DEBT AFFORDABILITY STUDY

OCTOBER 8, 2010
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Executive Summary

The New Mexico Department of Finance and Administration, in conjunction with the State Board of Finance and its Financial Advisors, 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 availability 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. 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 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, as set forth in the following table. As shown in this table, and discussed further on in this study, in 2009 and 2010 the General Fund contribution to capital funding was negative. This reflects the decision to reappropriate available prior year funds that had been appropriated for capital projects in order to utilize those funds for current year operating purposes.

<table>
<thead>
<tr>
<th>Principal Sources of Capital Funding by Fiscal Year (Millions of dollars)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonding Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>$0.0</td>
<td>$142.8</td>
<td>$0.0</td>
<td>$223.4</td>
<td>$0.0</td>
<td>$366.2</td>
</tr>
<tr>
<td>Subtotal</td>
<td>0.0</td>
<td>142.8</td>
<td>0.0</td>
<td>223.4</td>
<td>0.0</td>
<td>$366.2</td>
</tr>
<tr>
<td>Severance Tax Bonding Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance Tax Bonds</td>
<td>136.1</td>
<td>136.4</td>
<td>153.6</td>
<td>0.0</td>
<td>315.3</td>
<td>741.4</td>
</tr>
<tr>
<td>Severance Tax Funding Notes</td>
<td>102.1</td>
<td>193.3</td>
<td>150.9</td>
<td>188.7</td>
<td>178.6</td>
<td>813.6</td>
</tr>
<tr>
<td>Supplemental Severance Tax Bonds</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>112.9</td>
<td>112.9</td>
</tr>
<tr>
<td>Supplemental Severance Tax Funding Notes</td>
<td>193.6</td>
<td>210.8</td>
<td>222.8</td>
<td>240.8</td>
<td>97.0</td>
<td>965.0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>431.8</td>
<td>540.5</td>
<td>527.3</td>
<td>429.5</td>
<td>703.8</td>
<td>2,632.9</td>
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<tr>
<td>Other Sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>454.6</td>
<td>548.4</td>
<td>123.0</td>
<td>-148.6</td>
<td>-259.2</td>
<td>718.2</td>
</tr>
<tr>
<td>Transportation Bonds</td>
<td>0.0</td>
<td>459.4</td>
<td>0.0</td>
<td>200.0</td>
<td>77.4</td>
<td>736.8</td>
</tr>
<tr>
<td>Lease Appropriation Bonds</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>60.0</td>
<td>0.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>454.6</td>
<td>1,007.8</td>
<td>123.0</td>
<td>111.4</td>
<td>-181.8</td>
<td>1,515.0</td>
</tr>
<tr>
<td>Total</td>
<td>$886.4</td>
<td>$1,691.1</td>
<td>$650.3</td>
<td>$764.3</td>
<td>$522.0</td>
<td>$4,514.1</td>
</tr>
</tbody>
</table>

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

The State’s general obligation bonds are rated Aaa, with a “stable” outlook, by Moody’s Investors Service (“Moody’s”) and AA+, also with a “stable” outlook, by Standard & Poor’s
Ratings Services ("S&P"). These ratings are the highest ratings offered by Moody’s and the second highest rating by S&P, one notch below the “gilt-edged” triple-A rating. By way of comparison, 14 states are rated Aaa, and 15 states are rated Aa1. The State’s general obligation bond ratings from both Moody’s and Standard & Poor’s reflect strong credit attributes that include (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. These credit strengths are balanced by historically low levels of personal income and the risk of the inherent volatility of oil and natural gas-related revenues. The chart below sets forth the ratings on outstanding bonds for the core State bonding programs.

<table>
<thead>
<tr>
<th>State Board of Finance</th>
<th>Moody's</th>
<th>Standard &amp; Poors</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>Aaa</td>
<td>AA+</td>
</tr>
<tr>
<td>Severance Tax Bonds</td>
<td>Aa1</td>
<td>AA</td>
</tr>
<tr>
<td>Supplemental Severance Tax Bonds</td>
<td>Aa2</td>
<td>AA-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State Transportation Revenue Bonds</th>
<th>Moody's</th>
<th>Standard &amp; Poors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Lien</td>
<td>Aa1</td>
<td>AA+</td>
</tr>
<tr>
<td>Subordinate Lien</td>
<td>Aa2</td>
<td>AA</td>
</tr>
<tr>
<td>Adjustable Rate Subordinate Lien</td>
<td>Aaa</td>
<td>AA-</td>
</tr>
</tbody>
</table>

Approved State Lease Appropriation Bonds

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Moody's</th>
<th>Standard &amp; Poors</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOH Fort Bayard Project, Grant County</td>
<td>Aa1</td>
<td>AA</td>
</tr>
</tbody>
</table>

In April of 2010, Moody’s began the recalibration of its municipal bond ratings with the stated objective of “enhancing the comparability of ratings across the Moody’s rated universe”. The move to a global rating system resulted in an upward shift for 31 state and territory credits, including New Mexico, Indiana, Iowa, Tennessee and Texas advancing to Aaa. Moody’s cautions that market participants must view the recalibrations not as rating upgrades but as reconfigurations to a different scale. This recalibration led to upgrades from Moody’s on each of the ratings shown in this chart, with the exception of the adjustable rate transportation bonds, the ratings on which reflect the credit ratings of the underlying banks providing letters of credit securing those bonds.

A comparison of key State debt ratios to national medians and peer group performance ratios is useful to locate the State’s debt position in a national context. Both Moody’s and Standard & Poor’s publish state debt medians along with comparative data on state government debt ratios on a regular basis. A peer comparison of net debt per capita with states rated Aaa by Moody’s indicates that New Mexico has a net debt per capita and a net debt as a percentage of personal income that is high relative to its peers. These high debt ratios are a function of the infrastructure requirements of being one of the largest states in the nation in terms of land area while having a small population base. The large land area combined with the small population base creates disproportionate costs for roads and other infrastructure on a per capita basis.
The core State bonding programs project the issuance of $3.16 billion of new money long-term general obligation and severance tax bonds over the next ten years. Each of the bonding programs, with the exception of the new issuance of lease appropriation bonds, are funded by dedicated revenue streams, including the general obligation bond property tax millage, the Severance Tax Bonding Fund revenues and the Road Fund revenues. With the exception of lease appropriation bonds that may be issued in the future, none of these core bond programs utilize revenues that flow into or would otherwise flow into the General Fund of the State, although Road Fund revenues that secure the transportation bonding program are dedicated to transportation operations as well as bond debt service. Each of the programs provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage. The following graph presents the projected levels of outstanding tax supported debt by debt type over the next ten years, based on the current level of projected debt issuance for each of the core bonding programs discussed later in this report.

**Projected Outstanding Tax-supported Long-term Bonds**

![Graph showing projected outstanding tax-supported long-term bonds by debt type from 2011 to 2021.]

The graph below projects the impact of the planned issuance of $3.16 billion of new long-term debt over the next ten years, and retirement of outstanding debt, on the key debt ratios of the State. As illustrated here, the debt ratios that had been trending downward since peaking in 2004 moved upward in 2007 with the large transportation bond issuance, and then again in 2009 with the biennial issuance of general obligation bonds. The ratios are projected to trend downward over time beginning in 2012, after the issuance of general obligation bonds in 2011.
As is illustrated here, the projected debt issuance plans for the core State bonding programs are not funded from, and therefore do not place stress on the State General Fund, and are affordable with respect to the revenue streams that are dedicated to debt repayment, as the key debt ratios are projected to trend downward over time even as the new debt is issued. The increase in the debt per capita ratio that will occur in 2011 does not carry forward into the future and should not impair the State’s strong bond ratings.

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 challenge to the State’s incoming administration will be to restore operating balances and healthy reserve levels as New Mexico emerges from the recession. The new administration will be faced with competing budget demands, continuing uncertainty about the strength of any economic recovery and its impact on State revenues, and the need for stabilization and rebuilding of reserve funds.

While the State of New Mexico has enjoyed a rating upgrade from Moody’s to Aaa, that change should be understood as part of a recalibration that benefited a range of municipal market credits. Consistent with recommendations made in previous years in the context of the annual Debt Affordability Study, the State continues to take important steps to improve management practices and policies that underpin the quality of its bond ratings. This effort to continually improve management practices and to address declining fund balances will be important for maintaining the State’s high quality ratings in the face of continuing financial challenges. New Mexico bond ratings, like those of all state and local governments, are under increased scrutiny. Pressure on state and local government bond ratings is significant due to (i) declining revenues, (ii) depleted reserves, (iii) sustained higher levels of unemployment, (iv) budget pressures to
sustain and increase social services and support, (v) pension fund losses, and (vi) deteriorating wealth measures. New Mexico will continue to work towards the prudent near-term objective of sustaining its current ratings.

Finally, with respect to continued improvement in management practices, the State issued its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009 CAFR in March of 2010. The Department of Finance is on track to publish future reports in a timely fashion, and according to industry standards. This progress in timely reporting represents the culmination of diligent work by the Department of Finance and Administration’s Financial Control Division to address long-standing issues with regard to timely financial reporting.

The Department of Finance and Administration and the State Board of Finance adopted a debt policy (see Appendix A) and a lease appropriation policy (see Appendix B) in March of 2007. Policies were also issued in 2008 governing the sale of lease appropriation bonds. The Department of Finance and Administration continues to work toward the implementation of a statewide capital improvement program, and the development of five-year expenditure forecasts in parallel with the current long-term revenue estimation process.
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 availability of low-cost 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. Debt is a critical tool for investing in our schools, addressing essential water needs, improving roads and building our economy.

This year and last, the revenues of state governments across the country have been undermined by the national recession. While the National Bureau of Economic Research has determined that the recession ended in June 2009, the impact on state finances has continued. Unemployment rates have yet to improve materially, and the pressure on social service costs, on education funding and on higher educational institutions, continues. Therefore, attention to debt affordability and trends in core credit factors is perhaps more important now than at any time in recent history. Credit market access, and access to capital at low rates require that the State sustain its high bond ratings. The prudence of the State in the past with respect to judicious use of debt, sustaining critically important operating reserves balances, and the thoughtful oversight role of the State Board of Finance are important elements in the strong credit position and market access that the State continues to enjoy.

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

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

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

This Debt Affordability Study will also provide a tool for evaluating the effect of existing and new debt programs on the State credit position. Debt and debt management is one of the four critical factors assessed in the determination of the State bond ratings, along with economic and
demographic factors, financial performance, and management. The study will assist in guiding the development of debt management policies as well as policies regarding the use of other financial products to manage the State’s financial position and prospects over time. A Debt Affordability Study is considered a positive factor by the rating agencies when they evaluate issuers and assign credit ratings. Moody’s Investors Service specifically noted in their November 2004 report on State Rating Methodology that highly rated states use “debt affordability analysis to inform capital budgets and debt authorization decisions,” while Standard and Poor’s has recommended that “Capital planning and, more recently, debt affordability models or guidelines that evaluate capital requirements and funding sources and assess the future impact of current bond programs are strong management tools.”

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

This study is organized into the following sections:

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

The core State bonding programs that are the focus of this study include general obligation bonds, severance tax bonds and supplemental severance tax bonds issued by the State Board of Finance, and transportation revenue bonds issued by the Department of Transportation through the New Mexico Finance Authority. The State general obligation bonds are secured by the full faith and credit pledge of the State, and are repaid from a dedicated ad valorem 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 Road Fund, which are principally derived from gasoline taxes, registration fees and road user fees, plus an additional pledge of certain federal revenues received annually by the Department of Transportation.

In September 2008, the State implemented its first issuance of lease appropriation bonds under a constitutional amendment approved by the voters in 2006, which allows for the State to utilize lease purchase financing for buildings and real property. These bonds were issued by Grant County, New Mexico, as State of New Mexico Department of Health, Lease Appropriation Bonds, Series 2008, for the development of the new Fort Bayard Medical Center. In conjunction with the issuance of these bonds, the State Board of Finance implemented policies and procedures to integrate lease appropriation financings into the State financial management system, and the State anticipates that lease appropriation financing will be utilized for the funding of core state buildings in the years ahead. Accordingly, this study incorporates lease appropriation financing for state facilities as one of the core state bonding programs.

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

The table below sets forth the sources of capital investment funding for the State over the past 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, over the past two years the General Fund contribution to capital funding has been negative. This reflects the decision to re-appropriate available prior year funds that had been appropriated for capital projects in order to utilize those funds for current year operating purposes. This decision 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.
As of June 30, 2010, the State had $398.58 million of outstanding general obligation bonds and $920.75 million of bonds secured by Severance Taxes Bonding Fund revenues. In addition, the State had $60 million of lease appropriation bonds, and $2.24 billion of transportation bonds supported by Road Fund revenues. The following table sets forth the State tax-supported debt outstanding as of June 30, 2010.

<table>
<thead>
<tr>
<th>State Debt Outstanding as of June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions)</td>
</tr>
<tr>
<td>General Obligation Bonds</td>
</tr>
<tr>
<td>Severance Tax Bonds</td>
</tr>
<tr>
<td>Supplemental Severance Tax Bonding Program</td>
</tr>
<tr>
<td>Transportation Bonds</td>
</tr>
<tr>
<td>Lease Appropriation</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
Review of the State Credit

The State’s general obligation bonds are rated Aaa, with a “stable” outlook, by Moody’s Investors Service (“Moody’s”) and Aa+, also with a “stable” outlook, by Standard & Poor’s Ratings Services (“S&P”). These ratings are the highest ratings offered by Moody’s and one notch below the “gilt-edged” triple-A ratings by S&P.

The ratings on State’s bonds represent the assessment by each rating agency of the credit quality of each bond issue, and the State’s ability and willingness to repay its debt on a timely basis. Bond ratings are an important factor in the capital markets and directly affect interest rates on State bonds when they are issued. While each series of bonds carries its own credit rates, the general obligation bond rating represents the overall credit rating of the State. In April 2010, Moody’s began the recalibration of its municipal bond ratings with the stated objective of “enhancing the comparability of ratings across the Moody’s rated universe.” The move to a global rating system resulted in an upward shift for 31 state and territory credits, including New Mexico, Indiana, Iowa, Tennessee and Texas advancing to Aaa. Moody’s cautions that market participants must view the recalibrations not as rating upgrades but as reconfigurations to a different scale.

The State’s general obligation bond ratings from both Moody’s and Standard & Poor’s reflect strong credit attributes that include (i) 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. These credit strengths are balanced by historically low levels of personal income and the inherent volatility of oil and natural gas related revenues. The following table sets forth a comparison of per capita income in New Mexico with other highly-rated states.

Peer Comparison: Per Capita Income
The rating analysts have historically recommended specific management practices that would strengthen the State credit position, including the development of a debt affordability study as a debt management tool, the implementation of coordinated, multi-year revenue and expenditure planning, and addressing the timeliness of financial reporting. They have also suggested that legislation to mandate minimum reserve levels in the General Fund would provide additional rating strength.

With the implementation of the SHARE program, and after years of diligent work to improve its performance with respect to financial reporting, the State issued its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009 CAFR in March of 2010. The Department of Finance is now on track to publish future reports in a timely fashion, and according to industry standards.

In the wake of the success of the Department of Finance and Administration in achieving acceptable benchmarks with respect to financial reporting, the State will be on track to address each of the recommended areas of improvements to management practices by 2011. The major challenge, discussed below, will be returning operating reserve balances to solid levels. The chart below sets forth the ratings on outstanding bonds for the core State bonding programs.

### Outstanding State Bond Ratings

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>Moody's</th>
<th>Standard &amp; Poors</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>Aaa</td>
<td>AA+</td>
</tr>
<tr>
<td>Severance Tax Bonds</td>
<td>Aa1</td>
<td>AA</td>
</tr>
<tr>
<td>Supplemental Severance Tax Bonds</td>
<td>Aa2</td>
<td>AA-</td>
</tr>
<tr>
<td>State Transportation Revenue Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Lien</td>
<td>Aa1</td>
<td>AA+</td>
</tr>
<tr>
<td>Subordinate Lien</td>
<td>Aa2</td>
<td>AA</td>
</tr>
<tr>
<td>Adjustable Rate Subordinate Lien</td>
<td>Aaa</td>
<td>AA-</td>
</tr>
<tr>
<td>Approved State Lease Appropriation Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOH Fort Bayard Project, Grant County</td>
<td>Aa1</td>
<td>AA</td>
</tr>
</tbody>
</table>

### Trends in State Debt Issuance

Trends in debt issuance are an integral factor in evaluating the State’s debt levels. The State has and continues to make substantial investment in basic capital infrastructure, particularly in the areas of transportation, educational facilities and water supply. The growth in total outstanding state tax-supported debt is illustrated in the graph below, with the small increase in outstanding debt in recent years coming from the issuance of severance tax bonds.
The State’s annual debt service payments have increased over the last five years, rising from approximately $299 million in fiscal year 2005 to approximately $351 million in fiscal year 2010 at an average annual growth rate of approximately 4 percent. As these graphs illustrate, debt has stabilized in recent years, with minor increases in severance tax bond volumes.

The graph below illustrates the trends in annual debt service costs for State tax-supported bond debt service.
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 that are evaluated with respect to the credit quality of the State of New Mexico are Net Tax-Supported Debt to Personal Income and Net Tax-Supported Debt per Capita. The debt to personal income ratio provides an indication of the burden a state’s indebtedness imposes on the income tax base, the ultimate source of repaying state obligations, while debt per capita provides a relative measure of an entity’s debt position compared to its 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. Payment of 25 percent in five years and 50 percent 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 graph below presents the State’s tax-supported debt ratios over the past five years. The increase in the debt ratios mirrors the increase in outstanding indebtedness discussed above. Those slight increases were mitigated by increases in State population, personal incomes and income per capita by 6 percent, 42 percent and 33 percent, respectively, during the same five-year period.

Key Debt Ratios

![Graph showing key debt ratios over five years](image-url)
As noted above, rating analysts also consider the rate of debt repayment as a credit factor. By law, both State general obligation bonds and bonds issued under the Severance Tax Bonding Program are fully retired within ten years, and the five-year retirement rates of the State general obligation, severance tax and supplemental severance tax bonds are 60.5 percent, 58.1 percent and 65.5 percent, respectively. With respect to the transportation bonds, the five-year retirement rate is 20 percent, 42 percent mature within ten years. Historically, the State debt management practices have provided for the rapid repayment of bonds, which is generally a positive credit consideration. An opposing view would suggest that the overly rapid bond repayment for the transportation program could be an undue constraint on debt capacity, resulting in the deferral of much needed improvements to the State’s transportation infrastructure.

Comparison of Debt Ratios to Selected Peer Group and National Medians

A comparison of key State debt ratios to peer group performance ratios is useful to place the State’s debt position in a national context. Both Moody’s and Standard & Poor’s publish 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 July 2010. The peer group comprises states that rated in the Aaa and Aa1 rating categories.

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

Similarly, the next graph presents the ratio of State net tax-supported debt to personal
income in comparison with the same peer group. As illustrated here, New Mexico has a ratio of
net tax-supported debt to personal income that is high relative to its peers. Historically, the net
debt levels of the State were moderate to low, and have reached or exceeded national norms as
the State has begun to address its statewide transportation investment needs.

**Peer Comparison: Net Debt as Percent of Personal Income**

![Bar chart showing net debt as percent of personal income for different states.]

**General Fund Reserves**

Strong reserve balances in the General Fund have been the strongest attribute of the State
general obligation bond ratings. When the State bond ratings were upgraded by both Moody’s
and Standard & Poor’s from *Aa/AA* to the *Aa1/AA*+ ratings in the 1993-1994 period, the State
economy was strong and General Fund reserves—which at that point were primarily held in the
Operating Reserve—were annually 5 to 10 percent of recurring appropriations, reaching a peak
of 10.3 percent at the end of fiscal year 1993. Immediately following the two bond upgrades, the
State reserves fell by nearly 90% over a two-year period, and the State added the Risk Reserve to
the General Fund to bolster the budgetary reserves. Neither rating agency downgraded the State
in the wake of the reserve decline, however Standard & Poor’s put the State on CreditWatch and informed the State that the general obligation bond rating would be lowered if the reserves were not reestablished above 5 percent of recurring appropriations and maintained at that level.

The graph below presents the components of the General Fund reserve balances, including an estimate for 2010, and illustrates the strong growth over the past ten years. The Risk Reserve was removed from the General Fund following fiscal year 1999 as the Operating Reserve balances were reestablished. Beginning in fiscal year 2000, the Appropriation Contingency Fund and Tax Stabilization Reserve have been funded with excess General Fund revenues, providing additional permanence to the State operating reserves. In addition, in fiscal year 2003 the unencumbered Tobacco Settlement Permanent Fund Reserve was created within the State General Fund.

**General Fund Reserves FY 2001-2010 (est)**

Reserve balances grew steadily, approaching $800 million, or over 17 percent of recurring revenues in fiscal year 2006, before being drawn down to 10.7 percent in fiscal year 2008. However, the 2008 recession placed considerable strain on the State’s reserve funding. The Tax Stabilization funds were appropriated for use in 2009, as seen in the following chart, due to revenue shortfalls resulting from by the national economic downturn. Reserve balances declined to 6.4% for fiscal year 2009, below the 10% level established as the policy goal by the Executive, and are expected to fall to 4.7% in 2010. Current projections suggest that reserve balances will continue to deteriorate to 0.8% at the end of the current fiscal year.
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 Standard & Poor’s and a line designating the 10 percent reserve target established within the Executive Branch. Over the past ten years, the reserve ratio has fluctuated, but has remained above the 5 percent reserve threshold at all times, and has remained above the 10 percent reserve threshold from 2004-2008. In spite of the State’s prudent restraint over the 10-year period, which enabled this foundation to be built, the reserve is estimated to fall below 5 percent in 2010 due to the persistent and profound impact of the recession on core revenues. The continued projected deterioration of reserve balances, to below 1.0% by June 30, 2011, represents the greatest threat to the State’s strong general obligation bond rating.

Revenue, Volatility and Forecast Error

While historically strong General Fund reserves have been a credit factor supporting the strong State ratings, historical volatility of General Fund receipts has led to volatility 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 those from State permanent funds, are evaluated by the rating agencies as they consider fundamental issues of fiscal stability and trends, are illustrated in the graph on the following page.
The normal fluctuation in the primary General Fund revenues reflecting economic cycles is exacerbated by the inherent volatility in revenues related to mineral extraction, as these revenues give the State the posture of being a seller of oil and natural gas, and therefore vulnerable to changes in price, and to a lesser extent production, over time. While Moody’s has focused on the volatility in General Fund revenues created by the State’s mineral taxes and revenues, Standard & Poor’s has noted the counter-cyclic benefits of the revenue diversity, and the strong revenue performance that the State has realized during periods of national economic weakness. In the most recent economic recession, however, each of the State core revenues has declined in the face of the deep economic downturn, and a dip in 2009 revenues is evident. However, the revenue mix continues to benefit the State by demonstrating counter-cyclical attributes and is expected to rebound for 2010.

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 on the following page, State revenue estimates as developed through the consensus revenue estimation process have tended to have a conservative bias that has resulted in core revenues outperforming projections that are utilized for budget planning and in the legislative appropriation process. Negative error indicates actual revenue receipts fell short of estimate. Positive error indicates actual revenue receipts exceeded the estimate.
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.

![Annual Fluctuation in Primary Revenues](image)

**Financial Reporting**

Timely financial reporting, and specifically the delays in the issuance of the State Comprehensive Annual Financial Report, has 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. By comparison, the State has on average issued its CAFR 19 months after the end of the fiscal year, prior to fiscal year 2008. With the implementation of the SHARE system in 2008, the State has addressed this issue. The 2007 CAFR was published July 31, 2008, the 2008 CAFR was published January 31, 2009, and the 2009 CAFR was published March 19, 2010. There has been significant, steady progress, and the State intends to conform to industry standards (a publication date of six to eight months from the end of the fiscal year) for the 2010 CAFR, with a planned publication date of January 2011.
Projected State Debt Issuance

The table below represents the projected sources and uses of funds from the core State bonding programs for State capital investment over the next five years. This table includes 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. This table also assumes that the Legislature and the Governor authorize projects up the maximum projected debt capacity.

General Fund pay-as-you-go funding decisions, made as funds were deemed available, resulted in funds being dedicated to capital purposes on a year to year basis. In fiscal years 2005-2008 a total of $1,364.6 million dollars of capital was allocated to projects from this source. Revenue shortfalls and budget constraints have resulted in a reversal of this practice. During fiscal years 2009 and 2010, Senate Bill 29 and House Bill 268 reversed the historical practice of pay-as-you-go capital funding and redirected prior year General Fund appropriations for capital projects in an effort to support reserve levels within the State General Fund.

At the close of fiscal year 2010, the amount of State authorized but unissued severance tax bonds totaled $24.3 million.
State Board of Finance Bonding Programs

As presented in the table below, the State Board of Finance currently projects $5.2 billion of new money financing for statewide capital projects over the next ten years. This amount comprises $1.0 billion of projected general obligation bonds bonding capacity, with issuances subject to legislative authorization and voter approval, $2.4 billion of severance tax bonds and notes subject to legislative authorization and appropriation, and $1.8 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 an 8% decline in net taxable values for property tax year 2010. For the subsequent years through 2015, increases are projected in the range of 3 to 3.8%. Out year growth rates beginning in 2016 are projected at 4.4%. Projections of severance tax bonding capacity reflect long-term natural resource price and production projections developed by State economists and are revised periodically.

<table>
<thead>
<tr>
<th>State Board of Finance</th>
<th>Projected Bonding Capacity by Fiscal Year (millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GO Bonds</td>
</tr>
<tr>
<td></td>
<td>Bonds</td>
</tr>
<tr>
<td>2011</td>
<td>$204.5</td>
</tr>
<tr>
<td>2012</td>
<td>$204.5</td>
</tr>
<tr>
<td>2013</td>
<td>$204.5</td>
</tr>
<tr>
<td>2014</td>
<td>$204.5</td>
</tr>
<tr>
<td>2015</td>
<td>$204.5</td>
</tr>
<tr>
<td>2016</td>
<td>$204.5</td>
</tr>
<tr>
<td>2017</td>
<td>$204.5</td>
</tr>
<tr>
<td>2018</td>
<td>$204.5</td>
</tr>
<tr>
<td>2019</td>
<td>$204.5</td>
</tr>
<tr>
<td>2020</td>
<td>$204.5</td>
</tr>
<tr>
<td>Total</td>
<td>$1,113.5</td>
</tr>
</tbody>
</table>

General Obligation Bond Issuance

State general obligation bonds are authorized by the Legislature and placed on the ballot for voter approval on a biennial basis. General obligation bonds are subject to a debt limit equal to 1 percent of statewide net taxable property value. The debt limit as of the most recent property valuation is approximately $500 million, and $399 million in general obligation bonds were outstanding as of the end of the 2010 fiscal year. General obligation bonds are secured by the full faith and credit of the State and repaid from a dedicated property tax millage assessment established pursuant to the voter approval of the bonds. The graph below illustrates the debt service profile of outstanding debt, and the new general obligation bond issues projected in the table above.
General obligation bonds are sold with a maximum maturity of ten years. As illustrated in the graph below, the projected biennial issuance of general obligation bonds sustains a stable level of debt per capita and a moderately declining level of general obligation debt services as percentage of personal income in the State.

For the purposes of projecting future debt ratios, we have projected population growth in the State at a continuing annual rate of 1.7 percent, and projected personal income growth in the State at a continuing annual rate of 6 percent. Personal income growth over the past two years has been approximately 8 percent, however for long-term planning purposes we have utilized a rate that roughly comprises population growth of 1.7 percent, inflation of 3.3 percent and real growth of 1.0 percent.
Severance Tax and Supplemental Severance Tax Bond Issuance

Severance tax bonds are authorized by the Legislature for statewide capital projects. Currently, 10 percent of severance tax bonding capacity is set aside for water projects. Beginning in fiscal year 2012, 5 percent of senior severance tax bonding capacity will be set aside for both Tribal Projects and the colonias projects. As noted earlier, the Legislature has authorized the State Board of Finance to issue supplemental severance tax bonds for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council, subject to the annual bonding capacity limitations of the supplemental severance tax bonding program.

Severance tax and supplemental severance tax bonds are secured by a pledge of and repaid from revenues received in the Severance Tax Bonding Fund. Under the Statutory Test governing the issuance of severance tax and supplemental severance tax bonds, severance tax bonds and notes can only be issued to the extent that severance tax bond debt service does not exceed 50 percent of revenues received into the Severance Tax Bonding Fund during the most recent completed fiscal year, and supplemental severance tax bonds can only be issued to the extent that the severance tax bond and supplemental severance tax bond debt service does not exceed 62.5 percent of revenues received into the Severance Tax Bonding Fund during the most recent completed fiscal year. Severance tax notes issued to make cash available in the Severance Tax Bonding Fund prior to the semi-annual transfer to the Severance Tax Permanent Fund available for capital projects are subject to the same test as severance tax bonds. Supplemental severance tax notes can be issued to the extent that the severance tax bond and note, and supplemental severance tax bond and note debt service does not exceed 95 percent of revenues received into the Severance Tax Bonding Fund during the most recent completed fiscal year.
Annual long-term issuance capacity for severance tax bonds is determined by the State Board of Finance based upon outstanding debt service and projections of future Severance Tax Bonding Fund revenues. Annual capacity is calculated as 10 percent of the long-term debt capacity under the Statutory Test, and based upon level-debt service bond amortization over a 10-year life. Annual capacity for severance tax and supplemental severance tax notes are similarly calculated based upon long-term revenue forecasts, projections of long-term bond issuance, and the resulting cash flow available on an annual basis to be set aside for capital purposes through note issuance.

The graph below illustrates the historic and projected revenue and debt service profile of the Severance Tax Bonding Program reflecting the projected issuance of $204.5 million of new long-term severance tax bond issues annually, as projected in the table earlier. It also illustrates the State practice of projecting Severance Tax Bonding Fund revenues based upon declining oil and natural gas prices and production levels, which has tended to suppress the volume of long-term financing and debt service and increase the use of cash funding for capital projects.

The table below presents the historic and projected debt service coverage for long-term severance tax and supplemental severance tax bonds. The first two columns present the severance tax bond debt service coverage for the outstanding bonds (historical and projected), and the second two columns present historical coverage and projected coverage (assuming future issues).
Transportation Bond Program Projected Revenues and Bond Issuance

The Department of Transportation has managed the largest capital investment program in the State over the past decade. 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 Road Fund, which are principally derived from gasoline taxes, registration fees and road user fees, plus an additional pledge of certain federal revenues received annually by the Department of Transportation.

The graph below presents current outstanding transportation bonds, including the Series 2010 Bonds which included Senior Lien Transportation Refunding Bonds in the amount of $95.5 million (Series 2010A-1), Subordinate Lien Transportation Refunding Bonds in the amount of $79.1 million (Series 2010A-2), and Senior Lien Transportation Refunding Bonds in the amount of $461.1 million (Series 2010B). The strong ratings and stable outlook reflect the rating agencies’ assessment of long and stable trends in pledged state revenues and very strong historical and projected coverage.
The table below presents aggregate debt service on outstanding transportation bonds and the projected level of debt service coverage from the pledged revenues.

**Transportation Program**

<table>
<thead>
<tr>
<th>Year</th>
<th>Outstanding Debt</th>
<th>Series 2010 Bonds</th>
<th>Total Debt Service</th>
<th>Pledged Revenues</th>
<th>Debt Service Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$162,024,154</td>
<td>$21,697,441</td>
<td>$162,024,154</td>
<td>$651,428,000</td>
<td>4.02</td>
</tr>
<tr>
<td>2011</td>
<td>151,105,256</td>
<td>23,697,441</td>
<td>172,802,697</td>
<td>651,428,000</td>
<td>3.77</td>
</tr>
<tr>
<td>2012</td>
<td>138,026,713</td>
<td>46,046,738</td>
<td>184,073,451</td>
<td>651,428,000</td>
<td>3.54</td>
</tr>
<tr>
<td>2013</td>
<td>137,971,605</td>
<td>52,570,200</td>
<td>190,541,805</td>
<td>651,428,000</td>
<td>3.42</td>
</tr>
<tr>
<td>2014</td>
<td>138,024,091</td>
<td>72,842,975</td>
<td>210,867,066</td>
<td>651,428,000</td>
<td>3.09</td>
</tr>
<tr>
<td>2015</td>
<td>138,080,625</td>
<td>38,611,750</td>
<td>176,692,375</td>
<td>651,428,000</td>
<td>3.69</td>
</tr>
<tr>
<td>2016</td>
<td>138,242,454</td>
<td>39,024,700</td>
<td>177,267,154</td>
<td>651,428,000</td>
<td>3.67</td>
</tr>
<tr>
<td>2017</td>
<td>138,412,023</td>
<td>107,850,625</td>
<td>246,262,648</td>
<td>651,428,000</td>
<td>2.65</td>
</tr>
<tr>
<td>2018</td>
<td>138,590,948</td>
<td>108,266,875</td>
<td>246,857,823</td>
<td>651,428,000</td>
<td>2.64</td>
</tr>
<tr>
<td>2019</td>
<td>138,803,041</td>
<td>108,507,125</td>
<td>247,310,166</td>
<td>651,428,000</td>
<td>2.63</td>
</tr>
<tr>
<td>2020</td>
<td>139,017,675</td>
<td>108,747,850</td>
<td>247,765,525</td>
<td>651,428,000</td>
<td>2.63</td>
</tr>
<tr>
<td>2021</td>
<td>139,250,750</td>
<td>108,981,350</td>
<td>248,232,100</td>
<td>651,428,000</td>
<td>2.62</td>
</tr>
<tr>
<td>2022</td>
<td>139,489,000</td>
<td>12,969,075</td>
<td>152,458,075</td>
<td>651,428,000</td>
<td>4.27</td>
</tr>
<tr>
<td>2023</td>
<td>139,744,000</td>
<td>44,916,800</td>
<td>184,660,800</td>
<td>651,428,000</td>
<td>3.53</td>
</tr>
<tr>
<td>2024</td>
<td>139,990,536</td>
<td>11,819,050</td>
<td>151,809,586</td>
<td>651,428,000</td>
<td>4.29</td>
</tr>
<tr>
<td>2025</td>
<td>138,181,166</td>
<td>7,051,025</td>
<td>145,232,191</td>
<td>651,428,000</td>
<td>4.49</td>
</tr>
<tr>
<td>2026</td>
<td>138,238,892</td>
<td>-</td>
<td>138,238,892</td>
<td>651,428,000</td>
<td>4.71</td>
</tr>
<tr>
<td>2027</td>
<td>137,135,884</td>
<td>-</td>
<td>137,135,884</td>
<td>651,428,000</td>
<td>4.75</td>
</tr>
</tbody>
</table>
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 whose courts declined to permit lease appropriation financing.

In September 2008, the State completed its first issuance of lease appropriation bonds for a core state facility, the Fort Bayard Medical Center in Grant County, in the amount of $60,000,000. In anticipation of this financing, the Department of Finance and Administration in 2008 established procedures and policies that will govern the issuance of lease appropriation bonds for core state facilities in the future. This policy document is attached hereto as Appendix B.
Affordability of Projected State Debt Issuance

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

None of these core bonding programs, with the exception of lease appropriation financing, utilize revenues that flow into or would otherwise flow into the General Fund of the State, although Road Fund revenues that secure the transportation bonding program are dedicated to transportation operations as well as bond debt service. Each of the programs provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage. All long-term debt obligations, however, are repaid from the underlying State economy and rely upon economic strength and continued growth to assure that the repayment of debt does not become an increasing burden on the taxpayers of the State.

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

Projected Outstanding Tax-supported Long-term Bonds

The graph below projects the impact of the planned issuance of $3.16 billion of new debt over the next 10 years, and retirement of outstanding debt, on the key debt ratios of the State. As
illustrated here, the debt ratios that had been trending downward since peaking in 2004 moved upward in 2007 and 2009 as a result of the biennial general obligation bond issuance and the sale of transportation bonds. Debt per capita is projected to reach a high of $1,815 in 2011, after which time it is projected to decline steadily, and debt as a percentage of personal income is trending downward from its peak level of approximately 5.1 percent in 2009. As noted earlier, for the purposes of projecting future debt ratios, we have projected population growth in the State at a continuing annual rate of 1.7 percent, and projected personal income growth in the State at a continuing annual rate of 6 percent. Personal income growth over the past two years has been approximately 8 percent, however for long-term planning purposes we have utilized a rate that roughly comprises population growth of 1.7 percent, inflation of 3.3 percent and real growth of 1.0 percent. For comparison purposes, we have added a dotted red line illustrating the projected ratios at a rate of personal income growth closer to national norms.

**Historical and Projected Debt Ratios**

As is illustrated here, the projected debt issuance plans for the core State bonding programs do not place stress on the State General Fund, and are affordable with respect to the revenue streams that are dedicated to debt repayment. The increase in debt ratios appears to have peaked, and are projected to decline steadily. 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, though as economic and population growth continues, State indebtedness as measured by these credit ratios should trend downward.

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

Capital Project Prioritization

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

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

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

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

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>G.O. Bonds</th>
<th>Severance Tax Bonds</th>
<th>Transportation Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bond Life</strong></td>
<td>10-year maximum term.</td>
<td>10-year maximum term.</td>
<td>Bond life may not exceed project design life.</td>
</tr>
<tr>
<td><strong>Bond Amortization</strong></td>
<td>Substantially level debt service.</td>
<td>Substantially level debt service.</td>
<td>Substantially level debt service over time.</td>
</tr>
<tr>
<td><strong>Debt Service Coverage</strong></td>
<td>Not applicable.</td>
<td>Senior and supplemental bonds subject to the terms of the statutory issuance test and the market test.</td>
<td>Long-term coverage projected at 4.50x.</td>
</tr>
<tr>
<td><strong>Variable Rate Bond Limits</strong></td>
<td>Not utilized.</td>
<td>Unhedged exposure will not exceed 20% of par outstanding.</td>
<td>Unhedged exposure will not exceed 20% of par outstanding.</td>
</tr>
<tr>
<td><strong>Debt Staging</strong></td>
<td>Traditionally issued as ten-year fixed rate bonds.</td>
<td>Traditionally issued as five to ten-year fixed rate bonds. Construction financing permitted but has not been utilized.</td>
<td>Construction financing may utilize short-term, variable rate or bond anticipation financing.</td>
</tr>
<tr>
<td><strong>Interest Rate Swaps</strong></td>
<td>Not utilized.</td>
<td>Not utilized to date due to short bond life.</td>
<td>Limited to 30% of par outstanding.</td>
</tr>
<tr>
<td><strong>Refundings</strong></td>
<td>Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities.</td>
<td>Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities.</td>
<td>Debt evaluated on an ongoing basis to identify bond refunding, and cash and economic defeasance opportunities.</td>
</tr>
<tr>
<td><strong>Cash Financing</strong></td>
<td>General Fund cash contribution to capital program sought annually, with funding based on magnitude of non-recurring and surplus revenues.</td>
<td>Funding notes utilized to direct available cash in Severance Tax Bonding Fund to capital projects each December 31(^{st}) and June 30(^{th}).</td>
<td>Transportation capital primarily funding with bond proceeds, with cash contributions from the Road Fund, the General Fund and federal revenues.</td>
</tr>
<tr>
<td><strong>Policy Area</strong></td>
<td><strong>G.O. Bonds</strong></td>
<td><strong>Severance Tax Bonds</strong></td>
<td><strong>Transportation Bonds</strong></td>
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### 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, 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, and accordingly they have not been attractive for use in conjunction with the general obligation or severance tax bonding programs.

Other information on debt management and related policies is provided in Appendix A in the State Board of Finance Debt Policy.
Conclusion

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

The global financial crisis and the ensuing recession have placed considerable stress on state and municipal government credit ratings, and the State of New Mexico is no exception. The challenge to the State’s incoming administration will be to restore operating balances and healthy reserve levels as New Mexico emerges from the recession. The new administration will be faced with competing budget demands, ongoing though lifting pressures on revenues, and the need for stabilization and rebuilding of reserve funds.

While the State of New Mexico has enjoyed a rating upgrade from Moody’s to Aaa, that change should be viewed as a recalibration of high caliber state credits, rather than an upgrade specific to the State. But the benefit of the high rating should not be underestimated and New Mexico must remain focused on sustaining it and the second tier AA+ rating by S&P. Toward that end the State must continue to improve the timeliness of State financial reporting, continue to publish an annual debt affordability study, and work to reinstitute and sustain strong general fund reserve balances.

Current pressure on state and local government bond ratings is significant due to (i) declining revenues, (ii) depleted reserves, (iii) sustained high levels of unemployment, (iv) budget pressures to sustain and increase social services and support, (v) pension fund losses, and (vi) deteriorating wealth measures deriving from the severe damage that has been inflicted on household savings and consumer confidence. Each of these factors is affecting the State of New Mexico. It is also true that while traditionally gross receipts and income tax receipts were counter-cyclical to oil and gas prices, in this environment both are deteriorating, further straining the recovery.

The State’s key debt ratios are at the high end of its peer group and above national median levels. However, the State’s high debt ratios relative to its highly rated peers are a function of the infrastructure requirements of being one of the largest states in the nation in terms of land area while having a small population base. The State retires its debt rapidly and funds a significant portion of its annual capital expenditures utilizing cash resources from the State General Fund and from the Severance Tax Bonding Fund. The State’s historically strong General Fund reserves are central to its strong credit ratings, as are its transparent policies with respect to investments, debt and derivatives. However, reserve balances are threatened, and the continued projected deterioration of reserve balances, to below 1.0% by June 30, 2011, represents the greatest threat to the State’s strong general obligation bond rating.
The planned issuance of $3.09 billion of new general obligation and severance tax secured debt over the next 10 years only modestly affects the key debt ratios of the State. As discussed in this report, the debt ratios that had been trending downward since peaking in 2004 moved upward in 2009 with the biennial issuance of general obligation bonds and are projected to move downward over time after taking into account future planned debt issuance.

The projected debt issuance plans for the core State bonding programs do not place stress on the State General Fund, and are affordable with respect to the revenue streams that are dedicated to debt repayment. Debt ratios are projected to reach a high in 2011 and then to begin to trend downward.

The State’s incoming administration will be faced with the challenges of achieving fiscal stability, restoring operating balances, and reinstituting healthy reserve levels as New Mexico emerges from the recession. This study recommends the continued utilization of an annual debt affordability study as a tool for assessing state credit factors and financial policies, and that the State continue to work toward the adoption of a State-wide capital improvement program and the development of five-year expenditure forecasts in parallel with the current long-term revenue estimation process.
Appendix A: State Board of Finance Debt Policies
STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
BOARD OF FINANCE

GOVERNOR BILL RICHARDSON
PRESIDENT

KATHERINE B. MILLER
CABINET SECRETARY

OLIVIA PADILLA-JACKSON
DIRECTOR

DEBT POLICIES

MARCH 1, 2007
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 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 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 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 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 for the purpose of enabling the State to maximize the amount of 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 described above. Accordingly, 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 Financial Disclosure section 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:

1. Implementing Timely Financial Reporting
2. Creating Firm Policies Regarding the Funding of General Fund Reserves
3. Implementing Multi-Year Financial Planning and Budgeting

**Policy 2: Capital Planning**
New Mexico Department of Finance and Administration works with State Agencies and local entities each year to develop an Infrastructure Capital Improvement Plan. This five-year plan identifies and prioritizes capital needs and encourages State and local entities to coordinate their priorities with the Invest New Mexico plan prepared by the Governor’s Finance Council.

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

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

The New Mexico Higher Education Department is responsible for the review and prioritization of higher education capital projects for all public 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 a biennial 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 policy-makers, 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 Board issues General Obligations Bonds and long-term Severance and Supplemental Severance Tax Bonds with a maximum maturity of ten years.

**Short-Term Notes**
The Board issues short-term Severance and Supplemental Severance Tax bonds (as described above in the Governing Laws and Principles section) 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, or such other 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.

**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 twenty 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 or other State agencies 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 the 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; and
f. Uncollateralized exposure to a single counterparty should not exceed 10 percent of the total par amount of bonds outstanding.
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, (v) changes in counterparty rating position, and (vi) counterparty collateral requirements, if any.

Policy 9: Cash Financing
State funding of capital projects is provided through a combination of long-term bonds, cash provided through General Fund appropriations, and the Severance Tax Note Program. General Fund appropriations are 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 also provided through the semi-annual issuance of Severance Tax and Supplemental Severance Tax Notes, as discussed above.

During the five-year period 2002-2006, State-wide capital funding, including transportation and New Mexico Finance Authority programs, totaled $4.1 billion. Of this total, 56.5 percent, or $2.3 billion, was provided through cash appropriations or the Severance Tax Note Program.

Policy 10: 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 three percent or greater when considering the issuance of advance refunding bonds. The Board 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 11: 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 12: Method of Sale
It is the Board’s policy to issue 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 13: Investment of Bond Proceeds
Bond proceeds are invested with the State Treasurer in the Bond Proceeds Investment Pool (BPIP). 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.

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 the highest investment grade ratings (triple-A), and (ii) earn excess returns relative to traditional money market strategies by slightly increasing duration consistent with the timing of the need for funds and allowing for a broader range of investment grade ratings (A rated or above). Monthly position reports and quarterly performance reports can be found on the State Treasurer’s website at www.stonm.org.

Policy 14: Arbitrage Rebate and Tax Compliance
It is the Board’s policy to fully comply with the 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 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 15: 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).

[Signature Page follows]
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.
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 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 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)

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 Care 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 years 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 years. 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)