PRELIMINARY OFFICIAL STATEMENT OCTOBER 20, 2020

New Issue

This Preliminary Official Statement ("Official Statement") has been prepared by the State Board of Finance to provide information on the $95,955,000 State of New Mexico Severance Tax Bonds, Series 2020A (the "Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision, a prospective investor should read the entire Official Statement. Certain capitalized terms used in the cover page and elsewhere in this Official Statement have the meanings given in the Official Statement.*

$95,955,000*
STATE OF NEW MEXICO SEVERANCE TAX BONDS SERIES 2020A

Dated: Delivery Date **Due: July 1, as shown on the inside front cover**

Ratings on Bonds	"Aa2" Moody's Investors Service "AA-" S&P Global Ratings
Tax Exemption	*In the opinion of Gilmore & Bell, P.C., Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax. Co-Bond Counsel is also of the opinion that the interest on the Bonds is exempt from income taxation by the State of New Mexico. See "TAX MATTERS" in this Official Statement.*
Redemption of Bonds	The Bonds will *not* be subject to optional or mandatory redemption prior to maturity.
Source of Payment	The Bonds are special limited obligations of the State payable from, and secured by, taxes levied upon certain natural resource products severed and saved from the soil of the State deposited into the Severance Tax Bonding Fund.
Priority	The Bonds are being issued under the authority of NMSA 1978, Sections 7-27-1 to -27 (1961, as amended through 2020) (the "Severance Tax Bonding Act"). The Bonds will be on a parity with Severance Tax Bonds now or hereafter outstanding and senior to Supplemental Severance Tax Bonds now or hereafter outstanding.
Purposes	Net proceeds of the Bonds are being used to provide funds to finance capital improvements approved by the State Legislature.
Interest Payment Dates	January 1 and July 1, commencing January 1, 2021.
Public Sale	The Bonds are scheduled to be sold pursuant to a competitive bidding process on or about October 27, 2020. See the Notice of Sale dated October 19, 2020 for bidding details.
Closing/Settlement	On or about November 3, 2020.
Book-Entry System	The Depository Trust Company.
Registrar/Paying Agent	State Treasurer of New Mexico.
Co-Bond Counsel	Sherman & Howard L.L.C. and Rodey, Dickason, Sloan, Akin & Robb, P.A..
Disclosure Counsel	Kutak Rock LLP.
Tax Counsel	Gilmore & Bell, P.C.
Issuer Contact	State Board of Finance: Ashley Leach, Director, 505-827-4980; ashley.leach@state.nm.us

Date of Official Statement: October __, 2020.

* Preliminary; subject to change.

MATURITY SCHEDULE

STATE OF NEW MEXICO
SEVERANCE TAX BONDS, SERIES 2020A

Maturity Date (July 1)*	Principal Amount*	Interest Rate	Yield at Issuance(1)	Price at Issuance(1)	CUSIP(2)
2021	$ 5,520,000				647310 3A7
2022	5,715,000				647310 3B5
2023	9,010,000				647310 3C3
2024	9,380,000				647310 3D1
2025	9,760,000				647310 3E9
2026	10,210,000				647310 3F6
2027	10,735,000				647310 3G4
2028	11,285,000				647310 3H2
2029	11,865,000				647310 3J8
2030	12,475,000				647310 3K5

(1) This information has not been provided by the State.
(2) Copyright 2020, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Bonds. The State takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds.
* Preliminary, subject to change.

ELECTED STATE OFFICIALS

MICHELLE LUJAN GRISHAM
Governor

MAGGIE TOULOUSE OLIVER *Secretary of State*	HOWIE MORALES *Lieutenant Governor*	TIM EICHENBERG *State Treasurer*
BRIAN COLÓN *State Auditor*	HECTOR BALDERAS *Attorney General*	STEPHANIE GARCIA RICHARD *Commissioner of Public Lands*

Public Regulation Commissioners:

CYNTHIA B. HALL *District I*	JEFFERSON L. BYRD *District II*	VALERIE ESPINOZA *District III*
THERESA BECENTI-AGUILAR *District IV*		STEPHEN FISCHMANN *District V*

STATE BOARD OF FINANCE
Ex Officio Members

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President

LT. GOVERNOR
HOWIE MORALES
Member

STATE TREASURER
TIM EICHENBERG
Member

Appointed Members

JOSEPH BADAL
Member

SENATOR MICHAEL S. SANCHEZ
Secretary

WENDY TREVISANI
Member

PAUL CASSIDY
Member

Deborah K. Romero
Executive Officer

State Board of Finance
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407 Galisteo Street
Santa Fe, New Mexico 87501
505-827-4980
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Ashley Leach, Director
505-629-9745

CO-BOND COUNSEL	**DISCLOSURE COUNSEL**	**TAX COUNSEL**	**FINANCIAL ADVISORS**
Rodey Dickason Sloan Akin & Robb, P.A. *Albuquerque, New Mexico*	*Kutak Rock LLP* *Denver, Colorado*	*Gilmore & Bell, P.C.* *Salt Lake City, Utah*	*Fiscal Strategies Group, Inc.* *Boulder, Colorado*
Sherman & Howard L.L.C. *Albuquerque, New Mexico*			*Public Resources Advisory Group* *(as subcontractor)* *Los Angeles, California*

In connection with the offering of the Bonds, the Underwriter (defined below) may over-allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sales hereunder shall under any circumstances create any implication that there has been no change in the affairs of the State of New Mexico or in the imposition and collection of severance taxes since the date hereof.

This Official Statement contains statements relating to the State's receipt of future revenues that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The State Board of Finance (the "Board") is the author of this Official Statement and is responsible for its accuracy and completeness. _____________ (the "Underwriter") purchased the Bonds pursuant to a public sale held on October 27, 2020. The Underwriter is not the author of this Official Statement. In accordance with their responsibilities under federal securities laws, the Underwriter is required to review the information in this Official Statement and must have a reasonable basis for their belief in the accuracy and completeness of this Official Statement. Both the Preliminary Official Statement and the Official Statement are "deemed final" by the Board for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

CliftonLarsonAllen LLP, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein in Appendix B, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

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SUMMARY OF INFORMATION

$95,955,000*
STATE OF NEW MEXICO
SEVERANCE TAX BONDS
SERIES 2020A

The following material represents a summary of information concerning the Bonds and the security therefor set forth in this Official Statement and is qualified in its entirety by the detailed information herein. Purchasers of the Bonds should review the entire Official Statement before making an investment decision.

Dated:	Delivery Date.
Interest Payment:	Interest is payable semi-annually on January 1 and July 1, commencing on January 1, 2021.
Principal Payment:	The Bonds mature in serial installments as set forth on the inside cover page of this Official Statement.
Redemption of Bonds:	The Bonds will not be subject to optional or mandatory redemption prior to maturity.
Registration:	The Bonds are being issued solely in book-entry form in the denomination of $5,000 or any integral multiple thereof. The Bonds are being registered to Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as depository.
Legal Opinion:	The Bonds are offered when, as and if issued, subject to the approval of legality by Sherman & Howard L.L.C. and Rodey, Dickason, Sloan, Akin & Robb, P.A., Co-Bond Counsel and Gilmore & Bell, P.C., Tax Counsel.
Security:	The Bonds constitute special limited obligations of the State of New Mexico and will be payable solely from deposits to and revenues of the Severance Tax Bonding Fund (the “Bonding Fund”), consisting primarily of receipts from certain taxes levied on certain natural resource products severed and saved from the soil of the State of New Mexico as more fully described herein.
Additional Parity Bonds:	The Board is prohibited by statute from issuing Senior Severance Tax Bonds and short-term Senior Severance Tax Funding Notes unless the aggregate amount of total Senior Severance Tax Bonds and Senior Funding Notes outstanding, after giving effect to the proposed issuance, can be serviced with not more than 47.6 percent of the annual deposits into the Bonding Fund, as determined by the lesser of the deposits during the preceding Fiscal Year or the deposits during the current Fiscal Year, as estimated by the Board of Finance Division of the Department of Finance and Administration (the “Division”).

$95,955,000*
THE STATE OF NEW MEXICO
SEVERANCE TAX BONDS
SERIES 2020A

INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, the Summary of Information and the Appendices hereto, is to furnish information regarding the issuance of the $95,955,000* State of New Mexico Severance Tax Bonds, Series 2020A (the "Bonds") of the State of New Mexico (the "State") by the State Board of Finance (the "Board").

The Bonds are being issued under authority of the Severance Tax Bonding Act, NMSA 1978, Sections 7-27-1 to -27 (1961, as amended through 2020) (the "Severance Tax Bonding Act"), the Supplemental Public Securities Act, NMSA 1978, Sections 6-14-8 to -11 (1983, as amended through 2017) and pursuant to a resolution of the Board adopted on July 21, 2020 and amended on October 20, 2020, and as supplemented by a Final Terms Certificate approved in accordance with the terms of such resolution (collectively, the "Bond Resolution").

This Official Statement contains summaries of the terms of the Bonds, certain fiscal matters of the State, and the Severance Taxes (defined below) imposed by the State. The descriptions included in this Official Statement do not purport to be comprehensive or definitive, and such summaries and descriptions are qualified in their entirety by reference to such laws, and the definitive forms of documents, exhibits or appendices where applicable.

Requests for additional information about the State, the Severance Taxes, or requests for copies of any document or statute referred to in this Official Statement, may be directed to:

Contact:	State Board of Finance Attn: Ashley Leach, Director
Phone:	(505) 629-9745
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Web Site:	http://nmdfa.state.nm.us/board_of_finance.aspx

TABLE 1
Summary of Projected and Historical Coverage in Severance Tax Bonding Fund
Fiscal Year Ended June 30
(Dollars in thousands)

	2021	2022	2023	2024	2025
Projected Bonding Fund Receipts	$477,838	$544,589	$588,798	$624,343	$661,244
Senior Bond Debt Service[(1),(2)]	$136,980	$134,437	$125,625	$116,983	$98,049
Senior Bond Debt Service Coverage Ratio	3.49x	4.05x	4.69x	5.34x	6.74x
Supplemental Bond Debt Service [(2)]	$20,591	$9,121	$9,123	$9,125	$9,122
Supplemental Bond Debt Service Coverage Ratio	3.03x	3.79x	4.37x	4.95x	6.17x
	2016	**2017**	**2018**	**2019**	**2020**
Bonding Fund Receipts	$309,940	$354,884	$471,047	$686,924	$698,585
Senior Bond Debt Service[(1),(2)]	$142,085	$141,063	$142,160	$145,381	$146,969
Senior Bond Debt Service Coverage Ratio	2.18x	2.52x	3.31x	4.72x	4.75x
Supplemental Bond Debt Service[(2)]	$13,842	$19,026	$20,474	$21,142	$21,143
Supplemental Bond Debt Service Coverage Ratio	1.99x	2.22x	2.90x	4.13x	4.15x

(1) Includes estimated debt service on the Bonds. Revenue projections are subject to continued review.
(2) Excludes debt service on refunded bonds, if any, which will be paid from escrowed securities and severance tax debt obligations sold to the State Treasurer that are retired within the same fiscal year.
Sources: New Mexico State Board of Finance and Fiscal Strategies Group

Impacts of COVID-19 Pandemic

Employment. The spread of the COVID-19 virus is currently altering the behavior of businesses and people in a manner that is having significant negative effects on global, national, state and local economies. The contagious nature of the COVID-19 virus resulted in the Governor issuing a public health order on March 19, 2020 to implement social distancing measures, close non-essential businesses, and limit and reduce business capacity. One significant impact of the COVID-19 virus can be seen in the State's employment data. From February to April of 2020, the State lost more than 104,000 jobs. From April to August, the State gained back more than 29,100 jobs. In other words, from April to August the State regained 27.9 percent of the jobs lost from February to April.

The State unemployment rate decreased from 12.7 percent to 11.3 percent from July 2020 to August 2020. The State's year-over-year employment declined across most sectors in August 2020. The most severe employment losses were experienced by the leisure and hospitality sector and the mining sector, which lost 29,700 jobs, or 28.9 percent, and 8,000 jobs, or 30.3 percent, respectively, when compared to August 2019.

The national unemployment rate decreased from 10.2 percent in July to 8.4 percent in August 2020. Employment recovery in New Mexico to pre-COVID-19 levels is expected to take several years under Moody's Analytics baseline and alternative scenario forecasts, with New Mexico's unemployment rate expected to not fall below 7.0 percent until the latter half of calendar year 2022.

Tax Collections. Collections of various taxes in the State have, in certain cases, shown some impact from COVID-19. Matched gross receipts tax ("MGRT") collections declined 6.7 percent in April 2020 versus April 2019, declined 1.8 percent when comparing May 2020 and May 2019, and declined 0.3 percent when comparing June 2020 and June 2019.

On a monthly basis the brunt of the MGRT decline was experienced in April of 2020, while the months of May and June improved slightly. Overall, on a year-over-year basis MGRT declined in the second quarter of calendar year 2020 compared to the second quarter of calendar year 2019 by 2.9 percent.

Personal income tax revenues year-to-date through May were $1.39 billion, which represents a decrease of 2.8 percent from the prior fiscal-year-to-date revenues ($1.44 billion). Personal income tax revenues in May 2020 were $162.1 million, lower than the same month in the prior year, which had revenues of $191.7 million. While this forecast weighs all available information, the nature of the current situation is unprecedented. The actual outcomes for the State's finances will depend on a variety of factors: the epidemiological path of the virus, the strategies for reopening the New Mexico and U.S. economies, the time it takes consumer confidence to rebound, the effect of business closures on the long-term viability of the State's businesses, and the degree to which temporary layoffs become permanent. For a discussion of the collection of Severance Taxes, see "SEVERANCE TAX REVENUE—2020 Economic Conditions Impacting Severance Tax" herein.

Government Operations. The COVID-19 epidemic has also impacted governmental operations of the State, including implementation of remote work, teleconferencing and other preventive measures designed to limit the spread of the COVID-19 virus. On March 19, 2020, the Governor issued the first of many executive orders ("EOs") related to the COVID-19 virus. The initial EO implemented social distancing measures, closed non-essential businesses, and limited and reduced business capacity. A subsequent EO implemented school closures. Additional EOs established funding for a variety of agencies, including the Department of Military Affairs (National Guard), Department of Homeland Security and Emergency Management, the Department of Health, the Public Education Department, the Children, Youth, and Families Department, and the Aging and Long-Term Services Department. In total, the EOs provided $35.5 million in funding to effectively respond, manage, and address COVID-19 and its impacts.

The State has developed public health gating criteria that are part of New Mexico's phased plan for a safe and gradual reopening of the economy and society. Gating criteria are thresholds New Mexico must satisfy before beginning to relax social distancing restrictions and closures. The criteria are assessed regularly, and if the levels meet predetermined, evidence-based targets, the State will assess the ability to move to the next phase. Additionally, as the State learns more about COVID-19, it may add new measures over time to help close gaps in knowledge and better ensure New Mexico is meeting reopening goals. Currently, the gating criteria consists of eight measures, each with an assigned target. In evaluating reopening, officials will consider the State's ability to achieve a decreasing transmission rate, adequate testing, expansive contact tracing and isolation, and sufficient hospital capacity. Gating criteria, in conjunction with the COVID Safe Practices Guide for Individuals and Employers (developed by the New Mexico Economic Recovery Council), are designed to promote safety of community members, employees, and customers.

The New Mexico Legislature held a Special Session in June 2020 to address the State's fiscal outlook in light of the oil price volatility experienced in early 2020 from the Saudi Arabia and Russia oil price war and the continuing COVID-19 healthcare crisis. In the 2020 Special Session, the following actions were taken to address the recurring budget for Fiscal Year 2021: targeted decreases of 1 to 4 percent in the State budget, elimination of 4 percent salary increases for state employees, usage of $750 million of Coronavirus Relief Fund ("CRF") for those agencies providing COVID-19 pandemic response, and authority to use excess cash in the Severance Tax Bonding Fund to fund capital, instead of transferring such cash to the Severance Tax Permanent Fund. The 2020 Special Session adjusted the general fund recurring budget downward by $414 million to $7.2 billion and nonrecurring budget downward by $183.7 million to $138.4 million.

The State economy was bolstered in the second quarter of 2020 by the fiscal stimulus provided in the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Measures included loans to businesses under the paycheck protection program, unemployment benefits for self-employed and independent contractors, one-time $1,200 stimulus checks to individuals, and an extra $600 per week in unemployment benefits. Additionally, the State received $1.2 billion in CRF monies to assist in managing the healthcare crisis. CRF must be allocated between state, local, and tribal governments. The Governor approved $150 million of CRF for small businesses ($50 million distributed) and local governments ($100 million distributed) and $28 million for tribal governments in July 2020. Funds were provided as grants at the beginning of September 2020. These funds can cover costs that are necessary expenditures incurred due to the public health emergency for the period beginning on March 1, 2020, through December 30, 2020.

There were more than 40 grants in addition to the CRF included in the federal stimulus legislation. Many of these grants were allocated directly to State government agencies. Here are some of the most significant grants. The Governor's Emergency Education Relief Fund ("GEER") appropriated $22.26 million to be distributed for services to students throughout the State. This funding is distributed between the Public Education Department, Higher Education Department and the new Early Childhood Education and Care Department. The Elementary and Secondary School Emergency Relief Fund ("ESSR") awarded $108.6 million to the Public Education Department to be distributed to local education agencies ("LEAs"), including charter schools that are LEAs. The Higher Education Emergency Relief Funding ("HEERF") provided $76.8 million to State institutions of higher education based on a formula stipulated in the original legislation. Supplemental funding for the Child Care and Development Block Grant ("CCDBG") of $29.4 million was allocated for supporting childcare programs for low-income working families and is administered by the State's Children, Youth and Families Department. $77.3 million was allocated for Centers for Disease Control testing. Unemployment Insurance Administration funding of $2.6 million via the federal Families First Coronavirus Response Act is designated for expanded services to workers who may not ordinarily be eligible for benefits. An Election Security Grant through the Help America Vote Act ("HAVA") made $3.9 million available to the State to prevent, prepare for and respond to the virus for the 2020 federal election cycle. Supplemental funding of $5.4 million was provided for the Low Income Home Energy Assistance Program ("LIHEAP") with continued administration by the State's Human Services Department.

THE SEVERANCE TAX BONDS

General Terms

The Bonds are dated their date of delivery, bear interest until the principal amount thereof is paid, and mature as set forth on the inside cover page hereof. Interest on the Bonds is payable on January 1 and July 1, commencing on January 1, 2021. The Bonds are being issued solely in book-entry form in denominations of $5,000 or integral multiples thereof. The Bonds are being registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as depository for the Bonds. The Bonds are subject to transfer and exchange as set forth in the Bond Resolution.

No Optional or Mandatory Redemption of Bonds

The Bonds are not subject to optional or mandatory redemption prior to maturity.

Security for the Bonds

There are two categories of bonds issued by the Board for which the money in the Bonding Fund is pledged for their retirement. Those bonds are referred to in the Severance Tax Bonding Act as "New Mexico Severance Tax Bonds" and as "New Mexico Supplemental Severance Tax Bonds" but, for clarity, are referred to herein as "Senior Severance Tax Bonds" and "Supplemental Severance Tax Bonds," respectively. Where appropriate, Senior Severance Tax Bonds and Supplemental Severance Tax Bonds are collectively referred to herein as "Severance Tax Bonds."

Security for the Bonds. The Board is prohibited by statute from issuing Supplemental Severance Tax Bonds with a term that extends beyond the Fiscal Year in which they are issued unless the aggregate amount of Senior Severance Tax Bonds and Supplemental Severance Tax Bonds outstanding, after giving effect to the proposed issuance, can be serviced with not more than 60.1 percent of the annual deposits into the Bonding Fund, as determined by the lesser of the deposits during the preceding Fiscal Year or the deposits during the current Fiscal Year, as estimated by the Division.

In addition, short-term Supplemental Severance Tax Funding Notes ("Supplemental Funding Notes") may be issued if the debt service on such Supplemental Funding Notes, when added to the debt service previously paid or scheduled to be paid during that Fiscal Year on Senior Severance Tax Bonds, Senior Funding Notes and Supplemental Severance Tax Bonds does not exceed the following percentages of the lesser of the deposits in the Bonding Fund during the preceding Fiscal Year or the deposits into the Bonding Fund during the current Fiscal Year, as estimated by the Division:

(1) For Fiscal Year 2021, 87.8 percent; and
(2) For Fiscal Year 2022 and subsequent Fiscal Years, 86.2 percent.

The Senior Severance Tax Bonds and Senior Funding Notes fund a wide variety of capital projects, while Supplemental Severance Tax Bonds and Supplemental Funding Notes are earmarked for capital projects for public education. The Board has authority to issue Supplemental Severance Tax Bonds for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council of the State. During Fiscal Years 2018 through 2022, certain public school capital expenditures, including instructional materials and school bus transportation, will be funded via the issuance of Supplemental Severance Tax Bonds as certified by the Public Education Department Secretary. The lien of the pledge of such Supplemental Severance Tax Bonds (including Supplemental Funding Notes) is subordinate to any outstanding Senior Severance Tax Bonds.

NMSA 1978 Section 7-27-8 requires that on each December 31 and each June 30 the State Treasurer shall transfer to the Severance Tax Permanent Fund all money in the Bonding Fund except the amount necessary to meet all principal and interest payments on bonds payable from the Bonding Fund on the next two ensuing semiannual payment dates.

Following the 2019 legislative session, Senate Bill 535 was signed into law. The bill stipulated that the Board not issue and sell more than $181.8 million of Supplemental Severance Tax Bonds in Fiscal Year 2019. The bill also requires the Board, by December 31 of each year for 2019 through 2028 (Fiscal Years 2020 through 2029), to transfer $23.69 million from the Bonding Fund to the Severance Tax Permanent Fund. The amount of the Severance Tax Permanent Fund transfer would be considered before determining the bonding capacity. The Board may determine that a lesser transfer amount is necessary per NMSA 1978 Section 7-27-8 in order to pay debt service obligations.

The total aggregate principal amount of outstanding Severance Tax Bonds issued by the State does not now, nor will such amount upon the issuance of the Bonds, exceed any applicable limit prescribed by the Constitution or laws of the State.

The Bonds, all currently outstanding Senior Severance Tax Bonds, and any Senior Severance Tax Bonds or Senior Funding Notes issued on a parity with the Bonds will have a pledge and lien senior to any Supplemental Severance Tax Bonds or Supplemental Funding Notes now outstanding or hereafter issued.

The Bonds are special obligations of the State secured by and payable solely from, on a parity basis to Senior Severance Tax Bonds and Senior Funding Notes now or hereafter outstanding and on a prior lien basis to Supplemental Severance Tax Bonds and Supplemental Funding Notes now or hereafter outstanding, deposits to the Bonding Fund into which are deposited, pursuant to the Severance Tax Bonding Act, the net receipts from taxes levied in accordance with the Severance Tax Act, NMSA 1978, Sections 7-26-1 to -8 (1937, as amended through 1999) (the “Severance Tax Act”), and the Oil and Gas Severance Tax Act, NMSA 1978, Sections 7-29-1 to -23 (1959, as amended through 2005) (the “Oil and Gas Severance Tax Act”), upon certain natural resource products severed and saved from the soil of the State (“Severance Taxes”), investment earnings on such deposits and on unused bond proceeds in certain accounts, and such other moneys as the Legislature in its sole discretion may from time to time determine. On June 30 and December 31 of each year, the excess money in the Bonding Fund over the amount necessary to meet all principal and interest payments on all outstanding Severance Tax Bonds on the next two ensuing semiannual payment dates must be transferred to the Severance Tax Permanent Fund.

Once moneys are so transferred, they no longer may be used to pay, or to secure payment of, principal, premium, if any, or interest on any Severance Tax Bonds. Severance Tax Bonds are not general obligations of the State and the State is prohibited by law from using the proceeds of property taxes as a source of payment of revenue bonds, including Severance Tax Bonds.

The State Treasurer keeps separate accounts for all money collected as Severance Taxes, and is directed by State statute to pay Severance Tax Bonds from moneys on deposit in the Bonding Fund. The Bond Resolution provides for the creation of a separate Debt Service Account within the Bonding Fund for the payment of principal and interest on the Bonds.

The Severance Tax Bonding Act requires the Legislature to provide for the continued assessment, levy, collection and deposit into the Bonding Fund of Severance Taxes which, together with such other moneys as may be deposited into the Bonding Fund, will be sufficient to produce an amount at least equal to annual debt service on all outstanding Severance Tax Bonds.

In addition, the Board covenants in the Bond Resolution that the State will use its best efforts to collect and deposit in the Bonding Fund proceeds from Severance Taxes as set forth in the Severance Tax Bonding Act which, when combined with other amounts the State Legislature, in its sole discretion, may from time to time deposit in the Bonding Fund will equal at least two-hundred percent (200%) of the amount of the principal and interest scheduled to be due in each fiscal year of the State on Severance Tax Bonds, including the Bonds. However, the Board does not have the power to levy or impose Severance Taxes, and no assurance exists that the 200 percent requirement will be met.

USE OF PROCEEDS

Purpose

The proceeds of the Bonds are being used to provide funds to finance capital improvements as described in legislation approved by the State Legislature and signed by the Governor. Proceeds of the Bonds will include funding for certain prioritized projects (the "Earmarked Projects"). These Earmarked Projects provide funding to water, tribal, and colonias projects and receive a percentage of annual senior severance tax bonding capacity (totaling 18 percent), per State law. The Earmarked Projects are typically funded in full by short-term Severance Tax Notes, issued in June of each year. During the 2020 Special Session, the Legislature elected to fund a portion (69.5 percent) of the allocation for the Earmarked Projects from the proceeds of the Series 2020S-A Severance Tax Notes. The remaining allocation of 30.5 percent will be funded with proceeds of the Bonds. The Earmarked Projects are reviewed by counsel and staff to ensure compliance with state and federal law to maintain the tax-exempt status of the Bonds.

The proceeds of the Bonds are expected to be applied in the manner set forth in the following table:

SOURCES:
Par Amount
Original Issue Premium
TOTAL SOURCES

USES:
Deposit to Capital Project Account
Underwriter's Discount
Contingency
TOTAL USES

SEVERANCE TAX BONDING FUND AND DEBT SERVICE REQUIREMENTS

Severance Taxes have been collected by the State since the adoption of the Severance Tax Act in 1937. Since 1959, certain Severance Tax receipts and certain other moneys determined by the Legislature have been deposited into the Bonding Fund and used, in part, to service bond issues, which have funded a variety of capital improvements in the State. Pursuant to the provisions of the Severance Tax Act and the Oil and Gas Severance Tax Act, Severance Tax receipts, including penalties and interest, and such other moneys as the Legislature in its sole discretion may from time to time determine (including interest earnings on moneys in the Bonding Fund and the project accounts and reversions from project accounts in the Bonding Fund), are deposited into the Bonding Fund. As of the date of this Official Statement, other moneys including interest earnings on moneys in the Bonding Fund, reversions from project accounts in the Bonding Fund, prepayments and tax settlements have been deposited. See Table 5 entitled "Severance Tax Bonding Fund Receipts, Disbursements and Transfers" herein. The moneys in the Bonding Fund are pledged for the payment of principal, premium, if any, and interest on Severance Tax Bonds and Supplemental Severance Tax Bonds, and there are no other liens or encumbrances of any nature on or against (i) the Bonding Fund, or (ii) the net revenues derived from Severance Taxes that are required to be credited to the Bonding Fund; provided, however, that semiannual transfers of excess funds in the Bonding Fund to the Severance Tax Permanent Fund are required by state statute December 31 and June 30 of each fiscal year. See "Issuance of Severance Tax Bonds" below. The moneys in the Bonding Fund are also available to pay costs of issuance in connection with the sale of Severance Tax Bonds and Supplemental Severance Tax Bonds.

Severance taxation is determined by State statute. For a description of the various Severance Tax rates and methods of their calculation, see “SEVERANCE TAX REVENUE” below.

Investments

Funds on deposit in the Bonding Fund are invested by the State Treasurer at the direction and approval of the Board, pursuant to the State Treasurer’s Investment Policy (“Investment Policy”), adopted on December 17, 2019. For a description of the Investment Policy, see State Treasurer’s Investment Responsibilities in “Appendix A.” Investments are made in securities, which are at the time legal investments of the State, and no such investment or deposit shall violate any applicable restrictions imposed by the Tax Code (defined herein) and applicable Treasury Department regulations relating to the market price and the existence of an established market.

Except for funds deposited into the Rebate Fund (defined in the Bond Resolution) for any bond series, net interest earned on the amounts on deposit in the Debt Service Account for those bonds shall be retained therein, and net interest earned on amounts on deposit in the Project Fund for those bonds shall be credited to the Debt Service Account for those bonds and applied to the payment of principal and interest on the bonds next becoming due. Any net loss, after applying any earnings in that account or fund to the loss, resulting from any investment shall be charged to the applicable account from which such investment was made.

Issuance of Severance Tax Bonds

The Severance Tax Bonding Act authorizes the issuance and sale of Senior Severance Tax Bonds and Supplemental Severance Tax Bonds payable from the net receipts from taxes levied upon certain natural resource products severed and saved from the soil (“Severance Taxes”) in accordance with the provisions of, and as described in, the Severance Tax Bonding Act.

Severance Taxes are collected on a monthly basis by the New Mexico Taxation and Revenue Department (the “TRD”) and deposited in the Extraction Taxes Suspense Fund within the General Fund of the State. If the TRD determines that there is no substantial risk of protest or litigation related to those tax revenues, they are released from the Extraction Taxes Suspense Fund and deposited in the Bonding Fund in the month following the collection of the Severance Taxes; otherwise the tax revenues are held in the Extraction Taxes Suspense Fund until the substantial risk of protest or litigation is no longer present.

On December 31 and June 30 of each fiscal year, excess funds in the Bonding Fund are transferred into the Severance Tax Permanent Fund. Excess funds are defined as funds in excess of the next two semi-annual payments of debt service on Severance Tax Bonds. **Balances in the Severance Tax Permanent Fund are not pledged as security for the Bonds.**

In addition to the sale of long-term Senior Severance Tax Bonds and Supplemental Severance Tax Bonds, the State issues Senior Funding Notes and Supplemental Funding Notes from time to time to utilize excess capacity available in the Bonding Fund, as authorized by the Legislature, and to make those funds available for capital projects of the State. The Senior Funding Notes and Supplemental Funding Notes generally are taxable for federal income tax purposes, have a maturity of five days or less, mature in the fiscal year in which they are issued and are purchased by the State Treasurer.

State Capital Program

State General Fund balances and proceeds from General Obligation Bonds, Senior Severance Tax Bonds and Supplemental Severance Tax Bonds are important sources of capital financing for the State.

The following table summarizes the capital funding administered by the Board and certain other sources for Fiscal Year 2016 through Fiscal Year 2020.

TABLE 2
Principal Sources of Capital Project Funding
Fiscal Year Ended June 30
(Dollars in millions)

	2016	2017	2018	2019	2020
Proceeds from General Obligation Bonding Program[(1)]					
General Obligation Bonds	$ 0.0	$ 0.0	$174.3	$ 0.0	$157.9
Subtotal	0.0	0.0	174.3	0.0	157.9
Proceeds from Severance Tax Bonding Program[(1)]					
Severance Tax Bonds	293.1	51.0	222.5	0.0	0.0
Severance Tax Funding Notes[(2)]	8.6	38.5	28.9	77.2	307.2
Supplemental Severance Tax Bonds	81.0	0.0	0.0	0.0	0.0
Supplemental Severance Tax Funding Notes[(2)]	127.3	120.4	139.2	181.9	254.5
Subtotal	510.0	209.9	390.6	259.1	561.7
Proceeds From Other Sources					
Transportation Bonds	0.0	0.0	0.0	0.0	0.0
Subtotal	0.0	0.0	0.0	0.0	0.0
Total[(3)]	$510.0	$209.9	$564.9	$259.1	$719.6

(1) Dollar amounts from State Board of Finance funding programs reflect net proceeds available for capital expenditure. Amounts vary annually by legislative action and the timing of bond closings.
(2) The Board issues Senior Funding Notes and Supplemental Funding Notes to fund authorized projects. The notes are sold to the State Treasurer and retired within the same fiscal year.
(3) Totals may not add due to rounding.
Sources: New Mexico State Board of Finance and the New Mexico Finance Authority (as issuer of State Transportation Bonds)

In addition to the General Obligation Bonding Program, the Severance Tax Bonding Program and the Supplemental Severance Tax Bonding Program, each issued and administered by the Board, there are a number of other sources of funds for capital projects throughout the State. These other sources of funding include surplus general fund appropriations and proceeds of bonds issued by, among others, the New Mexico Finance Authority, the State Transportation Commission and state educational institutions.

The New Mexico Finance Authority (the "Finance Authority") was created by the State Legislature in 1992 to assist qualified governmental entities in financing capital equipment and infrastructure projects. The Finance Authority is a state instrumentality governed by a board of directors and is not subject to the direct supervision or control of any other board, bureau, department or agency of the State.

Outstanding and Additional Senior Severance Tax Bonds

The Bonds will be secured on a parity with the following Senior Severance Tax Bonds currently outstanding (exclusive of those Senior Severance Tax Bonds which are fully secured by escrowed securities). The Bonds will be issued with a lien senior to all current and any future Supplemental Severance Tax Bonds. See "Outstanding and Additional Supplemental Severance Tax Bonds" below.

TABLE 3
Outstanding Senior Severance Tax Bonds [1]

Severance Tax Bonds, Series 2011A-1	$ 3,635,000
Severance Tax Bonds, Series 2012A	15,540,000
Severance Tax Bonds, Series 2015A	82,565,000
Severance Tax Bonds, Series 2016A	78,750,000
Severance Tax Bonds, Refunding Series 2016B	133,130,000
Taxable Severance Tax Bonds, Series 2016C	1,695,000
Severance Tax Bonds, Series 2016D	26,725,000
Taxable Severance Tax Bonds, Series 2016E	7,085,000
Severance Tax Bonds, Series 2017A	58,395,000
Severance Tax Bonds, Series 2018A	104,245,000
Severance Tax Bonds, Series 2020A	*
Total	$ *

(1) Upon issuance of the Bonds.

Additional Senior Severance Tax Bonds may be issued in the future only if certain statutory conditions as to debt service capacity are met. See "THE SEVERANCE TAX BONDS—Security for the Bonds."

Outstanding and Additional Supplemental Severance Tax Bonds

Supplemental Severance Tax Bonds are authorized pursuant to an amendment to the Severance Tax Bonding Act enacted in 1999. In Fiscal Year 2020, long-term Supplemental Severance Tax Bonds were not issued. Supplemental Funding Notes were issued with a term that did not extend beyond the then current fiscal year. Supplemental Funding Notes are issued if the debt service on such Supplemental Funding Notes, when added to the debt service previously paid or scheduled to be paid during that fiscal year on Senior Severance Tax Bonds, Senior Funding Notes, Supplemental Severance Tax Bonds and any other Supplemental Funding Notes, did not exceed, for the year 2020, 89.4 percent of the deposits into the Bonding Fund as determined by the lesser of the deposits during the preceding fiscal year or the deposits during the current fiscal year as estimated by the Division. For 2021 and 2022, the percent of the deposits figure that cannot be exceeded decreases to 87.8 percent and 86.2 percent respectively. The Board has been authorized by statute to issue Supplemental Severance Tax Bonds and Supplemental Funding Notes for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council of the State and the Public Education Department Secretary. The lien of the pledge of such Supplemental Severance Tax Bonds and Supplemental Funding Notes is subordinate to any Senior Severance Tax Bonds.

TABLE 4
Outstanding Supplemental Severance Tax Bonds

Supplemental Severance Tax Bonds, Series 2015B	$40,365,000
Total	$40,365,000

Source: New Mexico State Board of Finance.

The following tables set forth actual and projected results for the Bonding Fund including receipts, disbursements, debt service requirements, transfers and projected debt service coverage ratios.

TABLE 5
Severance Tax Bonding Fund
Receipts, Disbursements and Transfers
Fiscal Year Ended June 30 [(1), (2)]
(Dollars in thousands)

	2016	2017	2018	2019	2020
Beginning Balance	$152,086	$160,886	$195,785	$218,476	$236,399
Receipts:					
Taxes:					
Oil and Gas Severance Tax	289,063	327,403	447,411	655,934	674,440
Other Minerals Severance Taxes	10,102	8,334	6,926	5,677	5,858
Total Severance Taxes [(3)]	299,165	335,737	454,337	661,611	680,298
Other Income:					
Interest on Investments	9,292	9,716	10,788	21,110	18,011
Other financing sources	1,483	9,432	5,920	4,202	276
Total Other Income	10,775	19,148	16,708	25,313	18,287
Total Receipts	309,940	354,884	471,047	686,924	698,858
Disbursements:					
Senior Bond Debt Service	142,085	141,063	142,160	145,381	146,969
Senior Short-term Obligations[(5)]	8,615	38,466	28,891	74,837	307,186
Supplemental Bond Debt Service	13,842	19,026	20,474	21,142	21,413
Supplemental Short-term Obligations[(5)]	127,290	120,443	139,224	181,527	254,551
Costs of Issuance and Other Charges	841	987	580	659	376
Total Disbursements	292,672	319,985	331,330	423,545	730,496
Transfers:					
To Severance Tax Permanent Fund	8,468	--	117,027	245,455	31,873
Total Transfers	8,468	--	117,027	245,455	31,873
Ending Balance, June 30	$160,886	$195,785	$218,476	$236,399	$172,616

[(1)] All receipts, expenditures and balances exclude amounts in rebate accounts retained for potential arbitrage rebates. Figures may not add due to rounding.
[(2)] Proceeds and expenditures attributable to refunding bonds are excluded from this table because such proceeds and expenditures are reserved for payments on appropriate refunding bonds and are not available for debt service payments on other Severance Tax Bonds.
[(3)] Reflects severance taxes collected and accrued on a cash basis. Effective July 1, 2017, the State of New Mexico began accounting for such receipts on a modified accrual basis. All severance tax collections in this official statement are shown on a cash basis.
[(4)]The Board issues short-term Severance Tax Notes and Supplemental Severance Tax Notes to fund authorized projects. The notes are sold to the State Treasurer and retired within the same Fiscal Year.
Source: New Mexico State Board of Finance based on the Statewide Human Resources, Accounting, and Management Reporting System (the "SHARE System")

TABLE 6
Severance Tax Bonding Fund Projected Receipts
Fiscal Year Ending June 30 [(1)]
(Dollars in thousands)

	2021	2022	2023	2024	2025
Severance Tax Bonding Fund Receipts					
Taxes: Natural Gas	$ 96,505	$103,579	$108,360	$113,203	$118,414
Oil	362,834	422,510	461,938	492,640	524,331
Subtotal-Oil & Gas Severance Tax	459,338	526,089	570,298	605,843	642,744
Other Severance Taxes					
Coal	5,000	5,000	5,000	5,000	5,000
Other Minerals	1,500	1,500	1,500	1,500	1,500
Subtotal-Other Severance Tax	6,500	6,500	6,500	6,500	6,500
Investment Earnings	8,000	8,000	8,000	8,000	8,000
Other Income	4,000	,4,000	4,000	4,000	4,000
Total Receipts	$477,838	$544,589	$588,798	$624,343	$661,244

[(1)] Columns may not add due to rounding.
Source: New Mexico Department of Finance and Administration.

See also, "NATURAL GAS PRODUCTION AND SEVERANCE TAX REVENUE—Projections of Severance Tax Revenues from Natural Gas," and "OIL PRODUCTION AND SEVERANCE TAX REVENUE—Projections of Severance Tax Revenues from Oil" herein.

TABLE 7
State of New Mexico Severance Tax Bonds
Projected Cash Receipts, Debt Service Requirements and Coverage

Fiscal Year Ending June 30	Projected STBF Revenues	Scheduled Senior Debt Service(1)(2)	Projected Senior Debt Service Coverage	Scheduled Supplemental Debt Service(1)	Projected Supplemental Coverage
2021	$477,838,306	$136,979,548	3.49x	$20,591,400	3.03x
2022	544,588,813	134,436,974	4.05x	9,121,125	3.79x
2023	588,797,750	125,625,475	4.69x	9,122,500	4.37x
2024	624,343,438	116,982,750	5.34x	9,124,625	4.95x
2025	661,244,375	98,048,875	6.74x	9,121,625	6.17x
2026	676,408,163	79,671,750	8.49x	9,122,500	7.62x
2027	704,239,688	60,727,250	11.60x	--	11.60x
2028	704,239,688	44,928,375	15.67x	--	15.67x
2029	727,929,688	29,824,125	24.41x	--	24.41x
2030	727,929,688	14,019,000	51.92x	--	51.92x
2031	727,929,688	14,016,875	51.93x	--	--

(1) Excludes debt service on refunded bonds which will be payable from escrowed securities and severance and supplemental severance tax debt obligations sold to the State Treasurer which are retired within the same Fiscal Year.
(2) Scheduled Senior Debt Service and Scheduled Supplemental Debt Service as of December 31, 2019; all other dollar amounts reflect projections as of December 2019.
Sources: New Mexico State Board of Finance and Fiscal Strategies Group

See also, Table 6 entitled "Severance Tax Bonding Fund Projected Receipts" above.

SEVERANCE TAX REVENUE

The minerals extracted from the State that contribute the largest portion of Severance Tax revenues are natural gas, crude oil and coal. Severance Taxes from natural gas and crude oil together accounted for 99.14 percent of Fiscal Year 2020 Bonding Fund tax receipts. This percentage is calculated net of applicable intergovernmental tax credits.

The State's Energy, Minerals, and Natural Resources Department ("EMNRD") records and generates data on mineral resources in the State. EMNRD produces annual reports on the State's mineral resources. The TRD compiles reports of taxable volume, value, deductions and tax receipts by commodity and land type. The State Consensus Revenue Estimating Group ("CREG") is composed of economists from the executive and legislative branches of New Mexico state government. CREG's annual production estimates are made jointly by the Department of Finance and Administration (the "DFA"), the TRD, the Department of Transportation and the Legislative Finance Committee. The DFA uses these price and volume estimates as well as national price forecasts to project Severance Tax receipts. See "APPENDIX C—FORM OF ATTORNEY GENERAL'S NO LITIGATION LETTERS" for a discussion of pending litigation and other proceedings concerning the collection of Severance Taxes.

Severance Tax Collections and Reporting

Operators, purchasers and working interest owners are required to submit monthly reports to the Taxation and Revenue Department (the "TRD") showing the total value, volume and kind of products sold from every production unit each month. Taxes must be paid at the same time and are due 55 days after the month of production. Each production report must be accompanied by a company identification number, which facilitates automated processing of return information. Production and associated tax liability are reported by "production unit" and a designation for a well or group of wells that is assigned by the TRD based on the master operation, property name identification and pool. A suffix is added to the production unit number to designate the specific land type and taxing authority, including county, school district and municipality. Fluctuations of oil and gas prices from COVID-19 and other economic factors will impact the collection of Severance Taxes by TRD. The State producers have experienced negative prices for both oil and natural gas in the last year and a half. Most recently in April 2020, West Texas Intermediate oil prices saw negative prices as the world oil market suffered from both supply- and demand-side shocks from the Saudi-Arabia and Russia oil price war and the COVID-19 containment measures implemented in March. A return must still be filed to indicate the amount of oil and natural gas severed with zero tax liability then associated where prices were negative. See "SEVERANCE TAX REVENUE—2020 Economic Conditions Impacting Severance Tax" herein.

Complete reporting forms must be mailed or delivered, or their information electronically transmitted, on or before the 25th day of the second month after the calendar month for which the report is required. Taxpayers whose total tax liability for the month (including the oil and gas emergency school tax, the oil and gas conservation tax and the oil and gas ad valorem tax, as well as the oil and gas severance tax) exceeds $25,000 must provide payment by automated clearinghouse or by wire transfer on or before the due date. Taxpayers who fail to report or pay in a timely fashion are assessed interest at the rate established for individuals under Internal Revenue Code Section 6621 computed on a daily basis beginning the day after the due date and continuing until the date the tax is reported or paid. A penalty is assessed, at a rate of 2 percent per month, up to a maximum of 20 percent of the tax due, when a taxpayer fails to pay any tax or file any report by the due date because of negligence or disregard of rules and regulations.

The State maintains an automated tax database system, which previously had been under the ONGARD (Oil and Natural Gas Administration and Revenue Database) system and now resides in the GenTax system. TRD integrated the collective oil and gas severance taxes (including the natural gas processors tax) into the GenTax system in March 2018. With the inclusion of oil and gas taxes, GenTax now manages 29 tax programs with consistent business processes. Tax returns are pre-screened to ensure quality and completeness before acceptance by TRD, which expedites distributions to correct beneficiaries. Oil and gas taxpayers have increased electronic management of their account activity through the Taxpayer Access Point (TAP), which allows for immediate posting of returns and amendments and report access of how payments are allocated. Some ONGARD functions remain at the State Land Office in the processing of royalty payments due to the State.

Severance Taxes received by the TRD are deposited into the Extraction Tax Suspense Fund. Using the GenTax system, the TRD reconciles monthly information reports with the payments received to identify the appropriate amounts to distribute to each tax beneficiary. Oil and gas severance tax amounts that have been reconciled and as to which TRD has determined no substantive risk of protest or litigation is present are then transferred monthly to the Bonding Fund.

2020 Economic Conditions Impacting Severance Tax Collections

Fluctuations in oil prices in 2020 have resulted in corresponding decreases in the collection of the Severance Taxes. New Mexico oil prices in March, April, May and June averaged $28.84/barrel (“bbl”), $14.40/bbl, $16.83/bbl, and $34.40/bbl. respectively. These prices represent a significant decline when compared to prices during the same months in 2019 when New Mexico oil prices averaged $55.29/bbl, $60.76/bbl, $55.20/bbl., and $48.70 bbl. over the same four-month period.

Oil prices collapsed in mid-March 2020 due to the loss of demand from the supply shock caused by the recent Saudi Arabia and Russia price war and, to a certain degree, the effects of the COVID-19 pandemic on demand. On April 20, 2020, as the May futures contract expired, for the first time in history oil prices fell to a price of negative $37.63 per bbl. The negative oil price reflected weak oil demand and oversupply of oil on the market at the time. Traders sold off the May contracts at any price or shifted positions to June or later in the calendar year regardless of any fees or penalties incurred. Once the May contracts were done and the June contracts became the up-front-month contract, oil prices bounced back into positive territory.

New Mexico rig counts on September 25th, 2020, declined to 41 active rigs. This represents a 63 percent loss in rigs since March 2020. New Mexico still experienced high oil production months in January, February, and March, with the State producing 33,132 Mbbls, 31,956 Mbbls, and 34,889 Mbbls, respectively. New Mexico oil production peaked in March at 34,889 Mbbls, when New Mexico's active rigs also peaked at 117. In April and May, New Mexico oil production declined to 30,946 Mbbls and 26,077 Mbbls, respectively. As oil prices stabilized and gained ground in June to the mid to high $30s/bll., oil production that was shut-in came back online. This resulted in New Mexico oil production increasing in June to 28,826 Mbbls.

Recent optimism about the national and state economies reopening, slight up-ticks in oil demand around the world, and the recent OPEC output cuts in June 2020 have driven an oil price recovery. New Mexico actual oil prices are tracking higher than the June forecast by CREG. Additionally, an updated August 2020 price estimate, using the Moody’s Analytics July baseline forecast (the most recent available) and the U.S. Energy Information Administration’s (“EIA”) July Short Term Energy Outlook (“STEO”) estimates as inputs, has New Mexico oil prices slightly higher than the outlook in June (the June estimate used May inputs). Natural gas production has a strong correlation with the energy industry’s production of oil. Natural gas prices have remained low through 2019 and declined in 2020.

The DFA has conducted an updated forecast for September. Due to changing expectations, more recent production and price data, and updated inputs from national forecasters (Moody’s Analytics and IHS Global Insight) the DFA forecast is not as pessimistic as estimates conducted in May and June. The updated DFA analysis does not expect an oil production decline as severe in Fiscal Year 2021 or Fiscal Year 2022. In May, oil production was expected to decline by 28.2 percent in Fiscal Year 2021 with a continued decline in Fiscal Year 2022 of 11.8 percent. DFA’s updated September analysis expects New Mexico oil production to decline from 368.1 million barrels in Fiscal Year 2020 to 290 million barrels in Fiscal Year 2021. This represents a 21.2 percent decline in oil production. Additionally, oil production is expected to grow slightly at 1.7 percent, or up to 295 million barrels, in Fiscal Year 2022, as the brunt of the oil production decline will occur in Fiscal Year 2021. Fiscal Year 2023 oil production is expected to grow at 3 percent, or up to 305 million barrels. Additionally, updated price estimates are now more optimistic. Prior estimates expected an average price of oil at $31/bbl. and $41/bbl. in Fiscal Year 2021 and Fiscal Year 2022, respectively. Updated DFA September estimates now expect oil prices to average $38/bbl. and $43.50/bbl. in Fiscal Year 2021 and Fiscal Year 2022, respectively

Severance Tax collections, with revenues being pledged to severance tax bond debt service, were impacted by the collapse in oil prices that began in March 2020 and extended through May 2020. Collections are on a three-month delay, with available revenues reflecting activity from three months prior. This means that a decline in revenues related to the oil price collapse was not realized until the very end of Fiscal Year 2020. In fact, tax collections for Fiscal Year 2020 and Fiscal Year 2019 were historically high. Fiscal Year 2019 revenues deposited into the Severance Tax Bonding Fund totaled $655.9 million, while Fiscal Year 2020 revenues were $674.4 million. The average monthly deposit in Fiscal Year 2019 and Fiscal Year 2020 (averaging $60 million) was well above the average for the previous 10-year period ($34.2 million).

Monthly tax collections trended down for the last three months of Fiscal Year 2020, with April and May revenues still tracking high when compared to annual average collections prior to 2019. June, July, and August revenues, representing activity through May, were unsurprisingly lower but still not significantly lower than revenues realized in past years in which oil prices and volumes were down. September 2020's deposit into the Severance Tax Bonding Fund shows an uptick in revenues from a low reported in August 2020.

Severance Tax on Indian Land

The State can tax non-Indian oil and natural gas production on tribal land, according to United States Supreme Court precedent in *Cotton Petroleum Company v. State of New Mexico*, 490 U.S. 163, 104 L. Ed. 2d 209, 109 S. Ct. 1968 (1989). The State's authority to impose severance taxes on non-Indian oil and natural gas production on tribal land was upheld by the United States District Court in *New Mexico in Jicarilla Apache Tribe v. New Mexico Taxation and Revenue Department*, No. USDC 87-922. In 2009, the United States District Court for the District of New Mexico held that the State may not impose severance taxes on non-tribal operators extracting oil and natural gas on the tribal land of the Ute Mountain Ute Tribe. *Ute Mountain Ute Tribe v. Homans*, 775 F. Supp. 2d 1259 (D.N.M. 2009) (Parker, J.). The Tenth Circuit Court of Appeals overturned the district court opinion and held that the State severance taxes are not preempted by federal law because, among other things, the State had asserted sufficient justification for imposing the taxes. *Ute Mountain Ute Tribe v. Rodriguez*, 660 F.3d 1177 (10th Cir. 2011). The Ute Mountain Ute Tribe petitioned for an en banc review, which the court denied on September 12, 2011. The United States Supreme Court denied the Ute Mountain Ute Tribe's petition for a writ of certiorari on February 21, 2012. *Ute Mountain Ute Tribe v. Padilla*, 132 S.Ct. 1557 (2012).

Aggregate data reporting accessible on the TRD Taxpayer Access Point ("TAP") website based on oil and gas tax return data indicates that natural gas production and crude oil production on Indian land was approximately 2.4 percent and 0.8 percent, respectively, of total statewide production in Fiscal Year 2019. The TRD estimates that oil and natural gas production on Indian land generated $7.4 million in severance tax revenues to the State in the production months corresponding to Fiscal Year 2019. On December 30, 2014, the Navajo Nation completed the purchase of the Navajo Mine. As a result, there has not been any coal production from the mine reported to the TRD since such purchase. No potash, copper or CO2 is produced on Indian land.

Section 7-29C-1 NMSA 1978, enacted by the 1995 Legislature, authorized a credit against state production and property taxes for similar taxes imposed by tribal governments. The credit applies to crude oil and natural gas from new wells drilled on or after July 1, 1995 on land within Indian reservation boundaries on March 1, 1995. The amount of the credit is 75 percent of the lesser of state taxes or tribal taxes imposed. If the applicable tribal taxes were raised after March 1, 1995, then the amount of the State's credit is lowered. The TRD website reports that total credits claimed under this provision were about $1.0 million in Fiscal Year 2019. About $405,000 of these credits were applied against oil and natural gas severance tax liability. The Bonding Fund revenue projection assumes that this amount will grow slowly in the future.

The 2001 Legislature enacted Sections 7-29C-2, 7-9-88.2 and 9-11-12.2 NMSA 1978, which provided a similar 75 percent intergovernmental tax credit against severance tax and severance surtax on coal mined on the Navajo Nation.

Local Law Developments Regarding Oil and Gas

Several local governments in the State have proposed or adopted laws that could have the effect of limiting natural resource extraction in those jurisdictions. No local government in which a significant extraction of natural resources occurs has enacted laws limiting natural resource extraction.

In 2008, Santa Fe County amended its land development code to address oil and gas exploration, drilling, production, transportation, abandonment and remediation. The provisions of this code, while restrictive, do not ban exploration activities and to date have not been challenged by lawsuit. In April 2013, Mora County, a county in the north central section of the State enacted a self-styled Community Water Rights and Local Self Government Ordinance, which, among other things, states: "It shall be unlawful for any corporation to engage in the extraction of oil, natural gas, or other hydrocarbons within Mora County." Several lawsuits were filed challenging the validity of this ordinance. In January 2015, a federal district court declared the Mora County ordinance invalid based on several grounds including violation of the Supremacy Clause and the First Amendment of the U.S. Constitution and preemption by New Mexico oil and gas regulatory statutes. *SWEPI, LP v. Mora County*, 81 F. Supp. 3d 1075 (D.N.M. Jan. 19, 2015). In March 2015, the Mora County Commission voted to repeal the ordinance. Legislation heavily regulating oil and gas development was adopted in November 2014 in San Miguel County, also in the north central section of the State. Legislation banning hydraulic fracturing was adopted by the city council of Las Vegas, a municipality in San Miguel County, but was not signed and is not enforced by its mayor. Historically, there has been little or no oil and gas production in Santa Fe, Mora or San Miguel counties.

To date, the proposal and enactment of local laws has not had a material effect on the amount of severance tax revenues collected by the State. While future actions by local governments relating to natural resource extraction are not predictable, litigation challenging any restrictive local enactments would be a likely consequence of such actions.

NATURAL GAS PRODUCTION AND SEVERANCE TAX REVENUE

Natural Gas Reserves and Well Completions

Table 8 presents the U.S. Energy Information Administration ("EIA") estimates of natural gas "proved reserves" in New Mexico over the years 2009 to 2018. This is the latest data available from the EIA. Proved reserves are estimates of recoverable volumes under existing economic and operating conditions. They represent the narrowest measurement of energy resources. EIA updates its estimates to reflect new information, new discoveries, and production during the year. Increases due to revisions and new discoveries usually offset some or all of the decline due to current production.

New Mexico's proved natural gas reserves were estimated to be 25,090 billion cubic feet (bcf) at the end of calendar year 2018 (the most recent available), an increase from 20,858 bcf at the beginning of calendar year 2018. 2018 production was estimated to be 1,527 bcf. Additions through new discoveries and revised estimates have offset 65 percent of the production since 2006. The current reserve estimate represents a New Mexico reserve-to-current-production ratio of 16:1 years.

The "proven reserves-to-production" ratio is a measure analogous to inventory-to-production for manufacturers. It represents the known resources that could be developed at today's prices. As is the case for other industries, oil and natural gas producers have to balance their need for adequate inventories with the cost of exploring and developing the reserves.

Replacement of reserves by new discoveries and further development of existing formations is a key component of the State's long-term production forecast. New discoveries and further development are expected to offset much of future production. As a result, annual production is expected to decline only gradually. Over time, technological improvements like horizontal drilling, directional drilling, and hydraulic fracturing have advanced the discovery of new reserves and the production capability for reserves. Accounting rules in place for 2008 and prior years required companies to calculate proved reserves based on end-of-year prices. New accounting standards adopted by the Securities and Exchange Commission now require companies to use an annual average price. Reserves are the amounts companies expect with reasonable certainty can be produced with current technology at current prices. Therefore, if prices increase, all other things being equal, we would expect reserves to increase.

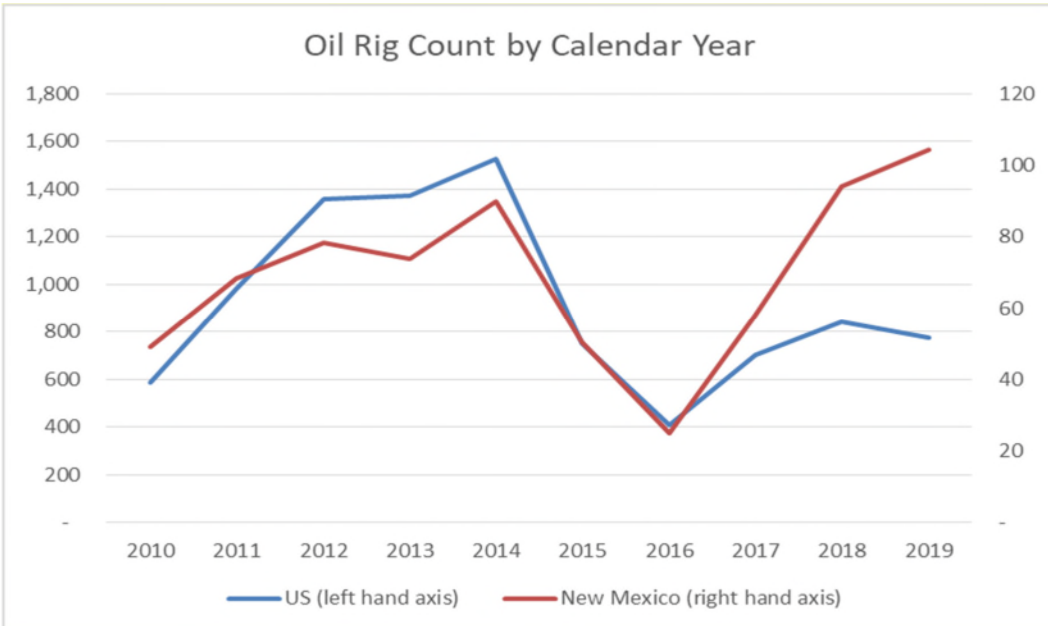
TABLE 8
New Mexico Natural Gas Reserves [(1)]
(Natural Gas numbers in billion cubic feet)

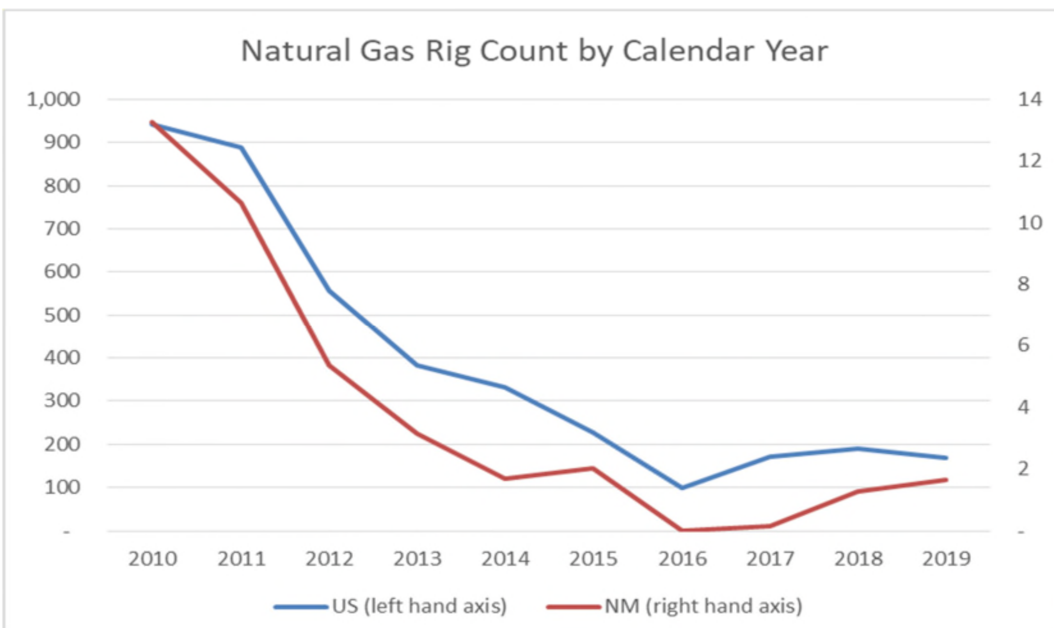
Calendar Year	Beginning Reserves	Net Additions/ Adjustments	Estimated Production	Ending Reserves
2009	17,347	722	1,425	16,644
2010	16,644	1,226	1,341	16,529
2011	16,529	897	1,288	16,138
2012	16,138	-309	1,276	14,553
2013	14,553	1,261	1,247	14,567
2014	14,567	3,125	1,266	16,426
2015	16,426	308	1,297	15,437
2016	15,437	220	1,283	14,372
2017	14,372		1,323	20,858
2018	20,858		1,527	25,090

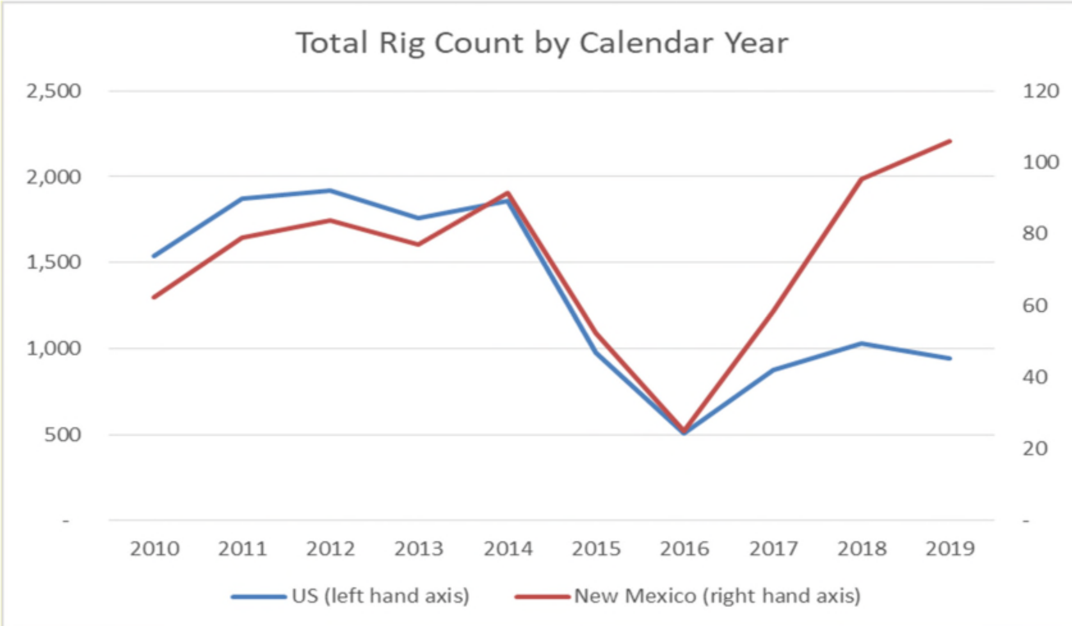
[(1)] As measured by wet after lease separation. Wet after lease separation represents the volume of natural gas that is marketable after exclusion of pentanes, hydrocarbons and nonhydrocarbons. The presence of these chemicals renders natural gas unmarketable.
Source: Department of Finance and Administration, U.S. Energy Information Administration.

Information on oil and gas drilling activity published by the Baker Hughes Company is presented in the graphs below. The Baker Hughes Company reports the number of drilling rigs actively exploring for oil and gas in the United States. Over the last decade, drilling activity in New Mexico has generally followed trends in the United States until 2016. Since 2006, drilling activity in the United States climbed steadily until the sharp decrease of energy prices in 2009. After the 2009 price drop, oil drilling rebounded strongly reaching new record levels near the end of 2014. Drilling activity once again decreased sharply with a short lag following the decline in oil prices in 2014. Since 2015, oil prices remained relatively stable through 2020. This, in combination with horizontal drilling, propelled New Mexico rigs to record highs in 2019.

Recent increases in natural gas supply have caused a marked decline in drilling activity both nationally and in New Mexico. According to the Baker Hughes Company, there has been a significant shift from traditional vertical wells to horizontal wells during the last decade. The use of horizontal drilling, combined with hydraulic fracturing, has increased production per well dramatically, albeit at a significant additional cost to drill.







Source: Department of Finance and Administration and Baker Hughes.

In 2020, economic conditions have cause oil rig and natural rig counts shown above to decrease substantially. See "SEVERANCE TAX REVENUE—Economic Conditions Impacting Severance Tax Collections."

In 1999, following a joint venture between Sonat Raton and PennzEnergy Corporation for an extensive development program in the Raton Basin in northeastern New Mexico, annual production from the Raton Basin steadily increased until Fiscal Year 2006 when it leveled off at approximately 25.8 million cubic feet. In Fiscal Year 2017, the Raton Basin produced approximately 20.1 million cubic feet of natural gas. In Fiscal Year 2017, production from the Raton Basin was approximately 1.6 percent of total natural gas production in the State, the San Juan Basin produced 47.7 percent and the Permian Basin produced 50.7 percent.

Table 9 presents information on the number of natural gas well completions in New Mexico. Natural gas well completions have increased from 120 in 2017 to 550 and 557 in 2018 and 2019 respectively. In part this was a response to the correlation natural gas has to oil. As oil production increases or decreases, natural gas production follows. In addition, companies have shifted their attention to drilling oil wells because the relative value of oil compared with natural gas has increased dramatically in recent years.

TABLE 9
Number of Natural Gas Well Completions by Calendar Year

Calendar Year	Natural Gas Well Completions
2010	518
2011	519
2012	390
2013	248
2014	102
2015	93
2016	78
2017	120
2018	550
2019	557

Source: New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division.

Natural Gas Markets

United States consumption of natural gas grew in all but one year between 1986 and 2002, reaching 23 trillion cubic feet (tcf) in calendar year 2002. From 2002 until 2006, total consumption remained flat despite the growing economy. Beginning in 2006, U.S. consumption began to grow, reaching 27.1 tcf in 2017. Since the fall of natural gas prices in 2009, the relatively low price of natural gas has led power generators to substitute natural gas for coal. According to the EIA, after peaking around 23.0 tcf in the mid-1970s, annual production of natural gas declined in response to falling prices to a low of 16.9 tcf in 1986. Since then production has increased steadily in response to rising prices and technological innovations that have lowered production costs. Total production was a new all-time high of 36.2 tcf in 2019 according to EIA.

Average annual natural gas values for the United States and New Mexico are presented in Table 10. The U.S. average references the spot price of natural gas at the Henry Hub pipeline terminal in Louisiana. This is the price typically reported in the national news media. Prices have declined since 2017 due to the increased natural gas production associated with the boom in oil production in the recent years.

TABLE 10
Henry Hub Spot vs New Mexico Average Wellhead Price by Fiscal Year
($ per thousand cubic feet)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Henry Hub Spot Price	$4.40	$4.31	$3.16	$3.57	$4.47	$3.47	$2.34	$3.11	$2.88	$2.98
New Mexico Producers	$5.20	$5.50	$5.00	$4.37	$5.13	$3.78	$2.42	$3.26	$2.91	$3.26
NM as a percentage of Henry Hub	118.2%	127.6%	158.2%	122.4%	114.8%	108.9%	103.4%	104.8%	101.0%	109.4%

Sources: Department of Finance and Administration (U.S. Energy Information Administration).

New Mexico average wellhead values have exceeded Henry Hub spot prices largely because the New Mexico average includes natural gas liquids, while Henry Hub prices represent "dry" gas only. Natural gas liquid products are used in refining, gasoline blends, home heating (propane) and a number of industrial applications such as the production of ethylene for plastics. As such, they are priced at a premium to dry gas and tend to track oil prices closely. New Mexico producers' wellhead prices in Fiscal Year 2019 were $3.26 per thousand cubic feet.

Natural Gas Production

Total natural gas production in New Mexico increased sharply in the early 1990s due to increased coal seam production in the San Juan Basin then steadily declined until 2011. Natural gas production from gas wells continued to decline at rates similar to the previous years; however beginning in 2012, much of the decline in natural gas production from gas wells was offset by associated natural gas production from new oil wells in the Permian Basin. In Fiscal Year 2019, production totaled 1,531 bcf. Gross sales revenue increased steadily through 2008 as the price of natural gas continued to increase, peaking at $12 billion. Prices fell sharply in 2009 and have remained in the range of $2.40 to $5.50 since then, resulting in gross sales revenue of an estimated $4.9 billion in Fiscal Year 2019. Taxable production volume, sales revenue, and average price per thousand cubic feet for Fiscal Years 2010 through 2019 are presented in the following table.

TABLE 11
Natural Gas Subject to Taxation
Production, Revenues and Average Price
Fiscal Years 2010-2019 (1)

	2010	2011	2012	2013	2014	2015	2016	2017	2018(2)	2019(2)
Sales Volume (bcf)	1,282	1,224	1,229	1,173	1,186	1,197	1,182	1,241	1,549	1,531
Gross Sales Revenues (millions)	$6,657	$6,805	$6,145	$5,177	$6,086	$4,494	$2,878	$3,994	$4,508	$4,991
Gross Average Price per mcf	$5.20	$5.50	$5.50	$4.37	$5.13	$3.76	$2.43	$3.22	$2.91	$3.26
Net Taxable Value(1) (millions)	$5,098	$5,223	$4,689	$3,929	$4,707					

(1) Data reflects estimates of revenue per product prior to adjustments for penalty, interest and other adjustments.
(2) Fiscal Years 2018 and 2019 natural gas sales volume and average price are estimates based on Fiscal Year 2018 and 2019 tax revenue.
Source: Department of Finance and Administration (the "ONGARD System").

The following table sets forth the production levels of the State's largest natural gas producers in calendar year 2020 through the month of July (the most recent available).

TABLE 12
Ten Largest Natural Gas Producers
in New Mexico and Production from January through July 2020

	Thousand Cubic Feet
HILCORP Energy Company	339,248,281
EOG Resources Inc.	158,119,567
Devon Energy Production Company, LP	122,507,210
COG Operating, LLC	122,243,263
OXY USA, Inc.	110,338,469
Mewbourne Oil Company	90,496,949
BP America Production Company	82,659,880
Chevron U.S.A. Inc.	79,555,569
Cimarex Energy Company	61,139,170
Occidental Permian, Ltd.	49,211,465

Source: New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division.

Severance Taxes on Natural Gas

Severance taxes are levied by State statute on the sale or transport out of state of natural gas produced in the State. State taxation of minerals production for the General Fund began as early as 1933. The Severance Tax Bonding Act earmarked a portion of the existing severance tax to pay debt service on severance tax bonds, with remaining revenues previously going to the General Fund. The severance tax at that time was 2.5 percent of the marketable sales value, with deductions allowed for royalties to governments and for certain processing and transportation expenses. Beginning in 1973, the Severance Tax Permanent Fund was created, receiving excess severance tax revenues not required for debt service payments.

The tax rate was increased to 3.75 percent of value in 1974. Beginning in 1977, the tax rate was converted to a per unit basis, $0.05 per mcf of natural gas, with a deduction allowed for royalties to governments. A surtax was added, equal to the base tax rate times the percentage increase in the Consumer Price Index (CPI) from the base year. This surtax rate was updated annually. The base tax rate was increased to $0.087 per mcf in 1980, and the surtax provision continued to apply.

By July 1, 1986 the surtax had reached $0.076 and the total tax rate was $0.163 per mcf. With the sharp decline in wellhead natural gas prices in 1986, the effective severance tax rate was over 8 percent of gross sales value. The combined effective tax rate on natural gas production, including General Fund taxes, was over 11 percent, significantly higher than in neighboring natural gas-producing states. The 1987 Legislature responded to declining prices by converting the tax to 3.75 percent of value on a phased in basis. Beginning July 1, 1990, the new tax rate applied to all production.

In 1995, lower severance tax rates for certain categories of production were enacted. A 10-year exemption from Severance Taxes was provided for production from previously non-producing wells (“restoration”). A 50 percent rate reduction was provided for incremental production from a qualifying work over project (“recompletion”).

In response to sharply lower oil prices and declining production of oil and associated natural gas, new severance tax incentives for production from recompletion wells and stripper wells were enacted in 1999. For natural gas, a stripper well is defined as one having average daily production of less than 60,000 cubic feet per day. For oil wells, the threshold is 10 barrels per day. Instead of a 50 percent rate reduction (from 3.75 percent to 1.875 percent) for the incremental production from recompletion wells, a tax rate of 2.45 percent was applied to all production from qualified wells. For stripper well production, the 1999 legislation introduced a sliding scale of applicable tax rates, depending on the prevailing taxable value of products.

The following table summarizes incentive tax rates applied to various categories of oil and natural gas production in New Mexico as of Fiscal Year 2020. Although the State offers reduced severance tax rates for several categories of production, prices are expected to be above the statutory price threshold through the forecast period, so none of these incentives are assumed to apply. Should prices decline in the future, some of these incentives may become applicable again.

TABLE 13
Oil and Natural Gas Tax Incentive Programs

Incentive Category	Incentive Tax Rate	Threshold Price Below Which Incentive Rate Applies	Qualified Production As a Percent of Fiscal Year 2020 Total
Production Restoration Project	0.00%[(2)]	$24.00 per barrel[(3)]	0.0% Oil 0.0% Natural Gas
Well workover wells	2.45%	$24.00 per barrel[(3)]	0.0% Oil 0.0% Natural Gas
Stripper wells	1.88%	$1.15 per mcf-Gas[(4)] $15.00 per barrel-Oil[(4)]	0.0% Natural Gas 0.0% Oil
	2.81%	$1.35 per mcf-Gas[(4]) $18.00 per barrel-Oil[(3)]	0.0% Natural Gas 0.0% Oil[( ]
Enhanced oil recovery	1.88%	$28.00 per barrel[(2)]	0.0% Oil

[(1)] No oil or natural gas volumes are expected to qualify for these incentives during the period because average taxable value exceeds the threshold levels.
[(2)] The incentive rate applies for 10 years after the restoration project is completed. Each year's production is tested against the threshold price.
[(3)] Twelve-month average price for West Texas Intermediate crude oil as reported on Oil Postings for last day of each month.
[(4)] Average annual taxable value of natural gas or oil sold in New Mexico during the preceding calendar year.
Source: Sections 7-29A and 7-29B NMSA 1978

Projections of Severance Tax Revenues from Natural Gas

The natural gas price outlook is prepared by the DFA using analysis by CREG, as well as forecasts by the EIA, Moody's Analytics economic forecasting services, and public information about NYMEX futures contracts.

For Fiscal Year 2020, New Mexico producers received an average price of $1.90 per mcf, slightly higher than the $2.96 in Fiscal Year 2019. In the September 2020 severance tax revenue forecast, the DFA assumed an average price for Fiscal Year 2021 of $2.35 per mcf and $2.50 per mcf for Fiscal Year 2022. Continued oversupply of natural gas has depressed prices nationally and at the State level. While prices were above $3.00 per mcf in early 2019, prices have had a downward trajectory as Natural gas production has a strong correlation with the energy industry's production of oil. Natural gas prices have remained low through 2019 and declined further in 2020. The forecast of gradual price increase in Fiscal Year 2021 is based on increased demand with national economic growth and increased export of liquefied natural gas (LNG), as well as decreased supply as low prices curtail natural gas drilling activity nationally. In addition, some fuel-switching to natural gas is expected as natural gas-fired power plants become the preferred source for new electricity generation facilities due to environmental concerns with alternative power sources. These prices reflect the full value of all natural gas products, including natural gas liquids.

Natural gas volume production increased slightly in Fiscal Year 2020 to 1,829 bcf as compared to 1,633 bcf in Fiscal Year 2019. In September 2020, the DFA's severance tax revenue forecast assumed that natural gas production would decrease by approximately 5.4 percent in Fiscal Year 2021, and then decrease slightly by 1.4 percent in Fiscal Year 2022, before increasing by 0.9 percent in Fiscal Year 2023.

The severance tax base for natural gas is defined as the wellhead value less deductions for the expense of processing and transporting product to the first point of sale. In addition, deductions are allowed for royalties paid to governmental entities (federal, state and tribal). The deduction percentage has averaged around 30 percent to 40 percent in recent years, thus the rate used for the DFA's severance tax revenue forecast averages between 31 and 32 percent.

Despite the decline in natural gas drilling, natural gas production continues from pre-existing gas wells and associated gas from oil wells, albeit at a decreasing rate. Overall New Mexico severance tax revenues have increasingly been driven by oil instead of natural gas. In fact, in Fiscal Year 2020, oil production constituted an estimated 87.7 percent of total taxable value, an increase from 80 percent in Fiscal Year 2019.

The table below sets forth the DFA's five-year projection for natural gas volume, price, and severance tax receipts for Fiscal Years 2021 through 2025.

TABLE 14
New Mexico Natural Gas Volume, Price and Severance Tax Projections
Fiscal Years Ending June 30

	2021	**2022**	**2023**	**2024**	**2025**
Natural gas sales (bcf)	1,730	1,705	1,720	1,725	1,735
Average sales price ($ per mcf)	$2.35	$2.50	$2.40	$2.50	$2.60
Severance taxes on natural gas (in thousands)	$96,504	$103,578	$108,360	$113,203	$118,413

Source: New Mexico Department of Finance and Administration.

OIL PRODUCTION AND SEVERANCE TAX REVENUE

Oil Reserves and Production

The table below presents the EIA's estimate of oil "proven reserves" from 2010 to 2019. This is the latest data available from the EIA. Proven reserves are those a company believes with reasonable certainty can be produced with current technology at current prices. They represent the narrowest measurement of the country's energy resources. Each year the EIA updates its estimates to reflect new information, new discoveries and production during the year. The EIA reports on proven reserves of crude oil in the State on the basis of company surveys. Accounting rules in place for 2008 and prior years required companies to calculate proved reserves based on end-of-year prices. New accounting standards adopted by the Securities and Exchange Commission now require companies to use an annual average price.

Production remained relatively flat at approximately 60 million barrels beginning in 2006 and continuing through 2008. Beginning in 2009, production began to increase steadily, reaching highs of 147 million barrels in 2016. In 2017, New Mexico began experiencing a boom in production due to the conducive nature of horizontal drilling and the geology in the Permian basin. According to EIA data, estimated New Mexico production grew from 155 million barrels in 2017 to 293 million barrels in 2019. This represents an increase of 89 percent in oil volume production from 2017 to 2019.

The Saudi Arabia and Russia oil price war and COVID-19 health crisis have subjected the oil industry to both supply and demand side shocks in 2020. The oil industry has struggled to adjust in 2020 and while a recovery is expected in the long run, in the near term the industry faces uncertainty due to the impact of the COVID-19 health crisis on oil demand. As is the case for other industries, oil producers have to balance their need for adequate inventories with the cost of exploring and developing the reserves.

TABLE 15
New Mexico Oil Reserves
Crude Oil [(1)]

Year	Beginning Reserves	Additions/ Adjustments	Estimated Production	Ending Reserves
2010	700	188	65	823
2011	823	114	71	866
2012	866	184	85	965
2013	965	309	103	1,171
2014	1,171	430	125	1,476
2015	1,476	156	146	1,486
2016	1,486	210	147	1,549
2017	1,549	1,192	155	2,581
2018	2,581	895	203	3,240
2019	3,240	-- [(2)]	293	-- [(2)]

[(1)] Barrels in millions.
[(2)] Data not available as of October 2020.
Source: Department of Finance and Administration (U.S. Energy Information Administration)

Potential new development of oil resources is indicated by exploration and drilling activity. Secondary or tertiary recovery projects (water or carbon dioxide injection) typically require new development wells. The number of well completions are a partial indicator of increased exploration and drilling activity. Table 16 presents oil well completions during the period 2010 through 2019. The successful application of horizontal drilling, hydraulic fracturing, and longer average lateral leg length in the Permian Basin has resulted in significantly larger volume production per well.

TABLE 16
Number of Oil Well Completions by Calendar Year

Calendar Year	Well Completions
2010	1,207
2011	1,406
2012	1,388
2013	1,315
2014	1,312
2015	813
2016	425
2017	436
2018	627
2019	635

Source: New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division.

The following table sets forth the production levels of the largest oil producers in the State in calendar year 2020 through the month of July (the most recent available).

TABLE 17
Ten Largest Oil Producers in New Mexico and Production from January through July 2020

	Barrels
EOG Resources Inc.	56,029,518
OXY USA, Inc.	38,198,554
COG Operating LLC	33,274,682
Devon Energy Production Company LP	33,210,596
Mewbourne Oil Company	24,884,427
XTO Energy, Inc.	12,429,874
Matador Production Company	12,115,888
Cimarex Energy Company	9,904,218
Chevron U.S.A., Inc.	9,811,390
Apache Corporation	7,996,914

Source: New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division.

Severance Taxes on Oil

Severance taxes are levied on oil on the basis of sales value at the time of either sale or transportation from the State. Information on oil sales occurring in the last ten Fiscal Years are presented in the following table.

TABLE 18
Oil Subject to Taxation
Production, Revenues and Average Prices
Fiscal Years 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales Volume (bbl in millions)	62.9	67.0	79.7	93.8	113.5	142.4	147.2	156.0	205.3	301.2
Gross Sales Revenues (millions)	$4,470	$5,547	$7,144	$8,047	$10,795	$8,631	$5,589	$6,988	$11,307	$15,510
Gross Average Price per bbl	$71.29	$84.20	$89.64	$85.82	$95.13	$60.64	$37.96	$44.81	$55.08	$51.50
Net Taxable Value (1) (millions)	$4,007	$4,958	$6,380	$7,211	$9,580	$7,601	$4,904	$6,150	$9,948	$13,624

(1) Data reflects estimates of revenue per product prior to adjustments for penalty, interest and other adjustments.
Source: New Mexico Taxation and Revenue Department, Tax Analysis, Research and Statistics Office (GenTax, sales month basis as of August 2020)

The severance tax rate on oil was increased to 3.75 percent of sales value in 1974. Beginning in 1977, the rate was converted to $0.45 per barrel, with a surtax indexed to the CPI. In 1980, the tax rate was converted back to 3.75 percent of value.

In 1992, a 50 percent reduction of the severance tax rate applied to oil produced through enhanced recovery methods was enacted. Enhanced methods include carbon dioxide miscible fluid displacement, water flood, pressure maintenance and thermal methods. The reduced rate applies to all production from an enhanced recovery project following certification of a positive production response by EMNRD's Oil Conservation Division.

In 1995, lower severance tax rates for certain categories of production were enacted. A 10-year exemption from severance tax was provided for production from previously non-producing wells ("restoration"). A 50 percent rate reduction was provided for incremental production from a qualifying work over project ("recompletion"). In 1999, the incentive program was expanded to include recompletion wells and a new incentive for stripper wells was enacted. Presently, no production qualifies for the incentive rates because the price of oil is above the statutory price threshold. The severance tax revenue forecast by the DFA assumes that the incentives will not apply into the near future.

Projections of Severance Tax Revenues from Oil

Volume of Production: Production has increased in recent years, due to new technologies that facilitate access to oil deposits in tight shale, reaching 368.1 million barrels in Fiscal Year 2020. The DFA's September 2020 volume projection includes a decrease in annual production of 21.2 percent for Fiscal Year 2021 to 290 million barrels. Due to the Saudi Arabia and Russia oil price war in early 2020 and the continuing Covid-19 healthcare crisis has subjected the oil industry to both supply and demand side shocks in 2020. The oil industry has been impacted significantly. New Mexico rig counts peaked in March at 117 rigs. Since then rigs have declined down to 45 rigs in August 2020. According to both EIA and TRD data, New Mexico oil volumes began declining in April. The DFA's September 2020 projection estimates oil production will decline in Fiscal Year 2021 to 290 million barrels or 21.2 percent before increasing in Fiscal Year 2022 to 305 million barrels or 1.7 percent.

Prices: Over the past ten fiscal years weighted average annual oil prices received by New Mexico producers have ranged from an estimated $51.60 in Fiscal Year 2019 to a high of $95.13 in Fiscal Year 2014. The Severance Tax revenue forecast by the DFA in September 2020 assumes a price per barrel of $38.00 in Fiscal Year 2021, $43.50 for Fiscal Years 2022, and $46.00 2023. These fiscal year price forecasts reflect sales prices from April through March due to a lag in distribution of revenues to the Bonding Fund. Like natural gas, certain deductions for transportation and royalties are available for oil producers. The deduction percentage has averaged close to 12.2 percent in recent years, which is the assumed rate in the DFA's severance tax revenue forecast.

Revenues: The table below sets forth the DFA's September 2020 five-year projection for oil volume, price, and severance tax receipts for Fiscal Years 2021 through 2025. The forecasts are also net of the Intergovernmental Production Tax Credit.

TABLE 19
New Mexico Oil Volume, Price and Severance Tax Projections
Fiscal Years Ending June 30

	2021	**2022**	**2023**	**2024**	**2025**
Oil sales (million barrels)	290	295	305	315	325
Average price ($/barrel)	$38.0	$43.50	$46.00	$47.50	$49.00
Severance Taxes on Oil (in thousands)	$362,834	$422,510	$461,938	$492.640	$524.330

Source: New Mexico Department of Finance and Administration.

COAL PRODUCTION AND SEVERANCE TAX REVENUE

Coal Reserves and Production

The State's main coal-bearing strata are the Mesa Verde and Fruitland Formations in the San Juan Basin and the Raton and Vermejo Formations in the Raton area. Currently, all coal is being produced in the San Juan Basin. The quality of coal located in the State ranges from high-heat content bituminous coal to lower rank sub-bituminous coal. Coal found in the State is relatively low in sulfur content, ranging from 0.5 to 1.1 percent, compared to the national average of 1 to 2 percent. The State's coal varies widely in ash and moisture content. The majority of New Mexico coal is used for electrical generation.

According to the EIA, the State had the following estimated recoverable reserves in calendar year 2018 (the most recent available): 2,733 million short tons of underground coal and 4,010 million short tons of surface coal for a total of 6,743 million short tons. Estimated recoverable reserves include the coal in the demonstrated reserve base considered recoverable after excluding coal estimated to be unavailable due to land use restrictions or currently economically unattractive for mining, and after applying assumed mining recovery rates. The State had the following demonstrated reserve base in calendar year 2018: 6,007 million short tons of underground coal and 5,733 million short tons of surface coal for a total of 11,740 million short tons. The demonstrated reserve base includes publicly available data on coal mapped to measured and indicated degrees of accuracy and found at depths and in coal bed thicknesses considered technologically minable at the time of determinations.

During Fiscal Year 2017, there were three mining companies producing coal in New Mexico: El Segundo Coal Company, LLC; Lee Ranch Coal Company; and San Juan Coal Company. The San Juan Coal Company is owned by Westmoreland San Juan, LLC, a subsidiary of Westmoreland Coal Company. The El Segundo Coal Company and the Lee Ranch Coal Company are owned by Peabody Natural Resources, which has acquired contracts to produce coal in mines formerly operated by Chevron. Output from the Lee Ranch Coal Company was an estimated 0.4 million tons in Fiscal Year 2017, up 346 percent from Fiscal Year 2016. Since Fiscal Year 2017, there has been no reported taxable coal output from the mine. In Fiscal Year 2020, the El Segundo Coal Company produced an estimated 5.1 million tons of coal, down 24 percent from Fiscal Year 2016. In December 2013, a fourth mine, the BHP Navajo Mine, was sold by BHP Billiton, the parent company of BHP Navajo Coal Company, to the Navajo Transitional Energy Company (NTEC) a Navajo Nation-owned company established for the purpose of acquiring the Navajo Mine. Output from the Navajo Coal Company was 8.5 million tons in Fiscal Year 2013, the last full fiscal year prior to the sale of the mine.

On April 13, 2016, Peabody Energy Corporation (and various affiliates and subsidiaries, including Peabody Natural Resources) filed a Voluntary Petition with the U.S. Bankruptcy Court under Chapter 11 of the U.S. Bankruptcy Code. See In re Peabody Energy Corp., (No. 16-42529, U.S. Bankruptcy Ct., E.D. Mo.). On March 17, 2017, the Bankruptcy Court confirmed the Debtors' Plan of Reorganization and Peabody Energy emerged from bankruptcy. The operations of the Lee Ranch and El Segundo Mines were not impacted by the filing. Peabody Energy has updated its financial assurance for the mines by replacing the self-bonds with surety bonds.

Currently, the El Segundo Coal Company has long-term coal agreements with Arizona Public Service Company and Tucson Electric Power. At the time that the El Segundo Mine commenced operations, the Tucson Electric Power Company expected to take 3 million tons per year for 20 years for its Springerville Generating Station and Arizona Public Service Company expected to take as much as 4 million tons of coal per year for 19 years for its Cholla Generating Station in eastern Arizona. Arizona Electric Power Cooperative and Western Fuel Association are supplied coal under shorter-term contracts. Western Fuel Association supplies and transports coal on its rail line from the El Segundo Coal mine to the Escalante Generating Station. The Tri-State Generation and Transmission Association announced in January 2020 the closure of the Escalante Generating Station near Prewitt, New Mexico by the end of 2020. Based on EIA reports, in calendar year 2019 the El Segundo mine supplied approximately 650 thousand short tons to the Escalante Generation Station. Due to the Western Fuel Association rail line, options exist for transporting coal from the El Segundo Mine to other possible consumers.

All of the coal produced by San Juan Coal Company goes to the San Juan Generating Station, which is a mine-mouth (built close to a coal mine) power plant owned by the Public Service Company of New Mexico and other utilities. Output from the San Juan Coal Company was an estimated 6.2 million tons in Fiscal Year 2017, up 10 percent from Fiscal Year 2016. Westmoreland San Juan, LLC of Englewood Colorado assumed operations of the San Juan Mine from BHP Billiton Marketing Inc. on

February 1, 2016. At the same time, Public Service Company of New Mexico announced an agreement with Westmoreland Coal Company to extend the San Juan Mine coal supply contract for the San Juan Generating Station from 2017 to 2022. In Fiscal Year 2020, output from the mine was an estimated 2.7 million tons down 1 percent from Fiscal Year 2019. The drop from 2017 to 2020 comes in part from the deactivation of two of the four units at the San Juan Generating Station (see further discussion below).

In December 2015, New Mexico's Public Regulation Commission approved by a 4-1 vote a plan to reduce air emissions at the San Juan Generating Station in compliance with federal requirements under the Clean Air Act. The plan includes the installation of additional emission control technology at two coal fired generating units, the retirement of two other coal fired generating units by year end 2017 and the construction of a natural gas power generator. The Public Service Company of New Mexico decommissioned the two coal fired generating units as scheduled in December of 2017. Nuclear power from the Palo Verde Generating Station in Arizona will provide energy to make up for the loss from the two retired coal units. On April 1, 2020, the Public Service Company of New Mexico received a unanimous vote from the New Mexico Public Regulation Commission supporting it application to cease operations at the San Juan Generating station by June 30, 2022 and recover its investments through bond sales. Further plans for replacing electricity generation from the San Juan Generating Station still need to be approved by the Public Regulation Commission. There is still reported investment interest in the San Juan Generating Station to maintain operations and apply carbon-capture technology.

Severance Tax and Severance Tax Surtax Revenue on Coal

Severance taxes have been levied on coal production in New Mexico since 1937. The severance tax is set at a fixed rate of $0.57 per ton of surface coal and $0.55 per ton of underground coal. By statute, the surtax is calculated each year based on the Producer Price Index for coal and either increases or remains constant from the previous year. In Fiscal Year 2015, the surface-mined surtax rate was $1.28 per short ton and the underground-mined surtax rates was $1.23. These rates have remained unchanged in Fiscal Years 2016 through 2020. In the last six years, all coal mined underground has always met exemptions from the surtax. In the last five years, all surface mined coal has also met exemptions. These exemptions are the result of renegotiations of long term mine-mouth contracts, which, under statute requirements, have resulted in all current coal production being exempt from the surtax.

Table 20 sets forth data on coal production, prices, revenues and average tax rates for the past five fiscal years. The recent decline in sales volume is attributable to the closure at the end of 2017 of two of the four coal-fired units at the San Juan Generating Station. The sale of the Navajo Mine to the tax-exempt Navajo Nation in Fiscal Year 2014 contributed to declines in 2015 as compared to 2014. The decrease of the Intergovernmental Tax Credit for coal to $0 in Fiscal Year 2015 and Fiscal Year 2016 also coincides with the purchase of the Navajo Mine by the Navajo Nation.

As reflected in the table, gross average prices have ranged from a low of $28.54 per ton in Fiscal Year 2017 to a high of $35.41 per ton in Fiscal Year 2018. Output in short tons over the past five years has dropped from 12.1 million in Fiscal Year 2016 to 7.9 million in Fiscal Year 2020. Total coal sales are expected to continue to decline gradually due to increased competition from other electricity sources, environmental concerns and closure of coal-fueled power plants. Sales and tax revenue reflect the drop in production and exemptions from the surtax. In Fiscal Year 2016, all severed coal was exempt from the severance surtax, thus contributing to the 18.4 percent decline in 2016 tax revenue. In Fiscal Year 2018 tax revenues were $5.3 million, approximately 17 percent lower than Fiscal Year 2017 as a result of a 17 percent drop in production despite higher average coal prices. Fiscal Year 2020 tax revenues were $4.4 million, 4 percent lower than Fiscal Year 2019 following a 4 percent drop in coal production.

The table below sets forth data on coal production, pricing and average tax rates for the past five fiscal years.

TABLE 20
Coal Production, Prices, Revenues, and Taxes
Fiscal Years 2016 to 2020[(1)]

	2016	2017	2018	2019	2020
Production:					
Total Sales Volume (tons)	12,124,191	11,454,740	9,503,353	8,196,188	7,855,213
Surface Mined Surtax Exempt	6,501,537	5,256,770	5,241,877	5,433,828	5,121,916
Surface Mined Non-Exempt	--	--	--	--	--
Underground Mined Surtax Exempt	5,622,653	6,197,970	4,261,476	2,762,360	2,733,297
Prices:					
Weighted Average Price per Ton for All Coal	$33.83	$28.54	$35.41	$35.58	$34.60
Sales Revenue:					
Total Sales Revenue	$410,140,009	$326,892,275	$336,486,800	$291,592,581	$271,793,572
Taxes Collected and Intergovernmental Tax Credits (ITC):					
Gross Severance Tax and Severance Surtax Due	$6,798,336	$6,405,242	$5,331,682	$4,616,581	$4,422,809
Intergovernmental Tax Credit (ITC)	--	--	--	--	--
Net Severance Tax and Severance Surtax Liability (Net of ITC)	$6,798,336	$6,405,242	$5,331,682	$4,616,581	$4,422,809
Effective Taxes (Net of ITC):					
Effective Tax Rate	1.66%	1.96%	1.58%	1.58%	1.63%
Effective Tax per Ton for all Coal (Net of ITC)	$0.56	$0.56	$0.56	$0.56	$0.56

(1) Totals may not sum due to rounding. Historical numbers have been updated to reflect amended returns.
Source: New Mexico Taxation and Revenue Department, Tax Analysis, Research and Statistics Office (the "GenTax System").

OTHER MINERAL PRODUCTION AND SEVERANCE TAXES

Carbon Dioxide

The Bravo Dome carbon dioxide ("CO2") field encompasses 1.2 million acres in Harding, Union and Quay Counties in the northeastern area of the State. It contains estimated resources of 16.3 trillion cubic feet ("tcf"), of which 7.0 tcf to 10.6 tcf are considered economically recoverable. Although the State has long produced limited quantities of liquid and solid CO2 for use in the food and the engineering industries, the main commercial value of CO2 deposits is derived from the use of the product in its gaseous form in enhanced oil recovery projects in the Permian Basin of Texas and New Mexico. Future sales ultimately will depend on the CO2 requirements of such projects and on the State's proportion of the market, which is shared with Colorado's Sheep Mountain and Little Sheep Mountain, McElmo Dome and Doe Creek Fields. Sales of CO2 were approximately 85.9 bcf in Fiscal Year 2019, decreasing from 87.0 bcf in Fiscal Year 2018. The weighted average wellhead price of CO2 sales for Fiscal Year 2019 was $1.05 per mcf reported at the production facility, an increase of $0.03 from $1.02 per mcf during Fiscal Year 2018. Severance Taxes on CO2 are levied at the rate of 3.75 percent of taxable sales value. Weighted average deductions were 35.8 percent in Fiscal Year 2019.

Other Minerals

Many other minerals and natural resources are taxed in the State upon their severance from the earth or, in some cases, their sale or shipment. Existing tax rates are listed in Table 21. In many cases, flat percentage deductions are allowed to account for certain production costs. The result is that the gross value is a percentage of the "full value." The "full value," in turn, is sometimes based upon published prices rather than actual revenues. Generally, for products with a price at the point of production, value is that price less deductions allowed for actual costs for hoisting, loading and crushing of up to 50 percent of price. For products that must be processed before sale, deductions are allowed for cost of processing and freight charges to the point of sale. Several exceptions apply, as detailed below.

For potash, the gross value is 40 percent of the posted field or market price, less those actual expenses of hoisting, crushing and loading necessary to place the severed product in marketable form and at a marketable price, but allowable deductions may not exceed 50 percent. The gross value for each type of potash and potash product requiring processing or beneficiation (other than sizing) is 33.33 percent of the proceeds realized from the sale of muriate of potash and sulphate of potash magnesia, as standard grades, and 33.33 percent of the value of such products consumed in the production of other potash products, less 50 percent of such reported value as a deduction for expenses of hoisting, loading, crushing, processing and beneficiation.

Gross values for copper, lead, zinc, gold and silver are 66.66 percent of specified Comex, London Metal Exchange cash price, London Metal Exchange Final and London spot, U.S. Equivalent, respectively, as published in Metals Week. The gross value for gold is the sales value established from published price date of the quantity of gold recoverable from the concentrate or other product which is sold or is shipped, transmitted or transported out of New Mexico without sale. The gross value for silver is 80 percent of the sales value established from published price date of the quantity of silver recoverable from the concentrate or other product which is sold or is shipped, transmitted or transported out of New Mexico without sale. For molybdenum, gross value is the value of molybdenum contained in concentrates shipped or sold from a mine site, but in no event shall it be less than market value. For copper, lead, zinc, gold, silver and molybdenum, deductions of 50 percent of the sales value are allowed for the expenses of hoisting, loading, crushing, processing and beneficiation, regardless of actual expenses incurred.

For sand and gravel, in the absence of substantial evidence of a different posted field or market price, it is presumed that the gross value is $1.75 per ton. In the absence of evidence of lower deductible expenses, the maximum 50 percent deduction will be allowed. In determining taxable value, rent and royalty payments to the federal government or the State government are deductible from gross value.

TABLE 21
Severance Tax Rates on Other Minerals

Mineral Resources	Fiscal Year 2020[1] Collections	Fiscal Year 2019 [1] Collections	Tax Rate	Gross Value as Percent of Full Value
Potash	$703,809	$650,776	2.500%	not fixed
Copper	426,743	527,841	0.500	16.67%
Timber, Pumice, Gypsum, Clay,	58,202	56,276		
Fluorspar, Other			0.125	not fixed
Molybdenum [1]	--	--	0.125	50.00
Lead, Zinc	--	--	0.125	16.67
Gold	22,078	14,448	0.200	50.00
Silver	3,359	2,057	0.200	30.00
Uranium	Not detailed	Not detailed	3.500	50.00 [2]

[1] In June 2014, Chevron Mining closed its Questa molybdenum mine in Taos County, reducing total molybdenum collections to zero in Fiscal Year 2015 and subsequent years.
[2] Taxable Value as a Percentage of Full Value.
Source: New Mexico Taxation and Revenue Department, Tax Analysis, Research and Statistics Office (the "GenTax System").

Severance tax revenue from copper, which is limited because of the statutorily defined narrow tax base, was $426,743 in Fiscal Year 2020, down from $527,841 in Fiscal Year 2019. The average price of copper was $2.64 per pound in Fiscal Year 2020. This average price captures a drop in worldwide copper prices in March. As economies halted to confront the COVID-19 pandemic, global demand for copper decreased with the subsequent drop in prices. After minimal growth in prices in April and May, June saw a large increase in copper prices as economies have reopened. Freeport-McMoRan, which operates the only two copper mines in New Mexico, the Tyrone mine and Chino mine, has lowered output from the larger Chino mine since April. With the drop in copper prices and a COVID-19 outbreak among a sector of the employees, employees have been furloughed since April.

OTHER TAXES OF NATURAL RESOURCES NOT PLEDGED

Rates for unpledged production and property taxes on New Mexico natural resources are summarized below. As discussed in prior sections of this Official Statement, proceeds from the Severance Tax and the Oil and Gas Severance Tax are pledged to the Bonding Fund for payment of interest, premium and principal of the Bonds. **Proceeds of other taxes shown below are not pledged to the payment of principal, premium, if any, or interest on Severance Tax Bonds.**

Production and Property Taxes on Oil and Natural Gas

The valuation of oil and natural gas production and the assessment of the ad valorem production tax are based on the actual value of production on a monthly basis from September 1 to August 31. Oil and natural gas are valued for the calendar year preceding the property tax year, as established in Section 7-32-15 NMSA 1978. For rate setting, the Local Government Division of the DFA may adjust the State levy for changes in oil and natural gas values.

Current effective production tax rates expressed on ad valorem and unit bases are shown below. The rates were based on data from Fiscal Year 2020 and reflect an average sales price of $44.01 per barrel for oil and $1.90 per thousand cubic feet (mcf) for natural gas. The gross rates presented in the table below show taxes paid as a percentage of gross sales value before subtracting allowable deductions and tax credits. The gross tax per unit is also based on gross sales value. The net tax per unit, however, is also based on taxable value before subtracting allowable deductions and tax credits.

TABLE 22
Tax Rates on Oil and Natural Gas
Effective Tax Rates Applicable for Fiscal Year 2020[(1)]

Type of Tax	Crude Oil Ad Valorem	Crude Oil Per Barrel	Natural Gas Ad Valorem	Natural Gas Per mcf
Price				
Oil and Gas School Tax	2.76%	$1.22	2.28%	$0.04
Oil and Gas Severance Tax	3.29	1.45	2.13	0.04
Oil and Gas Conservation Tax (General Fund only)	0.17	0.07	0.11	0.00
Natural Gas Processors Tax	n/a	n/a	0.31	0.01
Oil and Gas Production ad valorem Tax	1.11	0.49	0.71	0.01
Oil and Gas Production Equipment ad valorem Tax	0.24	0.11	0.18	0.00
Total[(2)]	7.57%	$3.33	5.72%	$0.11
Subtotal: State Tax Only (excludes *ad valorem* taxes and Natural Gas Processors Tax)[(3)]	6.22%	$2.74	4.52%	$0.09

[(1)] Excludes deductions and tax credits.
[(2)] Totals may not add due to rounding.
[(3)] Natural Gas Processors Tax is applied only to natural gas processed at natural gas processing plants in New Mexico.
Source: New Mexico Department of Taxation and Revenue.

The Emergency School Tax rate of 3.15 percent imposed on natural gas was raised to 4 percent effective July 1, 1993. This action was taken partially to compensate for the large decreases in revenues due to the 1987 tax changes for natural gas. Further, it was believed that the tax increase was tolerable to industry because of relatively higher prices. The School Tax rate imposed on crude oil continues to be 3.15 percent.

Statutory rates on oil for the Emergency School Tax (3.15 percent), the Oil and Gas Severance Tax (3.75 percent) and the Conservation Tax (0.19 percent) are effectively reduced by deductions allowed for trucking costs and for Federal, State and Indian royalties. In 2010, the Conservation Tax rate on oil was increased from 0.19 percent to 0.24 percent when the average price of WTI in the previous quarter exceeds $70.00 per barrel. The Oil and Gas Production Ad Valorem Tax and the Oil and Gas Production Equipment Ad Valorem Equipment Tax are imposed in lieu of property taxes on mineral reserves and equipment located on the leasehold. Tax rates applied to these tax bases are local rates and vary by jurisdiction. The Ad Valorem Production Tax is subject to the same deductions as for School Tax, Severance Tax and Conservation Tax. The tax base for the Oil and Gas Production Equipment Ad Valorem Tax is the wellhead price, not reduced by the value of royalties.

Production, Sales, and Property Taxes on Coal

State production and property taxes on coal totaled approximately $9.7 million in Fiscal Year 2020, flat from Fiscal Year 2019. Coal production decreased from approximately 8.2 million tons in Fiscal Year 2019 to 7.9 million tons in Fiscal Year 2020. The average effective tax per ton increased from approximately $1.15 in Fiscal Year 2019 to approximately $1.22 for Fiscal Year 2020. With total sales revenue of approximately $272 million in Fiscal Year 2020, the average effective tax was 3.58

percent of total sales revenue. This does not include the gross receipts tax. The average burden of production, property and gross receipts taxes on a ton of coal produced and sold during Fiscal Year 2020 is shown in the following table.

TABLE 23
Tax Burden on Coal for Fiscal Year 2020 [1]

Type of Tax	Tax per Ton	Effective Tax Rate	Taxes Collected
Severance Tax and Surtax (Net of ITC)	$0.56	1.58%	$ 4,422,809
Resource Excise Tax	0.25	0.73	1,990,234
Conservation Tax	0.05	0.19	504,193
Total Production Taxes	0.86	2.50	6,917,236
Property Tax[2]	0.36	1.04	2,814,228
Gross Receipts Tax	1.32	3.81	10,353,744
Total Non-Production Taxes	1.68	4.85	13,167,972
Total Production and Non-Production Taxes	$2.54	7.35%	$ 20,085,208
Price per Ton			$34.60
Total Production (Short Tons)			7,855,213
Total Value			$271,793,572

(1) The figures reported in this table come from TRD's GenTax System. These figures differ from actual distributions made by the TRD's Financial Services Bureau, as the distributions include penalties, interest, and other modifications such as previously unallocated or unidentified receipts. Total production is based on volumes reported on severance tax returns, which differ from the volumes reported on resource excise tax returns.

(2) Property tax year began September 1, 2019, with calendar year assessments completed by May 1 per statute.

Source: New Mexico Taxation and Revenue Department, Tax Analysis, Research and Statistics Office (the GenTax System, Financial Services Bureau and Property Tax Division's Central Assessment Unit)

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

In addition to production taxes, gross receipts tax is imposed on coal produced and sold within the State. During 2018, the most recent year for which data is available (Source: U.S. Energy Information Administration), 67.3% of all coal produced in the State was supplied to electric power plants in New Mexico. In Fiscal Year 2020, 56.4% of all coal produced in New Mexico was subject to gross receipts tax. The combined state and local tax rate for Fiscal Year 2020 was 6.97% of taxable gross receipts.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

The information in this section concerning The Depository Trust Company ("DTC") New York, NY and DTC's book-entry-only system has been obtained from DTC, and the State and the Underwriters take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, as set forth on the inside cover page hereof, in the aggregate principal amount of each maturity of the Bonds and deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation & Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry-system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds are to be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO THE BONDHOLDERS OF THE BONDS WILL MEAN CEDE & CO., AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by State statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and the State does not have responsibility for distributing such notices to the Beneficial Owners.

The State does not have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following summarizes certain provisions of the Bond Resolution relating to the Bonds. This summary does not purport to be complete and reference is made to the Bond Resolution for a full and complete statement of its provisions.

Covenants

So long as any Bonds are outstanding, the State and the Board have covenanted and agreed with the Owners of Bonds that: (a) the State will use its best efforts to collect and deposit in the Bonding Fund proceeds from Severance Taxes as set forth in the Severance Tax Bonding Act which, when combined with other amounts the State Legislature, in its sole discretion, may from time to time deposit in the Bonding Fund (including earnings required to be deposited in the Bonding Fund by Section 24 of the Bond Resolution and similar provisions of other bond resolutions of the Board relating to Severance Tax Bonds), will equal at least two hundred percent (200%) of the amount of the principal of and interest scheduled to be due in each fiscal year of the State on Severance Tax Bonds, including the Bonds; (b) the State will promptly pay the principal of and the interest on the Bonds, at the places, on the dates and in the manner specified in the Bond Resolution and in the Bonds; (c) the State will keep proper books of record and account, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to Severance Taxes, the Bonding Fund, each Project Account and the Rebate Fund; (d) any registered Owner or Beneficial Owner of any of the Bonds or any duly authorized agent of such registered Owner or Beneficial Owner, shall have the right, at all reasonable times, to inspect all records, accounts and data relating to the Bonds, the collection of Severance Taxes and the Bonding Fund; provided, however, that pursuant to NMSA 1978, Section 6-14-10E (1983), records with regard to the ownership of or pledges of the Bonds are not subject to inspection or copying; (e) the State will prepare annual statements or audits of collections and disbursements of Severance Taxes in sufficient detail to show compliance with requirements of the Bond Resolution and the State will furnish a copy of such audit to any Owner of Bonds upon written request therefor; (f) in order to prevent any accumulation of claims for interest after maturity, the State will not directly or indirectly extend or assent to the extension of time for the payment of interest on any of the Bonds; (g) the State will make no use of the proceeds of the Bonds or any funds reasonably expected to be used to pay the Bonds which will cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), or which would result in the loss of the exclusion from gross income for federal income tax purposes of the interest on the Bonds; (h) the State (i) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (ii) will not take or permit to be taken any actions which would adversely affect that exclusion, and the State or persons acting for it, will, if necessary to maintain such exclusion, among other acts of compliance, (1) apply, or cause to be applied, the proceeds of the Bonds to the purpose of the borrowing, (2) restrict the yield on investment property acquired with those proceeds, (3) make timely rebate payments to the federal government in accordance with Section 148 of the Tax Code and the Bond Resolution, (4) maintain books and records and make calculations and reports, and (5) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Tax Code.

Defeasance

If the State shall pay all of the outstanding Bonds, or shall cause them to be paid and discharged in accordance with the next paragraph of this section, or if all payments of principal of and interest on the Bonds, due or to become due, shall otherwise be paid to the Owners of the outstanding Bonds, then the Bond Resolution shall cease and become null and void (except for those provisions surviving in accordance with the last paragraph of this section), and the covenants, agreements and obligations of the Board and the State under the Bond Resolution will be released, discharged and satisfied.

All or any part of the Bonds shall be deemed to have been paid and discharged if: (1) the Registrar/Paying Agent shall, in advance of any payment to the Owners of the outstanding Bonds, have received and set aside sufficient moneys for the payment in full of the principal of and interest on the Bonds, or part thereof, or (2) there shall have been placed in trust for the payment of the Bonds and irrevocably committed to such payment, non-callable Defeasance Obligations (defined below) which are certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and scheduled to bear such interest, as will be sufficient, together with any moneys on deposit with the Registrar/Paying Agent available to pay principal of and interest on the Bonds, without further investment or reinvestment of either the principal amount or the interest earnings on such Defeasance Obligations (which earnings are to be held likewise in trust and so committed, except as provided herein), for the payment in full of all principal of and interest on the Bonds, or part of the Bonds, deemed to have been paid, at their maturity.

As used in the Bond Resolution, "Defeasance Obligations" means, as permitted by law:

(i) direct obligations of, or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by, or obligations issued by or backed by the full faith and credit of corporations sponsored by, the United States of America;

(ii) obligations issued or guaranteed as to full and timely payment of principal and interest by any agency or person controlled by and acting as an instrumentality of the United States of America, pursuant to authority granted by the Congress of the United States of America; and

(iii) obligations described in Section 103(a) of the Tax Code (a) provisions for the payment of the principal of, premium, if any, and interest on which (1) shall have been made by the irrevocable deposit, with a bank or trust company acting as a trustee or escrow agent for holders of such obligations, of non-callable securities described in clauses (i) and (ii) above, the maturing principal of and interest on which, when due and payable, without further investment or reinvestment, will provide sufficient moneys to pay when due the principal of and interest on such obligations, and (2) which securities described in clause (i) and (ii) are not available to satisfy year any other claim, including any claim of such trustee or escrow agent or of any person claiming through such trustee or escrow agent or to whom such trustee or escrow agent may be obligated, including claims in the event of the insolvency of such trustee or escrow agent or proceedings arising out of such insolvency or (b) rated by either S&P Global Ratings or Moody's Investors Service, Inc., or similar rating agency in its highest rating category (without regard to any refinement or gradation by numerical modifier or otherwise).

Any moneys held in trust in accordance with the defeasance provisions of the Bond Resolution may be invested only in non-callable Defeasance Obligations having maturity dates, or having redemption dates which, at the option of the holder of such Defeasance Obligations, shall not be later than the date or dates at which moneys will be required for the purposes described above. Within fifteen (15) days after any Bonds are deemed to be paid and discharged, a written notice of such deemed payment and discharge shall be given to each registered Owner of Bonds as shown on the registration books kept by the Registrar/Paying Agent on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged or state that all Bonds are deemed paid and discharged and set forth a description of the obligations held.

Notwithstanding that Bonds may be deemed to have been paid, any provisions of the Bond Resolution which relates to the maturity of Bonds, interest payments and dates thereof, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Registrar/Paying Agent in connection with all of the foregoing, shall remain in effect and be binding upon the State and the Registrar/Paying Agent until final payment of all Bonds notwithstanding the release and discharge of the Bond Resolution. Notwithstanding any provision of the Bond Resolution to the contrary, any provisions of the Bond Resolution which relates to the exclusion of interest from gross income for federal tax purposes shall remain in effect and be binding upon the State and the Registrar/Paying Agent.

Amendment of Bond Resolution

The Bond Resolution may be amended or supplemented from time to time without the consent of or notice to the holders of the Bonds for any of the following purposes: (a) before or after issuance of the Bonds to add to, subtract from, or amend or clarify the list of Projects; (b) to cure any ambiguity, omission, formal defect or inconsistency; or (c) to make any change that, in the judgment of the Board, in reliance upon an opinion of counsel, does not have a material adverse effect on the rights of the Owners of any Bonds; or (d) to achieve compliance with any applicable federal securities or tax laws or to ensure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds for federal income tax purposes or the exemption from registration under applicable federal or state securities laws, trust indenture acts or similar laws.

Except as provided above, the Bond Resolution may only be amended or supplemented by resolution adopted by the Board in accordance with applicable law, with or without receipt by the State of any additional consideration, but with the written consent of the Owners of a majority in principal amount of the Bonds then outstanding; provided, however, that no such resolution shall, without the consent of the Owners of all outstanding Bonds, have the effect of permitting: (i) an extension of the maturity of any Bonds; or (ii) a reduction in the principal amount of, or the rate of interest on, any Bonds; or (iii) a reduction of the principal amount of Bonds required for consent to such amendatory or supplemental resolution; or (iv) the establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Resolution; or (v) the modification of, or otherwise affecting, the rights of the Owners of less than all of the Bonds then outstanding.

Remedies of Holders of Bonds

The registered Owners, or Beneficial Owners, of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding may bring an action to protect the rights of the registered Owners and Beneficial Owners of the Bonds under the Bond Resolution in any court of competent jurisdiction, for the specific performance of any covenant or agreement contained in the Bond Resolution or to enjoin any act or thing which may be unlawful or in violation of any right of any Owner of the Bonds. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of the Bonds then outstanding. The failure of any registered Owner or Owners or Beneficial Owner or Beneficial Owners of Bonds to so proceed shall not relieve the State or the Board of any obligation to perform any duty under the Bond Resolution. Each right or privilege of such Owner and Beneficial Owner is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any registered Owner or Beneficial Owner shall not be deemed a waiver of any other right or privilege.

Payment of Principal and Interest

The Bonds and the interest accruing on the Bonds shall be payable and collectible out of the Bonding Fund, which is pledged for such payment as provided in the Severance Tax Bonding Act. Interest on the Bonds shall be payable by check or draft mailed, or by Automated Clearing House or electronic payment sent, to their registered Owners, as shown on the registration books for the Bonds maintained by the Registrar/Paying Agent at the address appearing in such books at the close of business on the 15th day of the calendar month next preceding each applicable interest payment date (the "Record Date"), or, if such date is not a business day, the first business day thereafter, or in such other manner as may be agreed upon by the Registrar/Paying Agent and the registered Owner of a bond. Interest which is not timely paid or duly provided for shall cease to be payable to the Owners of the Bonds (or of one or more predecessor Bonds) as of the Record Date, but shall be payable to the registered Owners of the Bonds (or of one or more predecessor Bonds) at the close of business on a special record date (the "Special Record Date") for the payment of that overdue interest to be fixed by the Registrar/Paying Agent. The Special Record Date shall be fixed by the Registrar/Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the Special Record Date shall be given to Owners of Bonds not less than 10 days prior to such date. The principal of and interest on the Bonds are payable upon presentation and surrender of the Bonds without deduction for exchange or collection charges at the office of the Registrar/Paying Agent. Principal of and interest on the Bonds are payable in lawful money of the United States of America. If a Bond is not presented for payment at maturity, that Bond will cease to bear interest from the date of maturity.

While registered in the name of DTC or its nominee, payments of principal of and interest on the Bonds shall be made to DTC or its nominee as set forth in the Letter of Representations between DTC and the State.

TRANSCRIPT AND LEGAL OPINIONS

The Board will prepare an official transcript of proceedings of the authorization and issuance of the Bonds.

Legal matters incident to the issuance of the Bonds (see the form of opinions of Co-Bond Counsel, attached hereto as Appendix D) are subject to the approving legal opinions of Rodey, Dickason, Sloan, Akin & Robb, P.A. and Sherman & Howard L.L.C., Co-Bond Counsel to the State ("Co-Bond Counsel"). The opinions expressed by Co-Bond Counsel are based on existing law as of the delivery date of the Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. A copy of the proposed form of opinions of Co-Bond Counsel is attached hereto as Appendix D.

Legal matters incident to the exclusion from gross income for Federal and State of New Mexico income tax purposes of interest on the Bonds (see "TAX MATTERS" below and the form of opinion of Tax Counsel, attached hereto as Appendix E) are subject to the approving legal opinions of Gilmore & Bell, P.C., Tax Counsel to the State ("Tax Counsel"). Certain legal matters will be passed upon for the State of New Mexico by Kutak Rock LLP, Disclosure Counsel. Certain legal matters will be passed upon for the State of New Mexico by the Office of the Attorney General of the State of New Mexico.

TAX MATTERS

The following is a summary of the material federal and State of New Mexico income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of New Mexico, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

Opinion of Tax Counsel

In the opinion of Gilmore & Bell, P.C., Tax Counsel to the State, under the law currently existing as of the issue date of the Bonds:

Federal Tax Exemption. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

State of New Mexico Tax Exemption. The interest on the Bonds is exempt from income taxation by the State of New Mexico.

Tax Counsel's opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

No Other Opinion. Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading "TAX MATTERS."

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2020A Bond over its issue price. The stated redemption price at maturity of a Series 2020A Bond is the sum of all payments on a Series 2020A Bond other than "qualified stated interest" (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2020A Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2020A Bond during any accrual period generally equals (1) the issue price of that Series 2020A Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2020A Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2020A Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series 2020A Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2020A Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2020A Bond is the sum of all payments on a Series 2020A Bond other than "qualified stated interest" (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2020A Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2020A Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2020A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2020A Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of the Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2020A Bond, an owner of the Series 2020A Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2020A Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2020A Bond. To the extent a Series 2020A Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2020A Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Bonds, and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

A copy of the proposed form of opinion of Tax Counsel is attached hereto as Appendix E.

LITIGATION

At the time of the original delivery of the Bonds, the Board will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending, or, to the knowledge of the appropriate State officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the legislation authorizing the issuance of the Bonds, the levying or collecting of any taxes for the payment of the debt service on the Bonds (other than those cases described in Appendix C, which proceedings are not, in the opinion of the State Attorney General, reasonably expected to have a material effect on the bondholders), or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

The State is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations which proceedings are unrelated to the Bonds, and to the security therefor. The ultimate disposition of such proceedings is not presently determinable. Such proceedings are not, in the opinion of the State Attorney General, reasonably expected to have a material adverse effect on the Bonds or the security for the payment of the Bonds for the following reason: Severance Taxes are the primary source of payment for the Bonds which are limited obligations of the State. See Appendix C for a summary of litigation and administrative action or proceedings that impact Severance Taxes.

FINANCIAL ADVISORS

The Board has retained Fiscal Strategies Group, Inc., as Financial Advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. Fiscal Strategies Group, Inc. has contracted with Public Resources Advisory Group (together with Fiscal Strategies Group, Inc., the "Financial Advisors") with respect to the issuance of the Bonds. The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement nor the information, covenants and representations contained in any of the Bond documentation with respect to the federal income tax status of the Bonds. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The financial advisory fee for services performed with respect to the Bonds is contingent upon the issuance and delivery of the Bonds but is payable from the Bonding Fund.

RATINGS

The Bonds have received ratings from S&P Global Ratings and Moody's Investors Services as set forth on the cover of this Official Statement. Such ratings reflect only the views of the respective organizations. An explanation of the significance of each rating may be obtained from the rating agency furnishing such rating. There is no assurance that such will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any downward revision or withdrawal of either rating can be expected to have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The Board will agree, by means of a continuing disclosure undertaking (the substantial form of which appears in Appendix F) to be delivered to the purchaser of the Bonds at closing, for the benefit of owners of the Bonds, to provide certain annual financial information relating to the State by no later than 210 days after the end of each fiscal year of the State, commencing with the fiscal year ending June 30, 2020, and to provide notices of occurrence of certain enumerated events. The Board will further agree in the continuing disclosure undertaking that if its audited financial statements are not provided as part of the annual financial information, the Board will provide such audited statements when available. The annual financial information and audited financial statements (when available) and material event notices will be filed by the Board with the Municipal Securities Rulemaking Board (through EMMA) and with any New Mexico State Information Depository. In the event of a failure of the Board to comply with any provision of the continuing disclosure undertaking, any owner of Bonds (including beneficial owners of the Bonds) may seek specific performance by court order from the First Judicial District Court in Santa Fe County, New Mexico.

The continuing disclosure undertaking with respect to the Bonds will be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of: (i) the date the principal and interest on the Bonds is paid or deemed paid; (ii) the date the Board is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; and (iii) the date on which those portions of the Rule which require the continuing disclosure undertaking are held invalid or repealed.

MISCELLANEOUS

The foregoing summaries, descriptions and references do not purport to be comprehensive or definitive, and such summaries, descriptions and references are qualified in their entirety by reference to each statute, document, exhibit or other materials summarized or described. The instruments and other materials referred to in this Official Statement may be examined, or copies thereof will be furnished in reasonable amounts, upon written request to the New Mexico State Board of Finance, 407 Galisteo Street, Bataan Memorial Building, Room 181, Santa Fe, New Mexico 87501, or by telephone at (505) 827-4980.

Statements made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. The Appendices are integral parts of this Official Statement and must be read with all other parts of this Official Statement.

This Official Statement has been authorized and issued by the Board.

STATE BOARD OF FINANCE
OF THE STATE OF NEW MEXICO

By:____
President

APPENDIX A

GENERAL INFORMATION CONCERNING THE STATE OF NEW MEXICO

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state, containing approximately 121,593 square miles. The estimated 2019 population of the State is 2,096,829 according to the United States Census Bureau. The State has a semiarid subtropical climate with light precipitation. Its climate is characterized by sunshine and bright skies in both winter and summer. Every part of the State receives no less than 70 percent sunshine year-round. Humidity ranges from 30 to 60 percent. Thunderstorms in July and August bring most of the moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The Executive Branch of State government consists of a Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Attorney General, and Commissioner of Public Lands. These officials are elected to four-year terms beginning January 1 after their election. An elected Executive Branch officer may succeed himself or herself in office once. The primary functions of the Executive Branch are currently carried out by the offices of each elected Executive Branch officeholder, in addition to approximately 22 cabinet departments, each headed by a cabinet secretary appointed by the Governor and approved by the Senate, and approximately 9 cabinet-level agencies. Elections for all statewide offices were held on November 6, 2018.

The State Board of Finance has seven voting members consisting of the Governor, the Lieutenant Governor, the State Treasurer, and four members appointed by the Governor with the advice and consent of the Senate. No more than two appointed members may be from the same political party. The DFA Secretary serves as the Executive Officer of the Board and is a non-voting Board member. The Board, in addition to other powers and duties provided by law, has general supervisory authority over the fiscal affairs of the State and over the safekeeping and depositing of all money and securities belonging to, or in the custody of, the State. The Governor serves as the President of the Board.

The DFA is the principal financial organization of State government and performs through its divisions the duties and functions relating to State and local government financing and general administration. The executive and administrative head of the DFA is the Secretary, who is appointed by the Governor with the advice and consent of the Senate. The Board of Finance Division of the DFA provides operational, analytical and administrative support to the Board. The Director of the Board is appointed by the DFA Secretary with the approval of the Board.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms and members of the House are elected for two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to 30 calendar days in even-numbered years and 60 calendar days in odd-numbered years. In 2020 a 30-day regular session convened on January 21, and in 2021 there will be a 60-day regular session. Special sessions of the Legislature may be convened by the Governor. In June 2020, the Governor convened a special session, running from June 18 through June 22, for the legislature to address critical budget and other legislation related to the impacts of COVID-19. Extraordinary sessions may be convened by the Legislature under certain limited circumstances. Legislators do not receive any salary but do receive per diem and mileage allowances while in session or performing official State business.

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

State Budget for Fiscal Years 2016 through 2020

Fiscal Year 2016. Fiscal Year 2016 recurring revenues decreased by 8.4 percent to $5.7 billion, driven by a decrease of 29.1 percent in oil and natural gas related revenue. New Mexico oil prices averaged $37.94 per barrel in Fiscal Year 2016, while New Mexico natural gas prices averaged $2.42 per mcf. Growth of 3.7 percent in oil volumes partially offset declining oil prices, while natural gas volumes decreased by 1.0 percent over Fiscal Year 2015. Results show a significant decline in the State's broad-based gross receipts, compensating, personal income, and corporate income taxes, which were all impacted by ongoing weakness in the oil and natural gas sectors. The decline in revenue was partially affected by the diversion of a large portion of the liquor excise tax to the lottery tuition scholarship program. Offsetting this and other declines, the insurance premiums tax collections increased sharply due to expansion of the Medicaid program.

Following enactment of the Fiscal Year 2016 budget, several downward revisions to the CREG estimate led to additional budget cuts and fund transfers and prompted the Governor to call a special session early in Fiscal Year 2017. As a result of the revised forecast, during the 2016 legislative session the Legislature enacted a 0.5 percent across-the-board reduction in Fiscal Year 2016 appropriations, with the exception of the Medicaid program and certain other healthcare-related programs. The Legislature also passed House Bill 311, which allowed one-time transfers from various state funds into the General Fund, totaling $40.6 million in Fiscal Year 2016 and $74.9 million in Fiscal Year 2017. The Fiscal Year 2016 transfer included the $36 million operating reserve fund balance that had been restricted for supplemental special education maintenance of effort funding.

During the 2016 special legislative session, Senate Bill 2 authorized the transfer of $109.1 million from the Tobacco Settlement Permanent Fund to the General Fund appropriation account to close Fiscal Year 2016 in balance. Also to close Fiscal Year 2016, $485.4 million was transferred from operating reserves to the General Fund appropriation account. Due to the rapid deterioration in oil- and gas-related revenues, Fiscal Year 2016 ending balances fell to $147.8 million or 2.4 percent of recurring appropriations from $713.1 million or 11.6 percent in Fiscal Year 2015.

Fiscal Year 2017. Fiscal Year 2017 recurring revenues were $5.9 billion, representing an increase of 3.0 percent over Fiscal Year 2016. Oil and natural gas related revenue increased from Fiscal Year 2016 levels by 18.3 percent. New Mexico oil prices averaged $45.00 per barrel in Fiscal Year 2017, while New Mexico natural gas prices averaged $3.26 per mcf. Oil volumes increased by 4.3 percent in Fiscal Year 2017 and natural gas volumes increased by 5.2 percent. Non-oil and gas related revenue increased by 0.9 percent, reflecting an increase of 1.9 percent in gross receipts tax revenue, 4.0 percent in personal income tax, and 9.4 percent in insurance premiums tax. Corporate income tax revenues declined by 40.8 percent over the previous fiscal year.

During the 2016 special legislative session, several bills were enacted to address Fiscal Year 2017 solvency including authorization to transfer the balance in the Tobacco Settlement Reserve Fund to the appropriation account to cover Fiscal Year 2016 and Fiscal Year 2017 expenditures, $92.8 million in funding sweeps to the General Fund, a $12.5 million appropriation of supplemental severance tax note proceeds for public school capital outlay needs to replace General Fund appropriations, reduced Legislative Retirement Fund distributions, an increased distribution of insurance premiums tax revenue to General Fund, and reduction in General Fund distributions to the Retiree Health Care Fund.

Senate Bill 8 of the special session provided for certain short-term taxable severance tax note and supplemental severance tax note proceeds totaling $19.2 million to be swept to the General Fund to restore past capital allotments, and the exchange of $56.2 million of General Fund appropriations for capital outlay projects with severance tax bond funding. Senate Bill 8 also allowed the one-time transfer of excess severance tax revenue to the general fund rather than the severance tax permanent fund. This transfer, known as the "super sweep," totaled $28,279,400. Senate Bill 9 reduced State agency budgets, excepting certain health- and safety-related appropriations, by 5.5 percent, with judicial and legislative cuts of 3.0 percent, all of which reduced recurring appropriations by $170.9 million in Fiscal Year 2017. Senate Bill 9 also provided for redistributing public school State Equalization Guarantee distributions to special education services if funding is insufficient to meet federal maintenance of effort requirements.

Revenue measures passed during the 2016 special session included narrowing the eligibility criteria for the health care practitioner gross receipts tax deduction and the High Wage Jobs Tax Credit, with an estimated benefit to recurring revenues of $10.2 million. Following the 2016 special legislative session, Fiscal Year 2017 ending reserves were projected to be minus $61.6 million or negative 1.2 percent of recurring appropriations. During the 2017 regular legislative session, additional action was taken to address Fiscal Year 2017 solvency and increase reserve levels, including generating $78.3 million in non-recurring revenue by aligning the insurance revenue streams with current GAAP standards, $47.2 million of non-recurring revenue through various state fund sweeps and transfers, $46.1 million to the general fund by reducing the Fiscal Year 2017 State Equalization Guarantee distributions for school districts and charter schools as a credit against Fiscal Year 2016 year-end operational cash balances. Exempting any Fiscal Year 2017 emergency supplemental distributions, each school district's and charter school's credit share was proportional to their Fiscal Year 2016 program cost (or formula funding).

Ongoing funding shortfalls projected in Fiscal Year 2018 and the need to shore up Fiscal Year 2017 reserves led to the call for another special session in May 2017. Solvency measures passed during the 2017 special legislative session include authority to issue $84.1 million of short-term taxable Supplemental Severance Tax Notes to restore past General Fund capital allotments. After action in both the regular and special 2017 legislative sessions, Fiscal Year 2017 reserves grew to $505 million, or 8.3 percent of recurring appropriations.

A combination of economic factors including rising enrollments, a decrease in the federal matching rate for the new adult group (a.k.a. Medicaid expansion), rising drug costs, and insufficient legislative appropriations caused the State to experience a funding shortfall in the Medicaid program in Fiscal Years 2016 and 2017. In response to the shortfall, the State implemented a number of cost-reduction measures, including reduced reimbursement rates for health care providers and reduced administrative spending for Medicaid managed care organizations ("MCOs"). The State is also proposing new mandatory payments for some patients. Slightly lower enrollment rates, a delay in the imposition of certain federal fees on insurance companies, including MCOs, and the possibility of additional federal funding for services provided to Native Americans reduced the General Fund shortfall for Fiscal Year 2017. The State also reached a settlement with the Centers for Medicare and Medicaid Services (CMS) for old claims for federal funding, resulting in the return of $16.8 million to the State.

Fiscal Year 2018. In Fiscal Year 2018, recurring revenues were $6.8 billion, representing an increase of 15.8 percent over the Fiscal Year 2017 levels. Oil and natural gas related revenue increased by 37.7 percent over Fiscal Year 2017 levels. New Mexico oil prices averaged $55.05 per barrel, while New Mexico natural gas prices averaged $3.47 per mcf. Oil volumes increased by 31 percent in Fiscal Year 2018, and natural gas volumes increased by 10 percent. Non-oil and natural gas related revenue increased by 1.8 percent, reflecting increases of 18.3 percent in gross receipts tax, 10 percent personal income tax and a decrease of 21.3 percent in insurance premiums tax.

In the 2017 special legislative session, action was taken to increase Fiscal Year 2018 non-recurring revenue, including the transfer to the General Fund of $8 million of governmental gross receipts tax revenue that would otherwise pass to the New Mexico Finance Authority and the temporary suspension of an annual $900,000 distribution to the legislative retirement fund in Fiscal Years 2018 and 2019 conditional on a determination by the Public Employees Retirement Association that the funded ratio remains at or above 100 percent.

Legislation passed during the 2017 special session included the establishment of a natural resource tax stabilization reserve to minimize the volatility of oil and gas revenue and provide additional rainy-day funds to protect against sharp declines in revenue. The legislation requires any revenues generated from the Oil and Gas School Tax that are in excess of the 5-year average for that revenue source to be deposited into the Tax Stabilization Reserve Fund, which is part of the General Fund reserves. Appropriations from the Tax Stabilization Reserve require a super majority and a declaration from the governor that the appropriation is necessary for public peace, health or safety. The Fiscal Year 2019 distribution was 182.8 million. An estimated distribution in Fiscal Year 2020 is expected in the amount of $114.7 million.

In August of 2017, after issuance of the State of New Mexico Capital Projects General Obligation Bonds, Refunding Series 2017B (the "Series 2017B Bonds"), the State discovered that its State of New Mexico Capital Projects General Obligation Bonds, Series 2015, dated March 25, 2015 (the "Series 2015 Bonds"), which were intended to be refunded with a portion of the proceeds of the Series 2017B Bonds, were not subject to redemption prior to maturity. The State of New Mexico Capital Projects General Obligation Bonds, Series 2013, dated April 23, 2013 (the "Series 2013 Bonds") were refunded with a portion of the proceeds of the Series 2017B Bonds, were paid in full on September 1, 2017 and are no longer outstanding. On August 25, 2017, the Board passed a resolution directing that a portion of the Series 2017B Bond proceeds, which were initially invested in U.S. Government defeasance securities for the intended legal defeasance of the Series 2015 Bonds, be liquidated and the proceeds thereof be reinvested in municipal securities to be held in escrow to achieve a full or partial economic refunding (but not legal defeasance) of the Series 2015 Bonds. Such proceeds have since been reinvested by the State in municipal securities. Accordingly, none of the Series 2015 Bonds have been legally defeased.

Fiscal Year 2019. In Fiscal Year 2019, recurring revenues were $8.0 billion, representing an increase of 17.5 percent over the Fiscal Year 2018. Oil and natural gas related revenues increased by 45.7 percent over Fiscal Year 2018. In Fiscal Year 2019 New Mexico oil prices averaged $51.80 per barrel, while New Mexico natural gas prices averaged $3.08 per mcf. Oil volumes increased by 45.8 percent in Fiscal Year 2019, and natural gas volumes increased by 15,7 percent. Non-oil and natural gas related revenue increased by 11.7 percent, reflecting increases of 12.3 percent in gross receipts tax, 10.1 percent in personal income tax, and 20.5 percent in insurance premiums tax.

Fiscal Year 2020. The 2020 Special Session was held in June to address the State's fiscal outlook. The following actions were taken to address the recurring budget for Fiscal Year 2021: targeted decreases of 1 to 4 percent in the State budget, elimination of 4 percent salary increases for State employees, and usage of $750 million of federal CRF monies for those agencies providing COVID-19 pandemic response. The 2020 Special Session adjusted the general fund recurring budget downward by $414 million to $7.2 billion and the nonrecurring budget downward by $183.7 million to $138.4 million.

The September 2020 forecast outlook is a direct result of both the oil price volatility experienced in early 2020 from the Saudi Arabia and Russia oil price war and the continuing COVID-19 healthcare crisis. While this forecast weighs all available information, the nature of the current situation is unprecedented. The actual outcomes for the State's finances will depend on a variety of factors: the epidemiological path of the virus, the strategies for reopening the New Mexico and U.S. economies, the time it takes consumer confidence to rebound, the effect of business closures on the long-term viability of the State's businesses, the degree to which temporary layoffs become permanent, and the impact of global oil supply and demand on oil prices and the associated effect on the State's oil production.

In Fiscal Year 2020, according to the DFA's September revenue estimate, a more recent complete dataset for Fiscal Year 2020 has been compiled. Oil and natural gas prices and volumes are actual figures for Fiscal Year 2020. The revenue estimates for Fiscal Year 2020 are based on 11 months of actual data, with the remaining month being determined with preliminary data and estimates for certain revenues.

Fiscal Year 2020 recurring revenues are estimated to be $7.8 billion, representing a decline of 2.4 percent over the Fiscal Year 2019 levels. Oil- and natural gas-related revenues are projected to decrease by 22.2 percent compared to Fiscal Year 2019 levels. However, after taking into account an unprecedented federal land lease payment of $497 million, oil and natural gas revenues are expected to increase by 9.9 percent. In Fiscal Year 2020 New Mexico oil prices averaged $44.01 per barrel, while New Mexico's natural gas prices averaged $1.90 per mcf. Oil volumes increased by 22.2 percent in Fiscal Year 2020, and natural gas volumes increased by 12 percent. Gross receipts tax revenue is expected to increase by 11 percent over the prior fiscal year. This represents a higher growth rate than the June forecast. Non-oil- and natural gas-related revenue is forecast to increase by 3 percent. This updated forecast for Fiscal Year 2020 represents an upward revision of $534.3 million from prior estimates.

Education Funding Litigation

In 2014, two different plaintiff groups filed lawsuits in the First Judicial District Court for the State of New Mexico in Santa Fe County, each of which challenged the sufficiency of school funding and the school funding formula, specifically as applied and related to the needs of at-risk students. The two lawsuits were consolidated (*Martinez, et al. v. the State of New Mexico consolidated with Yazzie, et al. v. the State of New Mexico*, No. D-101-CV-2014-00793) and proceeded to a bench trial in the summer of 2017.

The Honorable Sarah Singleton presided over the trial and issued a Decision and Order on July 20, 2018. In the Decision and Order, Judge Singleton determined that a Declaratory Judgment would be entered declaring that the State of New Mexico and the New Mexico Public Education Department ("PED") had violated the Education Clause, the Equal Protection Clause and the Due Process Clause of the New Mexico Constitution. Specifically, the Order determined that the rights of at-risk students had been violated by the failure to provide those students with a uniform statewide system of free public schools sufficient for their education. The Court stated that injunctive relief would be granted and required the Legislative and Executive branches of state government to create a funding system that meets state constitutional requirements.

On February 14, 2019, the Court entered a Final Judgment and Order (the "Final Judgment"). The Court concluded that the State violated the Education Clause, the Equal Protection Clause, and the Due Process Clause of the New Mexico Constitution. The Court required the State to take necessary steps to ensure schools have resources, including funding and accountability measures, to give at-risk students an opportunity to obtain a sufficient education. The Court, in its Final Judgment and order, did not direct that a sum certain be spent on education, but instead retained jurisdiction to oversee the State's implementation of the injunctive relief. The parties may file with the Court reports about the State's compliance with the Court's orders. In May 2019, the Court ordered the State to pay the Plaintiffs' costs in both cases for a total amount of $428,962.17, and on September 26, 2019, this matter was reassigned to First Judicial District Court Judge Matthew J. Wilson.

On October 30, 2019, Plaintiffs filed a motion with the First Judicial District Court titled Motion for Court to Order Defendants to Meet Constitutional Mandate to Ensure All New Mexico Public School Students Have the Opportunity to be College and Career Ready and Supporting Memorandum. The motion requests, among other things, that Defendants provide a funding scheme that allocates sufficient funding and distributes that funding in a manner that ensures full and uniform implementation of the comprehensive statewide plan approved by the Court. The motion also requests that the Defendants take action by no later than March 15, 2020, to immediately direct resources to the State's public schools to increase opportunities for at-risk students to be college and career ready, and that the comprehensive statewide plan be implemented in accordance with a timetable approved by the Court. Also on October 30, 2019, the Martinez Plaintiffs filed a motion titled Martinez Plaintiffs' Opposed Motion for Entry of Schedule for Discovery and Enforcement Proceedings requesting that the Court set a scheduling order for further discovery and for proceedings to enforce the Court's previous order.

On March 13, 2020, Defendants filed a Motion to Dismiss, asserting that they had complied with the terms of Judge Singleton's injunction to "take immediate steps . . . to ensure that New Mexico schools have the resources necessary to give at-risk students the opportunity to obtain a uniform and sufficient education that prepares them for college and career" by enacting and implementing substantial funding and programmatic changes to the State's educational system designed to address the needs of at-risk students.

Defendants' motion, along with the Plaintiffs' October 2019 motions, were heard by Judge Wilson on June 29, 2020. At that hearing, while acknowledging that Defendants had taken immediate steps to create a system to meet the needs of at-risk students, the Court denied Defendants' Motion to Dismiss, electing to retain jurisdiction over the case until Defendants implemented long- and short-term reforms to create a system that meets constitutional requirements. The Court granted the Martinez Plaintiffs' motion for discovery, ordering parties to confer and develop a discovery schedule within two weeks. The Court denied the Yazzie Plaintiffs' motion for Defendants to meet constitutional mandates, without prejudice, noting it was premature and not ripe for decision, but that such a motion might be entertained after the completion of ordered discovery.

Pension and Other Retirement Funds and Benefits

Legislative History. The Legislature enacted the Educational Retirement Act, Section 22-11-1 et seq. NMSA 1978, the Public Employees Retirement Act, Section 10-11-1 et seq. NMSA 1978, and the Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19, NMSA 1978, which created the retirement plans that cover most employees of the State and its political subdivisions. These retirement plans are managed by the Educational Retirement Board ("ERB"), the Public Employees Retirement Association ("PERA") and the New Mexico Retiree Health Care Authority ("NMRHCA") and are described below. The Legislature establishes all financing provisions of the plans and the provisions are not subject to negotiation. Financing provisions include employee and employer contributions, fund investment provisions and benefit provisions. In 1998, the voters amended the State Constitution, adopting Section 22 of Article XX, which states that upon meeting the minimum service requirements of an applicable retirement plan created by law for employees of the State or any of its political subdivisions or institutions, a member of a plan shall acquire a vested property right with due process protections under the applicable provisions of the New Mexico and United States Constitutions. The amendment also stated that nothing in Section 22 shall be construed to prohibit modifications to retirement plans that enhance or preserve their actuarial soundness.

Educational Retirement Board—Historic Financial Information. The ERB had 161,533 members as of June 30, 2019, including active, retired, inactive vested and inactive non-vested members. The market value of Educational Retirement Fund (the "Fund") as of June 30, 2019 was $13.5 billion.

The ERB had net investment gains for Fiscal Year 2019 of 7.29 percent. (Information as of June 30, 2019 is the most recent available.)

In April 2020, following a six-year experience study ending June 30, 2019, the ERB voted to decrease the inflation assumption from 2.50 percent to 2.30 percent. This change resulted in the decrease in the assumed rate of return on the pension fund's investments from 7.25 percent to 7.00 percent. The assumed rate of return is composed of the 2.30 percent assumed inflation rate plus the 4.70 percent assumed real return. Other changes were made to the ERB's actuarial assumptions in April 2020, including decreasing the annual assumed cost of living adjustment ("COLA") from 1.90 percent to 1.80 percent. These assumptions were adopted as of June 30, 2020. The combined effect of changes in actuarial assumptions increases the unfunded accrued actuarial liability ("UAAL") from $7.9 billion as of June 30, 2019 to $8.3 billion as of June 30, 2020.

The change in the assumed rate of return was recommended by the ERB's outside actuaries and was made after consultations with the ERB's internal investment staff and its general investment consultant. The ERB will continue to monitor both its investment returns and general market conditions and may again change its assumed rate of return as market conditions and experience warrant.

As of June 30, 2020, the UAAL had an infinite amortization period under closed group projections. This closed group estimate is based on the current members and current elements of the plan design. However, an alternate projection which takes into account future expectations, such as reduced cost of living adjustments, lower cost of benefits for newer members and deferred gains and losses shows a projection of 70 years. This alternate projection is known as the open group projection since it is not just based on current members and current plan design elements.

Schedule of Statutorily Mandated ERB Contribution Rates

Wage Category	Fiscal Year(s)	Date Range	Member Rate	Employer Rate	Total
$20k or less	2010–2013	07/01/2009–06/30/2013	7.90%	12.40%	20.30%
	2014	07/01/2013–06/30/2014	7.90%	13.15%	21.05%
	2015–2019	07/01/2014–06/30/2019	7.90%	13.90%	21.80%
$24k or less	2020–Future	07/01/2019–Future	7.90%	14.15%	22.05%
Over $20k	2010–2011	07/01/2009–06/30/2011	9.40%	10.90%	20.30%
	2012	07/01/2011–06/30/2012	11.15%	9.15%	20.30%
	2013	07/01/2012–06/30/2013	9.40%	10.90%	20.30%
	2014	07/01/2013–06/30/2014	10.10%	13.15%	23.25%
	2015–2019	07/01/2014–06/30/2019	10.70%	13.90%	24.60%
Over $24k	2020–Future	07/01/2019–Future	10.70%	14.15%	24.85%

Source: New Mexico Statutes Annotated 1978, Section 22-11-21, as amended

In 2019 the Legislature passed and the Governor signed legislation amending Section 22-11-21 NMSA 1978 to increase the employer contribution rate to 14.15 percent and to increase to $24,000 the threshold for higher employee contributions. These changes became effective July 1, 2019.

Certain employees of New Mexico universities and colleges are eligible to elect to participate in the Alternative Retirement Plan ("ARP"), a defined contribution retirement plan available to certain faculty and professional employees. Employees who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan. Each ARP participant contributes to the ARP the same amount which he or she would be required to contribute to the defined benefit plan if he or she were a member of that plan. Colleges and universities, as the employers of ARP participants, contribute the same amount that the employer would be required to contribute to the defined benefit plan if the participant were a member of that plan. However, effective July 1, 2019, 3.25 percent of the employer statutorily-mandated contribution for ARP participants is provided to the defined benefit plan. Effective July 1, 2019, the employer contribution rate is statutorily set at 14.15 percent, which means that colleges and universities contribute 10.90 percent of participating employees' gross salary to the ARP vendor on behalf of the participant and 3.25 percent of the employees' gross salary to the defined benefit plan to offset the effect of having these employees not participate in the defined benefit plan. The colleges and universities are responsible for submitting the balance of the employers' contribution and the employees' contribution directly to the ARP vendors on behalf of the participants.

ERB Funded Ratio; Impact of Actuarial Assumptions and Changes to the Discount Rate. The ERB implemented Governmental Accounting Standards Board ("GASB") Statement No. 67 requirements with its June 30, 2013 financial statements. GASB Statement No. 67 ("GASB 67") requires ERB to report net pension liability ("NPL"), which is measured as total pension liability less the amount of the plan's fiduciary net position. GASB 67 replaced GASB 25, which had required ERB to report the annual required contribution of the employer ("ARC") and the percentage of the ARC contributed. ERB meets 100 percent of its statutorily required employer contributions annually. The following table lists the ARC, NPL and the ERB funded ratio, for Fiscal Years 2014 through 2019. The funded condition of the plan is measured by the funded ratio, which is the ratio of the actuarial value of assets to the actuarial accrued liability. The funded ratio decreased slightly from 2018 to 2019. The decrease was primarily due to the investment losses on the smoothed or actuarial value of the assets and demographic losses, primarily related to salary increase experience. The NPL of $7,577,302,491, measured as the total pension liability, less the plan's fiduciary net position as of June 30, 2019, was calculated based on an expected rate of return on plan investments of 7.25 percent. The current NPL decreased by 36 percent compared to the Fiscal Year 2018 NPL of $11,891,330,976. The change for the fiscal year ending June 30, 2019 includes the change in the single discount rate from 5.69 percent as of June 30, 2018 to 7.25 percent as of June 30, 2019. The 2018 single discount rate was based on a blend of the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.62 percent. Based on the assumptions and projection of cash flows, the pension plan's fiduciary net position at June 30, 2019, and future contributions were sufficient to finance all projected future benefit payments of current plan members. As a result, the long-term expected rate of return of 7.25 percent was used to measure total pension liability as of June 30, 2019, and no blending with the municipal bond rate was needed.

ERB Funded Ratio

Fiscal Year	**Net Pension Liability (GASB 67)**	**Funded Ratio (GASB 67)**	**Funded Ratio (Actuarial Valuation)**
2015	$ 6,477,266,299	63.97%	63.7%
2016	7,196,433,561	61.58	64.2
2017	11,113,468,372	52.95	62.9
2018	11,891,330,976	52.17	63.5
2019	7,577,302,491	64.13	62.9

Source: Educational Retirement Board.

The ERB also implemented GASB 68 early with its June 30, 2014, financial statements. GASB 68 requires the plan's participating employers to recognize their pro rata share of NPL on their balance sheets.

ERB pensions are adjusted annually by a COLA beginning on the later of either July 1 of the year in which a member reaches age 65 or July 1 following the year a member retires. Senate Bill 115 (Chapter 61, Laws 2013) reduced the amount of the COLA until ERB is 100 percent funded. The amount of the adjustment is determined by the change in the Consumer Price Index ("CPI"), the retiree's pension amount and the retiree's service credit. Pensions cannot be decreased if there is a decrease in the CPI.

In December 2013, the Supreme Court of New Mexico, in *Bartlett v. Cameron*, 2014-NMSC-002, rejected the claims of certain retired teachers, professors and other public education employees challenging the state constitutionality of Senate Bill 115 to the extent that it reduces the future amounts that all education retirees might receive as an annual COLA. The court held that Article XX Section 22 of the State Constitution did not grant the retirees a right to an annual COLA based on the formula in effect on the date of their retirement. The court held that any future COLA to a retirement benefit is merely a year-to-year expectation that, until paid, does not create a property right under the State Constitution. Once paid, the COLA by statute becomes part of the retirement benefit and a property right subject to those constitutional protections.

The Public Employees Retirement Association—Historic Financial Information. PERA had 48,730 active members as of June 30, 2019. As of June 30, 2019, the total market value of the PERA Fund was $15.46 billion. The Fiscal Year 2019 PERA total fund investment return was 6.38 percent. (Information as of June 30, 2019 is the most recent available.)

PERA performs annual actuarial valuations of the retirement funds it administers. In 2019, PERA actuaries, Cavanaugh Macdonald Consulting, LLC, conducted an experience study for the four-year period ending June 30, 2018, testing actuarial assumptions currently used in its valuations. The PERA Board accepted the actuary's recommended economic assumptions that the assets, benefit values, reserves and computed contribution rates reflect utilization of an inflation rate of 2.5 percent per annum and, based on the clear trend in lowering return expectations, decreased the real return assumption to 4.75 percent, reflecting an investment rate of return of 7.25 percent. The Board also adopted real wage inflation and payroll growth assumptions of 3.0 percent, each compounded annually, as well as revised retirement assumptions and adoption of the RPH-2014 Blue Collar mortality table.

The assumed investment return is one of the most significant assumptions in the annual actuarial valuation process as it is used to discount the expected benefit payments for all active, inactive and retired members. Minor changes in this assumption can have a major impact on valuation results. The change in the assumed rate of return recommended by the PERA's outside actuaries was made after consultations with the PERA's internal investment staff and its general investment consultant. The decrease in the real return assumption from 5.00 percent to 4.75 percent will be used as the discount rate used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67.

PERA member and employer contribution rates are established by State statute. In 2013, the Legislature amended the PERA Act, NMSA 1978 10-11-1 et seq. to increase the employer contribution rate by 0.4 percent beginning July 1, 2014 and to increase member contribution rates by 1.5 percent beginning July 1, 2013. Cavanaugh Macdonald Consulting, LLC completed an actuarial valuation of the PERA Fund, Judicial Retirement Fund, Magistrate Fund, Legislative Division and Volunteer Firefighter Fund for the fiscal year ending June 30, 2019.

Actuarial information for each fund as of June 30, 2019 (the most recent available) is shown in the table below.

Summary of State Retirement Funds Managed by PERA as of June 30, 2019
(Dollars in thousands)

	PERA[1]	Judicial	Magistrate	VFF	Legislative
Membership	103,130	309	180	9,132	313
Actuarial Information					
Accrued Liability[2]	$22,162,998	$167,199	$58,723	$ 50,519	$ 31,521
Actuarial Value of Assets[3]	$15,500,330	$ 92,081	$31,883	$ 72,011	$ 43,139
Unfunded (Overfunded) Accrued Liability	$ 6,662,668	$ 75,117	$26,841	$(21,492)	$(11,618)
Present Value of Statutory Obligations	$24,952,801	$190,704	$63,898	$ 63,375	$ 34,665

(1) Includes both the State and municipal divisions.
(2) Includes the accrued liability of both the retired and active members.
(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.25 annual rate of return are smoothed over a four-year period.
Source: Public Employees Retirement Association.

As of June 30, 2019, PERA has an infinite amortization or funding period, based on the employer and member contribution rates in effect as of July 1, 2018. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 69.9 percent as of June 30, 2019, and the UAAL of the PERA Fund increased $602.1 million to approximately $6.6 billion. The State's portion of the UAAL of the PERA Fund is 56 percent, or $3.7 billion. Prior to 2013 pension reform, the funded ratio was 65.3 percent, and the UAAL of the PERA Fund was calculated to be approximately $6.2 billion. Based on the recent experience study for the four-year period ending June 30, 2017, the economic and demographic assumptions were updated for the valuation. The changes in assumptions resulted in an increase of $564.0 million to the PERA fund liabilities and a decrease of 1.95 percent to the funded ratio. The total actuarial loss due to investment experience of the total PERA fund was $198.9 million and the loss on non-investment experience, which consists primarily of demographics (membership, mortality, retirement) totaled $202.5 million. On a market value basis, PERA's funded ratio is approximately 69.9 percent as of June 30, 2019. Current 30-year projections indicate the PERA Fund will be 76.1 percent funded in 2044, assuming all economic and demographic assumptions are met.

In 2019, PERA implemented GASB 67 for the fifth year. PERA will also produce an audited Schedule of Employer Allocations and Pension Amounts in early 2020 to assist its employer participants in implementing GASB 68. GASB 68 requires participating local governments to recognize their pro rata share of net pension liability ("NPL") and other pension elements on the face of their financial statements. The total NPL as of June 30, 2019, for the PERA Fund allocated to its nearly 205 cost sharing employers that participate in the Fund is approximately $6.4 billion.

In 2019, PERA completed the Schedule of Employer Allocations required by GASB 68 and provided local governments with the allocation percentage necessary to derive an employer's proportionate share of the collective NPL as of June 30, 2018. PERA continues to provide outreach and assistance to local governments to ensure local governments continue to receive pertinent allocation information required by GASB 67 and 68.

The following table lists the funded ratios for each individual PERA fund for Fiscal Years 2015 through 2019 (the most recent available).

Funded Ratio of State Retirement Funds Managed by PERA

Fiscal Year	PERA	Judicial	Magistrate	VFF	Legislative
2015	74.9%	62.5%	62.4%	140.2%	138.5%
2016	75.3	61.6	61.7	143.4	144.8
2017	74.9	61.7	61.3	146.6	151.4
2018	71.6	56.3	55.6	141.5	137.7
2019	69.9	55.1	54.3	142.5	136.9

Source: Public Employees Retirement Association.

Legislative changes enacted during the 2009 through 2016 legislative sessions also amended various provisions of the Public Employees Retirement Act to improve the long-term stability of the fund. House Bill 573 (Chapter 288, Laws 2009) included training requirements for members of the PERA Board. House Bill 854 (Chapter 125, Laws 2009) modified employer and employee contributions to the State's retirement funds for Fiscal Years 2010 and 2011, shifting 1.5 percent of the annual contribution rate from employers to employees, for those employees with a full-time equivalent salary greater than $20,000. House Bill 628 (Chapter 178, Laws 2011) extended the existing 1.5 percent shift made in House Bill 854 through Fiscal Year 2013 and shifted an additional 1.75 percent of the annual contribution rate from employers to employees for Fiscal Year 2012. The additional 1.75 percent of the annual contribution rate shifted back from the employees to the employers for Fiscal Year 2013. The 1.5 percent contribution shift from the employers to the employees remained in place through Fiscal Year 2013. House Bill 628 also required an actuarial study by PERA prior to September 20, 2013 to analyze whether contribution rate changes have had an adverse actuarial effect on the retirement systems.

Senate Bill 27 (Chapter 225, Laws 2013) significantly amended the Public Employees' Retirement Act by creating a new tier of reduced benefits for new hires. The law reduced the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to-work retirees; provided for an increase in the statutory employee contribution rate of 1.5 percent (subject to certain requirements) for employees earning $20,000 or more in annual salary; provided for an increase in the statutory employer contribution of 0.4 percent beginning in Fiscal Year 2015; increased age and service requirements; lengthened the base average salary calculation amount from three to five years for Tier 2 employees; increased the vesting period for employees from five to eight years for most Tier 2 members; and lowered the annual service credit by 0.5 for most members.

Legislative changes enacted during the 2014 legislative session amended sections of the law relating to the judicial and magistrate retirement funds and followed many of the changes implemented in the 2013 legislative session for the public employees' and educational retirement funds.

House Bill 33 (Chapter 35, Laws 2014) amended the Judicial Retirement Act. Among other things, the law suspended for two years and makes adjustments to cost of living increases, adjusted employee and employer contributions, required mandatory participation in the fund and implemented changes to the benefits structure.

House Bill 216 (Chapter 39, Laws 2014) amended the Magistrate Retirement Act. Among other things, the law suspended for two years and makes adjustments to cost of living increases, adjusted employee and employer contributions, required mandatory participation and implemented changes to the benefit structure. Senate Bill 160 (Chapter 43, Laws 2014) also made changes to the Magistrate Retirement Act. This law duplicated the changes made in House Bill 216.

During the 2016 2nd Special Session, the State's distribution to the legislative retirement fund decreased from $200,000 a month to $75,000 a month, thus reducing the annual contribution from $2.4 million to $900,000.

During the State of New Mexico (53rd Legislature) Special Session in 2017, House Bill 2 was passed that suspended the State's distribution to the legislative retirement fund for two consecutive years (Fiscal Year 2018 and Fiscal Year 2019). Beginning July 1, 2019, the monthly distribution of $75,000 to fund the legislative retirement coverage plan resumed, for a total annual contribution of $900,000.

During the State of New Mexico (54th Legislature) Regular Session in 2019, House Bill 501/a was passed that increased employer contribution rates by 0.25 percent for PERA affiliated employers, with the exception of the overfunded state police and adult correctional officer plan. The contribution rate increase was effective July 1, 2019.

Executive Order 2019-05, issued in February of 2019, created the PERA Solvency Task Force to prepare and make recommendations to the Office of the Governor to preserve the defined benefit system offered by PERA. The recommendations were presented during the 2020 Legislative Session in the form of new solvency legislation.

During the State of New Mexico (55th Legislature) Regular Session in 2020, Senate Bill 72/a was passed, increasing employee and employer contributions and adjusting the COLA for retirees. Effective July 1, 2020, employee contributions increased by 2 percent, and will increase in 0.5 percent increments over four fiscal years. The first 0.5 percent increment will increase employee contributions under State General Plan 3 to 9.42 percent. The employer contribution rate will increase by 0.5 percent each fiscal year as well. There will be a two-year delay before any increased contributions for municipal or county employees and their employers. Effective July 1, 2022, municipal and county employee and employer contributions will increase by 2 percent, in 0.5 percent increments, over four fiscal years (2023, 2024, 2025, and 2026).

For retirees, those who are 75 years of age on or before June 30, 2020, will receive a 2.5 percent COLA, an increase from the current 2 percent COLA. Disability retirees and retirees with pensions lower than $25,000 after 25 years of service also will receive a 2.5 percent COLA. All other retirees who are COLA-eligible will receive a 2 percent, non-compounding, additional payment for three calendar years (2020, 2021, and 2022). This payment will be paid in addition to the regular July pension payment. PERA received a $55 million General Fund appropriation to cover the cost of the additional payments (2 percent non-compounding) to eligible retirees in Fiscal Years 2021, 2022, and 2023.

The changes implemented by Senate Bill 72/a will assist PERA in preserving the defined benefit offered to its members and increasing PERA's actuarial soundness moving forward.

New Mexico Retiree Health Care Authority—Historic Financial Information. The NMRHCA was enacted for the purpose of providing comprehensive group health insurance coverage for persons who have retired from certain public service positions in the State and their eligible dependents. NMRHCA offers both pre Medicare and Medicare plans, as well as nonsubsidized dental, vision and life insurance plans to eligible participants. As of June 30, 2019, there were 52,179 participants, 10,916 vested terminated members and 91,082 active members contributing to the program from 300 participating public entities. (Information as of June 30, 2019 is the most recent available.)

NMRHCA, the agency that administers the Retiree Health Care Act, has a revenue base composed of active employee payroll deductions, participating employer contributions, monthly premium contributions of enrolled participants, investment income, subsidies associated with administering a Medicare Part D program, prescription drug rebates and amounts distributed annually from the Taxation Administration Suspense Fund ("TAA Fund"). Employer and employee contribution rates are established in statute as is the amount distributed from the TAA Fund. Respective employer and employee contribution rates are 2 percent and 1 percent of the participating employee's salary and 2.5 percent and 1.25 percent for employees participating under an enhanced retirement plan (i.e., police officers, firefighters and correctional officers) for Fiscal Years 2020 and 2021.

As of June 30, 2020, NMRHCA reported a projected solvency period beyond 2051, or more than 30 years (period of positive fund balance). This projection compares growth in projected revenues and expenditures from all sources and includes multiple components, including medical and prescription drug costs administrative fees, employee and employer contributions and retiree premiums. The projected solvency date and continued improvements to its timeframe are largely the result of the prudent fiscal management exercised by NMRHCA's Board of Directors. These actions include a series of targeted benefit reductions, increased cost-sharing for plan participants, aggressive procurement practices and value-based purchasing strategies.

In 2019, NMRHCA implemented GASB 74 for the second year. This valuation is based on the benefits administered by the Board, characteristics of plan participants, assets as of June 30, 2019, economic assumptions and other actuarial assumptions. In a change from the requirements contained in GASB 43, funds that are not fully being funded on an actuarial basis are required to go through a crossover test in determining the applicable discount rate on the plans assets.

The discount rate used in the valuation for financial disclosure purposes as of June 30, 2019 is a blend of the assumed investment return (7.25 percent) and the rate for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher (3.50 percent as of June 30, 2019). Because NMRHCA does not fully prefund benefits, plan assets are expected to be sufficient to make benefit payments through June 30, 2039. Projected benefit payments are discounted by the plan investment return assumption of 7.25 percent until June 30, 2039. Benefit payments after June 30, 2039 are then discounted by the municipal bond rate of 3.50 percent. 4.16 percent is the blended discount rate reflecting benefits discounted by the plan investment return assumption rate and the municipal bond rate.

The results as of the June 30, 2019 valuation indicate the Total OPEB Liability ("TOL") equals $3.9 billion, offset by the plan's fiduciary net position of $756.7 million resulting in a Net OPEB Liability ("NOL") of $3.2 billion. Projected benefit payments are discounted by the plan investment return assumption of 7.25 percent until June 30, 2039. Benefit payments after June 30, 2039 are then discounted by the municipal bond rate of 3.50 percent. 4.16 percent is the blended discount rate reflecting benefits discounted by the plan investment return assumption rate and the municipal bond rate.

NMRHCA continues to look for additional opportunities to further strengthen the financial well-being of the program. In November 2017, the Board of Directors passed a five-year strategic plan to ensure the long-term financial stability of the program through a series of targeted benefit reductions and increases to contribution levels from participating employees and their employers. In addition to increased retiree cost sharing through plan design changes, the solvency plan calls for proportionately higher premiums for retirees who retired younger (decreased premium subsidies to pre-Medicare retirees) or did not work or pay into the system as long. Combined, these actions are expected to further improve the financial condition of the trust fund by increasing revenues and reducing future liabilities.

Previous reporting requirements associated with GASB 43 required NMRHCA to report its Annual Required Contribution ("ARC") and the percentage of the ARC contributed. Beginning June 30, 2017, under GASB 74, the equivalent of the ARC is the Actuarially Determined Contribution ("ADC"). The following table lists the ARC and percentage of the ARC contributed for Fiscal Years 2015 through 2019. Prior to Fiscal Year 2018, the annual required contribution was calculated by the normal cost combined with the amortization of the unfunded liability, using a 5 percent discount rate. The reporting requirements under GASB 74 allow for a separately defined method of funding basis (transitioned to the funding policy on a percentage of payroll basis) and a change in the discount rate methodology resulting in a reduction in discount rate used to amortize the long-term liabilities (4.16 percent).

The following table lists the ARC and percentage of the ARC contributed for Fiscal Years 2015 through 2019 (the most recent available).

New Mexico Retiree Health Care Authority
Annual Required Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed	Actual Amounts Contributed
2015	$292,656,765	53.53%	$156,670,251
2016	303,631,394	52.65	159,862,801
2017	317,546,941	50.19	159,379,195
2018	156,266,741[1]	98.77[1]	154,358,714
2019	159,030,773[1]	100.66[1]	160,077,200

[1] The 2018 and 2019 "required" contribution decrease is primarily due to a change in the method for determining actuarially determined contributions as a percentage of pay versus function of normal cost and liability.
Source: New Mexico Retiree Health Care Authority

NMRHCA is currently updating its actuarial assumptions as of July 2020 that will be included in the GASB 74 valuation reported in October 2020.

Severance Tax Permanent Fund and the Land Grant Permanent Fund

The Severance Tax Permanent Fund ("STPF") was established in the State Treasury in 1973 to receive the residual revenues from the Bonding Fund and serve as an endowment for the State. In 1976, the electorate approved a constitutional amendment giving the STPF constitutional status. In 1982, the electorate approved a second constitutional amendment that removed the discretionary power of the Legislature to appropriate funds from the corpus of the STPF, thereby creating a permanent endowment fund. Distributions from investments of the STPF, however, may be appropriated by the Legislature in the same manner as other general revenues are appropriated. Severance tax receipts have been the primary source of funding for the STPF. The State Investment Council ("SIC") invests the corpus and non-appropriated income of the STPF. The market value of the STPF as of June 30, 2020 was approximately $5.28 billion, an asset decrease of approximately -5.9 percent from the prior fiscal year closing value. Investment performance for the one-year period ending June 30, 2020 was -.60 percent net of fees, and -1.75 percent below the fund's interim policy index. Funds on deposit in the STPF are not pledged to and may not be used to pay any bonds. As noted above, during the 2016 Special Legislative Session, Senate Bill 8 allowed the one-time transfer of excess severance tax revenue to the General Fund rather than the STPF. This transfer, known as the super sweep, totaled $28,279,400.

The Land Grant Permanent Fund ("LGPF") is designed solely to benefit the public educational system of the State and other specified institutions. The origins of the LGPF are found in the federal Fergusson Act of 1898, which granted two sections of land in every township for the benefit of the public schools in the territories of New Mexico. Also under this Act, specific acreage was granted to individual education, medical and penal institutions in the territory. The initial grant totaled in excess of 5.5 million acres. In 1910, the Enabling Act granted additional lands to various beneficiaries in New Mexico, including the public schools, which received the largest share. This brought the total lands placed in trust for the common school system and other beneficiaries to over 13 million acres. Over the years, some land has been sold (and the proceeds used to increase the corpus of the LGPF), so the current total is 9.0 million surface acres and 13.4 million subsurface acres.

Pursuant to NMSA 1978, Section 19-1-1 (1912), the State Land Office is charged with the custody and disposition of the land granted to the State. The Commissioner of Public Lands sells or leases these properties in accordance with the provisions of the appropriate statutes. The SIC invests the corpus and income of the LGPF. As of June 30, 2020, the market value of the LGPF was approximately $18.98 billion, an asset increase of approximately 1.7 percent over the prior fiscal year. Investment performance for the year ended June 30, 2020 was 0.24 percent net of fees and 0.84 percent below the LGPF's policy index, which is below its annual target rate of return of 7.0 percent. The corpus of the LGPF is constitutionally protected from appropriation and LGPF assets are not pledged to and may not be used to pay debt. The LGPF is also protected by the Federal Enabling Act of 1910.

In November 1996, the State electorate approved a constitutional amendment regarding distributions from both of the State's permanent funds. Distributions are now calculated on a total return basis rather than an income distribution method. In addition, distributions to beneficiaries are now based on a formula under which a statutorily specified percentage of the previous average five-year market value of the fund is distributed.

In September 2003, the State electorate approved a constitutional amendment increasing the rate of annual distribution from the LGPF from the previous 4.7 percent, to a new base distribution of 5.0 percent of the LGPF's five-year average market value, beginning in Fiscal Year 2005. Certain additional distributions were made to implement and maintain educational reforms as provided by law. An additional 0.8 percent was distributed in Fiscal Years 2005 through 2012, and an additional 0.5 percent was distributed in Fiscal Years 2013 through 2016. In Fiscal Year 2017 distributions returned to the base rate of 5.0 percent and have subsequently remained at the constitutionally established rate of 5.0 percent.

In May 2009 an investigation by the New York Attorney General into placement fees paid in relation to investments made by New York pension funds, led to an indictment of an investment advisor to that fund as well as New Mexico SIC and ERB. The investment advisor later pled guilty to a fraud charge relating to investments made by the New York retirement fund. In connection with that plea, the investment advisor stated that from 2004 to 2009 his business had acted as an advisor to the SIC and the ERB and that, contrary to his fiduciary responsibilities to the SIC and ERB, he ensured recommendations of certain proposed investments pushed on him by politically connected individuals or their associates who stood to benefit financially or politically from the investments, and that the investments were not necessarily in the best interests of the State. No criminal charges were filed by state or federal investigators in New Mexico. In May 2011, the SIC filed recovery lawsuits against more than a dozen placement agents, the former State Investment Officer and other individuals alleging they improperly benefited from pay-to-play and kickback schemes involving SIC investments. Settlements of more than $51 million have been recovered or placed in escrow pending final approval by the courts, for ultimate return to the permanent funds. In Fiscal Year 2019, the SIC settled its outstanding civil litigation with the remaining defendants, and is in the process of finalizing the recoveries with the various courts and trustees involved across New Mexico and other jurisdictions.

In response to these and other events and the negative returns suffered by the State's various investment funds during the market turmoil associated with the downturn in the nation's economy in 2008 and 2009, the Board and the Legislative Council Service ("LCS") co-sponsored an Independent Fiduciary and Operational Review of State Investment Policies, Procedures and Practices prepared by EnnisKnupp (the "Review"). The scope of the work of this Review included, among other things, review and recommendations for appropriate governance and organizational structure and investment best practices for the SIC, PERA and ERB. The findings and recommendations of the Review were reported to the Board at a meeting on January 13, 2010. In order to address certain recommendations of the Review, during the 2010 legislative session the Legislature, among other things, modified the composition of the SIC, clarified the authority of the SIC and the State Investment Officer, provided for the appointment of the State Investment Officer by the SIC and changed the method of appointment of public members of the SIC. Removal of individual investment authorization powers by the Investment Officer alone and addition of Council Investment, Audit and Governance Committees have greatly improved Council practices and governance procedures. To date, the Investment Council has adopted or accomplished 78 of the 82 recommendations made by EnnisKnupp in their 2010 Operational Review, with the remainder either being deemed unworkable or still being contemplated for partial adoption in the future.

Financial Processes and Procedures

State Auditing and Accounting Systems. The financial affairs of every agency in the State are examined and audited annually by the State Auditor, personnel of the State Auditor's office designated by the State Auditor, or by the independent auditors approved by the State Auditor, as required by Section 12-6-3 NMSA 1978. The audits are conducted in accordance with generally accepted governmental auditing standards. The audit reports include financial statements that are presented in accordance with generally accepted governmental accounting principles. For Fiscal Year 2019, 97 percent of the reports, covering nearly 100 percent of the transactional value, received an unmodified opinion.

The State's comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is a well-established process and has been audited multiple times by independent auditors during the audits of the General Fund, the DFA and the State of New Mexico's Comprehensive Annual Financial Report ("CAFR"). The reviews have deemed the process to be sound and the DFA fully compliant with the requirements of the monthly process. As of June 30, 2020, resources held in the pool were equivalent to the corresponding business unit claims on those resources.

The CAFR was initially audited in Fiscal Year 2013 (prior CAFRs were only reviewed by an independent auditor). A review of financial statements provides a lower standard of assurance than an audit of financial statements. The Fiscal Year 2019 audited CAFR, which has ten opinion units, had only one of those units qualified, indicating significant progress. Delays in the issuance of the State CAFR have historically been a continuing negative credit factor for the State. It should be noted, however that all State agencies undergo an independent audit and that for Fiscal Year 2019, all audits of significant agencies were unqualified. Since 2013, the State has made steady progress in reducing the amount of time it takes to issue the CAFR, which is dependent on the audit opinions of the State agencies, following fiscal year end. As of 2019, the CAFR was published 9 months following fiscal year end, which was the shortest length of time since 2013. In the coming years, the State will continue to work toward improving the quality and timeliness of the CAFR by leveraging increased resources, communication, and outreach and training both at an agency and statewide level.

State Budgetary and Appropriation Process. All State agencies are required by Section 6-3-19 NMSA 1978 to submit completed budget forms to the DFA Budget Division by September 1 of each year. Guidelines and forms are provided to State agencies in advance of the September 1 deadline. Budget hearings to examine the merits of budget requests are scheduled through the fall and are usually completed by mid-December. The DFA Budget Division presents comprehensive budget recommendations to the Governor, as required by NMSA (1978-1999) Section 6-3-15(B).

The Governor is required by Section 6-3-21 NMSA 1978 to submit a budget for the upcoming fiscal year to the Legislature in early January. The Governor's budget includes the executive recommendations for public education; higher education; State agencies; and historical information on prior expenditures, revenues and revenue projections, among other information. The State budget is contained in a General Appropriation Act, which also may contain proposals for supplemental and deficiency appropriations for the current fiscal year.

Upon passage by the Legislature, the Governor may sign the General Appropriation Act, veto it, veto line items or veto parts of it. After the Governor has signed the General Appropriation Act, the DFA Budget Division approves the agency budgets and monitors the expenditure of the funds beginning on July 1, the first day of the fiscal year.

State Treasurer's Investment Responsibilities

Pursuant to Sections 6-10-10(I) through 6-10-10(O) NMSA 1978, the State Treasurer, with the advice and consent of the State Board of Finance, may invest money not immediately needed for government operations. These investment responsibilities are conducted in accordance with the State Treasurer's Investment Policy (the "Investment Policy"), which is adopted by the State Treasurer and approved by the State Board of Finance. The Investment Policy states that in keeping with the office's fiduciary responsibility, all investment decisions made by the State Treasurer will adhere to the following three fundamental principles: safety, liquidity and return. The Investment Policy applies to all financial assets of the State invested by the Treasurer in the exercise of the Treasurer's statutory authority or invested as directed by other agencies which have specific investment authority and for which the Treasurer acts as the investing authority. The State Treasurer is the investing authority for the State's General Fund Investment Pool, the Local Government Investment Pool, Bond Proceeds Investment Pools, the Severance Tax Bonding Fund and bond debt service funds.

According to the Investment Policy, the State Treasurer's Investment Committee is appointed by the State Treasurer and the Board. The Investment Committee is an advisory committee that reviews investment reporting and any other matters of the State Treasurer's choosing. The Investment Committee shall consist of five (5) voting members: the State Treasurer or designee; a member of the Treasurer's staff upon appointment by the Treasurer or designee; the director of the State Board of Finance or designee; and two members who are participants in the private investment community or have expert knowledge or professional experience in the subject of public finance or public money investing, of which one member will be appointed by the State Treasurer and approved by the State Board of Finance and one member will be appointed by the State Board of Finance and approved by the State Treasurer. The member of the Treasurer's staff shall be selected in a manner consistent with maintaining a separation of responsibilities between the State Treasurer's Office investment managers and the members of the Investment Committee.

In addition to the Investment Committee oversight and recommendations, the State Treasurer contracts with an independent investment advisor to provide guidance and advice on investments, market conditions and benchmarks. The investment advisor provides quarterly performance reports on all of the State Treasurer's portfolios and information relating to the economic outlook and market trends.

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the 2010 United States Census was 2,059,179. From 2000 to 2010, the State's population grew 13.2 percent, while the national population grew 9.7 percent.

There are four Metropolitan Statistical Areas ("MSAs") in the State. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is comprised of Doña Ana County; the Santa Fe MSA is comprised of Santa Fe County; and the Farmington MSA is comprised of San Juan County. The following table sets forth information on population growth in New Mexico and nationally.

Population New Mexico and the United States
2009-2019

	Population[2]		Annual Percentage Change	
Year[1]	**New Mexico**	**United States**	**New Mexico**	**United States**
2010	2,059,179	308,745,538	--	--
2011	2,080,450	311,556,874	1.0%	0.9%
2012	2,087,309	313,830,990	0.3	0.7
2013	2,092,273	315,993,715	0.2	0.7
2014	2,089,568	318,301,008	(0.1)	0.7
2015	2,089,291	320,635,163	(0.0)	0.7
2016	2,091,630	322,941,311	0.1	0.7
2017	2,091,784	324,985,539	(0.0)	0.6
2018	2,092,741	326,687,501	0.1	0.5
2019	2,096,829	328,239,523	0.2	0.5

(1) All estimates are subject to change.
(2) As of July 1 (except for 2010 data which is as of April 1). Except for 2010 data, population figures are stated as intercensal estimates.
Source: U.S. Census Bureau, Population Division, 2009 released September 2011; 2010-2018 released December 2019 (the most recent information available as of October 14, 2020).

Major industries in the State include oil and natural gas production, tourism and retail, healthcare, government and mining. Major federally funded scientific research facilities in Los Alamos, Albuquerque and White Sands are a notable part of the State's economy. In 2019 (the most recent information available), the largest employment sector in the State was government (comprising approximately 18.9 percent of the State's non-farm workforce), followed, in order, by health care and social assistance; retail trade; accommodation and food services; and professional, scientific and technical services. For the twelve-month period ended December 31, 2019, total average employment in the State increased by 1.8 percent as compared to the same twelve-month period ending December 31, 2018. The following table sets forth information on employment by industry over the period of 2009 through 2019, the most recent figures available.

Total New Mexico Full-time and Part-time Employment by North American Industry Classification System 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Growth 2018-2019	Growth 2010-2019
Total employment	1,059,977	1,064,267	1,067,211	1,075,465	1,083,772	1,092,255	1,092,500	1,095,372	1,110,785	1,130,618	1.8%	6.7%
Wage and salary employment	836,523	836,180	839,254	846,495	852,638	860,270	861,137	862,577	876,083	889,967	1.6	6.4
Proprietors employment	223,454	228,087	227,957	228,970	231,134	231,985	231,363	232,795	234,702	240,651	2.5	7.7
Farm proprietors employment	19,083	20,715	21,328	21,547	21,557	21,542	21,476	21,410	21,121	21,206	0.4	11.1
Nonfarm proprietors employment	204,371	207,372	206,629	207,423	209,577	210,443	209,887	211,385	213,581	219,445	2.7	7.4
Farm employment	25,631	27,322	28,262	29,208	28,346	29,003	29,826	28,930	28,556	28,135	-1.5	9.8
Nonfarm employment	1,034,346	1,036,945	1,038,949	1,046,257	1,055,426	1,063,252	1,062,674	1,066,442	1,082,229	1,102,483	1.9	6.6
Private employment	816,910	823,130	827,038	835,402	845,767	854,472	854,245	860,376	876,059	894,535	2.1	9.5
Forestry, fishing and related activities(2)	5,183	5,221	5,133	5,235	5,674	5,557	5,828	6,004	6,013	6,122	1.8	18.1
Mining(3)	27,064	28,340	34,212	36,857	38,214	36,662	31,814	31,208	31,920	32,532	1.9	20.2
Utilities	4,612	4,540	4,570	4,652	4,591	4,683	4,899	4,623	4,573	4,412	-3.5	-4.3
Construction(4)	61,130	59,142	57,947	59,142	59,584	59,707	60,008	62,068	64,919	68,119	4.9	11.4
Manufacturing	34,574	35,740	35,749	35,463	34,027	34,157	33,186	32,562	33,358	34,649	3.9	0.2
Durable goods manufacturing(5)	23,075	23,696	23,201	22,549	21,238	21,189	20,017	19,250	19,450	19,881	2.2	-13.8
Nondurable goods manufacturing(6)	11,499	12,044	12,548	12,914	12,789	12,968	13,169	13,312	13,908	14,768	6.2	28.4
Wholesale trade	26,905	26,490	26,475	26,688	28,854	28,503	25,372	24,989	24,886	25,341	1.8	-5.8
Retail trade(7)	110,350	111,426	111,840	112,726	113,924	114,887	113,636	111,466	110,694	109,129	-1.4	-1.1
Transportation and warehousing(8)	23,437	24,330	25,379	25,502	25,905	27,244	26,673	28,058	30,847	32,079	4.0	36.9
Information(9)	17,130	16,501	16,473	16,059	15,725	15,587	16,001	15,491	15,096	14,340	-5.0	-16.3
Finance and insurance(10)	34,860	35,798	35,347	35,010	34,781	34,462	35,685	35,674	36,929	38,162	3.3	9.5
Real estate and rental and leasing(11)	39,357	39,637	38,191	38,414	39,111	39,656	39,859	40,499	41,445	43,035	3.8	9.3
Professional, scientific and technical services	78,395	77,519	76,128	75,919	76,116	77,542	77,751	79,918	81,683	85,125	4.2	8.6
Management of companies and enterprises	5,377	5,485	5,435	5,502	5,632	5,876	6,336	6,144	6,631	6,809	2.7	26.6
Administrative and waste services(12)	54,283	54,698	53,429	54,597	54,370	52,994	53,890	56,394	57,322	59,333	3.5	9.3
Educational services	16,812	16,277	16,152	16,426	16,709	16,960	17,017	16,808	16,586	16,876	1.7	0.4
Health care and social assistance(13)	119,461	121,582	123,225	123,737	124,796	129,721	134,263	134,790	135,924	137,269	1.0	14.9
Arts, entertainment and recreation(14)	23,104	23,132	23,714	23,734	24,227	24,245	24,150	25,154	25,482	27,207	6.8	17.8
Accommodation and food services(15)	81,144	82,292	83,194	85,494	88,297	90,193	92,523	93,512	94,736	95,956	1.3	18.3
Other services, except public administration(16)	53,732	54,980	54,445	54,245	55,230	55,836	55,354	55,014	57,015	58,040	1.8	8.0
Government and government enterprises(17)	217,436	213,815	211,911	210,855	209,659	208,780	208,429	206,066	206,170	207,948	0.9	-4.4

[(1)] Most recent data available.
[(2)] The “Forestry, fishing and related activities” category includes: forestry and logging; fishing, hunting and trapping; and support activities for agriculture and forestry.
[(3)] The “Mining” category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.
[(4)] The “Construction” category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.
[(5)] The “Durable goods manufacturing” category includes: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment, appliance, and component manufacturing; motor vehicles, bodies and trailers, and parts manufacturing; other transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing.
[(6)] The “Nondurable goods manufacturing” category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.
[(7)] The “Retail trade” category includes: motor vehicle and parts dealers; furniture and home furnishings stores; electronics and appliance stores; building material and garden equipment and supplies dealers; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessories stores; sporting goods, hobby, musical instrument, and book stores; general merchandise stores; miscellaneous store retailers; and nonstore retailers.
[(8)] The “Transportation and warehousing” category includes: air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.
[(9)] The “Information” category includes: publishing industries (except Internet); motion picture and sound recording industries; broadcasting (except Internet); Internet publishing and broadcasting; telecommunications; data processing, hosting, and related services; and other information services.
[(10)] The “Finance and insurance” category includes: monetary authorities-central bank; credit intermediation and related activities; securities, commodity contracts, and other financial investments and related activities; insurance carriers and related activities; and funds, trusts and other financial vehicles.
[(11)] The “Real estate and rental and leasing” category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets (except copyrighted works).
[(12)] The “Administrative and waste services” category includes: administrative and support services; and waste management and remediation services.
[(13)] The “Health care and social assistance” category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.
[(14)] The “Arts, entertainment and recreation” category includes: performing arts, spectator sports, and related industries; museums, historical sites, and similar institutions; and amusement, gambling and recreation industries.
[(15)] The “Accommodation and food services” category includes: accommodation; and food services and drinking places.
[(16)] The “Other services, except public administration” category includes: repair and maintenance; personal and laundry services; religious, grantmaking, civic, professional, and similar organizations; and private households.
[(17)] The “Government and government enterprises” category includes: federal, civilian; military; and state and local governments.
Source: Regional Economic Information System, Bureau of Economic Analysis, Last Revised: September 24, 2019 (the most recent information available as of October 14, 2020).

The following tables set forth selected additional economic and demographic data with respect to the State and the United States.

Employment and Labor Force
New Mexico and the United States
2011 – 2020
(numbers in thousands)[1]

	Civilian Labor Force		Number of Employed		Unemployment Rate		
Year	**New Mexico**	**United States**	**New Mexico**	**United States**	**New Mexico**	**United States**	**N.M. as % of U.S. Rate**
2011	930	153,624	860	139,885	7.5%	8.9%	84.3%
2012	928	154,974	862	142,475	7.1	8.1	87.7
2013	924	155,398	860	143,941	6.9	7.4	93.2
2014	932	155,920	870	146,319	6.7	6.2	108.1
2015	935	157,138	874	148,845	6.5	5.3	122.6
2016	937	159,196	875	151,439	6.6	4.9	134.7
2017	935	160,312	881	153,334	5.9	4.3	135.3
2018	938	162,068	892	155,760	4.9	3.9	125.6
2019	954	163,517	908	157,529	4.8	3.7	132.4
2020[2]	895	160,838	794	147,288	11.3	8.4	134.5

[1] Figures rounded to nearest thousand.
[2] Through August 2020 as of September 2020.
Source: U.S. Department of Labor, Bureau of Labor Statistics, Last Revised: United States as of September 24, 2020.

Personal Income
New Mexico and the United States
2010 – 2019

	Personal Income (Dollars in Millions)		Annual Percentage Change	
Year	**New Mexico**	**United States**	**New Mexico**	**United States**
2010	$69,250	$12,541,995	--	--
2011	72,820	13,315,478	5.2%	6.2%
2012	74,578	13,998,383	2.4	5.1
2013	73,438	14,175,503	(1.5)	1.3
2014	77,748	14,982,715	5.9	5.7
2015	80,062	15,717,140	3.0	4.9
2016	81,627	16,151,881	2.0	2.8
2017	83,142	16,937,582	1.9	4.9
2018	87,205	17,839,255	4.9	5.3
2019	90,847	18,542,262	4.2	3.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last Revised: September 24, 2020 (the most recent information available as of October 14, 2020).

Per Capita Personal Income
New Mexico and the United States
2010-2019

Year	Per Capita Income (Dollars) New Mexico	United States	N.M. as a % of U.S.	Annual Percentage Change N.M.	U.S.
2010	$33,542	$40,547	82.7%	--	--
2011	35,002	42,739	81.9	4.4%	5.4%
2012	35,729	44,605	80.1	2.1	4.4
2013	35,100	44,860	78.2	(1.8)	0.6
2014	37,207	47,071	79.0	6.0	4.9
2015	38,320	49,019	78.2	3.0	4.1
2016	39,025	50,015	78.0	1.8	2.0
2017	39,747	52,118	76.3	1.9	4.2
2018	41,670	54,606	76.3	4.8	4.8
2019	43,326	56,490	76.7	4.0	3.5

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last Revised: September 24, 2020 (the most recent information available as of October 14, 2020).

2010-2019
Wages and Salaries by Industry Sector

NAICS Earnings by Place of Work[(1)] Applicable to 2010-2019	New Mexico (Dollars in Thousands)[(2)]		United States (Dollars in Millions)[(2)]		Cumulative Annual Percent Change 2010 - 2019		Distribution of 2019 Wages & Salaries	
	2019	2010	2019	2010	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	$ 193,664	$ 218,182	$23,892	$20,292	11.2%	17.7%	0.5%	0.3%
Non-farm Wage and Salary	42,609,558	33,290,384	9,276,919	6,343,076	28.0	46.3	99.5	99.7
Private Wage and Salary	31,830,013	23,841,685	7,846,705	5,168,950	33.5	51.8	74.4	84.4
Forestry, Fishing, and other related activities	113,235	62,234	22,093	13,648	82.0	61.9	0.3	0.2
Mining	2,202,509	1,385,352	73,262	58,993	59.0	24.2	5.1	0.8
Utilities	371,888	319,007	63,706	48,920	16.6	30.2	0.9	0.7
Construction	2,711,124	1,873,287	500,358	284,934	44.7	75.6	6.3	5.4
Manufacturing	1,639,035	1,549,484	910,258	673,332	5.8	35.2	3.8	9.8
Wholesale Trade	1,296,562	1,107,776	481,578	354,692	17.0	35.8	3.0	5.2
Retail Trade	2,790,385	2,356,481	540,792	398,767	18.4	35.6	6.5	5.8
Transportation and Warehousing	1,236,981	797,953	329,219	195,476	55.0	68.4	2.9	3.5
Information	667,997	616,493	345,362	204,181	8.4	69.1	1.6	3.7
Finance and Insurance	1,651,647	1,168,194	726,935	485,459	41.4	49.7	3.9	7.8
Real Estate and Rental and Leasing	473,210	337,892	146,981	87,987	40.0	67.0	1.1	1.6
Professional, Scientific, and Technical Services	5,077,717	3,821,481	977,154	590,958	32.9	65.4	11.9	10.5
Management of Companies and Enterprises	442,856	307,488	309,430	186,217	44.0	66.2	1.0	3.3
Administrative and Waste Services	1,816,844	1,365,752	410,991	255,154	33.0	61.1	4.2	4.4
Educational Services	368,913	323,699	168,037	118,723	14.0	41.5	0.9	1.8
Health Care and Social Assistance	5,411,466	3,987,789	1,075,090	729,882	35.7	47.3	12.6	11.6
Arts, Entertainment, and Recreation	307,645	185,095	107,860	68,125	66.2	58.3	0.7	1.2
Accommodations and Food Services	1,969,919	1,293,626	366,754	214,337	52.3	71.1	4.6	3.9
Other Services, Except Public Administration	1,280,080	982,602	290,845	199,165	30.3	46.0	3.0	3.1
Government and Government Enterprises	10,779,545	9,448,699	1,430,214	1,174,126	14.1	21.8	25.2	15.4
Total	$42,803,222	$33,508,566	$9,300,811	$6,363,368				

[(1)] The estimates of wage and salary disbursements for 2010 are based on the 2007 North American Industry Classification System (NAICS), while the 2019 estimates are based on the 2017 NAICS.
[(2)] All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Last Revised: September 24,2020 (the most recent information available as of October 14, 2020)

APPENDIX B

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

CONTENTS

State of New Mexico
Office of the State Treasurer

OFFICIAL ROSTER

June 30, 2019

Office of the State Treasurer

Tim Eichenberg	State Treasurer
Sam Collins	Deputy State Treasurer
David Mahooty	Chief Financial Officer
Charmaine Cook	State Cash Manager

State Treasurer's Investment Committee

Tim Eichenberg	State Treasurer
Ashley Leach	State Board of Finance
Mark Pike	Public Member
Cilia Aglialoro	Public Member
Charmaine Cook	State Cash Manager

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Michelle Lujan Grisham, Governor and
President, State Board of Finance
and
Honorable Brian Colón, State Auditor
New Mexico Office of the State Auditor
and
Honorable Tim Eichenberg, State Treasurer
New Mexico Office of the State Treasurer
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund, and each fiduciary fund, of the State of New Mexico Office of the State Treasurer (the Office) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, each fiduciary fund, and the aggregate remaining fund information of the Office as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Reporting Entity

As discussed in Note B, the financial statements of the State of New Mexico Office of the State Treasurer are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, and each major fund of the Office that is attributable to the transactions of the Office. They do not purport to, and do not present fairly the financial position of State of New Mexico as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Pension Accounting and Reporting

As discussed in Note P, the State of New Mexico, as a single employer, follows Governmental Accounting Standards Board (GASB) Standards No. 68 *Accounting and Financial Reporting for Pensions,* as of June 30, 2019, in the Comprehensive Annual Financial Reports (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Office's financial statements. All other required footnotes and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2019. Our opinion is not modified with respect to this matter.

Postemployment Benefits Other Than Pensions Accounting and Reporting

As discussed in Note Q, the State of New Mexico, as a single employer, has implemented GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as of June 30, 2018, in the CAFR. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Office's financial statements. All other required footnotes and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. Schedules 1 – 10 in the Supplementary Information section within the Table of Contents are required by 2.2.2 NMAC, and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 1 – 10 in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Except for Schedule 10, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 – 9 in the Supplementary Information section required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2019

The New Mexico Office of the State Treasurer's (State Treasurer or STO) Management's Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the State Treasurer's financial activity, identify changes in the State Treasurer's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The MD&A is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the State Treasurer's financial statements and notes which follow this section.

Financial Highlights

- The State Treasurer's net position increased by $41,393,707.

- The General Fund's main financing source was appropriations, which amounted to $3,428,600 or 95.2% of all revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State Treasurer's basic financial statements. The State Treasurer's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements - The government-wide financial statements are designed to provide a broad overview of the State Treasurer's finances, in a manner similar to a private sector business. The statement of net position presents information on all of the State Treasurer's assets and liabilities, which is the difference between the two being reported as net position.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal year periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The State Treasurer, like other State and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State Treasurer can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The State Treasurer maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Fund, the Severance Tax Bond Fund and the Gaming Suspense Fund. The General Obligation and Severance Tax Bond funds combine into a single, aggregated presentation of the activity of each individual bond issue.

Individual bond transaction data of these governmental funds is provided in the form of combining statements elsewhere in this report. During 2017, the State Treasurer adopted a new accounting policy issued by the Department of Finance and Administration (DFA) to transfer the Gaming Suspense Fund as an agency fund included within the Statement of Fiduciary Net Position into the Balance Sheet – Governmental Funds as a change in accounting policy. In addition, all debt service principal and interest expenditures related to general obligation and severance tax bond payments made on behalf of the State Board of Finance were reclassified to transfers to other state agencies. The Gaming Suspense Fund was established to collect monies owed to the State from gaming establishments. It is no longer reported as an agency fund.

The State Treasurer adopts an annual operating budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the State Treasurer. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the State Treasurer's own programs.

Fiduciary funds provide the same type of information as the government-wide financial statements, only in more detail. The fiduciary fund financial statements provide separate information for the Short-term Investment Pool, Consolidated Investment Pool (comprised of the Bond Proceeds Investment Pools #1 (Tax Exempt) and #2 (Taxable)), and the State Funds Investment Pool. The State Treasurer's fiduciary funds account for cash, securities, and other investments identified and held on behalf of local and State government agencies. The Short-term Investment Pool accounts for the Local Government Investment Pool (LGIP), the Consolidated Investment Pool accounts for funds held in custody for both State and local government agencies, and the State Funds Investment Pool accounts for funds identified and held on behalf of State agencies. Collectively, these funds are shown on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as the Investment Trust Fund.

Notes to the Financial Statements - The notes to the financial statements provide additional information that is essential to a user's full understanding of the data provided in the government-wide and fund financial statements, and begin on page 23 of this report.

Other Information - The combining statements referred to earlier in connection with the General Obligation and Severance Tax Bond funds are presented immediately following the notes to the financial statements. Schedules of capital assets, and combining schedules of long-term debt can be found beginning on page 59 of this report. Fiduciary schedules begin on page 70.

Government-wide Financial Analysis

Net Position: Table A-1 summarizes the State Treasurer's net position as of June 30, 2019. Total State Treasurer net position for fiscal year 2019 is $429,843,936, the majority of which is restricted as to purpose.

Table A-1
The State Treasurer's Net Position

	Years Ended June 30, 2019	Years Ended June 30, 2018
ASSETS		
Cash, Cash Equivalents and Repurchase Agreements	$ 304,423,115	$ 270,330,982
Due from Other Agencies	127,443,630	116,696,925
Other Receivables	19,902,834	17,799,312
Other Assets	-	3,450
Capital Assets, Net	1,485,802	1,887,609
Total Assets	$ 453,255,381	$ 406,718,278
CURRENT LIABILITIES		
Accounts Payable and Others	$ 23,284,730	$ 18,138,053
Compensated Absences, Amounts Due in One Year	126,715	129,996
Total Liabilities	23,411,445	18,268,049
NET POSITION		
Investment in Capital Assets	1,485,802	1,887,609
Restricted	428,484,849	386,692,616
Unrestricted	(126,715)	(129,996)
Total Net Position	429,843,936	388,450,229
Total Liabilities and Net Position	$ 453,255,381	$ 406,718,278

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the State Treasurer, assets exceeded liabilities by $429,843,936 at the close of the most recent fiscal year.

By far, the largest portion of the State Treasurer's net position reflects amounts to be provided to satisfy its General Obligation and Severance Tax Bond obligations. It is the responsibility of the State Treasurer to record and administer debt service payments on behalf of the agencies and departments of the State of New Mexico. The proceeds of bond issues authorized by the State Board of Finance are transferred to various State agencies in the form of grants.

The State Treasurer anticipates the future tax revenues generated will be adequate to service the debt obligations.

The restricted portion of the State Treasurer's net position, $428,484,849, represents resources that are subject to external restrictions on their use.

Changes in Net Position: Governmental activities increased the State Treasurer's net position by $41,393,707. Key elements of this increase are shown in Table A-2.

Table A-2
The State Treasurer's Statement of Activities

	Years Ended June 30, 2019	Years Ended June 30, 2018
GOVERNMENTAL ACTIVITIES		
Revenues:		
Program Revenues:		
General Government	$ -	$ -
Total Program Revenues	-	-
General Revenues and transfers from (to) state agencies:		
State General Fund Appropriations, net of reversion	3,411,250	3,364,912
Special Appropriations	47,700	911,350
State Property Tax Levy	87,862,307	81,318,307
Severance Taxes	672,441,063	511,115,191
Interest Revenue	23,785,828	13,627,623
Miscellaneous Revenue	673,587	-
Other State/Federal Revenue	126,229	124,076
Transfers (to) other state agencies	(741,488,582)	(519,430,703)
Total General Revenues	46,859,382	91,030,756
Total Revenues and transfers from (to) state agencies	46,859,382	91,030,756
Expenses and Other Financing Uses:		
General Government	(5,465,675)	(4,645,166)
Debt Service Activity	-	-
Other Sources:		
Transfers in from Other State Agencies	-	-
Net Expenses	(5,465,675)	(4,645,166)
Increase in Net Position	41,393,707	86,385,590
Net Position - Beginning of Year	388,450,229	302,064,639
Net Position - End of Year	$ 429,843,936	$ 388,450,229

Financial Analysis of the Government's Funds

As noted earlier, the State Treasurer uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the State Treasurer's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State Treasurer's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At of the end of the current fiscal year, the State Treasurer's governmental funds reported combined ending fund balances of $429,843,936, which is an increase of $41,393,707 in comparison with the prior year. The primary reason for the increase in fund balance is property and severance taxes and transfers in from other state agencies exceeding debt service payments recorded as transfers to other state agencies.

The fund balance of the State Treasurer's debt service funds decreased in comparison to the prior year due to large debt service payments offset by property and severance taxes and transfers in from other agencies as disclosed on page 72 in Schedule 2 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Obligation Bond Debt Service Funds, and Schedule 4 – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Severance Tax Bond Debt Service Funds.

General Fund Budgetary Highlights

There were no significant variations between the original budget and the final amended budget.

There were no significant variances between final budget amounts and actual budget results for the General Fund. The General Fund actual expenditures were less than the final budgeted amounts by .43%. This included a restricted beginning net position of $0.

Capital Assets and Debt Administration

Capital Assets - The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2019, amounts to $1,485,802, net of accumulated depreciation. This investment in capital assets includes equipment. Additional information on the State Treasurer's capital assets can be found in Note H of this report.

Administered Debt Service Payments - For the year ended June 30, 2019, the State Treasurer was responsible for administering debt service payments on total bonded debt service requirements of $233,380,304, all of which is secured by pledged tax revenues.

Significant Highlights

During fiscal year 2019, the State Treasurer's Office continued to hold operating costs down to stay within state budget constraints. The executive management team continued to closely review weekly budget status reports in order to identify potential cost savings. By the end of fiscal year 2019, cost savings yielded a $17,350 reversion to the General Fund. Over the past five years, the State Treasurer's budget has been reduced by approximately $310,800 primarily through reductions in legislative appropriations.

The agency's stated objective of selecting investments is based primarily on safety, then liquidity, and finally, yield. Assets of fiduciary funds managed by the State Treasurer totaled $6,956,507,502 at June 30, 2019, as compared to $4,854,329,877 at June 30, 2018, an increase of 43.3%. This increase is due primarily to a rise in the balance of the State General Fund Investment Pool which has been positively impacted by increasing tax revenues related to oil and gas pricing and production. Earnings increased to $172,362,014 from $34,073,989 in 2019, an increase of 405.8%. This increase is a result of higher market interest rates during the majority of the year and was also due to the growth of total assets under management. The agency ended fiscal year 2019 with unrealized gains of $32,053,424 as compared to unrealized losses of $19,628,632 at the end of fiscal year 2018. The values of the agency's portfolios which are primarily bond portfolios were positively impacted as market interest rates declined prior to the end of fiscal year 2019. The market value of bonds increase as market interest rates decrease. Unrealized gains and losses are recorded as an adjustment of earnings.

Staff development programs provided ongoing education and training for the State Treasurer's Office employees, providing training on supervisory skills, working in a union environment, defensive driving, civil rights, ethics, sexual harassment prevention and EEOC. Other training was resourced on the benefits of the deferred compensation program, the state public employees retirement program and retiree health care coverage. The State Treasurer's Office continues to honor retiring employees and recognize employee years of service once they have been employed for five years or longer.

In fiscal year 2019, the State Treasurer's Office hosted ratings analysts from Standard & Poor's rating agency to review the status and management of the Local Government Investment Pool (LGIP), which is a pooled investment managed on behalf of local governments, school districts, higher education institutions, special districts, quasi-governmental agencies and Indian tribes and pueblos. Standard & Poor's representatives confirmed that the AAAm rating was reaffirmed based on a strong analysis of credit quality, market price exposure and management.

The State Treasurer's Office hosted the 10th Annual LGIP Stakeholder Meeting in September 2018, inviting all participants to attend. The program was held in Santa Fe and included speakers such as James E. Glassman, Head Economist with JPMorgan Chase Bank and other notable speakers. Participants heard presentations on management of the LGIP, market conditions, the economic outlook and other specific topics and issues. Participants found the meeting beneficial.

The State Cash Manager represents the Treasurer on the New Mexico Enterprise Payment Card Industry (PCI Compliance Steering Committee) (PCISC) for bankcard data security standards. The committee is working with the vendor RiskSense and all agencies currently accepting credit cards on a remediation project to bring the State as a single entity into compliance with the PCI Data Security Standards (DSS). While the immediate initial compliance was achieved during fiscal year 2019, PCI compliance is an ongoing process that will require support and resources at both agency and program levels.

During fiscal year 2018, the State Treasurer launched ABLE New Mexico (Achieving a Better Life Experience). ABLE allows qualifying people with physical and intellectual disabilities to establish tax-free savings accounts to put aside money to cover expenses related to their disability – including assistive technology, personal assistance services, housing, and healthcare – without losing their eligibility for public assistance. Individuals with disabilities with an onset before age 26 are eligible for the accounts and can contribute as much as $15,000 per year. ABLE New Mexico is offered through a partnership with the Ohio Treasurer's Office, the administrator of the ABLE Account Plan. These balances are not presented in the accompanying financial statements.

In his elected capacity, the State Treasurer serves as an ex-officio member on numerous State boards and commissions with fiduciary responsibility for State funds in excess of $30 billion. This responsibility is taken seriously and designees are appointed to serve on boards, where permitted, in the event of scheduling conflicts. The State Treasurer serves on the following boards and commissions:

- Capitol Buildings Planning Commission
- Educational Assistance Foundation
- Educational Retirement Board
- Mortgage Finance Authority
- Public Employees Retirement Association
- Renewable Energy Transmission Authority
- Retiree Health Care Authority
- Small Business Investment Council
- State Board of Finance
- State Investment Council
- State Treasurer's Investment Committee

Contacting the State Treasurer's Financial Management

This financial report is designed to provide a general overview of the State Treasurer's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tim Eichenberg, State Treasurer
Office of the State Treasurer
PO Box 5135
Santa Fe, New Mexico 87508

State of New Mexico
Office of the State Treasurer

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
ASSETS	
Investment in State General Fund Investment Pool	$ 3,279,640
Repurchase agreements (Held in State General Fund Investment Pool)	301,143,475
Due from other agencies	127,443,630
Other receivables	19,902,834
Capital assets, net of accumulated depreciation	1,485,802
Total assets	$ 453,255,381
LIABILITIES	
Accounts payable	$ 160,098
Receipts held in suspense	3,118,834
Accrued payroll	82,217
Accrued payroll taxes	19,763
Due to State General Fund	19,902,834
Due to local governments	984
Compensated absences	126,715
Total liabilities	23,411,445
NET POSITION	
Investment in capital assets	1,485,802
Restricted for:	
Debt service	428,484,849
Unrestricted	(126,715)
Total net position	429,843,936
Total liabilities and net position	$ 453,255,381

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position — Primary Government
PRIMARY GOVERNMENT			
Governmental activities			
General government	$ 5,465,675	$ -	$ (5,465,675)
Total governmental activities	$ 5,465,675	$ -	(5,465,675)
GENERAL REVENUES			
State property tax levy			87,862,307
Severance taxes			672,441,063
TRANSFER FROM (TO) STATE AGENCIES			
State General Fund appropriations			3,428,600
State General Fund compensation appropriation			47,700
Reversions to State General Fund FY19			(17,350)
Other state agencies			(741,488,582)
Interest revenue			23,785,828
Miscellaneous revenue			673,587
Other state funds			124,600
Federal funds			1,629
Total general revenues and transfers			46,859,382
Change in net position			41,393,707
Net position, beginning			388,450,229
Net position, ending			$ 429,843,936

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	Major Funds				
	General Fund (18200 and 74100)	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	Gaming Suyspense Fund (02000)	Total Governmental Funds
ASSETS					
Investment in State General Fund Investment Pool	$ 3,279,640	$ -	$ -	$ -	$ 3,279,640
Repurchase agreements (Held in State General Fund Investment Pool)	-	64,625,563	236,517,912	-	301,143,475
Due from other agencies	-	1,945,363	125,498,267	-	127,443,630
Other receivables	-	-	-	19,902,834	19,902,834
Total assets	$ 3,279,640	$ 66,570,926	$ 362,016,179	$ 19,902,834	$ 451,769,579
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 57,842	$ 717	$ 101,539	$ -	$ 160,098
Receipts held in suspense	3,118,834	-	-	-	3,118,834
Accrued payroll	82,217	-	-	-	82,217
Accrued payroll taxes	19,763	-	-	-	19,763
Due to State General Fund	-	-	-	19,902,834	19,902,834
Due to local governments	984	-	-	-	984
Total liabilities	3,279,640	717	101,539	19,902,834	23,284,730
FUND BALANCES					
Restricted for:					
Debt service	-	66,570,209	361,914,640	-	428,484,849
Unassigned	-	-	-	-	-
Total fund balances	-	66,570,209	361,914,640	-	428,484,849
					-
Total liabilities and fund balances	$ 3,279,640	$ 66,570,926	$ 362,016,179	$ 19,902,834	$ 451,769,579

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

Year Ended June 30, 2019

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	$	428,484,849
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position		
Capital assets total acquisition value		2,106,981
Total accumulated depreciation		(621,179)
Total capital assets, net		1,485,802
Some liabilities (compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position		(126,715)
Net Position of Governmental Activities (Statement of Net Position)	$	429,843,936

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	Major Funds				
	General Fund (18200 and 74100)	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	Gaming Suspense Fund (02000)	Total Governmental Funds
REVENUES					
Severance taxes	$ -	$ -	$ 672,441,063	$ -	$ 672,441,063
State property tax levy	-	87,862,307	-	-	87,862,307
Interest income - debt service	-	2,657,647	21,128,181	-	23,785,828
Federal funds	1,629	-	-	-	1,629
Total revenues	1,629	90,519,954	693,569,244	-	784,090,827
EXPENDITURES					
Current:					
Personnel services and employee benefits	2,781,649	-	-	-	2,781,649
Operating costs:					
Contractual services	445,906	-	-	-	445,906
Other administrative expenditures	357,624	-	4,420	-	362,044
Other charges	-	49,283	754,680	-	803,963
Total expenditures	3,585,179	49,283	759,100	-	4,393,562
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,583,550)	90,470,671	692,810,144	-	779,697,265
OTHER FINANCING SOURCES (USES)					
State General Fund appropriations	3,428,600	-	-	-	3,428,600
State General Fund compensation appropriation	47,700	-	-	-	47,700
Miscellaneous other sources	124,600	-	-	-	124,600
Reversions to State General Fund FY19	(17,350)	-	-	-	(17,350)
Transfer (to) from other state agencies	-	(77,331,385)	(664,157,197)	-	(741,488,582)
Total other financing sources (uses)	3,583,550	(77,331,385)	(664,157,197)	-	(737,905,032)
NET CHANGE IN FUND BALANCES	-	13,139,286	28,652,947	-	41,792,233
Fund balances, beginning of year	-	53,430,923	333,261,693	-	386,692,616
Fund balances, end of year	$ -	$ 66,570,209	$ 361,914,640	$ -	$ 428,484,849

The accompanying notes are an integral part of this financial statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$	41,792,233
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital outlay		-
Depreciation expense		(401,807)
Excess of capital outlay over depreciation expense		(401,807)
Some expenses reported in the statement of activities do not require the use of current financial resources, and these are not reported as expenditures in governmental funds:		
Decrease in compensated absences		3,281
Change in Net Position of Governmental Activities	$	41,393,707

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND – BUDGET AND ACTUAL

Year Ended June 30, 2019

	General Fund (18200)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriation	$ 3,428,600	$ 3,428,600	$ 3,428,600	$ -
State General Fund compensation appropriation	47,700	47,700	47,700	-
Federal grants	2,000	2,000	1,629	(371)
Other	122,300	122,300	124,600	2,300
Total Revenues	3,600,600	3,600,600	3,602,529	1,929
EXPENDITURES				
Personnel services and benefits	2,961,800	2,806,800	2,781,649	25,151
Contractual services	284,400	433,756	445,906	(12,150) *
Other operating costs	354,400	360,044	357,624	2,420
Total Expenditures	3,600,600	3,600,600	3,585,179	15,421
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ -	17,350	$ 17,350
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted reversions to state general fund			(17,350)	
Net change in fund balances (GAAP basis)			$ -	

* The contractual services category is not over budget because the legal level of budgetary control is the appropriation program level (A-Code, P-Code, and Z-Code).

State of New Mexico
Office of the State Treasurer

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Investment Trust Fund
ASSETS	
Cash and Investments:	
Fiscal agent bank account	$ 63,066,954
Cash in banks	638,093,424
Certificates of deposit	23,700,000
Government bonds	3,050,157,396
Commercial paper	19,948,368
Municipal bonds	32,359,448
Repurchase agreements	2,464,000,000
Corporate bonds	186,725,450
Discounted notes	449,494,398
Bank acceptances	11,426,251
Total cash and investments	6,938,971,689
Accrued interest receivable	17,535,813
Total assets	$ 6,956,507,502
LIABILITIES	
Due to broker	$ 46,554,291
Total liabilities	46,554,291
FIDUCIARY NET POSITION - held in trust for pool participants	6,909,953,211
Total liabilities and fiduciary net position	$ 6,956,507,502

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2019

	Investment Trust Fund
ADDITIONS	
Investment income	$ 172,362,014
Deposits	79,873,941,898
DEDUCTIONS	
Management fees	(286,028)
Withdrawals	(77,914,381,772)
Change in fiduciary net position	2,131,636,112
Fiduciary net position, held in trust for pool participants, beginning of year	4,778,317,099
Fiduciary net position, held in trust for pool participants, end of year	$ 6,909,953,211

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – DEFINITION OF REPORTING ENTITY

The Office of the State Treasurer (State Treasurer) has existed continuously since 1851 (Laws 1851-1852). The Legislative Assembly of the Territory of New Mexico passed an act to establish and regulate the Treasury Department of the Territory of New Mexico. This act established the office of territorial Treasurer and designed the duties of the Treasurer. The Office of the State Treasurer is established by the New Mexico Constitution, Article V, Section 1, which provides in part:

"The executive department shall consist of a governor, lieutenant governor, secretary of state, State auditor, State treasurer, attorney general, and commissioner of public lands, who shall, unless otherwise provided in the constitution of New Mexico, be elected for terms of four years beginning on the first day of January next after their election. The governor and lieutenant governor shall be elected jointly by the casting by each voter of a single vote applicable to both offices."

Statutory powers and duties of the State Treasurer are contained in numerous articles of the New Mexico Statutes Annotated. Principal statutory provisions related to the New Mexico State Treasurer's Investment Fund are listed below:

1. Sections 8-6-1 through 8-6-7 NMSA 1978 (1983 Repl.), as amended. Section 8-6-3 NMSA 1978 (1983 Repl.) provides that the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, shall disburse the public money upon lawful warrants and shall keep a just, true and comprehensive account of all monies received and disbursed.

2. Section 6-1-13 NMSA 1978 (1978 Repl.) provides that the State Treasurer shall authorize all State agency deposit accounts and shall establish conditions and reports appropriate to the accounts.

3. Section 6-8-2 NMSA 1978 (1988 Repl.) provides that the State Treasurer shall be a member of the State Investment Council. Section 6-8-6 NMSA 1978 (1988 Repl.) states that the State Treasurer shall maintain custody of the State permanent fund.

4. Sections 6-10-10 (G), (H), and (I) NMSA 1978 (1988 Supp.) empower the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in demand deposits and not immediately needed for the operation of State government in certain specified securities or investments.

5. Section 6-12A-2 NMSA 1978 is to ensure an orderly and uninterrupted flow of money to the general fund by anticipating the receipt of taxes and other State revenue.

6. Section 6-10-10.1 NMSA 1978. Short-term investment fund created; distribution of earnings; report of investment.

NOTE A – DEFINITION OF REPORTING ENTITY – CONTINUED

a. There is created in the State treasury the "short-term investment fund." The fund shall consist of all deposits from governmental entities and Indian tribes or pueblos that are placed in the custody of the State Treasurer for short-term investment purposes pursuant to this section. The State Treasurer shall maintain a separate account for each governmental entity and Indian tribe or pueblo having deposits in the fund.

b. If any local public body is unable to receive payment on public money at the rate of interest as set forth in Section 6-10-36 NMSA 1978 from financial institutions within the geographic boundaries of the governmental unit, then a local public finance official having money of that local public body in his custody required for expenditure within thirty days or less may, with the consent of the appropriate local board of finance, if any, remit some or all of such money to the State Treasurer, bank, savings and loan association or credit union for deposit for the purpose of short-term investment as allowed by this section.

c. Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to this section, the local public body finance official shall notify and make sure funds are made available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the State Treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

d. The local public body finance official shall specify the length of time each deposit shall be in the short-term investment fund, but in any event the deposit shall not be made for more than thirty days. The State Treasurer, through the use of the State fiscal agent, shall separately track each such deposit and shall make such information available to the public upon written request.

e. The State Treasurer shall invest the fund as provided for State funds under Section 6-10-10 NMSA 1978 and may elect to have the short-term investment fund consolidated for investment purposes with the State funds under the control of the State Treasurer, provided that accurate and detailed accounting records are maintained for the account of each participating entity and Indian tribe or pueblo and that a proportionate amount of interest earned is credited to each of the separate government accounts. The fund shall be invested to achieve its objective, which is to realize the maximum return consistent with safe and prudent management.

f. At the end of each month, all interest earned from investment of the short-term investment fund shall be distributed by the State Treasurer to the contributing entities and Indian tribes or pueblos in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. No fees or transfer expenses shall be charged to the participating entities and Indian tribes or pueblos for investment in the short-term investment fund.

NOTE A – DEFINITION OF REPORTING ENTITY – CONTINUED

The State Treasurer is responsible for making the State of New Mexico's debt service and interest payments on general obligation and severance tax bonds and maintaining the related accounting records on behalf of the Department of Finance and Administration (DFA) recorded as transfers out to other state agencies. The proceeds from the issuance of these general obligation and severance tax bonds and the related debt are not part of this audit.

Certain investments owned and administered by the Department of Transportation are purchased through the State Treasurer's Office. The fair value and other gratuitous information related to these investments are not included in the financial statements of the Investment Trust Fund.

The State Treasurer's Office operates several investment pools which collectively represent the cash and investments held at the State Treasurer's Office. These pools represent amounts being held and invested for State agencies and for local governments. They have been identified as: 1) State funds investment pool, 2) short-term investment pool, 3) consolidated investment pool and 4) the reserve contingency fund.

Advice and Consent by the State Board of Finance

The State Board of Finance (Board) by statute is comprised of the State of New Mexico governor, lieutenant governor, State treasurer and four members from the general public, and each is a voting member of the Board.

The Board has the responsibility for the issuance of the general obligation and severance tax bonds and for the investment and distribution of the proceeds from such bonds. In that regard, the Board approves the issuance of all such bonds, and provides information for bond prospectuses in order to ensure compliance with financial disclosure requirements and to present information concerning bond issues in a meaningful and informative format. Debt Service Funds are maintained by the State Treasurer for Bonds issued by the Board. The State Treasurer does not record the corresponding debt obligation itself, which is a liability reported on DFA on behalf of the State. The debt is reported on the financial statements of the CAFR and the Department of Finance and Administration.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Financial Reporting Entity and Basis of Presentation

The financial statements for the State Treasurer have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The State Treasurer is an office of the State of New Mexico. The financial statements and notes to the financial statements include all funds for which the State Treasurer is responsible. These financial statements only present activity related to the State Treasurer's Office. The State Treasurer receives funding from state and federal sources and must comply with the requirements of these funding source entities. However, the State Treasurer is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since the State Treasurer is elected by the public and has decision making authority, the power to designate management, and the ability to significantly influence operations and have primary financial accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement 14 (amended by GASBs 39 and 61) which are included in the State Treasurer's reporting entity.

The Office adopted Governmental Accounting Standards Board Statement No. 79 *Certain External Investment Pools and Pool Participants* (GASB 79) in FY16 to address changes in the regulatory provisions referenced by previous accounting and financial reporting standards for certain external investment pools and their participants. Those provisions were based on the Investment Company Act of 1940, Rule 2a7 whereby external investment pool investments were measured at amortized cost. Rule 2a7 contains the Securities and Exchange Commission's (SEC) regulations that apply to money market funds and the SEC essentially eliminated Rule 2a7 in 2014. GASB 79 provides for continuation of amortized cost accounting and reporting for external investment pools such as the Local Government Investment Pool (LGIP), which is a 2a7-like pool, instead of converting to fair value measurement. The New Mexico LGIP has implemented GASB 79 and its participants qualify for accounting for the investment pool at amortized cost which approximates fair value.

On June 23, 2017, the New Mexico State Department of Finance and Administration (DFA) issued Accounting Policy Statement Three (APS #3), *Interfund Transactions,* which requires debt service (principal and interest) bond payments in their entirety related to general obligation and severance tax bond payments made on behalf of the State Board of Finance to be reported by another state agency for reporting in the State's Comprehensive Annual Financial Report (CAFR) in accordance with DFA's interpretation of GASB 34. Due to this change, the Office will no longer report bond principal and interest payments as its own expenditures but instead report these cash disbursements as transfers out to other state agencies.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Financial Reporting Entity and Basis of Presentation – Continued

In addition, DFA issued Accounting Policy Statement Four (APS #4), *Custodial Funds*, which affected the accounting for funds held by one state agency on behalf of another state agency within the State as a collective whole. Funds previously reported as agency funds, held in trust by STO, are not agency funds held on behalf of third parties (outside of the State collectively) and this reclassification is intended by DFA to help eliminate double-counting of balances and transactions in the State's CAFR. Thus, the gaming suspense funds have been classified as due to other state agencies in order to eliminate interagency fund balances for the purposes of reporting within the State's CAFR. As an agency fund of the State, the Gaming Suspense Fund was transferred from the Trust Fund BU 39401 to the Office as a major fund within BU 39400. The Gaming Suspense Fund was established to collect monies owed to the State from gaming establishments. The fund does not receive State General Fund appropriations that are subject to reversion. Because the Gaming Suspense Fund has no net assets, there was no impact on the Statement of Activities and Statement of Net Position.

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. General State Levy and Severance Tax revenues are recognized as revenues in the year for which they are billed.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

General Fund

The government's primary operating fund is the General Fund (SHARE Fund 18200). It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is funded through the 2018 General Appropriation Act (Laws of 2018, Chapter 73, Section 4) and is subject to reversions.

The General Fund also includes SHARE Fund 74100 with a balance of $584 included within the State Treasurer's Investment in State General Fund Investment Pool.

Debt Service Funds

The General Obligation Bond Fund (see Schedules 1 and 2 in the Supplementary Information section for SHARE Fund numbers) accounts for payment of principal and interest on general obligation bonds. Financing sources are provided through the collection of property tax levies by other State agencies. The fund does not receive State General Fund appropriations that are subject to reversion.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The Severance Tax Bond Fund (see Schedules 3 and 4 in the Supplementary Information section for SHARE Fund numbers) accounts for tax receipts levied by other State agencies upon natural resource products, severed and saved from the lands of the State of New Mexico, and to account for payment of principal and interest on severance tax bonds. The fund does not receive State General Fund appropriations that are subject to reversion.

The Gaming Suspense Fund (SHARE Fund 02000) was established to collect monies owed to the State from gaming establishments. The fund does not receive State General Fund appropriations that are subject to reversion.

Additionally, the government reports the following fiduciary funds:

The LGIP Short-Term Investment Pool (SHARE Fund 68599) accounts for cash, securities and other investments identified and held in custody only for the Local Government Investment Pool (LGIP).

The Consolidated Investment Pool (SHARE Fund 10199) accounts for cash and short-term securities, such as overnight repurchase contracts, held in custody for State agencies.

The State Funds Investment Pool (SHARE Fund 10099) accounts for securities and other investments identified and held in custody only for State agencies.

Amounts reported as **Program Revenues** include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as **General Revenues** rather than as program revenues. Likewise, general revenues include all taxes.

5. Deposits and Investments

The State Treasurer's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the State Treasurer to invest in, subject to various restrictions, U.S. government debt securities; U.S. government agency debt securities; commercial paper; corporate bonds; asset backed debt securities; repurchase agreements; bank, savings and loan association or credit union deposits; variable rate notes; tax-exempt securities; securities issued by the State or a political subdivision of the State, or an agency, institution or instrumentality of the State, and money market mutual funds.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

7. Capital Assets

Capital assets, which include equipment and major SHARE software upgrades, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Information technology equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized in the year in which the project was completed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Equipment of the State Treasurer is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Office Equipment	5
Computer Equipment	5
Computer Software	5

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Compensated Absences

Employees are entitled to accumulate annual leave at the rate based on appointment date and length of continuous service. A maximum of 240 hours of such accumulated annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate. State agencies are allowed to pay fifty percent (50%) of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at an employee-specified pay period in either January or July.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are not reported as liabilities in the applicable governmental activities. The State Treasurer is not the issuer of the debt, nor is it ultimately responsible for the debt. The details of the long-term debt are reported on the financial statements of the CAFR and the Department of Finance and Administration.

10. Fund Balance

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or committed, assigned or unassigned. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation. See Note U for additional information about fund balances.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Net Position

The government-wide statements utilize a net position presentation categorized as follows:

The government-wide financial statements utilize a net asset presentation. Net position is categorized as investments in capital assets (net of related debt), restricted and unrestricted.

Net Investment in Capital Assets is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Position - Expendable are liquid assets (generated from revenues and not bond proceeds) which have third-party (statutory or granting agency) limitations that are legally enforceable on their use. When there is an option, the State Treasurer spends restricted resources first. Net position is restricted by the bond indenture for debt service. Restricted net position totals $428,484,849.

Unrestricted Net Position are all other assets that do not meet the definition of "restricted assets" or "investments in capital assets".

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Office did not have any items that qualified for reporting in this category as of June 30, 2019.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Office did not have any items that were required to be reported in this category as of June 30, 2019.

13. Subsequent Events

Subsequent events have been evaluated through October 31, 2019, the date the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2019. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTE C – STATE GENERAL FUND INVESTMENT POOL

Compliant with Statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006 through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of the business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the Department of Finance and Administration's Financial Control Division (DFA/FCD) began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation.

The State Controller indicated that the comprehensive cash reconciliation model has been determined to be sound and DFA has been fully compliant with the monthly process; therefore, resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

The State Treasurer has established daily and monthly procedures that mitigate the risk of misstatement of the Board's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

State law (Section 8-6-3 NMSA 1978) requires the State Treasurer's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the State Treasurer consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

NOTE D – INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

At June 30, 2019, the State Treasurer's Office had $3,279,640 invested in the State General Fund Investment Pool.

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk - The New Mexico State Treasurer pools are not rated.

NOTE E – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Per the General Appropriation Act, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control is at the appropriation unit level.

The debt service funds of the State Treasurer are not budgeted.

The State Treasurer follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By September 1, the State Treasurer prepares a budget appropriation request by category to be presented to the next legislature.

2. The appropriation request is submitted to the DFA's Budget Division and to the Legislative Finance Committee (LFC).

3. The DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.

4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.

NOTE E – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets and Budgetary Accounting – Continued

5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.

6. Budgetary control is exercised at the category level of the State Treasurer as a whole and changes are approved by the DFA.

7. Formal budgetary integration is employed as a management control device during the year for the General Fund only. The debt service funds (General Obligation Bond Funds and Severance Tax Bonding Funds) are non-budgeted funds.

8. The General Appropriations Act of 2004 established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico beginning July 1, 2004. Accordingly, future budgets will be prepared using the modified accrual basis of accounting.

9. The State Treasurer's budget for the fiscal year ended June 30, 2019, was amended in a legally permissible manner by reallocating line item category totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

NOTE F – DEPOSITS AND INVESTMENTS

1. <u>Fiscal Agent Bank</u>

As of May 1, 2014, the State Board of Finance entered into an agreement with Wells Fargo Bank in Albuquerque to provide banking services as Fiscal Agent for the State of New Mexico for a period of two years, with three options to extend the by contract by two years each, for a maximum term or eight year. The third option was exercised in December 2018 to extend the term until April 30, 2022.

2. <u>Custody Bank</u>

The State Board of Finance and JP Morgan Chase entered into an agreement whereby JP Morgan Chase would provide banking services as Custody Bank for the State of New Mexico effective July 1, 2014, for a two-year period, with the option to renew for up to six additional years at the discretion of the State Board of Finance. The Office exercised its option to extend the term until June 30, 2020.

3. <u>Investment Trust Fund</u>

Cash on deposit represents the demand deposit account with the fiscal agent bank. Current year transactions reflect all banking activity for the fiscal year as well as the activity of investments purchased and disposed of during the fiscal year.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

3. Investment Trust Fund – Continued

The State Treasurer invests all public monies held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance.

The State Treasurer has implemented Governmental Accounting Standards Board Statement No. 72 *"Fair Value Measurements and Application"* (GASB 72), which requires certain assets and liabilities to be measured at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement requires certain investments as defined in GASB Statement No. 31 to be valued at fair value. Fair value is based on quoted market prices as of the valuation date. The change in fair value is recognized as a component of investment income in the current year.

The State Treasurer invests excess cash balances on behalf of certain earmarked funds of State agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the State agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the $250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from fifty percent (50%) to one hundred two percent (102%) of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50 percent (50%) of the average investment balance.

At June 30, 2019, collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates of Deposit
Cash in bank (bank balance)	$ 52,056,394 *	$ 23,700,000
Less: FDIC insurance coverage	-	1,500,000
Total unsecured public funds	$ 52,056,394	$ 22,200,000
Collateral requirement (50%, 75% or 102%) of uninsured public funds	$ 26,028,197	$ 11,100,000
Collateral Pledged:		
US Government Securities	117,041,864	5,428,718
Surety bond letter of credit	-	8,250,000
Excess (Under) Collateralized	$ 91,013,667	$ 2,578,718

* Fiscal agent bank is required to collateralize the monthly average balance.
See Schedule 8 for reconciliation.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

4. Brokered Transactions

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2019:

Broker Name	Number of Transactions
ACADEMY SECURITIES	1
BARCLAYS CAPITAL	35
BB&T SECURITIES	10
BMO CAPITAL MARKET CORP	9
BOK FINANCIAL SECURITIES INC	33
CASTLEOAK SECURITIES LP	27
DAIWA CAPITAL MARKETS AMERICA	8
DEUTSCHE BANK SECURITIES	15
DREXEL HAMILTON LLC	1
FTN FINANCIAL CAPITAL MARKETS	8
GUGGENHEIM SECURITIES LLC	6
HSBC SECURITIES USA INC	264
INTL FCSTONE FINANCIAL INC	16
ISSUER DIRECT PURCHASES	72
JEFFERIES LLC	32
KEYBANC CAPITAL MARKETS	10
LOOP CAPITAL MARKETS	12
MIZUHO SECURITIES USA INC	47
MORGAN STANLEY SMITH BARNEY L	17
NATWEST MARKETS FKA RBS	14
RAMIREZ & CO INC	26
RBC CAPITAL MARKETS	66
STIFEL NICOLAUS & COMPANY	4
STO INTERFUND TRANSFER	14
TD SECURITIES USA LLC	35
UMB BANK NA	4
WELLS FARGO SECURITIES LLC	56
WILLIAMS CAPITAL GROUP LP	27
Total	869

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

5. Investment Balances

The fair value of investments administered by the State Treasurer at June 30, 2019, follows:

	Cost	Carrying Amount Fair Value
Government bonds	$ 3,019,496,315	$ 3,050,157,396
Repurchase agreements	2,464,000,000	2,464,000,000
Discounted notes	449,426,046	449,494,398
Cash in banks	638,093,424	638,093,424
Commercial paper	19,947,451	19,948,368
Corporate bonds	185,401,698	186,725,450
Municipal bonds	32,360,126	32,359,448
Fiscal agent bank account	63,066,954	63,066,954
Certificates of deposit	23,700,000	23,700,000
Investment in LGIP	789,442	789,442
Bankers acceptances	11,426,251	11,426,251
	6,907,707,707	6,939,761,131
Less interfund investments	(789,442)	(789,442)
Total	$ 6,906,918,265	$ 6,938,971,689

The fair value includes repurchase agreements of $301,143,475 of debt service funds reported in the Statement of Net Position - Governmental Activities and Governmental Funds Activity for general obligation funds and severance tax bond funds. In addition, it includes $3,279,640 of cash in STO's general fund.

6. General Fund Investment Pool

The General Fund is the State of New Mexico's main operating account. All State revenues are credited to the General Fund. Income taxes, sales taxes, rents and royalties, and other recurring revenues are deposited into the fund. The fund also comprises numerous State agency accounts whose assets, by statute, must be held at the State Treasury. Expenditures are disbursed only in accordance with appropriations authorized by the State Legislature.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

7. Consolidated Investment Pool (Tax-Exempt Bond Proceeds Investment Pool # 1)

The Tax-Exempt Bond Proceeds Investment Pool comprises pooled assets received through the issuance of tax-exempt State of New Mexico general obligation bonds, severance tax bonds, and supplemental severance tax bonds. The fund's objective is to preserve capital, provide liquidity, and generate returns relative to the true interest cost of all State of New Mexico debt outstanding in accordance with the Investment Policy of the Office of the State Treasurer.

8. Consolidated Investment Pool (Taxable Bond Proceeds Investment Pool # 2)

The Taxable Bond Proceeds Investment Pool comprises pooled assets received through the issuance of State of New Mexico severance tax bonds. The fund's objective is to preserve capital, provide liquidity, and generate returns relative to a benchmark and in accordance with the State Treasurer's Investment Policy.

9. Local Government Investment Pool (LGIP) (Short Term Investment Pool)

Cities, counties, and other agencies invest monies in the State Treasurer external investment pool (LGIP). In fiscal year 2016 LGIP implemented a portion of GASB No. 79 *Certain External Investment Pools and Pool Participants* (See Note G for further detail), which permits external investments pools to elect to measure all of their investments at amortized cost. The LGIP investments are presented at fair value based on the valuation date in the financial statements. The individual participant balances remain at their amortized cost. As of June 30, 2019, LGIP amortized cost approximated fair value, difference is immaterial (see Schedule 5).

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other State investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. As of June 30, 2019, the WAM(R) of the LGIP was 35 days, and the WAM(F) was 112 days. The fund was rated AAAm by Standard & Poor's as of June 30, 2019.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

10. Investment Guidelines and Limitations

The investment policy is a comprehensive guide governing the investment functions of the New Mexico State Treasurer with respect to all financial assets of the State of New Mexico invested by the State Treasurer in the exercise of his authority and for which the State Treasurer acts as the investing authority. These assets include, as examples only, the State General Fund, the Local Government Investment Pool, bond proceeds, bond debt service funds, and those pension and permanent funds and other special funds with respect to which the State Treasurer is the investing authority.

The investment policy and the public finance investment decisions of the State Treasurer must serve and satisfy several fiduciary, fiscal and financial obligations. In making these decisions and in resolving any conflict or competing considerations that may arise from time to time among these obligations, the State Treasurer will observe the following priority:

1. Preservation of Principal – to ensure the performance of basic governmental functions, the first priority must be accorded to the preservation and protection of the principal of the funds to be invested;

2. Maintenance of Liquidity – the second level of priority must be accorded to maintaining sufficient liquidity to satisfy the reasonably anticipated, continuing operational requirements of State Government, and

3. Maximum Return – the third priority must be accorded to maximizing investment return, through budgetary and economic cycles, consistent with the higher priority accorded to the security and liquidity of principal.

The standard of prudence to be applied in the investment of State assets shall be the "Prudent Person" rule that specifies that: "Investments shall be made with the judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The State Treasurer or his designees, acting in accordance with this policy and any other written procedures pertaining to the investment of public money and exercising due diligence, shall be relieved of personal responsibility, if any, for credit risk or market price changes of a particular security, provided that deviations from expectations are timely noted and appropriate action is taken to control and prevent further adverse developments.

The scope of investment authority of the State Treasurer is defined by the applicable investment statutes and constitutional provisions, principally Sections 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44 and 6-14-10.1, NMSA 1978, as well as Article VIII, Section 4 of the New Mexico Constitution, specifying particular types of investments that may be made by the State Treasurer, which establish certain prerequisites, limitations and other requirements relating to those investments. Moreover, the State Treasurer, in his discretion, may further limit or restrict those investments.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

10. Investment Guidelines and Limitations – Continued

The State Treasurer and the State Board of Finance have determined that only the following statutorily authorized investments may be made, and these investments shall be subject to further limitations or restrictions as follows:

11. Investments Permitted by Policy

a. U.S. Government Obligations – Securities backed by the full faith and credit of the U.S. Government including direct obligations of the U.S. Treasury and obligations of U.S. Government agencies and instrumentalities which are guaranteed by the U.S. Treasury. Investments shall be limited to a maximum maturity of five (5) years at time of purchase, except securities for any advance refunding escrow which may be invested in securities with a maturity of more than five (5) years. These securities may be either fixed rate or variable rate.

b. U.S. Government Agency Obligations – Securities issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises, but which are not backed by the full faith and credit of the U.S. Government. These securities include mortgage-backed certificates, collateralized mortgage obligations, and debentures issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.

   Also included are direct obligations of the Federal Farm Credit Bank and the Federal Home Loan Bank. These obligations shall consist of discount notes, notes and debentures with either fixed or LIBOR-based floating rate coupons. Investments in U.S. Government agency obligations shall be limited to a maximum maturity of five (5) years at time of purchase.

c. Commercial Paper – Unsecured obligations with a maturity up to 270 days at time of purchase issued by corporations organized and operating within the United States. The commercial paper shall have investment grade ratings and shall not be split-rated. If the rating declines below investment grade, the State Treasurer's Investment Committee (STIC) will meet to evaluate a course of action.

d. Corporate Bonds – Debt instruments issued by a corporation organized and operating in the United States with a maturity not exceeding five (5) years at time of purchase. Corporate bonds with maturities up to three (3) years shall be rated A1 or better at the time of purchase. Corporate bonds with maturities between three (3) and five (5) years shall be rated AA or better. If the rating declines below investment grade, then the STIC will meet to evaluate a course of action.

e. Asset-Backed Obligations – Debt instruments which are backed by defined cash flows or receivables with a final maturity not exceeding five (5) years at time of purchase and rated AAA, or its equivalent, by all national rating agencies that rate the security. If the rating declines below AAA, or its equivalent, then the STIC will meet to evaluate a course of action.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

11. Investments Permitted by Policy – Continued

f. Repurchase Agreements – Contracts for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the State. No contract shall be invested in unless the contract is fully secured by obligations of the United States, or its agencies or instrumentalities, or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the amount of the contract. Repurchase agreements and flexible repurchase agreements shall be limited to a maximum maturity of one (1) year, but flexible repurchase agreements, in which bond proceeds are invested, may have a maximum maturity of three (3) years. Repurchase agreements for the Local Government Investment Pool shall be limited to a maximum maturity of thirty (30) days, although any underlying U.S. government obligations pledged as collateral may have maturities extending beyond the term of such repurchase agreements. Subject to these conditions and the prior approval of the State Board of Finance with respect to the custodial undertaking agreement, tri-party repurchase agreements are proper investments under this policy.

g. Bank, Savings and Loan Association or Credit Union Deposits – Deposits are allowed in certified and designated New Mexico financial institutions whose deposits are insured by an agency of the United States. All deposits will comply with state statute and State Board of Finance policies related to interest rate and collateral requirements. CD deposits shall not be made with custodial banks. Deposits shall be limited to a maximum maturity of three (3) years. A deposit in any credit union shall be limited to the amount insured by an agency of the United States.

h. Variable Rate Notes – Variable rate notes (VRN) may be United States government obligations, commercial paper or repurchase agreements. The use of VRNs is considered to be prudent in the management of the portfolio within certain maturity and index rating.

i. Municipal Securities – Pursuant to 6-14-10.1, the State Treasurer or designee may also invest in municipal securities that at time of purchase are investment grade and have a final maturity of up to three (3) years. If the rating declines below investment grade, then the STIC will meet to evaluate a course of action.

j. Securities Issued by the State or a Political Subdivision of the State, or any Agency, Institution or Instrumentality of the State or a Political Subdivision – These include, but are not limited to, the New Mexico Mortgage Finance Authority, the New Mexico Finance Authority and the New Mexico Educational Assistance Foundation, if the statute authorizing the issuance of such securities expressly authorizes the State or the State Treasurer to purchase such security.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

11. Investments Permitted by Policy – Continued

k. Government Money Market Mutual Funds – Shares of an open-ended diversified investment company that: (i) is registered with the United State Securities and Exchange Commission; (ii) complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States Securities and Exchange Commission applicable to money market mutual funds; (iii) assesses no fees pursuant to Rule 12b-1, or any successor rule, of the United States Securities and Exchange Commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated, provided that the State shall not, at any time, own more than five percent (5%) of a money market mutual fund's assets, and (iv) is rated AAA or equivalent by a nationally recognized rating agency. In addition, the State Treasurer may act as the investing authority for those agencies which have independent statutory authority to invest. The State Treasurer shall act in a manner consistent with each agency's guidelines and directives.

l. Local Government Investment Pool: General fund dollars may be invested in the Local Government Investment Pool (LGIP), up to five percent (5%) of the LGIP.

12. Unauthorized Investments/Investment Actions

The State Treasurer will not borrow funds for the sole purpose of investing those funds at a higher yield. The State Treasurer is not authorized by law to invest or as a matter of policy has determined not to invest in securities, assets, investment agreements or instruments except as specifically permitted in this Investment Policy. Accordingly, as examples only, the following securities, assets, investment agreements or instruments are presently impermissible:

1. Common or preferred stock
2. Exchange traded future contracts
3. Inverse floaters
4. Whole-loan mortgage obligations
5. Interest only and principal strips only as they relate to asset-backed obligations
6. Currency swaps
7. Range notes and index amortizing notes
8. Reverse repurchase agreements
9. Short sale

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

13. Custodial Credit Risk

Custodial credit risk is the risk that the State Treasurer will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the State Treasurer and are held by either the counterparty of the counterparty's trust department of agent but not in the State Treasurer's name.

The State Treasurer's Investment Policy for safekeeping and custody states that all investment securities purchased by the State, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for the State account will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports which list all transactions that occurred during the month and all securities held for the State at month-end, including the book and market value of holdings. The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the State shall be bonded in such a fashion as to protect from losses from malfeasance and misfeasance.

The State Treasurer's Office Collateral Manager reviews and tracks all state funds held in state depository institutions. Deposits and collateral are reviewed daily and a statutorily required risk assessment is performed quarterly, although the assessments are not intended as an opinion as to the financial health of the subject institution. The $793,425,167 in balances are collateralized in compliance with NMAC 2.60.4. Although in compliance with NMAC 2.60.4 as of June 30, 2019, there was $210,673,901 of the State Treasurer's bank balances exposed to custodial credit risk as uninsured and uncollateralized.

14. Credit Risk

The State Treasurer's fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and/or as outlined in each portfolio manager contract.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2019, for the General Fund Investment Pool are as follows:

Securities by Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
Commercial paper	$ 19,948,368	0.39%
Corporate bonds	2,494,650	0.05%
Municipal bonds	1,359,091	0.03%

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

Securities by Quality Rating	Fair Value	Percentage of Portfolio
AA+:		
Government agency securities	1,928,981,038	37.99%
Discounted notes	97,932,969	1.93%
Corporate bonds	27,112,203	0.53%
AA:		
Discounted notes	75,194,318	1.48%
Corporate bonds	13,200,768	0.26%
AA-:		
Corporate bonds	89,963,904	1.77%
Bankers acceptance notes	11,426,251	0.23%
A+:		
Corporate bonds	7,006,117	0.14%
NR:		
Repurchase agreements	2,026,073,516	39.90%
Cash in banks	584,445,019	11.51%
Government agency securities	82,370,846	1.62%
Fiscal agent account	63,066,954	1.24%
Municipal bonds	30,150,000	0.59%
Certificates of deposit	16,000,000	0.32%
Investment in LGIP	789,442	0.02%
Total	$ 5,077,515,454	100.00%

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2019, for the Local Government Investment Pool are as follows:

Securities by Quality Rating	Fair Value	Percentage of Portfolio
AA+:		
Government agency securities	$ 311,499,849	38.90%
Discounted notes	197,607,479	24.67%

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

Securities by Quality Rating	Fair Value	Percentage of Portfolio
AA:		
Discounted notes	16,093,619	2.01%
NR:		
Repurchase agreements	222,000,000	27.72%
Cash in banks	53,648,405	6.70%
Total	$ 800,849,352	100.00%

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2019, for the Bond Proceeds Investment Pool #2 are as follows:

Securities by Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
Corporate bonds	$ 11,640,997	2.08%
AA+:		
Government agency securities	408,473,219	73.11%
Corporate bonds	2,491,544	0.45%
AA:		
Discounted notes	24,843,500	4.45%
AA-:		
Corporate bonds	11,517,520	2.06%
Aa3:		
Municipal bonds	850,357	0.15%
NR:		
Repurchase agreements	78,713,351	14.08%
Government agency securities	12,495,250	2.24%
Certificates of deposit	7,700,000	1.38%
Total	$ 558,725,738	100.00%

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2019, for the Bond Proceeds Investment Pool # 1 are as follows:

Securities by Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
Corporate bonds	$ 2,494,650	0.50%
AA+:		
Government agency securities	288,847,544	57.46%
Corporate bonds	10,302,294	2.05%
Discounted notes	9,933,200	1.98%
AA:		
Discounted notes	27,889,313	5.54%
Corporate bonds	6,005,603	1.19%
AA-:		
Corporate bonds	2,495,200	0.50%
NR:		
Repurchase agreements	137,213,133	27.30%
Government agency securities	17,489,650	3.48%
Total	$ 502,670,587	100.00%

15. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. It is the policy of the State to diversify its investment portfolios. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The following diversification limitations shall be imposed on the portfolio:

1. Investment maturities will be staggered to avoid undue concentration of assets in a specific maturity sector and to reflect cash flow requirements.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

2. Investment in callable instruments is permitted for the State General Fund, but the amount invested in callable instruments should not exceed twenty-five percent (25%) of the total amount invested of each portfolio. Investment in callable investments may be allowed in the local government investment pool, bond proceeds, bond debt service funds and such pension and permanent fund monies for which the State Treasurer is the investing authority. Investment in callable investments is prohibited for tax and revenue anticipation note proceeds (and any other liquidity vehicle).

3. The maximum level of CD deposits for the entire portfolio shall be $400 million with not more than $30 million in any single financial institution. The State Board of Finance urges banks to loan this money out in their respective local communities to spur economic development.

4. Investments in commercial paper, corporate bonds and asset-backed obligations shall not exceed forty percent (40%) of assets of each portfolio. Commercial paper and corporate bonds shall be limited, per issuer, to five percent (5%) of each portfolio.

5. Investments in United States agency securities issued by any single agency shall be limited to thirty-five percent (35%) of the combined portfolios.

6. Investment in repurchase agreements from any single provider shall be limited to thirty-five percent (35%) of the combined portfolios.

7. Investment in commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government, with a final maturity not to exceed the expiration date of any such guarantee, shall not exceed forty percent (40%) of the assets of each portfolio. Commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government shall be limited, per issuer, to twenty percent (20%) of each portfolio.

8. United States Government Agency issued mortgage-backed securities and collateralized mortgage obligations shall be limited to twenty-five percent (25%) of a portfolio.

9. Securities issued by a municipal entity shall be limited to fifteen percent (15%) of a portfolio.

10. Securities issued by the State or a political subdivision of the State, or any agency, institution or instrumentality of the State shall be limited to fifteen percent (15%) of the general fund portfolio.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

The following lists investments held in the general fund investment pool with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	$ 1,287,102,760	25.35%
U.S. government agency securities:		
FFCB	170,489,971	3.36%
FHLB	216,878,575	4.27%
FHLMC	67,855,473	1.34%
FNMA	178,490,940	3.51%
FAGM	82,370,845	1.62%
Miscellaneous	8,163,320	0.16%
Municipal bonds:		
ALBUQUERQUE PUBLIC SCHOOLS-GENERAL OBLIGATION	15,000,000	0.29%
CITY OF ALBUQUERQUE - GENERAL OBLIGATION BOND	7,150,000	0.14%
NEW MEXICO FIN AUTH REV REVOLVING FD REV BDS	667,394	0.01%
NEW MEXICO FIN AUTH REV SUB LIEN PUB PROJ	389,957	0.01%
NEW MEXICO FIN AUTH REV SUB PUB PROJ REVOLVING	301,740	0.01%
PP -CNM TAXABLE-GENERAL OBLIGATION BONDS,SERIES 2018B	6,000,000	0.12%
PP- CNM TAXABLE-GENERAL OBLIGATION BONDS, SERIES 2018B	2,000,000	0.04%
Corporate bonds:		
3M CO CALLABLE MEDIUM TERM NOTE FIXED 3%	4,075,840	0.08%
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	9,984,621	0.20%
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	2,491,544	0.05%
APPLE INC CALLABLE NOTES FIXED 2.85% 06/MAY/2021	14,636,038	0.29%
BANK OF NEW YORK MELLON/THE CALLABLE MEDIUM TERM	7,003,920	0.14%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,494,650	0.05%
PFIZER INC CALLABLE NOTES FIXED 2.8% 11/MAR/2022	5,093,908	0.10%
PFIZER INC CALLABLE NOTES FIXED 3% 15/SEP/2021 USD	5,100,050	0.10%
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	18,223,501	0.36%
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	20,275,000	0.40%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	5,998,653	0.12%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3,900,944	0.08%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	7,099,820	0.14%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	6,072,720	0.12%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2,016,680	0.04%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	10,302,926	0.20%
US BANK NA/CINCINNATI OH CALLABLE NOTES FIXED 2%	4,993,900	0.10%
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	3,006,810	0.06%
WELLS FARGO BANK NA MEDIUM TERM NOTE VARIABLE	7,006,117	0.14%

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

Securities	Fair Value	Percentage of Portfolio
Discounted notes	173,127,287	3.41%
Commercial paper	19,948,368	0.39%
Bankers acceptance notes	11,426,251	0.22%
Certificates of deposit	16,000,000	0.31%
Investment in LGIP	789,442	0.02%
Fiscal agent account	63,066,954	1.24%
Repurchase agreements	2,026,073,516	39.90%
Cash in Banks	584,445,019	11.51%
Total	$ 5,077,515,454	100.00%

The following lists investments held in the Local Government Investment Pool with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	$ 54,963,050	6.86%
U.S. government agency securities:		
FFCB	109,774,826	13.71%
FHLB	84,568,179	10.56%
FNMA	22,686,351	2.83%
FHLMC	39,507,443	4.93%
Cash	53,648,405	6.70%
Discounted notes	213,701,098	26.69%
Repurchase agreements	222,000,000	27.72%
Total	$ 800,849,352	100.00%

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

The following lists investments held in the Bond Proceeds Investment Pool #2 with a single issuer as a percentage of total:

Securities		Fair Value	Percentage of Portfolio
U.S. treasury securities	$	217,437,550	38.92%
U.S. government agency securities:			
FFCB		62,984,222	11.27%
FHLMC		15,738,849	2.82%
FNMA		72,609,965	12.99%
FHLB		39,702,633	7.11%
Miscellaneous		12,495,250	2.23%
Municipal bonds:			
BELEN N MEX CONS SCH DIST NO 2 GO BDS A		315,132	0.06%
BELEN N MEX CONS SCH DIST NO 2 GO BDS B		535,225	0.10%
Corporate bonds:			
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020		2,491,544	0.44%
MICROSOFT CORP CALLABLE NOTES FIXED 2% 03/NOV/2020		9,266,090	1.66%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%		2,374,907	0.42%
PROCTER & GAMBLE CO/THE CALLABLE NOTES FIXED 1.75%		1,997,539	0.36%
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED		5,068,750	0.91%
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE VARIABLE		1,956,031	0.35%
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%		2,495,200	0.45%
Repurchase agreements		78,713,351	14.09%
Discounted notes		24,843,500	4.44%
Certificate of deposit		7,700,000	1.38%
Total	$	558,725,738	100.00%

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

The following lists investments held in the Bond Proceeds Investment Pool #1 with a single issuer as a percentage of total:

Securities		Fair Value	Percentage of Portfolio
U.S. treasury securities	$	155,375,200	30.91%
U.S. government agency securities:			
FFCB		2,700,054	0.54%
FHLMC		45,707,890	9.09%
FNMA		52,575,291	10.46%
FHLB		32,489,109	6.46%
Miscellaneous		17,489,650	3.48%
Corporate bonds:			
APPLE INC CALLABLE NOTES FIXED 1.55% 07/FEB/2020		317,673	0.06%
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019		9,984,621	1.98%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%		2,494,650	0.50%
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%		2,495,200	0.50%
WALMART INC CALLABLE NOTES FIXED 1.75% 09/OCT/2019		1,996,523	0.40%
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000		4,009,080	0.80%
Discounted notes		37,822,513	7.52%
Repurchase agreements		137,213,133	27.30%
Total	$	502,670,587	100.00%

16. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The State Treasurer recognizes that any portfolio of marketable investment securities is subject to interest rate risk. The State Treasurer, in an attempt to limit the possibility of loss due to interest rate fluctuations, will attempt to match investments with anticipated cash requirements. The State Treasurer or designee shall give particular emphasis to the following factors when selecting a specific security for inclusion in the portfolio:

1. Relative Yield to Maturity: Comparison of return available from alternative investments for comparable maturity dates.

2. Marketability: Analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

3. Intermarket Yield Analysis: Analysis of the spread relationship between sectors of the market (e.g., Treasury Bonds or Bills versus Agency Bonds or Discount Notes), to take advantage of aberrations in yield differentials.

4. Yield Curve Analysis: Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.

5. General Economic and Interest Rate Outlook: Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

Maturities on investments in the General Fund Investment Pool are as follows:

		Maturities	
Securities by Quality Rating	Fair Value	Less than 1 Year	1-5 Years
AAA:			
Commercial paper	$ 19,948,368	$ 19,948,368	$ -
Corporate bonds	2,494,650	2,494,650	-
Municipal bonds	1,359,091	1,359,091	-
AA+:			
Goverment agency securities	1,928,981,038	237,161,823	1,691,819,215
Discounted notes	97,932,969	95,169,639	2,763,330
Corporate bonds	27,112,203	12,476,165	14,636,038
AA:			
Discounted notes	75,194,318	75,194,318	-
Corporate bonds	13,200,768	-	13,200,768
AA-:			
Corporate bonds	89,963,904	14,893,497	75,070,407
Bankers acceptance notes	11,426,251	11,426,251	-
A+:			
Corporate bonds	7,006,117	7,006,117	-
NR:			
Repurchase agreements	2,026,073,516	2,026,073,516	-
Cash in banks	584,445,019	584,445,019	-
Government agency securities	82,370,846	12,994,931	69,375,915
Fiscal agent account	63,066,954	63,066,954	-
Municipal bonds	30,150,000	30,150,000	-
Certificates of deposit	16,000,000	12,250,000	3,750,000
Investment in LGIP	789,442	789,442	-
Total	$ 5,077,515,454	$ 3,206,899,781	$ 1,870,615,673

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

Maturities on investments in the Local Government Investment Pool are as follows:

		Maturities	
Securities by Quality Rating	Fair Value	Less than 1 Year	1-5 Years
AA+:			
Goverment agency securities	$ 311,499,849	$ 227,747,693	$ 83,752,156
Discounted notes	197,607,479	197,607,479	-
AA:			
Goverment agency securities	16,093,619	16,093,619	-
NR:			
Repurchase agreements	222,000,000	222,000,000	-
Cash in banks	53,648,405	53,648,405	-
Total	$ 800,849,352	$ 717,097,196	$ 83,752,156

Maturities on investments in the Bond Proceeds Investment Pool #2 are as follows:

		Maturities	
Securities by Quality Rating	Fair Value	Less than 1 Year	1-5 Years
AAA:			
Corporate bonds	$ 11,640,997	$ 2,374,907	$ 9,266,090
AA+:			
Goverment agency securities	408,473,219	130,342,437	278,130,782
Corporate bonds	2,491,544	2,491,544	-
AA:			
Discounted notes	24,843,500	24,843,500	-
AA-:			
Corporate bonds	11,517,520	4,492,739	7,024,781
Aa3:			
Corporate bonds	850,357	850,357	-
NR:			
Repurchase agreements	78,713,351	78,713,351	-
Corporate bonds	12,495,250	12,495,250	-
Certificates of deposit	7,700,000	6,600,000	1,100,000
Total	$ 558,725,738	$ 263,204,085	$ 295,521,653

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

Maturities on investments in the Bond Proceeds Investment Pool #1 are as follows:

Securities by Quality Rating	Fair Value	Maturities Less than 1 Year	1-5 Years
AAA:			
Corporate bonds	$ 2,494,650	$ 2,494,650	$ -
AA+:			
Goverment agency securities	288,847,544	155,206,090	133,641,454
Corporate bonds	10,302,294	10,302,294	-
Discounted notes	9,933,200	9,933,200	-
AA:			
Discounted notes	27,889,313	27,889,313	-
Corporate bonds	6,005,603	1,996,523	4,009,080
AA-:			
Corporate bonds	2,495,200	2,495,200	-
NR:			
Repurchases agreements	137,213,133	137,213,133	-
Goverment agency securities	17,489,650	12,495,250	4,994,400
Total	$ 502,670,587	$ 360,025,653	$ 142,644,934

17. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's investment policy does not have a specific policy on foreign currency risk. However, the listing of permissible investments includes descriptions on the limitations related to each investment type.

All holdings at June 30, 2019, were denominated in United States Dollars.

The State General Fund Investment Pool is part of the Local Government Fund Investment Pool (LGIP), and whenever a combined presentation of the Investment Trust Fund is presented, these investments are eliminated.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

18. Securities Collateralizing Repurchase Agreements

The State's Investment Policy states that no repurchase agreements shall be entered into unless the contract is fully secured by deliverable obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the amount of the contract. The State's collateral requirements follow:

1. The market value of the collateral including accrued interest must be equal to one hundred two percent (102%) of the amount of cash transferred by the State Treasurer to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the market value of securities held as collateral slips below one hundred two percent (102%) of the value of the cash transferred plus accrued interest, then additional cash and/or acceptable securities must be delivered to the third-party custodian sufficient to cure any deficiency, and

2. For repurchase agreements with terms to maturity of greater than one (1) day, the State will value the collateral securities continuously and require that, if additional collateral is required, then that collateral must be delivered within one business day. If a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated, and

3. The collateral on all repurchase agreements will have a maturity date that exceeds the term of the repurchase agreement. If the duration of the collateral is longer than ten (10) years than the term of the repurchase agreement, then the collateral margin must be 103% to compensate for market risk.

Credit ratings and concentration of risk on collateral securities are as follows:

Securites by Quality Rating	Fair Value	Percentage of Portfolio
NR:		
U.S. Treasury securities	$ 2,464,000,000	100%
Total	$ 2,464,000,000	100%

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

18. Securities Collateralizing Repurchase Agreements – Continued

Maturities on collateral are as follows:

		Maturities				
Securities by Quality Rating	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	11-20 Years	Over 20 Years
NR:						
U.S. Treasury securities	$ 2,464,000,000	$ 2,464,000,000	$ -	$ -	$ -	$ -
Total	$ 2,464,000,000	$ 2,464,000,000	$ -	$ -	$ -	$ -

Schedule 8 discloses collateral pledged for repurchase agreements.

19. Fair Value of Financial Instruments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

19. Fair Value of Financial Instruments – Continued

The State Treasurer has the following recurring fair value measurements as of June 30, 2019:

	Fair Value Measurements Using			
	Quoted Prices in Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Fair Value 6/30/2017
Debt securities:				
U.S. government securities	$ -	$ 3,050,157,396	$ -	$ 3,050,157,396
Repurchase agreements	-	2,464,000,000	-	2,464,000,000
Discounted notes	-	449,494,398	-	449,494,398
Commercial paper	-	19,948,368	-	19,948,368
Corporate bonds	-	186,725,450	-	186,725,450
Municipal bonds	-	32,359,448	-	32,359,448
Bankers acceptances	-	11,426,251	-	11,426,251
Total investments measured at fair value	$ -	$ 6,214,111,311	$ -	$ 6,214,111,311

NOTE G – EXTERNAL INVESTMENT POOL (LGIP) – AMORTIZED COST

Most provisions of GASB No. 79 were effective for reporting periods beginning after June 15, 2015. Specifically, GASB Statement No. 79 allows the use of amortized cost for all of the investments of a pool if the pool uses a stable net asset value (NAV) per share and meets specific criterion under *all* of the following five components; maturity, quality, diversification, liquidity and shadow pricing (shadow pricing = NAV per share calculated using total investments measured at fair value at the calculation date), which must deviate by no more than 0.5 percent from the share price at amortized cost. Certain provisions relating to portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015. STO elected to implement the amortized cost provision of GASB 79 as of June 30, 2016.

STO implemented the provisions of GASB 79 as to the portfolio quality, custodial credit risk, and shadow pricing as of June 30, 2017. STO reviewed each of the requirements listed in GASB 79 to allow election of amortized cost accounting and determined the criteria is consistent with the requirements of Standard and Poor's to ensure compliance with the delayed implementation. STO calculates NAV and submits pool data to S&P on a weekly basis. As for shadow pricing, STO performs a daily calculation that compares the market value of the assets held by the pool to the balances due to the participants. STO has determined that the assets exceed liabilities at June 30, 2019. The difference between the amortized cost and fair value is immaterial for the year ended June 30, 2019.

NOTE G – EXTERNAL INVESTMENT POOL (LGIP) – AMORTIZED COST – CONTINUED

Below are the limitations or restrictions on LGIP participant withdrawals:

- Amounts less than $30 million may be withdrawn within 24 hours of notice to the State Treasurer;
- Amounts of $30 million to $60 million require notice of 2 business days to the State Treasurer;
- Amounts of $60 million to $100 million require notice of 5 business days to the State Treasurer;
- Amounts in excess of $100 million require notification of 10 business days to the State Treasurer.

Notwithstanding the withdrawal guidelines, the State Treasurer reserves the right to limit participant withdrawals if the State Treasurer determines that doing so is required to ensure the stability of the LGIP.

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Additions	Deletions	Reclassifications	Balance at June 30, 2019
Depreciable assets:					
Equipment, Furniture, and Fixtures	$ 2,106,981	$ -	$ -	$ -	$ 2,106,981
Total depreciable assets	2,106,981	-	-	-	2,106,981
Accumulated depreciation	219,372	401,807	-	-	621,179
Total capital assets, net	$ 1,887,609	$ (401,807)	$ -	$ -	$ 1,485,802

Depreciation expense was charged to functions/programs of the State Treasurer's Office as follows:

General government	$ 401,807

NOTE I – LONG-TERM OBLIGATIONS

Compensated Absences

As in prior years, the general fund is used to liquidate compensated absences. Following are the changes in compensated absences for the year ended June 30, 2019:

	Balance at June 30, 2018	Increase	(Decrease)	Balance at June 30, 2019	Amounts due within one year
Compensated absences	$ 129,996	$ 124,887	$ (128,168)	$ 126,715	$ 126,715

NOTE J – CONDENSED FINANCIAL STATEMENTS

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2019, are as follows:

ASSETS	
Investments	$ 6,938,971,689
Interest and other receivables	17,535,813
Total assets	$ 6,956,507,502
LIABILITIES	
Due to broker	$ 46,554,291
FIDUCIARY NET POSITION	
External participant account balances	801,343,434
Other internal participant account balances:	
Primary government	6,108,609,777
Total liabilities and fiduciary net position	$ 6,956,507,502

At June 30, 2019, the State Treasurer’s investment income earnings were as follows:

Local Government Investment Pool	$ 19,186,169
Consolidated Investment Pool	27,841,046
State Funds Investment Pool	125,334,799
Total	$ 172,362,014

NOTE K – APPROPRIATIONS

The State Treasurer received the following appropriations for the year ended June 30, 2019:

General fund appropriation (Chapter 73, Laws of 2018)	$	3,428,600
General fund compensation appropriation (Chapter 73, Laws of 2018)		47,700
Total appropriations	$	3,476,300

NOTE L – COLLATERAL IN TRUST

The State Treasurer holds a variety of different types of collateral, government guaranteed loans and mortgages, certificates of deposit, surety bonds, etc., for certain State agencies, which are not included in these financial statements and are reported by those certain State agencies.

NOTE M – DUE TO/FROM OTHER STATE AGENCIES

Tax receipts billed by other state agencies due to State Treasurer's Office consist of the following at June 30, 2019:

Due to State Treasurer's Office	Fund No.	Amount	Due from Other State Agencies	Fund No.	Amount
Severance Tax Bonding Fund	41000	$ 125,498,267	Tax & Revenue	83300	$ 125,498,267
G.O. 2011 Series Debt Service	11630	18,827	Dept. of Finance & Administration	80000	18,827
G.O. 2015 Series Debt Service	35170	519,963	Dept. of Finance & Administration	80000	519,963
G.O. 2017A Series Debt Service	50440	702,092	Dept. of Finance & Administration	80000	702,092
G.O. 2017B Series Debt Service	68150	704,481	Dept. of Finance & Administration	80000	704,481
		$ 127,443,630			$ 127,443,630

NOTE N – TRANSFERS

1. Interfund Transfers

Interfund transfers are completed to move revenue from various debt service funds to specific debt service funds per bond resolutions, to cover principal and interest payments.

General Obligation Bonds (see Schedule 2):

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
11680	2013 Series Debt Service	$ 195,676	50440	2017A Series - Debt Service	$ 2
42600	2005 Series rebate	2	68150	2017B Series Debt Service	32,147
28800	2007 Series Debt Service	32,147	10630	2009 Series Debt Service	17,675,480
35170	2015 Series Debt Service	17,479,804			
		$ 17,707,629			$ 17,707,629

Severance Tax Bonds (see Schedule 4):

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
41000	Severance Tax Bond Fund	$ 19,357,145	10750	2009A Series Debt Service	$ 19,357,145
41000	Severance Tax Bond Fund	16,902,565	10950	2010A Series Debt Service	16,902,565
41000	Severance Tax Bond Fund	11,839,883	10960	2010B Series Debt Service	11,839,883
41000	Severance Tax Bond Fund	3,711,718	30830	Series 2011A-1 Refunding	3,711,718
41000	Severance Tax Bond Fund	8,289,303	11480	Series 2012A	8,289,303
41000	Severance Tax Bond Fund	16,172,672	12160	Series 2014A	16,172,672
41000	Severance Tax Bond Fund	9,738,169	50170	Series 2015B	9,738,169
41000	Severance Tax Bond Fund	18,296,157	50180	Series 2015A	18,296,157
41000	Severance Tax Bond Fund	1,001,528	43160	Series 2016D	1,001,528
41000	Severance Tax Bond Fund	22,752,563	43230	Series 2016A and 2016B	22,752,563
41000	Severance Tax Bond Fund	2,692,184	43290	Series 2016E	2,692,184
41000	Severance Tax Bond Fund	5,852,543	50370	Series 2017A	5,852,543
41000	Severance Tax Bond Fund	14,590,248	50450	Series 2016C	14,590,248
41000	Severance Tax Bond Fund	13,984,783	20660	Series 2018A	13,984,783
		$ 165,181,461			$ 165,181,461

NOTE N – TRANSFERS – CONTINUED

2. Interagency Transfers

Transfers to/from Other State Agencies – General Obligation Bonds

Transfers (from) to	Fund No.	Amount	Transfers (to) from	Fund No.	Amount
Board of Finance	34103	$ 81,113,950	General Obligation Bonding Funds	Various*	$ 81,113,950
Board of Finance	34103	(3,980)	2015 Series Debt Service	35160	(3,980)
Board of Finance	34103	(3,778,585)	2015 Series Debt Service	35170	(3,778,585)
		$ 77,331,385			$ 77,331,385

Transfers to/from Other State Agencies – Severance Tax Bonds

Transfers (from) to	Fund No.	Amount	Transfers (to) from	Fund No.	Amount
Board of Finance	34103	$ 166,523,096	Severance Tax Bonding Funds	Various*	$ 166,523,096
Board of Finance	34103	256,381,188	Severance Tax Sponge Bond Fund	41000	256,381,188
Severance Tax Permanent Fund	60200	245,455,219	Severance Tax Bonding Fund	41000	245,455,219
Board of Finance	34103	(4,202,306)	Severance Tax Bonding Fund	41000	(4,202,306)
Total - Severance Tax Bond Funds		$ 664,157,197			$ 664,157,197

* See Schedules 2 and 4 for listing of each individual fund.

NOTE O – LEASES

The Office is committed under various noncancelable operating leases primarily for office buildings and equipment. Future minimum lease commitments are as follows for the years ending June 30:

2020	$	227,955
2021		209,242
2022		3,395
2023		3,395
	$	443,987

Lease expenditures were $242,275 for the year ended June 30, 2019.

NOTE P – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico follows the standard for the fiscal year ending June 30, 2019.

The State Treasurer's Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Plan Description

Substantially all of the State Treasurer's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

NOTE P – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – CONTINUED

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The State Treasurer's Office is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the State Treasurer's Office are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The State Treasurer's contributions to PERA for the fiscal years ended June 30, 2019, 2018 and 2017 were $340,776, $326,170 and $330,393, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE Q – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which improves accounting and financial reporting by state and local governments for other postemployment benefits that are not pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

The Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR), and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Plan Description

The State Treasurer's Office contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978).

NOTE Q – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

Funding Policy

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2019, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. The State Treasurer's contributions to the RHCA for the years ended June 30, 2019, 2018 and 2017 were $40,115, $38,396 and $38,892, respectively, which equal the required contributions for each year.

NOTE R – RISK MANAGEMENT

The State Treasurer is exposed to various risks of loss for which the State Treasurer carries insurance (auto; employee fidelity bond; general liability; civil rights and foreign jurisdiction; money and securities; property, and workers' compensation) with the State of New Mexico Risk Management Division. Public employee fidelity bonding coverage is self-insured by the State of New Mexico. The current policy year is July 1, 2018 to June 30, 2019. The limit of coverage is $5,000,000, with $1,000 deductible per occurrence. All State Treasurer employees are covered by this bond.

The State Treasurer had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2019, 2018 and 2017, there were no settlements that exceeded insurance coverage.

NOTE S – REVERSION TO THE STATE GENERAL FUND

Under State Statute 6-5-10 NMSA, 1978, all unassigned fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within forty-five days of release of the audit report for that fiscal year.

The amount reverted to the State General Fund as of June 30, 2019, was $17,350.

NOTE T – FUND BALANCES

The Office's fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2019, follows:

	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund
Fund Balances:			
Restricted for:			
Debt Service	$ -	$ 66,570,209	$ 361,914,640
Unassigned	-	-	-
Total Fund Balances	$ -	$ 66,570,209	$ 361,914,640

NOTE U – CASH CONFIRMATION PROCESS

The 2019 New Mexico State Auditor Rule, 2.2.2.10 NMAC Section P (3) (f) (cash confirm rule) states that auditors of state agencies are required to obtain a cash confirmation from the New Mexico State Treasurer's Office (STO). STO prepared book, not bank, balance cash confirmations as of June 30, 2019, to provide information to auditors of state agencies about each agency's interest in the State General Fund Investment Pool (SGFIP). STO's cash confirmations reflect individual state agency balances derived from accounting periods zero (0) through twelve (12) for FY19 based on cash banking activity as recorded within the SHARE general ledger and reconciled by DFA. Due to the possibility of entries posted in SHARE in period 998 that affect cash balances subsequent to the issuance of the confirmation, STO did not issue any additional cash confirmations for the fiscal year-end. The confirmation that was provided to all state agencies by the State Cash Manager indicated that only activity recorded in periods 0 through 12 were considered in confirming cash balances at fiscal year-end.

NOTE U – CASH CONFIRMATION PROCESS – CONTINUED

STO does not have access to general ledger accounting information regarding individual state agency cash balances due to the current limitations of the State's PeopleSoft enterprise accounting system (SHARE). As a result, STO has no knowledge of outstanding warrants or ACH payments that affect book balances within SHARE by agency. In addition, STO, as the State bank, does not have control over the process of reconciling book balances to bank balances, which is a function performed by DFA (as the State's controller/accountant).

Another factor in the cash confirmation process is that the bank activity information provided by Wells Fargo does not track cash disbursements at the individual state agency level. STO's State Cash Manager complies with 8-6-3.1 B (2) NMSA 1978, *State Cash Manager; Powers and Duties*, which requires STO to "obtain from each state agency periodic reports of all money from any source in the agency's custody, including detail information on receipts, disbursements and balances on hand or on deposit in a financial institution." There are approximately 130 Zero Balance Accounts (ZBAs) that exist with Wells Fargo Bank. In addition, there are also several special disbursement accounts held with Wells Fargo, such as for HSD specific for Medicaid payments or for NMTRD specific to state income tax disbursements along with a few others. Each individual ZBA account is assigned to an individual state agency and is used by the assigned agency only to deposit cash receipts. Deposits into the ZBA accounts are swept into the Wells Fargo Master Depository Account daily. However, cash disbursements at the state agency level do not pass through their assigned ZBA accounts. Rather, cash disbursements are funded from accounts which contain activity from several agencies. These disbursement accounts are then funded from the Wells Fargo Master Depository Account and are not tracked at the state agency level, STO does not have the necessary information to determine each agency's interest in the State General Fund Investment Pool without relying on the general ledger (GL) accounting. Additionally, non-cash interagency transfers occur that impact the agencies' fund balances but these general ledger book transfers do not impact total cash on hand.

The State's bank balance available from funds held within the SGFIP and Bond Proceeds Investment Pool (BPIP) trust held with JP Morgan (custodial bank) and Wells Fargo (operating bank) was approximately $6.1 billion on June 30, 2019. Outstanding warrants and late June ACH payments settled in early July were approximately $205.2 million in total, which represents the fiscal year-end reconciling difference between the actual bank balance and the recorded book balance for the SGFIP and BPIP combined. In compliance with the cash confirmation rule, STO performed an independent analysis of the reasonableness of the overall cash book balance on June 30, 2019, of approximately $5.9 billion, which was reconciled to the bank balance by the Department of Finance and Administration (DFA). In total, the GL activity matches bank activity on a test basis.

NOTE V – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

GASB has issued the following statements, which are applicable in future years. At this time, management has not determined the impact, if any on STO.

GASB 84

GASB Statement No. 84, *Fiduciary Activities* (GASB 84) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for periods beginning after December 15, 2018 (FY 20). Management has not yet determined the impact of this statement.

GASB 87

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 21). This statement may have some impact on the assets and liabilities of the Office.

SUPPLEMENTARY INFORMATION

State of New Mexico
Office of the State Treasurer

SCHEDULE 1 - COMBINING BALANCE SHEET - GENERAL OBLIGATION BONDS - GENERAL OBLIGATION BOND DEBT SERVICE FUNDS

June 30, 2019

		Assets		
	SHARE Fund	Repurchase Agreements	Due From Other Agencies	Total Assets
2007 Series - Debt Service	28800	$ -	$ -	$ -
2009 Series - Debt Service	10630	439,154	-	439,154
2011 Series - Debt Service	11630	2,290,366	18,827	2,309,193
2013 Series - Debt Service	11680	-	-	-
2015 Series - Debt Service	35170	14,220,663	519,963	14,740,626
2017A Series - Debt Service	50440	24,844,524	702,092	25,546,616
2017B Series - Debt Service	68150	22,409,958	704,481	23,114,439
Total Debt Service		64,204,665	1,945,363	66,150,028
2005 Series - Rebate	42600	-	-	-
Total Rebate Accounts		-	-	-
2015 Series - Cost of Issuance	40130	52,511	-	52,511
2017A Series - Cost of Issuance	50390	368,387	-	368,387
Total Cost of Issuance		420,898	-	420,898
COMBINED TOTAL		$ 64,625,563	$ 1,945,363	$ 66,570,926

Liabilities			
Total Liabilities	Fund Balance Restricted for Debt Service	Total Fund Balance	Total Liabilities & Fund Equity
$ -	$ -	$ -	$ -
-	439,154	439,154	439,154
-	2,309,193	2,309,193	2,309,193
-	-	-	-
-	14,740,626	14,740,626	14,740,626
-	25,546,616	25,546,616	25,546,616
-	23,114,439	23,114,439	23,114,439
-	66,150,028	66,150,028	66,150,028
-	-	-	-
-	-	-	-
717	51,794	51,794	52,511
-	368,387	368,387	368,387
717	420,181	420,181	420,898
$ 717	$ 66,570,209	$ 66,570,209	$ 66,570,926

State of New Mexico
Office of the State Treasurer

SCHEDULE 2 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL OBLIGATION DEBT SERVICE FUNDS

Year Ended June 30, 2019

		Revenues		Expenditures			
	SHARE Fund	Interest Income	State Property Tax Levy	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures	Excess (Deficiency) of Revenues Over (Under) Expenditures
2007 Series - Debt Service	28800	$ 3,362	$ -	$ -	$ -	$ -	$ 3,362
2009 Series - Debt Service	10630	71,608	3,456,411	-	1,500	1,500	3,526,519
2011 Series - Debt Service	11630	33,980	1,987,794	-	750	750	2,021,024
2013 Series - Debt Service	11680	8,167	-	-	-	-	8,167
2015 Series - Debt Service	35170	306,778	25,188,583	-	-	-	25,495,361
2017A Series - Debt Service	50440	2,032,168	28,169,813	-	(673,585)	(673,585)	30,875,566
2017B Series - Debt Service	68150	201,584	29,059,706	-	673,585	673,585	28,587,705
Total Debt Service		2,657,647	87,862,307	-	2,250	2,250	90,517,704
2005 Series - Rebate	42600	-	-	-	-	-	-
Total Rebate Accounts		-	-	-	-	-	-
2015 Series - Cost of Issuance	40130	-	-	-	46,283	46,283	(46,283)
2017A Series - Cost of Issuance	50390	-	-	-	750	750	(750)
Total Cost of Issuance		-	-	-	47,033	47,033	(47,033)
COMBINED TOTAL		$ 2,657,647	$ 87,862,307	$ -	$ 49,283	$ 49,283	$ 90,470,671

Other Financing Sources (Uses)					
Transfers (to) from Other State Agencies	Interfund Transfers	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Beginning Fund Balances	Fund Balances June 30, 2019
$ -	$ (32,147)	$ (32,147)	$ (28,785)	$ 28,785	$ -
(25,882,500)	17,675,480	(8,207,020)	(4,680,501)	5,119,655	439,154
(2,244,200)	-	(2,244,200)	(223,176)	2,532,369	2,309,193
-	(195,676)	(195,676)	(187,509)	187,509	-
(14,650,935)	(17,479,804)	(32,130,739)	(6,635,378)	21,376,004	14,740,626
(16,691,250)	2	(16,691,248)	14,184,318	11,362,298	25,546,616
(17,862,500)	32,147	(17,830,353)	10,757,352	12,357,087	23,114,439
(77,331,385)	2	(77,331,383)	13,186,321	52,963,707	66,150,028
-	(2)	(2)	(2)	2	-
-	(2)	(2)	(2)	2	-
-	-	-	(46,283)	98,077	51,794
-	-	-	(750)	369,137	368,387
-	-	-	(47,033)	467,214	420,181
$ (77,331,385)	$ -	$ (77,331,385)	$ 13,139,286	$ 53,430,923	$ 66,570,209

State of New Mexico
Office of the State Treasurer

SCHEDULE 3 - COMBINING BALANCE SHEET - SEVERANCE TAX BONDS - SEVERANCE TAX BOND DEBT SERVICE FUNDS

June 30, 2019

		Assets		
	SHARE Fund	Repurchase Agreements	Due From Other Agencies	Total Assets
2009-A Series - Debt Service	10750	$ 19,076,797	$ -	$ 19,076,797
2010-A Series - Debt Service	10950	16,191,949	-	16,191,949
2010-B Series - Debt Service	10960	11,363,419	-	11,363,419
2010-C Series - Debt Service	11190	227	-	227
2010-D Series - Debt Service	11280	1,254	-	1,254
Series 2013A	11770	170,771	-	170,771
Series 2014A	12160	16,085,343	-	16,085,343
Series 2011A-1	30830	3,603,103	-	3,603,103
Series 2011A-2 Refunding	30820	66,471	-	66,471
2012-A Series - Debt Service	11480	7,597,086	-	7,597,086
2004-B Series Debt Service	18300	106	-	106
2005-B1 Series Debt Service	38800	2,358	-	2,358
Severance Tax Bonding	41000	82,591,293	125,498,267	208,089,560
2005-A Series Debt Service	41200	115,083	-	115,083
Series 2016A & Refunding Series 2016B	43230	17,867,899	-	17,867,899
2003-B Series-Debt Service	48400	472	-	472
Series 2015B	50170	8,664,625	-	8,664,625
Series 2015A	50180	16,276,076	-	16,276,076
Series 2016C	50450	14,475,692	-	14,475,692
2007-A Debt Service	53700	63,580	-	63,580
2005-B2 Series Debt Service	57100	1,705	-	1,705
2008A-1 Series - Debt Service	72010	197,381	-	197,381
2008A-2 Series - Debt Service	72070	1,597	-	1,597
2006-A Series Debt Service	96300	3,377	-	3,377
2016D Series Debt Service	43160	688,708	-	688,708
2016E Series Debt Service	43290	2,680,227	-	2,680,227
2017A Series Debt Service	50370	5,436,585	-	5,436,585
2017SC Series Debt Service	67980	33	-	33
2018A Series Debt Service	20660	13,175,863	-	13,175,863
Total Debt Service		236,399,080	125,498,267	361,897,347
2004-B Series-Rebate	41100	321	-	321
2003-B Supp-Rebate	42000	13,168	-	13,168
2005-A Series-Rebate	48300	46,771	-	46,771
2005-B1 Series-Rebate	57000	11,525	-	11,525
2005-B2 Series-Rebate	96000	6,763	-	6,763
2006-A Series-Rebate	96400	40,284	-	40,284
Total Rebate Accounts		118,832	-	118,832
COMBINED TOTAL		$ 236,517,912	$ 125,498,267	$ 362,016,179

Liabilities		Fund Equity		
Accounts Payable	Total Liabilities	Restricted for Debt Service	Total Fund Equity	Total Liabilities & Fund Equity
$ -	$ -	$ 19,076,797	$ 19,076,797	$ 19,076,797
-	-	16,191,949	16,191,949	16,191,949
-	-	11,363,419	11,363,419	11,363,419
-	-	227	227	227
-	-	1,254	1,254	1,254
-	-	170,771	170,771	170,771
-	-	16,085,343	16,085,343	16,085,343
-	-	3,603,103	3,603,103	3,603,103
-	-	66,471	66,471	66,471
-	-	7,597,086	7,597,086	7,597,086
-	-	106	106	106
-	-	2,358	2,358	2,358
100,324	100,324	207,989,236	207,989,236	208,089,560
-	-	115,083	115,083	115,083
-	-	17,867,899	17,867,899	17,867,899
-	-	472	472	472
-	-	8,664,625	8,664,625	8,664,625
-	-	16,276,076	16,276,076	16,276,076
-	-	14,475,692	14,475,692	14,475,692
-	-	63,580	63,580	63,580
-	-	1,705	1,705	1,705
-	-	197,381	197,381	197,381
1,215	1,215	382	382	1,597
-	-	3,377	3,377	3,377
-	-	688,708	688,708	688,708
-	-	2,680,227	2,680,227	2,680,227
-	-	5,436,585	5,436,585	5,436,585
-	-	33	33	33
-	-	13,175,863	13,175,863	13,175,863
101,539	101,539	361,795,808	361,795,808	361,897,347
-	-	321	321	321
-	-	13,168	13,168	13,168
-	-	46,771	46,771	46,771
-	-	11,525	11,525	11,525
-	-	6,763	6,763	6,763
-	-	40,284	40,284	40,284
-	-	118,832	118,832	118,832
$ 101,539	$ 101,539	$ 361,914,640	$ 361,914,640	$ 362,016,179

SCHEDULE 4 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SEVERANCE TAX BOND DEBT SERVICE FUNDS

Year Ended June 30, 2019

	SHARE Fund	Interest Income	Severance Taxes	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2009-A Series - Debt Service	10750	$ 178,834	$ -	$ -	$ -	$ -
2010-A Series - Debt Service	10950	77,660	-	-	-	-
2010-B Series - Debt Service	10960	19,831	-	-	-	-
2010-C Series - Debt Service	11190	4	-	-	-	-
2010-D Series - Debt Service	11280	21	-	-	-	-
Series 2013A	11770	161,772	-	-	-	-
Series 2014A	12160	279,271	-	-	-	-
2011A-1 Series	30830	32,509	-	-	-	-
2011A-2 Series Refunding	30820	65,638	-	-	-	-
2012A - Series	11480	46,388	-	-	-	-
2004-B Series Debt Service	18300	8	-	-	-	-
2005-B1 Series Debt Service	38800	234	-	-	-	-
Severance Tax Bonding	41000	14,622,966	672,441,063	-	759,100	759,100
2005-A Series -Debt Service	41200	2,727	-	-	-	-
Series 2016A & Refunding Series 2016B	43230	670,815	-	-	-	-
2003-B Series-Debt Service	48400	230	-	-	-	-
Series 2015B	50170	270,777	-	-	-	-
Series 2015A	50180	685,074	-	-	-	-
Series 2016C	50450	157,893	-	-	-	-
2007-A Series-Debt Service	53700	1,071	-	-	-	-
2005-B2 Series Debt Service	57100	143	-	-	-	-
2008A-1 Debt Service	72010	8,672	-	-	-	-
2008A-2 Debt Service	72070	27	-	-	-	-
2006-A Series Debt Service	96300	735	-	-	-	-
2016D Series Debt Service	43160	333,994	-	-	-	-
2016E Series Debt Service	43290	166,913	-	-	-	-
2017A Series Debt Service	50370	1,207,698	-	-	-	-
2017SC Series Debt Service	67980	-	-	-	-	-
2018A Series Debt Service	20660	2,136,276	-	-	-	-
Total Debt Service		21,128,181	672,441,063	-	759,100	759,100
2004-B Series-Rebate	41100	-	-	-	-	-
2003-B Supp-Rebate	42000	-	-	-	-	-
2005-A Series-Rebate	48300	-	-	-	-	-
2005-B1 Series-Rebate	57000	-	-	-	-	-
2005-B2 Series-Rebate	96000	-	-	-	-	-
2006-A Series-Rebate	96400	-	-	-	-	-
Total Rebate Accounts		-	-	-	-	-
COMBINED TOTAL		$ 21,128,181	$ 672,441,063	$ -	$ 759,100	$ 759,100

Excess (Deficiency) of Revenues Over (Under) Expenditures	Transfers (to) from Other State Agencies	Interfund Transfers	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Beginning Fund Balance	Fund Balances June 30, 2019
$ 178,834	$ (19,067,375)	$ 19,357,145	$ 289,770	$ 468,604	$ 18,608,193	$ 19,076,797
77,660	(16,610,125)	16,902,565	292,440	370,100	15,821,849	16,191,949
19,831	(11,781,175)	11,839,883	58,708	78,539	11,284,880	11,363,419
4	-	-	-	4	223	227
21	-	-	-	21	1,233	1,254
161,772	(15,856,750)	-	(15,856,750)	(15,694,978)	15,865,749	170,771
279,271	(14,093,625)	16,172,672	2,079,047	2,358,318	13,727,025	16,085,343
32,509	(3,955,600)	3,711,718	(243,882)	(211,373)	3,814,476	3,603,103
65,638	(17,040,625)	-	(17,040,625)	(16,974,987)	17,041,458	66,471
46,388	(8,163,000)	8,289,303	126,303	172,691	7,424,395	7,597,086
8	-	-	-	8	98	106
234	-	-	-	234	2,124	2,358
686,304,929	(497,634,101)	(165,181,461)	(662,815,562)	23,489,367	184,499,869	207,989,236
2,727	-	-	-	2,727	112,356	115,083
670,815	(11,193,300)	22,752,563	11,559,263	12,230,078	5,637,821	17,867,899
230	-	-	-	230	242	472
270,777	(9,360,500)	9,738,169	377,669	648,446	8,016,179	8,664,625
685,074	(16,765,250)	18,296,157	1,530,907	2,215,981	14,060,095	16,276,076
157,893	(10,444,500)	14,590,248	4,145,748	4,303,641	10,172,051	14,475,692
1,071	-	-	-	1,071	62,509	63,580
143	-	-	-	143	1,562	1,705
8,672	-	-	-	8,672	188,709	197,381
27	-	-	-	27	355	382
735	-	-	-	735	2,642	3,377
333,994	(1,336,250)	1,001,528	(334,722)	(728)	689,436	688,708
166,913	(2,779,579)	2,692,184	(87,395)	79,518	2,600,709	2,680,227
1,207,698	(4,960,375)	5,852,543	892,168	2,099,866	3,336,719	5,436,585
-	-	-	-	-	33	33
2,136,276	(3,115,067)	13,984,783	10,869,716	13,005,992	169,871	13,175,863
692,810,144	(664,157,197)	-	(664,157,197)	28,652,947	333,142,861	361,795,808
-	-	-	-	-	321	321
-	-	-	-	-	13,168	13,168
-	-	-	-	-	46,771	46,771
-	-	-	-	-	11,525	11,525
-	-	-	-	-	6,763	6,763
-	-	-	-	-	40,284	40,284
-	-	-	-	-	118,832	118,832
$ 692,810,144	$ (664,157,197)	$ -	$ (664,157,197)	$ 28,652,947	$ 333,261,693	$ 361,914,640

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
GENERAL FUND INVESTMENT POOL:					
Fiscal agent bank account	0.000%	N/A	$ 63,066,954	$ 63,066,954	$ -
Cash in banks	Various	Various	584,445,019	584,445,019	-
Repurchase agreements	Various	Various	2,026,073,516	2,026,073,516	-
Certificates of deposit	Various	Various	16,000,000	16,000,000	-
Investment in LGIP	Various	Various	789,442	789,442	-
Municipal bonds:					
ALBUQUERQUE PUBLIC SCHOOLS-GENERAL OBLIGATION	0.000%	07/18/2019	15,000,000	15,000,000	-
CITY OF ALBUQUERQUE - GENERAL OBLIGATION BOND	0.000%	07/01/2019	7,150,000	7,150,000	-
NEW MEXICO FIN AUTH REV REVOLVING FD REV BDS	5.000%	06/15/2020	669,437	667,394	(2,043)
NEW MEXICO FIN AUTH REV SUB LIEN PUB PROJ	2.135%	06/15/2020	390,000	389,957	(43)
NEW MEXICO FIN AUTH REV SUB PUB PROJ REVOLVING	2.766%	06/15/2020	300,000	301,740	1,740
PP -CNM TAXABLE-GENERAL OBLIGATION BONDS,SERIES 2018B	1.000%	8/15/2019	6,000,000	6,000,000	-
PP- CNM TAXABLE-GENERAL OBLIGATION BONDS, SERIES 2018B	3.000%	8/15/2020	2,000,000	2,000,000	-
Total municipal bonds			31,509,437	31,509,091	(346)
Corporate bonds:					
3M CO CALLABLE MEDIUM TERM NOTE FIXED 3%	3.000%	09/14/2021	3,993,904	4,075,840	81,936
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	1.500%	09/12/2019	9,999,135	9,984,621	(14,514)
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	1.800%	05/11/2020	2,499,253	2,491,544	(7,709)
APPLE INC CALLABLE NOTES FIXED 2.85% 06/MAY/2021	2.850%	05/06/2021	14,515,463	14,636,038	120,575
BANK OF NEW YORK MELLON/THE CALLABLE MEDIUM TERM	2.783%	06/04/2021	7,000,000	7,003,920	3,920
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,499,658	2,494,650	(5,008)
PFIZER INC CALLABLE NOTES FIXED 2.8% 11/MAR/2022	2.800%	03/11/2022	4,999,729	5,093,908	94,179
PFIZER INC CALLABLE NOTES FIXED 3% 15/SEP/2021 USD	3.000%	09/15/2021	4,995,011	5,100,050	105,039
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	2.650%	04/12/2022	17,989,456	18,223,501	234,045
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	3.050%	01/08/2021	20,080,166	20,275,000	194,834
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2.125%	10/28/2019	5,987,983	5,998,653	10,670
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2.350%	01/23/2020	3,889,685	3,900,944	11,259
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	2.650%	05/23/2022	6,992,832	7,099,820	106,988
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3.000%	02/04/2021	6,016,417	6,072,720	56,303
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3.050%	07/24/2020	1,999,482	2,016,680	17,198
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3.450%	11/16/2021	9,988,958	10,302,926	313,968
US BANK NA/CINCINNATI OH CALLABLE NOTES FIXED 2%	2.000%	01/24/2020	4,997,968	4,993,900	(4,068)
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	2.573%	06/23/2021	3,000,000	3,006,810	6,810
WELLS FARGO BANK NA MEDIUM TERM NOTE VARIABLE	2.827%	01/15/2020	7,000,000	7,006,117	6,117
Total corporate bonds			138,445,100	139,777,642	1,332,542

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Discounted notes:					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	75,255,349	75,194,318	(61,031)
RESOLUTION FUNDING CORP BOND ZERO CPN 15/JUL/2019	0.000%	07/15/2019	24,973,449	24,974,750	1,301
RESOLUTION FUNDING CORP BOND ZERO CPN 15/OCT/2019	0.000%	10/15/2019	50,405,639	50,455,689	50,050
TENNESSEE VALLEY AUTHORITY BOND ZERO CPN	0.000%	03/15/2023	2,752,450	2,763,330	10,880
UNITED STATES OF AMERICA BILL ZERO CPN 27/FEB/2020	0.000%	02/27/2020	19,668,734	19,739,200	70,466
Total discounted notes			173,055,621	173,127,287	71,666
Commerical paper:					
PRIVATE EXP. FUNDING CORPORATE COMMERCIAL PAPER	0.000%	08/06/2019	19,947,451	19,948,368	917
Total commerical paper			19,947,451	19,948,368	917
Bankers acceptance notes:					
US BANK N.A. BANKERS' ACCEPTANCE DISCOUNT DTD	0.000%	10/29/2019	8,429,575	8,429,575	-
US BANK N.A. BANKERS' ACCEPTANCE DISCOUNT DTD	2.580%	07/15/2019	2,996,676	2,996,676	-
Total bankers acceptance notes			11,426,251	11,426,251	-
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	07/31/2019	15,991,652	15,981,760	(9,892)
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	03/31/2020	33,684,365	33,528,600	(155,765)
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	09/30/2021	24,341,184	24,670,000	328,816
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	04/30/2020	40,228,690	40,286,565	57,875
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	04/30/2021	17,162,106	17,370,850	208,744
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	08/31/2020	24,649,301	24,845,750	196,449
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	09/30/2020	62,089,936	62,596,170	506,234
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	05/15/2020	19,779,342	19,911,800	132,458
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	10/31/2019	24,495,069	24,449,285	(45,784)
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	07/31/2020	20,015,969	19,933,600	(82,369)
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	12/31/2019	22,888,025	22,945,260	57,235
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	05/31/2022	19,996,709	20,013,200	16,491
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	09/30/2022	19,836,626	20,014,000	177,374
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	10/31/2020	41,153,720	40,929,480	(224,240)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	11/30/2021	44,021,679	45,013,950	992,271
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	12/31/2020	20,108,245	19,973,400	(134,845)
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	01/31/2022	9,863,198	10,035,200	172,002
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	02/28/2022	24,590,175	25,092,750	502,575
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	03/31/2022	24,391,060	25,110,250	719,190
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	08/31/2022	68,827,184	70,314,300	1,487,116

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	01/15/2021	49,578,682	50,125,000	546,318
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	04/30/2024	17,636,242	17,690,750	54,508
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	07/31/2020	24,826,179	25,016,500	190,321
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	07/31/2022	20,072,564	20,165,600	93,036
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2020	20,060,377	20,041,400	(18,977)
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2022	19,909,011	20,180,400	271,389
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	12/31/2021	24,790,978	25,168,000	377,022
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	02/29/2024	30,755,239	31,510,880	755,641
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	06/30/2022	20,153,480	20,236,000	82,520
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	08/31/2020	28,836,387	29,067,860	231,473
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	11/30/2023	24,461,842	25,399,500	937,658
UNITED STATES OF AMERICA NOTES FIXED 2.25%	2.250%	01/31/2024	27,774,489	28,607,040	832,551
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	01/31/2023	24,625,144	25,558,500	933,356
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	03/15/2021	29,910,003	30,289,500	379,497
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	04/15/2021	24,895,954	25,254,000	358,046
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	05/15/2024	14,279,780	14,480,760	200,980
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	05/31/2020	24,926,506	25,110,250	183,744
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	44,885,335	45,235,350	350,015
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	19,985,227	20,333,600	348,373
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	07/15/2021	24,901,461	25,432,750	531,289
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	08/31/2020	24,991,447	25,205,000	213,553
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	12/15/2021	24,927,402	25,547,750	620,348
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	07/31/2023	19,950,106	20,792,200	842,094
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	08/15/2021	24,992,315	25,516,500	524,185
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	08/31/2023	24,985,340	26,009,750	1,024,410
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	09/15/2021	24,962,246	25,554,750	592,504
UNITED STATES OF AMERICA NOTES FIXED 2.875%	2.875%	10/15/2021	19,948,587	20,508,600	560,013
Total treasury securities			1,270,094,887	1,287,102,760	17,007,873
Federal Farm Credit Banks (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED 1.77%	1.770%	06/26/2023	20,042,083	20,062,210	20,127
FEDERAL FARM CREDIT BANKS BOND FIXED 1.8%	1.800%	11/12/2019	8,000,109	7,989,840	(10,269)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.9%	1.900%	07/01/2024	11,595,427	11,596,548	1,121
FEDERAL FARM CREDIT BANKS BOND FIXED 2.54%	2.540%	04/05/2021	11,716,088	11,861,582	145,494
FEDERAL FARM CREDIT BANKS BOND FIXED 2.55%	2.550%	03/01/2022	25,014,737	25,480,500	465,763
FEDERAL FARM CREDIT BANKS BOND FIXED 2.875%	2.875%	12/21/2023	16,261,757	16,785,377	523,620
FEDERAL FARM CREDIT BANKS BOND FIXED 3%	3.000%	12/06/2023	31,292,253	32,620,084	1,327,831
FEDERAL FARM CREDIT BANKS BOND FIXED 3.05%	3.050%	11/06/2023	21,931,435	23,074,480	1,143,045
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.690%	05/20/2022	6,000,000	6,015,300	15,300
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.386%	04/11/2022	15,000,000	15,004,050	4,050
Total Federal Farm Credit Banks			166,853,889	170,489,971	3,636,082

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED 1.125%	1.125%	07/14/2021	4,989,781	4,937,700	(52,081)
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	02/18/2021	33,925,828	33,750,440	(175,388)
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	09/28/2020	6,990,742	6,953,800	(36,942)
FEDERAL HOME LOAN BANKS BOND FIXED 2.25%	2.250%	03/11/2022	2,000,717	2,024,660	23,943
FEDERAL HOME LOAN BANKS BOND FIXED 2.5%	2.500%	03/11/2022	34,744,521	35,126,865	382,344
FEDERAL HOME LOAN BANKS BOND FIXED 2.625%	2.625%	10/01/2020	4,993,416	5,042,850	49,434
FEDERAL HOME LOAN BANKS BOND FIXED 2.75%	2.750%	03/10/2023	25,069,122	25,729,500	660,378
FEDERAL HOME LOAN BANKS BOND FIXED 2.875%	2.875%	06/14/2024	20,950,419	20,942,600	(7,819)
FEDERAL HOME LOAN BANKS BOND FIXED 3.375%	3.375%	12/08/2023	46,507,491	48,406,085	1,898,594
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.6%	1.600%	09/24/2019	498,712	499,280	568
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 2.15%	2.150%	09/26/2022	20,568,725	20,984,670	415,945
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 2.19%	2.190%	11/28/2022	12,399,768	12,480,125	80,357
Total Federal Home Loan Banks			213,639,242	216,878,575	3,239,333
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.700%	11/27/2019	1,445,639	1,448,043	2,404
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.000%	06/29/2021	2,618,294	2,620,865	2,571
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.000%	06/30/2021	4,998,987	5,005,150	6,163
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.500%	10/29/2020	1,749,243	1,750,455	1,212
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.000%	11/27/2020	3,987,646	3,998,320	10,674
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	2.900%	05/09/2024	25,000,000	25,016,000	16,000
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	2.750%	04/12/2022	25,000,000	25,003,500	3,500
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2.5%	2.500%	04/23/2020	2,999,730	3,013,140	13,410
Total Federal Home Loan Mortgage Corporation			67,799,539	67,855,473	55,934
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES	2.620%	07/30/2019	20,000,000	20,002,000	2,000
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	08/02/2019	4,999,749	4,993,950	(5,799)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.300%	09/20/2019	997,371	997,830	459
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.375%	10/07/2021	4,996,117	4,950,250	(45,867)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	07/30/2020	19,977,807	19,900,200	(77,607)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	14,002,986	13,979,560	(23,426)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.500%	02/05/2024	25,902,810	26,781,300	878,490
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.500%	04/13/2021	19,982,005	20,233,400	251,395
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	19,996,921	20,361,200	364,279
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.875%	09/12/2023	24,912,846	26,037,250	1,124,404
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.875%	10/30/2020	19,992,187	20,254,000	261,813
Total Federal National Mortgage Corporation			175,760,799	178,490,940	2,730,141

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Agricultural Mortgage Corp. (FAGM)					
FEDERAL AGRICULTURAL MORTGAGE CORP CALLABLE MEDIUM	3.600%	11/15/2023	5,000,000	5,020,700	20,700
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.800%	06/28/2022	14,000,000	13,925,265	(74,735)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/01/2022	9,998,388	9,988,800	(9,588)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/18/2019	12,999,445	12,994,930	(4,515)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.150%	06/05/2024	10,055,667	10,060,300	4,633
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.250%	11/01/2022	24,995,145	25,245,500	250,355
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.620%	02/26/2024	5,000,000	5,135,350	135,350
Total Federal Agricultural Mortgage Corporation			82,048,645	82,370,845	322,200
Miscellaneous government securities					
UNITED STATES DEPARTMENT OF HOUSING AND URBAN	2.547%	08/01/2022	4,000,000	4,086,200	86,200
UNITED STATES DEPARTMENT OF HOUSING AND URBAN	2.618%	08/01/2023	4,000,000	4,077,120	77,120
Total miscellaneous government securities			8,000,000	8,163,320	163,320
Total U.S. government securities			1,984,197,001	2,011,351,884	27,154,883
Total General Fund Investment Pool (State Funds Investment Pool)			$ 5,048,955,792	$ 5,077,515,454	$ 28,559,662

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
LOCAL GOVERNMENT INVESTMENT POOL:					
Bank accounts:					
BANK OF THE WEST	Variable	N/A	$ 19,247,686	$ 19,247,686	$ -
BBVA COMPASS BANK	Variable	N/A	19,159,601	19,159,601	-
WELLS FARGO CHECKING	0.15%	N/A	15,241,118	15,241,118	-
Total bank accounts			53,648,405	53,648,405	-
Repurchase agreements	Various	Various	222,000,000	222,000,000	-
Discounted notes:					
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/10/2019	3,997,373	3,997,800	427
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/26/2019	9,982,798	9,984,722	1,924
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	09/25/2019	14,962,460	14,965,929	3,469
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	07/02/2019	8,947,436	8,953,560	6,124
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	09/18/2019	19,997,312	19,998,778	1,466
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	08/07/2019	9,947,948	9,952,600	4,652
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	16,092,189	16,093,619	1,430

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
TENNESSEE VALLEY AUTHORITY DISCOUNT NOTES ZERO CPN	0.000%	07/17/2019	19,978,939	19,980,440	1,501
UNITED STATES OF AMERICA BILL ZERO CPN 09/JUL/2019	0.000%	07/09/2019	29,983,580	29,987,100	3,520
UNITED STATES OF AMERICA BILL ZERO CPN 15/AUG/2019	0.000%	08/15/2019	24,923,279	24,934,500	11,221
UNITED STATES OF AMERICA BILL ZERO CPN 19/SEP/2019	0.000%	09/19/2019	9,945,769	9,953,800	8,031
UNITED STATES OF AMERICA BILL ZERO CPN 22/AUG/2019	0.000%	08/22/2019	24,910,716	24,924,250	13,534
UNITED STATES OF AMERICA BILL ZERO CPN 25/JUL/2019	0.000%	07/25/2019	19,967,730	19,974,000	6,270
Total discounted notes			213,637,529	213,701,098	63,569
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	07/31/2019	19,983,970	19,989,600	5,630
UNITED STATES OF AMERICA NOTES VARIABLE	2.096%	01/31/2020	9,998,205	9,995,100	(3,105)
UNITED STATES OF AMERICA NOTES VARIABLE	2.211%	01/31/2021	14,987,508	14,986,350	(1,158)
UNITED STATES OF AMERICA NOTES VARIABLE	2.235%	04/30/2021	9,999,732	9,992,000	(7,732)
Total treasury securities			54,969,415	54,963,050	(6,365)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.125%	09/06/2019	1,496,191	1,496,745	554
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.250%	08/23/2019	1,002,890	1,003,402	512
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.260%	08/02/2019	2,497,404	2,497,575	171
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES	2.660%	01/30/2020	3,572,158	3,573,284	1,126
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES	2.570%	10/30/2019	10,000,000	10,002,200	2,200
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	02/28/2020	4,101,419	4,113,145	11,726
Total Federal National Mortgage Association			22,670,062	22,686,351	16,289
Federal Farm Credit Bank (FFCB):					
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.590%	12/11/2019	10,003,106	10,009,400	6,294
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.605%	01/15/2021	8,000,000	7,997,520	(2,480)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.365%	09/20/2019	4,999,776	4,999,550	(226)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.435%	12/26/2019	9,999,754	9,997,300	(2,454)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.600%	03/26/2020	5,000,000	5,002,850	2,850
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.510%	02/28/2020	4,999,832	4,999,800	(32)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.440%	04/16/2021	10,000,000	9,992,700	(7,300)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.480%	06/03/2021	10,000,000	9,989,800	(10,200)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.414%	08/24/2020	16,806,198	16,797,606	(8,592)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	2.141%	08/17/2020	9,998,868	9,995,700	(3,168)
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED	1.080%	07/12/2019	19,992,552	19,992,600	48
Total Federal Farm Credit Bank			109,800,086	109,774,826	(25,260)

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Bank (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED 1.38%	1.380%	10/22/2019	995,823	997,300	1,477
FEDERAL HOME LOAN BANKS BOND FIXED 2% 13/SEP/2019	2.000%	09/13/2019	998,813	999,450	637
FEDERAL HOME LOAN BANKS BOND FIXED 2.405%	2.405%	07/05/2019	9,999,886	10,000,200	314
FEDERAL HOME LOAN BANKS BOND FIXED 2.45%	2.450%	10/11/2019	14,569,154	14,578,159	9,005
FEDERAL HOME LOAN BANKS BOND FIXED 4.125%	4.125%	12/13/2019	1,006,798	1,008,820	2,022
FEDERAL HOME LOAN BANKS BOND VARIABLE 01/OCT/2020	2.605%	10/01/2020	4,000,000	4,000,480	480
FEDERAL HOME LOAN BANKS BOND VARIABLE 09/OCT/2019	2.530%	10/09/2019	9,000,000	8,999,190	(810)
FEDERAL HOME LOAN BANKS BOND VARIABLE 10/SEP/2019	2.560%	09/10/2019	20,000,000	20,000,200	200
FEDERAL HOME LOAN BANKS BOND VARIABLE 27/MAR/2020	2.565%	03/27/2020	10,000,000	10,002,200	2,200
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 2.51%	2.510%	04/02/2020	10,000,000	10,000,100	100
FEDERAL HOME LOAN BANKS CALLABLE BOND STEP CPN	1.500%	03/13/2020	3,974,515	3,982,080	7,565
Total Federal Home Loan Bank			84,544,989	84,568,179	23,190
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.510%	04/02/2020	10,000,000	10,000,100	100
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.800%	04/13/2020	9,953,686	9,974,700	21,014
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	2.550%	05/01/2020	10,000,000	10,000,200	200
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1.25%	1.250%	10/02/2019	4,983,934	4,987,900	3,966
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1.375%	1.375%	08/15/2019	4,544,019	4,544,543	524
Total Federal Home Loan Mortgage Corporation			39,481,639	39,507,443	25,804
Total U.S. governmental securities			311,466,191	311,499,849	33,658
Total Local Government Investment Pool (Short-term Investment Pool)			$ 800,752,125	$ 800,849,352	$ 97,227

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
BOND PROCEEDS INVESTMENT POOL #2 (TAXABLE):					
Repurchase agreements	Various	Various	$ 78,713,351	$ 78,713,351	$ -
Certificates of deposit	Various	Various	7,700,000	7,700,000	-
Municipal Bonds:					
BELEN N MEX CONS SCH DIST NO 2 GO BDS A	2.000%	08/01/2019	315,255	315,132	(123)
BELEN N MEX CONS SCH DIST NO 2 GO BDS B	2.000%	08/01/2019	535,434	535,225	(209)
Total municipal bonds			850,689	850,357	(332)

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Corporate bonds:					
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	1.800%	05/11/2020	2,499,253	2,491,544	(7,709)
MICROSOFT CORP CALLABLE NOTES FIXED 2% 03/NOV/2020	2.000%	11/03/2020	9,291,441	9,266,090	(25,351)
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,369,451	2,374,907	5,456
PROCTER & GAMBLE CO/THE CALLABLE NOTES FIXED 1.75%	1.750%	10/25/2019	1,999,887	1,997,539	(2,348)
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE FIXED	3.050%	01/08/2021	5,020,042	5,068,750	48,708
TOYOTA MOTOR CREDIT CORP MEDIUM TERM NOTE VARIABLE	2.786%	04/26/2021	1,961,330	1,956,031	(5,299)
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	1.950%	04/17/2020	2,499,689	2,495,200	(4,489)
Total corporate bonds:			25,641,093	25,650,061	8,968
Discounted notes:					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	24,869,485	24,843,500	(25,985)
Total discounted notes			24,869,485	24,843,500	(25,985)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	08/31/2021	14,582,623	14,800,800	218,177
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	08/31/2020	14,802,210	14,907,450	105,240
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	09/30/2020	14,789,951	14,903,850	113,899
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	05/15/2020	14,858,089	14,933,850	75,761
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	07/15/2020	4,945,229	4,976,950	31,721
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	03/15/2020	4,969,300	4,985,350	16,050
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	10/15/2020	11,864,955	11,961,600	96,645
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	12/31/2019	14,926,973	14,964,300	37,327
UNITED STATES OF AMERICA NOTES FIXED 1.875%	1.875%	01/31/2022	14,789,665	15,052,800	263,135
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	01/15/2021	4,973,051	5,012,500	39,449
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2020	19,846,129	20,041,400	195,271
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	03/15/2021	10,022,488	10,096,500	74,012
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	04/30/2020	9,967,237	10,029,300	62,063
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	24,991,171	25,130,750	139,579
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	9,992,614	10,166,800	174,186
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	07/15/2021	19,976,335	20,346,200	369,865
UNITED STATES OF AMERICA NOTES FIXED 2.875%	2.875%	10/15/2021	4,987,147	5,127,150	140,003
Total treasury securities			215,285,167	217,437,550	2,152,383
Federal Farm Credit Banks (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED 1.75%	1.750%	07/01/2022	19,958,865	19,956,640	(2,225)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.77%	1.770%	06/26/2023	22,235,160	22,235,408	248
FEDERAL FARM CREDIT BANKS BOND FIXED 1.95%	1.950%	06/13/2024	10,000,397	10,027,300	26,903
FEDERAL FARM CREDIT BANKS BOND FIXED 2.8%	2.800%	12/17/2021	8,620,079	8,770,154	150,075
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED	1.950%	03/08/2021	1,972,090	1,994,720	22,630
Total Federal Farm Credit Banks			62,786,591	62,984,222	197,631

State of New Mexico
Office of the State Treasurer

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	08/05/2019	7,499,530	7,488,319	(11,211)
FEDERAL HOME LOAN BANKS BOND FIXED 2.125%	2.125%	02/11/2020	9,976,222	9,998,489	22,267
FEDERAL HOME LOAN BANKS BOND FIXED 2.32%	2.320%	12/19/2019	2,995,274	3,001,050	5,776
FEDERAL HOME LOAN BANKS BOND FIXED 2.5%	2.500%	03/11/2022	10,072,025	10,181,700	109,675
FEDERAL HOME LOAN BANKS BOND FIXED 2.625%	2.625%	10/01/2020	4,993,416	5,042,850	49,434
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.2%	1.200%	07/26/2019	1,498,438	1,498,815	377
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.625%	1.625%	11/26/2021	487,975	494,150	6,175
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.65%	1.650%	09/24/2019	2,000,889	1,997,260	(3,629)
Total Federal Home Loan Banks			39,523,769	39,702,633	178,864
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.150%	07/26/2019	998,952	999,220	268
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.650%	07/10/2020	5,080,000	5,069,434	(10,566)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.750%	08/28/2020	991,939	998,220	6,281
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	2.000%	06/30/2021	3,664,257	3,668,775	4,518
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	2.900%	05/09/2024	5,000,000	5,003,200	3,200
Total Federal Home Loan Mortgage Corporation			15,735,148	15,738,849	3,701
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	07/28/2020	1,966,355	1,982,880	16,525
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	10/18/2019	348,383	348,975	592
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	12/30/2019	5,000,000	4,977,150	(22,850)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	2.000%	02/07/2020	5,231,621	5,193,760	(37,861)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	10/24/2019	4,998,575	4,981,550	(17,025)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	09/12/2019	24,996,258	24,974,250	(22,008)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	20,001,870	19,970,800	(31,070)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	9,998,456	10,180,600	182,144
Total Federal National Mortgage Corporation			72,541,518	72,609,965	68,447
Miscellaneous government securities					
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.189%	03/25/2020	12,500,000	12,495,250	(4,750)
Total miscellaneous government securities			12,500,000	12,495,250	(4,750)
Total U.S. government securities			418,372,193	420,968,469	2,596,276
Total Bond Porceeds Investment Pool #2 (Taxable) (Part 1 of the Consolidated Investment Pool)			$ 556,146,811	$ 558,725,738	$ 2,578,927

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
BOND PROCEEDS INVESTMENT POOL #1 (TAX EXEMPT):					
Repurchase agreements	Various	Various	$ 137,213,133	$ 137,213,133	$ -
Corporate bonds:					
APPLE INC CALLABLE NOTES FIXED 1.55% 07/FEB/2020	1.550%	02/07/2020	317,029	317,673	644
APPLE INC CALLABLE NOTES FIXED 1.5% 12/SEP/2019	1.500%	09/12/2019	9,999,135	9,984,621	(14,514)
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,499,658	2,494,650	(5,008)
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	1.950%	04/17/2020	2,499,689	2,495,200	(4,489)
WALMART INC CALLABLE NOTES FIXED 1.75% 09/OCT/2019	1.750%	10/09/2019	1,999,994	1,996,523	(3,471)
WALMART INC NOTES VARIABLE 23/JUN/2021 USD 1000	2.573%	06/23/2021	4,000,000	4,009,080	9,080
Total corporate bonds:			21,315,505	21,297,747	(17,758)
Discounted notes:					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	27,938,496	27,889,313	(49,183)
RESOLUTION FUNDING CORP BOND ZERO CPN 15/OCT/2019	0.000%	10/15/2019	9,924,915	9,933,200	8,285
Total discounted notes			37,863,411	37,822,513	(40,898)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	03/31/2021	19,868,837	19,812,600	(56,237)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	07/31/2019	20,000,493	19,985,400	(15,093)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	08/31/2020	9,983,494	9,938,300	(45,194)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	06/15/2020	29,998,767	29,867,700	(131,067)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	07/15/2020	4,945,229	4,976,950	31,721
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	12/31/2020	10,024,373	9,986,700	(37,673)
UNITED STATES OF AMERICA NOTES FIXED 2.5%	2.500%	06/30/2020	24,990,779	25,130,750	139,971
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	06/15/2021	4,996,307	5,083,400	87,093
UNITED STATES OF AMERICA NOTES FIXED 2.625%	2.625%	07/15/2021	14,984,024	15,259,650	275,626
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	08/15/2021	9,996,926	10,206,600	209,674
UNITED STATES OF AMERICA NOTES FIXED 2.875%	2.875%	10/15/2021	4,987,147	5,127,150	140,003
Total treasury securities			154,776,376	155,375,200	598,824
Federal Farm Credit Bank (FFCB):					
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED	2.140%	03/16/2021	2,670,173	2,700,054	29,881
Total Federal Farm Credit Bank			2,670,173	2,700,054	29,881
Federal Home Loan Bank (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	08/05/2019	7,499,530	7,488,319	(11,211)
FEDERAL HOME LOAN BANKS BOND FIXED 1% 26/SEP/2019	1.000%	09/26/2019	4,999,658	4,985,040	(14,618)
FEDERAL HOME LOAN BANKS BOND FIXED 1.875%	1.875%	03/13/2020	10,056,336	9,984,500	(71,836)
FEDERAL HOME LOAN BANKS BOND FIXED 2.625%	2.625%	10/01/2020	4,993,416	5,042,850	49,434
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.75%	1.750%	07/30/2020	5,000,000	4,988,400	(11,600)
Total Federal Home Loan Bank			32,548,940	32,489,109	(59,831)

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.125%	10/11/2019	4,999,402	4,985,200	(14,202)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.250%	03/27/2020	997,729	994,250	(3,479)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.260%	08/02/2019	10,523,057	10,514,790	(8,267)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.320%	10/22/2019	1,999,365	1,994,680	(4,685)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.400%	06/05/2020	1,002,311	994,400	(7,911)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.400%	11/26/2019	1,500,093	1,495,680	(4,413)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.625%	03/27/2020	1,269,900	1,261,091	(8,809)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.650%	01/27/2020	4,974,137	4,985,550	11,413
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	02/28/2020	9,998,566	9,961,600	(36,966)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.750%	06/22/2021	9,998,456	10,180,600	182,144
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	2.875%	09/12/2023	4,982,569	5,207,450	224,881
Total Federal National Mortgage Association			52,245,585	52,575,291	329,706
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.400%	08/22/2019	4,998,663	4,993,900	(4,763)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.500%	09/24/2018	2,000,235	1,999,260	(975)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.800%	07/18/2019	3,724,212	3,740,513	16,301
FEDERAL HOME LOAN MORTGAGE CORP MEDIUM TERM NOTE	1.500%	10/30/2018	4,999,949	4,982,300	(17,649)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1.375%	1.375%	08/10/2018	24,998,054	24,970,017	(28,037)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2.5%	2.500%	12/28/2018	4,999,549	5,021,900	22,351
Total Federal Home Loan Mortgage Corporation			45,720,662	45,707,890	(12,772)
Miscellaneous government securities:					
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	2.189%	03/25/2020	12,500,000	12,495,250	(4,750)
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/01/2022	4,999,194	4,994,400	(4,794)
Total miscellaneous government securities			17,499,194	17,489,650	(9,544)
Total U.S. governmental securities			305,460,930	306,337,194	876,264
Total Bond Proceeds Investment Pool #1 (Tax Exempt) (Part 2 of the Consolidated Investment Pool)			$ 501,852,979	$ 502,670,587	$ 817,608

SCHEDULE 5 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2019

Security Description	Book Value	Market Value	Unrealized Gain (Loss)
Local Government Investment Pool (Short-term Investment Pool)	$ 800,752,125	$ 800,849,352	$ 97,227
General Fund Investment Pool (State Funds Investment Pool)	5,048,955,792	5,077,515,454	28,559,662
Bond Proceeds Taxable (Consolidated Investment Pool)	556,146,811	558,725,738	2,578,927
Bond Proceeds Tax Exempt (Consolidated Investment Pool)	501,852,979	502,670,587	817,608
Grand total of all funds	$ 6,907,707,707	$ 6,939,761,131	$ 32,053,424

Reconciliation to financial statements:

Total investments per schedule of investments	$ 6,939,761,131
Less: Interfund investments in Local Government Investment Pool, General fund investment pool	(789,442)
Total interfund investments	(789,442)
Total cash and investments, Statement of Fiduciary Net Position	$ 6,938,971,689

* Amounts are deducted from respective pools.

State of New Mexico
Office of the State Treasurer

SCHEDULE 6 - COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Investment Trust Funds			
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	Total
ASSETS				
Cash and investments:				
Fiscal agent bank account	$ -	$ -	$ 63,066,954	$ 63,066,954
Cash in banks	53,648,405	-	584,445,019	638,093,424
Certificates of Deposit	-	7,700,000	16,000,000	23,700,000
Government bonds	311,499,849	727,305,663	2,011,351,884	3,050,157,396
Municipal bonds	-	850,357	31,509,091	32,359,448
Bank acceptances	-	-	11,426,251	11,426,251
Interfund investments	(789,442)	-	789,442	-
Repurchase agreements	222,000,000	215,926,484	2,026,073,516	2,464,000,000
Corporate bonds	-	46,947,808	139,777,642	186,725,450
Commercial paper	-	-	19,948,368	19,948,368
Discounted notes	213,701,098	62,666,013	173,127,287	449,494,398
Total cash and investments	800,059,910	1,061,396,325	5,077,515,454	6,938,971,689
Accrued Interest Receivable	1,283,524	3,973,924	12,278,365	17,535,813
TOTAL ASSETS	$ 801,343,434	$ 1,065,370,249	$ 5,089,793,819	$ 6,956,507,502
LIABILITIES				
Due to Broker	$ -	$ 19,958,865	$ 26,595,426	$ 46,554,291
TOTAL LIABILITIES	-	19,958,865	26,595,426	46,554,291
NET POSITION - HELD IN TRUST	801,343,434	1,045,411,384	5,063,198,393	6,909,953,211
TOTAL LIABILITIES AND NET POSITION	$ 801,343,434	$ 1,065,370,249	$ 5,089,793,819	$ 6,956,507,502

SCHEDULE 7 - COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2019

	Investment Trust Fund			
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	Total
Additions:				
Investment income	$ 19,186,169	$ 27,841,046	$ 125,334,799	$ 172,362,014
Deposits	27,202,179,385	370,729,273	52,301,033,240	79,873,941,898
Deductions:				
Expenses - management fees	(286,028)	-	-	(286,028)
Withdrawals	(27,148,968,342)	(498,515,345)	(50,266,898,085)	(77,914,381,772)
Subtotal of change in net position	72,111,184	(99,945,026)	2,159,469,954	2,131,636,112
Net position, held in trust for pool participants, June 30, 2018	729,232,250	1,145,356,410	2,903,728,439	4,778,317,099
Net position, held in trust for pool participants, June 30, 2019	$ 801,343,434	$ 1,045,411,384	$ 5,063,198,393	$ 6,909,953,211

State of New Mexico
Office of the State Treasurer

SCHEDULE 8 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

June 30, 2019

					Collateral Pledged			
Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Surety Bond Letter of Credit	Securities	Excess (Under)	Uninsured/ Uncollateralized
BANKS:								
Alamogordo								
(FHLB)	First National Bank	$ 65,883	$ 65,883	$ -	$ -	$ 728,253	$ 728,253	$ -
(FHLB)	Western Bank	3,600,000	250,000	1,675,000	2,000,000	-	325,000	1,350,000
Albuquerque								
(WFB)	Bank of America	298,193	250,000	24,097	-	49,414	25,318	-
	Bank of Albuquerque	-	-	-	40,000	-	40,000	-
(WFB)	Bank of the West	340,979,443	250,000	170,364,722	75,000,000	175,103,713	79,738,991	90,625,730
(WFB)	Compass Bank	236,197,941	250,000	117,973,971	131,000,000	-	13,026,029	104,947,941
(FHLB)	U.S. Bank N.A.	1,513,415	250,000	631,708	1,100,000	-	468,292	163,415
(WFB)	New Mexico Bank & Trust	177,208	177,208	-	-	308,288	308,288	-
(USB)	Wells Fargo Bank, N.A.	80,473,644	250,000	40,111,822	-	87,966,802	47,854,980	-
Artesia								
(FHLB)	First American Bank	2,531,841	250,000	1,140,921	-	1,454,481	313,560	827,360
Aztec								
	Citizens Bank	1,485	1,485	-	-	-	-	-
Belen								
(USB)	My Bank	351,277	250,000	50,639	250,000	-	199,361	-
Carlsbad								
(FHLB)	Carlsbad National Bank	600	600	-	-	-	-	-
(FHLB)	Western Commerce Bank	4,082,426	250,000	1,916,213	-	2,674,338	758,125	1,158,088
Clayton								
(FHLB)	Farmers & Stockmens Bank	7,544,748	250,000	3,647,374	3,870,000	-	222,626	3,424,748
(FHLB)	First National Bank of NM	5,604,798	250,000	2,677,399	2,500,000	419,025	241,626	2,435,773
Clovis								
(TIB)	Bank of Clovis	631,574	250,000	190,787	-	816,800	626,013	-
	Citizens Bank	10,517	10,517	-	-	-	-	-
(FHLB)	Western Bank	2,600,000	250,000	1,175,000	-	1,299,899	124,899	1,050,101
Hobbs								
(TIB)	Lea County State Bank	73,225	73,225	-	-	-	-	-
Las Vegas								
(FHLB)	Southwest Capital Bank	605,254	250,000	177,627	500,000	-	322,373	-
(FHLB)	Community First Bank LV	1,019,343	250,000	384,672	-	531,545	146,873	237,798
Subtotal		688,362,815	4,078,918	342,141,952	216,260,000	271,352,558	145,470,607	206,220,954

State of New Mexico
Office of the State Treasurer

SCHEDULE 8 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2019

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged: Surety Bond Letter of Credit	Collateral Pledged: Securities	Excess (Under)	Uninsured/ Uncollateralized
BANKS (Continued)								
Lordsburg								
(FHLB)	Western Bank	48,224	48,224	-	-	588,071	588,071	-
Los Alamos								
(FHLB)	Enterprise Bank & Trust	1,631	1,631	-	-	-	-	-
Raton								
(BBW)	International State Bank	57,901	57,901	-	-	-	-	-
Roswell								
(FHLB)	Bank of the Southwest	421,907	250,000	85,954	450,000	65,252	429,298	-
(TIB)	Valley Bank of Commerce	50,802	50,802	-	-	-	-	
Santa Fe								
(FHLB)	Century Bank	421	421	-	-	-	-	-
Socorro								
(BA)	First State Bank	64,921	64,921	-	-	-	-	-
Taos								
(TIB)	Centinel Bank	34,389	34,389	-	-	-	-	-
SAVINGS AND LOANS:								
Roswell								
(FHLB)	Washington Federal	50,876,411	250,000	25,313,206	-	46,173,955	20,860,749	4,452,456
ANCILLARY RECEIVERSHIP ACCOUNTS:								
Santa Fe								
(WFB)	Century Bank	1,449,351	250,000	599,676	-	1,198,860	599,184	491
FISCAL AGENT BANK:								
(USB)	Wells Fargo Bank N.A.	52,056,394	-	26,028,197	-	117,041,864	91,013,667	-
SUBTOTAL		105,062,352	1,008,289	52,027,033	450,000	165,068,002	113,490,969	4,452,947
TOTAL		$ 793,425,167	$ 5,087,207	$ 394,168,985	$ 216,710,000	$ 436,420,560	$ 258,961,576	$ 210,673,901

SCHEDULE 8 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2019

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged: Surety Bond Letter of Credit	Collateral Pledged: Securities	Excess (Under)	Uninsured/ Uncollateralized
Reconciliation to Note F:								
Fiscal agent account		$ 52,056,394	$ -	$ 26,028,197	$ -	$ 117,041,864	$ 91,013,667	$ -
Certificates of deposit		23,700,000	1,500,000	11,100,000	8,250,000	5,428,718	2,578,718	8,521,282
		75,756,394	1,500,000	37,128,197	8,250,000	122,470,582	93,592,385	8,521,282
Add:								
Agency deposits		716,219,422	3,337,207	356,441,112	208,460,000	312,751,118	164,770,007	202,152,128
Ancillary receivership accounts		1,449,351	250,000	599,676	-	1,198,860	599,184	491
		717,668,773	3,587,207	357,040,788	208,460,000	313,949,978	165,369,191	202,152,619
		$ 793,425,167	$ 5,087,207	$ 394,168,985	$ 216,710,000	$ 436,420,560	$ 258,961,576	$ 210,673,901

Custodial Banks:

(BBW)	Bankers Bank of the West
(FHLB)	Fed. Home Loan Bank Dallas
(TIB)	The Independent Bankers Bank
(USB)	US Bank
(WFB)	Wells Fargo Bank

Details of the collateral pledged are on file with the Office of the State Treasurer.

State of New Mexico
Office of the State Treasurer

SCHEDULE 8 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY – CONTINUED

June 30, 2019

REPURCHASE AGREEMENTS:

Name of Custodian	Location of Custodian	Repurchase Agreements per Financial Statement	Collateral Required	Collateral Pledged Mortgage Backed Securities (MBS) *	Issuer	CUSIP Number	Excess (Under) Collateralized
JP Morgan Chase	New York, NY	$ 417,000,000	$ 425,340,000	$ 425,340,000	GOVT	912828X70	$ -
JP Morgan Chase	New York, NY	668,037,500	681,398,250	681,735,734	GOVT	912828U24	337,484
JP Morgan Chase	New York, NY	192,080,000	195,921,600	196,000,000	GOVT	9128282A7	78,400
JP Morgan Chase	New York, NY	200,000,000	204,000,000	204,082,396	GOVT	912828QN3	82,396
JP Morgan Chase	New York, NY	37,490,000	38,239,800	38,256,898	GOVT	912828C57	17,098
JP Morgan Chase	New York, NY	55,809,000	56,925,180	56,927,451	GOVT	912796SV2	2,271
JP Morgan Chase	New York, NY	24,485,000	24,974,700	24,974,906	GOVT	912796VL0	206
JP Morgan Chase	New York, NY	1,706,000	1,740,120	1,744,923	GOVT	9127963Y4	4,803
JP Morgan Chase	New York, NY	257,750,000	262,905,000	263,002,049	GOVT	9128284F4	97,049
JP Morgan Chase	New York, NY	119,642,500	122,035,350	122,082,844	GOVT	9128282U3	47,494
JP Morgan Chase	New York, NY	350,000,000	357,000,000	357,228,176	GOVT	9128283J7	228,176
JP Morgan Chase	New York, NY	40,000,000	40,800,000	40,801,021	GOVT	912828XW5	1,021
JP Morgan Chase	New York, NY	70,000,000	71,400,000	71,400,630	GOVT	9128285L0	630
JP Morgan Chase	New York, NY	30,000,000	30,600,000	30,613,746	GOVT	912828XB1	13,746
Total		$ 2,464,000,000	$ 2,513,280,000	$ 2,514,190,774			$ 910,774

* Mortgaged Backed Securities is a type of asset backed security that is secured by a mortgage or collection of mortgages.

SCHEDULE 9 – SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – GOVERNMENTAL FUND – GAMING SUSPENSE FUND

Year Ended June 30, 2019

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
ASSETS				
Investment in State General Fund Investment Pool	$ -	$ 76,326,178	$ 76,326,178	$ -
Other receivables	17,799,312	19,902,834	17,799,312	19,902,834
Total assets	$ 17,799,312	$ 96,229,012	$ 94,125,490	$ 19,902,834
LIABILITIES				
Due to State General Fund	$ 17,799,312	$ 19,902,834	$ 17,799,312	$ 19,902,834
Total liabilities	$ 17,799,312	$ 19,902,834	$ 17,799,312	$ 19,902,834

State of New Mexico
Office of the State Treasurer

SCHEDULE 10 – SCHEDULE OF ASSET MANAGEMENT COSTS (UNAUDITED)

Year Ended June 30, 2019

2.2.2.12(G)(1)
For all asset classes except private asset classes and alternative investment classes:

Consultant	Location	Description of Investments Subject to the Agreement	Fees
Government Portfolio Advisors, LLC	2188 SW Park Place, Suite 100 Portland, OR 97205	Provides investment management consulting services and performance management for the portfolios the State Treasurer's Office maintains, primarily consisting of domestic fixed income securites and repurchase agreements.	$ 73,587.50 per annum

atkinson
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Michelle Lujan Grisham, Governor
State Board of Finance
Honorable Tim Eichenberg, State Treasurer
Honorable Brian Colón, State Auditor
New Mexico Office of the State Treasurer
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, fiduciary fund and Schedules 1-9 presented as supplementary information of the State of New Mexico Office of the State Treasurer (the Office), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Office's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or 2.2.2 NMAC.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Office's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(s) identified?	_____ Yes	__X__ No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted?	_____ Yes	__X__ No

RESOLUTION TO PRIOR YEAR FINDINGS

2018-001 – Reconciliation of General Ledger (SHARE) to Investment Portfolio Subsidiary Ledgers (QED and Peoplesoft Treasury Module) (Significant Deficiency) – **Resolved**

FINANCIAL STATEMENT FINDINGS

None

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER

None

EXIT CONFERENCE

June 30, 2019

An exit conference was held with the State Treasurer's Office on October 23, 2019. The conference was held at the offices of Atkinson & Co., Ltd. in Albuquerque, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

State of New Mexico
Office of the State Treasurer

Tim Eichenberg, State Treasurer
Sam Collins, Deputy State Treasurer
David Mahooty, Chief Financial Officer, Budget and Finance Division Director
Charmaine Cook, State Cash Manager
Dominic Donio, Administrative Ops Manager

Atkinson & Co., Ltd.

Clarke Cagle, CPA, CGFM, Shareholder
David Thomas, CPA, Senior Manager
Joel Cameron, Audit Senior

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor and were reviewed and approved by the State Treasurer's Office. However, the financial statements remain the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.

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APPENDIX C

FORM OF ATTORNEY GENERAL'S NO LITIGATION LETTER

________, 2020

State Board of Finance
State of New Mexico
Bataan Memorial Building, Ste. 181
Santa Fe, NM 87501

Sherman & Howard LLC
500 Marquette Ave. NW #1203
Albuquerque, NM 87102-5340

Rodey, Dickason, Sloan, Akin & Robb, P.A.
201 3rd St. NW, Ste. 2200
Albuquerque, NM 87102

Kutak Rock LLP
1801 California Street, Ste. 3000
Denver, CO 80202

Gilmore & Bell, P.C.
Gateway Towers West
15 West South Temple, Suite 1450
Salt Lake City, Utah 84101

Re: State of New Mexico Severance Bonds Series 2020A $_________

Ladies and Gentlemen:

This letter will serve as our certificate of litigation affecting New Mexico Severance Taxes.

In 2009, the United States District Court for the District of New Mexico held that the State of New Mexico may not impose severance taxes on non-tribal operators extracting oil and natural gas on the tribal lands of the Ute Mountain Ute Tribe located with the state. *Ute Mountain Ute Tribe v. Homans,* 775 F. Supp. 2d 1259 (D.N.M. 2009). The Tenth Circuit Court of Appeals reversed the district court's decision and held that federal law does not preempt the State's assertion of jurisdiction to tax non-Indian operators' severance of oil and gas on the Ute Mountain Reservation because, among other things, the State has asserted sufficient justification for imposing the taxes. *Ute Mountain Ute Tribe v. Rodriguez*, 660 F.3d 1177 (10th Cir. 2011). The Ute Mountain Ute Tribe petitioned for an *en banc* review, which the court denied on September 12, 2011. The United States Supreme Court denied the Ute Mountain Ute Tribe's petition for a *writ of certiorari* on February 21, 2012. *Ute Mountain Ute Tribe v. Padilla*, 132 S.Ct. 1557 (2012).

In addition, at any given time, a number of protests/refund claims are pending at the administrative level. As of June 15, 2001, payments on severance tax assessments issued by the Taxation and Revenue Department (TRD), including any on undervaluation assessments made after that date, typically are held in a suspense fund until the TRD Secretary determines that there is no substantial risk of protest or other litigation. *See* NMSA 1978, § 7-1-6.20(B) (2001).

While we are unable to predict with reasonable certainty the outcome of pending litigation and administrative proceedings, they would not, in our opinion, reasonably be expected to have a material effect on the owner of the Bonds. This office is not aware of any other pending or threatened litigation that would affect the severance tax of the state or the authority of the state to issue the Supplemental Note.

Sincerely,

Sally Malavé
Assistant Attorney General

APPENDIX D

FORM OF OPINION OF CO-BOND COUNSEL

November ___, 2020

State Board of Finance
State of New Mexico

$_________
State of New Mexico
Severance Tax Bonds
Series 2020A

Ladies and Gentlemen:

We have acted as co-bond counsel to the New Mexico State Board of Finance (the "Board") in connection with the issuance and sale of the State of New Mexico, $________ Severance Tax Bonds, Series 2020A (the "Bonds").

In such capacity, we have examined the transcript of proceedings (the "Transcript") relating to the Bonds and have also examined the provisions of the Constitution and laws of the State of New Mexico (the "State") pursuant to which the Bonds are issued, the resolutions authorizing the issuance and sale of the Bonds adopted by the Board on July 21, 2020, and October 20, 2020 (collectively, the "Bond Legislation"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Bond Legislation.

Regarding questions of fact material to our opinions, we have relied upon the Board's certified proceedings relating to the Bonds and upon other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Our engagement with respect to the Bonds has concluded with their issuance.

Furthermore, we have assumed the continued accuracy of the representations and the continuing compliance with the covenants and agreements contained in the Bond Legislation. The rights and obligations of the State and the Board pursuant to the Bonds and the Bond Legislation and their enforceability may be limited by applicable bankruptcy, insolvency, reorganization, receivership, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights generally, by the application of equitable principles, whether considered at law or in equity, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against the State and the Board. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, adequacy, completeness or fairness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds and express herein no opinion relating thereto, and we express no opinion upon any State or federal tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds.

Based on our examination, we are of the opinion that, under the law existing on the date hereof:

1. The Bonds constitute valid and binding special limited obligations of the State in accordance with the terms and provisions thereof.

2. The Bonds are payable solely from, and such payment is secured by a pledge (but not an exclusive pledge) of, the money on deposit in the Severance Tax Bonding Fund, consisting of the net receipts from taxes levied upon certain natural resource products severed and saved from the soil of the State and such other moneys as the State Legislature may, in its sole discretion, from time to time determine to deposit in the Severance Tax Bonding Fund, certain interest earnings on moneys on deposit in the bond accounts and such proceeds of the Bonds as may from time to time be deposited in the Severance Tax Bonding Fund as a result of statutorily required reversions or otherwise, all in accordance with the Act, on a parity with any Senior Obligations outstanding or hereafter issued and superior to any Supplemental Obligations outstanding or hereafter issued. Except as described in this paragraph, we express no opinion regarding the priority of the pledge or lien of the Bonds on the moneys on deposit in the Severance Tax Bonding Fund. The owners of the Bonds have no right to have ad valorem taxes levied by the State for the payment of principal of or interest on the Bonds and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the State.

3. The Bond Legislation constitutes a valid and binding obligation of the Board and is enforceable in accordance with its terms.

We are opining only upon those matters set forth herein. This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. No attorney-client relationship has existed or exists between us and anyone other than the Board in connection with the issuance of the Bonds by virtue of this opinion letter. This opinion letter is delivered to you solely for your information and benefit in connection with the initial offering and public sale of the Bonds and may not be relied upon by you for any other purpose or relied upon by any other party without the prior written consent of this firm.

Very truly yours

APPENDIX E

FORM OF OPINION OF TAX COUNSEL

Upon the issuance of the Series 2020A Bonds, Gilmore & Bell, P.C., Tax Counsel to the State, plans to issue its approving opinion in substantially the following form:

We have acted as tax counsel to the State of New Mexico (the "State") in connection with the issuance of its Severance Tax Bonds, Series 2020A in the aggregate principal amount of $__________ (the "Series 2020A Bonds"). The Series 2020A Bonds are being issued for the purpose of providing funds to (i) finance capital improvements as described in legislation approved by the State Legislature and signed by the Governor and (ii) pay costs of issuance associated with the Series 2020A Bonds.

The Series 2020A Bonds are being issued under authority of the Severance Tax Bonding Act, NMSA 1978, Sections 7-27-1 to -27 (1961, as amended), the Supplemental Public Securities Act, NMSA 1978, Sections 6-14-8 to -11 (1983, as amended) and pursuant to a resolution of the State Board of Finance adopted on July 21, 2020, as amended and as supplemented, including by a Final Terms Certificate approved in accordance with the terms of such resolution (collectively, the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution.

We have reviewed the Bond Resolution, the opinions of Co-Bond Counsel as to the validity of the Series 2020A Bonds, the Federal Tax Certificate of the State, the Agency Tax Agreements of the anticipated recipients of the proceeds of the Series 2020A Bonds, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the opinions of Co-Bond Counsel as to the validity of the Series 2020A Bonds and certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The interest on the Series 2020A Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series 2020A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The State and the Agencies have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020A Bonds.

2. The interest on the Series 2020A Bonds is exempt from income taxation by the State of New Mexico.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2020A Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2020A Bonds; and

(c) except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020A Bonds.

Respectfully submitted,

APPENDIX F

FORM OF
FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the State Board of Finance ("Board") of the State of New Mexico (the "State") on behalf of the State in connection with the issuance by the State of $95,955,000* State of New Mexico Severance Tax Bonds, Series 2020A (the "Bonds"). The Bonds are being issued pursuant to an Authorizing and Delegating Resolution adopted by the Board on July 21, 2020 and amended on October 20, 2020, and a Final Terms Certificate delivered pursuant thereto (collectively, the "Resolution").

BACKGROUND

1. The Bonds are being issued to finance capital projects approved by the State Legislature and certified by State agencies.

2. In order to allow the underwriter of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), to the date hereof, the State is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds.

3. This Disclosure Undertaking is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

STATE COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 2(a) and 2(b) hereof, of the type set forth in the sections of the final Official Statement identified on Exhibit A hereto. Annual Financial Information includes Audited Financial Statements.

(b) "Audited Financial Statements" means the annual State of New Mexico Office of the State Treasurer Financial Statements, prepared in accordance with generally accepted accounting principles, as in effect from time to time, audited by a firm of certified public accountants.

(c) "Event Information" means the information delivered pursuant to Section 2(d) hereof.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1300 I Street NW, Suite 1000, Washington, DC, 20005, phone (202) 838-1500, fax (202) 898-1500.

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* Preliminary; subject to change.

(e) "National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following is the only National Repository:

Electronic Municipal Market Access ("EMMA")
c/o Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
www.emma.msrb.org
Phone: (202) 838-1500

(f) "Official Statement" means the Official Statement dated ________, 2020 delivered in connection with the original issue and sale of the Bonds.

(g) "Repository" means (i) EMMA and (ii) any SID.

(h) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as the same may be amended.

(i) "SEC" means the Securities and Exchange Commission.

(j) "SID" means any State Information Depository operated or designated by the State that receives information from all issuers within the State. As of the date of this Disclosure Undertaking, no SID exists for the State.

Section 2. <u>Provision of Annual Information and Reporting of Event Information</u>.

(a) Commencing with the Fiscal Year ending June 30, 2021 and annually while the Bonds remain outstanding, the State agrees to provide or cause to be provided the Annual Financial Information to each Repository annually.

(b) Such Annual Financial Information shall be provided not later than 210 days after the end of each fiscal year for the State (i.e., each June 30). If the Audited Financial Statements are not available by the time the other Annual Financial Information must be provided, unaudited financial statements shall be provided as part of the Annual Financial Information. If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The State may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the State, which have been submitted to each Repository; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) At any time the Bonds are outstanding, the State shall provide, in a timely manner, not in excess of ten business days, to the MSRB and any SID notice of any of the following events with respect to the Bonds (provided that any event under clauses (ii), (vii), (viii), (x), (xiv) and (xv) will be provided only if material):

i. Principal and interest payment delinquencies;

ii. Non-payment related defaults;

iii. Unscheduled draws on debt service reserves reflecting financial difficulties;

iv. Unscheduled draws on credit enhancements reflecting financial difficulties;

v. Substitution of credit or liquidity providers, or their failure to perform;

vi. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;

vii. Modifications to rights of Bondholders;

viii. Bond calls, other than mandatory sinking fund redemption;

ix. Defeasances;

x. Release, substitution or sale of any property securing repayment of the securities;

xi. Rating changes;

xii. Bankruptcy, insolvency, receivership or similar event of the State[*];

xiii. The consummation of a merger, consolidation or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

xiv. Appointment of a successor or additional trustee or the change of name of a trustee if material; and

xv. Incurrence of a Financial Obligation (as defined in Footnote 1 below) of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material

xvi. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the State, any of which reflect financial difficulties.

[*] This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

[1] "Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into, in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

(e) At any time the Bonds are outstanding, the State shall provide, in a timely manner, to the MSRB and any SID notice of any failure of the State to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. **Method of Transmission**. Subject to technical and economic feasibility, the State shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

Section 4. **Enforcement**. The obligations of the State hereunder shall be for the benefit of the owners (including the beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the State to comply with its obligations under this Disclosure Undertaking, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds. Any such action shall be brought only in a State court of competent jurisdiction in Santa Fe County, New Mexico. Breach of the obligations of the State hereunder shall not constitute an event of default under the Resolution and none of the rights and remedies provided by the Resolution shall be available to the owners (including the beneficial owners) of the Bonds.

Section 5. **Additional Information**. Nothing in this Disclosure Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not Event Information, in addition to that which is required by this Disclosure Undertaking; provided that the State shall not be required to do so. If the State chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the State shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or Event Information filing.

Section 6. **Term**. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Bonds shall have been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date that the State shall no longer constitute an “obligated person” with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. **Amendments and Waivers**. Notwithstanding any other provision of this Disclosure Undertaking, the State may amend this Disclosure Undertaking from time to time, and any provision of this Disclosure Undertaking may be waived, without the consent of the owners or beneficial owners of the Bonds upon the State’s receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with the Rule. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The State shall provide notice of any such amendment or waiver to each Repository.

Section 8. **Beneficiaries**. This Disclosure Undertaking shall inure solely to the benefit of the State and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 9. **Governing Law**. This Disclosure Undertaking shall be governed by the laws of the State and applicable federal law, including the Rule.

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Undertaking as of ________ __, 2020.

STATE BOARD OF FINANCE

By____
President

EXHIBIT A
TO CONTINUING DISCLOSURE UNDERTAKING

Portions of the Official Statement
Containing the Type of Information
to be Included as Annual Financial Information

1. SEVERANCE TAX BONDING FUND AND DEBT SERVICE REQUIREMENTS
   Investments
   Issuance of Severance Tax Bonds
   State Capital Program
   Outstanding and Additional Senior Severance Tax Bonds
   Outstanding and Additional Supplemental Severance Tax Bonds
   Table entitled "Severance Tax Bonding Fund Receipts, Disbursements and Transfers"
   Table entitled "State of New Mexico Severance Tax Bonds - Projected Cash Receipts, Debt Service Requirements and Coverage" Fiscal Year and Scheduled Debt Service columns

2. SEVERANCE TAX REVENUE
   All

3. NATURAL GAS PRODUCTION AND SEVERANCE TAX REVENUE
   - Natural Gas Production (Data for chart entitled: "Natural Gas Subject to Taxation: Production, Revenues and Average Price")
   - Severance Taxes on Natural Gas
   All

4. OIL PRODUCTION AND SEVERANCE TAX REVENUE
   - Severance Taxes on Oil

   All

5. COAL PRODUCTION AND SEVERANCE TAX REVENUE
   - Severance Tax and Severance Tax Surtax Revenue on Coal

   All

6. OTHER MINERAL PRODUCTION AND SEVERANCE TAXES
   - Any statements therein relating to the severance tax collected and tax rates

7. OTHER TAXES OF NATURAL RESOURCES NOT PLEDGED
   All

8. APPENDIX A - GENERAL INFORMATION CONCERNING THE STATE OF NEW MEXICO
   All

9. STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER FINANCIAL STATEMENTS, (Audited)