in thousands)

	Total	ERB	PERA
As Reported			
Total Liability	\$32,119,492	\$15,293,100	\$16,826,392
Actuarial Value of Assets	\$21,497,417	\$9,642,200	\$11,855,217
Market Value of Assets	\$21,559,280	\$9,588,563	\$11,970,717
Unfunded Liability	\$10,622,075	\$5,650,900	\$4,971,175
Funded Ratio	66.9%	63.0%	70.5%
Discount Rate	-	7.75%	7.75%
Contributions	\$313,276	\$313,276	N/A
Adjusted			
Total Liability	\$11,196,247	\$334,963	\$10,861,284
Market Value of Assets	\$6,160,335	\$163,006	\$5,997,329
Unfunded Liability	\$5,035,912	\$171,957	\$4,863,955
Funded Ratio	55.0%	48.7%	55.2%
Discount Rate	5.5%	5.5%	5.5%
Calculated State Share		1.7%	50.1%
Amort. UAAL PMT	\$404,434	\$13,810	\$390,624

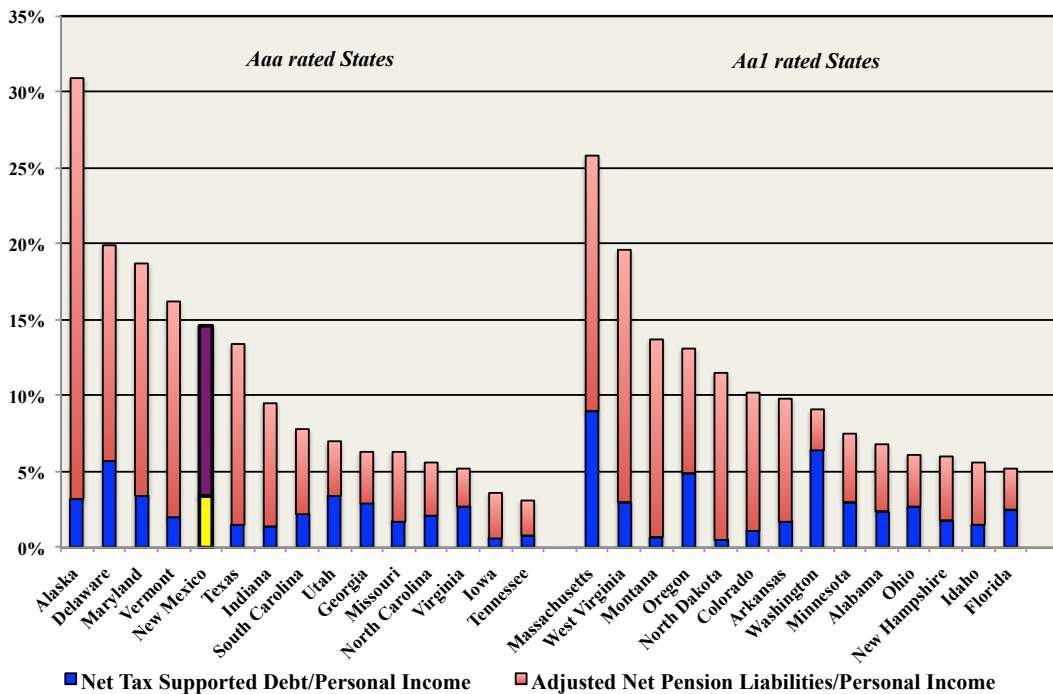
The following two graphs illustrate the impacts of the proposed changes, based upon data provided by Moody's. The graph on the top of the next page presents the Net Tax Supported Debt as a percentage of State Personal Income prior to the inclusion of Moody's "adjusted net pension liabilities" as debt.

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



The graph below presents the same data as in the table above, with each state's Adjusted Net Pension Liabilities included as debt and shown in red to illustrate the magnitude relative to public market state debt.

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



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 reflecting the capacity

The State projects the capacity to issue \$2.74 billion of bonds for capital funding over the next five years. However, \$1.40 billion would be from cash flow notes that will not constitute new long-term debt.

available from each of the core funding sources. This table includes the issuance of long-term general obligation, severance tax, supplemental severance tax and transportation bonds, and projected lease appropriation obligations, as well as the

current year funding provided from the cash available in the Severance Tax Bonding Fund through the issuance of severance tax and supplemental severance tax notes. Projected debt issuance is based on statutory and constitutional capacity constraints and incorporates estimates of property values and future oil and gas revenues.

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

Sources of Funds (millions)	FY15	FY16	FY17	FY18	FY19	Five-Year
General Obligation Bonds	-	\$187.3	-	\$187.3	-	\$374.6
Severance Tax Bonds	\$191.8	191.8	\$191.8	191.8	\$191.8	959.0
Severance Tax Notes	128.2	92.7	67.1	71.4	72.2	431.7
Total Seniors	320.0	284.5	258.9	263.2	264.0	1,390.7
Supplemental Severance Tax Bonds	-	-	-	-	-	-
Supplemental Severance Tax Notes	182.9	188.1	190.9	201.9	210.2	974.0
Total Supplemental STBs	182.9	188.1	190.9	201.9	210.2	974.0
Total Sources of Funds	\$502.9	\$659.9	\$449.8	\$652.5	\$474.2	\$2,739.3
Uses of Funds (millions)	FY15	FY16	FY17	FY18	FY19	Five-Year
Projects approved by referendum	-	\$187.3	-	\$187.3	-	\$374.6
New Statewide Capital Projects	\$230.8	227.6	\$207.2	210.6	\$211.2	1,087.4
Authorized but Unissued STB Bonds	25.2	-	-	-	-	25.2
Water Projects	32.0	28.5	25.9	26.3	26.4	139.1
Colonias Project Capital	16.0	14.2	12.9	13.2	13.2	69.5
Tribal Projects Capital	16.0	14.2	12.9	13.2	13.2	69.5
Education Capital	182.9	188.1	190.9	201.9	210.2	974.0
Total Uses of Funds	\$502.9	\$659.9	\$449.8	\$652.5	\$474.2	\$2,739.3

State Board of Finance Bonding Programs

As presented in the table below, the State Board of Finance currently projects \$5.4 billion of new money financing for statewide capital projects over the next 10 years. This amount comprises \$936.5 million of projected general obligation bonding capacity, with issuances subject to legislative authorization and voter approval, \$2.5 billion of senior severance tax bonds and notes subject to legislative authorization and appropriation, and \$2.0 billion of supplemental severance tax notes for education projects designated for funding by the Public School Capital Outlay Council. Projections of general obligation bonding capacity reflect the current consensus between the Governor and the Legislature regarding the objective of keeping the aggregate

general obligation mill levy stable, and the overall limitations on constitutionally available capacity (reflecting the 3.0 percent increase in net taxable values for property tax year 2015 over 2014, and increases projected at 3.4 to 4.0 percent in subsequent years). Projections of severance tax bonding capacity reflect long-term natural resource price and production projections developed by State economists and are revised periodically.

State Board of Finance						
Projected Bonding Capacity by Fiscal Year						
(millions of dollars)						
	GO Bonds	Severance Tax Bond Program		Supplemental STB Program		Total
		Bonds	Notes	Bonds	Notes	
2015	-	\$191.8	\$128.2	--	\$182.9	\$502.9
2016	\$187.3	191.8	92.7	--	188.1	659.9
2017	-	191.8	67.1	--	190.9	449.8
2018	187.3	191.8	71.4	--	201.9	652.5
2019	-	191.8	72.2	--	210.2	474.2
2020	187.3	191.8	61.0	--	206.3	646.4
2021	-	191.8	52.0	--	201.0	444.8
2022	187.3	191.8	41.2	--	205.3	625.6
2023	-	191.8	19.4	--	202.9	414.0
2024	187.3	191.8	0.0	--	198.1	577.2
Total	\$936.5	\$1,918.0	\$605.2	\$0.0	\$1,987.6	\$5,447.4

General Obligation Bond Issuance

State general obligation bonds are authorized by the Legislature and placed on the ballot for voter approval on a biennial basis. As a general matter, state general obligation bonds are

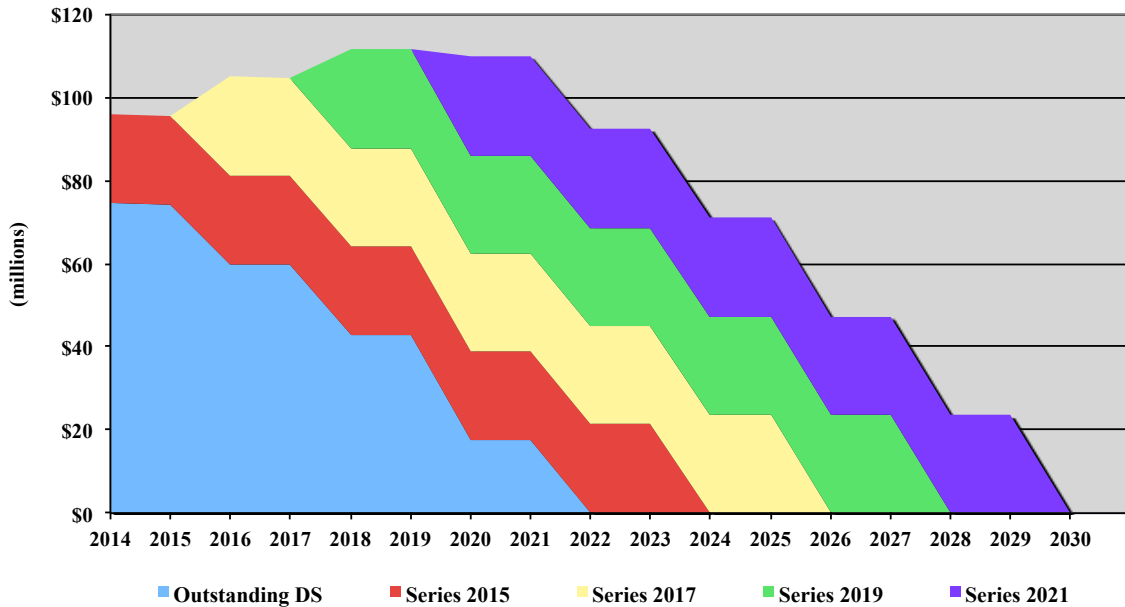
General obligation bonding capacity of \$936.5 million over the next decade reflects the current consensus between the Governor and the Legislature regarding the objective of keeping the aggregate general obligation mill levy stable.

subject to a debt limit equal to 1 percent of statewide net taxable property value. The debt limit as of the most recent property valuation was \$564.7 million, and \$311.3 million in general obligation bonds were outstanding as of the end of fiscal year 2014. General obligation bonds are

secured by the full faith and credit of the State and are repaid from a dedicated property tax millage assessment established pursuant to the voter approval of the bonds.

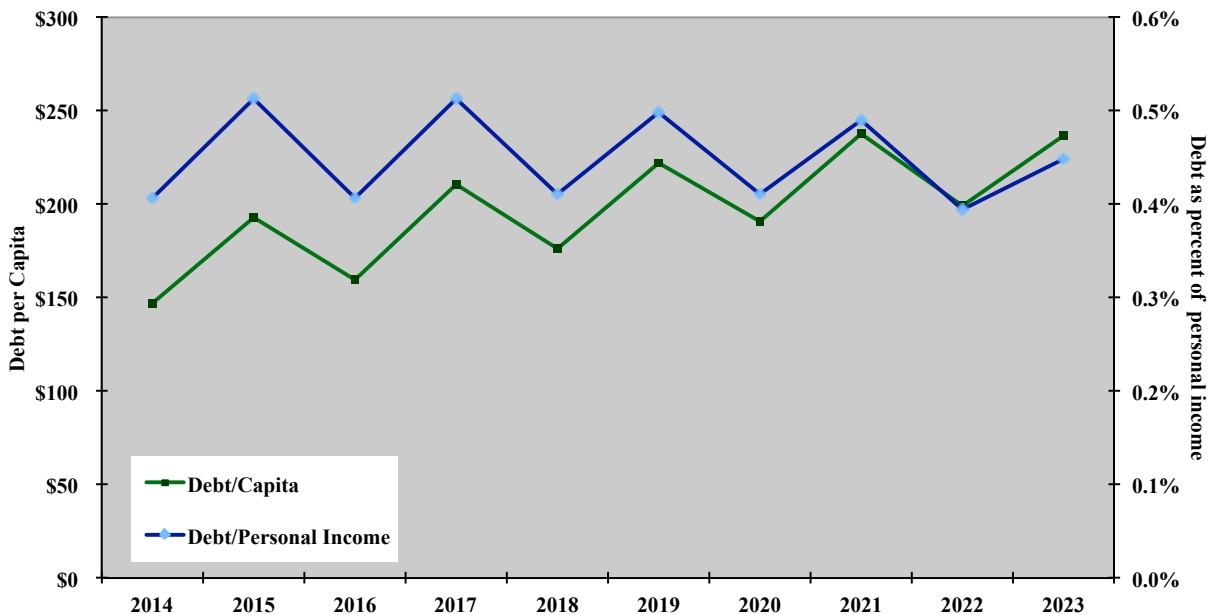
The graph below illustrates the debt service profile of outstanding debt, and the new general obligation bond issues projected in the table above. Issuance as illustrated here reflects the policy decision by the Martinez administration and the Legislature to limit general obligation bond authorizations to amounts that can be issued while keeping the statewide property tax mill rate flat.

**General Obligation Bonds
Annual Debt Service with Projected New Issues**



General obligation bonds are sold with a maximum maturity of 10 years. As illustrated in the following graph, the projected biennial issuance of general obligation bonds sustains a stable level of debt per capita and a moderately declining level of general obligation debt service as percentage of personal income in the State. For the purposes of this projection of future debt ratios, population growth in the State is projected to continue at an annual rate of 1.7 percent, and projected personal income growth in the State at a continuing annual rate of 4.3 percent (reflecting inflation of 3.3 percent and real growth of 1.0 percent).

Projected Per Capita G.O. Debt and Debt Per Capita as Percent of Income



Severance Tax Bond and Supplemental Severance Tax Bond Issuance

Severance tax bonds are authorized by the Legislature for statewide and local capital projects. Currently, 10 percent of senior severance tax bonding capacity is set aside for water projects and 5 percent of senior severance tax bonding capacity is set aside for both tribal and colonias projects. The Legislature has authorized the State Board of Finance to issue supplemental severance tax bonds for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council.

Severance tax bonds and supplemental severance tax bonds are secured by and repaid from pledged revenues received in the Severance Tax Bonding Fund. Under the statutory test

SEVERANCE TAX BONDING FUND REVENUES
Remaining Revenues at maximum debt service 5%
Maximum revenues available to pay debt service on Supplemental Severance Tax Notes, and Supplemental Severance Tax Bonds, and Severance Tax Bonds and Notes 95%
Maximum revenues available to pay debt service on Supplemental Severance Tax Bonds and Severance Tax Bonds and Notes 62.5%
Maximum revenues available to pay debt service on Severance Tax Bonds and Notes 50%

governing the issuance of severance tax bonds and supplemental severance tax bonds, and as illustrated in this chart, 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 recently completed fiscal year. Long-term supplemental severance tax bonds can only be issued to the extent that the combined debt service on outstanding severance tax bonds and long-term supplemental severance tax bonds does not exceed 62.5 percent of revenues received into the Severance Tax Bonding Fund during the most recently completed fiscal year. Severance tax notes issued to make cash available in the Severance Tax Bonding Fund for capital projects prior to the semi-annual transfer to the Severance Tax Permanent Fund are subject to the same limitations as severance tax bonds. Supplemental severance tax notes, on the other hand, 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 most recent completed fiscal year.

The statutory issuance tests and policies limiting the issuance of long-term debt are elemental to the strong credit quality of the Severance Tax Bonding Program. Central to the analysis of both Moody’s and Standard & Poor’s is the debt service coverage ratio of current Severance Tax Bonding Fund revenues, excluding interest earnings, relative to maximum annual debt service on outstanding bonds. Both agencies maintain current rating levels based upon the expectation that coverage levels will be maintained well in excess of the minimum 2.00 times coverage reflected in the statutory issuance test.

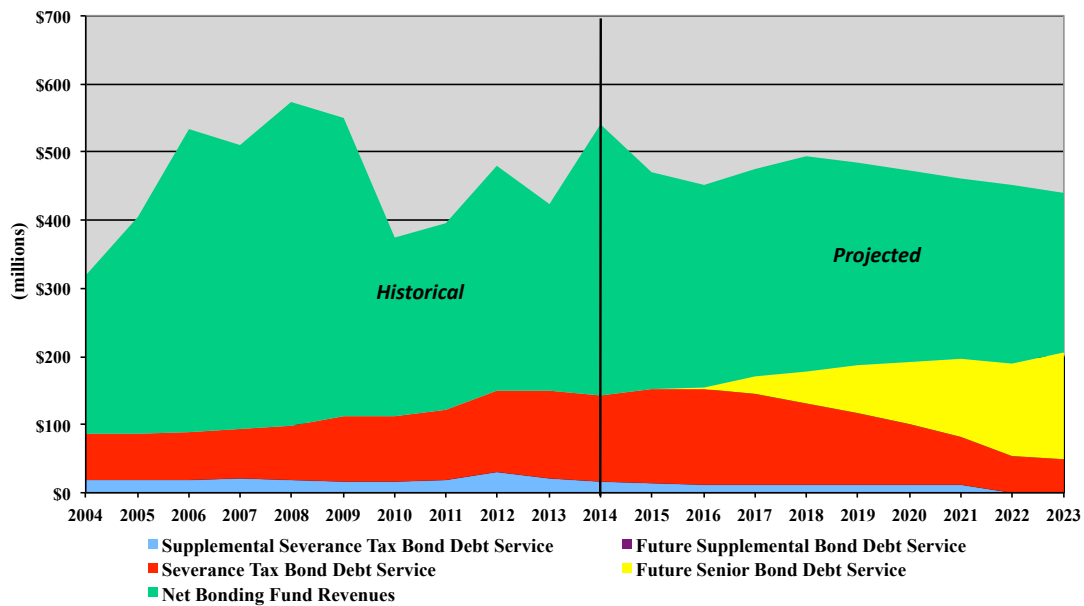
Annual long-term capacity for severance tax bonds is determined by the State Board of Finance, based upon outstanding debt service and projections of future Severance Tax Bonding Fund revenues. As a general matter, annual long-term bonding capacity is calculated as 10 percent of the long-term debt capacity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

Long-standing State policy has allocated total long-term severance tax bonding capacity over a ten-year horizon. With \$1.92 billion of long-term capacity, and \$2.61 billion of short-term “sponge” capacity, less than half of the Severance Tax Bonding Program comprises the issuance of long-term debt.

and the resulting cash flow available on an annual basis to be set aside for capital purposes through note issuance.

The following graph illustrates the historical and projected revenue and debt service profile of the Severance Tax Bonding Program reflecting the projected issuance of \$191.8 million of new long-term severance tax bond issues annually. 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 bond debt service and increase the use of cash funding for capital projects.

**Severance Tax Bonding Fund
Historical and Projected Revenues and Debt Service**



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

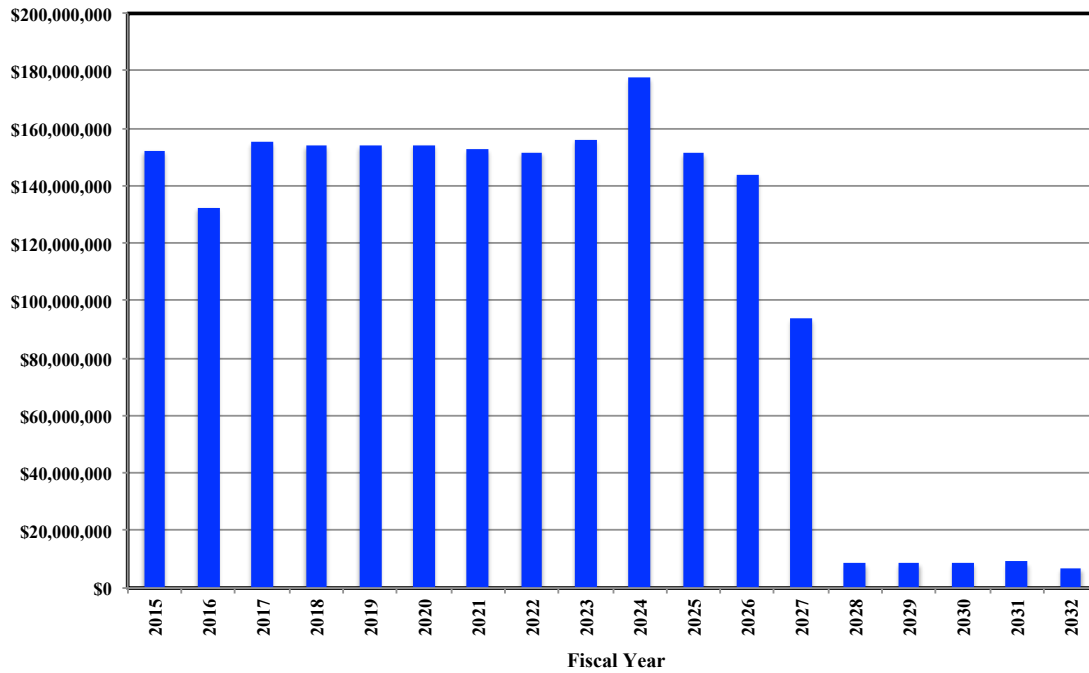
Severance Tax Bonding Program Historical and Projected Debt Service Coverage					
Fiscal Year	Senior Severance Tax Bonds	Supplemental Bonds	Coverage with Future Issues		
			Senior	Supplemental	
2004	4.68	3.69			
2005	5.95	4.65			
2006	7.65	5.97			
2007	7.00	5.48			
2008	7.06	5.78			
2009	5.73	4.94			
2010	3.89	3.35			
2011	3.84	3.24			
2012	3.95	3.19			
2013	3.31	2.83			
2014	4.28	3.81			Actual
2015	3.42	3.10	3.42	3.10	Projected
2016	3.23	2.97	3.17	2.92	
2017	3.56	3.26	3.00	2.78	
2018	4.14	3.76	2.97	2.77	
2019	4.61	4.14	2.78	2.60	
2020	5.26	4.66	2.61	2.45	
2021	6.55	5.64	2.51	2.36	
2022	8.35	8.35	2.38	2.38	
2023	9.16	9.16	2.14	2.14	

Transportation Bond Program Projected Revenues and Bond Issuance

The New Mexico State Department of Transportation has managed the largest capital investment program in the State over the past decade. The Statewide transportation capital investment program is funded from State and federal revenues in addition to bond proceeds. Bonds issued by the Department of Transportation through the New Mexico Finance Authority are secured by and repaid from revenues received into the State Road Fund, which are principally derived from gasoline taxes, registration fees and road user fees, as well as certain federal revenues received annually by the State Department of Transportation. As of July 1, 2014, the transportation debt outstanding was \$1.44 billion.

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

Transportation Bond Debt Service



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

<u>Transportation Program</u>				
<u>Projected Revenues, Debt Service, and Coverage</u>				
	<u>Total</u>	<u>Principal</u>	<u>Pledged</u>	<u>Debt Service</u>
	<u>Debt Service</u>	<u>Outstanding</u>	<u>Revenues</u>	<u>Coverage</u>
2015	\$152,159,250	\$1,359,210,000	\$694,343,000	4.56
2016	\$132,430,519	\$1,290,570,000	\$701,043,000	5.29
2017	\$155,063,219	\$1,196,915,000	\$705,005,000	4.55
2018	\$153,998,288	\$1,099,855,000	\$710,739,000	4.62
2019	\$153,937,856	\$998,190,000	\$710,739,000	4.62
2020	\$154,282,950	\$891,600,000	\$710,739,000	4.61
2021	\$152,715,450	\$781,330,000	\$710,739,000	4.65
2022	\$151,778,825	\$666,545,000	\$710,739,000	4.68
2023	\$156,046,800	\$541,985,000	\$710,739,000	4.55
2024	\$177,550,986	\$390,490,000	\$710,739,000	4.00
2025	\$151,291,816	\$258,230,000	\$710,739,000	4.70
2026	\$144,058,992	\$126,900,000	\$710,739,000	4.93
2027	\$93,867,984	\$37,305,000	\$710,739,000	7.57
2028	\$8,785,250	\$30,385,000	\$710,739,000	80.90
2029	\$8,894,250	\$23,010,000	\$710,739,000	79.91
2030	\$8,995,500	\$15,165,000	\$710,739,000	79.01
2031	\$9,103,250	\$6,820,000	\$710,739,000	78.08
2032	\$7,161,000	\$0	\$710,739,000	99.25

Lease Appropriation Bond Financing

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

In September 2008, the State completed its first issuance of lease appropriation bonds in the amount of \$60,000,000 for an essential state facility, the Fort Bayard Medical Center in Grant County. In anticipation of this financing, the Department of Finance and Administration established policies and procedures that govern the issuance of lease appropriation bonds and limit their use to development and construction of essential state facilities. This policy document is attached hereto as Appendix B.

Public Project Revolving Fund

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

Because the PPRF obligations are issued to fund loans for local projects and are primarily repaid from local revenues pledged to repay those loans, they have not been treated as State obligations for the purposes of this Debt Affordability Study. As of the July 1, 2014 the NMFA had \$999.3 million of PPRF bonds outstanding.

Affordability of Projected State Debt Issuance

The core State bonding programs project bonding capacity for the issuance of \$2.85 billion of new money long-term general obligation and severance tax bonds over the next 10 years, as presented above. Each of the

The projected \$2.85 billion of long-term bonding capacity over the next decade is fully funded by dedicated revenue streams that do not flow into the State General Fund, and accordingly do not place stress on State finances or competing uses of funds.

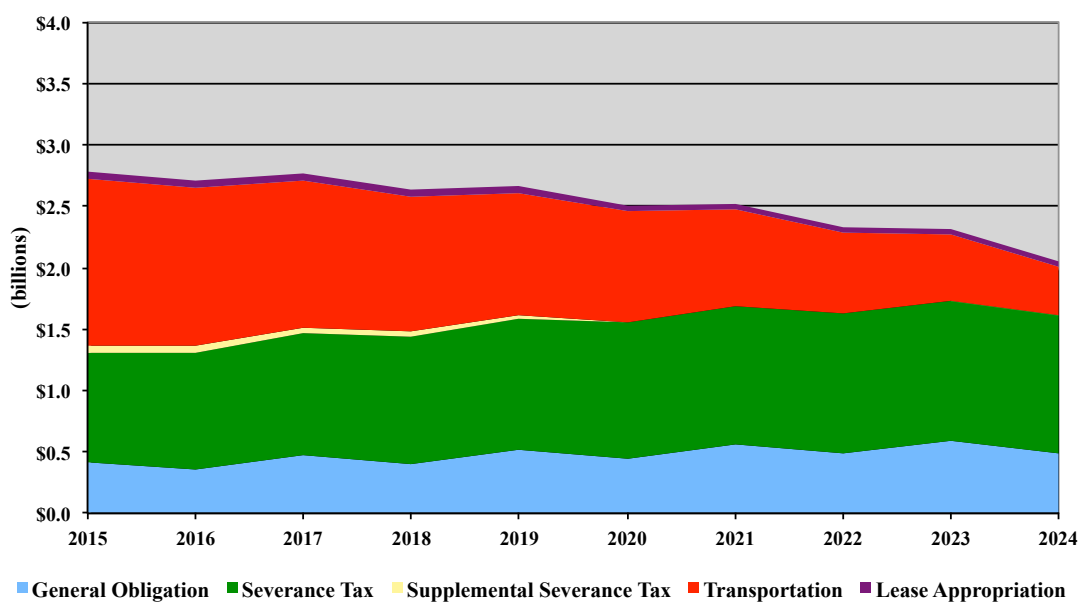
core bonding programs is funded by dedicated revenue streams. The dedicated sources of repayment for the general obligation, severance tax and transportation bonding programs are the general obligation bond property tax millage, the Severance Tax Bonding

Fund revenues and the State Road Fund revenues, respectively.

None of these core bonding programs, with the exception of lease appropriation financing, utilize revenues that flow into or would otherwise flow into the General Fund of the State, although State 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 stability and expansion to assure that the repayment of debt does not become an increasing burden on the taxpayers of the State.

The following graph presents the projected levels of outstanding tax-supported debt, categorized by debt type, over the next 10 years.

Projected Outstanding Tax-supported Long-term Bonds



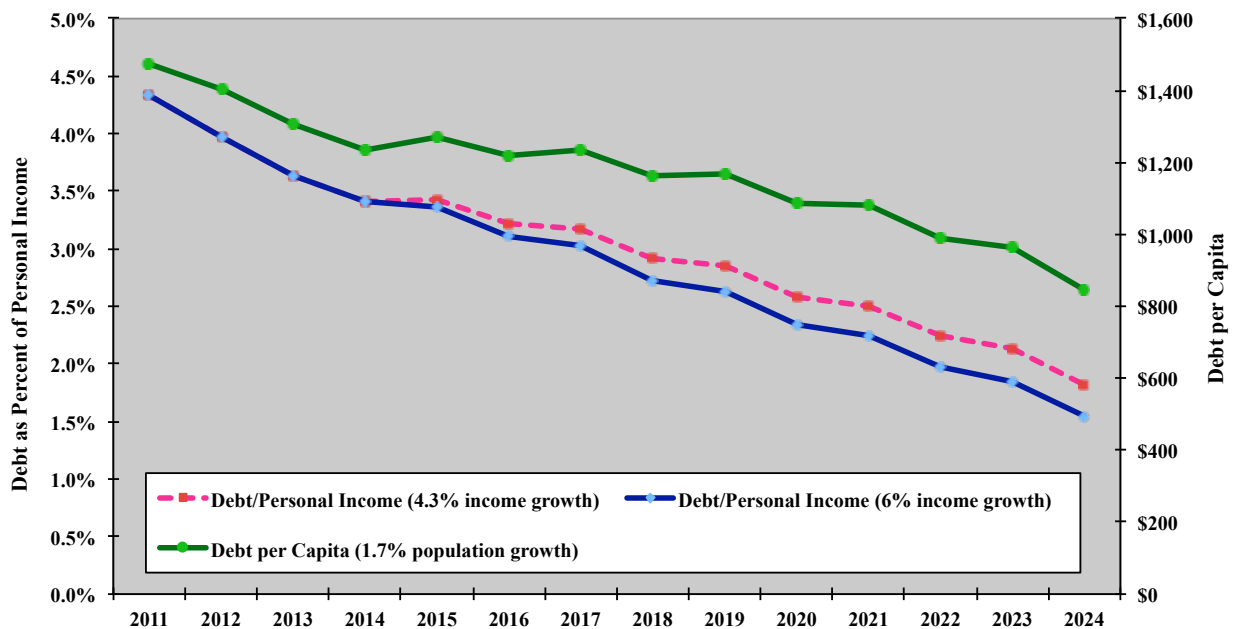
The following graph projects the impact of the planned issuance of \$2.85 billion of new general obligation and severance tax debt on the key debt ratios of the State over the next 10 years. These projected ratios do not include any further issuance of transportation bonds, which would increase projected debt ratios from the levels shown here. As illustrated, the debt ratios are projected to trend steadily downward over time based upon current debt issuance policies and retirement of outstanding debt. State debt ratios peaked in 2009, when debt per capita reached a

The projected long-term bonding does not place stress on State debt levels. For the foreseeable future, the State's long-term bonded indebtedness as measured by key rating metrics of debt as a percentage of personal income and debt per capita, while high relative to peer states, will trend downward notwithstanding projected new issuance.

high of \$1,798 and debt as a percentage of personal income was 5.4 percent. Both measures have steadily declined since then. The projection of Net Tax Supported Debt Per Capita is based upon a 1.7 percent population growth rate. Two projections are provided for Net Tax Supported Debt as a Percent of Personal Income, the first reflecting a 6.0 percent growth rate consistent with historical State experience and the second using a 4.3 percent growth rate more reflective of national norms.

high of \$1,798 and debt as a percentage of personal income was 5.4 percent. Both measures have steadily declined since then. The projection of Net Tax Supported Debt Per Capita is based upon a 1.7 percent population growth rate. Two projections are provided for Net Tax Supported Debt as a Percent of Personal Income, the first reflecting a 6.0 percent growth rate consistent with historical State experience and the second using a 4.3 percent growth rate more reflective of national norms.

Historical and Projected Debt Ratios



As is illustrated here, the projected debt issuance plans for the core State bonding programs are affordable as measured by projected moderation in overall debt ratios and with respect to the revenue streams that are dedicated to debt repayment, and do not place stress on the State General Fund. 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 New

Mexico's rating peer group. As the economy and state population grows, State indebtedness as measured by these credit ratios should trend downward.

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

The projected ratios for the State indicate that the projected level of debt issuance is affordable based upon the pledged repayment sources and should continue to warrant the State's strong bond ratings. The threats to the State credit ratings will come from the extent to which the severance tax bonding program is leveraged, and from the continuing challenges with respect to pension funding and financial reporting.

Capital Project Planning and Prioritization

State and Local Government

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

Transportation

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

Public Schools

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

Higher Education

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

Debt Management Policies

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

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

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

Use of Interest Rate Exchange Agreements

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

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

Conclusions

The State of New Mexico's core debt programs administered by the State Board of Finance are affordable. These programs reflect solid debt management policies and practices, reliable repayment structures, sufficient reserves and minimal reliance upon or competition for General Fund dollars. Dedicated revenues, stable economic growth, increasing economic diversification, and a commitment to maintaining strong reserve levels in the General Fund 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 State Road Fund revenues, for the general obligation, severance tax and transportation bonding programs, respectively, and none of these core bonding programs utilize revenues that flow into or would otherwise flow into the General Fund. Each of the programs provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage.

As discussed in detail in this report, the projected capacity to issue \$2.85 billion of new general obligation and severance tax secured debt over the next 10 years would not adversely impact the key debt ratios of the State. As presented herein, the debt ratios are projected to trend downward from their 2009 peak after taking into account future planned debt issuance.

The global financial crisis and the ensuing recession have placed considerable stress on state and municipal government credit ratings including the State of New Mexico. The State's determination to maintain its reserve balances toward the 10 percent levels remains an important credit factor. The State's historically strong General Fund reserves are central to its strong credit ratings, and will be particularly important in addressing Moody's concerns regarding vulnerability to federal fiscal issues. Also important are the State's transparent policies with respect to investments, debt and derivatives.

New Mexico's bond ratings will be subject to scrutiny as Moody's implements changes in methodology to include long-term pension obligations as debt of the State, as other metrics are developed to assess the affordability of state retirement systems, and as the extent of the exposure of the State General Fund to the unfunded liability of the Educational Retirement Board is further evaluated. Such changes in the state credit assessment and rating methodology with respect to liabilities that have existed for many years is still evolving. Although New Mexico's credit ratings will continue to be impacted by slow economic growth and the state's vulnerability to budget constraints at the federal level, the rate of economic growth has improved, and the State appears to have weathered the worst impacts of sequestration and federal austerity.

The State's key debt ratios are above average relative to its peer group and above national median levels, both with and without regard to Moody's recalibration to include unfunded pension liabilities as state debt. The State retires its debt rapidly and funds a significant portion of its annual capital expenditures utilizing cash resources from the Severance Tax Bonding Fund.

The effort to continually improve management practices will be important for maintaining the State's high quality ratings in the face of financial challenges. Such management practices include continued attention to the process of capital project prioritization, attention to

evolving state credit factors, financial policies, and debt affordability on an annual basis, and the development of five-year expenditure forecasts in parallel with the current long-term revenue estimation process. While the most significant management challenge remains meeting market and industry standards with respect to financial reporting, the State has made improvements in financial reporting practices that should bear fruit in the future in the form of more timely and accurate reports.

Appendix A: State Board of Finance Debt Policies



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

**GOVERNOR SUSANA MARTINEZ
PRESIDENT**

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

**STEPHANIE SCHARDIN CLARKE
DIRECTOR**

DEBT POLICIES

FEBRUARY 21, 2012

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I. INTRODUCTION

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

II. GOVERNING LAWS AND PRINCIPLES

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

General Obligation Bonds

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

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

Severance Tax Bonds

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

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

Senior Long-Term Severance Tax Bond Statutory Capacity

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

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

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

Covenant to Maintain Debt Service Coverage

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

Short-Term Severance Tax Note Program and Statutory Capacity

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

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

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

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

III. DEBT POLICIES

Policy 1: Credit Ratings

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

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

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

Policy 2: Capital Planning

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

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

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

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

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

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

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

Policy 3: Debt Affordability and Limits

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

Policy 4: Length of Debt

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

Long-Term Bonds

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

Short-Term Notes

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

Policy 5: Debt Structure

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

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

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

Policy 6: Severance Tax Bonding Capacity

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

Policy 7: Variable Rate Debt

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

Policy 8: Use of Derivative Products

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

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

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

Policy 9: Cash Financing

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

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

Policy 10: Informational Presentations

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

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

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

Policy 11: Refunding Bonds

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

Policy 12: Credit Enhancements

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

Policy 13: Method of Sale

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

Policy 14: Investment of Bond Proceeds

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

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

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

Policy 15: Arbitrage Rebate and Tax Compliance

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

Policy 16: Financial Disclosure

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

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

Policy 17: Expert Advisors

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

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

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

Stephanie Schardin Clarke, Director

Appendix B: Lease Appropriation Debt Policy

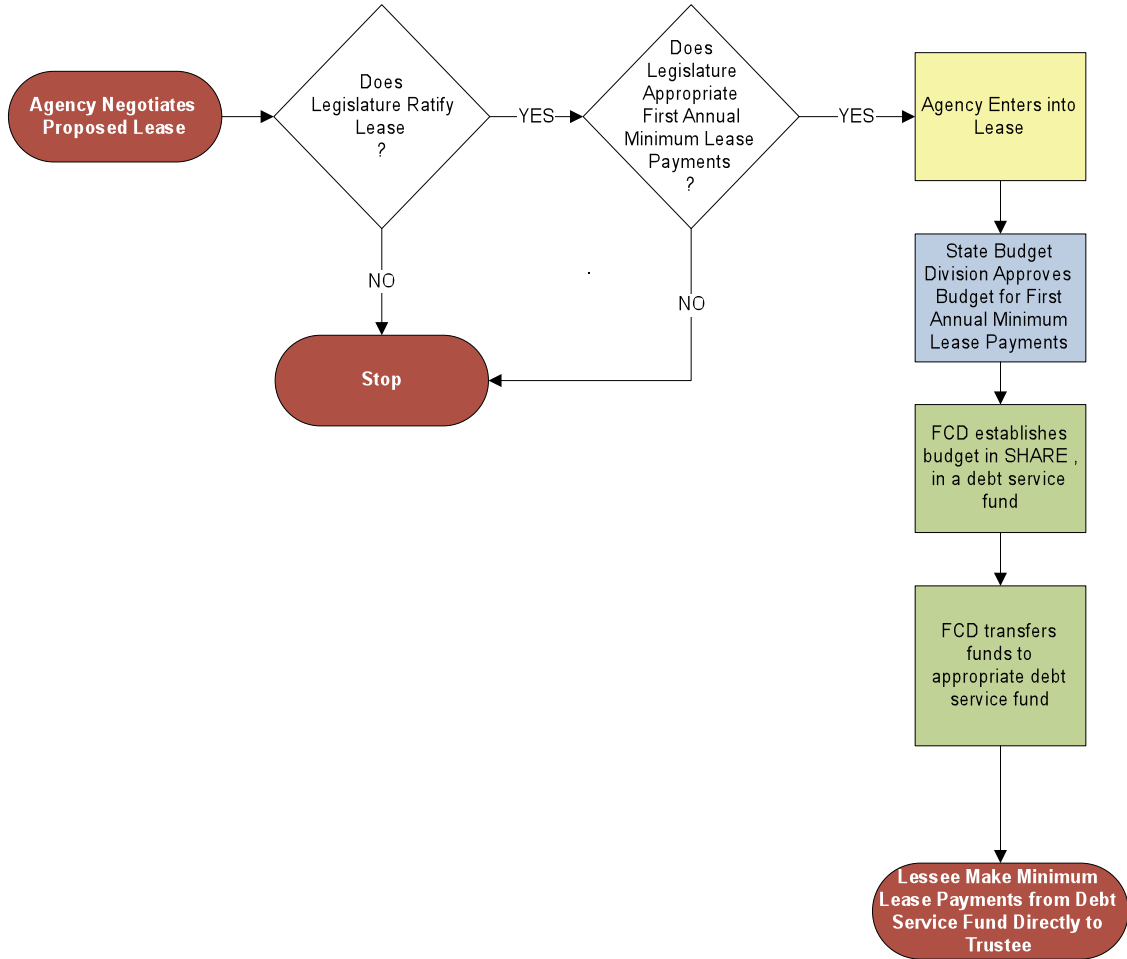
Department of Finance and Administration Policy
on Administering Capital Lease Obligations

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

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

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

State of New Mexico Capital Lease Process and Policies



Appendix C: Overview of State Bonding Authority

STATE FINANCING OPTIONS MAJOR STATE AND STATE INSTRUMENTALITY BOND PROGRAMS

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

General Obligation Bonds

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

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, and may issue refunding bonds to refund outstanding wastewater bonds, with the recommendation of the Commission. (74-6A-12 NMSA 1978)

Institution Bonds

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

Educational Institution Revenue Bonds

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

New Mexico Highlands University Building and Improvement Bonds

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

University of New Mexico Building and Improvement Bonds

The UNM board of regents may issue bonds to finance land, buildings and equipment or to retire

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

New Mexico State University Building and Improvement Bonds

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

New Mexico Institute of Mining and Technology Building and Improvement Bonds

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

Game and Fish Bonds

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

Border Authority Revenue Bonds

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

Hospital Equipment Loan Council Bonds

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

authorized to issue refunding bonds to refund outstanding bonds of the council. (58-23-15 NMSA 1978)

Joint Powers Agreements

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

New Mexico College Student Loan Bonds

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

New Mexico Student Loan Foundation Bonds

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

Mortgage Finance Authority (MFA) Bonds

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

New Mexico Finance Authority (NMFA) Board Programs

The Senior Lien and Subordinate Lien Programs

The NMFA is authorized to issue bonds to provide funds to governmental units for projects that have been approved by the Legislature for funding through the Public Project Revolving Fund. In connection with the issuance of Senior Bonds, the NMFA may enter into a loan agreement with the governmental unit or may purchase securities of the governmental unit in consideration

for the loan of a portion of the proceeds of such Senior Bonds for projects. The proceeds of such bonds are used to make loans and grants (or to reimburse the NMFA for making loans and grants) to numerous governmental units, including local governmental entities of the State, an Indian Nation, and departments and agencies of State government, for the construction of infrastructure projects. (6-21-1, 6-21-11 NMSA 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.

Transportation Financings

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

Drinking Water Program

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

Water and Wastewater Grant Fund Program

The Legislature established the Water and Wastewater Project Grant Fund in 1999. In 2000, the

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

Local Government Planning Fund Program

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

State Building Bonding Fund Program

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

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

Local Transportation Infrastructure Project Revenue Bonds

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

Energy Efficiency Bonds

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

Bonds for County Correctional Facility Loans

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

Cigarette Tax Bond Projects

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

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

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

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

Workers' Compensation Administration Building Financing

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

Child Care Revolving Loan Fund

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

Statewide Economic Development Finance Act

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

Primary Care Capital Fund

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

Regional Spaceport District

The Spaceport Authority may issue revenue bonds on its own behalf or on the behalf of a

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

State Fair Bonds

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

Enhanced 911 Bonds

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

University Research Park Bonds

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

Regional Transit District

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

Regional Housing Authority Bonds

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

New Mexico School for the Visually Handicapped Bonds

The State Board of Finance may issue bonds to improve buildings, acquire land or retire

previously issued bonds. The maturity of the bonds may not exceed 20 years. The bonds are secured by a pledge of the income from the school's permanent fund. Annual debt service on the bonds (together with other outstanding bonds) may not exceed income from the school's permanent fund in the fiscal year before issuance. (21-5-12 NMSA 1978).

Teacher Housing Revenue Bonds

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

Compilation Commission Bonds

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

State Park and Recreation Bonds

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

State Land Office Debentures

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

ONGARD System Development Bonds

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

Certificates of Indebtedness (for payment of militia expenses)

The Governor may order the issuance of certificates of indebtedness in such amount as he/she deems required or necessary to provide funds for the payment of any expenses and costs incident

to or connected with an emergency (e.g., in order to suppress insurrection or to provide for the public defense). (20-1-1 NMSA 1978)

State Armory Board Building and Improvement Bonds

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

Industrial and Agricultural Finance Authority Bonds

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

New Mexico Exposition Center Authority Act

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