NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S&P "AA+"
Moody's "Aa1"
Kroll "AAA"
(See "RATINGS" herein.)

In the opinion of Rodey, Dickason, Sloan, Akin & Robb, P.A., Bond Counsel to the Finance Authority, assuming continuous compliance with the requirements of the federal tax laws, interest on the Series 2022A Bonds is excludable from gross income for purposes of federal income tax. Interest on the Series 2022A Bonds is not an item of tax preference for purposes of individual federal alternative minimum tax. In the opinion of such Bond Counsel to the Finance Authority, under existing laws, interest on the Series 2022A Bonds is excludable from net income of the owners thereof for State of New Mexico income tax purposes. See "TAX MATTERS" herein.

NEW MEXICO FINANCEAUTHORITY

New Mexico DEPARTMENT OF TRANSPORTATION MOBILITY FOR EVERYONE

$47,240,000
NEW MEXICO FINANCE AUTHORITY
STATE TRANSPORTATION REFUNDING REVENUE BONDS
(STATE TRANSPORTATION COMMISSION – SENIOR LIEN), SERIES 2022A

Dated: Delivery Date **Due: June 15, as shown on the inside front cover**

The New Mexico Finance Authority's State Transportation Refunding Revenue Bonds (State Transportation Commission – Senior Lien), Series 2022A (the "Series 2022A Bonds") are being issued as fully registered bonds. Purchases of beneficial ownership interests in the Series 2022A Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple of $5,000. The Depository Trust Company New York, New York ("DTC") will act as securities depository for all of the Series 2022A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2022A Bonds will be registered in the name of Cede & Co. Individual purchases of the Series 2022A Bonds will be made in book-entry form only, and Beneficial Owners of the Series 2022A Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the Beneficial Owners of the Series 2022A Bonds. See "THE SERIES 2022A BONDS."

The Series 2022A Bonds are being issued by the New Mexico Finance Authority (the "Finance Authority") at the direction of the State Transportation Commission (the "Commission") of the State of New Mexico (the "State"). The proceeds of the Series 2022A Bonds will be used for the purposes of (i) refunding the Refunded Bonds (as defined herein) to achieve debt service savings and (ii) paying the costs of issuing the Series 2022A Bonds. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Interest on the Series 2022A Bonds is payable on December 15, 2022, and semiannually thereafter on each June 15 and December 15, until maturity. Principal of the Series 2022A Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule on the inside front cover hereof.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2022A Bonds are not subject to redemption prior to maturity. See "THE SERIES 2022A BONDS–No Redemption."

The Series 2022A Bonds are special, limited obligations of the Finance Authority payable solely from and secured solely by proceeds received by the New Mexico Department of Transportation (the "Department") from the collection of taxes and fees that are required by law to be paid into the State Road Fund, taxes and fees that are required by law to be paid into the Highway Infrastructure Fund, federal funds not otherwise obligated that are paid into the State Road Fund, and interest on such amounts (collectively, the "Pledged Revenues"). See "PLEDGED REVENUES". The Series 2022A Bonds are payable on a parity with outstanding additional senior lien bonds (collectively, the "Outstanding Senior Lien Bonds") and other senior lien obligations described herein. The lien of the Series 2022A Bonds, the Outstanding Senior Lien Bonds and any additional senior lien obligations on the Pledged Revenues is superior to the lien thereon securing Subordinate Lien Obligations (as defined herein). ***The Series 2022A Bonds do not constitute or create a general obligation or other indebtedness of the State, the Finance Authority, the Commission, the Department or any political subdivision of the State within the meaning of any State constitutional or statutory debt limitation. The Finance Authority, the Commission and the Department have no taxing powers. The principal of and interest on the Series 2022A Bonds do not constitute or give rise to a pecuniary liability on the part of the members, directors and officers of the Finance Authority, the Commission or the Department. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any department, agency or political subdivision of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS."***

Certain legal matters, including with respect to the tax status of the interest paid on the Series 2022A Bonds, will be passed on by Rodey, Dickason, Sloan, Akin & Robb, P.A., Albuquerque, New Mexico, Bond Counsel to the Finance Authority. Certain legal matters relating to disclosure will be passed on by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Disclosure Counsel to the Finance Authority. Certain legal matters will be passed on by the Chief Legal Officer of the Finance Authority. The Commission and the Department are being represented by their general counsel and by Kutak Rock LLP, Denver, Colorado. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. PFM Financial Advisors LLC, San Francisco, California, has acted as municipal advisor to the Department in connection with the issuance of the Series 2022A Bonds. It is expected that a single certificate for each maturity of the Series 2022A Bonds will be delivered to DTC or its agent on or about April 28, 2022.

This Official Statement is dated April 5, 2022, and the information contained herein speaks only as of that date.

RBC CAPITAL MARKETS

J.P. Morgan **BofA Securities**

$47,240,000
NEW MEXICO FINANCE AUTHORITY
STATE TRANSPORTATION REFUNDING REVENUE BONDS
(STATE TRANSPORTATION COMMISSION – SENIOR LIEN), SERIES 2022A

MATURITY SCHEDULE

Year (June 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Number†
2023	$ 2,980,000	5.00%	1.680%	64711RMQ6
2024	1,945,000	5.00%	1.890%	64711RMR4
2025	20,845,000	5.00%	2.030%	64711RMS2
2026	21,470,000	5.00%	2.120%	64711RMT0

(Interest accrues from the Delivery Date)

† The above referenced CUSIP numbers have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2022A Bonds. None of the Finance Authority, the Commission, the Department, the Trustee, or the Underwriters are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2022A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2022A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than as contained in this Official Statement, in connection with the offering of the Series 2022A Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Finance Authority. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which any person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been furnished by the Finance Authority, the Commission, the Department and DTC or obtained from other sources which are believed by the Finance Authority, the Commission, and the Department to be reliable. The information in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Finance Authority, the Commission, the Department or others since the date of this Official Statement.

The Series 2022A Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such acts. The registration and qualification of the Series 2022A Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2022A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the SEC nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2022A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to the Finance Authority's, the Commission's, and the Department's future financial plans, receipt of future revenues and other matters 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," "anticipate," "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 yields or prices at which the Series 2022A Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement.

The Finance Authority maintains its own website, www.nmfinance.com, and an investor relations website, www.nmdotbonds.com; however, the information presented on such websites is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2022A Bonds.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

NEW MEXICO FINANCE AUTHORITY
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Santa Fe, New Mexico 87501
(505) 984-1454

Members(1)
Katherine Miller, Chair(2)
Steve Kopelman, Vice Chair
A.J. Forte
James Kenney
Alicia Keyes
Deborah Romero
Sarah Cottrell Propst
Martin Suazo
Andrew Burke
Olin Cleve McDaniel(2)

STATE TRANSPORTATION COMMISSION
OF THE STATE OF NEW MEXICO
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Santa Fe, New Mexico
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Commission Members
Walter G. Adams, Chair
Jennifer F. Sandoval, Vice Chair
Charles Lundstrom, Secretary
Bruce Ellis
Hilma E. Chynoweth
Thomas C. Taylor

PROFESSIONALS

Finance Authority Chief Legal Officer
Daniel C. Opperman

Municipal Advisor
PFM Financial Advisors LLC, San Francisco, California

Bond Counsel
Rodey, Dickason, Sloan, Akin & Robb, PA, Albuquerque, New Mexico

Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP, Austin, Texas

Commission and Department Counsel
Kutak Rock LLP, Denver, Colorado

Trustee, Registrar and Paying Agent
BOKF, NA Albuquerque, New Mexico

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(1) Two positions on the governing body of the Finance Authority are currently vacant.

(2) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate during the 2023 session of the State Legislature (defined herein) and will continue to serve until the expiration of such session if no confirmation is received.

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OFFICIAL STATEMENT

$47,240,000
NEW MEXICO FINANCE AUTHORITY
STATE TRANSPORTATION REFUNDING REVENUE BONDS
(STATE TRANSPORTATION COMMISSION – SENIOR LIEN), SERIES 2022A

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page, Schedule I, and the appendices hereto, sets forth certain information in connection with the offering of $47,240,000 aggregate principal amount of State Transportation Refunding Revenue Bonds (State Transportation Commission – Senior Lien), Series 2022A (the "Series 2022A Bonds") to be issued by the New Mexico Finance Authority (the "Finance Authority"), at the direction of the State Transportation Commission (the "Commission") of the State of New Mexico (the "State"). Capitalized terms used in this Official Statement and not defined have the meanings specified in the Master Indenture of Trust dated as of May 1, 2004, as heretofore amended and supplemented (the "Master Indenture"), between the Finance Authority and BOKF, NA, Albuquerque, New Mexico, as successor trustee (the "Trustee"), and as further amended and supplemented by the Twenty-Fifth Series Indenture of Trust dated as of April 1, 2022 (the "Twenty-Fifth Series Indenture"), between the Finance Authority and the Trustee and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE–Certain Definitions" in APPENDIX B. The Master Indenture, as previously amended and supplemented, and the Twenty-Fifth Series Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in APPENDIX B.

The Series 2022A Bonds are payable from and secured by a pledge of proceeds received by the New Mexico Department of Transportation (the "Department") from the collection of gasoline taxes, special fuels taxes, vehicle transaction taxes or fees, driver's license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight/distance taxes, motor vehicle registration fees, and motor vehicle excise taxes (to the extent authorized to be paid into the State Road Fund), in each case that are required by law to be paid into the State Road Fund; federal aid revenues received by, or on behalf of, or available to, the Department pursuant to Title 23 of the United States Code or other federal law, that are paid into the State Road Fund or as may be authorized or permitted by federal or state law to be pledged for payment of Obligations and are so pledged by the Authority as security for Obligations pursuant to a Supplemental Indenture; interest on amounts in the State Road Fund; proceeds received by the Department from the collection of leased vehicle gross receipts taxes and tire recycling fees in each case that are required by law to be paid into the Highway Infrastructure Fund, and interest on amounts in the Highway Infrastructure Fund (collectively, the "Pledged Revenues"). See "PLEDGED REVENUES". The Series 2022A Bonds are special, limited obligations of the Finance Authority payable from and secured solely by the Pledged Revenues, subject to the liens thereon of certain obligations of the Commission and to the uses of the Pledged Revenues pledged by, and the priorities set forth in, the Indenture, as described more fully under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS."

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside front cover page, Schedule I and the appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2022A Bonds to potential investors is made only by means of the entire Official Statement.

The Department and the Commission

The Department is a cabinet level department within the executive branch of the government of the State. The Department is a multimodal transportation agency with emphasis on all modes of transportation. The Department is responsible for maintaining U.S., Interstate and state highways within the State and is the department responsible for administering State and federal transportation funds. The Department's budget is subject to review by the Commission, which is the entity responsible for all matters of policy for the Department and all policy matters pertaining to expenditure of the State Road Fund and Highway Infrastructure Fund in the construction, improvement and maintenance of State highways and bridges. See "THE DEPARTMENT AND THE COMMISSION" herein.

Purposes of the Series 2022A Bonds

Proceeds from the sale of the Series 2022A Bonds will be used for the purposes of (i) providing funds to refund certain maturities of the Finance Authority's outstanding State Transportation Refunding Revenue Bonds (State Transportation Commission–Senior Lien), Series 2012, in an aggregate principal amount of $50,960,000 (the "Refunded Bonds") to achieve debt service savings, and (ii) paying the costs of issuing the Series 2022A Bonds. See "PLAN OF FINANCING," "ESTIMATED SOURCES AND USES OF FUNDS" and "Schedule I – SCHEDULE OF REFUNDED BONDS" herein.

Additional Obligations

The Commission may issue or direct the Finance Authority to issue "new money" state transportation project bonds or refunding bonds in accordance with current legislative authorization. See "–Security for the Series 2022A Bonds–Additional Obligations" below.

Authority for Issuance

Pursuant to NMSA 1978, Section 67-3-59.1 to -59.4 (1989, as amended through 2021) (the "Financing Legislation"), when directed by the Commission, the Finance Authority is authorized to issue bonds payable from (1) proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund, (2) taxes and fees that are required by law to be paid into the Highway Infrastructure Fund, and (3) federal funds not otherwise obligated that are paid into the State Road Fund. Pursuant to a resolution adopted on March 24, 2022 (the "Commission Resolution"), the Commission authorized and directed the Finance Authority to issue the Series 2022A Bonds to refund the Refunded Bonds and pay the costs of issuing the Series 2022A Bonds. The Series 2022A Bonds are being issued under the authority of and pursuant to the laws of the State, including particularly the Financing Legislation and the New Mexico Finance Authority Act, NMSA 1978, Sections 6-21-1 to -31 (1992, as amended through 2021), as amended (collectively, the "Act"), the Commission Resolution, a resolution of the Finance Authority adopted on March 24, 2022, an approval certificate of the Finance Authority, and the Indenture.

Terms of the Series 2022A Bonds

Interest. The Series 2022A Bonds will be dated the date of their initial delivery to the Underwriters (the "Delivery Date"). Interest on the Series 2022A Bonds is payable on June 15 and December 15 of each year, commencing December 15, 2022 until stated maturity. The Series 2022A Bonds will mature on the dates and in the amounts and will bear interest at the rates shown on the inside front cover of this Official Statement.

Denominations. The Series 2022A Bonds are issuable in denominations of $5,000 or integral multiples of $5,000.

Book-Entry System. Individual purchases will be made in book-entry only form, and purchasers of the Series 2022A Bonds will not receive physical delivery of bond certificates except as more fully described in "APPENDIX E–BOOK-ENTRY ONLY SYSTEM." Payments of principal of and interest on the Series 2022A Bonds will be made directly to The Depository Trust Company New York, New York ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC Participants (as defined below) for subsequent disbursement to the Beneficial Owners of the Series 2022A Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2022A Bonds are in book-entry only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants and Indirect Participants acquire an interest in the Series 2022A Bonds, but (1) all rights of ownership must be exercised through DTC and the book-entry only system as described in APPENDIX E, and (2) except as otherwise provided in the Indenture, notices that are to be given to Owners by the Finance Authority, the Trustee, the Registrar or the Paying Agent will be given only to DTC.

No Redemption. The Series 2022A Bonds are not subject to redemption prior to maturity. See "THE SERIES 2022A BONDS–No Redemption."

No Debt Service Reserve. There is not a Debt Service Reserve Requirement for the Series 2022A Bonds. Accordingly, no Account in the Debt Service Reserve Fund is established or funded for the Series 2022A Bonds, See "THE SERIES 2022A BONDS–No Debt Service Reserve."

Security for the Series 2022A Bonds

The Series 2022A Bonds are special, limited obligations of the Finance Authority payable solely from the Pledged Revenues received from the Department and certain funds and accounts created and maintained pursuant to the Indenture. The Series 2022A Bonds do not constitute or create a general obligation or other indebtedness of the State, the Finance Authority, the Commission or the Department within the meaning of any State constitutional or statutory debt limitation. NONE OF THE FINANCE AUTHORITY, THE COMMISSION OR THE DEPARTMENT HAVE ANY TAXING POWERS. The principal of and interest and premium, if any, on the Series 2022A Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority, the Commission or the Department. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any department, agency or political subdivision of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS–Special, Limited Obligations."

Pledged Revenues. The Pledged Revenues are defined by the Indenture to mean, collectively, State Revenues and Federal Revenues. "State Revenues" are defined as (i) proceeds of the collection of gasoline taxes, special fuels taxes, vehicle transaction taxes or fees, driver's license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight/distance taxes, motor vehicle registration fees, and motor vehicle excise taxes (to the extent authorized to be paid into the State Road Fund), in each case that are required by law to be paid into the State Road Fund, and interest on amounts in the State Road Fund; (ii) proceeds of the collection of leased vehicle gross receipts taxes and tire recycling fees in each case that are required by law to be paid into the Highway Infrastructure Fund, and interest on amounts in the Highway Infrastructure Fund; and (iii) such additional moneys as may in the future be authorized by law to be pledged as security, and are so pledged by the Finance Authority pursuant to a Supplemental Indenture, as security for Obligations. "Federal Revenues" are defined to mean proceeds from federal aid revenues received by or on behalf of, or available to the Department pursuant to Title 23 of the United States Code or other federal law, not otherwise obligated by federal or state law, that are paid into the State Road Fund or as may be authorized or permitted by federal or state law to be pledged for payment of Obligations and are so pledged by the Finance Authority as security for Obligations pursuant to a Supplemental Indenture. For a description of the components of the Pledged Revenues, see "PLEDGED REVENUES." For a description of the funds and accounts created by the Indenture and the flow of certain of the Pledged Revenues through these funds and accounts, see "APPENDIX B–EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE–Funds and Accounts." See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS–Pledged Revenues."

FHWA and Federal Revenues. The Department and the New Mexico Division of the Federal Highway Administration ("FHWA") entered into a memorandum of understanding dated July 14, 2021 (the "FHWA MOU") which sets forth the procedures for managing the stewardship and oversight of debt service relating to the finance plan for construction of projects ("GARVEE Projects") funded by bonds or other securities, including the Senior Lien Bonds (including the Series 2022A Bonds), the Subordinate Lien Obligations, and Junior Subordinate Lien Obligations, issued by the Finance Authority at the direction of the Commission for the purpose of completing GARVEE Projects eligible for funding under the FHWA's Grant Anticipation Revenue Vehicle ("GARVEE") Program pursuant to Title 23 of the United States Code. Pursuant to the FHWA MOU, the Department will, among other things, assure that debt service will not adversely impact the ability to maintain federal aid funded projects based on an annual certificate prepared for FHWA review and approval. As part of the annual certification, the Department must demonstrate annually that it has not exceeded $131 million in federal-aid eligible highway program funded debt service payments billed to FHWA for reimbursement. The FHWA MOU provides that federal-aid reimbursements to the Department will be made on a semi-annual basis. Payment of federal-aid reimbursements is conditioned upon available funding and satisfaction by the Department of the completion of certain reports and reconciliations. The FHWA MOU requires that it be renegotiated prior to the issuance of any future debt under the GARVEE Program. Neither the Finance Authority nor the Department makes any representation regarding the amount or timeliness of payments from the FHWA. See "PLEDGED REVENUES" and "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS."

Outstanding Senior Lien Bonds. Pursuant to the Act and the Master Indenture, the Commission directed the Finance Authority to issue various Series of Senior Lien Bonds, which previously issued Series of Senior Lien Bonds are sometimes collectively referred to herein as the "Outstanding Senior Lien Bonds." Upon the issuance and delivery of the Series 2022A Bonds and the refunding of the Refunded Bonds, there will be $274,930,000 of Outstanding Senior Lien Bonds (consisting of the $47,240,000 Series 2022A Bonds and Outstanding Senior Lien Bonds in the aggregate principal amount of $227,690,000). For a list of the various Series of Outstanding Senior Lien Bonds and their current outstanding amounts, please see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS - Outstanding and Additional Senior Lien Bonds." The Outstanding Senior Lien Bonds are Senior Lien Bonds under the Master Indenture and are payable from and secured by a lien on the Pledged Revenues on a parity with the lien of the Series 2022A Bonds and senior to the lien of the hereinafter defined Outstanding Subordinate Lien Obligations.

Outstanding Subordinate Lien Obligations. Pursuant to the Act and the Master Indenture, the Commission directed the Finance Authority to issue various Series of Subordinate Lien Bonds, which previously issued Subordinate Lien Bonds are sometimes collectively referred to herein as the "Outstanding Subordinate Lien Bonds." As of the Delivery Date of the Series 2022A Bonds, there will be $719,550,000 of Subordinate Lien Bonds outstanding under the Master Indenture. For a list of the various Series of Outstanding Subordinate Lien Bonds and their current outstanding amounts, please see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS – Outstanding and Additional Subordinate Lien Obligations" herein.

The Commission also previously directed the Finance Authority to enter into a rolling taxable revolving line of credit (the "BNSF Taxable Line of Credit") with Wells Fargo Bank, N.A. in the amount of $50,000,000 for the purpose of financing certain contingent obligations of the Department to Burlington Northern Santa Fe Railway Company ("BNSF") which may be incurred by the Department pursuant to certain agreements between the Department and BNSF which govern the operation of the Railrunner commuter rail line (the "Railrunner Line"). Such liabilities of the Department would only arise if BNSF incurs extraordinary non-operational expenses relating to the Railrunner Line. As of the date hereof, there have been no draws made under the BNSF Taxable Line of Credit. The BNSF Taxable Line of Credit, as amended, is scheduled to expire on June 30, 2025; however, the Finance Authority, at the direction of the Commission and with consent of Wells Fargo Bank, N.A., must renew the BNSF Taxable Line of Credit at least six months prior to expiration. The BNSF Taxable Line of Credit is required to be in place until 5 years after BNSF no longer operates trains on the Railrunner Line or certain other conditions are met and agreed upon by the Department and BNSF. Each draw on the BNSF Taxable Line of Credit shall be repaid no later than six months of its incurrence, or its principal amount is converted to a term loan not to exceed three years. The BNSF Taxable Line of Credit is secured by a lien on the Pledged Revenues on a parity with the Outstanding Subordinate Lien Bonds. The BNSF Taxable Line of Credit and the Outstanding Subordinate Lien Bonds are sometimes collectively referred to herein as the "Outstanding Subordinate Lien Obligations."

The Outstanding Subordinate Lien Obligations are payable from and secured by a lien on the Pledged Revenues subordinate to the lien of the Senior Lien Bonds (including the Series 2022A Bonds).

Additional Obligations. The Act authorized the Commission to direct the Finance Authority to issue up to $1.585 billion aggregate principal amount of "new money" state transportation project bonds that are payable from Pledged Revenues for projects identified in New Mexico Laws of 2003 (1st Special Session), Chapter 3, Sections 27 and 28, New Mexico Laws of 2020 (1st Special Session), Chapter 3, Section 8, and New Mexico Laws of 2021, Chapter 43, Section 5. Currently, there is no remaining unused authorization for the issuance "new money" state transportation project bonds under the Act. However, no existing legislation precludes the State Legislature, with concurrence from the Governor, from enacting additional authorization at any time in the future. The Act also authorizes the Commission to direct the Finance Authority to issue an unlimited amount of refunding bonds that are payable from Pledged Revenues.

Pursuant to the Act and the Indenture, the issuance of additional Senior Lien Bonds and additional Subordinate Lien Obligations is subject to the satisfaction of certain conditions set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS–Outstanding and Additional Senior Lien Bonds" and "–Outstanding and Additional Subordinate Lien Obligations."

Junior Subordinate Lien Obligations. The Commission may also direct the Finance Authority to issue Junior Subordinate Lien Obligations under the Indenture, subject to the satisfaction of certain requirements. Currently, there are no Junior Subordinate Lien Obligations Outstanding.

The New Mexico Finance Authority

The Finance Authority, established by the State Legislature in 1992, is a governmental instrumentality separate and apart from the State created to coordinate the planning and financing of State and local public projects. Pursuant to the Act, the Commission may issue or direct the Finance Authority to issue obligations secured by revenues received by the Department for the benefit of the Commission. The Finance Authority is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations and to provide assistance and advice with respect to the Finance Authority's Public Project Revolving Fund Program. For additional information concerning the Finance Authority, see "NEW MEXICO FINANCE AUTHORITY" herein.

Professionals Involved in the Offering

At the time of the issuance of the Series 2022A Bonds, Rodey, Dickason, Sloan, Akin & Robb, P.A., Albuquerque, New Mexico, as Bond Counsel to the Finance Authority, will deliver its opinion included in APPENDIX D hereto, as discussed under "TAX MATTERS." Orrick, Herrington & Sutcliffe LLP, Austin, Texas, will also pass upon certain legal matters relating to disclosure as Disclosure Counsel to the Finance Authority. The Commission and the Department are being represented by their general counsel and by Kutak Rock LLP, Denver, Colorado. Certain legal matters will be passed upon for the Finance Authority by its Chief Legal Officer. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See "LEGAL MATTERS." PFM Financial Advisors LLC, San Francisco, California, has acted as municipal advisor to the Department (the "Municipal Advisor") in connection with the issuance of the Series 2022A Bonds. See "MUNICIPAL ADVISOR."

The Department's financial statements for the year ended June 30, 2021, an extract from which is included in APPENDIX A hereto, have been audited by REDW, LLC. See also "FINANCIAL STATEMENTS."

Offering, Sale and Delivery of the Series 2022A Bonds

The Series 2022A Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2022A Bonds will be delivered to DTC or its agent on or about April 28, 2022. The Series 2022A Bonds will be distributed in the initial offering by RBC Capital Markets, LLC, J.P. Morgan Securities LLC, and BofA Securities, Inc. (collectively, the "Underwriters"), for which RBC Capital Markets, LLC is acting as senior managing underwriter and representative of the Underwriters. See "UNDERWRITING."

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to such laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the Department, may be obtained during the offering period, upon request to the Commission or the Finance Authority and upon payment to the Commission or the Finance Authority, respectively, of a charge for copying, mailing and handling at the following: for the Commission: 1120 Cerrillos Road, Santa Fe, New Mexico 87504, Attention: Capital Program and Investments Director; or for the Finance Authority: 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Financial Strategist.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Finance Authority and the purchasers or holders of any of the Series 2022A Bonds.

THE SERIES 2022A BONDS

General

Set forth below is a summary of certain provisions of the Series 2022A Bonds. Other information describing the Series 2022A Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 2022A Bonds. For a description of certain provisions of the Indenture, see "APPENDIX B–EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE." Copies of the Indenture are available as provided in "ADDITIONAL INFORMATION."

The Series 2022A Bonds are being issued pursuant to the Act and the Indenture. Proceeds from the sale of the Series 2022A Bonds will be used to refund the Refunded Bonds and to pay costs of issuing the Series 2022A Bonds. See "PLAN OF FINANCING," "ESTIMATED SOURCES AND USES OF FUNDS," and "Schedule I – SCHEDULE OF REFUNDED BONDS."

The Series 2022A Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2022A Bonds from such date at the rates presented on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), and is payable on June 15 and December 15 of each year, commencing December 15, 2022 (each an "Interest Payment Date"). The Series 2022A Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside front cover. The Series 2022A Bonds are issuable in denominations of $5,000 or integral multiples of $5,000.

No Redemption

The Series 2022A Bonds are not subject to redemption prior to maturity.

No Debt Service Reserve

There is not a Debt Service Reserve Requirement for the Series 2022A Bonds. Accordingly, no Account in the Debt Service Reserve Fund is established or funded for the Series 2022A Bonds.

Defeasance

When a Series 2022A Bond has been deemed to be paid under the Indenture, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of receiving any such payment. Any Series 2022A Bond will be deemed to be paid for all purposes of the Indenture when (1) the principal of and the applicable premium, if any, on such Series 2022A Bond plus interest on the Series 2022A Bond to the Series 2022A Bond's due date either have been paid or have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment moneys sufficient to make such payment, and/or Investment Securities maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment, and (2) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Series 2022A Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

Payment of Bond Requirements

Principal and Final Interest. The principal of and the final interest payment on any Series 2022A Bonds shall be payable to the owner thereof as shown on the registration books maintained by the Trustee upon maturity thereof and upon presentation and surrender at the principal office of the Paying Agent. The principal of and the final interest payment on the Series 2022A Bonds shall be payable in clearing house funds. If any Series 2022A Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest (but without compounding of interest) at the rate borne by it until the principal thereof is paid in full.

Interest. The interest due on any Series 2022A Bond on any Interest Payment Date, other than the final interest payment thereon, shall be paid to the owner thereof, as shown on the registration books kept by the Trustee at the close of business on the Regular Record Date. The interest on the Series 2022A Bonds shall be payable in clearing house funds. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the owner of such Series 2022A Bond at the close of business on the Regular Record Date and shall be payable to the person who is the owner of such Series 2022A Bond at the close of business on a Special Record Date for the payment of any such Defaulted Interest. Such Special Record Date shall be fixed in accordance with the Master Indenture.

Payment of Interest. All payments of interest (other than the final interest payment) on any Series 2022A Bond shall be paid to the person entitled thereto pursuant to the Indenture by check mailed on the Interest Payment Date to his or her address as it appears on the registration books kept by the Trustee (or, in the case of Defaulted Interest, the date selected by the Trustee for the payment of such Defaulted Interest); or, at the option of any owner of $1,000,000 or more in principal amount of Series 2022A Bonds, by wire transfer on such date to a bank within the continental United States as directed by such owner.

Book-Entry Only System

The Depository Trust Company New York, New York ("DTC") will act as securities depository for all of the Series 2022A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2022A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2022A Bonds will be made in book-entry form only, and Beneficial Owners of the Series 2022A Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payment to DTC participants for subsequent disbursement to the Beneficial Owners of the Series 2022A Bonds. For a more complete description of the book-entry only system, see "APPENDIX E–BOOK-ENTRY ONLY SYSTEM."

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS

Special, Limited Obligations

The Series 2022A Bonds are special, limited obligations of the Finance Authority payable solely from the Pledged Revenues and other moneys held in certain funds and accounts created under the Indenture. The Series 2022A Bonds do not constitute or create a general obligation or other indebtedness of the State, the Finance Authority, the Commission, the Department or any political subdivision of the State within the meaning of any State constitutional or statutory debt limitation. THE FINANCE AUTHORITY, THE COMMISSION AND THE DEPARTMENT HAVE NO TAXING POWERS. The principal of and interest on the Series 2022A Bonds do not constitute or give rise to a pecuniary liability on the part of the members, directors and officers of the Finance Authority, the Commission or the Department. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any department, agency or political subdivision of the State. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS."

Pledged Revenues

The principal of and interest on the Series 2022A Bonds will be payable from the Pledged Revenues, which revenues are pledged and are payable as provided in the Indenture. See "PLEDGED REVENUES." Such pledge is subject to the uses of the Pledged Revenues and other amounts pledged by, and the priorities set forth in, the Indenture. See "APPENDIX B - EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts." The Series 2022A Bonds constitute an irrevocable lien, but not an exclusive lien, on the Pledged Revenues as set forth in the Indenture. The Series 2022A Bonds are Senior Lien Bonds under the Master Indenture and are payable from and secured by a lien on the Pledged Revenues on a parity with the lien of the Outstanding Senior Lien Bonds and senior to the lien of the Outstanding Subordinate Lien Obligations.

The Finance Authority and the Department have entered into a procedural memorandum under which (i) the Finance Authority will, during the time that the Series 2022A Bonds, the Outstanding Senior Lien Bonds, and the Outstanding Subordinate Lien Obligations are outstanding, present requisitions to the Department for payment from the State Road Fund and the Highway Infrastructure Fund of the amounts of State Revenues required for debt service to be deposited with the Trustee under the Indenture, and (ii) the Department will issue warrants for payment of those amounts from the State Road Fund and/or the Highway Infrastructure Fund to the Finance Authority and the Finance Authority will cause the amounts to be deposited with the Trustee in the Revenue Fund. Only the Pledged Revenues so transferred by the Department (not all Pledged Revenues) will be deposited to the Revenue Fund held by the Trustee under the Indenture.

Federal Revenues are received as a reimbursement of payments for eligible expenditures, including debt service on debt incurred for eligible expenditures, by the Department. The Department and the FHWA have entered into the FHWA MOU that sets forth the procedures for managing the stewardship and oversight of debt service relating to the finance plan for construction of GARVEE Projects funded by bonds or other securities, including the Senior Lien Bonds (including the Series 2022A Bonds), the Subordinate Lien Obligations, and Junior Subordinate Lien Obligations, issued by the Finance Authority at the direction of the Commission for the purpose of completing GARVEE Projects eligible for funding under the FHWA's GARVEE Program pursuant to Title 23 of the United States Code. Pursuant to the FHWA MOU, the Department will, among other things, assure that debt service will not adversely impact the ability to maintain federal aid funded projects based on an annual certificate prepared for FHWA review and approval. As part of the annual certification, the Department must demonstrate that it has not exceeded $131 million in federal-aid eligible highway program funded debt service payments billed to FHWA for reimbursement. The FHWA MOU provides that federal-aid reimbursements to the Department will be made on a semi-annual basis. Payment of federal-aid reimbursement is conditioned upon available funding and satisfaction by the Department of the completion of certain reports and reconciliations. Neither the Finance Authority nor the Department makes any representation regarding the amount or timeliness of payments from the FHWA. The Authority and the Department acknowledge that the eligibility of the Series 2022A Bonds for federal-aid reimbursement shall not constitute a commitment, guarantee, or obligation on the part of the United States to provide for payment of principal or interest on the Series 2022A Bonds, nor create a right of a third party against the United States for payment of the Series 2022A Bonds.

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Outstanding and Additional Senior Lien Bonds

The Outstanding Senior Lien Bonds consist of the following Series:

OUTSTANDING SENIOR LIEN BONDS(1)

Issue	Outstanding Principal Amount (as of April 28, 2022)
Series 2012 Bonds(2)	$ 103,130,000
Series 2014B-1 Bonds	61,380,000
Series 2020A Bonds	63,180,000
Total	$ 227,690,000
Series 2022A Bonds	47,240,000
Total (including Series 2022A Bonds)	$ 274,930,000

(1) Assumes issuance of the Series 2022A Bonds and refunding of the Refunded Bonds. See "PLAN OF FINANCING – Refunded Bonds" and "SCHEDULE I – SCHEDULE OF REFUNDED BONDS."
(2) Consists of Series 2012 Bonds maturing on June 15, 2022.
(Source: The Department.)

The Outstanding Senior Lien Bonds are secured by a lien on the Pledged Revenues on a parity with the lien of the Series 2022A Bonds and senior to the lien of the Outstanding Subordinate Lien Obligations.

The Indenture provides that no additional Senior Lien Bonds may be issued (other than for purposes of refunding) by the Finance Authority unless (i) the State Revenues in any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of issuance of such Senior Lien Bonds were at least 300% of the maximum combined Debt Service Requirements coming due in any subsequent fiscal year on (a) then Outstanding Senior Lien Bonds and (b) the Senior Lien Bonds proposed to be issued, and (ii) the Pledged Revenues in any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of issuance of such Senior Lien Bonds were at least 350% of the maximum combined Debt Service Requirements coming due in any subsequent fiscal year on (x) then Outstanding Senior Lien Bonds and (y) the Senior Lien Bonds proposed to be issued. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Additional Obligations Payable from Trust Estate - Limitations Upon Issuance of Senior Lien Bonds" in APPENDIX B. Additionally, the Commission may not issue any additional obligations payable from and secured by a lien on the Pledged Revenues, including obligations issued on a parity with Senior Lien Bonds, unless it receives future statutory authorization to do so, and has resolved that, in the event of such future statutory authorization, it will issue such additional obligations only subject to the satisfaction of the same conditions that apply to the issuance of additional Senior Lien Bonds by the Finance Authority. See "INTRODUCTION – Security for the Series 2022A Bonds – Additional Obligations."

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Outstanding and Additional Subordinate Lien Obligations

The Outstanding Subordinate Lien Bonds consist of the following Series:

OUTSTANDING SUBORDINATE LIEN BONDS[1]

Issue	Outstanding Principal Amount (as of April 28, 2022)
Series 2014A Bonds	$ 55,575,000
Series 2014B-2 Bonds	11,850,000
Series 2018A Bonds	417,525,000
Series 2021A Bonds	234,600,000
Total	$ 719,550,000

(1) The Finance Authority entered into the BNSF Taxable Line of Credit with a current maximum principal amount of $50,000,000 for the purpose of financing certain contingent obligations of the Department to BNSF which may be incurred in connection with the operation of the Railrunner Line. See "INTRODUCTION – Security for the Series 2022A Bonds – Outstanding Subordinate Lien Obligations."

(Source: The Department.)

All such Subordinate Lien Obligations are payable from and secured by a lien on the Pledged Revenues subordinate and junior to the lien on the Pledged Revenues that secures payment of the Senior Lien Bonds (including the Series 2022A Bonds).

The Indenture provides that no additional Subordinate Lien Bonds may be issued (other than for purposes of refunding) by the Finance Authority, and that no Additional Highway Bonds may be issued by the Commission, unless the Pledged Revenues in any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of issuance of such Subordinate Lien Bonds or Additional Highway Bonds were at least 300% of the maximum combined Debt Service Requirements coming due in any subsequent fiscal year on (a) then Outstanding Senior Lien Bonds, (b) then Outstanding Subordinate Lien Obligations, (c) then Outstanding Additional Highway Bonds, and (d) the Subordinate Lien Obligations or Additional Highway Bonds proposed to be issued. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Additional Obligations Payable from Trust Estate - Limitations Upon Issuance of Subordinate Lien Bonds and Additional Highway Bonds" in APPENDIX B.

Junior Subordinate Lien Obligations

The Finance Authority and the Commission may issue additional bonds or other obligations payable from the Pledged Revenues secured by a lien on Pledged Revenues subordinate and junior to the lien on the Pledged Revenues that secures payment of the Subordinate Lien Obligations, upon satisfaction of certain requirements set forth under the Indenture. Currently, there are no Junior Subordinate Lien Obligations Outstanding. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Additional Obligations Payable from Trust Estate - Limitations Upon Issuance of Junior Subordinate Lien Bonds" in APPENDIX B.

Additional Superior Obligations Prohibited

The Commission may not direct the Finance Authority to issue, and the Finance Authority may not issue additional bonds or incur obligations that have a lien on any of the Pledged Revenues prior and superior to the lien on the Pledged Revenues securing payment of the Senior Lien Bonds (including the Series 2022A Bonds).

Additional Obligations

The Commission may issue or direct the Finance Authority to issue "new money" state transportation project bonds or refunding bonds in accordance with current legislative authorization. See "INTRODUCTION – Security for the Series 2022A Bonds – Additional Obligations."

PLEDGED REVENUES

The Pledged Revenues are defined by the Indenture to mean, collectively, State Revenues and Federal Revenues. "State Revenues" are defined as (i) proceeds of the collection of gasoline taxes, special fuels taxes, vehicle transaction taxes or fees, driver's license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight/distance taxes, motor vehicle registration fees, and motor vehicle excise taxes (to the extent authorized to be paid into the State Road Fund), in each case that are required by law to be paid into the State Road Fund, and interest on amounts in the State Road Fund; (ii) proceeds of the collection of leased vehicle gross receipts taxes and tire recycling fees in each case that are required by law to be paid into the Highway Infrastructure Fund and interest on amounts in the Highway Infrastructure Fund; and (iii) such additional moneys as may in the future be authorized by law to be pledged as security and are so pledged by the Finance Authority as security for Obligations pursuant to a Supplemental Indenture. "Federal Revenues" are defined to mean proceeds from federal aid revenues received by or on behalf of, or available to the Department pursuant to Title 23 of the United States Code or other federal law, not otherwise obligated by federal or state law, that are paid into the State Road Fund or as may be authorized or permitted by federal or state law to be pledged for payment of Obligations and are so pledged by the Finance Authority as security for Obligations pursuant to a Supplemental Indenture.

Unless otherwise indicated, year-over-year changes in historical collections of taxes and fees set forth in this "PLEDGED REVENUES" caption and in other parts of this Official Statement may result from timing differences in the distribution of such tax and fee receipts by the New Mexico Taxation and Revenue Department ("TRD"). The historical financial information and operating data set forth in this "PLEDGED REVENUES" caption and in other parts of this Official Statement for the dates as of and for the periods that occurred before the COVID-19 pandemic and the Responsive Measures (defined herein) instituted to control such pandemic may not be indicative of future results or performance due to these and other factors. For a description of the impact of the COVID-19 pandemic on the State and on Pledged Revenues, see "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS - Impact of COVID-19."

State Road Fund

General. The State Road Fund is established pursuant to NMSA 1978, Section 67-3-65 (1980). No income earned on the fund may be transferred to another fund. Pursuant to NMSA 1978, Section 67-3-65.1 (2003), as amended, distributions from the State Road Fund may be used only for maintenance, construction and improvement of the state transportation projects and to meet federal allotments under the federal-aid road laws, but the State Treasurer must set aside sufficient money from the State Road Fund each year to pay the principal of and interest due each year on state transportation revenue bonds issued to anticipate the collection of the revenues attributable to the State Road Fund. Substantially all of the taxes and fees attributable to the State Road Fund are collected and administered by the TRD and transferred by the State Treasurer from various suspense funds to the State Road Fund monthly.

New Mexico Laws of 2003 (1st Special Session), Chapter 3 (October 2003) enacted various tax and fee rate increases to benefit the State Road Fund with the intent of undertaking a major highway construction initiative. On a full-year, full accrual basis, the 2003 tax and fee increases and general revenue growth currently yield approximately $60,000,000 per fiscal year. The tax and fee rate increases in the legislation included a $0.03 per gallon increase in the Special Fuel Excise Tax (a 17% increase which was estimated to be worth about $13,910,000 per year), a 38% increase in the Weight Distance Tax (which was estimated to be worth about $21,200,000 per year), a $5 to $14 per year increase in motor vehicle registration fees (a 33% increase averaging about $12.50 per vehicle per year, and which was estimated to be worth about $22,200,000 per year), and approximately a $2,800,000 per year increase in the fees charged for oversize and overweight trucks. The vehicle registration fee increase became effective March 1, 2004, and the other increases became effective July 1, 2004.

More recently, Chapter 3, New Mexico Laws of 2018 provided for the distribution, effective July 1, 2018, of a portion of the State's motor vehicle excise tax to the State Road Fund. In fiscal year 2021, such distribution yielded approximately $7,500,000 to the State Road Fund. Chapter 270, New Mexico Laws of 2019 further increased the motor vehicle excise tax distribution to the State Road Fund. Based on such changes in law, effective July 1, 2021, the State Road Fund is expected to receive approximately $54,000,000 per fiscal year. See "STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS–Pledged Revenues History and Estimates."

The four primary sources of Pledged Revenues which are required by law to be paid into the State Road Fund are gasoline excise taxes, special fuel excise taxes, weight distance taxes, and motor vehicle registration fees, and are further described below.

Gasoline Excise Taxes. Gasoline excise taxes are imposed pursuant to the Gasoline Tax Act, NMSA 1978, Sections 7-13-1 to -18 (1971, as amended through 2015) (the "Gasoline Tax Act"). The Gasoline Tax Act imposes a tax of 17 cents per gallon on gasoline received in the State. Not all of the tax imposed by the Gasoline Tax Act is paid into the State Road Fund (see discussion below). The State's gasoline excise tax rate continues to be lower than that of any western state.

Wholesale Exemption; Tax Sharing Agreements. Under the current statutory provisions for the collection of gasoline excise taxes, gasoline wholesaled by "registered" Native American distributors on Indian reservations, pueblo grants or trust lands is not subject to the tax. Pursuant to Chapter 190, New Mexico Laws of 1999, the amount of gasoline that may be sold within an Indian reservation, pueblo grant or trust lands by any single registered Native American wholesale distributor for resale outside the Indian reservation, pueblo grant or trust lands free of state gasoline tax is limited to 30,000,000 gallons per year. Chapter 190 limits the use of this exemption to registered Native American wholesale distributors who have sold more than one million gallons of gasoline within the Indian reservation, pueblo grants or trust lands for resale outside the Indian reservation, pueblo grant or trust land during the four months ended August 1998. There have been no subsequent legislative changes to the wholesale exemption.

TRD has certified two registered Native American wholesale distributors as eligible for this exemption, meaning that up to 60,000,000 gallons per year of gasoline currently may be sold at wholesale free of State gasoline tax under this exemption. Chapters 190 and 150, New Mexico Laws of 2003 allowed the State to enter into a "gasoline tax sharing agreement" with the two registered Native American wholesale distributors, and a contract agreement was subsequently executed with one such Native American wholesale distributor on June 23, 2004. Under that agreement, the Native American wholesaler agrees not to engage in gasoline wholesale activity for a period of ten years in exchange for a distribution of revenue equal to forty percent of the gasoline tax imposed on 2,500,000 gallons per month (30,000,000 gallons per year). An agreement with the second Native American wholesaler was executed on January 20, 2006. Both agreements were renewed for 10 year terms in 2014.

Retail Exemption. Chapter 190, New Mexico Laws of 1999 also permits gasoline to be sold at retail by registered Native American distributors on Indian reservations free of State gasoline tax to the extent that the applicable Indian government imposes a similar tax at an equal or greater amount (for its own benefit) on retail gasoline sales. In its 2000 regular session, the State Legislature enacted a deduction from gasoline taxes for retail sales of gasoline by persons other than registered Indian tribal distributors on Indian reservations, pueblo grants and trust lands. The deduction, which became effective on April 1, 2000, is effectively equal to the lesser of the tribal tax on the gasoline sold or the State gasoline tax. According to the TRD, there are approximately 324 registered gasoline dealers in the State. Of those 324, 25 are tribally-owned, otherwise affiliated with tribes or located on Indian reservations, pueblo grants and trust lands.

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Exemption Results. As a result of the foregoing exemptions and other factors (such as the adoption of electric vehicles and more fuel efficient vehicles), the Department expects a slow rate of growth, if any, in gasoline excise taxes paid into the State Road Fund over the next several years. The following table sets forth the amount of taxable and tax-exempt gasoline distributions (in gallons) in the State for the fiscal years shown below:

GASOLINE DISTRIBUTIONS

Fiscal Year Ended June 30	Taxable Gasoline Distributions (In Gallons)	Tax-Exempt Gasoline Distributions (In Gallons)	Total Gasoline Distributions (In Gallons)	Taxable Gasoline Distributions as a % of Total Gasoline Distributions (%)
2012	872,192,236	56,435,102	928,627,338	93.92
2013	909,649,416	68,906,250	978,555,666	92.96
2014	871,916,342	62,873,950	934,790,292	93.27
2015	889,377,687	67,410,053	956,787,740	92.95
2016	892,120,584	71,254,759	963,375,343	92.60
2017	921,758,693	78,062,375	999,821,068	92.19
2018	931,214,784	80,696,801	1,011,911,585	92.03
2019	941,968,370	77,703,149	1,019,671,519	92.38
2020	894,434,125	72,094,533	966,528,658	92.54
2021	930,180,417	67,699,421	997,879,838	93.22

(Source: The Department.)

Collection Procedures. The gasoline excise tax is payable by gasoline distributors on or before the 25th day of the month after the month in which the gasoline is "received" in the State. The definition of received imposes the gasoline tax in the first instance on refiners, owners of stored gasoline or importers. If, however, gasoline is delivered at a pipeline terminal or refinery in the State by one of those entities to a distributor registered under the Gasoline Tax Act, the incidence of the tax shifts to the registered distributor. In this case, the registered distributor has received the gasoline and is responsible for reporting and paying the gasoline excise tax with respect to the gasoline received. The distributor receiving the gasoline may not further shift the receipt of the gasoline and the obligation to report and pay gasoline tax to any other person, even if the gasoline is subsequently sold or otherwise transferred to another registered distributor. Deductions from the tax are provided for gasoline exported from the State (other than in the fuel tank of a motor vehicle), gasoline sold to the United States or any agency or instrumentality thereof or an Indian government for its exclusive use and gasoline sold through Indian wholesalers and retailers on Indian reservations, pueblo grants or trust lands as described above. In addition, refunds are available for uses of gasoline other than in motor boats and motor vehicles.

The net receipts of the taxes, surcharges, penalties and interest imposed pursuant to the Gasoline Tax Act are payable into the State Road Fund pursuant to NMSA 1978, Section 7-1-6.10(A) (2004), as amended, subject to certain deductions for payments into other funds or to municipalities or counties specified in that Section. Consequently, approximately 76% of the receipts attributable to the gasoline excise tax are paid into the State Road Fund.

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Historical Gasoline Excise Tax Receipts. Set forth below is a 10-year history of taxable gallons of gasoline and gasoline excise taxes paid into the State Road Fund.

HISTORICAL GASOLINE EXCISE TAXES(1)(2)

Fiscal Year Ended June 30	Taxable Gallons (000s)	Percent Change (%)	Gasoline Taxes Paid Into State Road Fund (000s)	Percent Change (%)
2012	872,192	(1.39)	$104,987	(3.93)
2013	909,649	4.29	111,795	6.48
2014	871,916	(4.15)	107,998	(3.40)
2015	889,378	2.00	110,672	2.48
2016	892,120	0.31	110,892	0.20
2017	921,759	3.32	113,022	1.92
2018	931,215	1.03	116,147	2.76
2019	941,968	1.15	117,365	1.05
2020	894,434	(5.05)	111,778	(4.76)
2021	930,180	4.00	116,278	4.03

(1) Year-over-year fluctuations may be attributable to economic conditions and gasoline prices.

(2) See "STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates" for the Department's estimates of gasoline excise tax receipts for future fiscal years. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19" for preliminary gasoline excise tax receipts for the first six months of fiscal year ending June 30, 2022.

(Source: The Department.)

Special Fuel Excise Tax. The special fuel excise tax is imposed under the Special Fuels Supplier Tax Act, NMSA 1978, Sections 7-16A-1 to -21 (1992, as amended through 2021) (the "Special Fuels Supplier Tax Act"). The tax applies to diesel fuel and kerosene used as a fuel in motor vehicles and is imposed generally upon receipt of the special fuel in the State. The tax is payable by refineries, terminal operators and transporters, on or before the 25th day of the month after the month of receipt. Deductions are provided for special fuels exported from the State on a wholesale basis, for sales to the United States or any agency or instrumentality thereof, the State or any political subdivision, agency or instrumentality thereof and Indian nations, tribes or pueblos and their agencies and instrumentalities, and for dyed fuels not for highway use. A refund of tax is available for clear fuel used for purposes other than propelling a vehicle on public roads. The tax on special fuels was at a rate of 18 cents per gallon (effective from July 1, 1993 through June 30, 2004). The tax rate increased to 21 cents per gallon effective July 1, 2004, although only 19 cents of that is deposited into the State Road Fund. The net receipts of the taxes, surtaxes, fees, penalties and interest imposed by the Special Fuels Supplier Tax Act are payable into the State Road Fund pursuant to NMSA 1978, Section 7-1-6.10(A), as amended, subject to certain deductions for payments into other funds specified in that Section (but without duplication of the deductions applicable to gasoline excise taxes).

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Set forth below is a 10-year history of taxable gallons of special fuels and special fuel excise taxes paid into the State Road Fund.

HISTORICAL SPECIAL FUEL EXCISE TAXES[1]

Fiscal Year Ended June 30	Taxable Gallons (000s)	Percent Change (%)	Special Fuel Excise Taxes Paid to State Road Fund (000s)	Percent Change (%)
2012	483,917	1.21	$ 92,326	1.37
2013	484,970	0.22	92,563	0.26
2014	487,802	0.58	92,923	0.39
2015	511,518	4.86	97,566	5.00
2016	509,999	(0.30)	97,341	(0.23)
2017	524,577	2.86	100,066	2.80
2018	565,906	7.88	108,141	8.07
2019	591,973	4.61	113,383	4.85
2020	617,877	4.38	118,280	4.32
2021	638,332	3.31	122,092	3.22

(1) See "STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates" for the Department's estimates of special fuel excise tax receipts for future fiscal years. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19" for preliminary special fuel excise tax receipts for the first six months of fiscal year ending June 30, 2022.

(Source: The Department.)

Weight Distance Tax. A weight distance tax is imposed by the Weight Distance Tax Act, NMSA 1978, Sections 7-15A-1 to -16 (1988, as amended through 2021) (the "Weight Distance Tax Act"). The tax is imposed on the registrants, owners and operators of motor vehicles having a declared gross weight or gross vehicle weight of 26,001 or more pounds operated on the State's highways that are registered with TRD. Effective July 1, 2004, the weight distance tax rate on motor vehicles increased by approximately 38%. The tax levied on motor vehicles other than buses is based on a detailed schedule, by gross vehicle weight, ranging from 11.01 mills per mile on motor vehicles having a declared gross vehicle weight between 26,001 and 28,000 pounds and 43.78 mills per mile on motor vehicles having a declared vehicle weight of 78,001 pounds or more for round-trip hauls. The tax on one-way hauls ranges from 7.34 mills per mile on motor vehicles having a declared gross vehicle weight between 26,001 and 28,000 pounds to 29.19 mills per mile on motor vehicles having a declared gross vehicle weight of 78,001 pounds or more.

The tax levied on buses also increased effective July 1, 2004 and is based on a detailed schedule ranging from 11.01 mills per mile on buses having a declared gross vehicle weight between 26,001 and 28,000 pounds to 27.29 mills per mile on buses having a declared gross vehicle weight of 54,001 pounds or more.

Motor carriers pay the weight distance tax quarterly on January 31, April 30, July 31 and October 31 for the preceding calendar quarter. In addition, each person required to pay the weight distance tax is subject to an annual identification permit of $10.00 per motor vehicle, payable on January 31 of the following year. Revenue generated from the annual registration fee is distributed to TRD to reimburse the cost of administering the weight distance tax identification permit and enforcing weight distance tax identification permit use. Effective July 1, 2017, each of the Department and the Department of Public Safety are entitled to receive a portion of the revenue from the weight distance tax identification permit in amounts agreed on between the entities.

School buses, buses used exclusively for the transportation of agricultural workers and buses operated by religious or nonprofit charitable organizations are exempt from the tax. In addition, commercial motor carrier vehicles, as defined in NMSA 1978, Section 7-15-2.1 (2021), while operating exclusively within 10 miles of a border with Mexico in conjunction with crossing the border with Mexico are exempt from the tax.

The net receipts of the taxes imposed by the Weight Distance Tax Act are payable into the State Road Fund pursuant to NMSA 1978, Section 7-1-6.10(B), as amended. Set forth below is a 10-year history of weight distance taxes paid into the State Road Fund.

HISTORICAL NET WEIGHT DISTANCE TAX RECEIPTS[1]

Fiscal Year Ended June 30	Weight Distance Tax Revenues Paid to State Road Fund (000s)	Percent Change (%)
2012	$72,786	(2.84)
2013	73,489	0.97
2014	75,367	2.56
2015	79,985	6.13
2016	82,990	3.76
2017	84,008	1.23
2018	86,278	2.70
2019	94,016	8.97
2020	92,251	(1.88)
2021	99,685	8.06

(1) See "STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates" for the Department's estimates of weight distance tax receipts for future fiscal years. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19" for preliminary weight distance tax receipts for the first six months of fiscal year ending June 30, 2022.

(Source: The Department.)

Motor Vehicle Registration Fees. Pursuant to NMSA 1978, Sections 66-6-1 to -36 (1978, as amended through 2013), motor vehicles, including passenger cars, trucks, buses and other vehicles, are subject to annual registration fees. The State Road Fund share of these fees increased from 66.54% to 74.65% beginning March 1, 2004.

Registration fees for passenger cars are based on gross factory shipping weight and years of registration, calculated from the date when the vehicle was first registered in any state. Passenger car registration fees range from $21.00 for a passenger car with a gross factory shipping weight of not more than 2,000 pounds that has been registered for more than five years to $56.00 for a passenger car with a gross factory shipping weight of more than 3,000 pounds that has been registered for five years or less. These rates were increased from $16.00 and $42.00, respectively, as of March 1, 2004. Registration fees for passenger cars are collected by the Motor Vehicle Division of TRD. Since January 1999, the Motor Vehicle Division has allowed a two-year registration option. Registrants who choose the two-year option pay twice the normal fee and are exempt the following year.

Registration fees for trucks and buses are based on gross vehicle weight and years of registration, and, for vehicles weighing more than 26,000 pounds, the proportion of their total miles traveled in the State. Registration fees for trucks and buses weighing more than 26,000 pounds are centrally assessed through the International Registration Plan ("IRP"), a federally mandated program which allocates registration fees among the states through which trucks and buses travel. Registration fees for trucks and buses are based on vehicle weight and years of registration, and the proportion of their total miles traveled in the State. Truck and bus registration fees range from $32.00 for a truck or bus with a declared gross vehicle weight of 4,000 pounds or less that has been registered for more than five years to $172.00 for a truck or bus with a declared gross vehicle weight of 48,001 pounds or more that has been registered for five years or less. These rates were increased from $24.00 and $129.50, respectively, as of March 1, 2004. School buses and buses operated by religious or nonprofit organizations pay annual registration fees of $7.00 and buses having a normal seating capacity of 40 passengers or less used for transporting agricultural workers pay annual registration fees of $33.00. These rates were increased from $5.00 and $25.00, respectively, as of March 1, 2004.

Registration fees for farm vehicles are based on gross vehicle weight only. Farm vehicles weighing more than 6,000 pounds are charged registration fees equal to two-thirds of the respective rates for trucks and buses.

In addition to annual registration fees assessed on passenger cars, trucks, buses and farm vehicles, the State assesses annual registration fees of $15.00 on motorcycles, $13.00 on freight trailers, $7.00 plus $1.00 for each hundred pounds of empty weight over 500 pounds on utility trailers, $7.00 on fertilizer trailers under 3,000 pounds empty weight and $7.00 on manufactured homes. These rates were increased from $11.00, $10.00, $5.00, $5.00 and $5.00, respectively, as of March 1, 2004.

Permanent registration of trailers is available for a fee of $13.00 on commercial freight trailers, and $33.00 plus $7.00 for each hundred pounds of empty weight over 500 pounds on noncommercial utility trailers.

Reduced fees are available for veterans and for vehicles used only part of the year. Additional fees are applicable to vehicles with solid tires. Vehicles or trailers of the United States, other states, the State, Indian nations, tribes or pueblos and counties and municipalities are exempt from registration fees. Passenger vehicles are also subject to an annual $1.50 tire recycling fee and motorcycles to a $1.00 annual fee, $1.00 and 50 cents of which, respectively, are deposited in the Highway Infrastructure Fund.

Set forth below is a ten-year history of motor vehicle registration fees paid into the State Road Fund.

HISTORICAL MOTOR VEHICLE REGISTRATION FEES[1]

Fiscal Year Ended June 30	Motor Vehicle Registration Fee Revenues Paid to State Road Fund (000s)	Percent Change (%)
2012	$ 75,626	2.97
2013	74,135	(1.97)
2014	76,218	2.81
2015	75,455	(1.00)
2016	80,774	7.05
2017	79,232	(1.91)
2018	80,204	1.23
2019	82,453	2.80
2020	79,312	(3.81)
2021	84,863	7.00

(1) See “STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates.” for the Department’s estimates of motor vehicle registration fee receipts for future fiscal years. See “SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19” for preliminary motor vehicle registration fee receipts for the first six months of fiscal year ending June 30, 2022.

(Source: The Department.)

Highway Infrastructure Fund

The Highway Infrastructure Fund was established in 1999 pursuant to NMSA 1978, Section 67-3-59.2 (2021), as amended. No income earned on the Highway Infrastructure Fund may be transferred to another fund. Distributions from the Highway Infrastructure Fund may be used only for acquisition of rights of way or planning, design, engineering, construction or improvement of state highway projects authorized pursuant to the provisions of New Mexico Laws of 1998, Chapter 84 Subsections C through H of Section 1 of Chapter 85 of New Mexico Laws of 1998, New Mexico Laws of 2003 (1st Special Session), Chapter 3, Sections 27 and 28, New Mexico Laws of 2020 (1st Special Session), Chapter 3, Section 8, and New Mexico Laws of 2021, Chapter 43, Section 1. All of the taxes and fees attributable to the Highway Infrastructure Fund are collected and administered by TRD and transferred by the State Treasurer from various suspense funds to the Highway Infrastructure Fund monthly.

Leased Vehicle Gross Receipts Taxes. Leased vehicle gross receipts taxes are imposed pursuant to NMSA 1978, Section 7-14A-3 (1991). The tax is an excise tax of five percent of the gross receipts from vehicle leasing of persons engaged in the business of leasing passenger vehicles for periods of less than six months and having a fleet of five or more such vehicles. Certain taxes paid to Indian nations, tribes or pueblos are excluded from gross receipts.

Deductions from gross receipts for purposes of computing the tax are available for transactions in interstate commerce and vehicle trade-in allowances. Receipts with respect to the leasing of vehicles, acquired before July 1, 1991 are exempt from the tax. The leased vehicle gross receipts tax is administered and collected by TRD. Payments of the tax by vehicle lessors are due on or before the 25th day of the month following the month in which the transaction took place. Pursuant to NMSA 1978, Section 7-14A-10 (1999), as amended, 75% of the net receipts attributable to the leased vehicle gross receipts tax and any associated penalties and interest are distributed by TRD to the Highway Infrastructure Fund and 25% to the Local Government Road Fund. Leased vehicle gross receipts taxes paid into the Highway Infrastructure Fund are subject to audit by the Office of the State Auditor of the State of New Mexico (the "State Auditor") and an independent certified public accountant along with other funds administered by the Department.

Set forth below is a ten-year history of the portion of the leased vehicle gross receipts taxes payable into the Highway Infrastructure Fund:

HISTORICAL LEASED VEHICLE GROSS RECEIPTS TAXES[1]

Fiscal Year Ended June 30	Leased Vehicle Gross Receipts Taxes (000s)	Percent Change (%)
2012	$ 5,731	1.32
2013	5,214	(9.02)
2014	5,889	12.95
2015	5,773	(1.97)
2016	5,949	3.05
2017	5,964	0.25
2018	6,220	4.29
2019	6,760	8.69
2020[2]	5,345	(20.93)
2021[2]	4,118	(22.96)

(1) See "STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates" for the Department's estimates of leased vehicle gross receipts taxes for future fiscal years.

(2) The decrease in leased vehicle gross receipts taxes in fiscal year 2020 and fiscal year 2021 is primarily the result of business slowdowns or closures caused by COVID-19, including decreased car rental activity. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19" for preliminary Pledged Revenues paid into the Highway Infrastructure Fund for the first six months of fiscal year ending June 30, 2022.

(Source: The Department.)

Tire Recycling Fees. Tire recycling fees are imposed pursuant to NMSA 1978, Sections 66-6-1 (2003), 66-6-2 (2003), 66-6-4 (2007), 66-6-5 (2003), and 66-6-8 (2003). The Highway Infrastructure Fund's portion of the fee is 50 cents per year for motorcycles, $1.00 per year for passenger vehicles and trucks with gross weights of 26,000 pounds or less, and 25 cents per wheel in contact with the ground for buses. Tire recycling fees are collected by the Motor Vehicle Division of the TRD along with motor vehicle registration fees. The Motor Vehicle Division has a two-year registration option which allows registrants to pay twice the normal fee and be exempt the following year. Tire recycling fees are paid by the Motor Vehicle Division to the State Treasurer for deposit to the Motor Vehicle Suspense Fund and then into the Highway Infrastructure Fund and the Tire Recycling Fund.

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Set forth below is a ten-year history of tire recycling fees payable into the Highway Infrastructure Fund:

HISTORICAL NET TIRE RECYCLING FEES[1]

Fiscal Year Ended June 30	Tire Recycling Fees (000s)	Percent Change (%)
2012	$ 1,831	1.38
2013	1,807	(1.31)
2014	1,836	1.60
2015	1,810	(1.42)
2016	1,943	7.35
2017	1,868	(3.86)
2018	1,878	0.54
2019	1,910	1.70
2020	1,849	(3.19)
2021	1,995	7.88

(1) See "STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates" for the Department's estimates of preliminary tire recycling fee receipts for future fiscal years. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19" for preliminary Pledged Revenues paid into the Highway Infrastructure Fund for the first six months of fiscal year ending June 30, 2022.

(Source: The Department.)

The Federal-Aid Highway Program

The Federal-Aid Highway Program ("FAHP") is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states. Under the IIJA (defined herein), the most recent reauthorization of the FAHP, highway funds are apportioned to states through nine funding programs: the National Highway Performance Program, the Surface Transportation Block Grant Program, the Congestion Mitigation and Air Quality Improvement Program, the Highway Safety Improvement Program, the Metropolitan Planning Program, the National Highway Freight Program, the Railway-Highway Crossings Program, the Carbon Reduction Program, and the Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Program. The Federal Highway Administration ("FHWA") is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the Federal Highway Trust Fund. The primary source of revenues in the Federal Highway Trust Fund is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

The FAHP is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states for costs as they are incurred on projects, which may include debt service on obligations issued to finance a project. With few exceptions, the federal government does not pay for the entire cost of a federal-aid project. Federal reimbursements are typically to be matched with state and/or local funds. The maximum federal share is specified in the federal legislation authorizing the FAHP. Most projects have an 80 percent federal share, while Interstate rehabilitation and maintenance projects typically have been funded with a 90 percent federal share. Federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (1) multi-year authorization by the United States Congress ("Congress") of the funding for various highway programs; (2) apportionment and allocation of funds to the states each Federal Fiscal Year (each "FFY" ending September 30) according to statutory formulas or, for some funding categories, through administrative action; (3) obligation of funds, which is the federal government's legal commitment (or promise) to pay or reimburse states for the federal share of a project's eligible costs; (4) appropriations by Congress specifying the amount of funds available for the year to liquidate obligations; (5) program implementation which covers the programming and authorization phases; and (6) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under "Federal Aid Funding Procedures" below.

THE TERMS AND CONDITIONS OF PARTICIPATION IN THE FAHP AS DESCRIBED HEREIN ARE SUBJECT TO CHANGE AT THE DISCRETION OF CONGRESS. THERE CAN BE NO ASSURANCE THAT THE LAWS AND REGULATIONS NOW GOVERNING THE FAHP WILL NOT BE CHANGED IN THE FUTURE IN A MANNER THAT MAY ADVERSELY AFFECT THE ABILITY TO RECEIVE FEDERAL AID REVENUES SUFFICIENT TO ENABLE THE FINANCE AUTHORITY TO PAY DEBT SERVICE ON THE SERIES 2022A BONDS.

Title 23, United States Code, entitled "Highways," includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

Reauthorization

The FAHP must be periodically reauthorized by Congress. Following a number of prior multi-year authorizations, the Transportation Equity Act for the 21st Century ("TEA-21") was enacted in 1998 and authorized programs over the six-year period from FFY 1998 through 2003.

<u>SAFETEA-LU</u>. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU") became law on August 10, 2005, and authorized programs over the four-year period from FFY 2006 through 2009. After the expiration of SAFETEA-LU in September 2009, Congress enacted 10 interim authorization measures.

<u>MAP-21</u>. The Moving Ahead for Progress in the 21st Century Act ("MAP-21") was signed into law on July 6, 2012. MAP-21 extended SAFETEA-LU through the end of FFY 2012 and authorized new funding through the end of FFY 2014. MAP-21 extended the imposition of the highway-user taxes, generally at the rates that were in place when the legislation was enacted, through September 30, 2016. In addition, it extended provision for deposit of almost all of the highway-user taxes into the FHTF (defined herein) through September 30, 2016.

MAP-21 restructured the core federal highway programs. Activities previously carried out under the National Highway System Program, the Interstate Maintenance Program and the Highway Bridge Program, among others, were incorporated by MAP-21 into the following new core formula programs: National Highway Performance Program, Surface Transportation Block Grant Program, Congestion Mitigation and Air Quality Improvement Program, Highway Safety Improvement Program, Railway-Highway Crossings Program, and Metropolitan Planning Program. After August 2014, Congress used a series of five short-term authorizations to fund the FAHP until the passage of the FAST Act. See "PLEDGED REVENUES – Federal Aid Funding Procedures – Authorization."

<u>FAST Act</u>. The Fixing America's Surface Transportation Act ("FAST Act") was signed into law on December 4, 2015, and, as extended, reauthorized the FAHP through September 30, 2021. Generally, the FAST Act provided a moderate increase in funding compared to the previous federal authorization, adjusting for inflation, while continuing to distribute the FAHP contract authority to state departments of transportation through formula programs. The FAST Act continued the aforementioned core formula programs established by MAP-21, and created a new core formula program: the National Highway Freight Program.

The FAST Act largely maintained the MAP-21 structures and funding shares between highway and transit, provided long-term funding for surface transportation to State and local governments, streamlined the approval process for new transportation projects and established formula and discretionary grant programs to benefit freight movements. The FAST Act created the National Surface Transportation and Innovative Finance Bureau to serve state and local governments applying for federal funding, financing or for technical assistance. It implemented changes to the TIFIA loan program to accelerate the delivery of innovative finance projects, updated the federal Department of Transportation's safety oversight of transit agencies, and streamlined the federal truck and bus safety grant programs to provide more flexibility to states. After September 31, 2020, Congress used a series of three short-term authorizations to fund the FAHP until the passage of the IIJA. See "PLEDGED REVENUES – Federal Aid Funding Procedures – Authorization."

IIJA. The Infrastructure Investment and Jobs Act (the "IIJA") (Public Law 117-58, also known as the "Bipartisan Infrastructure Law") was signed into law on November 15, 2021 and reauthorized the FAHP through the end of FFY 2026 (September 30, 2026). As part of approximately $1.2 trillion in federal funding for nationwide infrastructure investment, the IIJA provides approximately $350 billion in federal funding for surface transportation under the FAHP, which is an approximately 55% increase in federal funding for surface transportation as compared to the initial 5-year term of the FAST Act (approximately $226 billion for FFYs 2016 through 2020).

Under the IIJA, the FHWA continues to distribute the FAHP contract authority to state departments of transportation through formula programs. The IIJA continued the existing formula programs established by MAP-21 and the FAST Act and created two new formula programs: the Carbon Reduction Program and the Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Program.

The table below sets forth the FAHP funds authorized to be apportioned from the FHTF under the FAST Act (for FFYs 2017 through 2021) and the IIJA (for FFY 2022).

Federal-Aid Highway Program (Apportioned) Authorization (in billions)

FFY 2017	FFY 2018	FFY 2019	FFY 2020	FFY 2021	FFY 2022	6-Year Average
$40.6	$41.4	$42.4	$43.4	$43.4	$52.4	$43.9

Lapsed Authorization and Reauthorization History. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. For most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide obligation authority by administrative action.

Although recent federal surface transportation legislation, including the surface transportation reauthorization provisions of the IIJA, has been authorized for multiple years at a time, there have been periods in which the previous authorizing legislation expired and the future legislation had yet to be enacted. In such circumstances, Congress and/or the FHWA have found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states. Two mechanisms in particular have kept revenues flowing:

- Short-Term Authorization: As it has in the past, following expiration of the IIJA, Congress may enact interim authorization measures for varying periods until the enactment of replacement federal highway authorization legislation. Additionally, since most states have unobligated balances of at least half their normal annual obligation authority levels and an authorization act need not be in place for the FHWA to give states new obligation authority, in the past states were able to spend down prior unfunded federal apportionments (contract authority) with newly allocated obligation authority. The lack of an enacted authorization act during this period did not pose a threat to the continued flow of revenues, because dedicated highway user fees continued to flow into the FHTF.

- Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act expired on September 30, 1991 and Intermodal Surface Transportation Efficiency Act of 1991 was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide contract authority to use new obligation authority.

ALTHOUGH MEASURES HAVE BEEN ENACTED BY CONGRESS IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF EITHER A SHORT-TERM OR MULTI-YEAR AUTHORIZATION PERIOD.

The Federal Highway Trust Fund

The Federal Highway Trust Fund ("FHTF") provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the FHTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of a state's cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects. The FHTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account. Federal gasoline excise taxes are the largest revenue source for the FHTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon federal fuel tax, go to the Highway Account. The following table shows annual FHTF collections in the Highway Account for the FFYs 2013 through 2021 and as of January 31, 2022.

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Receipts into the Highway Account of the Federal Highway Trust Fund
Federal Fiscal Years 2013 through 2021, and as of January 31, 2022
(in Billions)

	Federal Fiscal Year									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022[1]**
Opening Balance	$9.731	$3.771	$11.376	$9.040	$51.435	$41.443	$32.605	$24.652	$12.621	$14.264
Receipts										
Net Tax Receipts	31.800	34.066	35.740	36.062	35.699	37.265	38.267	37.458	37.932	11.017
Interest Income	0.005	0.003	0.001	0.092	0.281	0.543	0.621	0.145	0.757	0.006
Other Receipts	5.899[2]	18.435[3]	6.092[4]	52.119[5]	0.128[6]	0.120[7]	0.098	0.107	10.504[8]	90.005[9]
Total Receipts	37.704	52.504	41.834	88.274	36.108	37.928	38.985	37.711	48.445	101.029
Transfers										
To Mass Transit Account	0.796	1.159	1.246	1.170	1.175	1.700	1.401	1.615	1.200	0.600
From Mass Transit Account	0.00	0.051	0.029	0.078	0.052	0.066	0.069	0.058	0.114	0.007
Outlays	42.917	43.791	42.952	44.786	44.977	45.132	45.607	48.265	45.716	13.085
Closing Balance	$3.771	$11.376	$9.040	$51.435	$41.443	$32.605	$24.652	$12.621[10]	$14.264	$101.638

Source: Federal Highway Administration Table FE-1. Totals may not sum due to rounding.

(1) Balance as of January 31, 2022.

(2) Includes a transfer of $6.2 billion to the Highway Account from the General Fund of the United States Treasury (the "General Fund") pursuant to P.L. 112-141, of which $316.2 million was sequestered.

(3) Includes transfers of $10.4 billion to the Highway Account from the General Fund pursuant to P.L. 112-141, of which $748.8 million was sequestered, $7.765 billion to the Highway Account from the General Fund and $1.0 billion to the Highway Account from the Leaking Underground Storage Tank ("LUST") Trust Fund pursuant to P.L. 113-159.

(4) Includes a transfer of $6.068 billion to the Highway Account from the General Fund pursuant to P.L. 114-41.

(5) Includes transfers of $51.9 billion to the Highway Account from the General Fund pursuant to P.L. 114-94 and $100.0 million to the Highway Account from the LUST Trust Fund pursuant to P.L. 114-94.

(6) Includes a transfer of $100 million (reduced to $93,100,000 by a sequester) to the Highway Account from the LUST Trust Fund pursuant to Section 31203 of P.L. 114-94.

(7) Includes a transfer of $100 million (reduced to $93,100,000 by a sequester) to the Highway Account from the LUST Trust Fund pursuant to Section 31203 of P.L. 114-94.

(8) Includes a transfer of $10.4 billion to the Highway Account from the General Fund pursuant to the CRRSAA. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS–Impact of COVID-19–CRRSAA Funding Received by the Department."

(9) Includes a transfer of $90.0 billion in December 2021 to the Highway Account from the General Fund pursuant to the IIJA. See "PLEDGED REVENUES – Reauthorization – IIJA."

(10) Includes a deposit of $80.4 million to the Receipt Account of the Highway Account.

The imposition of the taxes that are dedicated to the FHTF, as well as the authority to place the taxes in the FHTF and to expend moneys from the FHTF, all have expiration dates which must be extended periodically by Congress. The life of the FHTF has been extended several times since its inception, most recently by the IIJA. The FHTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

Current FHTF Concerns

Amounts in the FHTF can be affected by the expenditures therefrom and a number of revenue-impacting factors. Several of these elements and their current impact on the FHTF are described below.

Deficits. Occasionally, spending levels authorized in SAFETEA-LU or subsequent federal highway legislation from the FHTF exceeded the amount of revenues deposited in the FHTF. Deficits in the FHTF can be corrected by transfers from other funds or by a reduction in the spending levels. It cannot be predicted what action the federal government will take to remedy such deficits.

Fluctuations in Vehicle Miles. The primary source of funds in the FHTF is federal excise taxes on motor fuels. Fluctuations in vehicle miles traveled ("VMT") have sometimes resulted in the FHTF receiving less revenue from gasoline and diesel sales. Reports of the FHWA indicate that Americans vary their driving habits based on a variety of factors and that a decline in VMT may reduce the net tax receipts into the FHTF. It cannot be determined whether there will be a decline in VMT in future years which may have an adverse impact on the FHTF or the availability of federal transportation funds.

Budgetary Issues. The Balanced Budget and Emergency Deficit Control Act, as amended by the Budget Control Act of 2011 and the Bipartisan Budget Act of 2013 (collectively, the "Balanced Budget and Emergency Deficit Control Act") require that budgetary resources in each non-exempt budget account be reduced by an amount calculated annually as necessary (i.e. "sequestered") by the Office of Management and Budget. Federal transportation contract authority subject to obligation limitation is exempt from reduction; however contract authority not subject to obligation limitation is subject to sequestration at an annual rate of 5.7% for FFY 2022. In FFY 2021, funds for the National Highway Performance Program, the largest core program of the FAHP, were subject to reduction at an annual rate of 5.7 percent (a reduction of $36,423,000).

The Office of Management and Budget issued a report pursuant to the Sequestration Transparency Act of 2012 on the consequences of sequestration for governmental operations. The mandate from the Budget Control Act of 2011 required, among other things, a 9.4 percent reduction for certain non-exempt defense discretionary programs, an 8.2 percent reduction for certain non-exempt nondefense discretionary programs and a 7.6 percent reduction for certain non-exempt nondefense mandatory programs, beginning in January 2013. Federal transportation contract authority subject to obligation limitation is exempt from reduction. Contract authority not subject to obligation limitation is subject to reduction at an annual rate of 7.6 percent. Any transfers from the General Fund to the FHTF would be subject to reduction, lowering the balance in the FHTF. Nonetheless, the Department believes that such reduction would not materially affect the amount of funding provided to the State under the FAHP.

Overall, the FHTF has been experiencing budgetary shortfalls since 2008 and transfers from the General Fund have been required to meet its obligations. Congress is currently seeking long-term solutions to these annual shortfalls. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Uncertainties in Federal Funding."

Other. Various proposals are being considered to address the FHTF's current anticipated shortfall, including an increase in fuel taxes, a variety of other new taxes (including a tax on VMT) and other funding sources. There can be no assurance any of these proposals will be enacted by Congress.

Impact of Lack of Annual Appropriation Bills. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. The IIJA provides authority for the FHWA to expend funds from the Highway Account of the FHTF for FAHP purposes through the end of FFY 2026 (September 30, 2026). See "PLEDGED REVENUES – Reauthorization – IIJA." Because of the FHTF's contract authority, even in the event of a lack of annual appropriation bill, FHTF revenues continue to flow to the states. Further, FHWA employees are paid using contract authority. On September 27, 2013 the federal Department of Transportation released a report titled, "Operations During a Lapse in Annual Appropriations; Plans by Operating Administration." In this report, it was noted that all FHWA operations continue as normal during a lapse in annual appropriations and no FHWA employee positions are to be furloughed. It was further noted that FHWA has sufficient liquidating cash to continue operations during a lapse in annual appropriations.

Federal Aid Funding Procedures

The FAHP continues to enable the construction of an extensive national transportation system through reimbursement of a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

- the FAHP is funded by dedicated revenues, from a user-tax source, deposited in a special trust fund (the FHTF);

- the contract authority of the FHWA is established through a multi-year authorization act rather than through annual appropriation acts; and

- contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

The following summarizes the major steps in funding the Federal-Aid Highway Program.

Authorization. The first and most important step in funding the FAHP is the development and enactment of authorizing legislation. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP has been continued or renewed through the passage of multi-year authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year surface transportation acts. Authorization legislation not only shapes and defines programs, but also sets upper limits (authorizations) on the funding for programs and includes provisions related to the operation of the FHTF. See "– Reauthorization" above. The last multi-year authorization of the FAHP prior to the IIJA was the FAST Act. There is no guarantee, however, that reauthorization of the FAHP will occur on a multi-year basis.

The most recent federal authorization for the FAHP is the IIJA, enacted by Congress in 2021, which provides funding for the FAHP through FFY 2026. See "PLEDGED REVENUES – Reauthorization – IIJA." There have been periods in the past where legislation expired before the passage of a new legislative authorization, with short-term extension acts used to ensure the continued operation of the FAHP. For example, prior to the passage of the FAST Act, Congress extended the prior authorization (MAP-21) five times over 14 months using short-term extensions which allowed the FAHP to continue to provide funding while the new federal authorization was under consideration.

Once Congress has established authorizations, the next step involves how funds are made available to states. Typically, federal programs operate using appropriated budget authority which means that funds, although authorized, are not available until passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through what is termed "contract authority" (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a FFY are available for distribution through apportionments or allocations. The use of contract authority gives the states advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

The existence of dedicated revenues in the FHTF and of multi-year contract authorizations are designed to provide a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal, since sufficient unobligated balances generally exist that can be used by the states, with the approval of Congress, to cover gaps in funding between multi-year reauthorization acts.

Apportionment and Allocations. For most components of the FAHP, the authorization act sets the distribution of contract authority to be apportioned and/or allocated to the states. The authorized amount for a given FFY is distributed to the states through apportionments and allocations.

Apportionments. The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each FFY, the FHWA is responsible for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. Apportionment formulas have been designed historically to ensure distribution of federal revenues among states according to program needs, but are also increasingly intended to provide states a share of total FHTF expenditures relatively close to their payments into the FHTF. Annual apportionments are generally made on the first day of the FFY. Federal law assures that, notwithstanding the funding it would receive through these formulas, each state shall receive at least a minimum guaranteed amount of funding. New Mexico is a "donee state" and in the past has received a percentage share of national apportionment that is more than its percentage share of contributions to the national FHTF and has not received funds under the minimum funding provision.

Allocations. Some categories of the FAHP do not have a legislatively mandated distribution formula. When there are no formulas in law, the distributions of funds are termed "allocations" which may be made at any time during the FFY. In most cases, allocated funds are divided among states, with qualifying projects applying general administrative criteria provided in the law.

Federal-aid highway apportionments are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with most other federal programs. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state's carryover apportionments from the previous year. Should a state fail to obligate a year's apportionments within the period of availability (usually a total of four years) specified for a given program, the funds will lapse.

Obligation. Obligation is the legal commitment (or promise) of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. Once an obligation is made, the federal government is to reimburse the states when bills or payments become due.

Once Congress establishes an overall obligation limitation (see "Federal Aid Funding Procedures–Appropriations" below), FHWA distributes Obligation Authority ("OA") to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of OA to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the FFY, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of OA is reduced. A state's OA (unlike its apportionments and allocations of authorized funding) must be obligated before the end of the FFY for which it is made available; if not, it will be redistributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional OA through a redistribution process each year in August which reallocates OA from states or programs unable to fully obligate their share to other states that are able to obligate more than their initial share.

Appropriations. Congressional appropriations committees use federal-aid highway revenues as a means of balancing the annual level of highway spending with other federal budget priorities. Thus Congress may place a restriction or "ceiling" on the amount of federal assistance that may be obligated during a specified time period. The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used, and, in effect, can limit the amount of funds which can be used.

Although a ceiling on obligations restricts how much funding may be used in a FFY, the state has flexibility within the overall limitation to mix and match the type of program funds it obligates, based on its individual needs, as long as it does not exceed the ceiling in total. Also, generally, the unobligated balance of apportionments or allocations that the state has remaining at the end of any FFY is carried forward into subsequent FFYs and is available for use contingent upon the availability of OA issued in each year.

Highway Program Implementation. As a condition for receiving federal funds for transportation programs, states must develop comprehensive plans that are based upon anticipated short-term and long-term funding amounts for specific programmatic categories of the FHWA. States must fulfill these federal requirements in order to be eligible for federal transportation funds. Specific projects are not eligible for federal reimbursements unless each project is identified in a Statewide Transportation Improvement Program ("STIP"). STIPs are consistent with a State's long-range transportation plans and provide a detailed outline of projects that are proposed for implementation in a time-frame of one to six years. The Department, with input from the State's Metropolitan Planning Organizations and Regional Planning Organizations, prepares the STIP for the approval of the Commission. At the federal level, the STIP is reviewed by the FHWA, the Federal Transit Administration and the Environmental Protection Agency.

Among other federal requirements, the STIP must be federally reviewed and approved at least every two years. The STIP must include the estimated project cost for each project and the amount of federal funds to be obligated for each project. The Department requests FHWA authorization to use federal funding on a project and submits plans, specifications and estimates to the FHWA. Each project submitted must be included on the STIP. Provided that all requirements are satisfied, the FHWA authorizes the federal financial participation in the project. After expending bond proceeds or other available funds to construct the projects or to pay debt service on relevant bonds, the Department can request and be reimbursed by the FHWA for the federal share of construction costs or the federal share of such debt service, as the case may be.

New Mexico's Highway Capital Investment Program ("HCIP") is the major component of the State's STIP. The STIP also includes federally funded public transportation and aeronautic projects under the Department's administrative authority. Inclusion of the HCIP in the STIP ensures the accomplishment of certain conditions necessary for receiving federal highway funding for use on projects. These conditions include ongoing public involvement in the creation and updating of the HCIP, the participation of state and local officials in the selection of projects, and consistency between Metropolitan Transportation Improvement Programs ("MTIPs") and the State's HCIP. The STIP is also required to represent a realistic project funding plan within reasonable expectations of future sources of funding. Selected projects in the MTIPs and the STIP must have been determined to conform to certain air quality attainment goals in air quality non-attainment areas to remain in the STIP.

The STIP lists all projects funded with federal funds for a period of at least four years. In the State, the STIP is currently developed every two years and covers a six-year period. The most recent six-year STIP covering FFY 2022 through FFY 2027 was approved by the Federal Highway Administration (FHWA) on September 27, 2021. The Department anticipates developing the next STIP in fall 2023. The STIP is subject to change on a quarterly basis via the formal amendment process outlined in the Department's STIP Procedures Manual dated August 2020. The six-year STIP represents $3,701,507,788 of projects to be undertaken during FFY 2022 through FFY 2027, as well as FHWA contributions toward Department debt service.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states.

States may request FHWA approval for eligible projects either through the traditional process or through the advance construction procedure as discussed below:

Traditional Approach. Under the traditional highway funding approach, FHWA approves the full federal share of the funding for a project at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates ("PS&Es") for a project to the FHWA, and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements. Provided that all requirements are satisfied, FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the funds, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of the state's OA and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient OA to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. The state will award the contract to the lowest responsive bidder and submits a modified agreement to FHWA requesting any necessary adjustments to federal funding to reflect the actual bid amount. The project agreement identifies the funds that are estimated to be expended by the state and the amount that will be reimbursed by the Federal Government.

Advance Construction Approach. In recent years, FHWA has implemented several new fiscal management techniques that provide states additional flexibility in managing their OA and cash flow. Advance construction ("AC") and partial conversion of advance construction are two key techniques that facilitate federal-aid project funding.

The AC approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the full federal share of costs at the beginning of the project. This allows states to begin a project before accumulating all of the OA needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&Es to FHWA and requests project authorization. Under AC, however, FHWA is asked to authorize the project without obligating federal funds. The state will provide the up-front financing for the project and then at a later date "convert" the advance construction project to a regular federal-aid project and obligate the full federal share of the project costs, when sufficient OA is available. At the time of conversion, the state can be reimbursed for the federal share of costs incurred up to the point of conversion.

Partial conversion of AC is a form of advance construction in which the state converts, obligates, and receives reimbursement for only a portion of its funding of an AC project in a given year. This removes any requirement to wait until the full amount of OA for the project is available. The state can therefore obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's OA is available. Using the technique to partially convert the federal share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects. The National Highway System Act of 1995 provided additional flexibility in the use of advance construction by allowing partial conversion of advance construction as implemented through a Federal Register Notice dated July 19, 1995.

Under the FAHP, as projects are approved by FHWA, the aggregate dollar amount of each contract relating thereto will be obligated against the remaining annual amount of OA still available to the State. The State will then pay the amounts owed under each contract as the work progresses and receive reimbursement from the federal government for the federal share of the total costs. The aggregate amount of reimbursement received by the State in any year is not necessarily equal to the State's apportionment for such year. Many projects and contracts extend over a number of years which means that the aggregate amount made available to the State in any one year, if fully obligated, may be received as reimbursement over a longer period of time relating to the actual pace of construction. The State expects to have sufficient projects which will qualify to allow it to access all Federal Transportation Funds made available to it.

Reimbursement. The FAHP is a reimbursement program. As work progresses on a federal-aid highway project, a state will pay the contractor for completed work from available state funds. The state electronically transmits vouchers for the federal share of completed work and certifies to FHWA that the claims for payment are in accordance with the terms of the project agreements, and applicable state and federal laws or regulations. After review and approval by the FHWA Division office, payment is scheduled for the date requested by the state. Payment is transferred directly from a Federal Reserve Bank to the state's account at a financial institution by wire transfer, and is generally scheduled to be made within two days of the submission of the state's electronic bill.

The Department has been made aware that FHWA will not provide federal-aid highway reimbursements or payments for any debt service payments intercepted by the U.S. Treasury Offset Program for monies owed by the State to the federal government. No guidance has been given to the Department by FHWA with respect to the U.S. Treasury Offset Program. No prior payments from FHWA to the Department have been delayed or withheld as a result of the U.S. Treasury Offset Program.

Lapsing of Authorization. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. For most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide OA by administrative action. See " – Reauthorization" above.

Rescission of Unobligated Balances. Since late 2005, Congress has taken action to reduce unobligated balances of previously authorized funds by issuing the following rescissions:

RESCISSIONS OF UNOBLIGATED BALANCES

Date	National Amount	FHWA Notice
12/28/2005	$1,999,999,000	N 4510.578
3/21/2006	1,143,000,000	N 4510.588
7/5/2006	702,362,500	N 4510.606
3/19/2007	3,471,582,000	N 4510.643
6/20/2007	871,022,000	N 4510.647
3/4/2008	3,150,000,000	N 4510.673
4/13/2009	3,150,000,000	N 4510.707
9/30/2009	8,708,000,000[(1)]	N 4510.712
8/13/2010	2,200,000,000	N 4510.729
6/30/2011	2,500,000,000	N 4510.735
6/21/2017	857,000,000	N 4510.814

(1) These funds were restored in the extension of SAFETEA-LU enacted on March 18, 2010.
(Source: Excerpted from the Department of Transportation Federal Highway Administration website.)

All of the foregoing rescissions were spread among the 50 states on a proportional basis. The aggregate amount for these rescissions for New Mexico was $240,989,055. However, because these rescissions were all applied to reduce the unobligated apportionment balances from prior years, there was no impact on operating revenues. In addition, Congress in adopting SAFETEA-LU scheduled a rescission of unobligated apportionment balances in the total amount for all 50 states of $8,708,000,000 that took effect on September 30, 2009; however, as noted above, these funds have since been restored and $82,543,515 has been restored to New Mexico programs from which the funds were rescinded. The FAST Act also included a rescission of $7.569 billion that was set to take effect on July 1, 2020, but was ultimately cancelled by Congress. The Department takes scheduled rescissions, if any, as well as the prior rescissions into account in preparation of the STIP. Although the Department is not aware of any rescissions currently being contemplated by Congress, further rescissions are possible and may have a more adverse effect on the State and its highway program.

The Department also notes that under FHWA Notices 4510.769, 4510.789, 4510.803, 4510.587, 4510.817, 4510.829, 4510.838, 4510.848, and 4510.859, apportionments available to the State were reduced for FFY 2014 through 2022 by $66,440; $453,018; $421,990; $425,393; $407,587; $384,262; $364,146; $349,574; and $347,467, respectively, due to federal sequestration orders. (See " – Current FHTF Concerns–Budgetary Issues" herein.

Special Federal Provisions Relating to Debt-Financed Projects

The National Highway System Act ("NHS Act") of 1995 made several changes affecting the financing of federal-aid highway projects, including AC procedures, as previously discussed, and payments to states for debt financing.

Section 311 of the NHS Act significantly expanded the eligibility of bonds, notes and other debt instrument financing costs for federal-aid reimbursement. This change to the FAHP was codified into permanent highway law as an amendment to Section 122 of Title 23 of the United States Code. Under Section 122, various debt-related costs are eligible for reimbursement, including principal and interest payments, issuance costs, insurance, and other costs incidental to a financing.

FHWA has issued guidelines for debt-financed projects. Key provisions of these guidelines are as follows:

- The project must be approved as a federal-aid, debt-financed (bond, certificate, note or other debt instrument) project in order to receive payments for eligible debt-related costs under Section 122. Once a project is selected for debt financing, the project is submitted to the FHWA for approval as an AC project under Section 115 of Title 23. The AC designation ensures that the project follows federal-aid procedures and preserves the eligibility to reimburse debt-related costs through future federal-aid fund obligations.

- Debt-financed projects are subject to requirements of the Federal Clean Air Act and federal air quality conformity requirements.

- At the time the project agreement is signed, a state may make an election to seek reimbursement for debt service and/or related issuance costs in lieu of reimbursement for construction costs. If a state elects to receive debt service reimbursements, a debt service schedule will be included in the project agreement. If multiple projects are funded with the proceeds of a debt issue, each project will be assigned a prorated share of the debt-related costs.

- To comply with the intent of the fiscally constrained planning process, the federal share of the debt-related costs (e.g., interest and principal payments, associated issuance costs, and on-going debt servicing expenses) anticipated to be reimbursed with federal-aid funds over the life of the debt obligations should be designated as AC. The planned amount of federal-aid reimbursements (AC conversion) should be included in the STIP, in accordance with FHWA procedures.

- Periodic debt service payments (federal-aid reimbursements) on the debt obligations would represent partial conversions of designated AC amounts to federal aid. A state can obligate such federal aid annually over the life of the permanent financing or a state can make the conversion in one lump sum upon project completion to help take out construction financing. A state would follow the normal procedures for conversion of an advance construction project.

- A state may seek federal-aid reimbursements for eligible debt-related costs as these costs are incurred. Issuance costs, debt service payments, and incidental costs represent costs incurred that may be reimbursed with federal-aid funds to the extent such costs are deemed eligible.

- A state may make arrangements with the FHWA regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements could be received shortly before the debt service payment date.

- A state may designate a trustee or other depository to receive federal-aid debt service payments directly from FHWA.

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STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS

The following table identifies prior authorizations, obligation limitations and reimbursements received by the State and the Department under the FAHP. The ability to pay debt service on the Series 2022A Bonds will depend upon the amount of actual funding provided to the State under the FAHP, the legal availability thereof and the State's ability to use such funding. None of the State, the Commission, the Department or the Finance Authority is able to predict the amount of funding to be awarded to the State under the FAHP in future years. The available aggregate authorization and obligation limitations set forth below may be different than the Federal Revenues actually received by the Department. See "PLEDGED REVENUES–Federal Aid Funding Procedures."

NEW MEXICO FEDERAL AID HIGHWAY PROGRAM FUNDS(1)

	Federal Fiscal Year 2018	Federal Fiscal Year 2019	Federal Fiscal Year 2020(2)	Federal Fiscal Year 2021	Federal Fiscal Year 2022
National Highway Performance Program	$224,828,751	$230,210,232	$234,104,595	$232,641,129	$271,306,091
Surface Transportation Block Grant Program(3)	112,447,918	114,841,224	116,909,344	116,178,504	$131,986,747
National Highway Freight Program	11,149,420	12,584,953	13,930,085	13,843,003	$12,735,586
Congestion Mitigation/Air Quality	11,785,374	12,041,161	12,238,985	12,162,475	$12,435,524
Metro Planning	1,661,729	1,703,071	1,736,084	1,725,231	$2,123,358
Planning Programs - Suballocation from Core Program funds	(5,746,894)	(5,896,684)	(6,014,476)	(5,976,573)	(6,516,291)
Research Program - Suballocation from Planning Program funds	(1,915,632)	(1,965,561)	(2,004,826)	(1,992,191)	(2,172,097)
Highway Safety Improvement Program	22,914,918	23,434,695	23,782,027	23,613,025	28,906,487
Rail-Highway Crossing	1,757,713	1,774,045	1,841,556	1,850,379	1,857,031
Carbon Reduction Program	N/A	N/A	N/A	N/A	11,768,818
PROTECT Program	N/A	N/A	N/A	N/A	13,381,990
Aggregate Authorization	$378,883,297	$388,727,136	$396,523,374	$394,044,982	$476,419,311
Aggregate Obligation Limitation	$339,532,375	$342,265,520	$351,089,803	$342,567,149	$432,499,950(4)
Redistribution(5)	$57,707,741	$42,512,731	$59,252,140	$44,400,000	N/A(6)

(1) All amounts are based on apportionment of FAHP Fund for each corresponding FFY under the FAST Act (for FFYs 2018 through 2021) and the IIJA (for FFY 2022). This summary itself is unaudited.

(2) Excludes funds provided under the CRRSAA. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS–Impact of COVID-19–CRRSAA Funding Received by the Department."

(3) Includes large urban area (Albuquerque and Sunland Park) population suballocations.

(4) Represents aggregate obligation limitation for FFY 2022 as of March 18, 2022.

(5) NMDOT receives additional OA through the FHWA redistribution process in August of each year, which process reallocates OA from states or programs unable to fully obligate their share. Historically, this additional amount is reallocated by the FHWA by August 30 of each year.

(6) For FFY 2022, NMDOT anticipates receiving additional OA through the FHWA redistribution process by August 10, 2022.

(Source: The Department.)

Note that the Department may allocate its OA among FAHP programs as it desires, subject to the aggregate authorization and allocation amount in each category and the aggregate obligation limit. Aggregate authorization does not represent Federal Revenues. Federal Revenues are limited by obligation limitation, and are received through reimbursements for expenditures made on construction activities. Reimbursement amounts vary significantly year-to-year depending on construction schedules. Over time, reimbursement revenues are approximately equal to the obligation limitation. STIP/URBAN areas over 200,000 population and planning/research programs are suballocations from the core funding category apportionments shown for information purposes.

Once Federal Revenues are obligated, they may be spent (and therefore reimbursed) in any year until fully expended, adding to the unpredictability of annual reimbursements. The Department's practice is to obligate all amounts available in each year. This practice, and the larger size of the Department's construction program, will allow the Department to accelerate projects in order to increase reimbursements in any particular year if necessary to pay bondholders.

Pledged Revenues History and Estimates

The following table sets forth (i) a history of Pledged Revenues for the fiscal years ended June 30, 2012 through June 30, 2021, and (ii) the Department's estimates of Pledged Revenues for the fiscal years ended June 30, 2022 through June 30, 2026. Historical figures from the fiscal years ended June 30, 2012 through June 30, 2021 are derived from actual results. The table itself is unaudited. The Department's estimates of Pledged Revenues contained herein are based on the Department's semi-annual forecast prepared in January 2022, which forecast takes into account the effects of the ongoing COVID-19 pandemic. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19." The Department's estimates of Pledged Revenues estimates are subject to change and are based on certain assumptions that may not be realized. The overall demand for the fuels subject to the taxes described above and the collection of the other taxes described herein may be negatively impacted by a variety of economic factors, and the current economic slowdown caused by COVID-19 may continue to reduce such demand and tax collections. This may have the effect of reducing the amount of State Revenues and Federal Revenues described above that will be received by the Department. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS" and "FORWARD-LOOKING STATEMENTS."

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PLEDGED REVENUES HISTORY AND ESTIMATES[1]
(in thousands)[2]

	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual[3]	FY20 Actual[3]	FY21 Actual[3]	FY22 Estimate[4]	FY23 Estimate[4]	FY24 Estimate[4]	FY25 Estimate[4]	FY26 Estimate[4]
STATE ROAD FUND															
Gasoline Tax	$104,987	$111,795	$107,998	$110,672	$110,892	$113,022	$116,147	$117,365	$111,778	$116,278	$117,500	$117,500	$117,700	$118,500	$118,100
Special Fuel Excise Tax	92,326	92,563	92,923	97,566	97,341	100,066	108,141	113,383	118,279	122,092	133,600	135,600	138,500	142,100	134,600
Weight/Distance	72,786	73,489	75,367	79,985	82,990	84,008	86,278	94,016	92,251	99,685	106,100	108,600	111,400	114,400	104,350
Trip Tax	5,689	5,045	4,666	5,232	5,973	5,951	6,124	6,758	6,227	8,044	9,300	9,350	9,400	9,450	9,300
Vehicle Registration	75,626	74,135	76,218	75,455	80,774	79,232	80,204	82,453	79,312	84,863	84,490	84,980	85,370	86,690	83,620
Vehicle Transaction	1,114	1,163	1,200	1,173	1,298	1,158	1,153	1,148	1,003	1,123	1,200	1,200	1,200	1,200	1,180
Driver's License	4,424	4,227	4,193	4,158	3,841	3,816	4,191	4,117	4,028	4,629	4,700	4,700	4,700	4,700	4,610
Oversize/Overweight	4,820	4,805	5,026	5,229	4,997	5,104	6,412	7,225	7,173	7,028	7,640	7,680	7,590	7,520	7,710
Public Regulatory Commission Fees	881	3,191	2,009	3,362	3,403	3,291	3,359	5,891	2,933	3,686	3,300	3,300	3,300	3,300	3,300
MVD Miscellaneous Fees	2,991	3,100	3,302	3,509	5,426	5,260	6,322	6,407	5,510	4,571	5,000	5,100	5,200	5,300	4,900
Motor Vehicle Excise Tax[5]	0	0	0	0	0	0	0	6,562	5,934	7,489	54,580	53,680	54,550	56,610	53,460
Road Fund Interest	108	209	80	39	133	310	1,037	4,222	6,316	345	535	585	550	645	290
TOTAL STATE ROAD FUND	365,753	373,721	372,982	386,380	397,069	401,219	419,368	449,547	440,744	459,833	527,945	532,275	539,460	550,415	525,420
Percent Change	-1.3%	2.2%	-0.2%	3.6%	2.8%	1.0%	4.5%	7.2%	-2.0%	4.3%	0.5%	0.8%	1.3%	2.0%	14.3%
HIGHWAY INFRASTRUCTURE FUND															
Lease Vehicle Gross Receipts	5,731	5,214	5,889	5,773	5,949	5,964	6,220	6,760	5,345	4,120	6,770	6,900	7,040	7,180	6,740
Tire Recycling Fees	1,831	1,807	1,836	1,810	1,943	1,868	1,878	1,910	1,849	1,995	2,000	2,000	2,020	2,020	1,980
Interest	16	25	7	7	13	11	13	74	94	4	6	7	6	7	3
TOTAL HIGHWAY INFRASTRUCTURE FUND	7,579	7,047	7,732	7,590	7,905	7,842	8,111	8,744	7,288	6,119	8,776	8,907	9,066	9,207	8,723
Percent Change	1.3%	-7.0%	9.7%	-1.8%	4.2%	-0.8%	3.4%	7.8%	-16.7%	-16.0%	0.6%	1.5%	1.8%	1.6%	42.6%
FEDERAL FUNDS	405.585	412,776	372,869	385,211	378,694	377,030	386,843	396,589	404,543	402,013	486,501	496,232	506,157	516,279	526,605
Percent Change	30.6%	1.8%	-9.7%	3.3%	-1.7%	-0.4%	2.6%	2.5%	2.0%	-0.6%	21.0%	2.0%	2.0%	2.0%	2.0%
TOTAL PLEDGED REVENUES	$778,916	$793,544	$753,583	$779,180	$783,668	$786,092	$ 814,322	$ 854,880	$852,575	$ 867,965.	$1,023,222	$1,037,414	$1,054,683	$1,075,901	$1,060,748
Percent Change	13.1%	1.9%	-5.0%	3.4%	0.6%	0.3%	3.6%	5.0%	-0.3%	1.8%	17.9%	1.4%	1.7%	2.0%	-1.4%

(1) Gasoline Tax, Special Fuel Excise Tax, Weight Distance Tax, Oversize/overweight permit fees, Vehicle Registration and Motor Vehicle Excise Tax estimates are projected using statistical models with national and state economic and demographic input variables. Vehicle Transaction and Driver Licenses Fees estimates are projected using time series models and trend analysis. Other taxes and fees are generally forecasted using trend analysis. Estimated federal funds in future years approximate multi-year average under the IIJA and are assumed at a level amount. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS" and "FORWARD-LOOKING STATEMENTS."

(2) Details may not correspond to totals due to rounding. "Actual" figures are from audited financial statements for the fiscal years given.

(3) For a comparison of actual Pledged Revenues for the first six months of fiscal years 2019, 2020, and 2021 to preliminary Pledged Revenues for the first six months of fiscal year 2022, see "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19."

(4) Estimates of Pledged Revenues for fiscal years ending June 30, 2022 through June 30, 2026 are based on the Department's semi-annual forecast prepared in January 2022, which forecast takes into account the effects of the ongoing COVID-19 pandemic. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19."

(5) Chapter 3, New Mexico Laws of 2018 (2nd Special Session) provided for the distribution, effective July 1, 2018, of a portion of the State's motor vehicle excise tax to the State Road Fund. In fiscal year 2021, such distribution yielded approximately $7,500,000 to the State Road Fund. Chapter 270, New Mexico Laws of 2019 (1st Special Session) further increased the motor vehicle excise tax distribution to the State Road Fund. Effective July 1, 2021, the State Road Fund is expected to receive approximately $54,000,000 per fiscal year. See "PLEDGED REVENUES – State Road Fund."

(Source: The Department.)

SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS

Each investor or prospective investor in the Series 2022A Bonds is encouraged to read this Official Statement and to give particular attention to the factors described below which, among other conditions, could affect the payment of debt service on the Series 2022A Bonds and could affect the market price of the Series 2022A Bonds to an extent that cannot be determined at this time.

Impact of COVID-19

Outbreak of COVID-19 and Responsive Measures. Coronavirus Disease 2019 ("COVID-19") is a highly contagious respiratory disease caused by a particular strain of coronavirus that has recently spread to many parts of the world, including the State and elsewhere in the U.S. On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization. To slow the spread of COVID-19 in the U.S., the federal government and state and local governments, including the State government, as well as many private entities, have imposed numerous restrictions on gatherings, assemblies and other interpersonal contact, non-essential travel and various other commercial, social and cultural activities and have strongly encouraged or mandated COVID-19 vaccines and booster shots (collectively, "Responsive Measures"). As of April 6, 2022, according to the State's Department of Health (the "Department of Health"), 77.8% of State residents age 18 or older, 61.6% of State residents ages 12-17, and 31.5% of State residents ages 5-11 have been fully vaccinated for COVID-19, and 46.0% of State residents age 18 or older have received a booster shot of the COVID-19 vaccine.

The State government's Responsive Measures have consisted primarily of a series of Executive Orders issued by the Governor and Public Health Orders issued by the Cabinet Secretary of the Department of Health (the "Health Secretary") intended to reduce the spread of COVID-19 across the State, particularly in light of the enhanced viral risk caused in part by highly-transmissible COVID-19 variants and vaccine hesitancy among the general population. The Executive Orders proclaimed a statewide public health emergency due to COVID-19 which was renewed and extended through April 1, 2022 pursuant to Executive Order 2022-012 effective March 4, 2022. The Public Health Orders have imposed various public health restrictions on places of business and day-to-day activities and have mandated COVID-19 vaccines and booster shots for school workers (both public and private), hospital workers, and workers in certain other medical close-contact congregate settings, including nursing homes, juvenile justice facilities, rehabilitation facilities, and State correctional facilities, unless the worker otherwise qualifies for an exemption and submits to regular COVID-19 testing. On March 18, 2022, the Health Secretary issued a Public Health Order effective through April 15, 2022, which, in addition to renewing certain existing Public Health Orders relating to COVID-19, requires (1) all individuals age 2 and older to wear a facemask in certain congregate settings such as hospitals, long-term care facilities and detention facilities, (2) most businesses or other establishments open to the public to report employees' positive tests for COVID-19 so a "rapid response" may be initiated by the State Environment Department, (3) all business, establishments, and non-profit entities to adhere to the pertinent "COVID-Safe Practices" released by the Department of Health, and (4) all public and private educational institutions from pre-kindergarten through 12th grade to adhere to the reporting, testing, and closure requirements released by the Public Education Department ("PED") of the State (which allows institutions to operate at maximum capacity) and the PED's facemask requirements until the institution elects otherwise.

The spread of COVID-19 and Responsive Measures taken to prevent or reduce its spread have, and are expected to continue to have, potentially adverse impacts to the State's economy and its operations and, accordingly, the financial condition of the State and the Department. In addition, global crude oil prices have experienced significant volatility due to the reaction to COVID-19, global geopolitical events, and other factors. The State and the Department may be particularly at risk from any contraction of activity in the oil industry caused by COVID-19 and other factors due to the concentration of oil activities in the State and the potential spillover effects such contraction may have on other industries in the State.

In response to COVID-19 and related Responsive Measures, the federal government enacted legislation (fiscal stimulus bills) in March 2020, December 2020, and March 2021 to offset the adverse impact of COVID-19 on economic conditions in the U.S. The March 2020 and March 2021 legislation provided financial assistance to U.S. governmental entities that qualified for such assistance, including qualifying political subdivisions of the State. In further response to COVID-19 and related Responsive Measures, the State government adopted legislation in June 2020 addressing the impact of COVID-19 on the State's budget (including enabling the use of federal Coronavirus

Aid, Relief, and Economic Security (CARES) Act funding), tax relief for individuals, loans for small businesses and local governments, and election improvements. In November 2020, the State government adopted legislation providing for financial assistance to individuals and small businesses in the State, including grants to qualifying small businesses, supplemental unemployment benefits, emergency housing assistance, emergency food bank services, and direct assistance to low-income residents of the State who did not receive an "economic impact payment" from the federal government, as well as additional funding for the State's Department of Health to support the Department's response to COVID-19.

Due to the unprecedented nature of the outbreak and spread of COVID-19, the duration and extent of the potential economic, operational and financial impacts of COVID-19 and related Responsive Measures on the State or the Department are uncertain and cannot be fully quantified or predicted at this time. Any adverse impact on the economy, operations or financial condition of the State or on the operations or financial condition of the Department caused by COVID-19 or related Responsive Measures may adversely impact the Pledged Revenues pledged to support repayment of the Series 2022A Bonds, and no assurance can be provided as to the future or ultimate impact of COVID-19 and related Responsive Measures. Accordingly, the historical financial information and operating data set forth in this Official Statement for the dates as of and for the periods that occurred before the COVID-19 pandemic and the Responsive Measures instituted to control the pandemic may not be indicative of future results or performance due to these and other factors. However, the Finance Authority currently anticipates that COVID-19 and the related Responsive Measures will not impair the Finance Authority's ability to pay debt service on the Series 2022A Bonds and to comply with other terms of the Series 2022A Bonds and the Indenture.

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Comparison of Pledged Revenues during First Six Months of Fiscal Years 2019, 2020, 2021, and 2022.

The following table sets forth the actual Pledged Revenues for the first six months of each of fiscal year 2019 (July 1, 2018 through December 31, 2018), fiscal year 2020 (July 1, 2019 through December 31, 2019), and fiscal year 2021 (July 1, 2020 through December 31, 2021) and the preliminary Pledged Revenues for the first six months of fiscal year 2022 (July 1, 2021 through December 31, 2021). *The preliminary Pledged Revenues for the first six months of fiscal year 2022 described below illustrate the possible impact of the ongoing COVID-19 pandemic on fiscal year 2022 Pledged Revenues and the largest components thereof. Such fiscal year 2022 Pledged Revenues (except for federal funds, as noted below) are preliminary pending the final report of the State Auditor pursuant to Section 12-6-5, NMSA 1978.*

	First Six Months of FY19 (Actual)	First Six Months of FY20 (Actual)	First Six Months of FY21 (Actual)	First Six Months of FY22 (Preliminary)[1]	Percent Change (FY19 to FY20)	Percent Change (FY20 to FY21)	Percent Change (FY21 to FY22)
STATE ROAD FUND							
Gasoline Tax[2]	$59,612,314	$59,448,260	$55,651,245	$59,744,904	-0.3%	-6.4%	7.4%
Special Fuel Excise Tax	56,784,887	56,450,034	59,411,104	72,025,840	-0.6%	5.2%	21.2%
Weight/Distance	47,064,827	46,607,118	48,340,693	52,716,840	-1.0%	3.7%	9.1%
Vehicle Registration	39,392,749	40,318,963	41,615,467	41,629,480	2.4%	3.2%	0.0%
Other SRF Pledged Revenues[3]	19,494,613	18,149,387	16,544,143	42,008,812	-6.9%	-8.8%	153.9%
TOTAL STATE ROAD FUND	222,349,389	220,973,763	221,562,652	268,125,875	-0.6%	0.3%	21.0%
HIGHWAY INFRASTRUCTURE FUND[4]	4,543,967	4,531,191	2,747,747	4,670,831	-0.3%	-39.4%	70.0%
FEDERAL FUNDS[5]	151,615,305	169,594,034	236,664,082[6]	185,080,764	11.9%	39.5%	-21.8%
TOTAL PLEDGED REVENUES	$378,508,661	$395,098,988	$460,974,481	$457,877,470	4.4%	16.7%	-0.7%

(1) Pledged Revenues for the first six months of fiscal year 2022 (July 1, 2021 through December 31, 2021) except for federal funds as noted below, are preliminary pending the final report of the State Auditor pursuant to Section 12-6-5, NMSA 1978.

(2) The decrease in gasoline excise tax receipts received by the Department during the first six months of fiscal year 2021 is primarily the result of business slowdowns or closures caused by COVID-19.

(3) Other Pledged Revenues received by the Department (including vehicle transaction fees, driver's license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, motor vehicle excise taxes (to the extent authorized to be paid into the State Road Fund), and interest on such funds received, in each case that are required by law to be paid into the State Road Fund) (collectively the "Other SRF Pledged Revenues"). The increase in Other SRF Pledged Revenues during the first six months of fiscal year 2022 was primarily due to an increased distribution of the motor vehicle excise tax to the State Road Fund pursuant to laws passed by the State Legislature in 2018 and 2019. See "PLEDGED REVENUES – State Road Fund."

(4) Amounts received by the Department from the collection of leased vehicle gross receipts taxes and tire recycling fees, in each case that are required by law to be paid into the Highway Infrastructure Fund, and interest on amounts in the Highway Infrastructure Fund. The decrease in leased vehicle gross receipts taxes received by the Department during the first six months of fiscal year 2021 is primarily the result of business slowdowns or closures caused by COVID-19, including decreased car rental activity.

(5) Federal funds for fiscal year 2022 represent an estimate of federal revenues for the first six months of fiscal year 2022 based on the Department's semi-annual forecast prepared in January 2022. For purposes of this table, federal funds are assumed to be received at a level amount each month, and thus amounts presented represent six of twelve months in the fiscal year). Actual receipt of federal funds varies throughout the year.

(6) Includes $68,298,150 received by the Department pursuant to the federal CRRSAA. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS–Impact of COVID-19–CRRSAA Funding Received by the Department."

The following table shows monthly deposits of Pledged Revenues into the State Road Fund and the Highway Infrastructure Fund on a monthly basis for fiscal year 2019, fiscal year 2020, fiscal year 2021, and for the first six months of fiscal year 2022[(1)].

	State Road Fund					Highway Infrastructure Fund			
	FY 2019	FY 2020	FY 2021	FY 2022[(1)]		FY 2019	FY 2020	FY 2021	FY 2022[(1)]
July	$ 31,870,550	$ 31,398,260	$ 31,429,980	$ 41,690,388		$ 775,644	$ 777,834	$ 487,480	$ 460,352
August	31,842,380	35,402,900	31,552,230	39,496,844		885,888	879,581	458,051	1,093,885
September	49,382,280	45,369,340	52,651,550	56,548,660		775,651	760,150	463,573	867,858
October	31,489,260	32,102,810	28,652,730	38,923,676		897,989	901,680	553,936	902,262
November	30,400,960	29,615,730	29,480,350	34,692,148		632,409	586,496	386,692	687,334
December	47,363,950	47,084,730	47,795,800	56,774,156		576,386	625,450	398,015	659,140
January	29,809,790	35,883,300	33,473,260	-		625,292	636,340	427,067	-
February	28,337,530	29,284,490	27,745,120	-		586,635	596,221	383,069	-
March	51,733,550	51,889,260	53,061,012	-		758,599	554,372	544,026	-
April	31,086,760	21,264,360	38,312,416	-		675,925	254,814	594,045	-
May	34,773,010	26,195,720	31,520,506	-		735,832	315,225	657,013	-
June	51,456,880	55,253,680	54,157,296	-		817,517	399,723	764,387	-
FY Total	**$449,546,900**	**$440,744,580**	**$459,832,256**	**N/A**		**$8,743,766**	**$7,287,886**	**$6,117,355**	**N/A**
Total (First Six Months of FY)	**$222,349,388**	**$220,973,768**	**$221,562,652**	**$268,125,875**		**$4,543,967**	**$4,531,191**	**$2,747,747**	**$4,670,831**

(1) Pledged Revenues for the first six months of fiscal year 2022 (July 2021 through December 2021) are preliminary pending the final report of the State Auditor pursuant to Section 12-6-5, NMSA 1978.

(Source: The Department.)

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CARES Act Funding Received by the Department.

The Federal Transit Administration ("FTA") announced a total of $25 billion in federal funding allocations to help the nation's public transportation systems respond to COVID-19. Funding is provided through the federal Coronavirus Aid, Relief, and Economic Security Act of 2020 (the "CARES Act"), signed into law by the President on March 27, 2020. The CARES Act established the Coronavirus Relief Fund, which is to be used to cover costs that are necessary expenditures incurred by states, state agencies, and certain local governments due to the public health emergency caused by COVID-19.

The Department received an allocation from the FTA pursuant to the CARES Act (the "CARES Act Grant") in the amount of $32,775,705 on March 27, 2020. After the Department incurs eligible expenses under the CARES Act, such expenses are 100% reimbursable by the FTA up to the amount of the CARES Act Grant, and the CARES Act Grant funds received are not required to be repaid by the Department. The CARES Act Grant was allocated by the FTA in addition to the Department's annual FTA Section 5311 formula appropriation and is being utilized for eligible expenses under the CARES Act. The Department has already expended a portion of the CARES Act Grant allocation received for expenses related to COVID-19, such as rural transit program eligible expenses, safety equipment and personal protective equipment. The CARES Act Grant does not constitute Pledged Revenues, is not deposited into a fund created by the Indenture, and may not be used to pay debt service on the Series 2022A Bonds.

CRRSAA Funding Received by the Department

The federal Coronavirus Response and Relief Supplemental Appropriations Act of 2020 (the "CRRSAA"), signed into law by the President on December 27, 2020, provided approximately $10 billion to states for "Highway Infrastructure Programs." These funds may be used for any purpose under the Surface Transportation Block Grant Program (23 U.S.C. §133(b)) or for costs related to preventive maintenance, routine maintenance, operations, and personnel, including salaries of employees or contractors, debt service payments, availability payments and coverage for other revenue losses. Transfers are also allowed to tolling agencies. The CRRSAA continues the coverage of costs incurred due to the COVID-19 public health emergency and includes funds for providers of enhanced mobility of seniors and individuals with disabilities.

The Department received an apportionment from FHWA pursuant to the CRRSAA of $91,073,333. Of this total, $8,561,923 is suballocated to urbanized areas with a population of over 200,000 individuals. The funds resulting from the apportionment are available for obligation until September 30, 2024 with a federal share payable up to 100 percent.

Additionally, the Department received an allocation from the FTA for public transportation systems pursuant to the CRRSAA (the "CRRSAA Grant") in the amount of $340,410 on January 11, 2021. After the Department incurs eligible expenses under the CRRSAA Grant, such expenses are 100% reimbursable by the FTA up to the amount of the CRRSAA Grant, and the CRRSAA Grant funds received are not required to be repaid by the Department. The CRRSAA Grant was allocated by the FTA in addition to the Department's annual FTA Section 5310 formula appropriation and is being utilized for eligible expenses under the CRRSAA. The CRRSAA Grant does not constitute Pledged Revenues, is not deposited into a fund created by the Indenture, and may not be used to pay debt service on the Series 2022A Bonds.

ARP Act Funding Received by the Department

The FTA announced a total of $30.5 billion in federal funding allocations to continue helping the nation's public transportation systems respond to COVID-19. Funding is provided through the federal American Rescue Plan Act of 2021 (the "ARP Act"), signed into law by the President on March 11, 2021. The ARP Act continues the coverage of costs incurred due to the COVID-19 public health emergency and includes funds for providers of enhanced mobility of seniors and individuals with disabilities.

The Department received allocations from FTA pursuant to the ARP Act (the "ARP Act Grant") in the amount of $4.67 million on January 11, 2021. After the Department incurs eligible expenses under the ARP Act Grant, such expenses are 100% reimbursable by the FTA up to the amount of the ARP Act Grant, and the ARP Act

Grant funds received are not required to be repaid by the Department. The ARP Act Grant was allocated by the FTA in addition to the Department's annual FTA Section 5310 and Section 5311 formula appropriations and is being utilized by the Department for eligible public transportation system expenses under the ARP Act. The ARP Act Grant does not constitute Pledged Revenues, is not deposited into a fund created by the Indenture, and may not be used to pay debt service on the Series 2022A Bonds.

The ARP Act also provided nearly $1.1 billion to the State to replace revenue lost in connection with COVID-19, and the Legislature appropriated $172.5 million of such funds to the Department (the "ARP Act Appropriation") pursuant to House Bill 2, New Mexico Laws of 2021 (2nd Special Session), for various construction projects. The ARP Act Appropriation does not constitute Pledged Revenues, is not deposited into a fund created by the Indenture, and may not be used to pay debt service on the Series 2022A Bonds.

Legislative Changes to Pledged Revenues

Article 9, Section 16 of the New Mexico Constitution provides, in pertinent part:

> The legislature shall not enact any law which will decrease the amount of the annual revenues pledged for the payment of state highway debentures or which will divert any of such revenues to any other purpose so long as any of the said debentures issued to anticipate the collection thereof remain unpaid.

Additionally, Section 67-3-59.3(G) NMSA 1978 provides that:

> Any law authorizing the imposition or distribution of taxes or fees paid into the state road fund or the highway infrastructure fund or that affects those taxes and fees shall not be amended or repealed or otherwise directly or indirectly modified so as to impair outstanding bonds secured by a pledge of revenues from those taxes and fees paid into the state road fund or the highway infrastructure fund, unless the bonds have been discharged in full or provisions have been made for a full discharge. In addition, while any bonds issued by the New Mexico finance authority pursuant to the provisions of this section remain outstanding, the powers or duties of the state transportation commission or the authority shall not be diminished or impaired in any manner that will affect adversely the interests and rights of the holder of such bonds.

The State Legislature has amended laws imposing or distributing taxes paid into the State Road Fund on several occasions in recent years. Examples include changes with respect to the distribution and sale of gasoline on Indian reservations, pueblos and Indian trust lands, special fuel taxes, weight distance taxes, motor vehicle registration fees, leased vehicle gross receipts taxes and tire recycling fees. See "PLEDGED REVENUES–State Road Fund" and "–Highway Infrastructure Fund."

Revisions to laws of the State imposing or distributing taxes paid into the State Road Fund could be adopted in the future by the State Legislature. Proposals affecting such taxes are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect taxes paid into the State Road Fund.

Uncertainties in Federal Funding

The Federal Revenues have historically been authorized under multiple-year authorizing legislation. SAFETEA-LU originally extended the authorization of the FAHP until September 30, 2009. MAP-21 was signed into law on July 6, 2012, and extended SAFETEA-LU through the end of FFY 2012 and authorized funding for FFY 2013 and 2014, which was extended for FFY 2015. The FAST Act was signed into law on December 4, 2015, and, as extended, reauthorized the FAHP through September 30, 2021. Pursuant to the IIJA, Congress recently reauthorized and extended the authorization for FAHP through the end of FFY 2026 (September 30, 2026). See "PLEDGED REVENUES – Reauthorization – IIJA." There can be no assurance that new multi-year authorization or continuing resolution reauthorization will be adopted for any subsequent period. Nor can there be any assurance that any such legislation will be signed into law by the President. The IIJA includes certain provisions designed to provide continuity in the flow of federal transportation funds to the states, including the State. There can be no assurance that such measures will be continued under any future federal reauthorization or that, if continued, such measures will be sufficient to ensure that Federal Revenues will be available as needed if in the future Congress amends existing laws or fails to reauthorize expired transportation legislation, or if future federal legislation or federal administrative action reduces the amount of Federal Revenues available to the Commission and the Department.

In addition to issues of reauthorization, there can be no assurance that Federal Revenues paid into the State Road Fund, together with other Pledged Revenues, will be sufficient to pay the debt service on the Outstanding Senior Lien Bonds (including the Series 2022A Bonds) and the Outstanding Subordinate Lien Bonds. The amount of Federal Revenues available for projects is subject to authorization and periodic reauthorization by Congress, approval on an annual basis by the U.S. Secretary of Transportation and compliance with federal regulations. As such, the Department competes for such funds with other national transportation funding priorities. Federal law specifically provides that a state's eligibility for funds does not create a commitment or obligation on the part of the United States to provide for the payment of principal or interest on bonds. In response to projected FHTF budgetary shortfalls, Congress has from time to time in the past enacted legislation authorizing the transfer of billions of dollars from the General Fund to the FHTF. See "PLEDGED REVENUES – The Federal Highway Trust Fund." The recent contentious nature of the congressional budget process has created a level of uncertainty regarding budget-related legislation. Although Congress has taken legislative action in the past to address projected shortfalls in the FHTF, there can be no assurance that additional legislative action will be taken by Congress to address future shortfalls or that any such action taken will be sufficient to ensure federal funding for the FAHP will be available as needed. It is possible that, without further legislative action, the long-term viability of the FHTF could be adversely impacted, thereby jeopardizing the availability of Federal Revenues to pay debt service on the Series 2022A Bonds.

In addition, automatic budget cuts (i.e. sequestration) imposed by the Balanced Budget and Emergency Deficit Control Act have been in effect since January 2013 which have reduced the amount of federal funding available for highways, transit and rail programs. See "PLEDGED REVENUES – The Federal-Aid Highway Program" and "– Current FHTF Concerns–Budgetary Issues." However, the Department estimates that these budget cuts will not materially affect the amount of funding provided to the State under the FAHP.

Administratively, the Department and the FHWA have entered into the FHWA MOU that sets forth the procedures for managing the stewardship and oversight of debt service relating to the finance plan for construction of GARVEE Projects funded by bonds or other securities, including the Series 2022A Bonds, issued by the Finance Authority at the direction of the Commission for the purpose of completing GARVEE Projects eligible for funding under the FHWA's GARVEE Program pursuant to Title 23 of the United States Code. See "INTRODUCTION – Security for the Series 2022A Bonds – FHWA and Federal Revenues." Neither the Finance Authority nor the Department makes any representation regarding the amount or timeliness of payments from the FHWA.

Please note the foregoing discussion of federal funding is comprised of forward-looking statements; see "FORWARD-LOOKING STATEMENTS" herein. Events impacting the national and international economy may have a negative impact on the Federal Revenues received by the Department. For example, the full extent of the effect of the ongoing COVID-19 pandemic on federal spending as a whole, and FHWA appropriations and FHTF balances specifically, cannot be known at this point.

Limited Obligations

The Series 2022A Bonds are special, limited obligations of the Finance Authority and are payable as to principal and interest exclusively from the Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS." The ability of the Finance Authority, the Commission and the Department to realize Pledged Revenues in amounts sufficient to pay debt service on the Series 2022A Bonds and other obligations payable from the Pledged Revenues on a parity with or subordinate to the Series 2022A Bonds depends on numerous factors, many of which are not subject to the control of the Finance Authority, the Commission or the Department.

Additional Bonds and Subordinate Lien Obligations

Additional Senior Lien Bonds and other obligations may be issued with a lien on the Pledged Revenues on a parity with the lien of the Series 2022A Bonds and the Outstanding Senior Lien Bonds upon satisfaction of certain conditions. In addition to the Outstanding Subordinate Lien Obligations, additional Subordinate Lien Obligations may be issued with a lien on the Pledged Revenues subordinate to the lien of the Series 2022A Bonds and the other Outstanding Senior Lien Bonds upon satisfaction of certain conditions. Junior Subordinate Lien Obligations may be issued with a lien on the Pledged Revenues subordinate to the lien of Outstanding Subordinate Lien Obligations upon satisfaction of certain conditions. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS–Outstanding and Additional Senior Lien Bonds," "–Outstanding and Additional Subordinate Lien Obligations," "–Additional Obligations" and "–Junior Subordinate Lien Obligations."

Tax Status of the Series 2022A Bonds

The opinion expressed by Bond Counsel is based on existing law as of the delivery date of the Series 2022A Bonds. No assurance can be given that any future legislation, regulations or clarification of the Internal Revenue Code of 1986, as amended (the "Code"), or State law, will not cause interest on the Series 2022A Bonds to be subject, directly or indirectly, to federal or State income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service, including but not limited to selection of the Series 2022A Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Series 2022A Bonds, or bonds which present similar tax issues, will not affect the market price for Series 2022A Bonds. Prospective purchasers of the Series 2022A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

Native American Gasoline Tax Issues and Other Gasoline Tax Issues Affecting the Pledged Revenues

The Pledged Revenues consist, in part, of gasoline excise taxes that are required by State law to be paid into the State Road Fund. Prior to 1999, the State gasoline tax was imposed in such a manner that allowed Native American gasoline wholesalers to exploit the federal preemption that disallows a state from imposing tax on a Native American conducting business within the boundaries of his tribal reservation, pueblo grant or trust lands. Pursuant to Chapter 190, New Mexico Laws of 1999, the technical imposition of the gasoline tax was revised to address the federal preemption issue, and the amount of gasoline that may be sold within an Indian reservation by any single registered Native American wholesale distributor for resale outside the Indian reservation, pueblo grant or trust lands free of state gasoline tax is limited to 30,000,000 gallons per year pursuant to a state tax exemption. Chapter 190 limits the use of this exemption to registered Native American distributors who have sold more than one million gallons of gasoline within the Indian reservation, pueblo grant or trust lands for resale outside the Indian reservation during the four months ended August 1998. TRD has certified two registered Native American wholesale distributors as eligible for this exemption, meaning that up to 60,000,000 gallons per year of gasoline currently may be sold at wholesale free of State gasoline tax under this exemption.

Section 67-3-8.1 allows the Department to enter into "gasoline tax sharing agreements" with the Pueblos of Nambe and Santo Domingo for terms of up to twenty years. Agreements with each Pueblo were executed in 2004 and contained terms of 10 years. The original tax sharing agreement with the Pueblo of Nambe expired in January 2014, and a new tax sharing agreement was executed effective on January 14, 2014 (the "Nambe Agreement"). The Nambe Agreement provides that the Pueblo will not distribute gasoline for resale outside of the boundaries of the Pueblo for a period of ten years in exchange for a distribution of revenue equal to forty percent of the gasoline tax imposed on 2,500,000 gallons per month (30,000,000 gallons per year). The Nambe Agreement is scheduled to expire on January 14, 2024 but may be terminated by any party with or without cause upon 12 months' notice. The original gasoline tax sharing agreement with the Pueblo of Santo Domingo expired in the summer of 2014, and a new tax sharing agreement containing substantially similar terms as the Nambe Agreement was executed and is currently scheduled to expire in 2024.

Chapter 190, New Mexico Laws 1999 also permits gasoline to be sold at retail by registered Indian tribal distributors on Indian reservations, pueblo grants or trust lands free of State gasoline tax to the extent that the applicable Indian government imposes a similar tax (for its own benefit) on retail gas sales. In its 2000 regular session (New Mexico Laws 2000, Chapter 50), the State Legislature enacted a deduction from gasoline taxes for retail sales by persons other than Indian tribal distributors of gasoline on Indian reservations, pueblo grants or trust lands and Indian trust lands. The deduction, which became effective on April 1, 2000, was effectively equal to the lesser of the tribal tax on the gasoline sold or the State gasoline tax.

As a result of the foregoing and other factors (such as more fuel efficient vehicles and fluctuations in gasoline prices), the Department experienced a decline in gasoline excise taxes but expects a leveling off followed by a slow rate of growth, if any, in gasoline excise taxes paid into the State Road Fund over the next several years. See “PLEDGED REVENUES–State Road Fund–Gasoline Excise Taxes.”

The amount of gasoline excise taxes that will be collected is also subject to fluctuation based on the activities that generate those taxes, including demand for gasoline and general economic conditions. Demand for gasoline may decrease substantially due to the development of more fuel efficient gas or hybrid gas/electronic vehicles and electric vehicles. Accordingly, there can be no guarantee that the amount of Pledged Revenues from gasoline excise taxes collected in the future will be consistent with historical collection trends.

Cybersecurity Risk Management

The Department. The Department, like many other large public and private entities, relies on complex technology, and, accordingly, the Department and its computing and other digital networks and information technology systems (collectively, the “IT System”) face potential cybersecurity threats, requiring a response action to mitigate the consequences. Cybersecurity incidents may result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Department’s IT System for the purposes of misappropriating assets or information or causing operational disruption and damage.

The Department, with the assistance of external cybersecurity vendors, has implemented cybersecurity procedures, protocols, and other safeguards for its IT System and has provided related cybersecurity training to Department employees. No assurances can be given by the Commission or the Department that such measures will effectively mitigate the impact of future cybersecurity threats and attacks, and any breach may damage the Department’s IT System and may adversely affect the Department’s operations or financial condition.

The Finance Authority. The Finance Authority’s operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. Despite the Finance Authority’s efforts and processes to prevent breaches, its information technology systems are vulnerable to cybersecurity risks. Any cyberattack that attempts to obtain the Finance Authority’s data and assets, disrupt its service, or otherwise access its systems, or those of third parties, if successful, may adversely affect the Finance Authority’s operations or financial condition.

In light of these risks, and in an effort to proactively mitigate any potential cybersecurity threats, the Finance Authority previously engaged a third-party service provider to perform a cybersecurity assessment. The threat of breaches is always fluid, and as such, the Finance Authority anticipates the continued monitoring of its security posture as a regular practice by way of remediating known issues and implementing alerting procedures to proactively resolve new issues that may arise. Additionally, the Finance Authority has procured an appropriate level of cyber-insurance.

PLAN OF FINANCING

Purposes of the Series 2022A Bonds

Proceeds from the sale of the Series 2022A Bonds will be used for the purposes of (i) providing funds to refund the Refunded Bonds to achieve debt service savings, and (ii) paying the costs of issuance of the Series 2022A Bonds. See “INTRODUCTION – Purposes of the Series 2022A Bonds.”

Refunded Bonds

Upon the delivery of the Series 2022A Bonds, the Finance Authority will deposit funds, including a portion of the proceeds of the sale of the Series 2022A Bonds, to the 2022A Refunding Escrow Account in amounts sufficient to pay all unpaid principal of and interest on the Refunded Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.” AWSmith, LLC (the “Verification Agent”), will deliver to the Finance Authority a report indicating that it has verified the arithmetic accuracy of the mathematical computations of the adequacy of the cash and the maturing principal amounts of, and the interest on, the escrow securities to pay the principal, interest and redemption price coming due on the Refunded Bonds. See "ESCROW VERIFICATION.". Upon the delivery of the Series 2022A Bonds, the Refunded Bonds will be deemed paid and will no longer be secured by or entitled to the benefits of the Indenture except for the purpose of payment from moneys on deposit in the 2022A Refunding Escrow Account held by the Trustee. See "SCHEDULE I – SCHEDULE OF REFUNDED BONDS."

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ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2022A Bonds are set forth in the following table:

Sources of Funds

Series 2022A Bonds Par Amount	$47,240,000.00
Plus original issue premium	4,536,625.80
Transfer of prior debt service funds	688,883.33
Total Sources	$52,465,509.13

Uses of Funds

Deposit to 2022A Refunding Escrow Account(1)	$51,981,020.45
Costs of Issuance(2)	$484,488.68
Total Uses	$52,465,509.13

(1) A portion of the proceeds of the Series 2022A Bonds will be held by the Trustee in the 2022A Refunding Escrow Account and applied to redeem the Refunded Bonds as described herein. See "PLAN OF FINANCING – Refunded Bonds" and "SCHEDULE I – SCHEDULE OF REFUNDED BONDS."

(2) Includes Underwriters' discount, legal and accounting fees, municipal advisory fees, printing, rating fees, and other miscellaneous costs.

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ANNUAL DEBT SERVICE REQUIREMENTS

Debt Service for Outstanding Senior Lien Bonds and Outstanding Subordinate Lien Bonds

The following schedule shows the total debt service payable for the Series 2022A Bonds, the Outstanding Senior Lien Bonds and the Outstanding Subordinate Lien Bonds for each fiscal year through their final maturity date.

	Existing Debt Service		Series 2022A Bonds		Total Fiscal Year Debt
Fiscal Year	Senior Lien[1]	Subordinate Lien[1]	Principal[2]	Interest	Service Requirements[1]
2022	$118,750,825	$48,597,833	$ -	$ -	$ 167,348,658
2023	47,983,250	120,890,250	2,980,000	2,670,372	174,523,872
2024	14,886,500	174,953,500	1,945,000	2,213,000	193,998,000
2025	10,119,750	77,944,500	20,845,000	2,115,750	111,025,000
2026	3,069,000	85,406,000	21,470,000	1,073,500	111,018,500
2027	64,449,000	57,854,000	-	-	122,303,000
2028	-	111,583,750	-	-	111,583,750
2029	-	111,587,000	-	-	111,587,000
2030	-	111,585,750	-	-	111,585,750
2031	-	9,103,250	-	-	9,103,250
2032	-	7,161,000	-	-	7,161,000
TOTAL	$259,258,325	$916,666,833	$ 47,240,000	$ 8,072,622	$1,231,237,780

(1) Includes principal and interest. Assumes issuance of the Series 2022A Bonds and refunding of the Refunded Bonds. See “PLAN OF FINANCING – Refunded Bonds” and “SCHEDULE I – SCHEDULE OF REFUNDED BONDS.”

(2) Payable on June 15 of each year.

(Source: The Municipal Advisor.)

Historical and Projected Debt Service Coverage

The following tables set forth (i) for each fiscal year from 2012 through 2021, actual Pledged Revenues, actual debt service on the Outstanding Senior Lien Bonds and the Outstanding Subordinate Lien Bonds, and actual debt service coverage ratios, and (ii) for each fiscal year from 2022 through 2026, estimated Pledged Revenues, estimated debt service on the Outstanding Senior Lien Bonds and the Outstanding Subordinate Lien Bonds, and projected debt service coverage ratios after giving effect to the issuance of the Series 2022A Bonds. Based upon actual fiscal year 2021 Pledged Revenues of approximately $867.9 million, annual debt service coverage on the combined debt service on the Senior Lien Bonds and the Subordinate Lien Bonds is projected to remain at or above 4.47x through fiscal year 2026. Such projected coverage accounts for estimated maximum annual combined debt service payments of approximately $193.9 million on the Senior Lien Bonds and the Subordinate Lien Bonds, which is schedule to occur in fiscal year 2024. Estimates of Pledged Revenues for the fiscal years ended June 30, 2022 through June 30, 2026 are based on the Department’s semi-annual forecast prepared in January 2022, which forecast takes into account the effects of the ongoing COVID-19 pandemic. See “SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19.” Such estimates are subject to change and are based on certain assumptions that may not be realized. “SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS” and “FORWARD-LOOKING STATEMENTS.” See “STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates” for further detail regarding the Pledged Revenues.

HISTORICAL DEBT SERVICE COVERAGE[(1)]
(in thousands)
(This summary is unaudited)

	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual
State Road Fund	$365,753	$373,721	$372,982	$386,380	$397,069	$401,219	$419,368	$449,547	$440,744	$459,833
Highway Infrastructure Fund	7,579	7,047	7,732	7,590	7,905	7,842	8,111	8,744	7,288	6,119
Federal Funds	405,585	412,776	372,869	385,211	378,694	377,030	386,843	396,589	404,543	402,013
Total Pledged Revenues	778,916	793,544	753,583	779,180	783,668	786,092	814,322	854,880	852,575	867,965
Senior Lien Debt Service[(2)]	90,811	95,708	112,561	106,532	89,250	112,311	114,236	114,239	114,846	113,823
Senior Lien Coverage (x)	**8.58x**	**8.29x**	**6.69x**	**7.31x**	**8.78x**	**7.00x**	**7.13x**	**7.48x**	**7.42x**	**7.63x**
Senior Lien & Subordinate Lien Debt Service[(2)(3)]	156,399	155,104	146,585	144,602	133,056	157,920	154,532	154,435	155,256	152,121
Subordinate Lien Coverage (x)	**4.98x**	**5.12x**	**5.14x**	**5.39x**	**5.89x**	**4.98x**	**5.27x**	**5.54x**	**5.49x**	**5.71x**

(1) Based upon actual Pledged Revenues from audited results for fiscal years 2012 through 2021. See “STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS–Pledged Revenues History and Estimates” for further detail regarding the Pledged Revenues.
(2) Debt service exclusive of related Finance Authority fee, if any.
(3) Includes closed lien debt service on bonds which were defeased in 2012.
(Source: The Department and the Municipal Advisor (as to debt service).)

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PROJECTED DEBT SERVICE COVERAGE[1]
(in thousands)
(This summary is unaudited)

	FY22 Estimate	FY23 Estimate	FY24 Estimate	FY25 Estimate	FY26 Estimate
State Road Fund	$525,420	$527,945	$532,275	$539,460	$550,415
Highway Infrastructure Fund	8,723	8,776	8,907	9,066	9,207
Federal Funds	486,501	496,232	506,157	516,279	526,605
Total Pledged Revenues[2]	1,020,644	1,032,953	1,047,339	1,064,805	1,086,227
Senior Lien Debt Service[3]	118,751	53,634	19,045	33,081	25,613
Senior Lien Coverage (x)[4]	**3.87x**	**8.57x**	**24.15x**	**13.90x**	**17.95x**
Senior Lien & Subordinate Lien Debt Service[5]	167,349	174,524	193,998	111,025	111,019
Subordinate Lien Coverage (x)[4][6]	**5.19x**	**4.97x**	**4.47x**	**7.82x**	**7.82x**

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(1) Estimates of Pledged Revenues for the fiscal years ending June 30, 2022 through June 30, 2026 are based on the Department's semi-annual forecast prepared in January 2022, which forecast takes into account the effects of the ongoing COVID-19 pandemic. See "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19."

(2) State Road Fund estimates include Gasoline Tax, Special Fuel Excise Tax and Weight Distance Tax projections using autoregressive models and Vehicle Registration, Vehicle Transaction and Driver Licenses Fees projections using trend analysis. Includes other taxes and fees which are generally forecasted using trend analysis. Federal Funds estimates approximate multi-year average under the IIJA and are assumed at a level amount. See "STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates" for further detail regarding the Pledged Revenues. See also "FORWARD-LOOKING STATEMENTS" and "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19."

(3) Debt service exclusive of related Finance Authority fee, if any.

(4) Assumes issuance of the Series 2022A Bonds and refunding of the Refunded Bonds.

(5) Debt service exclusive of related Finance Authority fee, if any. Projected subordinate lien debt service assumes no debt service on BNSF Taxable Line of Credit, since as of the date hereof, there have been no draws made under the BNSF Taxable Line of Credit. See "INTRODUCTION – Security for the Series 2022A Bonds – Outstanding Subordinate Lien Obligations."

(6) Based upon actual fiscal year 2021 total Pledged Revenues of $867.9 million, annual debt service coverage on the combined debt service on the Senior Lien Bonds and the Subordinate Lien Bonds is projected to remain at or above 4.47x through fiscal year 2026.

(Source: The Department and the Municipal Advisor (as to debt service).)

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THE DEPARTMENT AND THE COMMISSION

The Department

The Department is a Cabinet level department within the executive branch of the State's government. The Department is a multimodal transportation agency with emphasis on all modes of transportation and is implementing a bold and innovative approach to address the transportation needs of every New Mexican. The Department has successfully implemented park-and-ride services in central and northern New Mexico with future plans to provide similar services in southern New Mexico. In conjunction with local governmental agencies and tribal sovereign governments, the Department began providing commuter rail service between Belen and Bernalillo in July 2006 and began providing commuter rail service between Bernalillo and Santa Fe in December, 2008. The Department is also undertaking an innovative pilot project in conjunction with other State agencies to improve rural transportation in the State. The Department is pursuing federal funding to expand and improve air service within New Mexico, along with expanding interstate and international air service from New Mexico.

The Department is also responsible for maintaining US, Interstate and state highways within New Mexico. Its responsibilities in highway operations include: maintenance and operation of the state highway system; coordination of transportation planning with local and tribal governments; annual development of a priority program of capital improvements; administrative jurisdiction over traffic safety programs such as seatbelt enforcement and drunken driving prevention; and implementation of these programs in accordance with applicable law.

The Department's budget is subject to review by the Commission, then to review by the State's Department of Finance and Administration and the Legislative Finance Committee and is subject to final approval by the State Legislature and the Governor.

The Secretary is the chief executive officer of the Department and is appointed by the Governor, with the approval of the Commission and subject to the advice and consent of the State Senate. The Secretary coordinates the work of the Commission and acts as its active executive representative. The Secretary serves on the Governor's Cabinet. Michael R. Sandoval is currently serving as the Secretary.

The Department's finances are comprised of revenues from State and federal sources. In fiscal year 2021, 55% of the Department's general revenues consisted of State-generated income from user and fuel taxes and interest income to the State Road Fund and 45% consisted of program revenues from federal grants and other federal reimbursements. Cash balances in the funds administered by the Department are deposited with the State Treasurer to be pooled and invested.

An independent auditor audits the financial statements of the Department annually. Excerpts from the most recently available of such audited financial statements, for the fiscal year ended June 30, 2021, are attached as APPENDIX A.

As a condition for receiving federal funds for transportation programs, states must develop comprehensive plans that are based upon anticipated short-term and long-term funding amounts for specific programmatic categories of the FHWA. States must fulfill these federal requirements in order to be eligible for federal transportation funds. Specific projects are not eligible for federal reimbursements unless each project is identified in a STIP. See "PLEDGED REVENUES – Federal Aid Funding Procedures – Federal Aid Funding Procedures – Highway Program Implementation."

The Department and the FHWA have entered into the FHWA MOU that sets forth the procedures for managing the stewardship and oversight of debt service relating to the finance plan for construction of GARVEE Projects funded by bonds or other securities, including the Senior Lien Bonds (including the Series 2022A Bonds), the Subordinate Lien Obligations, and Junior Subordinate Lien Obligations, issued by the Finance Authority at the direction of the Commission for the purpose of completing GARVEE Projects eligible for funding under the FHWA's GARVEE Program pursuant to Title 23 of the United States Code. See "INTRODUCTION – Security for the Series 2022A Bonds – FHWA and Federal Revenues."

The Commission

The Commission is created by Article V, Section 14 of the State Constitution. Pursuant to current law, there are six positions on the Commission, one from each of the six state transportation commission districts within the State. The members of the Commission are appointed by the Governor of the State, with the advice and consent of the State Senate. Two members are appointed every two years for staggered terms of six years. Vacancies are filled by the Governor, with the approval of the Senate, for the remainder of the unexpired term. The names, titles and terms of the current commissioners are set forth below.

Name	Title	Term Expires
Walter G. Adams	Chair	12/31/22
Jennifer F. Sandoval	Vice Chair	3/18/23
Charles Lundstrom	Secretary	3/18/23
Bruce Ellis	Member	12/31/24
Hilma E. Chynoweth	Member	12/31/22
Thomas C. Taylor	Member	3/18/23

The Commission is responsible for all matters of policy for the Department and all policy matters pertaining to the expenditure of the State Road Fund and Highway Infrastructure Fund in the construction, improvement and maintenance of State highways and bridges. The Commission's name was changed from "State Highway Commission" to "State Transportation Commission" by a constitutional amendment ratified by the voters on November 5, 2002.

NEW MEXICO FINANCE AUTHORITY

General Information

The Finance Authority is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The Finance Authority was created in 1992 pursuant to the Act to coordinate the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the Act, the Finance Authority and its corporate existence will continue until terminated by law, provided that no such law will take effect so long as the Finance Authority has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The Finance Authority is comprised of 11 members who also constitute the Finance Authority's board of directors and currently employs 56 persons including a Chief Executive Officer. The Chief Executive Officer directs the business and affairs of the Finance Authority, subject to the policies, control and direction of the Finance Authority.

The Finance Authority staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the Finance Authority's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the Finance Authority's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

Powers

In addition to the power to issue bonds and other obligations to finance specific programs and projects, pursuant to the Act, the Finance Authority is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers:

(a) to procure insurance to secure payment on any loan, lease or purchase payments owed to the Finance Authority by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance;

(b) to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the Finance Authority;

(c) to accept, administer, hold and use all funds made available to the Finance Authority from any sources;

(d) to borrow money and to issue bonds and provide for the rights of holders of the bonds;

(e) to establish and maintain reserve and sinking fund accounts to insure against and have funds available for maintenance of other debt service accounts;

(f) to invest and reinvest its funds and to take and hold property as security for the investment of such funds;

(g) subject to any agreement with bondholders to: (1) renegotiate any loan, lease or agreement; (2) consent to any modification of the terms of any loan, lease or agreement; and (3) purchase bonds, which may upon purchase be canceled; and

(h) to do any and all things necessary or convenient to carry out its purposes and exercise the powers given and granted in the Act.

Pursuant to the Act and when directed by the Commission, the Finance Authority may issue State transportation project bonds payable from and secured by the Pledged Revenues.

The Finance Authority has no authority to impose or collect taxes.

Other Finance Authority Programs

In addition to the transportation financings authorized by the Act, the Finance Authority participates in several other programs designed to provide financing for equipment and projects to both local governmental entities and state agencies, including the Finance Authority's public project revolving fund bonds (the "PPRF Bonds"). These projects are funded by various sources and do not have a lien or claim of any type on the Pledged Revenues.

ESCROW VERIFICATION

In connection with the delivery of the Series 2022A Bonds and the refunding of the Refunded Bonds, the Verification Agent, will deliver to the Finance Authority a report indicating that it has verified the arithmetic accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal amounts of, and the interest on, the escrow securities to pay the principal, interest and redemption price coming due on the Refunded Bonds, and (b) certain yield calculations relating to the Refunded Bonds. The Verification Agent expresses no opinion on the assumptions provided to it, nor as to the exemption from taxation of the interest on the Series 2022A Bonds.

LITIGATION

There is no litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2022A Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Pledged Revenues for the payment of the debt service on the Series 2022A Bonds or in any way contesting or affecting the validity or enforceability of the Series 2022A Bonds, the Indenture, or any proceeding and authority of the Finance Authority, the Commission or the Department taken with respect to the foregoing. Each of the Finance Authority and its Chief Legal Officer, and the Commission, the Department and their general counsel will deliver no-litigation certifications as to the foregoing prior to the issuance of the Series 2022A Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated April 5, 2022 (the "Bond Purchase Agreement") between RBC Capital Markets, LLC, as representative of the Underwriters, and the Finance Authority, the Underwriters have agreed to purchase the Series 2022A Bonds from the Finance Authority at a purchase price equal to $51,620,838.10 (being the par amount of the Series 2022A Bonds plus an original issue premium of $4,536,625.80, and less an underwriting discount of $155,787.70). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2022A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2022A Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside front cover pages of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Finance Authority, for which they received or will receive customary fees and expenses.

Under certain circumstances, some of the Underwriters and their affiliates may have certain creditor or other rights against the Finance Authority and any affiliates thereof in connection with such transactions or services. In addition, certain Underwriters and their affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities or instruments by, the Finance Authority and any affiliates thereof.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2022A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2022A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2022A Bonds that such firm sells.

BofA Securities, Inc., one of the Underwriters of the Series 2022A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2022A Bonds.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Finance Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

TAX MATTERS

Federal Income Tax

Excludability of Interest. In the opinion of Rodey, Dickason, Sloan, Akin & Robb, P.A., Bond Counsel to the Finance Authority, assuming the accuracy of the certifications of the Finance Authority and the Department and continuing compliance by the Finance Authority and the Department with the requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), interest on the Series 2022A Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of delivery of the Series 2022A Bonds. Interest on the Series 2022A Bonds is not an item of tax preference for purposes of individual federal alternative minimum tax. Interest on the Series 2022A Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

Original Issue Premium. The Series 2022A Bonds were sold at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2022A Bond through reductions in the holder's tax basis for the Series 2022A Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Series 2022A Bondholders should consult their tax advisors for an explanation of the amortization rules.

State of New Mexico Income Tax

In the opinion of Bond Counsel, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 2022A Bonds is excludable from net income of the owners thereof for State of New Mexico income tax purposes.

No Further Opinion

Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2022A Bonds.

RATINGS

S&P Global Ratings ("S&P"), Moody's Investors Services ("Moody's"), and Kroll Bond Rating Agency, LLC ("Kroll"), have assigned ratings of "AA+" (stable outlook), "Aa1" (stable outlook), and "AAA" (stable outlook), respectively, with respect to the Series 2022A Bonds. Any explanation of the significance of such ratings may be obtained from the respective rating agency.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2022A Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 2022A Bonds may have an adverse effect on the market price or marketability of the Series 2022A Bonds. The Municipal Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2022A Bonds any proposed revision or withdrawal of the ratings on the Series 2022A Bonds, or to oppose any such proposed revision or withdrawal.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2022A Bonds, Rodey, Dickason, Sloan, Akin & Robb, PA, Albuquerque, New Mexico, Bond Counsel to the Finance Authority, will deliver the opinion included in APPENDIX D hereto, and also discussed under "TAX MATTERS." Certain legal matters relating to disclosure will be passed upon by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Disclosure Counsel to the Finance Authority. Certain legal matters will be passed upon for the Finance Authority by its Chief Legal Officer. The Commission and the Department are being represented by their general counsel and by Kutak Rock LLP, Denver, Colorado. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, counsel to the Underwriters. The counsel involved in this transaction have not participated in any independent verification of the information concerning the financial condition or capabilities of the Finance Authority, the Commission or the Department contained in this Official Statement.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC is employed as Municipal Advisor to the Department in connection with the issuance of the Series 2022A Bonds. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. PFM Financial Advisors LLC, in its capacity as Municipal Advisor, has not verified and does not assume responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2022A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. PFM Financial Advisors LLC also serves as municipal advisor to the Finance Authority.

FINANCIAL STATEMENTS

The financial statements for the Department for the year ended June 30, 2021, an extract from which is included as APPENDIX A to this Official Statement, have been audited by REDW, LLC, certified public accountants, Phoenix, Arizona, as set forth in its report therein dated November 8, 2021. Such financial statements represent the most current audited financial information available for the Department. REDW, LLC has not been asked to consent to the use of its name or inclusion of the audited financial reports for the Department in this Official Statement. REDW, LLC has not performed any procedures on any financial statements or other financial information of the Department, including any of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to the Finance Authority's, the Commission's and the Department's future financial plans, receipt of future revenues and other matters 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," "anticipate," "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.

CONTINUING DISCLOSURE UNDERTAKING

In connection with the issuance of the Series 2022A Bonds, the Finance Authority and the Department will execute and deliver a Continuing Disclosure Undertaking pursuant to which the Department will agree to provide to the Finance Authority certain annual financial information and operating data of the type required by Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC") with respect to the Department and the Finance Authority will agree to provide such information as well as notice of the occurrence of certain events to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format. See "APPENDIX F–FORM OF CONTINUING DISCLOSURE UNDERTAKING" attached hereto and incorporated herein by reference for a form of the Continuing Disclosure Undertaking that will be executed and delivered by the Finance Authority and the Department.

A failure by the Finance Authority or the Department to comply with the undertaking will not constitute a default under the Indenture and beneficial owners of the Series 2022A Bonds are limited to the remedies described in the Continuing Disclosure Undertaking. A failure by the Finance Authority or Department to comply with the Continuing Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2022A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2022A Bonds and their market price. See "APPENDIX F–FORM OF CONTINUING DISCLOSURE

UNDERTAKING" for the information to be provided, the events which will be noticed on an occurrence basis and the other terms of the Continuing Disclosure Undertaking, including termination, amendment and remedies.

Continuing disclosure undertakings previously entered into by the Department with respect to certain of the Bonds called for it to file certain annual financial information and operating data and audited financial statements (or unaudited financial statements, if the audit is not then available) for the Department no later than March 31 of each fiscal year or the next succeeding Business Day if March 31 is not a Business Day.

The Finance Authority's Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008A maturing on or after June 1, 2019, were defeased on March 7, 2018, and a notice of defeasance was filed with the MSRB on April 13, 2018.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the Finance Authority, may be obtained during the offering period, upon request to the Commission or the Finance Authority and upon payment to the Commission or the Finance Authority, respectively, of a charge for copying, mailing and handling, at the following, for the Commission: 1120 Cerrillos Road, Santa Fe, New Mexico 87504, Attention: Capital Program and Investments Director; or for the Finance Authority: 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Financial Strategist.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Finance Authority and the purchasers or holders of any of the Series 2022A Bonds.

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APPROVAL BY THE FINANCE AUTHORITY AND THE COMMISSION

This Official Statement has been deemed "final" under the meaning of the Rule and its distribution and use in connection with the sale of the Series 2022A Bonds has been duly authorized and approved by the Finance Authority and the Commission, and this Official Statement has been executed and delivered on behalf of the Finance Authority by the Chair of its Board of Directors and the Chair of the Commission.

NEW MEXICO FINANCE AUTHORITY

By /s/ Katherine Miller
Katherine Miller
Chair

STATE TRANSPORTATION COMMISSION OF THE STATE OF NEW MEXICO

By /s/ Walter G. Adams
Walter G. Adams
Chair

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Description	Maturity Date	Interest Rate	Principal Amount	Call Date	Call Price
State Transportation Refunding Revenue Bonds (State Transportation Commission–Senior Lien), Series 2012	6/15/23	4.00%	$ 4,150,000	6/15/22	100%
	6/15/24	5.00%	2,825,000	6/15/22	100%
	6/15/25	4.00%	21,765,000	6/15/22	100%
	6/15/26	4.00%	22,220,000	6/15/22	100%
		TOTAL	**$ 50,960,000**		

APPENDIX A

EXTRACTS OF THE NEW MEXICO DEPARTMENT OF TRANSPORTATION FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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NMDOT

2021 Financial Statements & Other Financial Information

(Independent Auditor's Report included)

Year ended June 30, 2021

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Year Ended June 30, 2021

Commission

Walter G. Adams	Chairman	District 4
Jennifer Sandoval	Vice-Chair	District 1
Charles Lundstrom	Secretary	District 6
Bruce Ellis	Commissioner	District 2
Hilma Chynoweth	Commissioner	District 3
Thomas Taylor	Commissioner	District 5

Administrative Officers

Michael Sandoval	Cabinet Secretary
Justin Reese	Deputy Secretary
Mallery Manzanares	Interim Administrative Services Director & Budget Director

INDEPENDENT AUDITORS' REPORT

Independent Auditor's Report

Mr. Michael Sandoval, Cabinet Secretary
New Mexico Department of Transportation
and
Mr. Brian Colón, Esq., New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the New Mexico Department of Transportation (the "Department"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department'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.

Auditor's 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. 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 auditor's 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

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5353 N 16th St, Suite 200
Phoenix, AZ 85016
P 602.730.3600

New Mexico
7425 Jefferson St NE
Albuquerque, NM 87109
P 505.998.3200

Oklahoma
708 N Santa Fe Ave, Suite 110-E
Edmond, OK 73003
P 405.543.1410

internal control relevant to the entity'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 entity'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective 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 Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the state of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the state of New Mexico as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 5–22 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, who 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 Department's basic financial statements. The general fund and traffic safety fund components schedules, the combining statements of nonmajor funds, the statement of revenues and expenditures – budget and actual, and other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The general fund and traffic safety fund components schedules, the combining statements of nonmajor funds, the statement of revenues and expenditures – budget and actual, and the schedule of expenditures of federal awards 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. 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, the general fund and traffic safety fund components schedules, the combining statements of nonmajor funds, the statement of revenues and expenditures – budget and actual, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other schedules required by 2.2.2 NMAC have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the Department'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's 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 Department's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico
November 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of New Mexico Department of Transportation (Department), we offer the readers of the Department's financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in footnotes to the basic financial statements, which start on page 40 of this audit report.

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) major governmental fund financial statements, and 3) notes to the financial statements. This report also contains other non-major combining and individual governmental fund statements and supplementary information, including the Schedule of Expenditures of Federal Awards, in addition to the basic financial statements themselves.

1. OVERVIEW OF THE FINANCIAL STATEMENTS

Financial Highlights

The Department's net position increased by $522,331,353, and the net position of the Department's governmental activities increased by $522,090,278 due to the Department's State General Fund appropriations received in the current year and an increase in state revenues.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private sector business.

The Statement of Net Position presents information on all of the Department's assets and liabilities, deferred inflows and outflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net position changed during the fiscal year. All changes in net position are reported when 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 periods.

The Department's primary purpose is the construction and maintenance of the infrastructure of the State of New Mexico. Thus, in the government-wide financial statements, the primary function is public works.

The government-wide financial statements start on page 23 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are divided into two categories: governmental funds and proprietary fund.

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

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 current resources and use of spendable resources, as well as on the balance 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 Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department has 25 governmental funds. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

Ten percent criterion - An individual fund reports at least ten percent of any of the following: a) total respective governmental or enterprise fund assets, b) total respective governmental or enterprise fund liabilities, c) total respective governmental or enterprise fund revenues, or d) total respective governmental or enterprise fund expenditures.

Five percent criterion - An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

State Road Fund(s) (Funds #10040 and #20100). The State Road Fund(s) were created by Section 67-3-65, NMSA 1978. The State Road Fund(s) combine to create the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a general fund. Individual fund data for each fund comprising the State Road Fund(s) are provided in the Schedule of General Fund Components - Balance Sheet and Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance.

GF Capital Outlay Fund (#93100). The fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period.

2020A Bond Debt Service Fund (#68320). The fund was created when the $63,180,000 NMFA State Transportation Refunding Revenue Bonds Series 2020A were issued in October 2020 to refund the total balance of the series 2010A-1, 2010A-2, and 2010B bond series. The fund does not receive State General Fund appropriations that are subject to reversions

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Governmental Funds - continued

Information is presented separately in the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the major funds. Data from the other 21 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report. See pages 93 through 109.

Proprietary Funds

The Department has one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Department uses its enterprise fund to account for the State Infrastructure Bank, since its purpose is to make loans for road projects.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the State Infrastructure Bank since it is considered to be a major fund of the Department.

The basic proprietary fund financial statements can be found on pages 35 through 36 and the Statement of Cash Flows is on page 37 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 40.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of General Fund Components - Balance Sheet and Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance, Supplemental Schedule of Capital Projects, Supplemental Schedule of Severance Tax Bonds, Supplemental Schedule of Special Appropriations, Supplemental Schedule of Special Revenue - Bond Projects, Supplemental Schedule of Individual Bank Accounts, Supplemental Schedule of Pledged State Revenues, Supplemental Schedule of Debt Service and Coverage, Supplemental Schedule of Joint Powers Agreements and the Schedule of Expenditures of Federal Awards.

Government-wide Financial Analysis

As noted, net position may serve over time as a useful indicator of the Department’s financial position. At June 30, 2021, the Department’s assets and deferred outflows of resources exceeded liabilities by $5,693,854,535.

The largest portion of the Department’s net position reflect its investments in capital assets (e.g., land, building, equipment, improvements and infrastructure) less any debt and unspent bond proceeds used to acquire those assets that are still outstanding. Although the Department’s investment in its capital assets is reported net of related debt and unspent bond proceeds, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Net Position

As of June 30, 2021 and 2020, the Department has positive balances in two categories of net position: net investment in capital assets and restricted. Table A-1 summarizes the Department's net position as of June 30, 2021 and 2020.

Table A-1 The Department's Net Position

	Governmental Activities		Business-type Activities	
	2021	2020	**2021**	2020
Assets:				
Current and other assets	$ 1,193,143,542	$ 842,141,665	$ 11,074,770	$ 10,744,104
Capital assets and other	5,447,966,606	5,391,481,557	11,174,185	11,263,776
Total Assets	$ 6,641,110,148	$ 6,233,623,222	$ 22,248,955	$ 22,007,880
Deferred Outflows:				
Deferred loss on refunding	$ 37,360,970	$ 60,211,659	$ -	$ -
Deferred outflow of resources	-	-	-	-
Total Deferred Outflows	$ 37,360,970	$ 60,211,659	$ -	$ -
Liabilities:				
Current liabilities	$ 287,888,877	$ 267,037,127	$ -	$ -
Long-term liabilities	718,976,661	877,282,452	-	-
Total Liabilities	$ 1,006,865,538	$ 1,144,319,579	$ -	$ -
Net Position:				
Net investment in capital assets	$ 4,630,261,906	$ 4,445,310,967	$ -	$ -
Restricted	1,041,343,674	704,204,335	22,248,955	22,007,880
Total Net Position	$ 5,671,605,580	$ 5,149,515,302	$ 22,248,955	$ 22,007,880

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Total	
2021	2020
$ 1,204,218,312	$ 852,885,769
5,459,140,791	5,402,745,333
$ 6,663,359,103	$ 6,255,631,102
$ 37,360,970	$ 60,211,659
-	-
$ 37,360,970	$ 60,211,659
$ 287,888,877	$ 267,037,127
718,976,661	877,282,452
$ 1,006,865,538	$ 1,144,319,579
$ 4,630,261,906	$ 4,445,310,967
1,063,592,629	726,212,215
$ 5,693,854,535	$ 5,171,523,182

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Changes in Net Position

Table A-2 provides a summary of the Department's operations for the years ended June 30, 2021 and 2020. Governmental activities increased the Department's net position by $522,090,278 in 2021 and $118,221,165 in 2020. Business-type activities increased the Department's net position by $241,075 in 2021 and $353,250 in 2020, due to interest income earned during the year.

Table A-2 Change in the Department's Net Position

	Governmental Activities		Business-type Activities	
	2021	2020	**2021**	2020
Revenues:				
Program revenues:				
Charges for services (2020 as reclassified)	$ 118,105,127	$ 112,067,021	$ 225,708	$ 25,113
Operating grants	36,239,386	30,507,394	-	-
Capital grants	478,849,504	423,244,071	-	-
General revenues:				
User and fuel taxes (2020 as reclassified)	450,947,705	420,439,956	-	-
Interest income	425,794	8,630,114	15,367	328,137
Special revenues:				
Gain (loss) on disposal of assets	26,592	535,692	-	-
Total Revenues	1,084,594,108	995,424,248	241,075	353,250
Expenses:				
Programs and infrastructure	675,720,379	650,930,823	-	-
Transportation and highway operations	197,868,509	246,243,364	-	-
Program support	26,683,681	46,874,183	-	-
Modal	78,123,528	72,426,955	-	-
Total Expenses	978,396,097	1,016,475,325	-	-
Net Revenues Before Transfers and Reversions	106,198,011	(21,051,077)	241,075	353,250
Transfers and Reversions	415,892,267	139,272,242	-	-
(Decrease) Increase in Net Position	522,090,278	118,221,165	241,075	353,250
Net Position, Beginning of Fiscal Year	5,149,515,302	5,031,294,137	22,007,880	21,654,630
Net Position, End of Fiscal Year	$ 5,671,605,580	$ 5,149,515,302	$ 22,248,955	$ 22,007,880

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Total	
2021	2020
$ 118,330,835	$ 112,092,134
36,239,386	30,507,394
478,849,504	423,244,071
450,947,705	420,439,956
441,161	8,958,251
26,592	535,692
1,084,835,183	995,777,498
675,720,379	650,930,823
197,868,509	246,243,364
26,683,681	46,874,183
78,123,528	72,426,955
978,396,097	1,016,475,325
106,439,086	(20,697,827)
415,892,267	139,272,242
522,331,353	118,574,415
5,171,523,182	5,052,948,767
$ 5,693,854,535	$ 5,171,523,182

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Governmental Funds

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

At the end of the 2021 fiscal year, the Department's governmental funds reported a combined ending fund balance of $978,128,645 an increase of $272,073,942 from the prior year. Restricted fund balance indicates amounts available for expenditures in subsequent years for the purposes for which the initial revenues were intended. Non-spendable fund balance indicates amounts which have already been spent and now consist of inventories, long-term assets and prepaid items and other reserved items of $25,112,628.

The changes in fund balance for the Department's major funds for 2021 are as follows:

State Road Fund(s) (SHARE 10040 and 20100)	$	39,049,972
GF Capital Outlay Fund (SHARE 93100)		227,064,071
2020A Bond Debt Service (SHARE 68320)		895,031
Major fund, net change in fund balances	$	267,009,074

The net increase in the State Road Fund(s) is primarily due to an increase in state revenues, the most significant increase derived from the Department's new motor vehicle excise tax.

The net increase in the GF Capital Outlay Fund is primarily due to FY21 amounts appropriated from the State General Fund to the Department exceeding current year expenditures for statewide roadway planning, design, construction and maintenance for projects identified in the laws. Individual laws of the GF Capital Outlay Fund and law descriptions are provided in the Supplemental Schedule of Special Appropriations.

The net increase in the 2020A Bond Debt Service Fund is primarily due to transfers in from other closed debt service funds to fund future debt service costs.

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Budgetary Highlights

The Department's operating budgets (excludes multi-year funds) are on a modified accrual basis and not all available funds are budgeted in order to provide for a reserve. The Department made subsequent revisions to the original approved budget by $249,639,798. Overall, these changes were caused by the following significant budget adjustments:

Increase - Utility Permitting Software	$	1,100,000
Increase - Federal Transit Authority - Covid-19		12,800,000
Increase - Energy Conservation Renovation		11,000,000
Increase - Aviation Grants		3,000,000
Increase - Interagency Transfer Carlsbad Brine Well Remediation		10,000,000
Increase - State Transit Pilot Project		600,000
Increase - Build Grant US 285 Safety and Resilience Project		12,500,000
Increase - Redistribution Grant Federal Highway Administration		74,065,175
Increase - Federal Transit Authority - Covid-19		325,812
Increase - Federal Transit Authority- South Central Regional Transit		1,170,528
Increase - Federal Transit Authority- North Central Regional Transit		2,920,000
Increase - Federal Transit Authority- facility North Central Regional Transit District		5,251,090
Increase - Interagency Transfer Broadband		3,200,000
Increase - US 550 Warranty Program		1,838,720
Increase - US 550 Warranty Program		761,280
Increase- Federal Highway Releases		24,000,000
Increase- Debt Service Refunding		71,907,193
Increase - Interagency Transfer Broadband		3,200,000
Increase - Interagency Transfer Carlsbad Brine Well Remediation		10,000,000
	$	249,639,798

The Department's original operating budget for fiscal year 2021 was $990,227,600. This budget included $964,338,300 of new revenues and $25,889,300 of prior year funds rebudgeted. The final budget for the fiscal year was $1,837,583,112. The $847,355,512 increase in budget was due to FY21 budget adjustments discussed above and the Department's authorized practice of rolling forward into FY21 its remaining FY20 unexpended purchase orders. The appropriation budgetary period for those FY20 unexpended purchase orders lapses at the end of the FY20 fiscal year and the Department has to re-establish the budget in FY21 to re-appropriate the balance of its unexpended purchase orders. The Department funds the budget increase by utilizing the balance of the unused FY20 budget revenues that were originally budgeted for the unexpended purchase orders. The roll forward budget of $597,715,714 is not included in the above schedule of budget adjustments.

Capital Assets Overview

The Department’s investment in capital assets for its governmental activities as of June 30, 2021, amounts to $5,447,966,606 (net of accumulated depreciation). This investment in capital assets includes land, right of way, buildings, equipment, improvement and the infrastructure. Business-type activities have no capital assets.

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Major Infrastructure Projects

The Department develops plans to build a transportation system that will better serve the State of New Mexico. Advanced and innovative strategies include building roads using a corridor approach, where an entire route between communities is built. By designing and constructing entire corridors, the Department has been able to realize efficiencies to benefit the state. The Department also employs innovative project development techniques, warranty agreements and highly advanced financing techniques to accomplish the objectives of the Major Investment Program.

Fiscal Year 2020-2021 Active Projects with a contract amount of $10 million or more:

NM 15, MP 0 to MP 1.121 for 1.121 miles - Grady County
US 54, MP 69.56 to MP 78.16 for 8.6 miles - Otero County
US 82, MP 107.653 to MP 139.07 for 31.417 miles - Eddy County
US 54, MP 324.9 to MP 326.3 for 1.4 miles - Quay County
NM 41, MP 46.221 to MP 55.543 for 9.322 miles - Santa Fe County
NM 502, MP 1.248 to MP 2.055 for .807 miles - Los Alamos County
NM 136, MP 0.448 to MP 9.168 for 8.72 miles - Dona Ana County
NM 28, MP 29.7 to MP 29.9 for .2 miles - Dona Ana County
NM 188, MP 1.4 to MP 3 for 1.6 miles - Dona Ana County
US 64, MP 54.12 to MP 57.98 for 3.86 miles - San Juan County
I-40, MP 39.9 to MP 42.5 for 2.6 miles - McKinley County
I-40, MP 4.73 to MP 5.06 for .33 miles - McKinley County
I-10, MP 91.7 to MP 116.5 for 24.8 miles - Luna County
I-25/University Interchange for 1.076 miles - Dona Ana County
I-25, MP 454.25 to MP 460.8 for 6.55 miles - Colfax County
US 54, MP 302.53 to MP 303.27 for .74 miles - Quay County
US 550, MP 0.6 to MP 3 for 2.4 miles - Sandoval County
I-25, MP 458.9 to MP 460.8 for 1.9 miles - Colfax County
US 85 (Grand Ave), MP 0 to MP 1.73 for 1.73 miles - San Miguel County
I-40, MP 37.6 to MP 42.8 for 5.2 miles - McKinley County
NM 273, MP 0.8 to MP 3.1 for 2.3 miles - Dona Ana County
NM 176, MP 10 to MP 26.3 for 16.3 miles - Lea County
US 285, MP 0 to MP 7.5 for 7.5 miles - Eddy County
US 285, MP 16.2 to MP 17.9 for 1.7 miles - Eddy County
I-40, MP 302.53 to MP 304.46 for 1.93 miles - Quay County
US 54, MP 304.35 to MP 306.16 for 1.81 miles - Quay County
US 54, MP 299.6 to MP 308.3 for 8.7 miles - Guadalupe County
NM 68, MP 6.3 to MP 10.1 for 3.8 miles - Rio Arriba County
NM 68, MP 44.14 to MP 45.22 for 1.08 miles - Taos County
I-40, MP 37.6 to MP 42.7 for 5.1 miles - McKinley County

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Capital Assets Overview - continued

Fiscal Year 2020-2021 Active Projects with a contract amount of $10 million or more - continued:

US 491, MP 61.5 to MP 68.5 for 7. miles - San Juan County
NM 68, MP 34.41 to MP 36 for 1.59 miles - Valencia County
I-25, MP 263 to MP 277.5 for 14.5 miles - Santa Fe County
NM 187, MP 16.5 to MP 31.5 for 15. miles - Sierra County
I-10, MP 24.9 to MP 35.1 for 10.2 miles - Hidalgo County
I-25, MP 105 to MP 115 for 10. miles - Socorro County
US 70, MP 275 to MP 285 for 10. miles - Chaves, Lincoln County
NM 68, MP 4.12 to MP 12.7 for 8.58 miles - Rio Arriba County
NM 68, MP 10.1 to MP 12.7 for 2.6 miles - Rio Arriba County
I-40, MP 56 to MP 61 for 5. miles - McKinley County
US 491, MP 1.5 to MP 2.5 for 1. miles - McKinley County
I-40, MP 43.5 to MP 46 for 2.5 miles - McKinley County
I-40, MP 40 to MP 105.5 for 65.5 miles - Cibola, McKinley County
NM 528, MP 8.2 to MP 10.1 for 1.9 miles - Sandoval County
I-40, MP 152 to MP 155.5 for 3.5 miles - Bernalillo County
I-25, MP 34 to MP 40 for 6. miles - Dona Ana County
I-10, MP 21.5 to MP 25 for 3.5 miles - Hidalgo County
US 70, MP 264 to MP 275 for 11. miles - Lincoln County
US 54, MP 145.2 to MP 152.8 for 7.6 miles - Lincoln County
NM 128, MP 11.8 to MP 28.8 for 17. miles - Lea County
I-40, MP 218 to MP 233 for 15. miles - Torrance County
I-40, MP 111 to MP 117 for 6. miles - Cibola County
NM 404/I-10, MP 0 to MP 2 for 2. miles - Dona Ana County

Automotive and Major Road Equipment

For fiscal year 2021, the Automotive and Major Road Equipment modified accrual basis budget total was approximately $35,933,000. Of this budget, approximately $16,929,619 was fully expended at June 30, 2021. Automotive and Major Road Equipment purchased includes pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc. All items are approved during the legislative session prior to July of each fiscal year. The Department holds several sales and public auctions during the year to liquidate old and obsolete equipment to public and private entities.

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Table A-3

Department's Capital Assets

	2021	2020
Land	$ 5,215,358	$ 5,215,358
Construction in Process	642,213,857	500,043,922
Right of Way	519,484,105	516,074,237
Infrastructure	12,686,759,464	13,612,241,608
Equipment and furniture	67,051,144	47,732,643
Library	113,566	113,566
Buildings	65,959,059	53,465,722
Automotive and Major Road Fund Equipment	255,382,500	252,223,527
Accumulated depreciation	(8,794,212,447)	(9,598,336,526)
Total	$ 5,447,966,606	$ 5,388,774,057

Additional information on the Department's capital assets can be found in Note 10 of this report.

Debt Administration

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate transportation construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At June 30, 2021, the Department had a total outstanding debt (bonds) of $763,600,000. Outstanding bond debt is backed by the Department's anticipated state tax revenues and FHWA revenues.

Table A-4

Department's Outstanding Debt

	2021	2020
Bonds (excludes deferred amounts on refunding)	$ 763,600,000	$ 881,060,000

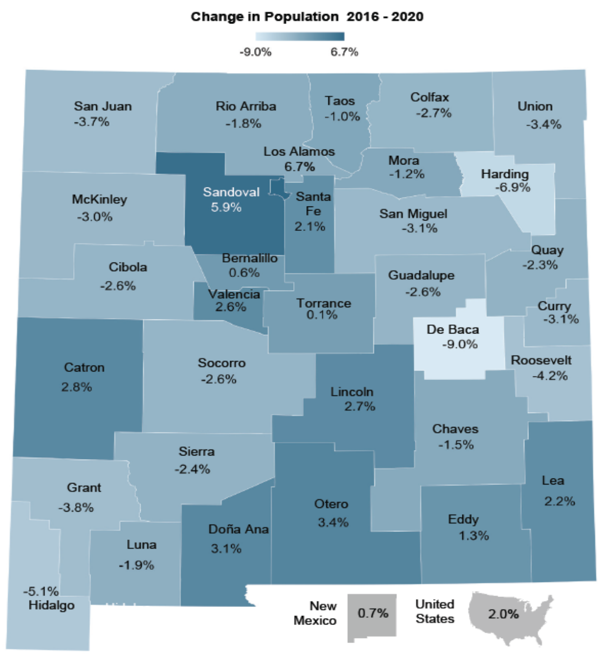
The Department's total bond debt decreased by 13.3%, or ($117,460,000). Total outstanding bond debt at the end of the 2021 fiscal year was $763,600,000 compared to $881,060,000 at the end of the 2020 fiscal year. The net decrease in debt resulted from $180,640,000 in principal repayments offset by $63,180,000, the issuance of 2020A refunding bond series. See Note 15 for a detail of all outstanding bonds.

The Department did not pay any arbitrage to the Internal Revenue Service for any excess interest earned on bond proceeds during the fiscal year and did not have any arbitrage liability at the end of the fiscal year.

2. ECONOMIC FACTORS AND REVENUE FORECASTS

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. In 2020, according to the U.S. Census Bureau, New Mexico's population reached 2,106,319. Between 2016 and 2020, New Mexico population grew by 0.7 percent, while over the same period of time, the national population grew by 2.0 percent. Population growth occurred in 12 of the 33 counties. The fastest growing counties in the state were Los Alamos (6.7 percent), Sandoval (5.9 percent) and Otero (3.4 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 Dona Ana County; the Santa Fe MSA is Santa Fe County, and the Farmington MSA is San Juan County.



Source: New Mexico 2021 State of the Workforce, New Mexico Department of Workforce Solutions

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, agriculture-agribusiness, government, and mining. Located in New Mexico and Texas is the Permian basin, which is the largest oil production basin in the world, producing more than 4 million barrel per day. In 2020 New Mexico was the second largest producer of crude oil, and the ninth largest producer of natural gas in the US. In 2019 coal, copper and potash production value amounted to $1.4 billion and the state ranked 10th, 3rd and 1st respectively in the US. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy, with the two national laboratories employing about 30 thousand New Mexicans in 2020.

The state's major transportation routes include Interstate-25, running north-south from El Paso, Texas through Las Cruces, Albuquerque, Santa Fe, Las Vegas and Raton, New Mexico toward Pueblo and Denver, Colorado. Major east-west routes, especially important to interstate commercial carrier traffic, include Interstate-10 from El Paso, Texas to Tucson and Phoenix, Arizona, and Interstate-40 from Amarillo, Texas through Tucumcari, Albuquerque and Gallup, New Mexico to Flagstaff, Arizona.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

Revenue Forecasts and Budgets

<u>Federal Revenue:</u>

Federal Revenue – President Obama signed the Fixing America's Surface Transportation (FAST) Act into law on December 4, 2015 which provides the amount of federal aid (obligation limitation) available to states. The FAST Act authorized $305 billion from both the Highway Trust Fund and the General Fund of the United States Treasury over fiscal years 2016 through 2020. It provided $225 billion in Highway Trust Fund contract authority over five years for the federal -aid Highway Program, increasing funding from $41 billion in 2015 to $47 billion in 2020. For the State of New Mexico, this means an overall increase in Federal Apportionment and subsequent Obligation Limitation from 2% to 2.4% year over year from FY2016 through FY2020. Beginning in FY2021 Congress passed Continuing Resolutions (CR) to the FAST Act to provide short-term funding extensions while they work on passing new transportation legislation. In FY2021 a one-year CR was passed which included a $13.6 billion transfer from the General Fund to maintain solvency of the Highway Trust Fund. The CR provided $471 billion for highway programs which was a slight decrease from FY2020 level and that translates to a slight decrease in Federal revenue from $406.7 million in FY2020 to $402.1 million in FY2021. In FY2021 New Mexico received redistribution funds through Federal Highway Administration's Headquarters office in the amount of $44.2 million, which contributed to NMDOT sending out a full letting schedule of just over $425 million.

Federal Aviation Administration Funds - NMDOT reported revenue of $1,000 in FY 2021 Federal Aviation Administration grant funds.

Federal Transit Administration Funds - NMDOT reported revenue of $26,655,205 in FY 2021 Federal Transit Administration grant funds.

National Highway Traffic Safety Administration Funds - NMDOT reported revenue of $11,369,769 in FY 2021 of National Highway Traffic Safety Administration grant funds.

<u>State Revenue:</u>

Revenues for the New Mexico Department of Transportation over the long-term (20 years) are characterized as being steady and growing at rates associated with the Consumer Price Index (CPI). There have been periods of stronger and slower, even declining, rates of growth. From fiscal years 2000 to 2010, the average annual compound growth rate was 1.7%, from 2010 to 2020 it was 2.1%, and in fiscal year 2021 revenues grew by 4.3% compared to prior fiscal year.

State Road Fund revenues are split roughly half and half between passenger vehicle based and interstate trucking sourced. Those revenues associated with trucking (i.e. Special Fuel Tax and Weight Distance Tax) tend to closely track the national economy, while passenger vehicle revenues (i.e. Gasoline Tax and Vehicle Registration Fees) tend to be less affected by economic cycles. This diversity coupled with federal highway aid funds helps moderate the impact of economic downturns on the Road Fund revenues. In fiscal year 2021, the State Road Fund received about $460 million in recurring ordinary revenues (i.e. revenues from taxes, fees and interests), representing a 4.3% or $19.1 million growth from fiscal year 2020, as the initial negative impact of the pandemic was largely offset by the economic stimulus packages, which strongly sustained consumer spending and demand for goods, and positively impacted commercial vehicle revenues.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Revenue Forecasts - Major Revenue Sources

In fiscal year 2022, revenues are expected to continue to grow and are estimated at $506 million. In fiscal year 2022, Road Fund recurring revenues will also be positively affected by the additional fraction of Motor Vehicle Excise Tax distributed on a recurring basis, and State Road Fund will be receiving about $50 million of motor vehicle excise tax per fiscal year, up from $7 million in fiscal year 2021. For the following fiscal years, the economic outlook continues to be positive, and fiscal year 2023 Road Fund recurring ordinary revenues are now estimated at $516 million. However, uncertainty and volatility continue to dominate the economic environment, and recovery can still be endangered by high inflation and the evolution of the pandemic nationally and worldwide.

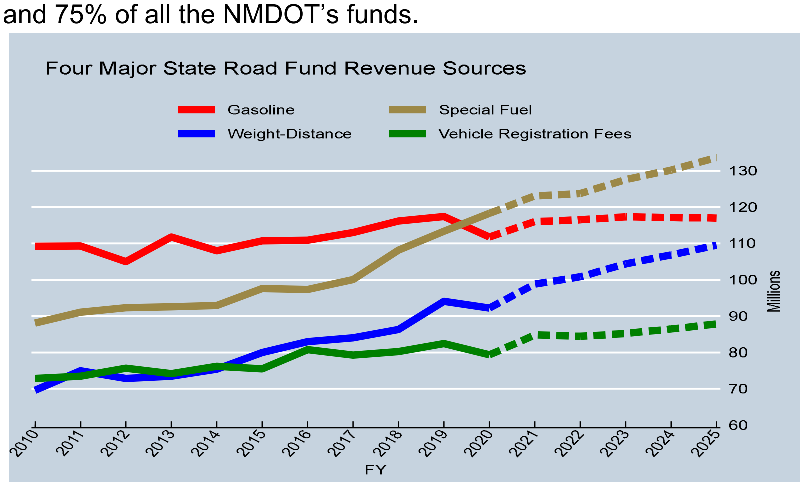
Road Fund revenues are estimated by the NMDOT economists on a biannual basis, in January before the budget is set and in July. On a yearly basis, both models and results are reviewed by the State Consensus Revenue Estimating Group that includes economists from the Legislative Finance Committee, the Taxation and Revenue Department, and the Department of Finance and Administration.

The methodology adopted for forecasting NMDOT's revenues relies on econometric techniques such as regression models and time series models (i.e. ARIMA, ARIMAX).

The estimates rely on two main sources of forecast input parameters, which are:
• IHS Global Insight U.S. Economic Outlook, Baseline and Alternative scenarios
• UNM, Bureau of Business and Economic Research Quarterly Economic Forecast of the New Mexico Economy

The model outcomes are validated comparing historical revenues with forecast values. The models adopted are those that have the best out-of-sample forecast performance, and the highest forecasting power.

In FY 2021, revenues from gasoline, special fuels, weight distance and vehicle registration constitute 92% of the State Road Fund and 75% of all the NMDOT's funds.



2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Revenue Forecasts - Major Revenue Sources

The latest time that transportation rates and fees were raised was in the fall of 2003, when a special session of the New Mexico Legislature was held and transportation rates and fees were raised on special fuels (primarily diesel), weight/distance trucking rates and motor vehicle registration fees.

The interstate-trucking based revenues (special fuel tax and weight distance tax) are now the primary contributors to State Road Fund growth. Due to the size and importance of each of these four revenue sources, a look at each one of them individually helps to provide a more complete picture of the Department’s revenues.

Gasoline tax has historically been the largest State's revenue source, providing about $116.3 million in revenue in FY 2021. In 2020, for the first time special fuel revenue surpassed gasoline revenue, as the spread of COVID-19 and the related business closures largely impacted gasoline consumption. However, especially toward the end of FY 2021, gasoline consumption fully recovered, and it is now expected to remain stable around $117 million. Gasoline tax is 17 cents per gallon of gasoline sold, with about three-fourths distributed to the State Road Fund and the remainder distributed primarily to municipalities and counties. It is the one major tax that was not increased during the special session of 2003. Historically, gasoline gallons sold remained relatively stable from 1995 to 1999, decreased slightly in 2001, reached a new peak in 2007, and slightly declined during the great recession and the 2011-2014 period of high gas prices. Starting from 2016, gasoline gallons sold have begun to increase significantly benefiting from relatively low and stable petroleum prices, and from a shift in consumers’ preferences from passenger cars to SUVs and light trucks, and reached a new record peak in 2019. In 2020, gasoline consumption was largely impacted by the stay-at-home order issued by the Governor, but returned almost to pre-pandemic levels in 2021.

For the past two decades, between FY 2001 and FY 2021, Road Fund gasoline revenues have averaged $111 million; gasoline revenues have only varied by more than a few millions from that average twice (about $7 million above average in FY 2019 and $6 million below average in FY 2012). In fiscal year 2022 and in following fiscal years, gasoline revenue is expected to remain stable around $117 million.

Special fuel tax (primarily diesel) provided about $122.1 million in FY 2021. The tax per gallon was raised from 18 to 21 cents per gallon effective in FY 2005. Of the 21 cents, the State Road Fund receives 19 cents, with the remainder going to the Local Governments Road Fund. Including the 2003 special legislative session rate increase, special fuels grew by $27.0 million, or 36%, from FY 2004 to FY 2008. Special fuel, over time, has been a strongly growing revenue source with an average annual compound growth rate of 5.2% from 1988 to 2008. After the collapse of the national housing bubble, special fuel revenue fell to a low of $85.6 million in FY 2009, climbed slowly to $100.1 million in FY 2017, and thanks to a strong national economy coupled with the oil boom in the Permian Basin region has reached a new peak in FY 2019, collecting $113.4 million, and has continued to significantly grow in FY 2020 and in FY 2021, even when the pandemic affected both the national economy and oil prices. After an initial negative impact of the pandemic, this revenue source has been positively impacted by an increased demand for goods and e-commerce sales, and is expected to continue to grow in FY 2022 and thereafter.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Revenue Forecasts - Major Revenue Sources

Weight Distance tax is charged on trucks over 26,000 pounds and varies by maximum gross weight of the vehicle and distance traveled in New Mexico. It ranges from a rate of around 1 cent per mile for vehicles weighing 26,001 to 28,000 pounds to slightly over 4 cents per mile for vehicles weighing over 78,000 pounds. It is historically the third largest revenue producer with about $99.7 million in revenue in FY 2021. Its rates were also raised in the fall 2003 special legislative session. Prior to the tax rate increase, revenues averaged $50 million. After FY 2004, revenue increased from 43% to 50%, primarily due to the 38% tax rate increase.

During the great recession, declining consumer durable goods expenditures led to a fairly steep and sudden reduction in freight of all types including air, ship, rail and truck. In the fiscal years following the great recession, it slowly recovered thanks to continuing improvements in the US economy, and to the oil boom in the south-east of the state, and in FY 2019, Weight Distance revenue, reached a new record level, collecting $94 million and growing at a 9% annual rate. It only slightly slowed in FY 2020 to $92.3 million, and reached another record year in FY 2021. Similarly to special fuel, this revenue source has been benefiting from an increase demand for goods and e-commerce sales, and is expected to continue to grow in the following fiscal years.

Motor vehicle registration fees are the fourth largest revenue source at about $84.9 million in FY 2021. These fees were raised in the 2003 Special Legislative session by about 33%, and revenue increased by about $20.7 million or 39%, from FY 2004 to FY 2008. The fees are based on three weight classes for passenger vehicles and 14 weight classes for trucks and commercial carriers. The annual registration fees for trucks over 26,000 pounds are low because those vehicles are subject to the Weight Distance tax, discussed above. This revenue source, similarly to gasoline, has remained stable during both economic expansions and recessionary periods and, for the following fiscal years, is expected to remain stable around $84-87 million.

Port of entry revenues, mainly Trip Tax and Oversize/Overweight, have been positively impacted by the E-permit system launched by NMDOT in 2015. The new system allows truckers to renew their permits online 24 hours a day easing long waits and allowing commerce to flow much easier. Trip Tax is charged on trucks in lieu of the Weight Distance tax and vehicle registration fees for those trucks/companies not registered for Weight Distance. Trip tax rose to a peak of $8.6 million in FY 2006, and in FY 2021 neared that record collecting about $8 million. New Mexico is one of four states that impose a Weight Distance tax and its associated trip tax. Oversize/overweight permits are charged to vehicles with excessive weight, height, length or width. In FY 2021, Oversize/Overweight reached one of its highest peaks, collecting about $7 million in revenue. There have been strong investments recently in reporting enforcement and an optical scanning computer truck identification interface with the Weight Distance tax data base. These have been accompanied by penalty increases for improper Weight Distance tax filing, capital improvements at ports of entry and statewide enhanced documentation checks.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

Background - Gasoline Tax and Tribal Tax Sharing Agreements

The state permits gasoline to be sold at retail by registered Indian tribal distributors on Indian land free of State gasoline tax if the applicable Indian government imposes an equivalent or higher tax (for its own benefit) on retail gasoline sales. The growth in tribal market share initially out-paced the overall growth rate of gasoline sales as a result of competitive pricing, casino traffic, and new tribal travel centers. Over the past ten years tribal sales have been between 56 million and 80 million gallons per year (around 7% or 8% of total gasoline sales). Tribal gasoline sales totaled to 72.1 million gallons in FY 2020 and 67.7 million gallons in FY 2021.

In 2003 and 2004, legislation allowed the state to enter into "tax sharing agreements" with the two Native American Pueblos that were previously entitled to market a limited amount of state-tax-free gasoline outside reservation boundaries. Under the agreements, a distribution equal to 40% of the tax collected on 30 million gallons of gasoline per year is made to each of the two Pueblos, in exchange for the Pueblos ceasing their wholesale sales activities outside reservation boundaries. The result of these agreements (originally entered into in 2004) was more predictable gasoline revenues. Chapter 15, Laws 2010 (Senate Bill 59 from the 2010 regular legislative session) allowed these agreements to be extended under the same terms for an additional 10 years. The agreements were both renewed in 2014.

3. CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators, investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Attn: Accounting Services Director
New Mexico Department of Transportation
1120 Cerrillos Road
P.O. Box 1149
Santa Fe, New Mexico 87504-1149
(505) 795-1401

FINANCIAL STATEMENTS

As of June 30, 2021

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Assets:			
Cash:			
Unrestricted	$ 1,200	$ -	$ 1,200
Cash equivalents: (Note 2)			
Investment in SGFIP	980,901,264	10,981,996	991,883,260
Managed by NMFA	9,254,148	-	9,254,148
Receivables:			
Accounts receivable, net (Note 3)	1,657,391	-	1,657,391
Interest receivable	194	3,183	3,377
Notes and loans receivable (Note 4)	-	89,591	89,591
Other receivables	69,973	-	69,973
Due from:			
Federal Agencies (Note 5)	126,297,063	-	126,297,063
Other state agencies (Note 7)	47,142,181	-	47,142,181
Inventories (Note 9)	14,767,032	-	14,767,032
Prepaid expenses - other	259,711	-	259,711
Prepaid expense - NM44 warranty	2,707,500	-	2,707,500
Property held for resale	10,085,885	-	10,085,885
Total Current Assets	1,193,143,542	11,074,770	1,204,218,312
Non-Current Assets:			
Notes and loans receivable (Note 4)	-	11,174,185	11,174,185
Prepaid expense - NM44 warranty, net	-	-	-
Capital assets, net (Note 10)	5,447,966,606	-	5,447,966,606
Total Non-Current Assets	5,447,966,606	11,174,185	5,459,140,791
Total Assets	6,641,110,148	22,248,955	6,663,359,103
Deferred Outflows of Resources:			
Deferred loss on refunding (Note 15)	37,360,970	-	37,360,970
Total Deferred Outflows of Resources	37,360,970	-	37,360,970
Total Assets and Deferred Outflows of Resources	$ 6,678,471,118	$ 22,248,955	$ 6,700,720,073

As of June 30, 2021

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Liabilities:			
Accounts payable and contracts payable,			
including retainage of $10,227,233	$ 95,505,903	$ -	$ 95,505,903
Due to:			
Federal Agencies	21,135	-	21,135
Other state agencies (Note 7)	264,710	-	264,710
Local governments (Note 8)	7,982,565	-	7,982,565
Component units of the state (Note 13)	135,807	-	135,807
Higher Ed Institution (Note 14)	846,943	-	846,943
Unearned revenue	17,999,308	-	17,999,308
Other accrued expenses	5,084,516	-	5,084,516
Deficiency in SGFIP	15,818,690	-	15,818,690
Other liabilities	349,670	-	349,670
Current portion of long-term obligations (Note 15):			
Compensated absences	10,081,218	-	10,081,218
Debentures payable	121,170,000	-	121,170,000
Capitalized bond premium	12,628,412	-	12,628,412
Total Current Liabilities	287,888,877	-	287,888,877
Long-Term Liabilities:			
Long-term obligations (Note 15):			
Debentures payable	642,430,000	-	642,430,000
Capitalized bond premium, net	76,546,661	-	76,546,661
Total Long-Term Liabilities	718,976,661	-	718,976,661
Total Liabilities	1,006,865,538	-	1,006,865,538
Net Position:			
Net investment in capital assets	4,630,261,906	-	4,630,261,906
Restricted for:			
Loans	-	22,248,955	22,248,955
Specific purposes	1,041,343,674	-	1,041,343,674
Total Net Position	5,671,605,580	22,248,955	5,693,854,535
Total Liabilities and Net Position	$ 6,678,471,118	$ 22,248,955	$ 6,700,720,073

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For the Year Ended June 30, 2021

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Program Expenses:			
Programs and infrastructure	$ 675,720,379	$ -	$ 675,720,379
Transportation and highway operations	197,868,509	-	197,868,509
Program support	26,683,681	-	26,683,681
Modal	78,123,528	-	78,123,528
Total Program Expenses	978,396,097	-	978,396,097
Program Revenues:			
Charges for services	118,105,127	225,708	118,330,835
Operating grants	36,239,386	-	36,239,386
Capital grants	478,849,504	-	478,849,504
Total Program Revenues	633,194,017	225,708	633,419,725
Net Program Revenue (Expense)	(345,202,080)	225,708	(344,976,372)
General Revenues:			
User and fuel taxes	450,947,705	-	450,947,705
Interest income	425,794	15,367	441,161
Gain on disposal of assets and adjustments	26,592	-	26,592
Total General Revenues	451,400,091	15,367	451,415,458
Transfers:			
General fund special appropriations (Note 12)	426,655,000	-	426,655,000
Severance tax bond appropriations (Note 12)	2,975,367	-	2,975,367
Transfers from (to) other state agencies and local governments, net (Note 12)	(13,738,100)	-	(13,738,100)
Total Transfers	415,892,267	-	415,892,267
Net General Revenues and Transfers	867,292,358	15,367	867,307,725
Change in Net Position/Operating Income	522,090,278	241,075	522,331,353
Net Position, Beginning of Fiscal Year	5,149,515,302	22,007,880	5,171,523,182
Net Position, End of Fiscal Year	$ 5,671,605,580	$ 22,248,955	$ 5,693,854,535

As of June 30, 2021

	Major Funds		
	State Road Fund(s) (SHARE 10040 and 20100)	GF Capital Outlay Fund (SHARE 93100)	2020A Bond Debt Service (SHARE 68320)
Assets:			
Cash:			
Unrestricted	$ 1,200	$ -	$ -
Cash equivalents: (Note 2)			
Investment in SGFIP	370,962,046	549,494,873	-
Managed by NMFA	-	-	895,075
Receivables:			
Accounts receivable, net (Note 3)	1,647,315	-	-
Interest receivable	-	-	16
Other receivables	67,098	-	-
Due from:			
Federal Agencies (Note 5)	111,074,781	-	-
Other funds (Note 6)	60	-	-
Other state agencies (Note 7)	44,016,921	-	-
Inventories (Note 9)	14,767,032	-	-
Prepaid expenses - other	259,711	-	-
Property held for resale	10,085,885	-	-
Total Assets	$ 552,882,049	$ 549,494,873	$ 895,091
Liabilities, Deferred Inflows of Resources and Fund Balance:			
Liabilities:			
Accounts payable	$ 73,038,928	$ 20,915,159	$ -
Due to:			
Federal Agencies	17,483	-	-
Other funds (Note 6)	-	-	60
Other state agencies (Note 7)	76,021	-	-
Local governments (Note 8)	3,206,044	895,571	-
Component units of the state (Note 13)	135,807	-	-
Higher Ed Institution (Note 14)	711,316	-	-
Unearned revenue	17,999,308	-	-
Other accrued expenses	5,030,707	-	-
Deficiency in SGFIP	11,195,998	-	-
Other liabilities	206,041	-	-
Total Liabilities	111,617,653	21,810,730	60
Deferred Inflows of Resources:			
Amounts unavailable (not received within period of availability)	60,577,556	-	-
Total Deferred Inflows of Resources	60,577,556	-	-
Fund Balance:			
Non-spendable	25,112,628	-	-
Restricted	416,151,768	527,684,143	895,031
Unassigned (Note 16)	(60,577,556)	-	-
Total Fund Balance	380,686,840	527,684,143	895,031
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 552,882,049	$ 549,494,873	$ 895,091

Non Major Governmental Funds	Total Governmental Funds
$ -	$ 1,200
60,444,345	980,901,264
8,359,073	9,254,148
10,076	1,657,391
178	194
2,875	69,973
15,222,282	126,297,063
-	60
3,125,260	47,142,181
-	14,767,032
-	259,711
-	10,085,885
$ 87,164,089	$ 1,190,436,102
$ 1,551,816	$ 95,505,903
3,652	21,135
-	60
188,689	264,710
3,880,950	7,982,565
-	135,807
135,627	846,943
-	17,999,308
53,809	5,084,516
4,622,692	15,818,690
143,629	349,670
10,580,864	144,009,307
7,720,594	68,298,150
7,720,594	68,298,150
-	25,112,628
76,583,225	1,021,314,167
(7,720,594)	(68,298,150)
68,862,631	978,128,645
$ 87,164,089	$ 1,190,436,102

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2021

Total Fund Balance - Governmental Funds			
(Balance Sheet - Governmental Funds)		$	978,128,645
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Amounts recorded as deferred inflows of resources in the governmental funds that were not received within the period of availability - 60 days after year end; recorded as revenue in the Statement of Activities:			68,298,150
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds:			
The cost of capital assets is	14,242,179,053		
Accumulated depreciation is	(8,794,212,447)		
Total capital assets			5,447,966,606
Prepaid warranty expenditures recorded as an expenditure in the governmental funds, but recorded as an asset, net of amortization in the Statement of Net Position:			2,707,500
Long-term debt not recorded as liabilities in the governmental funds, but recorded as long-term liabilities in the Statement of Net Position:			
Debentures payable (bonds only)			(763,600,000)
Deferred loss on refunding (net of current period amortization)			37,360,970
Compensated absences			(10,081,218)
Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization:			(89,175,073)
Net Position of Governmental Activities (Statement of Net Position)		$	5,671,605,580

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For the Year Ended June 30, 2021

	State Road Fund(s) (SHARE 10040 and 20100)	Major Funds GF Capital Outlay Fund (SHARE 93100)	2020A Bond Debt Service (SHARE 68320)
Revenues:			
User and fuel taxes	$ 425,446,883	$ -	$ -
Federal Agencies	412,888,649	-	-
Fees and fines	-	-	-
Licenses and permits	9,435,572	-	-
Charges for services	89,368,667	-	-
Other revenue	6,730,997	-	-
Interest earnings	344,784	-	89
Total Revenues	944,215,552	-	89
Expenditures:			
Current:			
Programs and infrastructure	115,388,837	64,834,814	-
Transportation and highway operations	218,834,240	-	-
Program support	37,775,493	-	-
Modal	20,065,136	-	-
Capital outlay	353,294,483	134,646,115	-
Debt service:		-	-
Principal	107,990,000	-	-
Interest	37,658,648	-	-
Debt issuance costs	-	-	515,703
Total Expenditures	891,006,837	199,480,929	515,703
Excess (Deficiency) of Revenues Over (Under) Expenditures	53,208,715	(199,480,929)	(515,614)
Other Financing Sources (Uses):			
General fund special appropriations (Note 12)	-	426,655,000	-
Severance tax bond appropriations (Note 12)	-	-	-
Transfers in: (Note 12)			
Inter-Agency	6,071,900	-	-
Intra-Agency	-	-	886,308
Transfers (out): (Note 12)			
Inter-Agency	(20,000,000)	(110,000)	-
Intra-Agency	(230,643)	-	-
Refunded bond escrow agent (Note12)	-	-	(71,382,855)
Face value of debentures payable (Note12)	-	-	63,180,000
Premiums of debentures payable (Note12)	-	-	8,727,192
Total Other Financing Sources (Uses)	(14,158,743)	426,545,000	1,410,645
Net Changes in Fund Balance	39,049,972	227,064,071	895,031
Fund Balance, June 30, 2020	341,636,868	300,620,072	-
Fund Balance, June 30, 2021	$ 380,686,840	$ 527,684,143	$ 895,031

Non Major Governmental Funds	Total Governmental Funds
$ 25,500,822	$ 450,947,705
38,025,974	450,914,623
49,580	49,580
12,416,984	21,852,556
-	89,368,667
65,007	6,796,004
80,921	425,794
76,139,288	1,020,354,929
23,965,157	204,188,808
-	218,834,240
-	37,775,493
43,132,581	63,197,717
124,107	488,064,705
2,750,000	110,740,000
3,722,277	41,380,925
-	515,703
73,694,122	1,164,697,591
2,445,166	(144,342,662)
-	426,655,000
2,975,367	2,975,367
300,000	6,371,900
230,643	1,116,951
-	(20,110,000)
(886,308)	(1,116,951)
-	(71,382,855)
-	63,180,000
-	8,727,192
2,619,702	416,416,604
5,064,868	272,073,942
63,797,763	706,054,703
$ 68,862,631	$ 978,128,645

For the Year Ended June 30, 2021

Net Changes in Fund Balance - Total Governmental Funds (Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds)		$ 272,073,942
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in deferred inflows of resources adjustments from prior to current year (reported as deferred inflows of resources in the Balance Sheet - Governmental Funds and reported as revenue in the Statement of Activities.)		64,242,789
In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year to the governmental funds, however, expenditure for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase (decrease) in the compensated absences liabilities for the fiscal year was:		(1,694,748)
The Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts were:		
Capital outlay	488,064,705	
Depreciation expense	(428,860,224)	
Sale of capital asset and adjustments, net book value	(11,932)	
Excess of depreciation expense over capital outlay		59,192,549
(Issuance) repayment of debentures recorded as a (source of revenue) principal expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds recorded as an (increase) reduction in long-term debentures payable in the Statement of Net Position:		
Bond proceeds	(63,180,000)	
Principal payments	110,740,000	
Principal payments from refunding (paid to escrow agent)	69,900,000	
		117,460,000
The Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds report prepaid warranty as expenditures. The Statement of Activities reports as amortization expense, the cost of the prepaid expenditure over the useful life:		(2,707,500)

Net change in deferred loss on refunding (including write off of unamortized balance of premiums and issuance costs associated with the refunded bonds), which is recorded as a reduction of long-term liabilities in the Statement of Net Position:		(22,850,689)
Additional bond premiums are recorded as an other financing source in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds, recorded as a liability of $89,175,073 in the Statement of Net Position, net of $45,101,127 of amortization, recorded as a decrease to interest expense in the Statement of Net Position as well as addtional premium from the 2020A Refunding of $8,727,192:		
Amortization of bond premium	45,101,127	
Premium of new bonds issued	(8,727,192)	
		36,373,935
Change in Net Position of Governmental Activities (Statement of Activities)		$ 522,090,278

As of June 30, 2021

	State Infrastructure Bank (SHARE 89300)
Assets:	
Current Assets:	
Cash:	
Unrestricted	$ -
Cash equivalents: (Note 2)	
Investment in SGFIP	10,981,996
Receivables:	
Interest receivable	3,183
Notes and loans receivable (Note 4)	89,591
Total Current Assets	11,074,770
Non-Current Assets:	
Notes and loans receivable (Note 4)	11,174,185
Total Non-Current Assets	11,174,185
Total Assets	$ 22,248,955
Liabilities and Net Position:	
Liabilities:	
Current Liabilities:	
Accounts payable	$ -
Total Current Liabilities	-
Total Liabilities	-
Net Position:	
Restricted for:	
Loans	22,248,955
Total Net Position	22,248,955
Total Liabilities and Net Position	$ 22,248,955

For the Year Ended June 30, 2021

	State Infrastructure Bank (SHARE 89300)
Operating Revenues (Expenses):	
Loan interest income	$ 225,708
Total Operating Revenues (Expenses)	225,708
Non-Operating Revenues (Expenses):	
Interest income	15,367
Total Non-Operating Revenues (Expenses)	15,367
Change in Net Position/Operating Income	241,075
Net Position, Beginning of Fiscal Year	22,007,880
Net Position, End of Fiscal Year	$ 22,248,955

For the Year Ended June 30, 2021

		State Infrastructure Bank (SHARE 89300)
Cash Flows from Operating Activities:		
Cash received from interest on loans	$	222,525
Loans repaid		88,704
Net Cash Provided (Used) by Operating Activities		311,229
Cash Flows from Investing Activities:		
Cash received from interest		15,367
Net Cash Provided (Used) by Investing Activities		15,367
Net Increase (Decrease) in Cash and Cash Equivalents		326,596
Cash and Cash Equivalents at June 30, 2020		10,655,400
Cash and Cash Equivalents at June 30, 2021	$	10,981,996

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating income (loss)	$	225,708
Change in assets and liabilities:		
(Increase) decrease in interest receivable		(3,183)
(Increase) decrease in notes and loans receivable		88,704
Net Cash Provided (Used) by Operating Activities	$	311,229

For the Year Ended June 30, 2021

	STATE ROAD FUND(S) (SHARE 10040 and 20100)			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
Revenues and Other Financing Sources:				
Federal funds	$ 369,133,000	$ 861,732,715	$ 412,888,649	$ (448,844,066)
Other state funds	508,540,000	510,378,720	530,982,119	20,603,399
Transfers intra-inter-agency	6,071,900	6,071,900	6,071,900	-
Interest revenue	2,730,000	2,730,000	344,784	(2,385,216)
Bond proceeds	-	-	-	-
Total Revenues and Other Financing Sources	886,474,900	1,380,913,335	950,287,452	$ (430,625,883)
Prior Year Funds Rebudgeted	25,887,100	218,325,574		
	$ 912,362,000	$ 1,599,238,909		
Expenditures and Other Financing Uses:				
Project Design & Construction:				
Personal services/employee benefits	$ 26,536,800	$ 26,536,800	25,955,096	$ 581,704
Contractual services	402,324,200	965,460,375	378,472,289	586,988,086
Other	156,438,900	175,047,400	160,401,172	14,646,228
Transfers (in) out	-	-	230,643	(230,643)
	585,299,900	1,167,044,575	565,059,200	601,985,375
Highway Operations:				
Personal services/employee benefits	110,263,000	110,263,000	108,670,778	1,592,222
Contractual services	56,874,400	82,196,900	59,699,508	22,497,392
Other	84,377,400	114,343,600	87,987,349	26,356,251
	251,514,800	306,803,500	256,357,635	50,445,865
Business Support:				
Personal services/employee benefits	25,791,600	25,791,600	25,203,016	588,584
Contractual services	5,425,400	16,425,400	13,502,939	2,922,461
Other	13,482,800	13,482,800	10,981,948	2,500,852
Transfers (in) out	-	23,200,000	20,000,000	3,200,000
	44,699,800	78,899,800	69,687,903	9,211,897
Modal:				
Personal services/employee benefits	6,253,800	6,253,800	5,612,747	641,053
Contractual services	20,453,000	33,107,617	12,057,555	21,050,062
Other	4,140,700	7,129,617	2,462,440	4,667,177
	30,847,500	46,491,034	20,132,742	26,358,292
Total Budgeted Expenditures and Other Financing Uses	$ 912,362,000	$ 1,599,238,909	911,237,480	$ 688,001,429
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			911,237,480	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			$ 39,049,972	

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds.

For the Year Ended June 30, 2021

	2020A BOND DEBT SERVICE FUND (SHARE 68320)			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
Revenues and Other Financing Sources:				
Federal funds	$ -	$ -	$ -	$ -
Other state funds	-	-	-	-
Transfers intra-inter-agency	-	-	886,308	886,308
Interest revenue	-	-	89	89
Bond proceeds	-	71,907,193	71,907,192	(1)
Total Revenues and Other Financing Sources	-	71,907,193	72,793,589	$ 886,396
Prior Year Funds Rebudgeted	-	-		
	$ -	$ 71,907,193		
Expenditures and Other Financing Uses:				
Project Design & Construction:				
Personal services/employee benefits	$ -	$ -	-	$ -
Contractual services	-	-	-	-
Other	-	524,337	515,703	8,634
Transfers (in) out	-	71,382,856	71,382,855	1
	-	71,907,193	71,898,558	8,635
Highway Operations:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business Support:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	-	-	-
Modal:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Total Budgeted Expenditures and Other Financing Uses	$ -	$ 71,907,193	71,898,558	$ 8,635
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			71,898,558	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			$ 895,031	

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds.

NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

A primary government is any state or general purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The New Mexico Department of Transportation (Department), therefore, is part of the primary government of the State of New Mexico and its financial data should be included in the financial data of the State.

The New Mexico Department of Transportation (Department), formerly known as the New Mexico State Highway and Transportation Department, within the State of New Mexico is responsible for planning, organizing and directing a comprehensive transportation network. The Department was created by the Constitution of New Mexico, Article V, Section 14; and Sections 67-3-1 through 67-3-70, New Mexico Statutes Annotated, 1978 Compilation. The Highway & Transportation Department Reorganization Bill (House Bill 210) created the Department as of July 1, 1987. Under this reorganization act, portions of the Transportation Department were merged into the Department to create the Department's Aviation and Transportation Divisions. On April 4, 2003, the Governor signed a bill changing the Department's name to the New Mexico Department of Transportation.

The governing body of the Department is a six person State Highway Commission. Commissioners are appointed by the Governor, with the advice and consent of the Senate, and each serves for staggered six-year terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department 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 Department is responsible for the fair presentation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America. The Department has prepared required supplementary information entitled, *Management's Discussion and Analysis,* which precedes the basic financial statements.

Financial Reporting Entity

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Commission, the Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Department has not blended or discretely presented component units during the year ended June 30, 2021.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Reporting Entity - continued

The Department, the New Mexico Finance Authority (NMFA) and the Federal Highway Administration (FHWA) established a State Infrastructure Bank (SIB) on September 30, 1997. The SIB is a revolving loan program accounted for as a business-type operation - enterprise fund and is administered by the Department to finance highway projects. The initial capitalization for the SIB came from the Highway Department's allotment of federal funds. The Department matched the federal funds based on the required matching percentage from state funds.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information of all of the activities, except for fiduciary and component units, of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities, primarily the construction and maintenance of the State's road system, which normally is supported by taxes and intergovernmental revenues, are reported separately from the business-type activities of the SIB, which to a significant extent acts as a business, loaning funds to other entities and charging interest on the loans. Operating income for the SIB is interest income earned on the funds loaned to other entities. All other income, including interest earned on funds on hand, is non-operating income to the SIB.

Basis of Presentation

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department function of building and maintaining the State's road system (public works). Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a department. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements for public works. Taxes (Supplemental Schedule of Pledged State Revenues) and other items not properly included among program revenues are reported instead as general revenues net of estimated refunds and uncollectible amounts. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government expenses to other functions except for depreciation (Note 10).

Program expenditures do not include capital outlay and debt service expenditures. Programs and Infrastructure is the program within the agency where all construction type activities are managed. Highway Operations is the program that implements all maintenance type activities. Business Support is the program that supports areas for the agency such as budget, training or HR. The Modal program consists of the Transit and Rail, Aviation, Traffic Safety and Ports of Entry divisions.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, it is generally the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - continued

Governmental and Enterprise funds are reported as major funds in the accompanying financial statements if they meet **both** of the following criteria:

Ten percent criterion - An individual fund reports at least ten percent of *any* of the following: a) total respective governmental or enterprise fund assets, b) total respective governmental or enterprise fund liabilities, c) total respective governmental or enterprise fund revenues, or d) total respective governmental or enterprise fund expenditures.

Five percent criterion - An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

State Road Fund(s) (Funds #10040 and #20100). The State Road Fund(s) were created by Section 67-3-65, NMSA 1978. The State Road Fund(s) combine to create the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a general fund. Individual fund data for each fund comprising the State Road Fund(s) are provided in the Schedule of General Fund Components - Balance Sheet and Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance.

GF Capital Outlay Fund (#93100). The fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period. Individual laws restricting the fund balance of the GF Capital Outlay Fund are provided in the Supplemental Schedule of Special Appropriations.

2020A Bond Debt Service Fund (#68320). The fund was created when the $63,180,000 NMFA State Transportation Refunding Revenue Bonds Series 2020A were issued in October 2020 to refund the total balance of the series 2010A-1, 2010A-2, and 2010B bond series. The fund does not receive State General Fund appropriations that are subject to reversions

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Business Type - Proprietary Fund - State Infrastructure Bank (SIB) Financial Statements. The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

State Infrastructure Bank (SIB) Fund (#89300). The fund is used to track the activities of the State Infrastructure Bank, which include funding, loans and repayment of loans. The State Infrastructure Bank is a revolving loan fund program authorized by the NHS Act of 1997 and was originally funded with Federal Highway funds and a 25% State match.

Governmental Fund Financial Statements. The 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 Department considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees’ vested compensated absences are recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2021, has been reported only in the government-wide financial statements.

- Interest and principal payments on general long-term obligations is recognized as expenditures when paid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The measurement focus is on the flow of expendable financial resources, rather than on net income determination. All governmental funds are accounted for using the modified accrual basis of accounting. The funds' revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities in the current period). "Available" is defined as collectible within the current period or soon enough thereafter, within 60 days after year-end, to be used to pay liabilities of the current period. Intergovernmental revenues, including Federal allotments and grants, are recorded in accordance with their legal or contractual requirements if collected in the current period or if collectability is assured subsequent to year-end.

The following are the governmental fund types used:

General Funds - The General Funds (Funds #10040 and #20100) are used to account for the proceeds of specific revenue sources that are not otherwise required to be reported in a special revenue fund. The State Road Fund(s) are the operating and general funds of the Department and are used to account for substantially all of the Department's financial activities. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

<u>Traffic Safety Fund(s):</u> A group and/or cluster of programs that are closely related programs and share a common compliance requirements. The group consists of the following funds: Federal Traffic Safety Fund (#10010), Driver Improvement Fund (#10020), Motorcycle Training Fund (#20600), DWI Prevention and Education Fund (#20700), Traffic Safety Fund (#20800) and Ignition Interlock Fund (#82600).

<u>Federal Traffic Safety Fund (#10010)</u>. The Federal Traffic Safety Fund is the fund through which federal funds are received for various traffic safety programs. This is a non-reverting fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Special Revenue Funds – continued

Driver Improvement Fund (#10020). The Driver Improvement Program Fund was created by Executive Order 87-20. This fund is used to account for the operation of a driver improvement program. Financing is provided from fees collected for drivers' manuals and admissions to driver training courses. This is a non-reverting fund.

Motorcycle Training Fund (#20600). The Motorcycle Training Fund was created by Section 66-10-10, NMSA 1978. This fund is used to account for the operation of a motorcycle safety training program. Financing is provided from motorcycle registration fees and student training fees. All money in the motorcycle training fund in excess of amounts budgeted revert to the State Road Fund.

DWI Prevention and Education Fund (#20700). The DWI Prevention and Education Fund was created by Section 66-5-35, NMSA 1978. This fund is used to account for the operation of a DWI (Driving While Intoxicated) prevention and education program for elementary and secondary school students. Financing is provided from limited license and permit fees. This is a non-reverting fund.

Traffic Safety Fund (#20800). The Traffic Safety Fund was created by Section 66-7-512, NMSA 1978. The fund is used for the state match for the federal traffic safety fund programs. This is a non-reverting fund.

Ignition Interlock Fund (#82600). The Ignition Interlock Fund was created by Section 66-8-102.3, NMSA 1978. The fund is used for the administration of the Ignition Interlock program. This is a non-reverting fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Special Revenue Funds – continued

Federal Planning and Development Fund (#10030). This fund is authorized by the Commission to account for the planning and administration of federal grant monies and state matching funds for mass transportation and railroad improvements. The Highway Safety Act of 1966, as amended, 23 U.S.C. 401 Et. Seq. and 23 U.S.C. 410, authorizes the establishment of this fund. The fund does not receive state general fund appropriations that are subject to reversion.

HIF Bond Fund (#20200). The Highway Infrastructure Fund (HIF) was created under Laws 1998, chapters 84 and 85. This fund is used to account for acquisition for right of ways, planning, design, engineering, construction or improvement of state highway projects. This is a non-reverting fund.

Local Government Road Fund (#20300). The Local Government Road Fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for: (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes. The fund does not receive state general fund appropriations that are subject to reversion.

State Aviation Fund (#20500). The State Aviation Fund was created by Section 64-1-15, NMSA 1978. This fund is used to account for planning, construction and maintenance of a system of airports, navigation aids and related facilities serving New Mexico. Financing is provided from all unrefunded taxes collected on the sale of motor fuel sold for use in aircraft. This is a non-reverting fund.

2004A GRIP Bond Project Fund (#20400). The bond project fund was created by Section 67-3-59.3 NMSA 1978 when $700,000,000 New Mexico State Transportation Senior Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority in May 2004. The funds from the sale of the debentures were required to be deposited in a special account with NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance transportation projects, pay expenses incurred to issue the debentures and payments of rebate, penalty, interest and other obligations relating to the debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversions.

2006D GRIP Bond Project Fund (#10270). The bond project fund was created by Section 67-3-59.3 NMSA 1978 with the issuance of the September 2006 $50,400,000 of State Transportation, Series 2006D Revenue Bonds. The series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the Department pursuant to a Joint Use Agreement between the Department and the BNSF Contingent Liability Fund. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Special Revenue Funds – continued

2014A Bond Project Fund (#11970). The bond project fund was created by Section 67-3-59.3 NMSA 1978 when the $70,110,000 NMFA State Transportation Subordinate Lien Revenue Bonds Series 2014A were issued in March 2014. The funds from the sale of the debentures were required to be deposited in a special account with NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance transportation projects and pay expenses incurred to issue the debentures. The fund does not receive state general fund appropriations that are subject to reversions.

Capital Project Funds - Capital Project Funds are used to account for the purchase or construction of facilities used in the operation of the Department or other long term Department projects specifically appropriated by the state. Expenditures are incurred to build and improve the transportation system within the State of New Mexico.

Capital Projects Fund (#10050). The Capital Projects Fund is used to account for the purchase or construction of facilities used in the operation of the Department. This fund reverts to the State Road Fund upon completion of the appropriation project or appropriation period.

STB Capital Outlay Fund (#89200). This fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the sale of Severance Tax Bonds and is distributed through the Board of Finance of the Department of Finance and Administration. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore only budgetary reversions are made when applicable. Individual laws restricting the fund balance of the STB Capital Outlay Fund are provided in the Supplemental Schedule of Severance Tax Bonds.

GF Capital Outlay Fund (#93100). The fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period. Individual laws restricting the fund balance of the GF Capital Outlay Fund are provided in the Supplemental Schedule of Special Appropriations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Debt Service Funds - Debt Service Funds, created by Section 67-3-59.3 NMSA 1978, are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Debt service requirements are met through the monthly transfer of vehicle and gasoline tax revenues from the State Road Fund. The Department may transfer interest earned on the other bond issues to their respective debt service funds. These funds do not receive state general fund appropriations that are subject to reversion.

2010A Bond Debt Service Fund (#11140). The fund was created when the $174,625,000 NMFA State Transportation Senior Lien Refunding Revenue Bonds Series 2010A were issued in October 2010 to refund a portion of a borrowing under a tax-exempt line of credit with Bank of America N.A. and finance the costs of certain State Transportation Projects for the Department.

2010B Bond Debt Service Fund (#20450). The fund was created when the $461,075,000 NMFA State Transportation Senior Lien Refunding Revenue Bonds Series 2010B were issued in October 2010 to refund portions of series 2002A, 2002C, 2002D and 2004A GRIP.

2012A Bond Debt Service Fund (#30850). The fund was created when the $220,400,000 NMFA State Transportation Refunding Revenue Bonds Series 2012A were issued in December 2012 to refund certain outstanding bonds of the State Transportation Commission and of the Finance Authority which were issued for the purpose of financing or refinancing projects administered by the New Mexico Department of Transportation.

2014A Bond Debt Service Fund (#11960). The fund was created when the $70,110,000 NMFA State Transportation Subordinate Lien Revenue Bonds Series 2014A were issued in March 2014.

2014B Bond Debt Service Fund (#50110). The fund was created when the $79,405,000 NMFA State Transportation Refunding Revenue Bonds Series 2014B were issued in December 2014 to refund certain outstanding bonds of the State Transportation Commission which were issued for the purpose of financing or refinancing projects administered by the New Mexico Department of Transportation.

2018A Bond Debt Service Fund (#20770). The fund was created when the $420,090,000 NMFA State Transportation Refunding Revenue Bonds Series 2018A were issued in June 2018 to refund the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A GRIP Bonds, Series 2008B GRIP Bonds and the Series 2008C GRIP Bonds. The fund does not receive State General Fund appropriations that are subject to reversions.

2020A Bond Debt Service Fund (#68320). The fund was created when the $63,180,000 NMFA State Transportation Refunding Revenue Bonds Series 2020A were issued in October 2020 to refund the total balance of the series 2010A-1, 2010A-2, and 2010B bond series. The fund does not receive State General Fund appropriations that are subject to reversions

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budgets and Budgetary Accounting

Per the General Appropriations Act of 2019, Section 3, Subsection K, "For the purpose of administering the General Appropriation Act of 2019, 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 program level at the entity-wide level, except for multiyear funds.

Intra-agency and Inter-agency Transactions

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category (Note 12) in the governmental fund financial statements.

Restricted Cash and Cash Equivalents

The funds deposited in the debt service funds are restricted to pay future principal and interest payments. The remaining balance of the proceeds from the sale of the debentures, bonds and the NMFA loan are also classified as restricted cash because of the limited use of these funds. Proceeds of the various bond issues are also invested through the State Treasurer's Office in securities repurchase agreements with financial institutions and a money market mutual fund that invests in U.S. Treasury securities. Cash held in the State Infrastructure Bank is restricted for use in funding loans (Note 2).

Cash and cash equivalents, for the purpose of the cash flows, has interest in the State General Fund Investment Pool of the State Treasurer's Office.

Taxes Receivable (Included as a Component of Due From Other State Agencies)

Taxes receivable represent the amounts due from the New Mexico Taxation and Revenue Department for the Department's June 30 fiscal year user and fuel taxes that are received by the Department after fiscal year-end. Accordingly, no allowance for uncollectible amounts is necessary. The revenue related to taxes is recorded when the underlying transaction occurs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts Receivable

Accounts receivable consists of amounts due from various entities: individuals and other state and local agencies located within the State of New Mexico for the sale of maps, brochures and other materials; and for other services performed by the Department. It is the policy of the Department to actively pursue collections of all valid accounts receivable and to comply with Article IV, Section 32 of the New Mexico Constitution that mandates that no amounts owed to the State can be exchanged, transferred, remitted, released or postponed. As a result of this policy, the Department does not write off any receivable balances and, instead, provides an allowance for uncollectible accounts. The Department has specific procedures in place for the treatment and collection of invoices past 30, 60, 90, and 120 days and, any receivables older than 120 days in which the Department deems uncollectible are moved to the allowance account at year end. A detail listing of all uncollectible accounts is maintained and uncollectible accounts are referred to the Department's legal department for possible legal collection actions. The balance of receivables (Note 3) deemed uncollectible through the end of FY21 was $5,073,431 and a net total of $252,132 was moved to the uncollectible account during the current fiscal year. A total of $89,663 was recovered from the uncollectible account during the current fiscal year.

Severance Tax Bonds Proceeds Receivable

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents expenditures incurred by the Department, but not yet reimbursed by the State Board of Finance. Based on the Department of Finance and Administration's current accounting policies, the State Board of Finance transfers cash as expenditures are incurred by the Department and therefore there is no Severance Tax Bonds Proceeds Receivable as of June 30, 2021 (Note 11).

Notes and Loans Receivable

Notes and loans receivable represent loans to other governmental entities made by the State Infrastructure Bank. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. All loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 2021. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 4).

Due From Federal Agencies

Due from the Federal Agencies represents amounts billed and unbilled in accordance with the various grant agreements. The "billed" portion represents contract expenditures incurred and billed by the Department. The "unbilled" portion represents expenditures included in accounts payable that will be billed when paid by the Department. The "excess project costs" represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 5). There was no allowance for FY 2021. As expenditures are determined to be unallowable, this amount is classified as Due to the Federal Agencies until repaid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Due From and Due To Other Funds
Due from/to other funds represent amounts due from and to other funds within the Department (Note 6) and are included in the governmental fund financial statements. Inter-fund transactions are eliminated in the accrual basis government-wide financial statements.

Due From and Due To Other State Agencies
Due from/to other state agencies represents amounts due from and due to other state agencies to the Department (Note 7) and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

Due From and Due To Local Governments
Due from/to other local governments represents amounts due from and due to local governments to the Department (Note 8) and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

Due to Component Units of the State
The amount represents payables due to Component Units of the State of New Mexico (Note 13) at the ACFR level and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

Due to Higher Ed Institution
The amount represents payables due to Higher Education Institutions of the State of New Mexico (Note 14) and are included in the governmental fund financial statements and accrual basis government-wide financial statements.

Deficiency in SGFIP
The amount of negative cash balances in the State General Fund Investment Pool are reported as a deficiency in SGFIP liability by fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventory

Inventory is valued at cost using the first-in, first-out method. Special Revenue Fund inventory consists of materials used in the Department's operations.

The inventory costs are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset in the nonspendable fund balance, which indicates that it does not constitute "available spendable resources" (Note 9) even though they are a component of current assets.

Prepaid Expense - NM 44 Warranty

The warranty represents the no-fault portion of three categories of costs that will meet performance criteria. The warranty costs associated with pavement, which originally cost $36,100,000, is being amortized over 18 years. At the end of the fiscal year 2021 the total prepaid expense unamortized value was $2,707,500. The structures, which originally cost $29,480,471 are fully amortized.

Property Held for Resale

Property held for resale represents excess land acquired through condemnation and is recorded at the lower of its cost or estimated fair value. Reported property held for resale is equally offset by the non-spendable fund balance designation, which indicates that they do not constitute "available spendable resources" even though they are a component of assets.

Capital Assets

Capital assets, which include property, plant, equipment, software in the equipment category, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, streets, tunnels and similar infrastructure items), are reported in the governmental activities columns in the government-wide financial statements. The Department has no internally developed software that requires capitalization. Capital assets defined in Section 12-6-10 NMSA 1978 requires agencies to capitalize expenditures for capital outlay greater than $5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased and constructed capital assets are valued at historical or estimated historical cost. The Department has not capitalized any construction period interest expense. Donated capital assets are recorded at their acquisition value at the date of acquisition plus ancillary charges, if any. Current year activity is shown in Note 10 to the financial statements.

The Department records as capital assets the specific roads, tunnels and other infrastructure it owns or over which it has primary responsibility for maintenance. According to the GASB, if the Department has the primary responsibility for the asset's maintenance, then the capital asset would be recorded on its books.

An estimated historical cost of the entire infrastructure on the Department's government-wide financial statements was determined as of June 2001. The Department calculated the replacement cost as of June 30, 2001 for its entire infrastructure and then deflated the cost by use of a construction price level index maintained by the Federal Highway Administration. Accumulated depreciation at June 30, 2001 was calculated based on the estimated historical cost of the infrastructure, estimated use of the assets and using a 25 to 30-year life of the infrastructure. The Department periodically reviews the estimated useful lives of infrastructure assets with the Department's engineers, project managers and other internal information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

The Department follows the depreciation method to record infrastructure assets. This method requires the Department to allocate the cost of infrastructure assets over their estimated useful lives as depreciation expense. Retirements of infrastructure assets and related accumulated depreciation will begin approximately mid-ways through the depreciable life of the infrastructure assets, (for example after 15 years for 30 year assets and after 12.5 years for 25 year assets). The depreciation method under the composite method, infrastructure assets are assumed to be retired at the end of their estimated useful life with no remaining net book value.

The infrastructure assets recorded at the implementation of GASB 34 (FY01) will follow the same retirement policy as others, however retirements on these FY01 additions will extend beyond depreciable lives based on the initial accumulated depreciation established in FY01. This difference is based on the need to retire these FY01 assets over the estimated useful lives on these assets of 25 to 30 years, consistent with all other infrastructure assets.

Infrastructure assets follow the depreciation method under the composite method, which are assumed to be retired at the end of their estimated useful life with no remaining net book value. Depreciation and retirements for infrastructure are determined at the composite group level, in which similar infrastructure assets (for example, interstate highways) or dissimilar assets of the same class (for example, all the roads and bridges) are combined for the purposes of calculating depreciation and retirement of infrastructure assets. NMDOT groups dissimilar assets of the same class for depreciation and retirement purposes.

The Department records its other capital assets (buildings, machinery and equipment) at historical cost and depreciates the assets over their estimated useful lives. Capital assets acquired in the current year in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Department are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and right-of-way land. Generally, estimated useful lives are as follows:

Machinery, Automobiles and Equipment	5 - 14 years
Buildings and Other Improvements	40 years
Infrastructure	25 - 30 years

Unearned Revenue

Unearned revenue is money received by a company, municipality or local entity for services that have not yet been provided. It can be thought of as a prepayment by a customer of the Department for services to be performed at a later date. The Department allows local entities to take advantage of opportunities where the local entity wants to maintain or improve local infrastructure, such as utilities or landscaping, in the same area the Department is providing construction services to a road. The Department requires that the entity prepay for their costs prior to the start of the project.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences

The Department accounts for the accumulated vacation and sick leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded in the Statement of Net Position at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 up to 720 hours less the amount classified as current is recorded in the Statement of Net Position at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2021, and includes direct and incremental salary related payments, such as the employer’s share of social security taxes.

Long-Term Obligations

Premiums, Discounts and Issuance Costs - In the government-wide financial statements, long-term debt and other long-term obligations are presented in the column for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts are deferred and amortized straight line over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment 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. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position - are assets which have third-party (statutory or granting agency) limitation on their use. When there is an option, the Department spends restricted resources first.

Unrestricted Net Position - are all other net position that do not meet the definition of “restricted net position” or “net investment in capital assets.”

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Encumbrances

With the General Appropriations Act of 2020, Section 3, Subsection K establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, encumbrances related to single year appropriations lapse at fiscal year end. Appropriations for periods in excess of twelve months (multiple-year appropriations) lapse at the end of the appropriation period, the budget also lapses, and encumbrances can no longer be charged to that budget. Outstanding encumbrance balances for the Department's Severance Tax Bonds and Special Appropriations are shown in separate supplementary schedules. Significant unexpended encumbrance balances at June 30, 2021 for other multiple year appropriation periods are as follows:

STB Capital Outlay Fund	89200	$ 2,194,550
GF Capital Outlay Fund	93100	124,758,889
		$ 126,953,439

Nonspendable Fund Balance

The nonspendable category of fund balance consists of the net financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable categories of fund balances are summarized below:

Inventory - This category was created to represent the portion of fund balance that are noncash assets available for expenditures in future periods.

Property Held for Resale - This category was created to represent the portion of fund balance that are long-term noncash assets available for sale.

Prepaid Expenses - This category was created to represent disbursements made that cannot be reported as expenditures in the current period for GAAP purposes.

Restricted Fund Balance

The restricted category of fund balance consists of the net financial resources that are restricted by either: (a) external imposition by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or (b) imposition by law through constitutional provisions or enabling legislation.

Committed Fund Balance

The committed category of fund balance consists of the net financial resources that are constrained to be used for a specific purpose as established by the highest level of decision-making authority. This fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying these contractual requirements. The Department's highest level of decision-making authority is the State Transportation Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assigned Fund Balance

The assigned category of fund balance consists of the net financial resources that are constrained to be used for a specific purpose by the Department's intent but the constraint imposed does not satisfy the criteria to be classified as restricted or committed.

Unassigned Fund Balance

The unassigned category of fund balance consists of the net financial resources that are the least constrained. In the general fund, these are amounts that have not been restricted, committed or assigned to specific purposes. In other funds, they are negative fund balances that represent shortfalls which are covered by fund balances not restricted, committed or assigned to other specific purposes.

Pledged Revenue

The Department has pledged future gasoline excise taxes, motor vehicle registration fees, special fuel excise taxes, vehicle transactions fees, driver's license fees, oversize/overweight permit fees, trip (mileage) taxes, weight distance taxes, leased vehicle gross receipts taxes, tire recycling fees and FHWA revenues, to repay $0.76 billion in State Transportation Revenue and Refunding Bonds issued between 2010 and 2021. Proceeds from the bonds provided funding for various transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable, as well as to provide funds to refund and restructure certain outstanding bonds. The bonds are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 20% of gross revenues. The total principal and interest remaining to be paid on the bonds is $0.92 billion. Debt Service principal and interest paid for the current year and total pledged revenues were $152,120,925 and $939,096,160, respectively.

Use of Estimates

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.

Eliminations

Total columns in the governmental fund financial statements are captioned “Total Governmental Funds” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operation or changes in financial position of the Department as a whole in conformity with generally accepted accounting principles. Eliminations of intra-fund transfers have not been made in the aggregation in the governmental fund financial statements. Due from/to other funds and intra-fund transfers have been eliminated in the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or Balance Sheet - Governmental Funds 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 (expenses/expenditure) until then. The Department has one item that qualifies for reporting in this category, the deferred loss on refunding (Note 15).

In addition to liabilities, the Statement of Net 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 revenue until then.

The Department reports deferred inflows of resources in the fund financial statements. Deferred inflows of resources arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Deferred inflows of resources also arise when resources are unearned by the Department and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the Department has a legal claim to the resources, the liability for deferred inflows of resources is removed from the applicable financial statement and revenue is recognized.

New Mexico Public Employees Retirement Association (PERA)

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* the State of New Mexico implemented the standard in FY15.

The Department, 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 Annual Comprehensive Financial Report (ACFR) 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 ACFR 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.

2. CASH AND CASH EQUIVALENTS

The Department has two types of cash equivalents--those that are deposited with the State Treasurer's Office and those that are held with trustees that are managed by NMFA.

Cash Equivalents on Deposit with State Treasurer's Office
As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the State's bank when agency cash receipts are deposited and later pooled into a statewide investment fund, also referred to as the State General Fund Investment Pool (SGFIP). In times when cash amounts are greater than immediate needs, the amounts are placed into short-term investments. When agencies make payments to vendors and employees, they are made from this pool and their claims on the pool are reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2021. This process has been previously reviewed and is analyzed annually, by the IPAs performing audits of the General Fund, the Department of Finance and Administration, and the State of New Mexico's Annual Financial Report. These reviews have deemed the process sound and the Department fully compliant with reconciliation requirements. The State Controller indicated on August 20, 2021 the following assertions:

- As of June 30, 2021, resources held in the pool were equivalent to the corresponding business unit claims on those resources
- All claims, as recorded in SHARE, shall be honored at face value.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department’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 Department’s cash be managed by the New Mexico State Treasurer’s Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer’s Office.

The Department has established its own internal reconciliation policies and procedures to mitigate the risk that our cash balances would be misstated as of June 30, 2021. The Department is confident that our reconciliation process ensures all incoming and outgoing cash transactions are properly identified and that they are timely and accurately recorded in the financial system. Recording is not final until approved by the State Treasurer’s Office who compares the recorded transactions against validated bank deposit slips provided to them by the State’s Fiscal Agent Bank. Our agency then compares all deposits to financial system cash transaction and general ledger reports to ensure they have been properly and thoroughly recorded.

2. CASH AND CASH EQUIVALENTS - continued

Cash Equivalents on Deposit with State Treasurer's Office - continued

Similarly, incoming wire cash transfers and operating cash transfers originating outside our agency and received by the State’s Fiscal Agent Bank are identified, reviewed and verified to ensure they are properly authorized, recorded, reported and reconciled to source documents. All outgoing cash transactions are pre-audited for compliance, accuracy and authority before they are approved, paid and recorded in the financial system. These transactions are then verified and reconciled to financial system cash transaction and general ledger reports to ensure they have been properly and thoroughly recorded. Finally, cash management is vital to the Department’s daily operations and our agency’s CFO monitors cash on an ongoing basis and performs analytical reviews for reasonableness, expected results and trends. Unusual balances and activities are researched and resolved to ensure the accuracy and integrity of our cash balances.

At June 30, 2021 the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool	$ 980,901,264
State Infrastructure Bank	10,981,996
	$ 991,883,260

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 the 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.

For additional GASB No. 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2021.

Concentration of Credit Risk. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk.

State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department’s name. The fair value of the repurchase agreement approximates the cost at June 30, 2021.

2. CASH AND CASH EQUIVALENTS - continued

Cash Equivalents Managed by New Mexico Finance Authority

Money market funds are managed by New Mexico Finance Authority (fiscal agent) and held by State Treasurer authorized bank accounts at Bank of Albuquerque as trustees and paying agents for Department. The sources of funds are bond proceeds and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

At June 30, 2021 the Department had the following managed by NMFA held with Bank of Albuquerque:

Bank of Albuquerque, trustee account (Managed by NMFA)	$ 9,254,148

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its collateral securities that are in the possession of an outside party. All are fully collateralized and the collateral is held in the Department's name.

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer. The Department is not susceptible to concentration of credit risk.

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

3. ACCOUNTS RECEIVABLE

The aging of accounts receivable as of June 30, 2021 is as follows:

Number of Days Outstanding	
0 - 30	$ 1,299,677
31 - 60	79,198
61 - 90	190,089
91 - 120	19,905
Beyond 120	5,141,953
	6,730,822
Allowance for uncollectible accounts	(5,073,431)
	$ 1,657,391

4. NOTES AND LOANS RECEIVABLE

Loans receivable funded by the State Infrastructure Bank consist of the following:

	Short-term	Long-term
A ten (10) year note receivable from the Town of Peralta secured by property taxes and sewer funds	$ 89,591	$ 274,185
A seventeen (17) year note receivable from Rio Metro Regional Transit District secured by gross receipts tax	-	10,900,000
	$ 89,591	$ 11,174,185

5. DUE FROM FEDERAL AGENCIES

Due from Federal Agencies consists of the following at June 30, 2021:

Agency		
USDHS		
Federal Emergency Management Agency	$ 3,289,234	
Total USDHS		$ 3,289,234
USDOT		
Federal Highway Administration	107,785,547	
Other USDOT Agencies	15,222,282	
Total USDOT		123,007,829
Total Due From Federal Agencies		$ 126,297,063

6. DUE FROM AND DUE TO OTHER FUNDS

These amounts represent interfund receivables and payables arising from the interfund transactions within the Department. Due from/to other funds occur for the following reasons:

1) One Fund pays expenditures on behalf of other funds
2) One Fund receives revenue on behalf of other funds

Interfund receivables and payables as of June 30, 2021 consist of the following:

	Fund Number	Due From Other Funds	Due to Other Funds	Net (Sub-totals only)
General Funds:				
State Road Fund(s)	10040 and 20100	$ 60	$ -	
Total General Funds		60	-	$ 60
Debt Service Funds:				
2020A Bond Debt Service Fund	68320	-	60	
Total Debt Service Funds		-	60	(60)
Total Interfund Receivables and Payables		$ 60	$ 60	$ -
Total Governmental – net				-
Total All Funds				$ -

7. DUE FROM AND DUE TO OTHER STATE AGENCIES

Due From Other State Agencies

Fund Description	Fund Number	Sub-total	Total	Business Unit	Fund Affiliate
State Road Fund(s)	10040 / 20100	$ 23,312,779		33300	82500
		20,704,142		33300	82800
HIF Bond Fund	20200	593,134		33300	83200
Local Government Road Fund	20300	1,905,491		33300	82800
		197,711		33300	83200
State Aviation Fund	20500	39,265		33300	82800
		389,659		33300	83200
Total taxes due from Taxation and Revenue Department			$ 47,142,181		
Total Government-wide			$ 47,142,181		

Due To Other State Agencies

Fund Description	Fund Number	Sub-total	Total	Business Unit	Fund Affiliate
State Road Fund(s)	10040 / 20100	$ 71,089		79000	12802
		4,932		79000	12804
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	112,212		79000	12802
		76,477		79000	12804
Total grant expenses due to Department of Public Safety			$ 264,710		
Total Government-wide			$ 264,710		

8. DUE TO LOCAL GOVERNMENTS

Due To Local Governments

Fund Description	Fund Number	Due To	Total
Governmental Funds			
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	Bernalillo County	$ 103,295
		Board of Commissioners	6,856
		City of Albuquerque	48,067
		City of Anthony	155
		City of Aztec	528
		City of Belen	1,072
		City of Bloomfield	977
		City of Farmington	4,409
		City of Hobbs	3,082
		City of Moriarty	577
		City of Portales	3,332
		City of Rio Rancho	10,004
		City of Santa Fe	1,748
		City of Sunland Park	300
		County of Eddy	1,220
		County of Luna	1,174
		County of McKinley	36,144
		County of Otero	1,255
		County of Sandoval	28,069
		County of Torrance	122
		Dona Ana County	2,657
		Lea County	7,996
		Ohkay Owingeh Pueblo	564
		San Juan County	4,206
		San Miguel County	5,159
		Santa Fe County	15,213
		Socorro County	817
		Town of Grants	597
		Village of Bosque Farms	1,256
		Village of Ruidoso	1,094
Federal Planning & Development Fund	10030	Board of Commissioners	82,991
		City of Carlsbad	57,001
		City of Farmington	18,681
		City of Hobbs	65,493
		City of Portales	17,986
		City of Roswell	240,147

8. DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To	Total
Governmental Funds			
Federal Planning & Development Fund	10030	City of Socorro	$ 33,674
		Grant, County of	64,347
		Incorporated County of Los Alamos	368,443
		Mid-Region Council of Governments	75,583
		NM Transit Association	8,570
		North Central Regional Transit District	836,297
		Pueblo of Laguna	14,800
		Pueblo of Zuni	29,698
		Rio Metro Regional Transit District	156,664
		South Central Regional Transit	68,917
		The Navajo Nation	114,649
		Town of Red River	15,093
		Village of Milan	17,080
State Road Fund(s)	10040 and 20100	Bernalillo County	4,500
		Board of Commissiones	152,527
		Catron County	345
		City of Alamogordo	901
		City of Albuquerque	232,533
		City of Anthony	103
		City of Artesia	178
		City of Aztec	790
		City of Belen	44,916
		City of Bloomfield	1,304
		City of Carlsbad	459
		City of Clovis	1,625
		City of Deming	3,347
		City of Espanola	81
		City of Eunice	681
		City of Farmington	34,946
		City of Gallup	2,121
		City of Jal	2,254
		City of Las Vegas	7,859
		City of Lordsburg	1,803
		City of Moriarty	205
		City of Portales	1,239
		City of Rio Rancho	372,698

8. DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To		Total
Governmental Funds				
State Road Fund(s)	10040 and 20100	City of Roswell	$	3,246
		City of Ruidoso Downs		1,214
		City of Santa Fe		100,085
		City of Santa Rosa		2,376
		City of Socorro		3,703
		City of Sunland Park		126
		City of Truth or Consequences		2,867
		City of Tucumcari		134
		County of Cibola		96,024
		County of Eddy		204
		County of Lincoln		1,592
		County of Luna		5,248
		County of McKinley		30,354
		County of Mora		30
		County of Roosevelt		92
		County of Sandoval		100
		County of Union		78
		County of Valencia		704,121
		Curry County		25
		Dona Ana County		42,676
		Eastern Plains Council of Governments		18,840
		El Paso Metropolitan Planning Org.		72,022
		Guadalupe County		1,872
		Hidalgo County		279
		Incorporated County of Los Alamos		622,722
		Lea County		1,541
		Mid-Region Council of Governments		373,326
		Rio Metro Regional Transit District		173,253
		San Juan County		5,151
		Santa Ana Pueblo		706
		Santa Fe County		384
		Socorro County		475
		South Central Council of Governments		20,286
		The Navajo Nation		8
		Town of Bernalillo		2,079
		Town of Carrizozo		89

8. DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To		Total
Governmental Funds				
State Road Fund(s)	10040 and 20100	Town of Clayton	$	1,237
		Town of Estancia		587
		Town of Hagerman		655
		Town of Hurley		147
		Town of Mountainair		407
		Town of Silver City		7,089
		Town of Springer		88
		Town of Taos		150
		Town of Tatum		20
		Town of Vaughn		421
		Village of Bosque Farms		132
		Village of Capitan		128
		Village of Cimarron		195
		Village of Corona		81
		Village of Corrales		425
		Village of Cuba		539
		Village of Des Moines		48
		Village of Eagle Nest		150
		Village of Hatch		1,334
		Village of Hope		71
		Village of Jemez Springs		159
		Village of Logan		453
		Village of Los Lunas		2,160
		Village of Magdalena		81
		Village of Milan		3,732
		Village of Questa		89
		Village of Roy		52
		Village of Ruidoso		29,602
		Village of San Jon		447
		Village of San Ysidro		101
		Village of Santa Clara		396
		Village of Tijeras		31
		Village of Wagon Mound		94
Local Government Road Fund	20300	City of Eunice		110,000
		City of Roswell		161,582
		Town of Springer		51,052
		Village of San Ysidro		73,460

8. DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To	Total
Governmental Funds			
State Aviation Fund	20500	City of Albuquerque	815
		City of Raton	10,153
		Lea County	162
		Town of Clayton	75,921
STB Capital Outlay Fund	89200	Board of Commissioners	37,838
		City of Albuquerque	166,451
		City of Portales	3,522
		Dona Ana County	391,432
		Town of Grants	175,000
		Village of Corona	45,503
GF Capital Outlay	93100	Bernalillo County	4,643
		Board of Commissioners	539
		City of Albuquerque	103,257
		City of Deming	45,226
		City of Portales	9,169
		Dona Ana County	81,358
		Pueblo of Isleta	51,082
		Quay County	50
		The Navajo Nation	73,246
		Town of Grants	452,001
		Town of Mesilla	75,000
Total Governmental Funds			7,982,565
Total Enterprise Funds			-
Total Government-wide			$ 7,982,565

9. INVENTORIES

Inventory as of June 30, 2021 consists of the following:

Highway maintenance materials stockpiled	$ 8,233,244
Repair parts and expendable supplies	5,912,385
Fuel, oil and lubricants	621,403
	$ 14,767,032

10. CAPITAL ASSETS

A summary of changes in capital assets for fiscal year ended June 30, 2021 follows:

	Beginning Balance June 30, 2020	Additions	Adjustments & Transfers	Retirements
Non-Depreciable Assets:				
Construction in Progress	$ 500,043,922	$ 453,480,664	$ -	$ -
Rail System Infrastructure - Right of Way	72,204,581	-	-	-
Land	5,215,358	-	-	-
Right of Way	443,869,656	-	-	(21,273)
Total Non-Depreciable Assets	1,021,333,517	453,480,664	-	(21,273)
Depreciable Assets:				
Infrastructure	13,238,682,546	-	-	(1,232,921,478)
Automotive and Major Road Fund Equipment	252,223,527	3,125,524	33,449	-
Rail System Infrastructure	373,559,062	-	-	-
Buildings	53,465,722	12,493,337	-	-
Equipment and Furniture	47,732,643	18,965,180	-	(86,933)
Library	113,566	-	-	-
Total Depreciable Assets	13,965,777,066	34,584,041	33,449	(1,233,008,411)
Total Assets	14,987,110,583	488,064,705	33,449	(1,233,029,684)
Less Accumulated Depreciation:				
Infrastructure	(9,175,613,922)	(396,221,116)	-	1,232,921,478
Automotive and Major Road Fund Equipment	(183,273,478)	(11,641,773)	(24,108)	-
Rail System Infrastructure	(181,204,180)	(14,943,062)	-	-
Buildings	(34,085,929)	(980,430)	-	-
Equipment and Furniture	(24,047,966)	(5,072,278)	-	86,933
Library	(111,051)	(1,565)	-	-
Total Accumulated Depreciation	(9,598,336,526)	(428,860,224)	(24,108)	1,233,008,411
Net Total	$ 5,388,774,057	$ 59,204,481	$ 9,341	$ (21,273)

There were no software costs to capitalize as of year-end. Depreciation and amortization was allocated to the following functions:

Depreciation:	
Programs and infrastructure	$ 396,488,544
Transportation and highway operations	16,557,664
Program support	820,598
Modal	14,993,418
	428,860,224
Amortization	2,707,500
Total Depreciation and Amortization	$ 431,567,724

10. CAPITAL ASSETS - continued

CIP Reclassifications	Ending Balance June 30, 2021
$ (311,310,729)	$ 642,213,857
-	72,204,581
-	5,215,358
3,431,141	447,279,524
(307,879,588)	1,166,913,320
307,439,334	12,313,200,402
-	255,382,500
-	373,559,062
-	65,959,059
440,254	67,051,144
-	113,566
307,879,588	13,075,265,733
-	14,242,179,053
-	(8,338,913,560)
-	(194,939,359)
-	(196,147,242)
-	(35,066,359)
-	(29,033,311)
-	(112,616)
-	(8,794,212,447)
$ -	$ 5,447,966,606

The Department had major contractual commitments related to various capital projects as of June 30, 2021 for the construction of various highway projects related to construction in progress. At June 30, 2021 the Department had spent $642,213,857 on these projects and had remaining contractual commitments with contractors of $377,573,890. These projects are funded through the State Road Fund, federal funds, severance tax fund and general fund.

11. STB CAPITAL OUTLAY FUND

Severance tax bond proceeds as of June 30, 2021, appropriated to the Department, were held by the State Board of Finance to reimburse expenditures incurred by the Department. The activity of this account is as follows:

Balance, beginning of year	$ 20,847,414
Sale and reauthorization of severance tax bonds	54,474,209
Funding received from the State Board of Finance	(2,975,367)
Reversion to the State Board of Finance (Budget only)	(24,818)
Balance, end of year	$ 72,321,438

The funding for the year ended June 30, 2021 was received under the Laws of 2014, Chapter 66; Laws of 2016, Chapter 81; Laws of 2018, Chapter 80; Laws of 2019, Chapter 280; Laws of 2020, Chapters 81 and 82; and Laws of 2021, Chapters 138 and 139 .

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs and are recorded as revenues by the Department. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The Department of Finance and Administration revised the accounting policy for the State regarding Severance Tax Bond draws, as a result the Department did not record inter-agency receivables and payables for year end accruals instead adjusting inter-agency Cash equivalents - Investment in SGFIP.

12. TRANSFERS

Transfers within the Agency

	Fund Number		Transfers In	Transfers Out	Net (Sub-totals only)
General Funds:					
State Road Fund(s)	10040 / 20100	(2)	$ -	$ 230,643	
Total General Funds			-	230,643	$ (230,643)
Debt Service Funds:					
2010A Bond Debt Service Fund	11140	(1)	-	49,673	
2010B Bond Debt Service Fund	20450	(1)	-	836,635	
2014A Bond Debt Service Fund	11960	(2)	230,643	-	
2020A Bond Debt Service Fund	68320	(1)	886,308	-	
Total Debt Service Funds			1,116,951	886,308	230,643
			$ 1,116,951	$ 1,116,951	$ -
Total Governmental – net					$ -
Total Enterprise Funds – net					-
Total Transfers within the Agency					$ -

(1) 2020A Refunding transfers of residual Bank of Albuquerque balances and clearing of related Due To/From Funds

(2) Residual 2006 Rebate funds transfer to to 2014A Bond Debt Service Fund - SHARE 11960

12. TRANSFERS - continued

Transfers outside the Agency

	Fund Number		Transfers In	Transfers Out	Net (Sub-totals only)
General Funds:					
State Road Fund(s)	10040 / 20100	(8)	$ -	$ (10,000,000)	
		(9)	-	(10,000,000)	
		(16)	6,071,900	-	
Total General Funds			6,071,900	(20,000,000)	$ (13,928,100)
Special Revenue Funds:					
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	(7)	300,000	-	
Total Special Revenue Funds			300,000	-	300,000
Debt Service Funds:					
2020A Bond Debt Service Fund	68320	(18)	63,180,000	-	
		(19)	8,727,192	-	
		(20)	-	71,382,855	
Total Debt Service Funds			71,907,192	71,382,855	524,337
Capital Projects Funds:					
STB Capital Outlay Fund	89200	(3)	2,400,993	-	
		(4)	361,434	-	
		(5)	58,053	-	
		(6)	154,887	-	
			2,975,367	-	2,975,367

(3) State Board of Finance Severance Tax Bond Laws of 2018, HB306, Ch 80, Sec 32

(4) State Board of Finance Severance Tax Bond Laws of 2019, HB568, Ch 280, Various Sections

(5) State Board of Finance Severance Tax Bond Laws of 2020, Ch 81, Sec 38

(6) State Board of Finance Severance Tax Bond Laws of 2020, Ch 82, Various Sections

(7) Transfer from Department of Finance and Administration for DWI Program as per section 11-6A-3, NMSA 1978

(8) Transfer to Energy, Minerals and Natural Resources Department for HB2, Section 5, Laws of 2018 For Carlsbad brine well remediation fund - $10,000,000 per year 2019, 2020, 2021

(9) Transfer to Energy, Minerals and Natural Resources Department for HB2, Section 12, E (44), Laws of 2020 For Carlsbad brine well remediation fund - $10,000,000

(10) Transfer from the General Fund for Laws 2020, HB2, Chapter 83, Section 9 (p. 221)

(11) Transfer from the General Fund for Laws 2020, HB349, Chapter 81, Section 75, Item 10 (p. 279)

(12) Transfer from the General Fund for Laws 2020, HB349, Chapter 81, Section 75, Item 11 (p. 279)

12. TRANSFERS - continued

Transfers outside the Agency - continued

	Fund Number		Transfers In	Transfers Out	Net (Sub-totals only)
Capital Projects Funds (continued):					
GF Capital Outlay Fund	93100	(10)	135,000,000	-	
		(11)	25,000	-	
		(12)	30,000	-	
		(13)	170,000,000	-	
		(14)	121,000,000	-	
		(15)	600,000	-	
		(17)	-	(110,000)	
Total Capital Projects Funds			429,630,367	(110,000)	429,520,367

Summary	
Total General Funds - net	$ (13,928,100)
Total Special Revenue Funds - net	300,000
Total Debt Service Funds - net	524,337
Total Capital Projects Funds - net	429,520,367
Total Governmental – net	416,416,604
Total Enterprise Funds – net	-
Total Transfers outside the Agency	416,416,604
Government-wide adjustments	(524,337)
Total Government-wide - Statement of Activities	$ 415,892,267

(13) Transfer from the General Fund for Laws 2021, HB2, Chapter 137, Section 9/(1) (p. 213)

(14) Transfer from the General Fund for Laws 2021, HB2, Chapter 137, Section 9/(2) (p. 215)

(15) Transfer from the General Fund for Laws 2021, HB285, Chapter 138, Section 51 (p. 222)

(16) Transfer from the Taxation and Revenue Department for Laws 2020, HB2, Chapter 83, Section 4 (p. 24) for the Modal program

(17) Laws of 2021, HB296, Section 5 for Department A19D3295 moving appropriation from NMDOT to DFA Local Govt

(18) Receipt of Principal on 2020A Refunding Revenue Bonds

(19) Receipt of Premium on 2020A Refunding Revenue Bonds

(20) Transfer of proceeds on 2020A Refunding Revenue Bonds to refund 2010A and 2010B Revenue and Refundings Bonds

13. DUE TO COMPONENT UNITS OF THE STATE

Fund Description	Fund Number	Due To	Total
State Road Fund(s)	10040 and 20100	New Mexico Finance Authority	$ 135,807
Total Government-wide			$ 135,807

14. DUE TO HIGHER ED INSTITUTION

Fund Description	Fund Number	Due To	Total
Governmental Funds			
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	The University of New Mexico	$ 135,627
State Road Fund(s)	10040 and 20100	Eastern New Mexico University	130
		New Mexico Institute of Mining & Tech	65,154
		Regents of NMSU	353,294
		The University of New Mexico	292,738
Total Government-wide			$ 846,943

15. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2021:

Governmental Activities	Balance at June 30, 2020	Increase	Decrease	Ending Balance June 30, 2021	Amounts due within one year
2010A Refunding Bonds	$ 42,390,000	$ -	$ (42,390,000)	$ -	$ -
2010B Refunding Bonds	128,245,000	-	(128,245,000)	-	-
2012A Refunding Bonds	159,055,000	-	(4,965,000)	154,090,000	103,130,000
2014A Revenue Bonds	58,325,000	-	(2,750,000)	55,575,000	-
2014B Refunding Bonds	74,890,000	-	(1,660,000)	73,230,000	1,740,000
2018A Refunding Bonds	418,155,000	-	(630,000)	417,525,000	12,705,000
2020A Refunding Bonds	-	63,180,000	-	63,180,000	3,595,000
Debentures	881,060,000	63,180,000	(180,640,000)	763,600,000	121,170,000
Compensated absences payable	8,386,470	8,175,811	(6,481,063)	10,081,218	10,081,218
Total obligations	889,446,470	$ 71,355,811	$ (187,121,063)	773,681,218	$ 131,251,218
Less current portion	(119,126,470)			(131,251,218)	
Net long-term obligations	$ 770,320,000			$ 642,430,000	
Unamortized bond premium	$ 125,549,008	$ 8,727,192	$ (45,101,127)	$ 89,175,073	$ 12,628,412

As discussed in Note 1, Deferred amount on refunding is presented as a deferred outflow of resources on the financial statements and is not presented net of related debentures.

Governmental Activities	Balance at June 30, 2020	Increase	Decrease	Ending Balance June 30, 2021
Deferred loss on refunding	$ 60,211,659	$ 1,482,855	$ (24,333,544)	$ 37,360,970

The State Road Fund (#20100) is used to liquidate other long-term liabilities, such as compensated absences and capital leases. The Department is authorized to issue bonds from time to time, payable from the proceeds of the collection of gasoline excise taxes, motor vehicle registration fees, and other fees that are required by law to be paid into the State Road Fund and not otherwise pledged solely to the payment of outstanding bonds and debentures. The total aggregate outstanding bonds issued are in accordance with the authorizing legislation for the bonds and other debt with the approval of the State Board of Finance, which includes Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA) (1978), as amended; and the Supplemental Public Securities Act constituting Sections 6-15-8 through 6-14-11 of the NMSA (1978), as amended.

15. LONG-TERM OBLIGATIONS - continued

Refundings

NMFA, on behalf of the Department, has issued multiple series of refunding bonds in prior years to advance refund certain older debt issues of the Department. The net proceeds of those issuances less any new amounts borrowed plus, at times, additional funds provided by the Department, were used to purchase U.S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refundings of the older debt are considered to be defeased and the liability for those bonds has been removed from long-term obligations. As of June 30, 2021, there were no bonds outstanding that were considered defeased in substance.

The cumulative deferred amount on the refundings of $37,360,970, recorded as a deferred outflow, is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Line of Credit

There were no outstanding amounts on the line of credit at the end of the fiscal year, with $0 beginning balance, no amounts borrowed and $0 repaid during the year. The Department's unused line of credit is $50,000,000.

Termination Risk

The Department's debt issuances do not have any terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, or (3) subjective acceleration clauses.

Direct Borrowings

The Department does not have any direct borrowings or direct placements of debt.

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA

The following bonds were issued by the New Mexico Finance Authority (Authority) in an agency capacity on behalf of the Department of Transportation during the fiscal year:

Series 2010A Revenue and Refundings

The Department issued $174,625,000 NMFA State Transportation Revenue and Refunding Revenue Bonds (Subordinate and Senior Lien) Series 2010A in September 2010. The gross proceeds to the Department were $200,494,152 including an original issuance premium of $26,745,858. The cost of issuance, including the underwriters' discount, was $1,320,666.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

In October 2020, $32,920,000 was partially refunded by the 2020A Refunding Revenue Bonds.

In December 2020, the Series 2010A Revenue and Refundings Bonds were retired with the final payment of the remaining principal balance due.

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2010B Revenue and Refundings

The Department issued $461,075,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2010B in October 2010. The gross proceeds to the Department were $543,315,911 including an original issuance premium of $84,632,805. The cost of issuance, including the underwriters' discount, was $3,096,740.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

In October 2020, $36,980,000 was partially refunded by the 2020A Refunding Revenue Bonds.

In June 2021, the Series 2010B Revenue and Refundings Bonds were retired with the final revised payment of the remaining principal balance due.

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2012A Revenue and Refundings

The Department issued $220,400,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2012A in December 2012. The gross proceeds to the Department were $261,769,370 including an original issuance premium of $42,693,105. The cost of issuance, including the underwriters' discount, was $1,259,026.

Proceeds from the sale of the Series 2012A Bonds, together with other legally available funds from current year principal set asides, were used to refund (i) all of the New Mexico State Highway Commission Highway Infrastructure Fund Revenue Bonds, in the amount of $5,930,000 (The "Series 2002C Bonds"), (ii) all of the New Mexico State Transportation Commission Senior Subordinate Lien Tax Revenue Highway Bonds, in the amount of $1,575,000 (The "Series 2002D Bonds"), (iii) a portion of the Authority State Transportation Revenue Bonds totaling $167,695,000 of the aggregate amount of $248,310,000 (The "Series 2004A GRIP Bonds"), and (iv) a portion of the Authority State Transportation Revenue Bonds totaling $66,040,000 of the aggregate amount of $149,760,000 (The "Series 2006A GRIP Bonds"). Proceeds from the Series 2012A Bonds were also used to pay costs of issuing the Series 2012A Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 1.25% to 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2026.

The Department’s future scheduled annual requirements to amortize the Bonds, including interest payments of $13,446,650, are as follows:

Year Ended June 30,	Principal	Interest	Total
Series 2012A Refunding:			
2022	$ 103,130,000	$ 6,831,150	$ 109,961,150
2023	4,150,000	2,066,650	6,216,650
2024	2,825,000	1,900,650	4,725,650
2025	21,765,000	1,759,400	23,524,400
2026	22,220,000	888,800	23,108,800
Total	$ 154,090,000	$ 13,446,650	$ 167,536,650

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2014A Revenue

The Department issued $70,110,000 NMFA State Transportation Highway Revenue Bonds (Subordinate Lien) Series 2014A in March 2014. The gross proceeds to the Department were $80,001,236 including an original issuance premium of $10,532,347. The cost of issuance, including the underwriters' discount, was $470,989.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the financing plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails. Proceeds from the Series 2014A Bonds were also used to pay costs of issuing the Series 2014A Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with a rate of 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2032.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of $21,433,250, are as follows:

Year Ended June 30,	Principal	Interest	Total
Series 2014A Revenue:			
2022	$ -	$ 2,778,750	$ 2,778,750
2023	-	2,778,750	2,778,750
2024	-	2,778,750	2,778,750
2025	5,695,000	2,778,750	8,473,750
2026	6,080,000	2,494,000	8,574,000
2027-2031	36,980,000	7,483,250	44,463,250
2032	6,820,000	341,000	7,161,000
Total	$ 55,575,000	$ 21,433,250	$ 77,008,250

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2014B Revenue and Refundings

The Department issued $79,405,000 NMFA State Transportation Refunding Revenue Bonds (Subordinate and Senior Lien) Series 2014B in December 2014. The gross proceeds to the Department were $95,763,847 including an original issuance premium of $17,026,113. The cost of issuance, including the underwriters' discount, was $523,811.

Proceeds from the sale of the Series 2014B Bonds were used to refund (i) a portion of the Authority State Transportation Revenue Bonds totaling $68,250,000 of the aggregate amount of $83,270,000 (The "Series 2006A GRIP Bonds"), and (ii) a portion of the Authority State Transportation Revenue Bonds totaling $19,775,000 of the aggregate amount of $24,085,000 (The "Series 2006B GRIP Bonds"). Proceeds from the Series 2014B Bonds were also used to pay costs of issuing the Series 2014B Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with a rate of 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2027.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of $20,572,500, are as follows:

Year Ended June 30,	Principal	Interest	Total
Series 2014B Refunding:			
2022	$ 1,740,000	$ 3,661,500	$ 5,401,500
2023	1,830,000	3,574,500	5,404,500
2024	1,920,000	3,483,000	5,403,000
2025	2,015,000	3,387,000	5,402,000
2026	2,120,000	3,286,250	5,406,250
2027	63,605,000	3,180,250	66,785,250
Total	$ 73,230,000	$ 20,572,500	$ 93,802,500

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2018A Revenue and Refundings

The Department issued $420,090,000 NMFA State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2018A in June 2018. The gross proceeds to the Department were $487,888,671 including an original issuance premium of $69,235,049. The cost of issuance, including the underwriters' discount, was $1,423,438.

Proceeds from the sale of the Series 2018A Bonds were used to refund (i) the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A (The "Series 2008A GRIP Bonds"), in the amount of $115,200,000 (ii) the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B (The "Series 2008B GRIP Bonds"), in the amount of $220,000,000 and (iii) the total balance of the NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C (The "Series 2008C GRIP Bonds"), in the amount of $84,800,000. Proceeds from the Series 2018A Bonds were also used to pay costs of issuing the Series 2018A Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with a rate of 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2030.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of $89,420,750, are as follows:

Year Ended June 30,	Principal	Interest	Total
Series 2018A Refunding:			
2022	$ 12,705,000	$ 20,876,250	$ 33,581,250
2023	83,805,000	20,241,000	104,046,000
2024	142,060,000	16,050,750	158,110,750
2025	21,665,000	8,947,750	30,612,750
2026	29,795,000	7,864,500	37,659,500
2027-2030	127,495,000	15,440,500	142,935,500
Total	$ 417,525,000	$ 89,420,750	$ 506,945,750

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2020A Refunding Bonds

The Department issued $63,180,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2020A in October 2020. The gross proceeds to the Department were $71,907,192 including an original issuance premium of $8,727,192. The cost of issuance, including the underwriters' discount, was $524,337.

Proceeds from the sale of the Series 2020A Bonds were used to refund (i) a portion of the balance of the NMFA State Transportation Revenue and Refunding Revenue Bonds (Subordinate and Senior Lien) Series 2010A (The "Series 2010A Refunding Bonds"), in the amount of $32,920,000 and (ii) a portion of the balance of the NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2010B (The "Series 2010B Refunding Bonds"), in the amount of $36,980,000. Proceeds from the Series 2020A Bonds were also used to pay costs of issuing the Series 2020A Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with a rate of 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2025.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of $7,356,500, are as follows:

Year Ended June 30,	Principal	Interest	Total
Series 2020A Refunding:			
2022	$ 3,595,000	$ 3,159,000	$ 6,754,000
2023	41,935,000	2,979,250	44,914,250
2024	10,935,000	882,500	11,817,500
2025	6,715,000	335,750	7,050,750
Total	$ 63,180,000	$ 7,356,500	$ 70,536,500

15. LONG-TERM OBLIGATIONS - continued

Total future principal and interest obligation repayments for all long-term payables are as follows:

Year Ended June 30,	Total
2022	$ 158,476,650
2023	163,360,150
2024	182,835,650
2025	75,063,650
2026	74,748,550
2027-2031	254,184,000
2032	7,161,000
Total	$ 915,829,650

Long-Term Debt Interest Expense

The total amount of interest expense included in direct expenses in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds is $41,380,925 for the year-ended June 30, 2021.

Capital Leases

There are no future minimum lease obligations to report as of June 30, 2021.

Compensated Absences

An obligation amounting to $10,081,218 at June 30, 2021 has been recorded to the government-wide financial statements representing the Department's commitment for accrued vacation, sick leave and other compensated absences.

16. NEGATIVE FUND BALANCES

The Department had negative fund balances at the end of the fiscal year as follows:

Fund 10010: Federal Traffic Safety Fund $961,257
This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

Fund 10030: Federal Planning and Development Fund $282,068
This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

Fund 10040 / 20100: State Road Fund(s) $60,577,556 (Unassigned negative portion of fund balance)
This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

Fund 20200: HIF Bond Fund $6,472,277 (Unassigned negative portion of fund balance)
This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

Fund 20500: State Road Fund(s) $4,992 (Unassigned negative portion of fund balance)
This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

17. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of the Department'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, 33 Plaza La Prensa, Santa Fe, NM 87507. The report is also available on PERA's website at www.nmpera.org.

Funding Policy

Plan members who earn over $20,000 are required to contribute 9.42% of their gross salary, those who earn up to $20,000 are required to contribute 7.42% of their gross salary.

The Department was required to contribute 17.74% in FY21 of the gross covered salary. The contribution requirements of plan members and the Department are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2021, 2020, 2019 were $18,492,217, $17,407,798, and $15,732,927, respectively, equal to the amount of the required contribution for each year.

18. POSTEMPLOYMENT 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, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2021.

The Department, 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 Annual Comprehensive Financial Report (ACFR) 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 Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021 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.

19. RISK MANAGEMENT

The Department, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. All employees of the Department are covered by blanket fidelity bond up to $5,000,000 with a $1,000 deductible per occurrence by the State of New Mexico for the fiscal year. The Department pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the state of New Mexico.
2. Coverage to protect the State of New Mexico's property and assets.
3. Fringe benefit coverage's for State of New Mexico employees.

During the 2020-2021 fiscal year, the Department paid Risk Management $7,414,716 in insurance premiums. During the 2019-2020 fiscal year, the Department paid Risk Management $6,883,008 in insurance premiums. During the 2018-2019 fiscal year, the Department paid Risk Management $6,961,754 in insurance premiums. The Department's exposure is limited to $2,500 per any first-party incurred property loss, with the exception of theft, which has a $5,000 deductible.

After conferring with legal counsel concerning pending litigation and claims, the Department believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the Department. In addition, for the years ended June 30, 2021, 2020, and 2019, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department.

20. LITIGATION

The Department is subject to various legal proceedings, claims and liabilities, including right-of-way condemnation proceedings, contractor claims and employee claims, which arise in the ordinary course of the Department's operations. The Department vigorously contests these claims and if a likelihood of a loss is probable and can be reasonably estimated, the Department accrues the loss in the accompanying financial statements. In the opinion of the Department's management and legal counsel, the ultimate resolution of the above matters will not have a material adverse impact on the financial position or results of operations of the Department.

21. OPERATING LEASES

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. Rental expense for the year ended June 30, 2021 was $863,837.

All of the Department leases include a standard cancellation clause in case the Legislature does not appropriate sufficient appropriations for the Department to carry out the terms and conditions of its leases. In the current economic climate there is more than a remote likelihood that some Department leases could be cancelled. Based on that, no disclosure of future minimum lease payments is necessary since the leases are considered cancellable.

22. COMMITMENTS AND CONTINGENCIES

Grant Revenue

The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2021 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

23. BUDGETED VS. ACTUAL EXPENDITURES

Transfers, which are shown in the expenditure portion of the Budget and Actual presentation, are the intra-agency transfers only and these net to zero across the entire agency. See Note 12 for the Transfers notes.

Expenditures related to debt which was incurred during or after 2004 are budgeted and expensed primarily in the fund which generates the revenue for the payments, specifically State Road Fund (#20100) and HIF Bond Fund (#20200) to capture the costs for billing entities when the debt costs are reimbursable. If actual debt costs, paid out of the debt trustee accounts, exceed the cash transferred from the primary fund, the debt service fund which records the trustee cash that was used in addition to the cash transferred, then records the debt expenditures.

24. SUBSEQUENT EVENTS

Capital Outlay Appropriations

Below are the the amounts appropriated from Department of Finance and Administration's General Fund to the Department of Transportation's GF Capital Outlay Fund (SHARE 93100) increasing revenue recognized in FY22:

	FY21 Legislation			
Laws of 2021	**Chapter**	**Section**	**Amount**	**Law Description**
House Bill 2	137	9/3	$ 9,000,000	For essential air service
Senate Bill 377	140	7/1	172,600	Install traffic safety enhancements NM 200 & US 62/180
Senate Bill 377	140	7/2	175,000	Road safety and improvements in district two
Senate Bill 377	140	7/3	100,000	For acquisition of ROW, planning, design and construction
			$ 9,447,600	

Series 2021A Revenue Bonds Issued August 2021

The Department issued $234,600,000 NMFA State Transportation Revenue Bonds (Subordinate Lien) Series 2021A in August 2021. The gross proceeds to the Department were $303,896,420 including an original issuance premium of $69,296,420. The cost of issuance, including the underwriters' discount, was $1,494,118.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Proceeds from the sale of the Series 2021A Bonds will be used for the purposes of (i) financing the costs of State Transportation Projects consisting of the 2021A Projects, and (ii) paying the costs of issuance of the Series 2021A Bonds. The 2021A Projects" includes the acquisition of rights of way, planning, design, and construction of those State Transportation Projects for which general fund appropriations were made pursuant to New Mexico Laws of 2020 (1st Special Session), Chapter 3, Section 8, and New Mexico Laws 2021, Chapter 43, Section 5.

Principal of the Bonds is payable on June 15 through the year 2030. Interest, with a rate of 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2030.

Coronavirus Response and Relief Supplemental Appropriations Act 2021 (CRRSAA) Federal Funds

The Department received Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) federal funding of over $82.5 million in August 2021. These funds will be used to pay debt service costs of the Department. Over $62.0 million was used to pay for previously unbilled FY20 and FY21 debt service costs. The remaining amount of just under $20.5 million will be used for FY22 debt service costs. The expenditures associated with this funding is included in the Schedule of Expenditures of Federal Awards under Assistance Listing Number 20.205.

25. NEW ACCOUNTING STANDARDS

The Department conforms to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

The Government Accounting Standards Board's (GASB) following standards have been issued, which may have a future impact on the Department but are not yet effective as of June 30, 2021:

- GASB Statement No. 87, Leases
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements

The Department will implement each new GASB pronouncement no later than the required effective date. Management of the Department is in the process of assessing the impact of these accounting pronouncements.

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following contains extracts of certain provisions and definitions contained in the Indenture and is not to be considered as a full statement thereof. Reference is made to the Indenture for full detail thereof.

Certain Definitions

"Account" or "Accounts" means one or more of the separate accounts which are established within Funds created pursuant to the Master Indenture.

"Accountant's Certificate" means an opinion signed by a certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, selected by the Authority, who is independent and not under the domination of the Authority, who does not have any substantial interest, direct or indirect, in the Authority, but who may be regularly retained to make annual or other audits of the books or records of the Authority.

"Acquisition Fund" means the Fund so designated which is created by Section 501 of the Master Indenture.

"Act" means, collectively, Sections 6-18-1 et seq., NMSA 1978, as amended and supplemented, Sections 6-21-1 et seq., NMSA 1978, as amended and supplemented, and Chapter 3, Laws of New Mexico, 2003 (1st Special Session) (compiled in part as Sections 67-3-59.2, 67-3-59.3 and 67-3-65.1, NMSA 1978).

"Additional Highway Bonds" means bonds, debentures or other obligations issued by the Commission pursuant to 67-3-59.1, NMSA 1978 in an outstanding amount at any one time not to exceed $50,000,000, which may be payable from (1) Federal Revenues and (2) State Revenues (other than moneys paid into the Highway Infrastructure Fund), which Additional Highway Bonds are to be issued with a lien on the revenues described in (1) and (2) on a parity with the lien thereon of the Subordinate Lien Obligations.

"Authority" means the New Mexico Finance Authority, a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality and created by Sections 6-21-1 through 6-21-31, NMSA 1978, as amended and supplemented, and any successor to its functions and duties.

"Authority Certificate," "Authority Order" or "Authority Request" means, respectively, a written certificate, order or request signed in the name of the Authority by an Authorized Officer and delivered to the Trustee, which certificate, order or request shall recite and certify that it is in compliance with the Master Indenture.

"Authority Exchange Payment" means a payment required to be made by or on behalf of the Authority due to a Qualified Counterparty pursuant to a Qualified Exchange Agreement, including an Exchange Termination Payment, unless otherwise provided in the Master Indenture (which payment, other than an Exchange Termination Payment, may be made net of any Qualified Counterparty Payment then due).

"Authorized Denomination" means, with respect to a Series, the denominations of principal amount authorized for such Series in the applicable Series Indenture.

"Authorized Officer" means the Chair of the Board, the Vice Chair of the Board, the Secretary of the Board, the Chief Executive Officer of the Authority, the Chief Financial Officer of the Authority, the Chief Operating Officer or other person designated in writing by any of the above-listed officers to the Trustee, which writing may limit the functions which such other person may undertake as an Authorized Officer under the Indenture.

"Board" means the Board of Directors of the Authority.

"Bond Counsel" means nationally recognized bond counsel in the field of law relating to municipal, state and public agency financing, satisfactory to the Trustee, and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond" or "Bonds" means Senior Lien Bonds, Subordinate Lien Bonds and Junior Subordinate Lien Bonds issued by the Authority under and at any time Outstanding pursuant to the Master Indenture.

"Business Day" means a day of the year on which banks located in the city (i) in which the office of the Trustee located at the address specified in Section 1106 of the Master Indenture is located or (ii) in which the office of a Liquidity Facility Provider is located, are not required or authorized to remain closed, and on which The New York Stock Exchange is not closed.

"Code" means the Internal Revenue Code of 1986, as amended, with respect to a Series, to the date of initial issuance of such Series, and the regulations thereunder.

"Commission" means the New Mexico State Transportation Commission created and existing under Article V, Section 14 of the State Constitution, as amended.

"Confirmation" means a letter from each Rating Agency then rating a Series confirming that the action proposed to be taken by the Authority or the Commission will not, in and of itself, result in a lowering, suspension or withdrawal of the ratings then applicable to any Bonds.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the Authority or the Commission and related to the authorization, sale and issuance of Obligations, including but not limited to underwriters' compensation on such Bonds, initial fees and expenses due to any Qualified Counterparty, Credit Facility Provider or Liquidity Facility Provider, printing costs, costs of preparation and reproduction of documents, filing fees, initial fees and charges of the Fiduciaries and other private parties performing services for the Authority or the Commission or under the Master Indenture in connection with the issuance or payment of Obligations, any initial credit enhancement fees, legal fees and charges, fees and disbursements of underwriters, financial advisors, consultants and professionals, costs of credit ratings, fees and charges for preparation and execution of Obligations, financing charges, accrued interest with respect to the initial investment of proceeds of Obligations, other costs incurred by the Authority or the Commission in anticipation of the issuance of Obligations, and any other cost, charge or fee in connection with the issuance of the Obligations.

"Counsel" means a person, or firm of which such a person is a member, authorized in any state to practice law.

"Counterparty Payment" means any payment to be made to, or for the benefit of, the Authority under a Qualified Exchange Agreement including an Exchange Termination Payment, unless otherwise provided in the Master Indenture (which payment, other than an Exchange Termination Payment, may be made net of Authority Exchange Payments then due).

"Credit Enhancement Facility" means an insurance policy insuring, or a letter of credit or surety bond providing a direct or indirect source of funds for, the timely payment of principal of and interest on the Bonds of a Series or any portion thereof, as shall be designated pursuant to a Series Indenture with respect to such Series.

"Credit Facility Provider" means a commercial bank or other Person providing a Credit Enhancement Facility pursuant to any Series Indenture with respect to a Series or any portion thereof.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series, an amount equal to the sum of all interest payable on such Bonds and any Principal Installment in respect of such Bonds which shall be due and payable at any time from the second day of such Fiscal Year to the first day of the ensuing Fiscal Year, inclusive.

"Debt Service Fund" means the Fund so designated which is created pursuant to Section 501 of the Master Indenture.

"Debt Service Requirements" means, for any period, the sum of: (i) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on the applicable Obligations and Additional Highway Bonds during such period; plus (ii) the amount required to pay the principal or accreted value, or to make reimbursements for the payment of principal or accreted value, becoming due on the applicable Obligations and Additional Highway Bonds during that period, whether at maturity, an accretion term date, or upon mandatory sinking fund redemption dates; plus (iii) any net periodic payments required to be made by the Authority pursuant to a Qualified Exchange Agreement; minus (iv) any net periodic payments to be received by the Authority pursuant to a Qualified Exchange Agreement subject to the following limitations.

(a) Except as otherwise provided in subsection (b)(2) below, no payments required on Obligations which may occur because of the exercise of an option by the Authority, or which may otherwise become due by reason of any other circumstance or contingency, which constitute other than regularly scheduled payments of principal, accreted value, interest, or other regularly scheduled payments on Obligations shall be included in any computation of Debt Service Requirements for any computation period prior to the maturity or otherwise certain due dates thereof.

(b) (1) Debt Service Requirements required to be made pursuant to a Qualified Exchange Agreement shall be based upon the actual amount required to be paid by the Authority, if any, to the Qualified Counterparty. In determining that amount, any payments required to be made by either party pursuant to the Qualified Exchange Agreement at a variable interest rate shall be computed, in determining the obligation of the Authority under the Qualified Exchange Agreement, using the procedures set forth in paragraph (f) of this definition.

(2) Exchange Termination Payments payable by the Authority shall be considered as part of Debt Service Requirements on the date of computation only if those Exchange Termination Payments have become due and remain unpaid at the time of computation in accordance with the terms of the applicable Qualified Exchange Agreement.

(c) Unless, at the time of computation of Debt Service Requirements, Repayment Obligations are owed to, or Obligations are owned or held by, a Credit Facility Provider, a Liquidity Facility Provider or Reserve Alternative Instrument Provider, pursuant to the provisions of the related instruments, the computation of interest for the purposes of this definition shall be made without considering the interest rate payable pursuant to a Credit Facility, Liquidity Facility or Reserve Alternative Instrument.

(d) For the purpose of the definition of Debt Service Requirements, the accreted value of capital appreciation bonds shall be included in the calculation of interest and principal only for the applicable year during which the accreted value becomes payable.

(e) In the computation of Debt Service Requirements relating to the issuance of additional Obligations as set forth in Section 206 of the Master Indenture, there shall be deducted from that computation amounts and investments which are irrevocably committed to make designated payments on Obligations and Additional Highway Bonds included as part of the computation during the applicable period, including, without limitation: (i) money on deposit in any debt service account, (ii) amounts on deposit in an escrow account, (iii) amounts deposited to the credit of an account for the payment of capitalized interest on Obligations and Additional Highway Bonds included as part of the computation, and (iv) money on deposit in an Account of Debt Service Reserve which may be used for payment of the final principal maturity of the Obligations secured by such Account in the Debt Service Reserve Fund.

(f) To determine Debt Service Requirements for Obligations and Additional Highway Bonds with a variable interest rate, the Authority shall use the procedures set forth in the following paragraphs to determine the amount of interest or other payments to be paid by the Authority on those Obligations and Additional Highway Bonds and the amount of credit against Debt Service Requirements for payments to be received by the Authority based upon variable interest rates to be made by a Qualified Counterparty or otherwise.

(1) Prospective computations of variable interest rates on Obligations and Additional Highway Bonds, other than a Qualified Exchange Agreement, shall be made on the assumption that the applicable Obligations and Additional Highway Bonds bear interest at a fixed annual rate equal to the average of the BMA Index during the five (5) year period, next preceding a date which is no more than 60 days prior to the date of the issuance of the additional Obligations and Additional Highway Bonds, as certified in writing by the Authority's financial advisor, an investment banker designated by the Authority from time to time, or a Qualified Counterparty.

(2) Prospective computations of variable interest rates for a Qualified Exchange Agreement shall be based upon:

(A) the average interest rate used to compute the net amounts paid over the most recent 12-month period ending on the date of computation by the Authority to the Qualified Counterparty or (expressed as a negative number) by the Qualified Counterparty to the Authority, or

(B) if no such payment has been made under the pertinent Qualified Exchange Agreement, the interest rate used to determine the estimated initial net payment obligation on such Qualified Exchange Agreement on the computation date as certified by the Authority's financial advisor, an investment banker, designated by the Authority from time to time or a Qualified Counterparty.

(g) The purchase or tender price of Obligations and Additional Highway Bonds resulting from the optional or mandatory tender or presentment for purchase of those Obligations and Additional Highway Bonds shall not be included in any computation of Debt Service Requirements.

"Debt Service Reserve Fund" means the Fund so designated which is created pursuant to Section 501 of the Master Indenture.

"Debt Service Reserve Requirement" means, as of any particular date of calculation, the amount, if any, established for a Series of Outstanding Senior Lien Bonds, Subordinate Lien Bonds or Junior Subordinate Lien Bonds in the applicable Series Indentures. The Debt Service Reserve Requirement may be composed of cash, Investment Securities or Reserve Alternative Instruments or any combination of the foregoing, as the Authority may from time to time determine.

"Defaulted Interest" has the meaning set forth in Section 301 of the Master Indenture.

"Department" means the New Mexico Department of Transportation established as a department of State government within the executive branch pursuant to Section 67-3-6, NMSA 1978, as amended and supplemented.

"Depository" means any bank, trust company or national banking association selected by the Authority or the Trustee as a depository of moneys or Investment Securities held under the provisions of the Master Indenture and may include the Trustee or any Paying Agent.

"Event of Default" means any of the events of default described in Section 801 of the Master Indenture.

"Exchange Termination Payment" means the amount payable pursuant to a Qualified Exchange Agreement by the Authority or a Qualified Counterparty for the early termination of the obligations, in whole or in part, of the parties to that Qualified Exchange Agreement.

"Federal Revenues" means proceeds from federal aid revenues received by or on behalf of, or available to the Department pursuant to Title 23 of the United States Code or other federal law, not otherwise obligated by federal or state law, that are paid into the State Road Fund or as may be authorized or permitted by federal or state law to be pledged for payment of Obligations and are so pledged by the Authority as security for Obligations pursuant to a Supplemental Indenture.

"Fiduciary" or "Fiduciaries" means the Trustee and any successor, any Depository, any Paying Agent, auction agent, remarketing agent, escrow agent, or similar agent or any of or all of them, as may be appropriate.

"Fiscal Year" means the period from July 1 in any calendar year to June 30 in the following calendar year, both inclusive, or such other fiscal year of the Authority as may be established from time to time.

"Fund" or "Funds" means one or more of the special trust funds which are created pursuant to the Master Indenture.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Highway Infrastructure Fund" means the fund created in the state treasury and administered by the Department pursuant to Section 67-3-59.2, NMSA 1978, as amended and supplemented.

"Indenture" means, collectively, the Master Indenture, Supplemental Indentures and Series Indentures entered into in accordance with the terms of the Master Indenture.

"Interest Account" means the respective accounts so established as the Senior Lien Interest Account, Subordinate Lien Interest Account and the Junior Subordinate Lien Interest Account within the Debt Service Fund established by Section 501 of the Master Indenture.

"Interest Payment Date" means any date upon which interest on the Bonds of any Series or portion thereof shall be payable as specified in the applicable Series Indenture.

"Investment Securities" means the following, to the extent permitted by State law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration (FMHA) Certificates of Ownership;

(ii) Federal Housing Administration (FHA) Debentures;

(iii) General Services Administration Participation certificates;

(iv) Government National Mortgage Association (GNMA or "Ginnie Mae") GNMA-guaranteed mortgage-backed bonds GNMA-guaranteed pass-through obligations (participation certificates);

(v) U.S. Maritime Administration Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD) Project Notes Local Authority Bonds;

(vii) Tennessee Valley Authority (TVA) Debentures;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System Senior debt obligations (Consolidated debt obligations);

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") rated "AAA" by Standard & Poor's and "Aaa" by Moody's Participation Certificates (Mortgage-backed securities) Senior debt obligations;

(iii) Federal National Mortgage Association (FNMA or "Fannie Mae") rated "AAA" by Standard & Poor's and "Aaa" by Moody's Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

(iv) Student Loan Market Association (SLMA or Sallie Mae) Senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

(vi) Farm Credit System Consolidated system-wide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAAm" or "Aam" or by Moody's of "Aaa," including funds from which the Trustee or its affiliates receive fees for investment advisory or other services to such funds;

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-l" by Moody's and "A-l+" or better by S&P and which matures not more than 270 days after the date of purchase;

(h) Bonds or notes issued by any municipality which are rated by Moody's and S&P in the highest long-term rating category assigned by such agencies;

(i) Federal funds or bankers' acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime- 1" by Moody's and "A-I+" by SAP;

(j) Repurchase agreements (excluding term purchase agreements) involving the purchase and sale of securities described in parts (a) and (b) of this definition, the par value of which is collateralized by a perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, securities described in parts (a), and (b) of this definition, which collateral is held by the Trustee, or for the benefit of the Trustee, by a party other than the provider of the repurchase agreement, with a collateral value of at least 102% of the par value of such repurchase agreement or 102% of the market value thereof, valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest;

(k) Investment contracts with providers, the long term, unsecured debt obligations of which are rated in or are guaranteed by a Person whose long term, unsecured debt obligations are rated in, one of the top two Rating Categories by a Rating Agency, the par value of which is collateralized by a perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, securities described in parts (a) and (b) of this definition, which collateral is held by the Trustee, or for the benefit of the Trustee, by a party other than the provider of the guaranteed investment contract, with a collateralized value of at least 102% of the par value of such guaranteed investment contract or 102% of the market value thereof valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest;

(l) Forward supply or forward delivery agreements with providers the long term unsecured debt obligations of which are rated in or are guaranteed by a Person whose long term, unsecured debt obligations are rated in, one of the top two Rating Categories by a Rating Agency, for delivery at specified future dates and at specified prices of the securities described in parts (a), (b), (c) or (g) of this definition; and

(m) The State Treasurer's short-term investment fund created pursuant to Section 6-10-10.1, NMSA 1978, maintained and invested by the State Treasurer; provided, that it is expressly understood that the definition of Investment Securities shall be, and is deemed to be, expanded, or new definitions and related provisions shall be added to the Indenture, thus permitting investments with different characteristics from those permitted which the Authority deems from time to time to be in the interest of the Authority to include as Investment Securities if, at the time of inclusion, the Trustee shall have received a Confirmation from the Rating Agencies that such inclusion will not, in and of itself, impair, or cause any of the Bonds to fail to retain, the then existing rating assigned to them by the Rating Agencies.

"ISDA Master Agreement" means the 1992 ISDA Master Agreement (Multicurrency–Cross Border), and any successor thereto and as in effect with respect to any Qualified Exchange Agreement.

"Junior Subordinate Lien Bonds" means Bonds issued by the Authority with a lien on the Trust Estate subordinate to the lien thereon of Senior Lien Bonds and Subordinate Lien Bonds (but not an exclusive junior subordinate lien) and so designated in the applicable Series Indenture authorizing such Junior Subordinate Lien Bonds.

"Junior Subordinate Lien Obligations" means Junior Subordinate Lien Bonds and any Qualified Exchange Agreement the priority of payment from the Trust Estate of which is equal with that of Junior Subordinate Lien Bonds.

"Liquidity Facility" means a standby bond purchase agreement, letter of credit or other agreement providing liquidity with respect to any Series or any portion thereof for the Authority's obligation to repurchase Bonds subject to remarketing which have not been remarketed, as shall be designated pursuant to a Series Indenture with respect to such Series.

"Liquidity Facility Provider" means a commercial bank or other Person providing a Liquidity Facility pursuant to any Series Indenture with respect to a Series or any portion thereof.

"Mandatory Sinking Fund Installment" means the principal amount of Bonds of any Series which pursuant to the applicable Series Indentures the Authority is unconditionally required (except as provided in Section 505 of the Master Indenture) to redeem on any particular date (such that failure to redeem such principal amount is, regardless of the availability of moneys therefor, an Event of Default).

"Master Indenture" means the Master Indenture of Trust as supplemented or amended by each Supplemental Indenture entered into in accordance with the terms thereof.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto; provided, that if such Rating Agency shall no longer have outstanding any rating assigned to any of the Bonds, any provision in the Master Indenture referring to Moody's shall be of no further force and effect.

"Obligations" means, collectively, the Senior Lien Bonds, the Subordinate Lien Obligations, and the Junior Subordinate Lien Obligations.

"Outstanding," when used with respect to a Qualified Exchange Agreement, means a Qualified Exchange Agreement which has not expired, been terminated or been deemed paid in accordance with the provisions of Section 1101 of the Master Indenture, and when used with reference to any Bonds, means, as of any date, all Bonds theretofore or then being authenticated and delivered under the Master Indenture except:

(a) any Bonds cancelled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity;

(b) Bonds (or portions thereof) deemed paid in accordance with the provisions of Section 1101 of the Master Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III of the Master Indenture.

"Owner" means (i) with respect to a Bond, the registered owner of such Bond, and (ii) with respect to a Qualified Exchange Agreement, any Qualified Counterparty, unless the context otherwise requires.

"Participant" means a broker-dealer, bank or other financial institution from time to time for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

"Paying Agent" means any bank with trust powers or trust company so designated pursuant to Section 902 of the Master Indenture, and its successor or successors hereafter appointed, as paying agent for any Series.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Pledged Revenues" means, collectively, Federal Revenues and State Revenues.

"Principal Account" means the respective accounts so established as the Senior Lien Principal Account, Subordinate Lien Principal Account, and the Junior Subordinate Lien Principal Account within the Debt Service Fund established by Section 501 of the Master Indenture.

"Principal Installment" means, as of the date of calculation and with respect to any Series Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date (whether at a stated maturity date or a date fixed for redemption prior to a stated maturity date) for which no Mandatory Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in Section 505 of the Master Indenture) of any Mandatory Sinking Fund Installments in a principal amount equal to said unsatisfied balance of such Mandatory Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Mandatory Sinking Fund Installments due on such future date, plus such applicable redemption premiums, if any.

"Principal Installment Date" means any date upon which any Principal Installment on Bonds of any Series shall be due and payable pursuant to the applicable Series Indenture.

"Qualified Counterparty" means any party whose senior long term debt obligations, or whose obligations under a Qualified Exchange Agreement are guaranteed by a party whose senior long term debt obligations, are rated (at the time of execution of the Qualified Exchange Agreement) in one of the top two Rating Categories by a Rating Agency, and which is obligated to make Counterparty Payments under a Qualified Exchange Agreement.

"Qualified Exchange Agreement" means an ISDA Master Agreement (and schedule and credit support annex, if any, thereto) between the Authority and a Qualified Counterparty under which the Authority is obligated to pay (whether on a net payment basis or otherwise) on one or more scheduled or specified Qualified Exchange Agreement Payment Dates, Authority Exchange Payments in exchange for the Qualified Counterparty's obligations to pay (whether on a net payment basis or otherwise), or to cause to be paid, to the Authority, Counterparty Payments on one or more scheduled and specified Qualified Exchange Agreement Payment Dates in the amounts set forth in the Qualified Exchange Agreement, and

(i) for which the Authority's obligations to make Authority Exchange Payments (other than Exchange Termination Payments) may be secured by a pledge of and lien on the Trust Estate on an equal and ratable basis with the Outstanding Subordinate Lien Bonds or the Junior Subordinate Lien Bonds and for which the Authority's obligations to make Exchange Termination Payments may be secured by a pledge of and lien on the Trust Estate on an equal and ratable basis with the Junior Subordinate Lien Bonds; and

(ii) under which the Counterparty Payments are to be made directly to the Trustee for deposit into the Revenue Fund.

"Qualified Exchange Agreement Payment Date" means, with respect to a Qualified Exchange Agreement, any date specified in the Qualified Exchange Agreement on which both or either of an Authority Exchange Payment and/or a Counterparty Payment is due and payable under the Qualified Exchange Agreement.

"Qualified Exchange Agreement Value" means the market quotation of a Qualified Exchange Agreement, if any, that would be payable to a Qualified Counterparty, provided that such market quotation is defined and calculated in substantially the same manner as amounts are defined and calculated pursuant to the applicable provisions of an ISDA Master Agreement.

"Rating Agency" or "Rating Agencies" means Moody's or S&P or any other generally recognized rating agency to the extent any such agency (i) provides a rating for a Qualified Counterparty or a Qualified Exchange Agreement at the time in question; or (ii) has been requested in writing by the Authority to issue a rating on any of the Bonds and such agency has issued and continues to apply a rating on such Bonds at the time in question.

"Rating Category" means a generic securities rating category assigned by a Rating Agency, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

"Rebate Fund" means the Rebate Fund authorized pursuant to Section 501 of the Master Indenture.

"Redemption Date" means, when used with respect to any Bonds to be redeemed, the date fixed for such redemption by or pursuant to the Master Indenture and the applicable Series Indenture.

"Redemption Price" means the total of principal, premium (if any) and interest due on any Bond redeemed pursuant to any applicable redemption provision of the Master Indenture and the applicable Series Indenture.

"Refunding Bonds" means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to Section 207 of the Master Indenture.

"Regular Record Date" means, except to the extent otherwise provided in the Series Indenture providing details with respect to any Series or portion thereof, the 15th day (whether or not a Business Day) preceding any Interest Payment Date on the Bonds.

"Repayment Obligations" means the obligations of the Authority to repay a Credit Facility Provider, a Liquidity Facility Provider or the provider of a Reserve Alternative Instrument for amounts advanced by any such provider with respect to the principal of or interest on or the purchase price of Bonds issued under the Master Indenture.

"Reserve Alternative Instrument" means an insurance policy or surety bond or irrevocable letter of credit or guaranty rated in one of the top two Rating Categories by a Rating Agency deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for the deposit of cash and Investment Securities in satisfaction of the Debt Service Reserve Requirement for any Bonds. The Reserve Alternative Instrument shall be payable (upon the giving of notice as required thereunder) to remedy any deficiency in the appropriate subaccounts in the Interest Account and the Principal Account in order to provide for the timely payment of interest and principal (whether at maturity or to pay a Mandatory Sinking Fund Installment therefor).

"Revenue Fund" means the fund so designated which is created by Section 501 of the Master Indenture.

"S&P" means Standard & Poor's Ratings Group, or any successor thereto; provided, that if such Rating Agency shall no longer have outstanding any rating assigned to any of the Bonds, any provision in the Master Indenture referring to S&P shall be of no further force and effect.

"Securities Depository" means The Depository Trust Company, New York, New York, and its successors and assigns, or any additional or other securities depository designated in a Series Indenture, or (i) if the then Securities Depository resigns from its functions as depository of the Bonds, or (ii) if the Authority discontinues use of the Securities Depository pursuant to Section 308 of the Master Indenture, then any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority with the consent of the Trustee.

"Senior Lien Bonds" means Bonds issued by the Authority with a first lien (but not an exclusive first lien) on the Trust Estate and so designated in the applicable Series Indenture authorizing such Senior Lien Bonds.

"Series" means all Bonds of a designated series or subseries authenticated and delivered on original issuance authorized by a given Series Indenture, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as provided in the Master Indenture, regardless of variations in maturity, interest rate, Mandatory Sinking Fund Installments, or other provisions.

"Series Indenture" means any indenture of the Authority authorizing the issuance of a Series in accordance with the terms and provisions of the Master Indenture, executed and delivered in accordance with Section 203 thereof.

"SIFMA Index" means The Securities Industry and Financial Markets Association Municipal Swap Index as released to the subscribers thereof.

"Special Record Date" for the payment of any Defaulted Interest on Bonds means a date fixed by the Trustee pursuant to Section 301 of the Master Indenture.

"State" means the State of New Mexico.

"State Revenues" means (i) proceeds of the collection of gasoline taxes, special fuels taxes, vehicle transaction taxes or fees, driver's license fees, oversize/overweight permit fees, certain public regulation commission fees, trip taxes, weight/distance taxes, motor vehicle registration fees, and motor vehicle excise taxes (to the extent authorized to be paid into the State Road Fund), in each case that are required by law to be paid into the State Road Fund, and interest on amounts in the State Road Fund; (ii) proceeds of the collection of leased vehicle gross receipts taxes and tire recycling fees in each case that are required by law to be paid into the Highway Infrastructure Fund, and interest on amounts in the Highway Infrastructure Fund; and (iii) such additional moneys as may in the future be authorized by law to be pledged as security, and are so pledged by the Authority pursuant to a Supplemental Indenture, as security for Obligations.

"State Road Fund" means the fund created pursuant to Section 67-3-65 NMSA 1978, as amended and supplemented.

"State Transportation Program" means the program of the Authority, the Commission and the Department to finance, construct and improve State Transportation Projects as provided by the Act.

"State Transportation Program Financing Expenses" means (i) the fees and expenses of Fiduciaries, (ii) the fees and expenses of any auction agent, market agent and any broker-dealer then acting under a Series Indenture with respect to auction rate Bonds, (iii) the fees and expenses of any calculation agent then acting under a Series Indenture with respect to index-based Bonds, (iv) the costs of any remarketing of any Bonds, including the fees and expenses of any remarketing agent then acting under a Series Indenture with respect to variable rate Bonds, (v) the fees and expenses (but not Repayment Obligations) due to any Credit Facility Provider or any Liquidity Facility Provider with respect to any Bonds for which any Credit Enhancement Facility or a Liquidity Facility is in place, (vi) the fee of the Authority (other than Costs of Issuance) charged to the Commission and/or the Department in carrying out and administering its powers, duties and functions under the Act, the State Transportation Program, the Authority's agreements with the Commission relating to the Bonds and the Master Indenture and the resolution of the Commission acknowledging and agreeing that the fee of the Authority shall be payable from the State Road Fund, (vii) fees and expenses associated with the delivery of a substitute Credit Enhancement Facility or Liquidity Facility under a Series Indenture, (viii) fees and expenses associated with the monitoring of the Bonds and the State Transportation Program by the Rating Agencies, and (ix) fees and expenses associated with (but not payments under) Qualified Exchange Agreements.

"State Transportation Projects" means the transportation projects authorized by New Mexico Laws of 2003 (1st Special Session), Chapter 3, Sections 27 and 28, New Mexico Laws of 2020 (1st Special Session), Chapter 3, Section 8, and New Mexico Laws of 2021, Chapter 43, Section 5, the cost of which projects are eligible for reimbursement from Federal Revenues pursuant to Title 23 of the United States Code and regulations promulgated thereunder, or such other federal statutes and regulations pursuant to which Federal Revenues are received by the Department and paid into the State Road Fund.

"Subordinate Lien Bonds" means Bonds issued by the Authority with a lien on the Trust Estate subordinate to the lien thereon of Senior Lien Bonds (but not an exclusive subordinate lien) and so designated in the applicable Series Indenture authorizing such Subordinate Lien Bonds.

"Subordinate Lien Obligations" means Subordinate Lien Bonds and any Qualified Exchange Agreement the priority of payment from the Trust Estate of which is equal with that of Subordinate Lien Bonds.

"Supplemental Indenture" means any indenture of the Authority, other than a Series Indenture, supplemental to or amendatory of the Master Indenture executed and delivered in accordance with Article VII of the Master Indenture.

"Tax Certificate" means, with respect to a Series the interest on which is intended to be excluded from the gross income of the owners thereof for federal income tax purposes, the certificate concerning certain federal tax matters furnished by the Authority and/or the Commission in connection with the initial issuance and delivery of such Series.

"Trust Estate" means (i) all rights, title, interest and privileges of the Authority to (a) the Pledged Revenues; (b) any Credit Enhancement Facility and any Liquidity Facility; (ii) the proceeds of the sale of Bonds, and all other moneys in all Funds and Accounts established under the Master Indenture or any Series Indenture (other than amounts in the Rebate Fund owing to the United States), including the investments, if any, thereof, and earnings, if any, thereon (other than as stated in Section 507 of the Master Indenture or Series Indenture) until applied in accordance with the terms of the Master Indenture or any Series Indenture; (iii) all rights, title, interest and privileges of the Authority in and to any Qualified Exchange Agreement and any Counterparty Payments (provided; however, that this clause (iii) shall not be for the benefit of a Qualified Counterparty with respect to its Qualified Exchange Agreement); and (iv) the money, Investment Securities and funds and all other right of every name and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned transferred as and for additional security under the Master Indenture.

"Trustee" means BOKF, N.A., Albuquerque, New Mexico and the successor or successors of such bank or trust company and any other corporation which may at any time be substituted in its place pursuant to Article IX of the Master Indenture.

"Value" means, as of any date of computation, the value of the Trust Estate or Investment Securities calculated by or on behalf of the Authority as to (a) below and otherwise by the Trustee, as follows:

(a) with respect to any funds of the Authority held under the Master Indenture and on deposit in any commercial bank or as to any certificates of deposit or banker's acceptances, the amount thereof plus accrued but unpaid interest;

(b) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, in The New York Times), the average of the bid and asked prices for such investments so published on such date of calculation or most recently prior to such date of calculation;

(c) as to investments (other than investment contracts and repurchase agreements) the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, (i) the lower of the bid prices at such date of calculation for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments, or (ii) the bid price published by a nationally recognized pricing service;

(d) as to an investment contract, an amount equal to the principal amount plus any accrued interest required to be remitted to the Trustee (without regard to notice requirements of seven days or less) pursuant to the terms of such investment contract;

(e) as to a repurchase agreement, an amount equal to the unpaid repurchase price thereof plus any accrued interest thereon as of such date; and

(f) with respect to any investment not specified above, the value thereof established by prior written agreement by the Authority, the Trustee and the Rating Agencies.

Additional Obligations Payable from Trust Estate

Limitations Upon Issuance of Senior Lien Bonds. No provision of the Master Indenture shall be construed to prevent the issuance by the Authority of Senior Lien Bonds, or to prevent the issuance of bonds or other obligations refunding all or a part of any Senior Lien Bonds. However, before any Senior Lien Bonds are issued (excluding Refunding Bonds or refunding obligations issued pursuant to Section 207 of the Master Indenture):

(1) The Authority shall then be current in all accumulations required to be made pursuant to Section 503 of the Master Indenture with respect to Outstanding Obligations; and

(2) The State Revenues received by the Authority and the Commission in any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of issuance of such Senior Lien Bonds shall have been sufficient to pay an amount representing three hundred percent (300%) of the maximum combined Debt Service Requirements coming due in any subsequent Fiscal Year on: (y) then Outstanding Senior Lien Bonds, and (z) the Senior Lien Bonds proposed to be issued; and

(3) The Pledged Revenues received by the Authority and the Commission in any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of issuance of such Senior Lien Bonds shall have been sufficient to pay an amount representing three hundred and fifty percent (350%) of the maximum combined Debt Service Requirements coming due in any subsequent Fiscal Year on: (y) then outstanding Senior Lien Bonds, and (z) the Senior Lien Bonds proposed to be issued;

Limitations Upon Issuance of Subordinate Lien Bonds and Additional Highway Bonds. No provision of the Master Indenture shall be construed to prevent the issuance by the Authority of Subordinate Lien Bonds or to prevent the issuance by the Commission of Additional Highway Bonds, or to prevent the issuance of bonds or other obligations refunding all or a part of any Subordinate Lien Bonds or any Additional Highway Bonds. However, before any Subordinate Lien Bonds or Additional Highway Bonds are issued (excluding Refunding Bonds or refunding obligations issued pursuant to Section 207 of the Master Indenture):

(1) The Authority and the Commission shall then be current in all accumulations required to be made pursuant to Section 503 of the Master Indenture (or similar sections of the Commission resolutions or instruments governing the issuance of Additional Highway Bonds) with respect to Outstanding Obligations and then Outstanding Additional Highway Bonds; and

(2) The Pledged Revenues received by the Authority and the Commission in any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of issuance of such Subordinate Lien Bonds, or Additional Highway Bonds shall have been sufficient to pay an amount representing three hundred percent (300%) of the maximum combined Debt Service Requirements coming due in any subsequent Fiscal Year on: (w) then Outstanding Senior Lien Bonds, (x) then outstanding Subordinate Lien Obligations, (y) then outstanding Additional Highway Bonds, and (z) the Subordinate Lien Bonds or Additional Highway Bonds proposed to be issued.

Limitations Upon Issuance of Junior Subordinate Lien Bonds. No provision of the Master Indenture shall be construed to prevent the issuance by the Authority of Junior Subordinate Lien Bonds or to prevent the issuance of bonds or other obligations refunding all or a part of Junior Subordinate Lien Bonds. However, before any Junior Subordinate Lien Bonds are issued (excluding Refunding Bonds issued pursuant to Section 207 of the Master Indenture):

(1) The Authority and the Commission shall then be current in all accumulations required to be made pursuant to Section 503 of the Master Indenture (or similar sections of the Commission resolutions or instruments governing the issuance of Additional Highway Bonds) with respect to Outstanding Obligations and Outstanding Additional Highway Bonds; and

(2) The Pledged Revenues received by the Authority and the Commission in any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of issuance of such Junior Subordinate Lien Bonds shall have been sufficient to pay an amount representing two hundred percent (200%) of the maximum combined Debt Service Requirements coming due in any subsequent Fiscal Year on: (v) then Outstanding Senior Lien Bonds, (w) then Outstanding Subordinate Lien Bonds, (x) then Outstanding Additional Highway Bonds, (y) then Outstanding Junior Subordinate Lien Obligations, and (z) the Junior Subordinate Lien Bonds or Additional Highway Bonds proposed to be issued.

Certification of State Revenues and Pledged Revenues. A written certificate or opinion by the Secretary of the Department, the chief financial officer of the Authority, or an Accountant's Certificate, that such State Revenues and Pledged Revenues, as applicable, are sufficient to cover the amounts required by Sections 206(a), 206(b) or 206(c) of the Master Indenture shall be required and shall be conclusively presumed to be accurate in determining the right of the Authority to authorize, issue, sell and deliver additional Senior Lien Bonds, Subordinate Lien Bonds or Junior Subordinate Lien Bonds or the right of the Commission to authorize, issue, sell and deliver Additional Highway Bonds.

No provision of the Master Indenture shall be construed to prevent the issuance by the Authority or the Commission of additional bonds or other obligations payable from the Pledged Revenues constituting a lien on the Trust Estate (or any portion thereof) subordinate and junior to the lien on the Trust Estate of Bonds described above. Such additional subordinate and junior bonds or other obligations may be issued pursuant to a Series Indenture and/or Supplemental Indenture prepared for that specific purpose or pursuant to an indenture or resolution separate and distinct from the Master Indenture.

The Authority shall not issue Bonds or incur Obligations payable from the Pledged Revenues having a lien on the Trust Estate prior and superior to the lien on the Trust Estate of the Senior Lien Bonds.

In Commission Resolution No. 2004-5(APR), adopted by the Commission on April 15, 2004, the Commission affirmatively resolved that (a) the Commission shall not issue bonds or incur other obligations payable from the Pledged Revenues having a lien on Pledged Revenues prior and superior to the lien on the Pledged Revenues of the Senior Lien Bonds, and (b) Additional Highway Bonds and any other future obligations payable from the Pledged Revenues that may be issued by the Commission shall be issued in compliance with the restrictions applicable to the issuance of additional Senior Lien Bonds, Subordinate Lien Bonds and Junior Subordinate Lien Bonds described in this section.

Provisions for Refunding Bonds. (a) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any Bonds Outstanding under the Master Indenture or other obligations payable from the Pledged Revenues or any portion thereof outstanding under another instrument or resolution of the Authority or the Commission. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits as are required by the Series Indenture authorizing such Series of Refunding Bonds.

(b) The Bonds of such a Series of Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by it of the documents required by Section 205 of the Indenture) of:

(1) except in the case of Bonds or other obligations to be paid at their scheduled maturity, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds or other obligations to be redeemed from any of the proceeds of such Series on the redemption date or dates specified in such instructions; and

(2) an Authority Certificate stating that the proceeds (excluding accrued interest but including any premium) of such Refunding Bonds, together with any other moneys which have been made available for such purposes, or the principal of and the interest on the investment of such proceeds or any such moneys, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds or other obligations to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption and the financing costs in connection with such refunding.

(c) If the Refunding Bonds do not increase the Debt Service Requirements coming due in any subsequent Fiscal Year by more than five percent (5%) in comparison to the Debt Service Requirements on the applicable Bonds or the debt service payments due on other obligations payable from the Pledged Revenues or any portion thereof being refunded in any such subsequent Fiscal Year, the Refunding Bonds may be issued without complying with the provisions of Section 206 of the Master Indenture; otherwise the Authority shall comply with the provisions of Section 206 of the Master Indenture in issuing Refunding Bonds.

Funds and Accounts

Establishment of Funds and Accounts

The Master Indenture creates and establishes the following Funds and Accounts to be held and maintained by the Trustee for the benefit of the Owners:

(1) Acquisition Fund

(2) Revenue Fund

(3) Debt Service Fund

- Senior Lien Interest Account
- Senior Lien Principal Account
- Subordinate Lien Interest Account
- Subordinate Lien Principal Account
- Junior Subordinate Lien Interest Account
- Junior Subordinate Lien Principal Account

(4) Debt Service Reserve Fund

The Master Indenture creates and establishes the Rebate Fund to be held and maintained by the Trustee in which neither the Authority (except as provided in Section 504(a) of the Master Indenture) nor the Owners have any right, title or interest.

The Trustee is authorized by the Master Indenture for the purpose of facilitating the administration of the Trust Estate and for the administration of any Series issued under the Master Indenture to create accounts or subaccounts in any of the various Funds and Accounts established under the Master Indenture or any additional Funds or Accounts which are deemed necessary or desirable; provided, however, that the obligation of the Authority to provide the Funds and Accounts described in Sections 501(a) and 501(b) of the Master Indenture is not altered or amended.

Acquisition Fund

(a) The Trustee shall from time to time pay out, or permit the withdrawal of, moneys credited to the Acquisition Fund, free and clear of any lien, pledge or assignment in trust created by the Master Indenture, for the purpose of paying in the manner authorized in the Master Indenture any Costs of Issuance, for which provision is not otherwise made, upon receipt by said Trustee of a written requisition substantially in the form set forth in Exhibit A to the Master Indenture signed by an Authorized Officer stating that the amount to be paid from such Fund pursuant to such requisition is a proper charge thereon, and stating with respect to each payment to be made: (1) the item for which payment is to be made, (2) the name of the Person to whom the payment is to be made, and (3) the amount to be paid. Upon receipt of each such requisition properly drawn, the Trustee shall deliver a check or draft, or send funds by wire transfer, drawn upon the Acquisition Fund for the payment of each item.

(b) From the proceeds of each Series, there shall be deposited into the Acquisition Fund the amounts, if any, required by Section 401 of the Master Indenture or as specified in the related Series Indenture. In addition, there shall be credited to the Acquisition Fund any amounts transferred thereto from the Revenue Fund.

Except as otherwise specifically directed in the Master Indenture or in any Series Indenture, amounts in the Acquisition Fund shall be expended and applied, upon Authority Order on behalf of the Department, only for State Transportation Projects and Costs of Issuance. Authority Orders may include requisitions of moneys in amounts certified by the Department as necessary to meet anticipated expenditures for State Transportation Projects. In the event an Authority Order is not or cannot be made available in a timely fashion to meet payment deadlines for expenditures for State Transportation Projects, the Trustee is authorized to accept substantially similar orders from the Commission or the Department for disbursements from the Acquisition Fund.

The Authority may, at any time upon Authority Order, direct the Trustee to transfer any moneys in the Acquisition Fund to the Revenue Fund or to any other Fund or Account established by the Master Indenture or any Series Indenture.

Revenue Fund

(a) (i) All moneys received by or on behalf of the Authority from Pledged Revenues in accordance with Section 67-3-59.3, NMSA 1978, and in accordance with procedures established from time to time by the Authority with the Commission and the Department for payment of Obligations, Repayment Obligations, and State Transportation Program Expenses, (ii) any moneys received as Counterparty Payments, and (iii) any monies transferred from any other Fund or Account under the Master Indenture for deposit to the Revenue Fund, shall be deposited promptly to the credit of the Revenue Fund. There may also be paid into the Revenue Fund, at the option of the Authority, any moneys received by the Authority from any other source.

(b) As of the first Business Day of each calendar month, except as specifically provided below and unless specifically provided to the contrary in a Series Indenture, the Trustee shall withdraw from the Revenue Fund and, to the extent that there are amounts in the Revenue Fund available therefor, deposit to the credit of the following Funds and Accounts the following amounts in the following order of priority, the requirements of each such deposit (including the making up of any deficiencies resulting from lack of amounts in the Revenue Fund sufficient to make any earlier required deposit) at the time of deposit to be satisfied, and the results of such satisfaction being taken into account, before any deposit is made subsequent in priority (any money not so deposited to remain in the Revenue Fund until subsequently applied pursuant to Section 503(b) of the Master Indenture):

> (A) First, on each December 1, or the first Business Day thereafter, to the Rebate Fund, an amount to be calculated by the Authority which, when added to the amount already within the Rebate Fund, will equal the amount determined by the Authority to be required to be on deposit therein.

(B) Second, to the Senior Lien Interest Account, an amount such that, if the same amounts are so paid and credited to the Senior Lien Interest Account on the same day of each succeeding calendar month thereafter prior to the next Interest Payment Date, the aggregate of the amounts so paid and credited to the Senior Lien Interest Account, when added to any amount on deposit in the Senior Lien Interest Account for such purpose on the day of the calculation, would on such Interest Payment Date be equal to the interest on all Outstanding Senior Lien Bonds and any related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility secured on a parity with the Senior Lien Bonds accrued and unpaid as of such date, provided, however, that in order to ensure that the Senior Lien Interest Account is neither overfunded nor underfunded for all Senior Lien Bonds Outstanding (giving due regard to the different payment intervals for the various Senior Lien Bonds), the Trustee shall, not later than the tenth day of each calendar month, ensure that the amount so transferred to the Senior Lien Interest Account reflects the amount of interest actually accrued in the prior calendar month for each Series of Senior Lien Bonds and the amount actually accrued in the prior calendar month for each such related Repayment Obligation for a Credit Enhancement Facility or a Liquidity Facility. In the event that different Interest Payment Dates are established in respect of different Series of Senior Lien Bonds, deposits in the Senior Lien Interest Account shall be made in accordance with the foregoing calculation applied separately to each such different Series.

(C) Third, to the Senior Lien Principal Account, whenever a Principal Installment of Senior Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility) is to fall due within one year of the date of transfer, an amount such that, if the same amounts are so paid and credited to the Senior Lien Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next day upon which a Principal Installment on Senior Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility) is due, the aggregate of the amounts so paid and credited to the Principal Account, when added to any amount on deposit in the Senior Lien Principal Account for such purpose on the day of the calculation, would on such Principal Installment Date be equal to the amount of all accrued and unpaid Principal Installments on Senior Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility) as of such date. In the event that different dates (within one year of the date of transfer) on which such Principal Installments fall due are established in respect of different Series of Senior Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility), deposits in the Senior Lien Principal Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. There shall also be deposited to the Senior Lien Principal Account, whenever such Senior Lien Bonds have been duly called for redemption, an amount equal to the principal amount of Senior Lien Bonds to be redeemed on such Redemption Date.

(D) Fourth, (i) to the Accounts of the Debt Service Reserve Fund established in any Series Indenture for a related Series of Senior Lien Bonds, so much as may be required so that the amounts in each Account therein shall equal the Debt Service Reserve Requirement for the related Senior Lien Bonds then Outstanding and for which an Account in the Debt Service Reserve Fund has been established, and (ii) on a parity with the transfer under subparagraph (i) of this Subsection (D), to the payment of related Repayment Obligations for Reserve Alternative Instruments for Senior Lien Bonds.

(E) Fifth, to the Subordinate Lien Interest Account, an amount such that, if the same amounts are so paid and credited to the Subordinate Lien Interest Account on the same day of each succeeding calendar month thereafter prior to the next Interest Payment Date or Qualified Exchange Agreement Payment Date, the aggregate of the amounts so paid and credited to the Subordinate Lien Interest Account, when added to any amount on deposit in the Subordinate Lien Interest Account for such purpose on the day of the calculation, would on such Interest Payment Date or Qualified Exchange Agreement Payment Date be equal to the interest on all Outstanding Subordinate Lien Bonds, any related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility, and any Authority Exchange Payment (other than any Exchange Termination Payment) secured on a parity with the Subordinate Lien Bonds accrued and unpaid as of such date; provided, however, that in order to ensure that the Subordinate Lien Interest Account is neither overfunded or underfunded for all Subordinate Lien Obligations Outstanding (giving due regard to the different payment intervals for the various Subordinate Lien Obligations), the Trustee shall, not later than the tenth day of each calendar month, ensure that the amount so transferred to the Subordinate Lien Interest Account reflects the amount of interest actually accrued in the prior calendar month for each Series of

Subordinate Lien Bonds and the amount actually accrued in the prior calendar month for each such related Repayment Obligation for a Credit Enhancement Facility or a Liquidity Facility and Authority Exchange Payment (other than an Exchange Termination Payment). In the event that different Interest Payment Dates are established in respect of different Series of Subordinate Lien Bonds, deposits in the Subordinate Lien Interest Account shall be made in accordance with the foregoing calculation applied separately to each such different Series.

(F) Sixth, to the Subordinate Lien Principal Account, whenever a Principal Installment of Subordinate Lien Bonds is to fall due within one year of the date of transfer, an amount such that, if the same amounts are so paid and credited to the Subordinate Lien Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next day upon which a Principal Installment on Subordinate Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility) is due, the aggregate of the amounts so paid and credited to the Subordinate Lien Principal Account, when added to any amount on deposit in the Subordinate Lien Principal Account for such purpose on the day of the calculation, would on such Principal Installment Date be equal to the amount of all accrued and unpaid Principal Installments on Subordinate Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility) as of such date. In the event that different dates (within one year of the date of transfer) on which such Principal Installments fall due are established in respect of different Series of Subordinate Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility), deposits in the Subordinate Lien Principal Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. There may also be deposited to the Subordinate Lien Principal Account, whenever such Subordinate Lien Bonds have been duly called for redemption, an amount equal to the principal amount of Subordinate Lien Bonds to be redeemed on such Redemption Date.

(G) Seventh, (i) to the Accounts of the Debt Service Reserve Fund established in any Series Indenture for a related Series of Subordinate Lien Bonds, so much as may be required so that the amounts in each Account shall equal the Debt Service Reserve Requirement for the related Subordinate Lien Bonds then Outstanding and for which an Account in the Debt Service Reserve Fund has been established, and (ii) on a parity with the transfer under subparagraph (i) of this subsection (G), to the payment of related Repayment Obligations for Reserve Alternative Instruments for Subordinate Lien Bonds.

(H) Eighth, to the Authority, at any time, upon Authority Order directing the same, moneys sufficient to pay State Transportation Program Financing Expenses actually incurred or accrued.

(I) Ninth, to the Junior Subordinate Lien Interest Account, an amount such that, if the same amounts are so paid and credited to the Junior Subordinate Lien Interest Account on the same day of each succeeding calendar month thereafter prior to the next Interest Payment Date or Qualified Exchange Agreement Payment Date, the aggregate of the amounts so paid and credited to the Junior Subordinate Lien Interest Account, when added to any amount on deposit in the Junior Subordinate Lien Interest Account for such purpose on the day of the calculation, would on such Interest Payment Date or Qualified Exchange Agreement Payment Date be equal to the interest on all Outstanding Junior Subordinate Lien Bonds related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility and any Authority Exchange Payment (other than any Exchange Termination Payment) accrued and unpaid as of such date; provided, however, that in order to ensure that the Junior Subordinate Lien Interest Account is neither overfunded or underfunded for all such Junior Subordinate Lien Obligations Outstanding (giving due regard to the different payment intervals for the various Junior Subordinate Lien Obligations), the Trustee shall, not later than the tenth day of each calendar month, ensure that the amount so transferred to the Junior Subordinate Lien Interest Account reflects the amount of interest actually accrued in the prior calendar month for each Series of such Bonds and the amount actually accrued in the prior calendar month for each such related Repayment Obligation for a Credit Enhancement Facility or a Liquidity Facility and Authority Exchange Payment. In the event that different Interest Payment Dates are established in respect of different Series of such Junior Subordinate Lien Bonds, deposits in the Junior Subordinate Lien Interest Account shall be made in accordance with the foregoing calculation applied separately to each such different Series.

(J) Tenth, to the Junior Subordinate Lien Principal Account, whenever a Principal Installment of Junior Subordinate Lien Bonds is to fall due within one year of the date of transfer, an amount (in descending order of lien priority of such Bonds) such that, if the same amounts are so paid and credited to the Junior Subordinate Lien Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next day upon which a Principal Installment on such Junior Subordinate Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility) is due, the aggregate of the amounts so paid and credited to the Junior Subordinate Lien Principal Account, when added to any amount on deposit in the Junior Subordinate Lien Principal Account for such purpose on the day of the calculation, would on such Principal Installment Date be equal to the amount of all accrued and unpaid Principal Installments of such Junior Subordinate Lien Bonds (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility) as of such date. In the event that different dates (within one year of the date of transfer) on which such Principal Installments fall due are established in respect of different Series of such Bonds, (and related Repayment Obligations for a Credit Enhancement Facility or a Liquidity Facility), deposits in the Junior Subordinate Lien Principal Account shall be made in accordance with the foregoing calculation applied separately to each such different Series, in descending order of lien priority. There shall also be deposited to the Junior Subordinate Lien Principal Account, (i) amounts necessary to make any Exchange Termination Payment when due, (ii) amounts necessary to collateralize the Authority's obligations under any Qualified Exchange Agreement, (iii) any loss amounts or termination payments owed by the Authority to a provider of an Investment Security described in paragraphs (j), (k) or (l) in the definition of Investment Securities in Section 101 of the Master Indenture, and (iv) or, if an escrow account has been specifically created for a Series of Junior Subordinate Lien Bonds, to that escrow account, whenever such Junior Subordinate Bonds have been duly called for redemption and such redemption is to occur within thirty days, an amount equal to the principal amount of such Junior Subordinate Lien Bonds to be redeemed on such Redemption Date.

(K) Eleventh, (i) to the Accounts of the Debt Service Reserve Fund established in any Series Indenture for a related Series of Junior Subordinate Lien Bonds, so much as may be required so that the amounts in each Account shall equal the Debt Service Reserve Requirement for the related Junior Subordinate Lien Bonds then Outstanding and for which an Account in the Debt Service Reserve Fund has been established, and (ii) on a parity with the transfer under (i) of this Subsection (K), to the payment of related Repayment Obligations for Reserve Alternative Instruments for Junior Subordinate Lien Bonds.

(c) For purposes of paragraphs (B), (C), (E), (F), (I) and (J) above, if at any time there are insufficient moneys for all of the payments required to be made pursuant to any such paragraph for all Series of Bonds, Repayment Obligations and, except with respect to paragraphs (B) and (C), Qualified Exchange Agreements, the moneys available shall be allocated among the payments on such Series of Bonds, Repayment Obligations and Qualified Exchange Agreements ratably based upon the respective amounts of the payments then due, in accordance with their respective lien priorities.

(d) For purposes of paragraphs (B), (E) and (I) above, moneys in any respective Interest Account in excess of the amount necessary to pay the interest actually accrued in the prior calendar month for the related Series of Bonds, Repayment Obligations and, except with respect to paragraph (B), Authority Exchange Payments shall be credited toward the Interest Payment coming due on the next Interest Payment Date.

Application of Moneys in Other Funds and Accounts

(a) *Rebate Fund*. To the extent required by Section 606 of the Master Indenture, all of the amounts on deposit in the Funds and Accounts created and established pursuant to Section 501 of the Master Indenture and all amounts pledged to the payment of Debt Service for the Bonds pursuant to Section 501 of the Master Indenture, (i) shall be invested in compliance with the procedures established by the relevant Tax Certificate, and (ii) to the extent required by such Tax Certificate, the investment earnings thereon shall be deposited from time to time into the appropriate Rebate Account for timely payment of all amounts due and owing to the United States Department of the Treasury. Amounts on deposit in the Rebate Fund shall not be subject to the lien and pledge of the Master Indenture to the extent such amounts are required to be paid to the United States Department of the Treasury. The Authority shall verify or cause to be verified from the date of delivery of each Series the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes that (x) all of requirements of this subsection (a) have been met on a continuing basis, (y) the proper amounts are deposited into each Rebate Account, and (z) the timely payment of all amounts due and owing to the United States Department of the Treasury from each Rebate Account has been made. Upon receipt of a verification report from an accounting or investment consultant retained for such purpose or an opinion of Bond Counsel that the balance in any Rebate Account is in excess of the amount required by the relevant Tax Certificate to be included therein, such excess shall be transferred to the Revenue Fund. Records of the determinations made with respect to the above covenant and the Rebate Fund shall be retained by the Authority until six years after the retirement of all of the Bonds.

(b) *Interest Accounts*. Moneys in each respective Interest Account shall be applied to pay interest on the related Bonds and any Repayment Obligations and Authority Exchange Payments (other than Exchange Termination Payments) relating thereto.

(c) *Principal Accounts*. Moneys in each respective Principal Account shall be applied to pay Principal Installments on the related Bonds and any Repayment Obligations relating thereto and, in the Junior Subordinate Lien Principal Account, to pay any Exchange Termination Payments or amounts necessary to collateralize the Authority's obligations under any Qualified Exchange Agreement.

(d) *Debt Service Reserve Fund; Series Reserve Accounts*. If, on any date that principal of or interest on Senior Lien Bonds of any Series is due and payable, there are insufficient moneys in the respective Principal Account or Interest Account, as the case may be, to make the required payment, then moneys, if any, in the Account of the Debt Service Reserve Fund created by the Series Indenture for the Senior Lien Bonds of such Series shall be applied to pay the principal of and interest on such Senior Lien Bonds then due and payable. If, on any date that principal of or interest on Subordinate Lien Bonds of any Series is due and payable there are insufficient moneys in the respective Principal Account or Interest Account, as the case may be to make the required payment, then moneys, if any, in the Account of the Debt Service Reserve Fund created by the Series Indenture for Subordinate Lien Bonds of such Series shall be applied to pay the principal of and interest on such Subordinate Lien Bonds then due and payable. If, on the date that principal of or interest on Junior Subordinate Lien Bonds of any Series is due and payable there are insufficient moneys in the respective Principal Account or Interest Account, as the case may be, to make the required payment, then moneys, if any, in the Account of the Debt Service Reserve Fund created by the Series Indenture for the Junior Subordinate Lien Bonds of such Series shall be applied to pay the principal of and interest on such Junior Subordinate Lien Bonds then due and payable. Moneys shall in no event be transferred to or maintained in any Account of the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for the related one or more Series of Bonds. Any moneys in excess of the Debt Service Reserve Requirement, if any, for any related Series shall be forthwith transferred to the Revenue Fund. If at any time (i) the balance in any Account of the Debt Service Reserve Fund, together with other available moneys and Investment Securities in the Trust Estate, shall be sufficient to pay all related Series of Bonds Outstanding, and (ii) all such related Series of Bonds Outstanding are then subject to redemption or other payment, then such balance in the related Account of the Debt Service Reserve Fund may be applied upon Authority Order to the redemption or payment of all the related Series of Bonds Outstanding.

(e) *General*. Notwithstanding any provision of the Master Indenture pertaining to the application of moneys in any Fund or Account, upon payment of all Repayment Obligations and defeasance of all Obligations and discharge of the Master Indenture pursuant to the provisions of Section 1101 thereof, amounts remaining on deposit in all Funds and Accounts (except the Rebate Fund) shall be paid over to the Authority.

Effect of Redemptions on Mandatory Sinking Fund Installments. Upon any redemption or purchase of Bonds of any Series and maturity for which Mandatory Sinking Fund Installments have been established, there shall be credited toward each such Mandatory Sinking Fund Installment thereafter to become due an amount bearing the same ratio to such Mandatory Sinking Fund Installment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such Mandatory Sinking Fund Installments to be credited. If, however, there shall be filed with the Trustee by an Authorized Officer written instructions specifying a different method for crediting Mandatory Sinking Fund Installments upon any such purchase or redemption of Bonds, then such Mandatory Sinking Fund Installments shall be so credited as shall be provided in such instructions. The portion of any such Mandatory Sinking Fund Installment remaining after the deduction of any such amounts credited towards the same (or the original amount of any such Mandatory Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Mandatory Sinking Fund Installment for the purpose of calculation of Mandatory Sinking Fund Installments due on a future date.

Investment of Funds and Accounts

(a) Moneys in each Fund and Account shall be invested at the written direction of the Authority, consistent with the required uses of such moneys, in Investment Securities. Investment Securities are deemed to be part of the Fund or Account for which purchased or to which such Investment Securities are subsequently transferred, and earnings, gains and losses on Investment Securities are to be credited or charged to the Fund or Account for which the Investment Securities were purchased or to such Funds or Accounts to which such Investment Securities are subsequently transferred. Earnings on, and profit or loss with respect to, the investments in the Rebate Fund shall be credited to or charged against the Rebate Fund.

(b) In computing the amount in any Fund or Account held by the Trustee under the provisions of the Master Indenture, obligations purchased as an investment of moneys therein shall be valued at their Value.

(c) Except as otherwise provided in the Master Indenture, the Trustee shall sell at the best price obtainable, or present for redemption, any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Officer so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund or Account held by it.

(d) It shall not be necessary for any Paying Agent to give security for the deposit of any moneys with it held in trust for the payment of principal of or Redemption Price, if any, or interest on any Bonds.

(e) The Trustee shall advise the Authority in writing, on or before the fifth Business Day of each calendar month, or as soon thereafter as practicable, of all investments held for the credit of each Fund and Account in its custody under the provisions of the Master Indenture as of the end of the preceding month.

(f) Except for amounts invested in investment contracts or in other Investment Securities which shall be subject to redemption at any time at face value by the holder thereof, at the option of such holder, amounts in the Funds and Accounts shall be invested in Investment Securities which shall mature at or before the time such amounts are required to be used pursuant to the Master Indenture.

Moneys Held in Trust. All moneys which the Trustee shall have withdrawn or set aside for the purpose of paying any of the Obligations secured by the Master Indenture, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective Owners of such Obligations and such moneys shall not be subject to lien or attachment by any creditor of the Authority or the Trustee. Any moneys which shall be so set aside by the Trustee and which shall remain unclaimed by the Owners of such Obligations for the period of three years after the final maturity date on such Obligations, or, if less, the maximum time provided by the laws of the State prior to escheat to the State, shall be paid to the Authority or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the Owners of such Obligations shall look only to the Authority or to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received without any interest thereon, and the Trustee shall have no responsibility with respect to such moneys. All interest earned on the investment of such amounts shall be paid to the Authority as and when received by the Trustee, free and clear of the lien of the Master Indenture. Any such moneys held by a Paying Agent for the payment of Obligations which have not been used for such purpose shall be remitted by the Paying Agent to the Trustee within 30 days of the Paying Agent's receipt thereof.

Use of Available Funds. Nothing in the Master Indenture shall be construed to prevent the Authority from depositing in any Fund or Account created under the provisions of the Master Indenture any moneys legally available to the Authority for such deposit.

Certain Covenants

Payment of Obligations. The Authority shall duly and punctually pay or cause to be paid (but only from the Trust Estate), the principal (or, if Bonds have been duly called for redemption, the Redemption Price) of each and every Obligation and the interest thereon, at the dates and places and in the manner mentioned in such Obligation according to the true intent and meaning thereof. On each Interest Payment Date, Principal Installment Date or

Qualified Exchange Agreement Payment Date, as applicable, the Trustee shall transfer to the Paying Agent from the Interest Account and the Principal Account, respectively, sums sufficient to pay the interest on and/or principal of and premium, if any, on the Bonds and any Authority Exchange Payments due on such date. In the event that such transfer has not been effected prior to noon on the Interest Payment Date, Principal Installment Date or Qualified Exchange Agreement Payment Date, as applicable, the Paying Agent shall immediately notify the Trustee.

Offices for Servicing Bonds. The Authority shall at all times cause to be maintained an office or agency where Bonds may be presented for registration, transfer, exchange or payment and where notices, presentations and demands in respect of the Bonds or of the Master Indenture may be served. The Authority has appointed the Trustee pursuant to the Master Indenture as agent to maintain such office or agency for the registration, transfer or exchange of Bonds, and for the service of such notices, presentations and demands. The Authority has appointed the Paying Agent pursuant to the Master Indenture as agent to maintain such offices or agencies for the payment of Bonds.

Further Assurances. At any time and at all times the Authority shall pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues pledged or assigned under the Master Indenture, or intended so to be, or which the Authority may hereafter become bound to pledge or assign.

Protection of Security; Power to Issue Bonds and Pledged Revenues and Other Funds; Indenture to Constitute Contract. The Authority is duly authorized pursuant to the Act to issue the Bonds, to enter into Qualified Exchange Agreements (with such prior approvals required by the laws of the State) and the Master Indenture, to pledge the Pledged Revenues and the Trust Estate, and to obtain moneys from the State Road Fund to make all payments contemplated by the Master Indenture and each Series Indenture in the manner and to the extent provided in the Master Indenture. The Obligations and the provisions of the Master Indenture and each Series Indenture are and will be valid and legally enforceable obligations of the Authority in accordance with their respective terms. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and the Trust Estate and all the rights of the Owners hereto against a claims and demands of all Persons whomsoever.

In consideration of the purchase and acceptance of the Obligations by those who shall own the same from time to time, the provisions of the Master Indenture shall be a part of the contract of the Authority with the Owners and shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners.

Tax Covenants. The Authority covenants for the benefit of the Owners of each Series the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes that it will not take any action or omit to take any action with respect to such Bonds, the proceeds thereof or any other funds of the Authority if such action or omission would cause the interest on such Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, would subject the Authority to any penalties under Section 148 of the Code, or would cause such Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. The foregoing covenants shall remain in full force and effect notwithstanding the payment in full or defeasance of such Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Code have been met. The Authority shall execute and deliver from time to time such certificates, instruments and documents as shall be deemed necessary or advisable to evidence compliance by the Authority with said Code sections and the regulations thereunder with respect to the use of the proceeds of such Bonds and any other funds of the Authority. Such certificates, instruments and documents may contain such stipulations as shall be necessary or advisable in connection with the stated purpose of Section 606 of the Master Indenture and the foregoing provisions thereof, and the Authority and the Trustee covenant and agree to comply with the provisions of any such stipulation throughout the term of such Bonds.

Compliance with Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by the Master Indenture or a Series Indenture to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, shall have happened and shall have been performed, and such Bonds, together with all indebtedness of the Authority, shall be within every debt and other limit prescribed by law.

Waiver of Laws. To the extent permitted by law and public policy, the Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the Master Indenture, any Series or Supplemental Indenture, or the Obligations, and all benefit or advantage of any such law or laws is expressly waived by the Authority.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or claims for interest by the purchase or funding of such Bonds, or claims for interest by any other arrangement.

Security Interest in and Lien on the Trust Estate.

(a) Except for the lien and pledge of the Master Indenture as described therein, and any other liens expressly authorized under the Master Indenture, the Authority will not cause or permit all or any part of the Trust Estate, including but not limited to the Pledged Revenues and the Funds, to become subject to any consensual or non-consensual lien or encumbrance.

(b) Except as provided in the Master Indenture and except as permitted by laws of the State with regard to the actions of the Commission, the Authority has not voluntarily encumbered, and has not authorized any other party to encumber, all or any part of the Trust Estate, and the Authority has not knowingly permitted any party other than the Trustee to obtain or maintain any lien or encumbrance on all or any part of the Trust Estate.

(c) Except for the lien and pledge of the Master Indenture as described therein, the Authority has no knowledge, and has not received any notice, that any party other than the Trustee, on behalf of the owners of the Obligations, has or claims to have any security interest or other lien on all or any part of the Trust Estate.

Credit Enhancement Facilities and Liquidity Facilities. The Authority may from time to time enter into or obtain the benefit of any Credit Enhancement Facilities and/or any Liquidity Facilities with respect to any Bonds of any Series, and may include such provisions as are required, necessary or convenient in connection with such Credit Enhancement Facilities and/or any Liquidity Facilities in the Series Indenture pursuant to which such Bonds are issued.

Default Provisions

Events of Default. Each of the following events is declared to be an "Event of Default":

(a) default by the Authority in the payment of any installment of interest on the Bonds when due;

(b) default by the Authority in the payment of principal of Bonds as they mature, or the Redemption Price thereof if Bonds have been duly called for redemption (including Mandatory Sinking Fund Installments); or

(c) default in the performance or observance of any other of the covenants, agreements or conditions contained in the Master Indenture, any Series Indenture or Supplemental Indenture or the Bonds, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the Owners of not less than 25% in principal amount of the Outstanding Bonds; provided, however, if any such default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and diligently pursued until such default is corrected.

Remedies. Upon the happening and continuance of any event described in subparagraphs (a) or (b) above the Trustee, independently, or the Owners of 25% or more in principal amount of Outstanding Bonds may jointly proceed, in their own names, to protect and enforce their rights by such of the following remedies as they deem most effectual:

(a) enforce, by mandamus or other suit, action or proceedings at law or in equity, all rights of the Owners, including the right to require the Authority to receive and collect the revenues and other assets, including

Pledged Revenues adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Authority to carry out any other covenant or agreement with the Owners;

(b) bring suit upon any Bonds;

(c) require the Authority by action or suit to account as if it were the trustee of an express trust for the Owners; or

(d) enjoin by action or suit any acts or things which may be unlawful or in violation of the rights of the Owners.

The Trustee shall give notice to each Rating Agency of any Event of Default under Section 801 of the Master Indenture.

Limitation on Action. No Owner shall have any right to institute any action except as authorized in Article VIII of the Master Indenture. Nothing contained in the Master Indenture shall impair the right of any Owner to enforce payment of principal of and interest on its Bonds.

Priority of Payments After Default. In the event that, upon the happening and continuance of any Event of Default, the funds held by the Trustee and Paying Agent shall be insufficient for the payment of principal and interest then due on the Bonds of all Series then Outstanding and of all Authority Exchange Payments then due, such funds and any other moneys received or collected pursuant to Article III of the Master Indenture shall be applied after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, including, but not limited to, the fees and expenses of its Counsel and other agents, as follows:

First: With respect to interest on the Senior Lien Bonds to the payment to the Persons entitled thereto of all installments then due in the order of the maturity of such installments and if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

Second: With respect to the Senior Lien Bonds, to the payment to the Persons entitled thereto of the unpaid principal of any such Senior Lien Bonds, and, if the amounts available shall not be sufficient to pay in full all the Senior Lien Bonds, then to the payment thereof ratably, without any discrimination or preference;

Third: With respect to interest on the Subordinate Lien Bonds and all Authority Exchange Payments (other than any Exchange Termination Payment) secured on a parity with the Subordinate Lien Bonds, to the payment to the Persons entitled thereto of all installments then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

Fourth: With respect to the Subordinate Lien Bonds, to the payment to the Persons entitled thereto of the unpaid principal of any such Subordinate Lien Bonds, and, if the amounts available shall not be sufficient to pay in full all the Subordinate Lien Bonds, then to the payment thereof ratably, without any discrimination or preference.

Fifth: To the payment of State Transportation Program Financing Expenses then due.

Sixth: With respect to interest on any Junior Subordinate Lien Bonds and all Authority Exchange Payments (other than any Exchange Termination Payment) secured on a parity with the Junior Subordinate Lien Bonds, to the payment to the Persons entitled thereto of all installments then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference; and

Seventh: To any Qualified Counterparty, any Exchange Termination Payment then due; and

Eighth: With respect to Junior Subordinate Lien Bonds, to the payment to the Persons entitled thereto of the unpaid principal of any such Junior Subordinate Lien Bonds, and to any Qualified Counterparty any Exchange Termination Payment secured on a parity with such Junior Subordinate Lien Bonds then due, and if the amounts available shall not be sufficient to pay in full all such Junior Subordinate Lien Bonds and any Exchange Termination Payment, then to the payment thereof ratably, without any discrimination or preference.

Termination of Proceedings. In case any proceedings taken on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Authority, the Trustee and the Owners shall be restored to their former positions and rights under the Master Indenture, respectively, and all rights, remedies, powers and duties therein conferred shall continue as though no such proceeding had been taken.

Remedies Not Exclusive. No remedy conferred in the Master Indenture upon or reserved to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or by statute.

No Waiver of Default. No delay or omission of any Owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Master Indenture to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Notice of Event of Default. The Trustee shall give to the Owners notice of each Event of Default under the Master Indenture known to the Trustee within 90 days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of an Event of Default shall be given by the Trustee by mailing written notice thereof (1) to all registered Owners of Bonds, as the names and addresses of such Owners appear upon the registration records kept by the Trustee; (2) to such Beneficial Owners as have filed their names and addresses with the Trustee for that purpose; and (3) to Qualified Counterparties.

Defeasance

(a) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, (i) to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Master Indenture, and (ii) to each Qualified Counterparty, all Authority Exchange Payments then due, and in any case provided that all expenses then due and owing shall have been paid, then the pledge of any Pledged Revenues and other moneys and property pledged under the Master Indenture and all covenants, agreements, and other obligations of the Authority to the Owners, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority, and upon Authority Request, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority all moneys or Investment Securities held by them pursuant to the Master Indenture which are not required for the payment of principal or Redemption Price, if applicable, on Bonds or to make Authority Exchange Payments. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, and to each Qualified Counterparty all Authority Exchange Payments then due, at the times and in the manner stipulated therein and in the Master Indenture and in the Qualified Exchange Agreements, such Bonds and each Qualified Counterparty shall cease to be entitled to any lien, benefit or security under the Master Indenture and all covenants, agreements and obligations of the Authority to the Owners of such Bonds and to each Qualified Counterparty shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by Fiduciaries (through deposit by the Authority of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above. All Outstanding Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article X notice of redemption on said date of such Bonds, (ii) there shall have been deposited with, or credited to the account (at a Federal Reserve Bank) of, the Trustee, or another Fiduciary acting as escrow agent either moneys in an amount which shall be sufficient, or non-callable Investment Securities not subject to prepayment (which for the purpose of this Article, shall include only those obligations described in paragraphs (a) and (b) of the definition thereof in Section 1101 of the Master Indenture, but shall not include shares of unit investment trusts or mutual funds regardless of the rating thereto), the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or another Fiduciary acting as escrow agent, at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be; provided that, except in the event of a full cash defeasance or a current refunding of less that ninety days to maturity or Redemption Date, the sufficiency of such moneys or investments must be confirmed to the Authority in an Accountant's Certificate, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with Section 1101 of the Master Indenture and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Investment Securities nor moneys deposited with the Trustee pursuant to Section 1101 of the Master Indenture nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee or other Fiduciary acting as escrow agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge.

(c) Any Authority Exchange Payments are deemed to have been paid and the applicable Qualified Exchange Agreement terminated when payment of all Authority Exchange Payments due and payable to each Qualified Counterparty under its respective Qualified Exchange Agreement have been made or duly provided for to the satisfaction of each Qualified Counterparty and the respective Qualified Exchange Agreement has been terminated.

(d) If, through the deposit of moneys by the Authority or otherwise, the Fiduciaries shall hold, pursuant to the Master Indenture, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which the Authority shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then upon Authority Request all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it under the Master Indenture, shall be held by the Trustee for the payment or redemption of Outstanding Bonds.

Supplemental Indentures

<u>Modification and Amendment Without Consent</u>. Notwithstanding any other provisions of Article VII of the Master Indenture, the Authority may, from time to time and at any time, without the consent of or notice to any Owner, enter into such indentures supplemental to the Master Indenture which, in the opinion of the Trustee, who may rely upon an opinion of Counsel, shall not materially and adversely affect the interest of the Owners (which Supplemental Indentures shall thereafter form a part of the Indenture) in order:

(a) to add to the covenants and agreements of the Authority in the Master Indenture other covenants and agreements thereafter to be observed by the Authority;

(b) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Master Indenture;

(c) to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Indenture;

(d) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee;

(e) to include as Pledged Revenues or money under, and subject to the provisions of, the Master Indenture any additional revenues or money legally available therefor;

(f) to cure any ambiguity, defect, omission or inconsistent provision in the Master Indenture or to insert such provisions clarifying matters or questions arising under the Master Indenture as are necessary or desirable, provided such action shall not adversely affect the interest of the Owners under the Master Indenture;

(g) to modify any of the provisions of the Master Indenture in any respect whatever; provided, however, that (1) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution by the Authority of such Supplemental Indenture shall cease to be Outstanding, and (2) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution by the Authority of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(h) to modify, eliminate and/or add to the provisions of the Master Indenture to such extent as shall be necessary to effect the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Master Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939;

(i) to make the terms and provisions of the Master Indenture, including the lien and security interest granted therein, applicable to a Qualified Exchange Agreement, and to modify Section 208 of the Master Indenture with respect to any particular Qualified Exchange Agreement;

(j) provided the Authority has first obtained a Confirmation, to amend the Master Indenture to allow for any Bonds to be supported by a Credit Enhancement Facility or Liquidity Facility, including amendments with respect to repayment to such a provider on a parity with any Bonds or Qualified Exchange Agreement and providing rights to such provider under the Master Indenture, including with respect to defaults and remedies;

(k) to preserve the exclusion from gross income for federal income tax purposes of interest on Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes;

(l) to make any change as shall be necessary in order to maintain the rating(s) on any of the Bonds from any Rating Agency;

(m) if the Bonds affected by any change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected; provided that, if any of the Bonds so affected are secured by a Credit Enhancement Facility or a Liquidity Facility, such change must be approved in writing by the related Credit Facility Provider or Liquidity Facility Provider;

(n) if the Bonds affected by any change are secured by a Credit Enhancement Facility, to make any change approved in writing by the related Credit Facility Provider; provided that, if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected; or

(o) to make any other change in the Master Indenture which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners. In making any such judgment, the Trustee may rely upon an opinion of Counsel.

Supplemental Indentures Effective with Consent of Owners. The provisions of the Master Indenture may also be modified or amended at any time or from time to time by a Supplemental Indenture, subject to the consent of Owners in accordance with and subject to the provisions of Sections 704, 705 and 706 of the Master Indenture, upon the Trustee's receipt of an opinion of Bond Counsel that such modification or amendment will not adversely affect the exclusion from gross income of interest on Bonds, the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes.

General Provisions Relating to Supplemental Indentures. The Master Indenture shall not be modified or amended in any respect except in accordance with and subject to the provisions of Article VII of the Master Indenture. Nothing contained in Article VII of the Master Indenture shall affect or limit the rights or obligations of the Authority to execute or deliver any resolution, act or other instrument pursuant to the provisions of Section 706 of the Master Indenture or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Master Indenture provided or permitted to be delivered to the Trustee or any Paying Agent.

Before the execution and delivery of any Supplemental Indenture, the Authority and the Trustee shall have received an opinion of Bond Counsel stating that such Supplemental Indenture has been duly and lawfully executed in accordance with the provisions of the Master Indenture, is authorized or permitted by the Master Indenture, is valid and binding upon the Authority and enforceable in accordance with its terms and will not adversely affect the exclusion from gross income of interest on Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes. Each such Supplemental Indenture shall also be filed with each Rating Agency.

The Trustee is authorized by the Master Indenture to make all further agreements and stipulations which may be contained in any Supplemental Indenture, and, in taking such action, the Trustee shall be fully protected in relying on an opinion of Counsel that such Supplemental Indenture is authorized or permitted by the provisions of the Master Indenture.

Powers of Amendment with Consent of Owners. Any modification or amendment of the Master Indenture and of the rights and obligations of the Authority and of the Owners, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in Section 704 of the Master Indenture, as set out below, of the Owners of a majority in unpaid principal amount of the Bonds Outstanding at the time such consent is given, with a Confirmation. Unless with the unanimous written consent of all Owners affected by such modification or amendment, however, no such amendment shall:

(a) permit a change in the terms of redemption or maturity of the principal of any outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount thereof or the rate of interest or redemption premium thereon;

(b) reduce the percentage of Obligations the consent of the Owners of which is required to effect such amendment; or

(c) change the existing preferences or priorities of Obligations over any other Obligations or create any new preferences or priorities adverse to the existing Owners.

A copy of such proposed Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed or otherwise delivered by the Trustee, at the expense of the Authority, to the Owners (but failure to mail or otherwise deliver such copy and request shall not affect the validity of the Supplemental Indenture when consented to as provided in Section 704 of the Master Indenture). Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee the written consents of Owners of the percentage of Outstanding Bonds specified in Section 704 of the Master Indenture.

Each such consent shall be effective only if accompanied by proof of the ownership at the date of such consent of the Obligations with respect to which such consent is given, which proof, in the case of Bonds, shall be such as is permitted by Section 1102 of the Master Indenture. A certificate or certificates filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 1102 of the Master Indenture shall be conclusive that the consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Owner of the Obligations giving such consent and, anything in the Master Indenture to the contrary notwithstanding, upon any subsequent Owner of such Obligations and of any Obligations issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Owner of such Obligations giving such consent or a subsequent owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided for below is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Owner filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Owners of the required percentage of Obligations shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Authority a written statement that the Owners of such required percentage of Obligations have filed such consents. Such written statement shall be conclusive that such consents have been so filed. If the Owners of required percentage of the Obligations shall have consented to and approved the execution thereof as provided in the Master Indenture, no Owner shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of Section 704 of the Master Indenture, the Master Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Master Indenture of the Authority, the Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects under the provisions of the Master Indenture as so modified and amended.

Mailing of Notices. Any provision in Article VII of the Master Indenture for the mailing of a notice or other document to Owners of Obligations shall be fully complied with if it is mailed postage prepaid only to each registered owner of Obligations then Outstanding at his address, if any, appearing upon the registration records kept by the Trustee, and to the Trustee.

Modifications by Unanimous Action. Notwithstanding anything contained in the foregoing provisions of Article VII of the Master Indenture, the rights and obligations of the Authority and of the Owners of the Obligations and the terms and provisions of the Obligations or of the Master Indenture may be modified or amended in any respect upon the execution and delivery of a Supplemental Indenture and the consent of the Owners of all of the Obligations then Outstanding affected by such modification or amendment, such consent to be given as provided in Section 704 of the Master Indenture, upon the Trustee's receipt of an opinion of Bond Counsel that such modification or amendment will not adversely affect the exclusion from gross income of interest on Bonds the interest on which is intended to be excluded from the gross income of the owners thereof for federal income tax purposes; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto in addition to the consent of the Authority and of the Owners.

Exclusion of Bonds. Bonds, if any, owned or held by or for the account of the Authority, the Commission or the Department shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Master Indenture, and neither the Authority, the Commission nor the Department shall be entitled with respect to such Bonds to give any consent or take any other action provided for in the Master Indenture. At the time of any consent or other action taken under the Master Indenture, the Authority shall furnish the Trustee an Authority Certificate, upon which the Trustee may rely, describing all Bonds so to be excluded.

Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article VII of the Master Indenture provided may, and if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of such Bond for such purpose at the office of the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority conform to such action shall be prepared and delivered, and upon demand of the Owner of any such Bond then Outstanding shall be exchanged, without cost to such Owner, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

Qualified Counterparty Consent. Notwithstanding anything to the contrary in the Master Indenture, no amendment, supplement or modification to the Master Indenture that adversely affects any Qualified Counterparty shall be effective without the prior written consent of such Qualified Counterparty.

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APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic descriptions are furnished for information only. The Series 2022A Bonds do not constitute a general obligation of the State and are special limited obligations of the Finance Authority payable solely from the Trust Estate. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2022A Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State. For a discussion of the COVID-19 pandemic and its potential impact on the State, see "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS Impact of COVID-19."

The information presented in this Appendix C relates to certain economic and demographic information relating to the State. Such information is for informational purposes and is presented to provide readers a sense of the economic and demographic composition of the State. Such information is available from the sources listed in the tables and is believed to be reliable. However, the Finance Authority has not verified and does not guarantee the accuracy of any such information.

Generally

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state, containing approximately 121,593 square miles. The population of the State as of April 1, 2020 was 2,117,522 according to the U.S. 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 60 percent (mornings) to 30 percent (afternoons). 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 with the advice and consent of the Senate, and approximately 9 cabinet-level agencies. Elections for all executive branch statewide offices were held on November 6, 2018.

The State Board of Finance ("State Board") 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 Department of Finance and Administration (the "DFA") Secretary serves as the Executive Officer of the State Board and is a non-voting member. The State 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 State 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 State Board's staff are a division of the DFA. The Director of the State Board is appointed by the Secretary with the approval of the members of the State Board.

The State 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 State Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to 60 calendar days in odd-numbered years and 30 calendar days in even-numbered years. Special sessions of the State Legislature may be convened by the Governor. Extraordinary sessions may be convened by the State 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 of record with general jurisdiction.

Economic and Demographic Characteristics

As of 2020, New Mexico was the 36th largest state by population and the fifth largest in land area. The population of the State as of April 1, 2020 was 2,117,522 according to the U.S. Census Bureau.

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 fastest growing counties in the State are Los Alamos, Eddy, Sandoval, Doña Ana, Valencia and Otero. The following table sets forth information on population growth in New Mexico and nationally.

RESIDENT POPULATION
NEW MEXICO AND THE UNITED STATES
2012-2021

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
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%	0.6%
2019	2,096,829	328,239,523	0.2%	0.5%
2020 (Census)	2,117,522	331,449,281	1.0%	1.0%
2021[(1)]	2,115,877	331,893,745	(0.1%)	0.1%

[(1)] Estimate as of July 1, 2021.
(Source: U.S. Census Bureau, Population Division. Last revised December 2021.)

Major industries in the State include oil and natural gas production, manufacturing, service, tourism, services, arts and crafts, agribusiness, government and mining. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The following table sets forth information on employment by industry over the period of 2011 through 2020.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Growth 2019-2020	Growth 2011-2020
Total employment	1,064,267	1,067,211	1,075,465	1,083,772	1,092,255	1,092,519	1,095,282	1,110,508	1,116,960	1,054,758	(5.6)%	(0.1)%
Wage and salary employment	836,180	839,254	846,495	852,638	860,270	861,156	862,493	875,806	890,656	834,033	(6.4)%	0.0%
Proprietors employment	228,087	227,957	228,970	231,134	231,985	231,363	232,789	234,702	226,304	220,725	(2.5)%	(0.4)%
Farm proprietors employment	20,715	21,328	21,547	21,557	21,542	21,476	21,410	21,121	21,206	21,195	(0.1)%	0.3%
Nonfarm proprietors employment	207,372	206,629	207,423	209,577	210,443	209,887	211,379	213,581	205,098	199,530	(2.7)%	(0.4)%
Farm employment	27,322	28,262	29,208	28,346	29,003	29,826	28,930	28,565	28,135	28,428	4.4%	1.0%
Nonfarm employment	1,036,945	1,038,949	1,046,257	1,055,426	1,063,252	1,062,693	1,066,352	1,081,943	1,088,825	1,026,330	(6.4)%	0.0%
Private nonfarm employment	823,130	827,038	835,402	845,767	854,472	854,231	860,322	875,752	880,973	824,666	(7.5)%	0.2%
Forestry, fishing, and related activities[1]	5,221	5,133	5,235	5,674	5,557	5,820	5,990	6,013	5,954	5,618	(5.8)%	1.4%
Mining[2]	28,340	34,212	36,857	38,214	36,662	31,814	31,207	31,920	31,994	25,659	(23.1)%	(0.7)%
Utilities	4,540	4,570	4,652	4,591	4,683	4,899	4,622	4,573	4,499	4,443	(1.5)%	(0.6)%
Construction[3]	59,142	57,947	59,142	59,584	59,707	60,008	62,068	64,919	67,891	65,623	(3.4)%	1.5%
Manufacturing	35,740	35,749	35,463	34,027	34,157	33,186	32,562	33,358	34,086	32,764	(4.6)%	(0.9)%
Durable goods manufacturing[4]	23,696	23,201	22,549	21,238	21,189	20,016	19,250	19,450	19,538	18,645	(5.5)%	(2.8)%
Nondurable goods manufacturing[5]	12,044	12,548	12,914	12,789	12,968	13,170	13,312	13,908	14,548	14,119	(3.5)%	2.1%
Wholesale trade	26,490	26,475	26,688	28,854	28,503	25,372	24,990	24,887	24,986	23,765	(5.7)%	(0.5)%
Retail trade[6]	111,426	111,840	112,726	113,924	114,887	113,633	111,459	110,697	108,106	104,321	(3.7)%	(0.5)%
Transportation and warehousing[7]	24,330	25,379	25,502	25,905	27,244	26,672	28,059	30,844	32,232	31,282	(2.8)%	1.5%
Information[8]	16,501	16,473	16,059	15,725	15,587	16,001	15,492	15,096	13,999	11,819	(18.7)%	(4.3)%
Finance and insurance[9]	35,798	35,347	35,010	34,781	34,462	35,685	35,674	36,930	35,902	35,822	(1.6)%	1.1%
Real estate and rental and leasing[10]	39,637	38,191	38,414	39,111	39,656	39,859	40,496	41,445	39,206	39,031	(6.4)%	0.5%
Professional, scientific and technical services	77,519	76,128	75,919	76,116	77,542	77,751	79,918	81,686	83,459	83,829	0.4%	1.3%
Management of companies and enterprises	5,485	5,435	5,502	5,632	5,876	6,336	6,144	6,631	6,711	6,458	(4.4)%	1.0%
Administrative and support and waste management and remediation services[11]	54,698	53,429	54,597	54,370	52,994	53,889	56,398	57,322	59,412	54,993	(8.5)%	0.0%
Educational services	16,277	16,152	16,426	16,709	16,960	17,017	16,807	16,609	17,231	16,168	(10.1)%	(1.9)%
Health care and social assistance[12]	121,582	123,225	123,737	124,796	129,721	134,263	134,788	135,924	136,922	134,208	(2.4)%	1.4%
Arts, entertainment and recreation[13]	23,132	23,714	23,734	24,227	24,245	24,150	25,155	25,482	25,875	19,415	(34.6)%	(1.9)%
Accommodation and food services[14]	82,292	83,194	85,494	88,297	90,193	92,523	93,513	94,736	95,992	78,018	(19.3)%	(0.6)%
Other services, except government and government enterprises[15]	54,980	54,445	54,245	55,230	55,836	55,353	54,980	56,680	56,516	51,430	(11.1)%	(1.3)%
Government and government enterprises[16]	213,815	211,911	210,855	209,659	208,780	208,462	206,030	206,191	207,852	201,664	(0.3)%	(0.6)%

(1) The "Forestry, fishing, and related activities" category includes: forestry and logging; fishing, hunting and trapping; support activities for agriculture and forestry.
(2) The "Mining" category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.
(3) The "Construction" category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.
(4) 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.
(5) 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.
(6) 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.
(7) 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.
(8) 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.
(9) 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.
(10) The "Real estate and rental and leasing" category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets, except copyrighted works.
(11) The "Administrative and support and waste management and remediation services" category includes: administrative and support services; and waste management and remediation services.
(12) The "Health care and social assistance" category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.
(13) 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.
(14) The "Accommodation and food services" category includes: accommodation; and food services and drinking places.
(15) The "Other services, except government and government enterprises" category includes: repair and maintenance; personal and laundry services; religious, grantmaking, civic, professional and similar organizations; and employment in private households.
(16) The "Government and government enterprises" category includes: federal civilian; military; and state government and local government.

(Source: Regional Economic Information System, Bureau of Economic Analysis. Last updated September 23, 2021, including new estimates for 2020 and revised estimates for 2016-2019.)

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

EMPLOYMENT AND LABOR FORCE
NEW MEXICO AND THE UNITED STATES
2011-2020

	Civilian Labor Force (Thousands)		Number of Employed (Thousands)		Unemployment Rate		
Year	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	New Mexico	United States	N.M. as % of U.S. Rate
2011	925	153,617	858	139,869	7.2%	8.9%	81%
2012	929	154,975	864	142,469	7.0%	8.1%	86%
2013	929	155,389	865	143,929	6.9%	7.4%	93%
2014	932	155,922	871	146,305	6.6%	6.2%	106%
2015	938	157,130	876	148,834	6.6%	5.3%	125%
2016	944	159,187	881	151,436	6.7%	4.9%	137%
2017	946	160,320	889	153,337	6.1%	4.4%	139%
2018	948	162,075	901	155,761	4.9%	3.9%	126%
2019	960	163,539	912	157,538	5.0%	3.7%	135%
2020	943	160,742	864	147,795	8.4%[2]	8.1%	104%

(1) Figures rounded to nearest thousand.
(2) Unemployment Rate in New Mexico was 8.3% as of March 31, 2021 according to the U.S. Bureau of Labor Statistics on June 2, 2021.
(Source: U.S. Bureau of Labor Statistics. Last updated: January 22, 2021 for national data and April 12, 2021 for state data.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2011-2020

	Personal Income (Thousands)[1]		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2011	$72,967,700	$13,330,436,000	4.8%	5.9%
2012	74,725,400	14,003,346,000	2.4%	5.0%
2013	73,561,800	14,189,228,000	(1.6%)	1.3%
2014	77,975,100	14,969,527,000	6.0%	5.5%
2015	79,864,300	15,681,233,000	2.4%	4.8%
2016	81,414,100	16,092,713,000	1.9%	2.6%
2017	82,859,900	16,845,028,000	1.8%	4.7%
2018	86,531,900	17,681,159,000	4.4%	5.0%
2019	90,539,200	18,402,004,000	4.6%	4.1%
2020	97,603,500	19,607,447,000	7.8%	6.6%

(1) Figures rounded to the nearest hundred thousand.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last updated: September 23, 2021, including new statistics for 2020 and revised statistics for 2011-2020.)

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PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2011-2020

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	New Mexico	United States
2011	$35,069	$42,783	81.9%	4.0%	5.1%
2012	35,793	44,614	80.2%	2.1%	4.3%
2013	35,149	44,894	78.3%	(1.8)%	0.6%
2014	37,304	47,017	79.3%	6.1%	4.7%
2015	38,211	48,891	78.2%	2.4%	4.0%
2016	38,907	49,812	78.1%	1.8%	1.9%
2017	39,592	51,811	76.4%	1.8%	4.0%
2018	41,329	54,098	76.4%	4.4%	4.4%
2019	43,121	56,047	76.9%	4.3%	3.6%
2020	46,338	59,510	77.9%	7.5%	6.2%

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last updated: September 23, 2021, including new statistics for 2020 and revised statistics for 2011-2020.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
2011-2020

	New Mexico (Thousands of Dollars)(1)(2)		United States (Thousands of Dollars)(1)(2)		Cumulative Percent Change 2011-2020		Distribution of 2020 Wages & Salaries	
	2011	2020	2011	2020	N.M.	U.S.	N.M.	U.S.
Total Wages and Salary	$34,175,198	$42,890,934	$6,615,753,000	$9,425,703,000	25.50%	42.47%	100.00%	100.00%
Farm Wages and Salary	219,057	257,967	19,323,000	23,094,000	17.76%	19.52%	0.60%	0.25%
Non-farm Wages and Salary	33,956,141	42,632,967	6,596,430,000	9,402,609,000	25.55%	42.54%	99.40%	99.75%
Private Non-farm Wages and Salary	24,493,995	31,362,506	5,419,826,000	7,934,425,000	28.04%	46.40%	73.12%	84.18%
Forestry, Fishing, and Related Activities	63,384	113,782	14,014,000	22,779,000	79.51%	62.54%	0.27%	0.24%
Mining, Quarrying, and Oil and Gas Extraction	1,533,687	1,674,472	69,412,000	60,077,000	9.18%	-13.45%	3.90%	0.64%
Utilities	323,404	383,541	51,034,000	65,385,000	18.60%	28.12%	0.89%	0.69%
Construction	1,817,123	2,705,596	289,183,000	503,584,000	48.89%	74.14%	6.31%	5.34%
Manufacturing	1,630,439	1,650,892	705,855,000	904,443,000	1.25%	28.13%	3.85%	9.60%
Durable Goods Manufacturing	1,195,652	1,029,344	466,022,000	596,904,000	-13.91%	28.08%	2.40%	6.33%
Nondurable Goods Manufacturing	434,787	621,548	239,833,000	307,539,000	42.95%	28.23%	1.45%	3.26%
Wholesale Trade	1,068,598	1,265,102	373,991,000	483,345,000	18.39%	29.24%	2.95%	5.13%
Retail Trade	2,402,502	2,862,623	410,896,000	559,902,000	19.15%	36.26%	6.67%	5.94%
Transportation and Warehousing	887,432	1,214,599	207,371,000	334,602,000	36.87%	61.35%	2.83%	3.55%
Information	618,504	590,019	213,789,000	374,315,000	-4.61%	75.09%	1.38%	3.97%
Finance and Insurance	1,216,294	1,750,949	513,241,000	788,239,000	43.96%	53.58%	4.08%	8.36%
Real Estate and Rental and Leasing	356,469	470,307	91,951,000	147,954,000	31.93%	60.91%	1.10%	1.57%
Professional, Scientific, and Technical Services	3,841,123	5,427,878	626,320,000	1,031,308,000	41.31%	64.66%	12.66%	10.94%
Management of Companies and Enterprises	321,769	478,132	201,300,000	312,337,000	48.59%	55.16%	1.11%	3.31%
Administrative and Support and Waste Management and Remediation Services	1,448,583	1,824,637	270,615,000	409,719,000	25.96%	51.40%	4.25%	4.35%
Educational Services	327,027	373,027	124,322,000	173,157,000	14.07%	39.28%	0.87%	1.84%
Health Care and Social Assistance	4,123,208	5,554,777	754,988,000	1,109,613,000	34.72%	46.97%	12.95%	11.77%
Arts, Entertainment, and Recreation	186,615	231,496	69,970,000	86,975,000	24.05%	24.30%	0.54%	0.92%
Accommodations and Food Services	1,329,980	1,533,953	226,115,000	280,110,000	15.34%	23.88%	3.58%	2.97%
Other Services (except Government and Government Enterprises)	997,854	1,256,724	205,459,000	286,581,000	25.94%	39.48%	2.93%	3.04%
Government and Government Enterprises	9,462,146	11,270,461	1,176,604,000	1,468,184,000	19.11%	24.78%	26.28%	15.58%
Federal, Civilian	2,245,135	2,440,205	214,445,000	256,528,000	8.69%	19.62%	5.69%	2.72%
Military	883,442	1,061,615	98,978,000	98,966,000	20.17%	-0.01%	2.48%	1.05%
State and Local	6,333,569	7,768,641	863,181,000	1,112,690,000	22.66%	28.91%	18.11%	11.80%

(1) The estimates of wage and salary disbursements for 2011 are based on the 2012 North American Industry Classification System ("NAICS"). The estimates for 2011-2016 are based on the 2012 NAICS. The estimates for 2017 forward 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 updated: September 23, 2021, including new statistics for 2020.)

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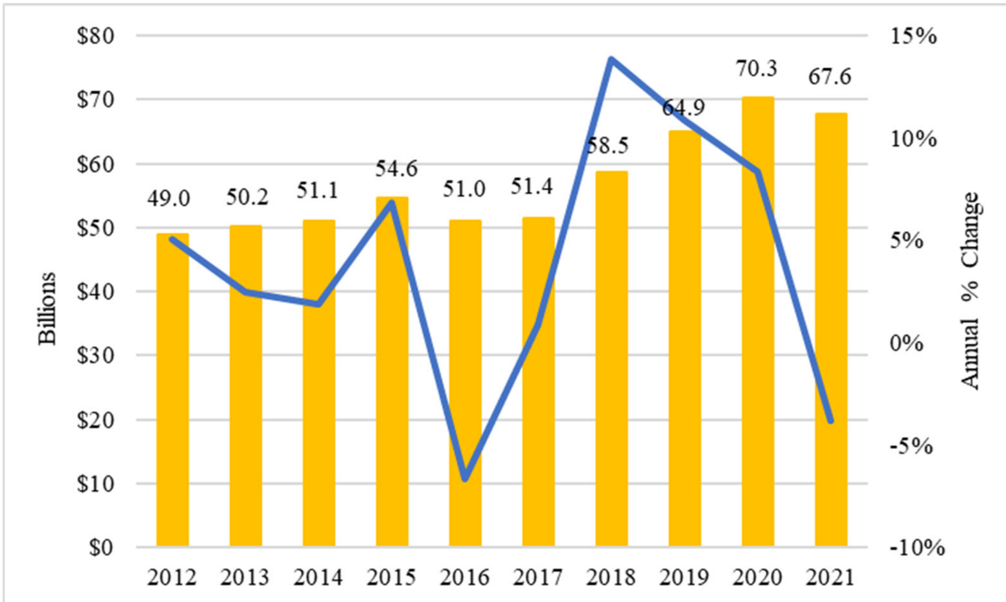
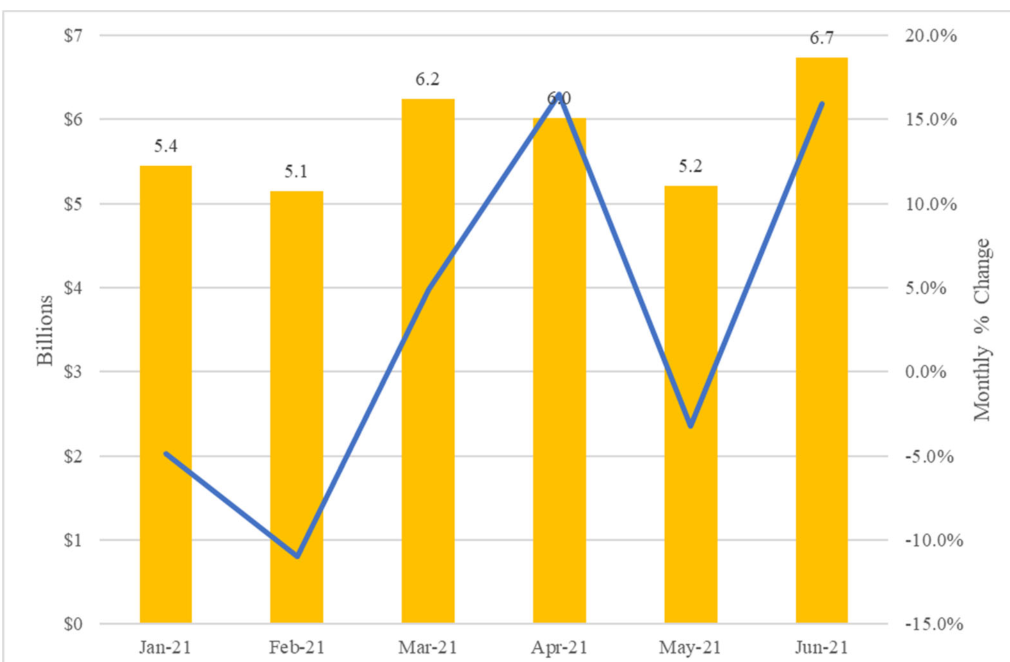
ANNUAL GROSS RECEIPTS TAX RECEIPTS
OF STATE GENERAL REVENUE FUND
STATE FISCAL YEAR 2012-2021[(1)]



(1) Source: New Mexico Taxation and Revenue Department

MONTHLY GROSS RECEIPTS TAX RECEIPTS
OF STATE GENERAL REVENUE FUND
JANUARY 2021-JUNE 2021[(1)]



(1) Source: New Mexico Taxation and Revenue Department

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2022A Bonds, Rodey, Dickason, Sloan, Akin & Robb, PA, Bond Counsel to the Finance Authority, proposes to issue its opinion in substantially the following form:

April 28, 2022

New Mexico Finance Authority
Santa Fe, New Mexico

Ladies and Gentlemen:

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the New Mexico Finance Authority (the "Finance Authority") of its $47,240,000 State Transportation Refunding Revenue Bonds (State Transportation Commission – Senior Lien), Series 2022A (the "Series 2022A Bonds"). The Series 2022A Bonds are being issued at the direction of the New Mexico State Transportation Commission (the "Commission") for the purposes of providing funds to refund certain of the Finance Authority's State Transportation Refunding Revenue Bonds (State Transportation Commission–Senior Lien), Series 2012 (the "Refunded Bonds") and to pay costs of issuing the Series 2022A Bonds.

The Finance Authority is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, NMSA 1978, Sections 6-21-1 to-31 (1992, as amended through 2021), as amended and supplemented (the "Finance Authority Act"). The Series 2022A Bonds are being issued pursuant to a resolution of the Commission adopted on March 24, 2022, New Mexico Laws of 2003 (1st Special Session), Chapter 3, Sections 27 and 28, New Mexico Laws of 2020 (1st Special Session), Chapter 3, Section 8, and New Mexico Laws of 2021, Chapter 43, Section 5 (collectively the "Transportation Financing Legislation"), the Finance Authority Act, a resolution adopted by the Finance Authority on March 24, 2022 (the "Resolution"), the Master Indenture of Trust dated as of May 1, 2004, as heretofore amended and supplemented (the "Master Indenture"), between the Finance Authority and BOKF, NA, as successor trustee (the "Trustee") and the Twenty-Fifth Series Indenture of Trust dated as of April 1, 2022 (the "Twenty-Fifth Series Indenture" and collectively with the Master Indenture, the "Indenture") between the Finance Authority and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have examined the provisions of the Finance Authority Act, the Transportation Financing Legislation, the Resolution, the Indenture, and an executed Bond of the first maturity of the Series 2022A Bonds. We have also made such further inquiries and investigations and have examined such further documents and matters as we have considered necessary in rendering this opinion. Regarding questions of fact material to our opinion, we have relied on the representations of the Finance Authority contained in the Resolutions, and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Finance Authority is a public body politic and corporate, separate and apart from the State of New Mexico, constituting a governmental instrumentality, duly organized and validly existing under the laws of the State of New Mexico (the "State") and has lawful authority to issue the Series 2022A Bonds.

2. The Resolution has been duly adopted by the Finance Authority, is a valid and binding obligation of the Finance Authority and creates a valid lien on and pledge of the Pledged Revenues for the payment of principal of and interest on the Series 2022A Bonds.

3. The Indenture has been duly authorized, executed and delivered by the Finance Authority, is valid and binding upon the Finance Authority and creates a valid lien on the Pledged Revenues and the funds and accounts held by the Trustee and pledged under the Indenture to secure the payment of the principal of and interest on the Series 2022A Bonds on a parity with other Senior Lien Bonds, and superior to Subordinate Lien Obligations, issued

or to be issued under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Series 2022A Bonds have been duly and validly authorized, are issued in accordance with law and the Indenture and constitute valid and binding special limited obligations of the Finance Authority, payable solely from the Pledged Revenues, the funds and accounts held by the Trustee and pledged under the Indenture, and do not constitute a debt or liability of the State or any subdivision thereof within the meaning of any constitutional or statutory debt limitation.

5. Assuming the accuracy of the certifications of the Finance Authority and the Department and the continuing compliance by the Finance Authority and the Department with the requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), interest on the Series 2022A Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2022A Bonds. Interest on the Series 2022A Bonds is not an item of tax preference for purposes of individual federal alternative minimum tax.

Original issue premium on a Bond issued at an issue price that exceeds its principal amount is amortizable periodically over the term of a Bond through reductions in the holder's tax basis for the Bonds for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium does not create a deductible expense or loss.

6. Under the laws of the State of New Mexico as currently enacted and construed, interest on the Series 2022A Bonds is excludable from net income of the owners thereof for State of New Mexico income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights and obligations under the Series 2022A Bonds, the Resolution and the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the Finance Authority;

(b) we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2022A Bonds and express herein no opinion relating thereto;

(c) our opinion represents our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result;

(d) our opinion is limited to the matters expressly set forth herein and we express no opinion concerning any other matters;

(e) our opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur;

(f) 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 2022A Bonds; and

(g) 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 2022A Bonds; and 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.

Very truly yours,

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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

DTC, New York, New York, will act as securities depository for the Series 2022A Bonds. The Series 2022A 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 Bond certificate will be issued for each maturity of the Series 2022A Bonds, each in the aggregate principal amount of such maturity, and will be 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 and 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 Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2022A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022A 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 Series 2022A 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 Series 2022A Bonds, except in the event that use of the book-entry system for the Series 2022A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022A 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 Series 2022A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account 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.

Redemption notices will be sent to DTC. If less than all of the Series 2022A Bonds 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 such other DTC nominee) will consent or vote with respect to the Series 2022A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent 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 Series 2022A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2022A Bonds will 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 Finance Authority or the Paying Agent on the 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 Trustee, the Paying Agent or the Finance Authority, 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 nominee as may be requested by an authorized representative of DTC) is the responsibility of the Finance Authority or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

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 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 Finance Authority does not have responsibility for distributing such notices to the Beneficial Owners.

The Finance Authority 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 Series 2022A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2022A 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 Series 2022A Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 2022A Bonds at any time by giving reasonable notice to the Finance Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Finance Authority 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.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$47,240,000
New Mexico Finance Authority
State Transportation Refunding Revenue Bonds
(State Transportation Commission – Senior Lien)
Series 2022A

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "Undertaking") is executed and delivered by the NEW MEXICO FINANCE AUTHORITY (the "Authority"), and the NEW MEXICO DEPARTMENT OF TRANSPORTATION (the "Department") (each a "Party," together the "Parties") in connection with the issuance of $47,240,000 of the Authority's State Transportation Refunding Revenue Bonds (State Transportation Commission – Senior Lien), Series 2022A (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture of Trust dated as of May 1, 2004, as heretofore amended and supplemented (the "Master Indenture"), between the Authority and BOKF, NA, as successor trustee (the "Trustee"), as supplemented by a Twenty-Fifth Series Indenture of Trust dated as of April 1, 2022 (together with the Master Indenture, the "Indenture") between the Authority and the Trustee.

The Authority and the Department each covenant and agree as follows:

Section 1. Purpose of the Undertaking. This Undertaking is being executed and delivered by the Authority and the Department for the benefit of the Bondowners.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP") as in effect from time to time, for governmental units as prescribed by the Governmental Accounting Standards Board) or operating data with respect to the Department and the Pledged Revenues, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data set forth in the tables under the captions "PLEDGED REVENUES" and "STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates," but excluding financial information and operating data set forth under the subcaption "SPECIAL FACTORS RELATING TO THE SERIES 2022A BONDS – Impact of COVID-19."

"Audited Financial Statements" means the annual financial statements for the Department prepared in accordance with GAAP as in effect from time to time, audited by such auditor as may then be required or permitted by the laws of the State of New Mexico.

"Bondowner" or "owner of the Bonds" means the registered owner of the Bonds, and so long as the Bonds are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

"Business Day" means any day, other than a day on which banks located in New York, New York or the city in which the principal office of the Trustee is located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"Dissemination Agent Agreement" shall mean the Disclosure Dissemination Agent Agreement, dated as of April 28, 2022, between the Authority and Digital Assurance Certification, L.L.C., or any similar agreement with a successor Dissemination Agent.

"Event" means any of the events listed in Section 4(a) or Section 4(b) of this Undertaking.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of any such debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12. The Authority intends the words used in this definition to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. The current address of the MSRB is 1300 I Street, NW, Suite 1000, Washington DC 20005-3314; Telephone (202) 838-1500; Fax (202) 898-1500.

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Bonds.

"Participating Underwriters" means RBC Capital Markets, LLC, J.P. Morgan Securities LLC, and BofA Securities, Inc.

"Report Date" means March 31 of each year, beginning in 2023, or if March 31 is not a Business Day, the first Business Day after March 31.

"Rule 15c2-12" means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

Section 3. Provision of Annual Information.

(a) On or before the first Report Date and on each Report Date annually thereafter while the Bonds remain outstanding, the Department shall provide to the Authority, and the Authority shall in turn provide or, pursuant to a Dissemination Agent Agreement, shall cause the Dissemination Agent to provide, to the MSRB in an electronic format prescribed by the MSRB, the Annual Financial Information.

(b) If not provided as a part of the Annual Financial Information, the Department shall provide to the Authority, and the Authority shall in turn provide or, pursuant to a Dissemination Agent Agreement, shall cause the Dissemination Agent to provide, to the MSRB in an electronic format, the Audited Financial Statements. If the Audited Financial Statements are not available by the time specified in Section 3(a) above, unaudited financial statements of the Department will be provided as part of the Annual Financial Information and Audited Financial Statements will be provided when and if available.

(c) The Department may provide to the Authority and the Authority in turn may provide or, pursuant to a Dissemination Agent Agreement, may cause the Dissemination Agent to provide, to the MSRB in an electronic format, the Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents which have been made available to the public at the MSRB's internet website or filed with the SEC; provided however, that if the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by cross-reference

Section 4. Reporting of Events.

(a) Pursuant to the provisions of this Section 4, the Authority shall give, or cause the Dissemination Agent to give, to the MSRB in an electronic format in the manner prescribed by the MSRB, notice of the occurrence of any of the following Events with respect to the Bonds in a timely manner but in no event more than ten (10) Business Days after the occurrence of the Event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) 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.

(vi) Defeasances.

(vii) Tender offers.

(viii) Bankruptcy, insolvency, receivership or similar proceedings.

(ix) Rating changes.

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority or the Department, any of which events in this clause (x) reflect financial difficulties.

(b) Pursuant to the provisions of this Section 4, the Authority shall give, or cause the Dissemination Agent to give, to the MSRB in an electronic format in the manner prescribed by the MSRB, notice of the occurrence of any of the following Events with respect to the Bonds, if material, in a timely manner but in no event more than ten (10) Business Days after the occurrence of the Event:

(i) The consummation of a merger, consolidation, or acquisition involving the Authority or the Department or the sale of all or substantially all of the assets of the Authority or the Department, 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.

(ii) Appointment of a successor or additional trustee or the change of the name of a trustee.

(iii) Non-payment related defaults.

(iv) Modifications to the rights of the owners of the Bonds.

(v) Bond calls.

(vi) Release, substitution or sale of property securing repayment of the Bonds.

(vii) Incurrence of a Financial Obligation of the Authority or the Department, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority or the Department, any of which affect security holders.

(c) At any time the Bonds are outstanding, the Authority shall provide, or cause the Dissemination Agent to provide, in a timely manner, to the MSRB in an electronic format, notice of: (i) any failure of the Department or the Authority to timely provide the Annual Financial Information as specified in Section 3 hereof; and (ii) amendment of this Undertaking. The Department shall provide to the Authority and the Authority will, in turn, provide or cause the Dissemination Agent to provide in a timely manner to the MSRB in an electronic format notice of any change in the Department's fiscal year end.

Section 5. Term. This Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the date all principal and interest on the Bonds shall have been deemed paid pursuant to the terms of the Indenture.

Section 6. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the Authority, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Authority shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the Authority) shall not be responsible in any manner for the content of any notice or report required to be delivered by the Authority pursuant to this Undertaking.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Undertaking, the Authority and the Department may amend this Undertaking, and any provision of this Undertaking may be waived, if (a) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the Authority or the Department and (b) the amendment or waiver does not materially impair the interests of the owners of the Bonds. Written notice of any such amendment or waiver shall be provided by the Authority to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment or waiver and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information 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.

Section 8. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Authority or the Department from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Undertaking; provided that the Authority and the Department shall not be required to do so. If the Authority and the Department choose to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Undertaking, the Authority and the Department shall have no obligation under this Undertaking to update such information or include it in any future annual filing or notice of occurrence of an Event.

Section 9. Default and Enforcement. If either the Authority or the Department fails to comply with any provision of this Undertaking, the Dissemination Agent may (and, at the request of the owners of at least twenty-five percent (25%) of aggregate principal amount of the Bonds then outstanding, shall), or any Bondowner may take action to, seek specific performance by court order to compel the non-complying Party to comply with its undertaking in this Undertaking; provided that any Bondowner seeking to require the Party to so comply shall first provide at least 30 days' prior written notice to the Party of the Party's failure (giving reasonable details of such failure), following which notice the Party shall have 30 days to comply and, provided further, that only the owners of no less than a majority in aggregate principal amount of the Bonds may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the Party in accordance with this Undertaking, alter notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State of New Mexico. A DEFAULT UNDER THIS UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE BONDS, AND THE SOLE REMEDY UNDER THIS UNDERTAKING IN THE EVENT OF ANY FAILURE OF A PARTY TO COMPLY WITH THIS UNDERTAKING SHALL BE AN ACTION TO COMPEL PERFORMANCE.

Section 10. Beneficiaries. The Undertaking shall inure solely to the benefit of the Authority, the Department, the Participating Underwriters and owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Section 11. Execution. This Undertaking may be executed in multiple counterparts, all of which taken together will constitute one and the same instrument. Delivery of a copy of this Undertaking bearing an original signature by facsimile transmission, by electronic mail in “pdf” form or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by a combination of such means, shall have the same effect as physical delivery of the paper document bearing the original signature. “Originally signed” or “original signature” means or refers to a signature that has not been mechanically or electronically reproduced.

Date: April 28, 2022.

NEW MEXICO FINANCE AUTHORITY

By:____________________________________
Katherine Miller, Chair

By:____________________________________
Vice Chair or Designee

Approved for Execution by
Officers of the New Mexico Finance Authority

ORRICK, HERRINGTON & SUTCLIFFE LLP

By:____________________________________
Jerry V. Kyle, Jr., as Disclosure Counsel

NEW MEXICO DEPARTMENT OF
TRANSPORTATION

By:____________________________________
Michael R. Sandoval, Cabinet Secretary

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NEW MEXICO FINANCE AUTHORITY • STATE TRANSPORTATION REFUNDING REVENUE BONDS (STATE TRANSPORTATION COMMISSION – SENIOR LIEN), SERIES 2022A

NEW MEXICO FINANCEAUTHORITY

New Mexico DEPARTMENT OF TRANSPORTATION

MOBILITY FOR EVERYONE