

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 2024A Bonds is excludable from gross income for purposes of federal income tax. Interest on the Series 2024A 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 2024A Bonds is excludable from net income of the owners thereof for State of New Mexico income tax purposes. See “TAX MATTERS” herein.



\$117,485,000

**NEW MEXICO FINANCE AUTHORITY
STATE TRANSPORTATION REFUNDING REVENUE BONDS
(STATE TRANSPORTATION COMMISSION – SENIOR LIEN), SERIES 2024A**

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 2024A (the “Series 2024A Bonds”) are being issued as fully registered bonds. Purchases of beneficial ownership interests in the Series 2024A 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 2024A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2024A Bonds will be registered in the name of Cede & Co. Individual purchases of the Series 2024A Bonds will be made in book-entry form only, and Beneficial Owners of the Series 2024A 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 2024A Bonds. See “THE SERIES 2024A BONDS.”

The Series 2024A 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 2024A 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 2024A Bonds. See “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Interest on the Series 2024A Bonds is payable on December 15, 2024, and semiannually thereafter on each June 15 and December 15, until maturity. Principal of the Series 2024A 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 2024A Bonds are not subject to redemption prior to maturity. See “THE SERIES 2024A BONDS—No Redemption.”

*The Series 2024A 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 “PLEGGED REVENUES”. The Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A BONDS.”***

Certain legal matters, including with respect to the tax status of the interest paid on the Series 2024A 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 2024A Bonds. It is expected that a single certificate for each maturity of the Series 2024A Bonds will be delivered to DTC or its agent on or about July 2, 2024 (the “Closing Date”).

This Official Statement is dated June 11, 2024, and the information contained herein speaks only as of that date.

J.P. MORGAN

Morgan Stanley

Wells Fargo Securities

\$117,485,000
NEW MEXICO FINANCE AUTHORITY
STATE TRANSPORTATION REFUNDING REVENUE BONDS
(STATE TRANSPORTATION COMMISSION – SENIOR LIEN), SERIES 2024A

MATURITY SCHEDULE

\$117,485,000 Serial Bonds

Year (<u>June 15</u>)	Principal <u>Amount</u>	Interest <u>Rate</u>	Initial <u>Yield</u>	CUSIP <u>Number</u> [†]
2025	\$ 8,075,000	5.000%	3.310%	64711RMU7
2026	8,290,000	5.000%	3.290%	64711RMV5
2027	70,200,000	5.000%	3.210%	64711RMW3
2028	7,020,000	5.000%	3.140%	64711RMX1
2029	7,480,000	5.000%	3.130%	64711RMY9
2030	7,955,000	5.000%	3.120%	64711RMZ6
2031	8,465,000	5.000%	3.110%	64711RNA0

(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 2024A Bonds. None of the Finance Authority, the Commission, the Department, the Trustee, the Underwriters or their agents or counsel are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2024A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024A 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, salesperson 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 2024A 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 2024A 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 2024A Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2024A 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 2024A 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 2024A 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 2024A 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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(505) 984-1454

Members

Kathleen Keith, Chair
Martin Suazo, Vice Chair
A.J. Forte, Secretary
Teresa Costantinidis
Joy Esparsen
Melanie A. Kenderdine
James Kenney
Wayne Propst
Mark Roper
Andrew Burke
Ronald J. Lovato

**STATE TRANSPORTATION COMMISSION
OF THE STATE OF NEW MEXICO**

1120 Cerrillos Road
Santa Fe, New Mexico 87505
(505) 827-5100

Commission Members

Walter G. Adams, Chair
Hilma E. Chynoweth, Vice Chair
Charles Lundstrom, Secretary⁽¹⁾
Chandelle Sisneros⁽¹⁾
Gary Tonjes⁽¹⁾
Thomas C. Taylor

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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

⁽¹⁾ Indicates commissioners who are designees to their respective positions, each appointed by the Governor of the State and awaiting confirmation by the New Mexico State Senate during the 2025 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

\$117,485,000

**NEW MEXICO FINANCE AUTHORITY
STATE TRANSPORTATION REFUNDING REVENUE BONDS
(STATE TRANSPORTATION COMMISSION – SENIOR LIEN), SERIES 2024A**

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 \$117,485,000 aggregate principal amount of State Transportation Refunding Revenue Bonds (State Transportation Commission – Senior Lien), Series 2024A (the “Series 2024A 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-Sixth Series Indenture of Trust dated as of July 1, 2024 (the “Twenty-Sixth 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-Sixth Series Indenture are collectively referred to herein as the “Indenture.” See “EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE” in APPENDIX B.

The Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds

Proceeds from the sale of the Series 2024A Bonds will be used for the purposes of (i) providing funds to refund certain maturities of the Finance Authority's outstanding (a) State Transportation Revenue Bonds (State Transportation Commission—Subordinate Lien) Series 2014A (the "Series 2014A Bonds"), (b) State Transportation Refunding Revenue Bonds (Senior Lien) Series 2014B-1 (the "Series 2014B-1 Bonds") and (c) State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2014B-2 (the "Series 2014B-2 Bonds"), in a combined aggregate principal amount of \$123,315,000 (collectively, the "Refunded Bonds") to achieve debt service savings, and (ii) paying the costs of issuing the Series 2024A 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 2024A 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, including the issuance of bonds to refund other bonds issued by or at the direction of the Commission. Pursuant to a resolution adopted on May 23, 2024 (the "Commission Resolution"), the Commission authorized and directed the Finance Authority to issue the Series 2024A Bonds to refund the Refunded Bonds and pay the costs of issuing the Series 2024A Bonds. The Series 2024A 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 2022) (collectively, the "Act"), the Commission Resolution, a resolution of the Finance Authority adopted on May 30, 2024, an approval certificate of the Finance Authority, and the Indenture.

Terms of the Series 2024A Bonds

Interest. The Series 2024A Bonds will be dated the date of their initial delivery to the Underwriters (the "Delivery Date"). Interest on the Series 2024A Bonds is payable on June 15 and December 15 of each year, commencing December 15, 2024 until stated maturity. The Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2024A 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 2024A 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 2024A Bonds are not subject to redemption prior to maturity. See “THE SERIES 2024A BONDS–No Redemption.”

No Debt Service Reserve. There is not a Debt Service Reserve Requirement for the Series 2024A Bonds. Accordingly, no Account in the Debt Service Reserve Fund is established or funded for the Series 2024A Bonds, See “THE SERIES 2024A BONDS–No Debt Service Reserve.”

Security for the Series 2024A Bonds

The Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 \$138 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 2024A 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 2024A Bonds and the refunding of the Refunded Bonds, there will be \$166,515,000 of Outstanding Senior Lien Bonds (consisting of the \$117,485,000 Series 2024A Bonds and Outstanding Senior Lien Bonds in the aggregate principal amount of \$49,030,000). 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 2024A 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 2024A 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 2024A Bonds, there will be \$413,555,000 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds. See “MUNICIPAL ADVISOR.”

The Department’s financial statements for the year ended June 30, 2023, 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 2024A Bonds

The Series 2024A 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 2024A Bonds will be delivered to DTC or its agent on or about the Closing Date. The Series 2024A Bonds will be distributed in the initial offering by J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and Wells Fargo Bank, National Association (collectively, the “Underwriters”), for which J.P. Morgan Securities 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 2024A Bonds.

THE SERIES 2024A BONDS

General

Set forth below is a summary of certain provisions of the Series 2024A Bonds. Other information describing the Series 2024A 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 2024A 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 2024A Bonds are being issued pursuant to the Act and the Indenture. Proceeds from the sale of the Series 2024A Bonds will be used to refund the Refunded Bonds and to pay costs of issuing the Series 2024A Bonds. See “PLAN OF FINANCING,” “ESTIMATED SOURCES AND USES OF FUNDS,” and “Schedule I – SCHEDULE OF REFUNDED BONDS.”

The Series 2024A Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2024A 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, 2024 (each an “Interest Payment Date”). The Series 2024A 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 2024A Bonds are issuable in denominations of \$5,000 or integral multiples of \$5,000.

No Redemption

The Series 2024A Bonds are not subject to redemption prior to maturity.

No Debt Service Reserve

There is not a Debt Service Reserve Requirement for the Series 2024A Bonds. Accordingly, no Account in the Debt Service Reserve Fund is established or funded for the Series 2024A Bonds.

Defeasance

When a Series 2024A 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 2024A 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 2024A Bond plus interest on the Series 2024A Bond to the Series 2024A 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 2024A 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 2024A 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 2024A Bonds shall be payable in clearing house funds. If any Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds, by wire transfer on such date to a bank within the continental United States as directed by such owner.

Book-Entry Only System

DTC will act as securities depository for all of the Series 2024A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2024A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2024A Bonds will be made in book-entry form only, and Beneficial Owners of the Series 2024A 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 2024A 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 2024A BONDS

Special, Limited Obligations

The Series 2024A 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 2024A 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 2024A 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 2024A BONDS.”

Pledged Revenues

The principal of and interest on the Series 2024A Bonds will be payable from the Pledged Revenues, which revenues are pledged and are payable as provided in the Indenture. See “PLEGGED 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 2024A Bonds constitute an irrevocable lien, but not an exclusive lien, on the Pledged Revenues as set forth in the Indenture. The Series 2024A 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 2024A 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 2024A 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 \$138 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 2024A 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 2024A Bonds, nor create a right of a third party against the United States for payment of the Series 2024A 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⁾⁽²⁾

<u>Issue</u>	<u>Outstanding Principal Amount (as of the Closing Date)</u>
Series 2020A Bonds	\$ 6,715,000
Series 2022A Bonds	<u>42,315,000</u>
Total	<u>\$ 49,030,000</u>
Series 2024A Bonds	<u>117,485,000</u>
Total (including Series 2024A Bonds)	<u>\$ 166,515,000</u>

(1) Assumes issuance of the Series 2024A Bonds and refunding of the outstanding Series 2014B-1 Bonds. See “PLAN OF FINANCING – Refunded Bonds” and “SCHEDULE I – SCHEDULE OF REFUNDED BONDS.”

(2) Following the issuance of the Series 2024A Bonds the amount of total Outstanding Senior Lien Bonds is expected to increase, due to the refunding of the Series 2014A Bonds and Series 2014B-2 Bonds, which prior to such refunding are Outstanding Subordinate Lien Obligations, on a senior lien basis. See “PLAN OF FINANCING – Refunded Bonds” and “SCHEDULE I – SCHEDULE OF REFUNDED BONDS.”

(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 2024A 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 2024A 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⁾⁽²⁾

<u>Issue</u>	<u>Outstanding Principal Amount (as of the Closing Date)</u>
Series 2018A Bonds	\$ 178,955,000
Series 2021A Bonds	<u>234,600,000</u>
Total	<u>\$ 413,555,000</u>

- (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 2024A Bonds – Outstanding Subordinate Lien Obligations.”
- (2) Assumes issuance of the Series 2024A Bonds and refunding of the outstanding Series 2014A Bonds and the outstanding Series 2014B-2 Bonds maturing on and after June 15, 2025. See “PLAN OF FINANCING – Refunded Bonds” and “SCHEDULE I – SCHEDULE OF REFUNDED BONDS.”

(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 2024A 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 2024A 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 2024A 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 may not be indicative of future results or performance due to these and other factors, and such financial information may reflect impacts from the COVID-19 pandemic.

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 \$83,000,000 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. Such distribution yielded approximately \$7,489,000 to the State Road Fund in fiscal year 2020-21. 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, the State Road Fund has received approximately \$56,492,000 in fiscal year 2021-22 and approximately \$60,355,000 in fiscal year 2022-23 and is expected to receive an estimated \$60,910,000 in fiscal year 2023-24. 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 and 2024. The current expiration of each agreement is July 1, 2034.

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 404 registered gasoline dealers in the State. Of those 404, 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 gradual decline 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 <u>June 30</u>	Taxable Gasoline Distributions <u>(In Gallons)</u>	Tax-Exempt Gasoline Distributions <u>(In Gallons)</u>	Total Gasoline Distributions <u>(In Gallons)</u>	Taxable Gasoline Distributions as a % of Total Gasoline Distributions <u>(%)</u>
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
2022	931,682,239	71,489,384	1,003,171,623	92.87
2023	915,833,854	77,486,808	993,320,662	92.20

(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 <u>June 30</u>	Taxable <u>Gallons (000s)</u>	Percent <u>Change (%)</u>	Gasoline Taxes Paid Into State Road <u>Fund (000s)</u>	Percent <u>Change (%)</u>
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
2022	931,682	0.16	114,815	(1.26)
2023	915,834	(1.70)	115,864	0.91

(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.

(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, for dyed fuels not for highway use, and for clear fuel used in school buses. A refund of tax is available for clear fuel used for purposes other than propelling a vehicle on public roads. New Mexico is a party to the International Fuel Tax Agreement (IFTA), which allocates total special fuel taxes paid by participating commercial motor carriers based on miles traveled in each member jurisdiction. 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 <u>June 30</u>	Taxable <u>Gallons (000s)</u>	Percent <u>Change (%)</u>	Special Fuel Excise Taxes Paid to State <u>Road Fund (000s)</u>	Percent <u>Change (%)</u>
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
2022	715,016	12.01	136,854	12.09
2023	695,385	(2.75)	133,477	(2.47)

⁽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. (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 7.27 mills per mile on motor vehicles having a declared gross vehicle weight between 26,001 and 28,000 pounds to 28.89 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.

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 <u>June 30</u>	Weight Distance Tax Revenues <u>Paid to State Road Fund (000s)</u>	Percent <u>Change (%)</u>
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
2022	105,312	5.64
2023	105,661	0.33

⁽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. (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. 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 <u>June 30</u>	Motor Vehicle Registration Fee Revenues Paid to <u>State Road Fund (000s)</u>	Percent <u>Change (%)</u>
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
2022	84,632	(0.27)
2023	87,485	3.37

⁽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. (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. Subsection C of Section 67-3-59.2 allows taxes and fees required by law to be distributed to the highway infrastructure fund to be pledged for the payment of bonds issued pursuant to Sections 67-3-59.1, 67-3-59.3 and 67-3-59.4 NMSA 1978, Laws 2020 (1st Special Session), Chapter 3, Section 8 for the highway projects authorized in the laws specified in Subsection B of Section 67-3-59.2. 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⁾

<u>Fiscal Year Ended June 30</u>	<u>Leased Vehicle Gross Receipts Taxes (000s)</u>	<u>Percent Change (%)</u>
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	5,345	(20.93)
2021	4,118	(22.96)
2022	7,114	72.75
2023	7,599	6.82

⁽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.

(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 <u>June 30</u>	Tire Recycling <u>Fees (000s)</u>	Percent <u>Change (%)</u>
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	7.90
2022	1,932	(3.16)
2023	1,969	1.92

⁽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. (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 2024A 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.

SAFETEA-LU. 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.

MAP-21. 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 “PLEGGED REVENUES – Federal Aid Funding Procedures – Authorization.”

FAST Act. 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 2019 through 2021) and the IIJA (for FFYs 2022 through 2024).

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

<u>FFY 2019</u>	<u>FFY 2020</u>	<u>FFY 2021</u>	<u>FFY 2022</u>	<u>FFY 2023</u>	<u>FFY 2024</u>	<u>6-Year Average</u>
\$42.4	\$43.4	\$43.4	\$52.4	\$54.1	\$55.2	\$48.6

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 2015 through 2023 and as of March 31, 2024.

Receipts into the Highway Account of the Federal Highway Trust Fund Federal Fiscal Years 2015 through 2023, and as of March 31, 2024 (in Billions)

	Federal Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 ⁽¹⁾
Opening Balance	\$11.376	\$9.040	\$51.435	\$41.443	\$32.605	\$24.652	\$12.621	\$14.264	\$98.913	\$89.649
Receipts										
Net Tax Receipts	35.740	36.062	35.699	37.265	38.267	37.458	37.933	40.865	37.358	17.222
Interest Income	0.001	0.092	0.281	0.543	0.621	0.145	0.008	0.728	4.206	2.269
Other Receipts	6.092 ⁽²⁾	52.119 ⁽³⁾	0.128 ⁽⁴⁾	0.120 ⁽⁵⁾	0.098	0.107	10.504 ⁽⁶⁾	90.018 ⁽⁷⁾	80.996 ⁽⁸⁾	8.085
Total Receipts	41.834	88.274	36.108	37.928	38.985	37.711	48.445	131.611	41.645	19.499
Transfers										
To Mass Transit Account	1.246	1.170	1.175	1.700	1.401	1.615	1.200	1.000	1.200	0.800
From Mass Transit Account	0.029	0.078	0.052	0.066	0.069	0.058	0.115	0.115	0.135	0.009
Outlays	42.952	44.786	44.977	45.132	45.607	48.265	45.716	46.350	50.157	22.924
Closing Balance	\$9.040	\$51.435	\$41.443	\$32.605	\$24.652	\$12.621	\$14.264	\$98.913	\$89.649	\$85.455

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

(1) Balance as of March 31, 2024.

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

(3) 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.

(4) 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.

(5) 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.

(6) Includes a transfer of \$10.4 billion to the Highway Account from the General Fund pursuant to the Coronavirus Response and Relief Supplemental Appropriations Act of 2021.

(7) Includes a transfer of \$90.0 billion in December 2021 to the Highway Account from the General Fund pursuant to the IIJA. See “PLEGGED REVENUES – Reauthorization – IIJA.”

(8) 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 IJA. 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 2024. Under the current federal budget process the sequestration rate will remain 5.7% through federal fiscal year 2031 unless Congress takes additional action to change or eliminate the sequestration percentage. In FFY 2023, 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% (an overall 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 2024A 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 has not historically been 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 and in some instances contract authority has been delayed.

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 and signed by the President 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 is 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 the 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, unless the program expires.

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, and asset management 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 FHWA. At the federal level, the STIP is reviewed by the FHWA and the Federal Transit Administration (FTA).

Among other federal requirements, the STIP must be federally reviewed and approved at least every four 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 for construction projects. Each project submitted must be included in the STIP. Provided that all requirements are satisfied, the FHWA authorizes the federal financial participation of 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 project 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 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 four years and covers a six-year period. The most recent six-year STIP covering FFY 2024 through FFY 2029 was approved by the Federal Highway Administration (FHWA) on September 27, 2023. The Department anticipates developing the next STIP in fall 2026. The STIP is subject to change on a quarterly basis via the formal amendment process outlined in the Department’s STIP Procedures Manual dated September 28, 2023. The six-year STIP represents \$4,860,274,197 of projects to be undertaken during FFY 2024 through FFY 2029, 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 procedures 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 phase of a project at the beginning of that phase, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on construction projects. 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 full project, to include all phases and fund sources, must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the STIP and 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

<u>Date</u>	<u>National Amount</u>	<u>FHWA Notice</u>
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, 4510.859, 4510.871 and 4510.881, apportionments available to the State were or shall be reduced for FFY 2014 through 2024 by \$66,440; \$453,018; \$421,990; \$425,393; \$407,587; \$384,262; \$364,146; \$349,574; \$347,467; \$347,647; and \$347,647, 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.

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 2024A 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 “PLEGGED REVENUES–Federal Aid Funding Procedures.”

NEW MEXICO FEDERAL AID HIGHWAY PROGRAM FUNDS⁽¹⁾

	Federal Fiscal Year 2020 ⁽²⁾	Federal Fiscal Year 2021	Federal Fiscal Year 2022	Federal Fiscal Year 2023	Federal Fiscal Year 2024
National Highway Performance Program	\$234,104,595	\$232,641,129	\$271,306,091	\$276,732,212	\$282,266,857
Surface Transportation Block Grant Program ⁽³⁾	116,909,344	116,178,504	131,986,747	134,626,482	137,319,012
National Highway Freight Program	13,930,085	13,843,003	12,735,586	12,990,298	30,106,541
Congestion Mitigation/Air Quality	12,238,985	12,162,475	12,435,524	12,684,234	12,937,919
Metro Planning	1,736,084	1,725,231	2,123,358	2,165,825	2,209,141
Planning Programs - Suballocation from Core Program funds	(6,014,476)	(5,976,573)	(6,516,291)	(6,947,156)	(7,347,045)
Research Program - Suballocation from Planning Program funds	(2,004,826)	(1,992,191)	(2,172,097)	(2,315,719)	(2,449,015)
Highway Safety Improvement Program	23,782,027	23,613,025	28,906,487	29,476,192	30,106,541
Rail-Highway Crossing	1,841,556	1,850,379	1,857,031	1,903,265	1,901,173
Carbon Reduction Program	N/A	N/A	11,768,818	12,004,195	12,244,278
PROTECT Program	N/A	N/A	13,381,990	13,649,629	13,922,622
Aggregate Authorization	<u>\$396,523,374</u>	<u>\$394,044,982</u>	<u>\$476,419,311</u>	<u>\$505,222,214</u>	<u>\$515,953,708</u>
Aggregate Obligation Limitation	<u>\$351,089,803</u>	<u>\$342,567,149</u>	<u>\$432,499,950⁽⁴⁾</u>	<u>\$415,339,807</u>	<u>\$418,775,048</u>
Redistribution ⁽⁵⁾	<u>\$59,252,140</u>	<u>\$44,400,000</u>	<u>\$61,180,940</u>	<u>\$60,464,397</u>	<u>N/A⁽⁶⁾</u>

- (1) All amounts are based on apportionment of FAHP Fund for each corresponding FFY under the FAST Act (for FFYs 2020 and 2021) and the IIJA (for FFYs 2022 through 2024). This summary itself is unaudited.
 - (2) Excludes funds provided under the Coronavirus Response and Relief Supplemental Appropriations Act of 2021.
 - (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 2024, NMDOT anticipates receiving additional OA through the FHWA redistribution process.
- (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, 2013 through June 30, 2023, and (ii) the Department's estimates of Pledged Revenues for the fiscal years ended June 30, 2024 through June 30, 2027. Historical figures from the fiscal years ended June 30, 2013 through June 30, 2023 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 2024. The Department's estimates of Pledged Revenues 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. 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 2024A BONDS" and "FORWARD-LOOKING STATEMENTS."

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PLEGGED REVENUES HISTORY AND ESTIMATES⁽¹⁾
(in thousands)⁽²⁾

	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Estimate ⁽³⁾	FY25 Estimate ⁽³⁾	FY26 Estimate ⁽³⁾	FY27 Estimate ⁽³⁾
STATE ROAD FUND															
Gasoline Tax	\$111,795	\$107,998	\$110,672	\$110,892	\$113,022	\$116,147	\$117,365	\$111,778	\$116,278	\$114,815	\$115,864	\$115,400	\$114,700	\$114,600	\$114,200
Special Fuel Excise Tax	92,563	92,923	97,566	97,341	100,066	108,141	113,383	118,279	122,092	136,854	133,477	133,600	134,900	136,800	137,100
Weight/Distance	73,489	75,367	79,985	82,990	84,008	86,278	94,016	92,251	99,685	105,312	105,661	107,200	108,700	111,400	114,400
Trip Tax	5,045	4,666	5,232	5,973	5,951	6,124	6,758	6,227	8,044	9,480	8,215	8,160	8,440	8,970	9,530
Vehicle Registration	74,135	76,218	75,455	80,774	79,232	80,204	82,453	79,312	84,863	84,632	87,485	86,000	87,100	87,100	87,300
Vehicle Transaction	1,163	1,200	1,173	1,298	1,158	1,153	1,148	1,003	1,123	1,101	1,081	1,100	1,110	1,120	1,130
Driver's License	4,227	4,193	4,158	3,841	3,816	4,191	4,117	4,028	4,629	4,571	4,388	4,300	4,270	4,250	4,220
Oversize/Overweight	4,805	5,026	5,229	4,997	5,104	6,412	7,225	7,173	7,028	7,249	7,422	7,560	7,230	7,020	7,060
Public Regulatory Commission Fees	3,191	2,009	3,362	3,403	3,291	3,359	5,891	2,933	3,686	3,364	3,329	3,300	3,300	3,300	3,300
MVD Miscellaneous Fees	3,100	3,302	3,509	5,426	5,260	6,322	6,407	5,510	4,571	5,424	6,016	5,140	5,140	5,140	5,140
Motor Vehicle Excise Tax ⁽⁴⁾	0	0	0	0	0	0	6,562	5,934	7,489	56,492	60,355	60,910	61,250	63,000	65,130
Road Fund Interest	209	80	39	133	310	1,037	4,222	6,316	345	522	8,562	6,780	6,170	4,220	3,270
TOTAL STATE ROAD FUND	373,721	372,982	386,380	397,069	401,219	419,368	449,547	440,744	459,833	529,816	541,855	539,450	542,310	546,920	551,780
Percent Change	2.2%	-0.2%	3.6%	2.8%	1.0%	4.5%	7.2%	-2.0%	4.3%	15.2%	2.3%	-0.4%	0.5%	0.9%	0.9%
HIGHWAY INFRASTRUCTURE FUND															
Lease Vehicle Gross Receipts	5,214	5,889	5,773	5,949	5,964	6,220	6,760	5,345	4,120	7,114	7,599	7,830	8,450	8,780	9,070
Tire Recycling Fees	1,807	1,836	1,810	1,943	1,868	1,878	1,910	1,849	1,995	1,932	1,969	1,990	2,000	2,010	2,010
Interest	25	7	7	13	11	13	74	94	4	7	241	180	170	120	90
TOTAL HIGHWAY INFRASTRUCTURE FUND	7,047	7,732	7,590	7,905	7,842	8,111	8,744	7,288	6,119	9,053	9,809	10,000	10,620	10,910	11,170
Percent Change	-7.0%	9.7%	-1.8%	4.2%	-0.8%	3.4%	7.8%	-16.7%	-16.0%	47.9%	8.4%	1.9%	6.2%	2.7%	2.4%
FEDERAL FUNDS															
	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	526,605
Percent Change	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%	0.0%
TOTAL PLEDGED REVENUES	\$793,544	\$753,583	\$779,180	\$783,668	\$786,092	\$814,322	\$854,880	\$852,575	\$867,965	\$1,025,370	\$1,047,896	\$1,055,607	\$1,069,209	\$1,084,435	\$1,089,555
Percent Change	1.9%	-5.0%	3.4%	0.6%	0.3%	3.6%	5.0%	-0.3%	1.8%	18.1%	2.2%	0.7%	1.3%	1.4%	0.5%

⁽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 relatively level amount, with growth of 2.0% approximated in fiscal years 2023-24 through 2025-26 and 0.0% growth approximated in fiscal year 2026-27. See "SPECIAL FACTORS RELATING TO THE SERIES 2024A 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⁾ Estimates of Pledged Revenues for fiscal years ending June 30, 2024 through June 30, 2027 are based on the Department's semi-annual forecast prepared in January 2024.

⁽⁴⁾ 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 2020-21, such distribution yielded approximately \$7,489,000 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. The State Road Fund received approximately \$56,492,000 in fiscal year 2021-22 and approximately \$60,355,000 in fiscal year 2022-23 and is expected to receive an estimated \$60,910,000 in fiscal year 2023-24. See "PLEGGED REVENUES – State Road Fund."

(Source: The Department.)

SPECIAL FACTORS RELATING TO THE SERIES 2024A BONDS

Each investor or prospective investor in the Series 2024A 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 2024A Bonds and could affect the market price of the Series 2024A Bonds to an extent that cannot be determined at this time.

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 2024A 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 2024A 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 2024A 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 2024A 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.

Limited Obligations

The Series 2024A 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 2024A 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 2024A Bonds and other obligations payable from the Pledged Revenues on a parity with or subordinate to the Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds

The opinion expressed by Bond Counsel is based on existing law as of the delivery date of the Series 2024A 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 2024A 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 2024A Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Series 2024A Bonds, or bonds which present similar tax issues, will not affect the market price for Series 2024A Bonds. Prospective purchasers of the Series 2024A 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 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.

NMSA 1978, 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 gasoline tax sharing agreements provide 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 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 term was again extended in 2024. 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 that year. The Santo Domingo Agreement was again extended in 2024. Each gasoline tax sharing agreement will expire in 2034.

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 and expects a continued slow decline 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 2024A Bonds

Proceeds from the sale of the Series 2024A 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 2024A Bonds. See “INTRODUCTION – Purposes of the Series 2024A Bonds.”

Refunded Bonds

Upon the delivery of the Series 2024A Bonds, the Finance Authority will deposit funds, including a portion of the proceeds of the sale of the Series 2024A Bonds, to the 2024A 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.” AW Smith, 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 2024A 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 2024A Refunding Escrow Account held by the Trustee. See “SCHEDULE I – SCHEDULE OF REFUNDED BONDS.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2024A Bonds are set forth in the following table:

Sources of Funds

Series 2024A Bonds Par Amount.....	\$117,485,000.00
Plus original issue premium	6,822,506.90
 Total Sources	<u>\$124,307,506.90</u>

Uses of Funds

Deposit to 2024A Refunding Escrow Account ⁽¹⁾	\$123,455,284.99
Costs of Issuance ⁽²⁾	\$852,221.91
 Total Uses	<u>\$124,307,506.90</u>

⁽¹⁾ A portion of the proceeds of the Series 2024A Bonds will be held by the Trustee in the 2024A 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 2024A Bonds, the Outstanding Senior Lien Bonds and the Outstanding Subordinate Lien Bonds for each fiscal year through their final maturity date.

Fiscal Year	Existing Debt Service		Series 2024A Bonds		Total Fiscal Year Debt Service Requirements ⁽¹⁾
	Senior Lien ⁽¹⁾	Subordinate Lien ⁽¹⁾	Principal ⁽²⁾	Interest	
2024	\$19,044,500	\$174,953,500	-	-	\$193,998,000
2025	30,011,500	67,137,750	\$8,075,000	\$5,596,855	110,821,105
2026	22,543,500	74,494,750	8,290,000	5,470,500	110,798,750
2027	-	46,832,750	70,200,000	5,056,000	122,088,750
2028	-	102,798,500	7,020,000	1,546,000	111,364,500
2029	-	102,692,750	7,480,000	1,195,000	111,367,750
2030	-	102,590,250	7,955,000	821,000	111,366,250
2031	-	-	8,465,000	423,250	8,888,250
2032	-	-	-	-	-
TOTAL	\$71,599,500	\$671,500,250	\$117,485,000	\$20,108,605	\$880,693,355

⁽¹⁾ Includes principal and interest. Assumes issuance of the Series 2024A 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 2014 through 2023, 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 2024 through 2028, 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 2024A Bonds. Based upon actual fiscal year 2023 Pledged Revenues of approximately \$1,047.9 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 5.44x through fiscal year 2028. Such projected coverage accounts for estimated maximum annual combined debt service payments of approximately \$193.998 million on the Senior Lien Bonds and the Subordinate Lien Bonds, which is scheduled to occur in fiscal year 2024. Estimates of Pledged Revenues for the fiscal years ended June 30, 2024 through June 30, 2028 are based on the Department’s semi-annual forecast prepared in January 2024. Such estimates are subject to change and are based on certain assumptions that may not be realized. “SPECIAL FACTORS RELATING TO THE SERIES 2024A 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)

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
State Road Fund	\$372,982	\$386,380	\$397,069	\$401,219	\$419,368	\$449,547	\$440,744	\$459,833	\$529,816	\$541,855
Highway Infrastructure Fund	7,732	7,590	7,905	7,842	8,111	8,744	7,288	6,117	9,053	9,809
Federal Funds	<u>372,869</u>	<u>385,211</u>	<u>378,694</u>	<u>377,030</u>	<u>386,843</u>	<u>396,589</u>	<u>404,543</u>	<u>402,013</u>	<u>486,501</u>	<u>496,232</u>
Total Pledged Revenues	<u>753,583</u>	<u>779,180</u>	<u>783,668</u>	<u>786,092</u>	<u>814,322</u>	<u>854,880</u>	<u>852,575</u>	<u>867,963</u>	<u>1,025,370</u>	<u>1,047,896</u>
Senior Lien Debt Service ⁽²⁾	112,561	106,532	89,250	112,311	114,236	114,239	114,846	113,823	118,751	53,634
Senior Lien Coverage (x)	6.69x	7.31x	8.78x	7.00x	7.13x	7.48x	7.42x	7.63x	8.63x	19.54x
Senior Lien & Subordinate Lien Debt Service ⁽²⁾⁽³⁾	146,585	144,602	133,056	157,920	154,532	154,435	155,256	152,121	167,349	174,524
Subordinate Lien Coverage (x)	5.14x	5.39x	5.89x	4.98x	5.27x	5.54x	5.49x	5.71x	6.13x	6.00x

⁽¹⁾ Based upon actual Pledged Revenues from audited results for fiscal years 2014 through 2023. 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)

	FY24	FY25	FY26	FY27	FY28
	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
State Road Fund	\$539,450	\$542,310	\$546,920	\$551,780	\$559,980
Highway Infrastructure Fund	10,000	10,620	10,910	11,170	11,340
Federal Funds	<u>506,157</u>	<u>516,279</u>	<u>526,605</u>	<u>526,605</u>	<u>526,605</u>
Total Pledged Revenues ⁽²⁾	<u>1,055,607</u>	<u>1,069,209</u>	<u>1,084,435</u>	<u>1,089,555</u>	<u>1,097,925</u>
Senior Lien Debt Service ⁽³⁾⁽⁴⁾	19,045	43,683	36,304	75,256	8,566
Senior Lien Coverage (x)⁽⁵⁾	55.43x	24.48x	29.87x	14.48x	128.17x
Senior Lien & Subordinate Lien Debt Service ⁽⁶⁾	193,998	110,821	110,799	122,089	111,365
Subordinate Lien Coverage (x)⁽⁵⁾⁽⁷⁾	5.44x	9.65x	9.79x	8.92x	9.86x

- ⁽¹⁾ Estimates of Pledged Revenues for the fiscal years ending June 30, 2024 through June 30, 2028 are based on the Department’s semi-annual forecast prepared in January 2024.
- ⁽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 IIIA and are assumed at a relatively level amount, with growth of 2.0% approximated in fiscal years 2023-24 through 2025-26 and 0.0% growth approximated in fiscal years 2026-27 and 2027-28. See “STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates” for further detail regarding the Pledged Revenues. See also “FORWARD-LOOKING STATEMENTS.”
- ⁽³⁾ Debt service exclusive of related Finance Authority fee, if any.
- ⁽⁴⁾ Following the issuance of the Series 2024A Bonds the Senior Lien Debt Service is expected to increase, due to the refunding of the Series 2014A Bonds and Series 2014B-2 Bonds, which prior to such refunding are Outstanding Subordinate Lien Obligations, on a senior lien basis.
- ⁽⁵⁾ Assumes issuance of Series 2024A Bonds and refunding of the Refunded Bonds.
- ⁽⁶⁾ 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 2024A Bonds – Outstanding Subordinate Lien Obligations.”
- ⁽⁷⁾ Based upon actual fiscal year 2023 total Pledged Revenues of \$1,047.9 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 5.44x through fiscal year 2028.
- (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 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. Ricky Serna is currently serving as the Secretary.

The Department's finances are comprised of revenues from State and federal sources. In fiscal year 2023, 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, 2023, 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 2024A 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 2024A 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.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Walter G. Adams	Chair	12/31/28
Hilma E. Chynoweth	Vice Chair	12/31/28
Charles Lundstrom ⁽¹⁾	Secretary	03/22/25
Chandelle Sisneros ⁽¹⁾	Member	03/25/25
Gary Tonjes ⁽¹⁾	Member	12/31/24
Thomas C. Taylor	Member	12/31/26

⁽¹⁾ Indicates commissioners who are designees to their respective positions, each appointed by the Governor of the State and awaiting confirmation by the New Mexico State Senate during the 2025 session of the State Legislature (defined herein) and will continue to serve until the expiration of such session if no confirmation is received.

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 73 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 2024A 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 2024A 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 2024A 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 2024A Bonds or in any way contesting or affecting the validity or enforceability of the Series 2024A 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 2024A Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated June 11, 2024 (the “Bond Purchase Agreement”) between J.P. Morgan Securities LLC, as representative of the Underwriters, and the Finance Authority, the Underwriters have agreed to purchase the Series 2024A Bonds from the Finance Authority at a purchase price equal to \$124,033,949.67 (being the par amount of the Series 2024A Bonds plus an original issue premium of \$6,822,506.90, and less an underwriting discount of \$273,557.23). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2024A 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 2024A 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 2024A 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 2024A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2024A Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2024A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2024A Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the Underwriters of the Series 2024A Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2024A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2024A Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution

of municipal securities offerings, including the Series 2024A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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 2024A 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 2024A Bonds. Interest on the Series 2024A Bonds is not an item of tax preference for purposes of individual federal alternative minimum tax. Interest on the Series 2024A 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 2024A 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 2024A Bond through reductions in the holder's tax basis for the Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds may have an adverse effect on the market price or marketability of the Series 2024A Bonds. The Municipal Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2024A Bonds any proposed revision or withdrawal of the ratings on the Series 2024A Bonds, or to oppose any such proposed revision or withdrawal.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2024A 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 2024A 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 2024A 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, 2023, 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 15, 2023. 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 2024A 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 2024A 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 2024A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2024A 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 the Department 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.

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 2024A 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 2024A 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/ Kathy Keith
 Kathy Keith
 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 Revenue Bonds (State Transportation Commission-Subordinate Lien) Series 2014A	6/15/25	5.00%	\$ 5,695,000	9/27/24	100%
	6/15/26	5.00%	6,080,000	9/27/24	100%
	6/15/27	5.00%	6,495,000	9/27/24	100%
	6/15/28	5.00%	6,920,000	9/27/24	100%
	6/15/29	5.00%	7,375,000	9/27/24	100%
	6/15/30	5.00%	7,845,000	9/27/24	100%
	6/15/31	5.00%	8,345,000	9/27/24	100%
	6/15/32	5.00%	6,820,000	9/27/24	100%
State Transportation Refunding Revenue Bonds (Senior Lien) Series 2014B-1	6/15/27	5.00%	\$ 61,380,000	9/27/24	100%
State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2014B-2	6/15/25	5.00%	\$ 2,015,000	9/27/24	100%
	6/15/26	5.00%	2,120,000	9/27/24	100%
	6/15/27	5.00%	2,225,000	9/27/24	100%
		TOTAL	\$ 123,315,000		

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APPENDIX A

**EXTRACTS OF THE NEW MEXICO DEPARTMENT
OF TRANSPORTATION FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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La Bajada/I-25: The last column of 400 total for the northbound reconstruction portion of the project was drilled recently. The project is ahead of schedule and is projected to be finished in the late spring of 2024.

2023 Financial Statements & Other Financial Information

(Independent Auditor's Report included)

Year ended June 30, 2023

**New Mexico Department of Transportation
Financial Statements
for the Year Ended
June 30, 2023
and Independent Auditors' Report**

NEW MEXICO DEPARTMENT OF TRANSPORTATION
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Year Ended June 30, 2023

Commission

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

Administrative Officers

Ricky Serna	Cabinet Secretary
Jessica Cooper	Deputy Cabinet Secretary
Trent Doolittle	Deputy Cabinet Secretary
Mallery Manzanares	Administrative Services Director

INDEPENDENT AUDITORS' REPORT

Independent Auditor's Report

Ricky Serna, Cabinet Secretary
New Mexico Department of Transportation
and
Mr. Joseph M. Maestas, P.E., New Mexico State Auditor
Santa Fe, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Department of Transportation (the "Department"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the State Road Funds and 2021A Bond Project Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the state of New Mexico, as of June 30, 2023, and changes in its financial position, or where applicable, cash flows thereof and the respective and budgetary comparisons 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. 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.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedules required by 2.2.2 NMAC, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, 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 Department's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico
November 15, 2023

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, 2023. 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 41 of this 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) 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 \$511,880,099, and the net position of the Department's governmental activities increased by \$511,522,581 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 highway 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 24 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 a 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.

As 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 26 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.

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 which may include Federal Funds. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period.

2021A Bond Project Fund (#21260). The bond project fund was created by Section 67-3-59.3 NMSA 1978 when the \$234,600,000 NMFA State Transportation Subordinate Lien Revenue Bonds Series 2021A were issued through the New Mexico Finance Authority in August 2021.

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 22 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 94 through 111.

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 36 through 37 and the Statement of Cash Flows is on page 38 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 41.

Supplementary and 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, 2023, the Department's assets and deferred outflows of resources exceeded liabilities by \$6,377,106,240.

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.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis
Year Ended June 30, 2023

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Net Position

As of June 30, 2023 and 2022, 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, 2023 and 2022.

Table A-1 The Department's Net Position

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Assets:				
Current and other assets	\$ 1,750,450,820	\$ 1,618,400,094	\$ 13,108,634	\$ 11,975,803
Capital assets and other	5,815,248,003	5,546,903,187	9,631,236	10,406,549
Total Assets	\$ 7,565,698,823	\$ 7,165,303,281	\$ 22,739,870	\$ 22,382,352
Deferred Outflows:				
Deferred loss on refunding	\$ 21,496,871	\$ 27,091,228	\$ -	\$ -
Deferred outflow of resources	-	-	-	-
Total Deferred Outflows	\$ 21,496,871	\$ 27,091,228	\$ -	\$ -
Liabilities:				
Current liabilities	\$ 551,388,572	\$ 493,087,570	\$ -	\$ -
Long-term liabilities	681,440,752	856,463,150	-	-
Total Liabilities	\$ 1,232,829,324	\$ 1,349,550,720	\$ -	\$ -
Net Position:				
Net investment in capital assets	\$ 5,198,686,040	\$ 4,851,802,143	\$ -	\$ -
Restricted	1,155,680,330	991,041,646	22,739,870	22,382,352
Total Net Position	\$ 6,354,366,370	\$ 5,842,843,789	\$ 22,739,870	\$ 22,382,352

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis
Year Ended June 30, 2023

Total	
2023	2022
\$ 1,763,559,454	\$ 1,630,375,897
5,824,879,239	5,557,309,736
\$ 7,588,438,693	\$ 7,187,685,633
\$ 21,496,871	\$ 27,091,228
-	-
\$ 21,496,871	\$ 27,091,228
\$ 551,388,572	\$ 493,087,570
681,440,752	856,463,150
\$ 1,232,829,324	\$ 1,349,550,720
\$ 5,198,686,040	\$ 4,851,802,143
1,178,420,200	1,013,423,998
\$ 6,377,106,240	\$ 5,865,226,141

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis
Year Ended June 30, 2023

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, 2023 and 2022. Governmental activities increased the Department's net position by \$511,522,581 in 2023 and \$171,238,209 in 2022. Business-type activities increased the Department's net position by \$357,518 in 2023 and \$133,397 in 2022, due to interest income earned during the year.

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

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Revenues:				
Program revenues:				
Charges for services	\$ 118,977,684	\$ 123,914,584	\$ 104,179	\$ 111,854
Operating grants	31,837,903	33,474,696	-	-
Capital grants	450,934,614	466,460,662	-	-
General revenues:				
User and fuel taxes	521,628,299	517,131,049	-	-
Interest income	24,979,895	1,249,797	253,339	21,543
Gain (loss) on disposal of assets	682,811	2,047,974	-	-
Total Revenues	1,149,041,206	1,144,278,762	357,518	133,397
Expenses:				
Programs and infrastructure	663,633,413	654,205,768	-	-
Transportation and highway operations	281,156,529	239,438,691	-	-
Program support	41,309,499	40,257,475	-	-
Modal	81,122,075	78,557,670	-	-
Total Expenses	1,067,221,516	1,012,459,604	-	-
Net Revenues Before Transfers and Reversions	81,819,690	131,819,158	357,518	133,397
Transfers and Reversions	429,702,891	39,419,051	-	-
(Decrease) Increase in Net Position	511,522,581	171,238,209	357,518	133,397
Net Position, Beginning of Fiscal Year	5,842,843,789	5,671,605,580	22,382,352	22,248,955
Net Position, End of Fiscal Year	\$ 6,354,366,370	\$ 5,842,843,789	\$ 22,739,870	\$ 22,382,352

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis
Year Ended June 30, 2023

Total	
2023	2022
\$ 119,081,863	\$ 124,026,438
31,837,903	33,474,696
450,934,614	466,460,662
521,628,299	517,131,049
25,233,234	1,271,340
682,811	2,047,974
1,149,398,724	1,144,412,159
663,633,413	654,205,768
281,156,529	239,438,691
41,309,499	40,257,475
81,122,075	78,557,670
1,067,221,516	1,012,459,604
82,177,208	131,952,555
429,702,891	39,419,051
511,880,099	171,371,606
5,865,226,141	5,693,854,535
\$ 6,377,106,240	\$ 5,865,226,141

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 2023 fiscal year, the Department's governmental funds reported a combined ending fund balance of \$1,375,665,019 an increase of \$102,162,784 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 \$30,858,828.

The changes in fund balance for the Department's major funds for 2023 are as follows:

State Road Fund(s) (SHARE 10040 and 20100)	\$ (16,881,507)
GF Capital Outlay Fund (SHARE 93100)	139,088,419
2021A Bond Project Fund (SHARE 21260)	<u>(65,725,038)</u>
 Major fund, net change in fund balances	 <u>\$ 56,481,874</u>

The net decrease in the State Road Fund(s) is primarily due to an decrease in revenues, the most significant decrease derived from federal funds of Federal Agencies.

The net increase in the GF Capital Outlay Fund is primarily due to a significant increase in FY23 amounts appropriated from the State General Fund to the Department compared to the prior fiscal year while expenditures held relatively constant year over year therefore causing the increase in Fund Balance. Individual laws of the GF Capital Outlay Fund and law descriptions are provided in the Supplemental Schedule of Special Appropriations.

The net decrease in the 2021A Bond Project Fund is primarily due to expenditures related the 2021A Bond Projects which are multi-year projects and are used to acquire rights of way, planning, design and construction and to match federal funded and other state funded projects.

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Budgetary Highlights

The Department's operating budget (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 \$161,253,109 which is made up by the following significant budget adjustments:

Increase - NM 109 - Jarales Road	\$ 9,600,000
Increase - NM 4 - East Jemez Road	9,500,000
Increase - Clayton Port of Entry	2,000,000
Increase - Coronavirus Response and Relief Supplemental Appropriations Act, 2021	28,500,000
Increase - American Rescue Plan - Federal Transit Administration	750,000
Increase - CARES Act	314,854
Increase - Low Emissions	4,998,580
Increase - Small Urban	391,675
Increase - Federal Transit Authority Vanpool	648,000
Increase - Border Coalition	2,900,000
Increase - Aviation Bureau State Grant Match	1,000,000
Increase - Personal Services and Employee Benefits	150,000
Increase - FHWA - Infrastructure Investment and Job Act	100,500,000
	\$ 161,253,109

The Department's original operating budget for fiscal year 2023 was \$1,218,400,300. This budget included \$1,152,755,600 of new revenues and \$65,644,700 of prior year funds rebudgeted. The final budget for the fiscal year was \$2,179,871,258. The \$961,470,958 increase in budget was due to FY23 budget adjustments discussed above and the Department's authorized practice of rolling forward into FY23 its remaining FY22 unexpended purchase orders. The appropriation budgetary period for those FY22 unexpended purchase orders lapses at the end of the FY22 fiscal year and the Department has to re-establish the budget in FY23 to re-appropriate the balance of its unexpended purchase orders. The Department funds the budget increase by utilizing the balance of the unused FY22 budget revenues that were originally budgeted for the unexpended purchase orders. The roll forward budget of \$793,563,209 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, 2023, amounts to \$5,815,248,003 (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.

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.

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Capital Assets Overview - continued

Fiscal Year 2022-2023 Active Projects with a contract amount of \$10 million or more:

US 54, MP 324.9 to MP 326.3 for 1.4 miles - Quay County
NM 502, MP 1.248 to MP 2.055 for .807 miles - Los Alamos 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 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
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
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
US 491, MP 61.5 to MP 68.5 for 7 miles - San Juan 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
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
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
I-25, MP 74.4 to MP 75.6 for 1.2 miles - Sierra County
I-25, MP 14 to MP 24 for 10 miles - Dona Ana County
I-10, MP 74.8 to MP 84.2 for 9.4 miles - Luna County
US 285, MP 6.7 to MP 17 for 10.3 miles - Eddy County
US 285, MP 17.2 to MP 22 for 4.8 miles - Eddy County
NM 434, MP 19.66 to MP 25.8 for 6.14 miles - Mora County
NM 39, MP 19 to MP 30 for 11 miles - Harding County
I-25, MP 356 to MP 364.11 for 8.11 miles - San Miguel County

1. OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Capital Assets Overview - continued

Fiscal Year 2022-2023 Active Projects with a contract amount of \$10 million or more - continued:

I-10, MP 21.5 to MP 25 for 3.5 miles - Hidalgo County
NM 41, MP 56.5 to MP 62.1 for 5.6 miles - Santa Fe County
I-25, MP 264 to MP 267.5 for 3.5 miles - Santa Fe County
US 285, MP 384 to MP 393 for 9 miles - Rio Arriba County
NM 566, MP 0 to MP 1 for 1 miles - McKinley County
NM 68, MP 23.6 to MP 32.6 for 9 miles - Valencia County
I-10, MP 15 to MP 20.13 for 5.13 miles - Hidalgo County
US 82, MP 171.3 to MP 172.2 for .9 miles - Lea County
I-25, MP 364 to MP 370 for 6 miles - San Miguel County
I-25, MP 198.7 - 203.0 for 4.3 miles - Valencia County
T or C Business Loop, MP 4.3 to MP 4.6 for .3 miles - Sierra County
I-10, MP 55 to MP 65 for 10 miles - Luna County
I-25, MP 150 to MP 160.1 for 10.1 miles - Socorro County
US 60, MP 387.8 to MP 389.12 for 1.32 miles - Curry County
US 54, MP 151.6 to MP 158.9 for 7.3 miles - Lincoln County
US 54, MP 157.9 to MP 163.7 for 5.8 miles - Lincoln County
US 84, MP 4.74 to MP 14.67 for 9.93 miles - De Baca County
US 84, MP 9.5 to MP 21.5 for 12 miles - De Baca County
NM 434, MP 21.1 to MP 23.3 for 2.2 miles - Mora County
US 64, MP 272.2 to MP 276.09 for 3.89 miles - Colfax County
I-25, MP 305 to MP 309 for 4 miles - San Miguel County
I-40, MP 322 to MP 327 for 5 miles - Quay County
I-40, MP 231 to MP 241 for 10 miles - Torrance County
NM 566, MP 6 to MP 7 for 1 miles - McKinley County
I-40, MP 170 to MP 184 for 14 miles - Bernalillo County
NM 109, MP 5.25 to MP 6 for .75 miles - Valencia County
NM 404, MP 1.1 to MP 9 for 7.9 miles - Dona Ana County
US 550, MP 161 to MP 164.9 for 3.9 miles - San Juan County

Automotive and Major Road Equipment

For fiscal year 2023, the Automotive and Major Road Equipment modified accrual basis budget total was approximately \$27,092,282. Of this budget, approximately \$21,211,564 was fully expended at June 30, 2023. 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

	2023	2022
Land	\$ 5,278,158	\$ 5,278,158
Land Improvements	1,183,024	876,338
Construction in Process	778,003,125	660,569,320
Right of Way	546,069,322	531,709,558
Infrastructure	10,981,504,413	11,868,880,330
Equipment and Furniture	95,430,812	75,128,069
Library	113,566	113,566
Buildings	78,616,626	75,045,797
Automotive and Major Road Fund Equipment	247,334,895	256,682,293
Right-to-Use Lease Assets - Buildings & Equipment	1,204,488	1,033,680
IT Subscription Assets	1,587,421	-
Accumulated Depreciation	(6,921,077,847)	(7,928,413,922)
Total	\$ 5,815,248,003	\$ 5,546,903,187

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, 2023, the Department had a total outstanding debt (bonds) of \$742,760,000. Outstanding bond debt is backed by the Department's anticipated state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Bond Debt

	2023	2022
Bonds (excludes unamortized bond premium and deferred amounts on refunding)	\$ 742,760,000	\$ 873,310,000

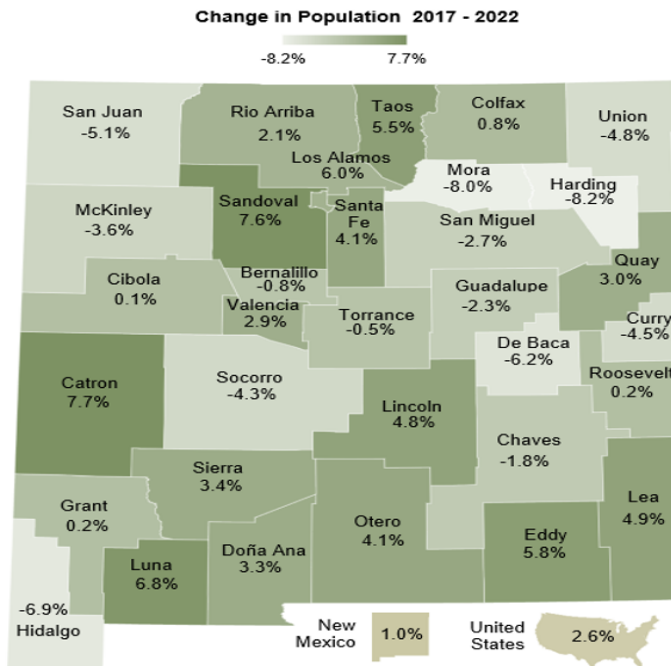
The Department's total bond debt decreased by 14.9% or (\$130,550,000) at the end of the 2023 fiscal year. The net decrease in debt resulted from \$130,550,000 in principal repayments. See Note 15 for a detail of all outstanding bonds.

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 2022, according to the U.S. Census Bureau, New Mexico's population reached 2,113,344. Between 2017 and 2022, New Mexico population grew by 1.1 percent, while over the same period, the national population grew by 2.6 percent. Population growth occurred in 19 of the 33 counties. The fastest growing counties in the state were Catron (7.7 percent), Sandoval (7.6 percent), and Luna (6.8 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 2023 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 5 million barrels per day. In 2022 New Mexico was the second largest producer of crude oil, and the seventh largest producer of natural gas in the US. In 2021, coal, copper and potash production value amounted to \$1.5 billion, and the state ranked 12th, 6th, 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 28 thousand New Mexicans in 2022.

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

Federal Revenue:

On November 15, 2021 President Biden signed the Infrastructure Investment and Jobs Act (IIJA) into law, which is the largest long-term infrastructure investment in history. IIJA broke the funding up between discretionary grants to be awarded by the Office of the Secretary of Transportation, and formula programs. It includes four new formula funding programs and wrote an annual increase of 2% into the law language. In FY 2022 NMDOT received \$549M in federal aid, which includes the two new bridge formula programs along with funding aimed at reducing carbon and increasing resiliency of the system. NMDOT also received redistribution funds in FY 2022 in the amount of \$61.2M for a total of \$566M federal funds obligated. The federal IIJA apportionment in FY 2023 was \$496M which only includes the 12 core programs. In addition, NMDOT also received \$83M in limitation exempt funds and just over \$1M in allocated funds through special federal programs. Like in FY2022, in FY2023 NMDOT received additional limitation through redistribution in the amount of \$60M for a total of \$545M federal funds obligated.

U.S. Department of Energy Funds - The State of New Mexico received a \$7.5 million Cooperative Agreement Award from the Department of Energy - National Nuclear Security Administration (NNSA) for Environmental Remediation and Waste Processing and Disposal. NMDOT has expended \$2.7M of this award in FY 2023.

U.S. Department of Treasury Funds - The State of New Mexico received funds from the American Rescue Plan Act of 2021 (ARPA) also known as State and Local Fiscal Recovery Funds (SLFRF). In FY 2022, the NM Legislature appropriated \$172.5 million and in FY 2023 appropriated an additional \$20 million to the department. Unexpended funds will revert at end of FY2025. For FY23, the majority of these funds are not recognized as revenue, see Note 1.

Federal Aviation Administration Funds - NMDOT reported revenue of \$4,992 in FY 2023 Federal Aviation Administration grant funds.

Federal Transit Administration Funds - NMDOT reported revenue of \$19,623,246 in FY 2023 Federal Transit Administration grant funds.

National Highway Traffic Safety Administration Funds - NMDOT reported revenue of \$9,743,138 in FY 2023 of National Highway Traffic Safety Administration grant funds.

State Revenue:

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 2022 it was 3.5%, and in fiscal year 2023 revenues grew by 2.3% compared to the prior fiscal year.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Road Fund revenues are split roughly half and half between passenger vehicle based and interstate trucking sources. 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 2023, the State Road Fund received about \$542 million in recurring ordinary revenues (i.e., revenues from taxes, fees, and interests), representing a 2.3% or \$12.3 million growth from fiscal year 2022. This growth was largely driven by increasing Motor Vehicle Excise Tax revenue to the State Road Fund. The State Road Fund received \$60.4 million of Motor Vehicle Excise Tax in fiscal year 2023, up from \$56.5 million in fiscal year 2022. This growth was offset by a reduction in Special Fuel and Trip Taxes, driven by a reduction in national goods consumption in favor of services consumption.

State Road Fund Revenue Forecasts - Major Revenue Sources

In fiscal year 2024, total revenues are expected to continue to grow and are estimated at \$546.1 million. Special Fuels, Weight/Distance and Vehicle Registration revenues should grow enough to offset the decline in Gasoline revenues. For the following fiscal years, the economic outlook is positive, and fiscal year 2025 Road Fund recurring ordinary revenues are now estimated at \$549.1 million. However, uncertainty and volatility continue to dominate the economic environment, and the road fund revenues can still be endangered by high inflation and the consequent contractionary monetary policy put in place by the Federal Reserve.

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 time series models (i.e. ARIMA, ARIMAX).

The estimates rely on two main sources of forecast input parameters, which are:

- S&P Global IHS Markit U.S. Economic Outlook, Baseline and Alternative scenarios
- UNM, Bureau of Business and Economic Research Quarterly Economic Forecast of the New Mexico Economy

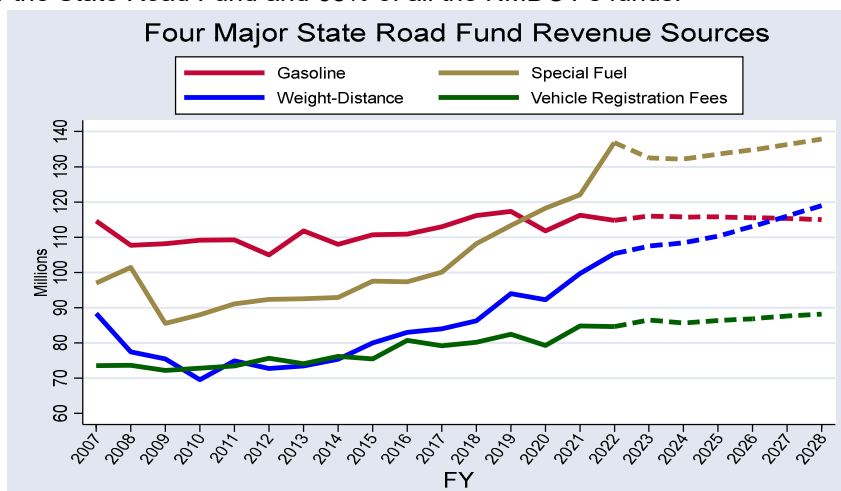
The model outcomes are validated comparing historical revenues with forecast values. The models adopted are those that have the best out-of-sample forecast performance, and the highest forecasting power.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Road Fund Revenue Forecasts - Major Revenue Sources - continued

In fiscal year 2023, revenues from gasoline, special fuels, weight distance and vehicle registration constitute 81% of state revenues for the State Road Fund and 68% of all the NMDOT's funds.



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 State's largest road fund state revenue source, providing about \$115.9 million in revenue in fiscal year 2023. In 2020, special fuel revenue surpassed gasoline revenue for the first time, as the spread of COVID-19 and the related business closures largely impacted gasoline consumption. Gasoline consumption rebounded in 2021 as the economy slowly re-opened, but was negatively impacted by high fuel prices, especially towards the end of fiscal year 2022. With slight normalization in fuel prices, it is now expected to begin a slow decline from \$116 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 to the 2011-2014 period of high gas prices. Starting from 2016, gasoline gallons sold began to increase significantly benefiting from relatively low and stable petroleum prices, and from a shift in consumers' preferences of 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 before a slight decline in 2022 due to high inflation and fuel prices. In 2023 gasoline consumption increased with reduced fuel prices and moderating inflation.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Road Fund Revenue Forecasts - Major Revenue Sources - continued

For the past two decades, between fiscal years 2002 and 2023, Road Fund gasoline revenues have averaged \$111 million; gasoline revenues have only varied by more than a few million from that average twice (about \$6 million above average in fiscal year 2019 and \$6 million below average in fiscal year 2012). In fiscal year 2024 and in following fiscal years, gasoline revenue is expected to begin a slow decline to \$116 million.

Special fuel tax (primarily diesel) provided about \$133.5 million in fiscal year 2023. The tax per gallon was raised from 18 to 21 cents per gallon effective in fiscal year 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 fiscal year 2004 to 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 fiscal year 2009, climbed slowly to \$100.1 million in fiscal year 2017, and due to a strong national economy coupled with the oil boom in the Permian Basin region reached a new peak in fiscal year 2019, collecting \$113.4 million. The special fuel revenue grew significantly since fiscal year 2020, 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 while experienced a slight decline in fiscal year 2023, it is expected to continue to grow slowly in fiscal year 2024.

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 \$105.7 million in revenue in fiscal year 2023. Its rates were also raised in the fall 2003 special legislative session. Prior to the tax rate increase, revenues averaged \$50 million. After fiscal year 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 steep and sudden reduction in freight of all types including air, ship, rail, and truck. In the fiscal years following the great recession, the revenue source slowly recovered with the US economy. Due to the oil boom in the south-east sector of the state, in fiscal year 2019, Weight Distance revenue, reached a new record level, collecting \$94 million and growing at a 9% annual rate. After a slight downturn in fiscal year 2020, the revenue has continued to grow reaching new record highs since then. Like special fuel, this revenue source has been benefiting from an increased 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 \$87.5 million in fiscal year 2023. These fees were raised in the 2003 Special Legislative session by about 33%, and revenue increased by about \$20.7 million or 39%, from fiscal years 2004 to 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, like gasoline, has remained stable during both economic expansions and recessionary periods and, for the following fiscal years, is expected to remain stable around \$84-88 million.

2. ECONOMIC FACTORS AND REVENUE FORECASTS - continued

State Revenue - continued:

State Road Fund Revenue Forecasts - Major Revenue Sources - continued

Port Revenues - NMDOT implemented an e-permitting online system in 2015 and it continues to streamline port transactions. 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 fiscal year 2006, and in fiscal year 2022 surpassed that record, collecting \$9.4 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 fiscal year 2023, Oversize/Overweight surpassed its pre-pandemic peak, collecting about \$7.4 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.

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 outpaced the overall growth rate of gasoline sales because 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 7-8% of total gasoline sales). Tribal gasoline sales totaled 71.5 million gallons in fiscal year 2022 and 77.5 million gallons in fiscal year 2023.

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

FINANCIAL STATEMENTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position

As of June 30, 2023

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Assets:			
Cash:			
Unrestricted	\$ 700	\$ -	\$ 700
Cash equivalents: (Note 3)			
Investment in SGFIP	1,363,521,977	12,229,485	1,375,751,462
Managed by NMFA	234,761,981	-	234,761,981
Receivables:			
Accounts receivable, net (Note 4)	872,486	-	872,486
Interest receivable	1,335,687	103,836	1,439,523
Notes and loans receivable (Note 5)	-	775,313	775,313
Other receivables	14,000	-	14,000
Due from:			
Federal Agencies (Note 6)	70,878,770	-	70,878,770
Other state agencies (Note 7)	47,476,872	-	47,476,872
Local governments (Note 8)	729,519	-	729,519
Inventories (Note 9)	18,789,480	-	18,789,480
Prepaid expenses - other	2,007,678	-	2,007,678
Property held for resale	10,061,670	-	10,061,670
Total Current Assets	1,750,450,820	13,108,634	1,763,559,454
Non-Current Assets:			
Notes and loans receivable (Note 5)	-	9,631,236	9,631,236
Capital assets, net (Note 10)	5,815,248,003	-	5,815,248,003
Total Non-Current Assets	5,815,248,003	9,631,236	5,824,879,239
Total Assets	7,565,698,823	22,739,870	7,588,438,693
Deferred Outflows of Resources:			
Deferred loss on refunding (Note 15)	21,496,871	-	21,496,871
Total Deferred Outflows of Resources	21,496,871	-	21,496,871
Total Assets and Deferred Outflows of Resources	\$ 7,587,195,694	\$ 22,739,870	\$ 7,609,935,564

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position

As of June 30, 2023

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Liabilities:			
Accounts payable and contracts payable, including retainage of \$6,586,146	\$ 112,267,435	\$ -	\$ 112,267,435
Due to:			
Other state agencies (Note 7)	209,127	-	209,127
Local governments (Note 8)	16,870,080	-	16,870,080
Component units of the state (Note 13)	331,877	-	331,877
Higher Ed Institution (Note 14)	889,101	-	889,101
Unearned revenue	204,298,985	-	204,298,985
Other accrued expenses	3,618,845	-	3,618,845
Deficiency in SGFIP	25,223,100	-	25,223,100
Other liabilities	584,621	-	584,621
Current portion of long-term obligations (Note 15):			
Lease liability	185,987	-	185,987
Subscription liability	481,447	-	481,447
Compensated absences	11,055,395	-	11,055,395
Debentures payable	156,860,000	-	156,860,000
Capitalized bond premium	18,512,572	-	18,512,572
Total Current Liabilities	551,388,572	-	551,388,572
Long-Term Liabilities:			
Long-term obligations (Note 15):			
Lease liability	708,158	-	708,158
Subscription liability	394,924	-	394,924
Debentures payable	585,900,000	-	585,900,000
Capitalized bond premium, net	94,437,670	-	94,437,670
Total Long-Term Liabilities	681,440,752	-	681,440,752
Total Liabilities	1,232,829,324	-	1,232,829,324
Net Position:			
Net investment in capital assets	5,198,686,040	-	5,198,686,040
Restricted for:			
Loans	-	22,739,870	22,739,870
Specific purposes	1,155,680,330	-	1,155,680,330
Total Net Position	6,354,366,370	22,739,870	6,377,106,240
Total Liabilities and Net Position	\$ 7,587,195,694	\$ 22,739,870	\$ 7,609,935,564

See Independent Auditors' Report and Notes to Financial Statements

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Activities

For the Year Ended June 30, 2023

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Program Expenses:			
Programs and infrastructure	\$ 663,633,413	\$ -	\$ 663,633,413
Transportation and highway operations	281,156,529	-	281,156,529
Program support	41,309,499	-	41,309,499
Modal	81,122,075	-	81,122,075
Total Program Expenses	1,067,221,516	-	1,067,221,516
Program Revenues:			
Charges for services	118,977,684	104,179	119,081,863
Operating grants	31,837,903	-	31,837,903
Capital grants	450,934,614	-	450,934,614
Total Program Revenues	601,750,201	104,179	601,854,380
Net Program Revenue (Expense)	(465,471,315)	104,179	(465,367,136)
General Revenues:			
User and fuel taxes	521,628,299	-	521,628,299
Interest income	24,979,895	253,339	25,233,234
Gain on disposal of assets and adjustments	682,811	-	682,811
Total General Revenues	547,291,005	253,339	547,544,344
Transfers:			
General fund special appropriations (Note 12)	411,815,000	-	411,815,000
Severance tax bond appropriations (Note 12)	19,678,658	-	19,678,658
Reversions FY23 (Note 12)	(3,436,127)	-	(3,436,127)
Transfers from (to) other state agencies and local governments, net (Note 12)	1,645,360	-	1,645,360
Total Transfers	429,702,891	-	429,702,891
Net General Revenues and Transfers	976,993,896	253,339	977,247,235
Change in Net Position/Operating Income	511,522,581	357,518	511,880,099
Net Position, Beginning of Fiscal Year	5,842,843,789	22,382,352	5,865,226,141
Net Position, End of Fiscal Year	\$ 6,354,366,370	\$ 22,739,870	\$ 6,377,106,240

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Balance Sheet - Governmental Funds

As of June 30, 2023

	Major Funds		
	State Road Fund(s) (SHARE 10040 and 20100)	GF Capital Outlay Fund (SHARE 93100)	2021A Bond Project Fund (SHARE 21260)
Assets:			
Cash:			
Unrestricted	\$ 700	\$ -	\$ -
Cash equivalents: (Note 3)			
Investment in SGFIP	509,595,860	681,745,676	-
Managed by NMFA	-	-	226,019,261
Receivables:			
Accounts receivable, net (Note 4)	863,286	-	-
Interest receivable	-	-	1,006,398
Other receivables	14,000	-	-
Due from:			
Federal Agencies (Note 6)	61,276,690	-	-
Other state agencies (Note 7)	43,784,975	-	-
Local governments (Note 8)	436,890	232,429	-
Inventories (Note 9)	18,789,480	-	-
Prepaid expenses - other	2,007,678	-	-
Property held for resale	10,061,670	-	-
Total Assets	\$ 646,831,229	\$ 681,978,105	\$ 227,025,659
Liabilities, Deferred Inflows of Resources and Fund Balance:			
Liabilities:			
Accounts payable	\$ 91,019,257	\$ 13,778,527	\$ 5,861,015
Due to:			
Other state agencies (Note 7)	58,276	7,575	-
Local governments (Note 8)	4,479,964	1,479,609	-
Component units of the state (Note 13)	331,877	-	-
Higher Ed Institution (Note 14)	889,101	-	-
Unearned revenue	21,205,700	183,093,285	-
Other accrued expenses	3,580,039	-	-
Deficiency in SGFIP	15,465,125	-	3,206,723
Other liabilities	110,741	140,160	-
Total Liabilities	137,140,080	198,499,156	9,067,738
Deferred Inflows of Resources:			
Amounts unavailable (not received within period of availability)	4,757,360	-	-
Total Deferred Inflows of Resources	4,757,360	-	-
Fund Balance:			
Non-spendable (Note 1)	30,858,828	-	-
Restricted (Note 1)	478,832,321	483,478,949	217,957,921
Unassigned (Note 16)	(4,757,360)	-	-
Total Fund Balance	504,933,789	483,478,949	217,957,921
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 646,831,229	\$ 681,978,105	\$ 227,025,659

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Balance Sheet - Governmental Funds

Non Major Governmental Funds	Total Governmental Funds
\$ -	\$ 700
172,180,441	1,363,521,977
8,742,720	234,761,981
9,200	872,486
329,289	1,335,687
-	14,000
9,602,080	70,878,770
3,691,897	47,476,872
60,200	729,519
-	18,789,480
-	2,007,678
-	10,061,670
\$ 194,615,827	\$ 1,750,450,820
\$ 1,608,636	\$ 112,267,435
143,276	209,127
10,910,507	16,870,080
-	331,877
-	889,101
-	204,298,985
38,806	3,618,845
6,551,252	25,223,100
333,720	584,621
19,586,197	364,293,171
5,735,270	10,492,630
5,735,270	10,492,630
-	30,858,828
175,029,630	1,355,298,821
(5,735,270)	(10,492,630)
169,294,360	1,375,665,019
\$ 194,615,827	\$ 1,750,450,820

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2023

Total Fund Balance - Governmental Funds
(Balance Sheet - Governmental Funds) \$ 1,375,665,019

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: 10,492,630

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the funds:

The cost of capital assets is	12,733,533,941	
Accumulated depreciation is	(6,920,217,041)	
The cost of right-to-use lease assets is	1,204,488	
Accumulated amortization related to right-to-use assets is	(323,970)	
The cost of IT subscription assets is	1,587,421	
Accumulated amortization related to IT subscription assets is	<u>(536,836)</u>	
Total capital assets		5,815,248,003

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)		(742,760,000)
Deferred loss on refunding (net of current period amortization)		21,496,871
Lease liability		(894,145)
Subscription liability		(876,371)
Compensated absences		(11,055,395)

Capitalized bond premiums not recorded in the governmental funds as a liability, net of amortization: (112,950,242)

Net Position of Governmental Activities (Statement of Net Position) **\$ 6,354,366,370**

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended June 30, 2023

	State Road Fund(s) (SHARE 10040 and 20100)	Major Funds GF Capital Outlay Fund (SHARE 93100)	2021A Bond Project Fund (SHARE 21260)
Revenues:			
User and fuel taxes	\$ 435,381,605	\$ -	\$ -
Federal Agencies	445,396,631	8,657,331	-
Fees and fines	-	-	-
Licenses and permits	10,561,186	-	-
Charges for services	91,689,047	-	-
Other revenue	5,257,891	29,999	-
Interest earnings	8,561,908	-	10,185,500
Total Revenues	996,848,268	8,687,330	10,185,500
Expenditures:			
Current:			
Programs and infrastructure	187,065,106	130,047,219	2,051,853
Transportation and highway operations	262,916,146	-	-
Program support	40,181,011	-	-
Modal	26,384,982	-	-
Capital outlay	392,149,133	90,180,565	73,858,685
Debt service:			
Principal	123,807,417	-	-
Interest	40,321,340	-	-
Total Expenditures	1,072,825,135	220,227,784	75,910,538
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,976,867)	(211,540,454)	(65,725,038)
Other Financing Sources (Uses):			
General fund special appropriations (Note 12)	57,750,000	354,065,000	-
Severance tax bond appropriations (Note 12)	-	-	-
Reversions FY23 (Note 12)	-	(3,436,127)	-
Transfers in: (Note 12)			
Inter-Agency	8,000,000	-	-
Intra-Agency	-	-	-
Transfers (out): (Note 12)			
Inter-Agency	(6,654,640)	-	-
Intra-Agency	-	-	-
Total Other Financing Sources (Uses)	59,095,360	350,628,873	-
Net Changes in Fund Balance	(16,881,507)	139,088,419	(65,725,038)
Fund Balance, June 30, 2022	521,815,296	344,390,530	283,682,959
Fund Balance, June 30, 2023	\$ 504,933,789	\$ 483,478,949	\$ 217,957,921

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

	Non Major Governmental Funds	Total Governmental Funds
	\$ 86,246,694	\$ 521,628,299
	29,371,376	483,425,338
	44,530	44,530
	12,541,228	23,102,414
	-	91,689,047
	353,515	5,641,405
	6,232,487	24,979,895
	134,789,830	1,150,510,928
	53,860,055	373,024,233
	-	262,916,146
	-	40,181,011
	39,509,615	65,894,597
	4,395,158	560,583,541
	7,624,818	131,432,235
	3,697,932	44,019,272
	109,087,578	1,478,051,035
	25,702,252	(327,540,107)
	-	411,815,000
	19,678,658	19,678,658
	-	(3,436,127)
	300,000	8,300,000
	-	-
	-	(6,654,640)
	-	-
	19,978,658	429,702,891
	45,680,910	102,162,784
	123,613,450	1,273,502,235
	\$ 169,294,360	\$ 1,375,665,019

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental
Funds to the Statement of Activities

For the Year Ended June 30, 2023

Net Changes in Fund Balance - Total Governmental Funds

(Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds) \$ 102,162,784

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.) (1,326,146)

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 current financial resources used (essentially, the amounts actually paid). The increase (decrease) in the compensated absences liabilities for the fiscal year was: (251,094)

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 and amortization expense. In the current period these amounts were:

Capital outlay	560,583,541	
Depreciation expense	(293,139,370)	
Sale of capital asset and adjustments, net book value	(143,576)	
Intangible right-to-use lease asset	170,808	
Amortization lease expense	(177,172)	
IT Subscription asset	1,587,421	
Amortization IT subscription expense	<u>(536,836)</u>	
Excess of capital outlay over depreciation and amortization expense		268,344,816

(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:

Principal payments 130,550,000

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental
Funds to the Statement of Activities

Lease payments to be capitalized under GASB 87 are recorded as expenditures in the Statement of Revenues , Expenditures and Changes in Fund Balance - Governmental Funds. In the Statement of Activities, the lease is recorded as a liability and is decreased by the principal portion of lease payments:

New leases	(170,808)	
Principal payments	<u>171,185</u>	377

IT Subscription payments to be capitalized under GASB 96 are recorded as expenditures in the Statement of Revenues , Expenditures and Changes in Fund Balance - Governmental Funds. In the Statement of Activities, the IT Subscription is recorded as a liability and is decreased by the principal portion of IT Subscription payments:

New IT Subscriptions	(1,587,421)	
Principal payments	<u>711,050</u>	(876,371)

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:

(5,594,357)

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 \$112,950,242 in the Statement of Net Position, net of \$18,512,572 of amortization and removal of premium, recorded as a decrease to interest expense in the Statement of Net Position:

18,512,572

Change in Net Position of Governmental Activities (Statement of Activities)

\$ 511,522,581

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position - Proprietary Fund

As of June 30, 2023

	State Infrastructure Bank (SHARE 89300)
Assets:	
Current Assets:	
Cash:	
Unrestricted	\$ -
Cash equivalents: (Note 3)	
Investment in SGFIP	12,229,485
Receivables:	
Interest receivable	103,836
Notes and loans receivable (Note 5)	775,313
Total Current Assets	13,108,634
Non-Current Assets:	
Notes and loans receivable (Note 5)	9,631,236
Total Non-Current Assets	9,631,236
Total Assets	\$ 22,739,870
 Liabilities and Net Position:	
Liabilities:	
Current Liabilities:	
Accounts payable	\$ -
Unearned revenue	-
Total Current Liabilities	-
Total Liabilities	-
Net Position:	
Restricted for:	
Loans	22,739,870
Total Net Position	22,739,870
Total Liabilities and Net Position	\$ 22,739,870

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund

For the Year Ended June 30, 2023

	State Infrastructure Bank (SHARE 89300)
Operating Revenues (Expenses):	
Loan interest income	\$ 104,179
Total Operating Revenues (Expenses)	<u>104,179</u>
Non-Operating Revenues (Expenses):	
Interest income	253,339
Total Non-Operating Revenues (Expenses)	<u>253,339</u>
Change in Net Position/Operating Income	357,518
Net Position, Beginning of Fiscal Year	<u>22,382,352</u>
Net Position, End of Fiscal Year	<u><u>\$ 22,739,870</u></u>

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Cash Flows - Proprietary Fund

For the Year Ended June 30, 2023

	State Infrastructure Bank (SHARE 89300)
Cash Flows from Operating Activities:	
Cash received from interest on loans	\$ 2,742
Loans repaid	90,487
Unearned revenue	-
Net Cash Provided (Used) by Operating Activities	93,229
Cash Flows from Investing Activities:	
Cash received from interest	253,339
Net Cash Provided (Used) by Investing Activities	253,339
Net Increase (Decrease) in Cash and Cash Equivalents	346,568
Cash and Cash Equivalents at June 30, 2022	11,882,917
Cash and Cash Equivalents at June 30, 2023	\$ 12,229,485
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 104,179
Change in assets and liabilities:	
(Increase) decrease in interest receivable	(101,437)
(Increase) decrease in notes and loans receivable	90,487
Net Cash Provided (Used) by Operating Activities	\$ 93,229

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures - Budget and Actual
(Modified Accrual Basis) - Major Funds

For the Year Ended June 30, 2023

	STATE ROAD FUND(S) (SHARE 10040 and 20100)			
	Budgeted Amounts		Actual Amounts	
	Original	Final	(Modified Accrual)	Variance
Revenues and Other Financing Sources:				
Federal funds	\$ 486,000,000	\$ 1,072,517,958	\$ 445,396,631	\$ (627,121,327)
Other state funds	531,610,000	531,610,000	542,889,729	11,279,729
State general fund	-	-	57,750,000	57,750,000
Transfers intra-inter-agency	8,000,000	8,000,000	8,000,000	-
Interest revenue	535,000	535,000	8,561,908	8,026,908
Total Revenues and Other Financing Sources	1,026,145,000	1,612,662,958	1,062,598,268	\$ (550,064,690)
Prior Year Funds Rebudgeted	65,596,600	319,020,020		
	\$ 1,091,741,600	\$ 1,931,682,978		
Expenditures and Other Financing Uses:				
Project Design & Construction:				
Personal services/employee benefits	\$ 30,698,300	\$ 30,698,300	28,878,273	\$ 1,820,027
Contractual services	480,166,500	1,185,745,763	491,073,123	694,672,640
Other	180,007,000	199,600,402	170,927,698	28,672,704
Transfers (in) out	-	6,654,640	6,654,640	-
	690,871,800	1,422,699,105	697,533,734	725,165,371
Highway Operations:				
Personal services/employee benefits	131,831,900	131,831,900	123,055,823	8,776,077
Contractual services	77,969,400	136,967,678	81,893,590	55,074,088
Other	108,220,200	130,328,874	105,841,421	24,487,453
	318,021,500	399,128,452	310,790,834	88,337,618
Business Support:				
Personal services/employee benefits	29,759,200	29,759,200	28,207,864	1,551,336
Contractual services	7,060,700	6,376,700	2,006,336	4,370,364
Other	13,147,500	13,831,500	10,386,942	3,444,558
	49,967,400	49,967,400	40,601,142	9,366,258
Modal:				
Personal services/employee benefits	8,089,200	8,159,200	8,082,988	76,212
Contractual services	20,520,300	39,339,782	16,520,552	22,819,230
Other	4,271,400	12,389,039	5,950,525	6,438,514
	32,880,900	59,888,021	30,554,065	29,333,956
Total Budgeted Expenditures and Other Financing Uses	\$ 1,091,741,600	\$ 1,931,682,978	1,079,479,775	\$ 852,203,203
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			1,079,479,775	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			\$ (16,881,507)	

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

See Independent Auditors' Report and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures - Budget and Actual
(Modified Accrual Basis) - Major Funds

For the Year Ended June 30, 2023

	2021A BOND PROJECT FUND (SHARE 21260)			
	Budgeted Amounts		Actual Amounts	
	Original	Final	(Modified Accrual)	Variance
Revenues and Other Financing Sources:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	-	-	-	-
Transfers intra-inter-agency	-	-	-	-
Interest revenue	-	-	10,185,500	10,185,500
Bond proceeds	-	302,402,303	-	(302,402,303)
Total Revenues and Other Financing Sources	-	302,402,303	10,185,500	\$ (292,216,803)
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ 302,402,303		
Expenditures and Other Financing Uses:				
Project Design & Construction:				
Personal services/employee benefits	\$ -	\$ -	-	-
Contractual services	-	302,402,303	75,910,538	226,491,765
Other	-	-	-	-
Transfers (in) out	-	-	-	-
	-	302,402,303	75,910,538	226,491,765
Highway Operations:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Business Support:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Modal:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Total Budgeted Expenditures and Other Financing Uses	\$ -	\$ 302,402,303	75,910,538	\$ 226,491,765
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			75,910,538	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			\$ (65,725,038)	

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

See Independent Auditors' Report and Notes to Financial Statements

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, is responsible for planning, organizing and directing a comprehensive transportation network within the State of New Mexico. 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, 2023.

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 human resources. The Modal program consists of the Transit and Rail, Aviation, Traffic Safety and Ports of Entry divisions.

Net position is restricted when constraints on resources 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 which may include Federal Funds. 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.

2021A Bond Project Fund (#21260). The bond project fund was created by Section 67-3-59.3 NMSA 1978 when the \$234,600,000 NMFA State Transportation Subordinate Lien Revenue Bonds Series 2021A were issued through the New Mexico Finance Authority in August 2021. 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 acquire rights of way, planning, design and construction and to match federal funds and other state funds for: (i) projects for which general fund appropriations were made pursuant to New Mexico Laws of 2019, Chapter 271, Section 9 and (ii) projects authorized by New Mexico Laws of 2021, Chapter 43, Section 1 and (B) to pay costs incurred in connection with the issuance of the Series 2021A Bonds. 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, 2023, 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.

Traffic Safety Fund(s): A group and/or cluster of programs that are closely related programs and share 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).

Federal Traffic Safety Fund (#10010). 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

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.

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 (HIF) Fund 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Special Revenue Funds – continued

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.

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.

2021A Bond Project Fund (#21260). The bond project fund was created by Section 67-3-59.3 NMSA 1978 when the \$234,600,000 NMFA State Transportation Subordinate Lien Revenue Bonds Series 2021A were issued through the New Mexico Finance Authority in August 2021. 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 acquire rights of way, planning, design and construction and to match federal funds and other state funds for: (i) projects for which general fund appropriations were made pursuant to New Mexico Laws of 2019, Chapter 271, Section 9 and (ii) projects authorized by New Mexico Laws of 2021, Chapter 43, Section 1 and (B) to pay costs incurred in connection with the issuance of the Series 2021A Bonds. 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 - continued

Special Revenue Funds – continued

Transportation Project Fund (Fund #21170). The Transportation Project Fund was created in 2021 by Sections 67-3-78 and 7-14-10, NMSA 1978. The fund was created for the planning and prioritization of funding transportation projects for counties, municipalities and Indian nations, tribes and pueblos. This fund does not receive state general fund appropriations that are subject to reversion.

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.

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. The fund does not receive State General Fund appropriations that are subject to reversions.

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 (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.

2021A Bond Debt Service Fund (#21250). The fund was created when the \$234,600,000 NMFA State Transportation Revenue Bonds Series 2021A were issued in August 2021. The fund does not receive State General Fund appropriations that are subject to reversions.

2022A Bond Debt Service Fund (#22250). The fund was created when the \$47,240,000 NMFA State Transportation Refunding Revenue Bonds Series 2022A were issued in April 2022 to partially refund the series 2012A and fund the issuance costs. 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 2021, Section 3, Subsection K, "For the purpose of administering the General Appropriation Act of 2021, 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 3).

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 4) deemed uncollectible through the end of FY23 was \$5,363,813 and a net total of \$366,380 was moved to the uncollectible account during the current fiscal year. A total of \$1,288,105 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. 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 there is no accrual of a Severance Tax Bonds Proceeds Receivable as of June 30, 2023 (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, 2023. 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 5).

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 6). There was no allowance for FY 2023. 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 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 Annual Comprehensive Financial Report (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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, indicating that these assets are not considered "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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

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 from a company, municipality, local or federal 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. Federal unearned revenue is reclassified as federal revenue once the Department incurs qualifying reimbursable expenditures as defined by the grant agreement, the Department had \$183.1 million remaining as Unearned Revenue from ARPA as of June 30, 2023. 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.

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, 2023, and includes direct and incremental salary related payments, such as the employer's share of social security taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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."

Encumbrances

With the General Appropriations Act of 2021, 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, 2023 for multiple year appropriation periods are as follows:

STB Capital Outlay Fund	89200	\$ 15,029,475	
GF Capital Outlay Fund	93100	154,843,278	
		\$ 169,872,753	

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 \$0.74 billion in State Transportation Revenue and Refunding Bonds issued between 2014 and 2022. 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 \$0.89 billion. Debt Service principal and interest paid for the current year and total pledged revenues were \$174,523,872 and \$997,195,318, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Outflows/Inflows of Resources - continued

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 "measurable" 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.

Leases

GASB Statement No. 87 is effective for the State of New Mexico and all entities therein comprised, for fiscal year ending June 30, 2023. It increases the usefulness of governmental financial statements by requiring recognition of certain lease assets (Note 10) and liabilities (Note 15) for all leases, including those that were previously classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset.

Based on the implementation of GASB No. 87 in fiscal year 2022, lease agreements subject to this accounting standard were recorded in the full accrual ledger and are listed as current year additions (Note 10). These additions are reflected in this note as Right-to-Use Lease Asset-Buildings & Equipment in the amount of \$170,808. Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. Because these assets were recorded with the offsetting account of Lease Liability, there is not corresponding current year capital asset expenditures for these additions. Future principal payments will be recorded as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds and as reductions in the Lease Liability in the Statement of Net Position.

IT Subscription Assets

GASB Statement No. 96 is effective for the State of New Mexico and all entities therein comprised, for fiscal year ending June 30, 2023. It increases the usefulness of governmental financial statements by requiring recognition of certain information technology subscription assets (Note 10) and liabilities (Note 15) for all subscription-based information technology arrangements (SBITAs). GASB 96 provides uniform accounting and financial reporting requirements for SBITAs, based on the foundational principle that these arrangements are, like leases, a financing of the right to use an underlying asset.

Based on the implementation of GASB No. 96 in the current fiscal year, subscription agreements subject to this accounting standard were recorded in the full accrual ledger and are listed as current year additions (Note 10). These additions are reflected in this note as Intangible IT Subscriptions in the amount of \$1,587,421. Subscription assets are amortized on a straight-line basis over the subscription term. Because these assets were recorded with the offsetting account of IT Subscription Liability, there is not corresponding current year capital asset expenditures for these additions. Future principal payments will be recorded as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds and as reductions in the IT Subscription Liability in the Statement of Net Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. 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, 2023:

- GASB Statement No. 99, Omnibus 2022
- GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62
- GASB Statement No. 101, Compensated Absences

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.

3. 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 2023. 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, 2023 the following assertions:

- As of June 30, 2023, 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, 2023. 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.

3. 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, 2023 the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool	\$ 1,363,521,977
State Infrastructure Bank	<u>12,229,485</u>
Total invested in SGFIP	<u>\$ 1,375,751,462</u>
Less: Deficiency in SGFIP	<u>(25,223,100)</u>
Total Net invested in SGFIP	<u>\$ 1,350,528,362</u>

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, 2023.

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.

3. 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 BOK Financial - Bank of Albuquerque as trustees and paying agents for the Department. The sources of funds are bond proceeds and other debt service requirements. These funds are invested in short-term money market mutual funds 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, 2023 the Department had the following managed by NMFA held with BOK Financial - Bank of Albuquerque:

BOK Financial - Bank of Albuquerque, trustee account (Managed by NMFA)	<u>\$ 234,761,981</u>
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Fair Value Measurement. The Department's mutual funds at BOK Financial are measured and reported at fair value, which are based on prices quoted in active markets (Level 1 – Classification of Investments).

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. Money market funds held with BOK have a Financial Standard & Poor's rating of AAAM, which indicates an extremely strong capacity to meet financial commitments.

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.

4. ACCOUNTS RECEIVABLE

The aging of accounts receivable as of June 30, 2023 is as follows:

<u>Number of Days Outstanding</u>				
0 - 30		\$		777,371
31 - 60				47,822
61 - 90				14,645
91 - 120				14,244
Beyond 120				5,382,217
				<u>6,236,299</u>
Allowance for uncollectible accounts				(5,363,813)
				<u>\$ 872,486</u>

5. NOTES AND LOANS RECEIVABLE

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

	<u>Short-term</u>		<u>Long-term</u>
A ten (10) year note receivable from the Town of Peralta secured by property taxes and sewer funds	\$ 91,392	\$	92,306
A seventeen (17) year note receivable from Rio Metro Regional Transit District secured by gross receipts tax	683,921		9,538,930
	<u>775,313</u>	<u>\$</u>	<u>9,631,236</u>

6. DUE FROM FEDERAL AGENCIES

Due from Federal Agencies consists of the following at June 30, 2023:

Agency

NNSA

Environmental Remediation and Waste Processing and Disposal	\$ 2,665,304	
Total NNSA		\$ 2,665,304

USDOT

Federal Highway Administration	58,611,386	
Other USDOT Agencies	9,602,080	
Total USDOT		68,213,466

Total Due From Federal Agencies		\$ 70,878,770
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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

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	\$ 22,100,524		33300	82500
		21,676,943		33300	82800
HIF Bond Fund	20200	682,896		33300	83200
Local Government Road Fund	20300	2,140,021		33300	82800
		227,632		33300	83200
State Aviation Fund	20500	34,173		33300	82800
		607,175		33300	83200
Total taxes due from Taxation and Revenue Department			\$ 47,469,364		
State Road Fund(s)	10040 / 20100	7,508		21300	52100
Total service revenue due from NM Economic Development Department			7,508		
Total Government-wide			\$ 47,476,872		

Due To Other State Agencies

Fund Description	Fund Number	Sub-total	Total	Business Unit	Fund Affiliate
State Road Fund(s)	10040 / 20100	\$ 19,674		79000	12802
		27,934		79000	12804
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	143,222		79000	12802
Total payments due to NM Department of Public Safety			\$ 190,830		
State Road Fund(s)	10040 / 20100	10,668		77000	07700
GF Capital Outlay Fund	93100	7,575		77000	07700
Total payments due to NM Corrections Industries			18,243		
State Aviation Fund	20500	54		36900	37100
Total payments due to State Records Center & Archives			54		
Total Government-wide			\$ 209,127		

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND DUE TO LOCAL GOVERNMENTS

Due From Local Governments

Fund Description	Fund Number	Due From	Total
Governmental Funds			
State Road Fund(s)	10040 and 20100	Bernalillo County	\$ 11,143
		Colfax County	2,747
		City of Lovington	423,000
Local Government Road Fund	20300	The Navajo Nation	60,200
GF Capital Outlay Fund	93100	Town of Bernalillo	209,551
		County of Valencia	22,878
			<u>\$ 729,519</u>
Total Government-wide			<u>\$ 729,519</u>

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	\$ 153,659
		Board of Commissioners	1,781
		City of Albuquerque	227,224
		City of Belen	2,162
		City of Bloomfield	1,407
		City of Clovis	1,538
		City of Farmington	2,955
		City of Gallup	3,765
		City of Grants	1,105
		City of Rio Rancho	65,047
		City of Sunland Park	3,143
		Colfax County Treasurer	650
		Chaves County	2,104
		McKinley County	12,414
		Mora County	582
		Roosevelt County	2,900
		Sandoval County	14,768
		Torrance County	2,239
		Valencia County	400
		Dona Ana County	13,973

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To	Total
Governmental Funds			
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	Guadalupe County	\$ 603
		Lea County	6,993
		Otero County	2,866
		San Juan County	36,079
		Santa Fe County	12,717
		Socorro County	628
		Village Of Los Lunas	7,500
Federal Planning & Development Fund	10030	Board of Commissioners	24,481
		City of Carlsbad	157,826
		City of Hobbs	34,951
		City of Las Vegas	13,395
		City of Portales	9,307
		City of Roswell	63,011
		Grants County	40,536
		Incorporated County of Los Alamos	120,331
		North Central Regional Transit District	76,613
		Rio Metro Regional Transit District	74,217
		South Central Regional Transit District	62,379
		The Navajo Nation	32,500
State Road Fund(s)	10040 and 20100	Albuquerque Bernalillo County Water A	2,746
		Bernalillo County	260,173
		Board of Commissioners	368,723
		Catron County	225
		City of Alamogordo	438
		City of Albuquerque	239,591
		City of Anthony	457
		City of Artesia	1,458
		City of Aztec	42
		City of Belen	301,625
		City of Bloomfield	2,529
		City of Carlsbad	1,827
		City of Clovis	1,107
		City of Deming	1,919
		City of Dexter	191
		City of Espanola	189

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND 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 Eunice	\$ 1,814
		City of Farmington	66,294
		City of Gallup	2,036
		City of Jal	122
		City of Las Vegas	6,198
		City of Lordsburg	1,342
		City of Moriarty	297
		City of Rio Rancho	188,258
		City of Roswell	3,339
		City of Santa Fe	152,818
		City of Santa Rosa	715
		City of Socorro	6,688
		City of Sunland Park	2,488
		City of Truth or Consequences	873
		City of Tucumcari	477
		Colfax County Treasurer	660,601
		Chaves County	25
		Eddy County	67
		Luna County	1,848
		McKinley County	6,591
		Mora County	1,180
		Roosevelt County	1,606
		Sandoval County	1,326
		Torrance County	504
		Valencia County	1,120
		De Baca County	1,030
		Dona Ana County	3,641
		Eastern Plains Council of Governments	23,643
		Guadalupe County	603
		Hidalgo County	1,514
		Incorporated County of Los Alamos	286
		Lower Rio Grande	906
		Mid-Region Council of Governments	415,630
		Otero County	3,328
		Pueblo of Jemez	376,667

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND 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	Pueblo of Sandia	\$ 1,067
		Pueblo of Santa Ana	3,294
		Pueblo of Tesuque	132
		Quay County	797
		Rio Metro Regional Transit District	965,046
		San Juan County	168
		Santa Clara Pueblo	334
		Santa Fe County	519
		Socorro County	746
		South Central Council of Governments	23,595
		The Navajo Nation	4
		Town of Bernalillo	329,967
		Town of Carrizozo	1,391
		Town of Clayton	1,302
		Town of Edgewood	1,317
		Town of Estancia	415
		Town of Mountainair	166
		Town of Silver City	3,390
		Town of Springer	87
		Town of Tatum	156
		Town of Vaughn	433
		Village of Bosque Farms	1,095
		Village of Capitan	231
		Village of Chama Inc	138
		Village of Cimarron	195
		Village of Corona	84
		Village of Corrales	1,105
		Village of Cuba	49
		Village of Eagle Nest	165
		Village of Hatch	391
		Village of Logan	2,280
		Village of Los Lunas	7,800
		Village of Magdalena	96
		Village of Milan	3,603
		Village of Questa	103

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND 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	Village of Roy	\$ 725
		Village of Ruidoso	7,288
		Village of San Jon	225
		Village of San Ysidro	51
		Village of Santa Clara	675
		Village of Tijeras	37
		Village of Wagon Mound	187
		Local Government Road Fund	20300
Town of Taos	113,869		
State Aviation Fund	20500	Board of Commissioners	176,932
		City of Clovis	10,083
		City of Deming	247,840
		City of Farmington	153,642
		City of Raton	3,106
		Colfax County Treasurer	20,000
		Grants County	5,499
		Incorporated County of Los Alamos	16,187
		Ohkay Owingeh Pueblo	6,550
		Village of Ruidoso	74,526
		Transportation Project Fund	21170
County of Lincoln	1,068,750		
Jicarilla Apache Nation	736,250		
Taos Pueblo CMS	4,457,281		
STB Capital Outlay Fund	89200	Board of Commissioners	6,349
		City of Albuquerque	145
		City of Artesia	2,155
		City of Farmington	103,063
		City of Portales	-
		Chaves County	3,180
		McKinley County	150,042
		Sandoval County	115,143
		The Navajo Nation	99,516
GF Capital Outlay Fund	93100	Town of Clayton	8,573
		Bernalillo County	275,976
		Board of Commissioners	271,298

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM AND DUE TO LOCAL GOVERNMENTS - continued

Due To Local Governments - continued

Fund Description	Fund Number	Due To	Total
Governmental Funds			
GF Capital Outlay Fund	93100	City of Albuquerque	\$ 289,598
		McKinley County	32,933
		Dona Ana County	1,609
		Incorporated County of Los Alamos	2,175
		Quay County	72,784
		The Navajo Nation	41,181
		Town of Bernalillo	172,400
		Village of Los Ranchos De Albuquerque	249,852
		Village of Questa	69,803
			<hr/>
Total Government-wide			\$ 16,870,080

9. INVENTORIES

Inventory as of June 30, 2023 consists of the following:

Highway maintenance materials stockpiled	\$ 10,499,973
Repair parts and expendable supplies	7,429,872
Fuel, oil and lubricants	<u>859,635</u>
	<u>\$ 18,789,480</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

10. CAPITAL ASSETS

A summary of changes in capital assets for fiscal year ended June 30, 2023 follows:

	Beginning Balance		Adjustments &	
	June 30, 2022	Additions	Transfers	Retirements
Non-Depreciable Assets:				
Construction in Progress	\$ 660,569,320	\$ 531,234,128	\$ -	\$ -
Rail System Infrastructure - Right of Way	72,204,581	-	-	-
Land	5,278,158	-	-	-
Right of Way	459,504,977	-	-	(66,301)
Total Non-Depreciable Assets	1,197,557,036	531,234,128	-	(66,301)
Depreciable and Amortizable Assets:				
Land Improvements	876,338	306,686	-	-
Infrastructure	11,495,321,268	-	-	(1,285,977,116)
Automotive and Major Road Fund Equipment	256,682,293	5,883,299	-	(15,230,697)
Rail System Infrastructure	373,559,062	-	-	-
Buildings	75,045,797	2,232,923	733,363	-
Equipment and Furniture	75,128,069	20,926,505	8,655	(800,933)
Library	113,566	-	-	-
Right-to-Use Lease Assets - Buildings & Equipment	1,033,680	170,808	-	-
IT Subscription Assets	-	1,587,421	-	-
Total Depreciable Assets	12,277,760,073	31,107,642	742,018	(1,302,008,746)
Total Assets	13,475,317,109	562,341,770	742,018	(1,302,075,047)
Less Accumulated Depreciation and Amortization:				
Land Improvements	(38)	(21,635)	-	-
Infrastructure	(7,440,079,813)	(258,601,086)	-	1,285,977,116
Automotive and Major Road Fund Equipment	(205,407,277)	(9,579,142)	-	15,184,974
Rail System Infrastructure	(211,090,305)	(14,943,063)	-	-
Buildings	(36,174,895)	(1,364,422)	(733,363)	-
Equipment and Furniture	(35,401,230)	(8,630,022)	(8,655)	769,381
Library	(113,566)	-	-	-
Right-to-Use Lease Assets - Buildings & Equipment	(146,798)	(177,172)	-	-
IT Subscription Assets	-	(536,836)	-	-
Total Accumulated Depreciation and Amortization	(7,928,413,922)	(293,853,378)	(742,018)	1,301,931,471
Net Total	\$ 5,546,903,187	\$ 268,488,392	\$ -	\$ (143,576)

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

Depreciation:	Programs and infrastructure	\$ 258,953,245
	Transportation and highway operations	18,187,807
	Program support	926,943
	Modal	15,071,375
		<u>293,139,370</u>
Amortization		714,008
Total Depreciation and Amortization		<u>\$ 293,853,378</u>

10. CAPITAL ASSETS - continued

CIP Reclassifications	Ending Balance June 30, 2023
\$ (413,800,323)	\$ 778,003,125
-	72,204,581
-	5,278,158
14,426,065	473,864,741
(399,374,258)	1,329,350,605
-	1,183,024
398,601,199	10,607,945,351
-	247,334,895
-	373,559,062
604,543	78,616,626
168,516	95,430,812
-	113,566
-	1,204,488
-	1,587,421
399,374,258	11,406,975,245
-	12,736,325,850
-	(21,673)
-	(6,412,703,783)
-	(199,801,445)
-	(226,033,368)
-	(38,272,680)
-	(43,270,526)
-	(113,566)
-	(323,970)
-	(536,836)
-	(6,921,077,847)
\$ -	\$ 5,815,248,003

The Department had major contractual commitments related to various capital projects as of June 30, 2023 for the construction of various highway projects related to construction in progress. At June 30, 2023 the Department had spent \$778,003,125 on these projects and had remaining contractual commitments with contractors of \$462,171,662. 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, 2023, 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	\$ 95,092,650
Sale and reauthorization of severance tax bonds	30,406,500
Funding received from the State Board of Finance	(19,678,658)
Reversion to the State Board of Finance (Budget only)	<u>(78,875)</u>
Balance, end of year	<u>\$ 105,741,617</u>

The funding for the year ended June 30, 2023 was received under the Laws of 2018, Chapter 80; Laws of 2020, Chapters 81 and 82; Laws of 2021, Chapters 138 and 139; Laws of 2022, Chapters 1 and 53; and Laws of 2023, Chapter 203.

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 of New Mexico regarding Severance Tax Bond draws, as a result the Department did not record inter-agency receivables and payables for year end accruals.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

12. TRANSFERS AND OTHER FINANCING SOURCES (USES)

Transfers outside the Agency and Other Financing Sources and Uses

	Fund Number		Transfers In Other Fin Sources	Transfers Out Other Fin Uses	Net (Sub-totals only)
General Funds:					
State Road Fund(s)	10040 / 20100	(1)	\$ 8,000,000	\$ -	
		(2)	57,750,000	-	
		(4)	-	(1,000,000)	
		(5)	-	(5,654,640)	
Total General Funds			65,750,000	(6,654,640)	\$ 59,095,360
Special Revenue Funds:					
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	(3)	300,000	-	
Total Special Revenue Funds			300,000	-	300,000
Capital Projects Funds:					
STB Capital Outlay Fund	89200	(6)	1,860,889	-	
		(7)	12,071,401	-	
		(8)	1,055,810	-	
		(9)	3,353,482	-	
		(10)	1,337,076	-	
			19,678,658	-	19,678,658

- (1) Transfer Weight Distance Funds to DOT from TRD, HB2 Laws '22, p. 23 & 127
- (2) Executive Orders 2022-125,126,127,132,133,135-140,151-162, 2023-002-015,021-035,041-050,063-077
- (3) Transfer from Department of Finance and Administration for DWI Program as per section 11-6A-3, NMSA 1978
- (4) Laws of 2020, Ch 81(HB349), Sec 85 - Transfer to NM EMNRD - Carlsbad brine well remediation fund
- (5) Laws of 2023, Chapter 210, Section 6, Item 15, 16 & 17
- (6) State Board of Finance Severance Tax Bond Laws of 2020, Ch 81, Sec 38
- (7) State Board of Finance Severance Tax Bond Laws of 2021, Ch 138, Sec 33
- (8) State Board of Finance Severance Tax Bond Laws of 2021, Ch 139, Sec 3, 4, 15, 31 & 59

12. TRANSFERS AND OTHER FINANCING SOURCES (USES) - continued

Transfers outside the Agency and Other Financing Sources and Uses - continued

	<u>Fund Number</u>		<u>Transfers In Other Fin Sources</u>	<u>Transfers Out Other Fin Uses</u>	<u>Net (Sub-totals only)</u>
Capital Projects Funds:					
GF Capital Outlay Fund	93100	(11)	353,500,000	-	
		(12)	370,000	-	
		(13)	195,000	-	
		(14)	-	(30,000)	
		(15)	-	(3,406,127)	
Total Capital Projects Funds			<u>373,743,658</u>	<u>(3,436,127)</u>	<u>370,307,531</u>
Summary					
Total General Funds - net					\$ 59,095,360
Total Special Revenue Funds - net					300,000
Total Capital Projects Funds - net					<u>370,307,531</u>
Total Governmental – net					<u>429,702,891</u>
Total Enterprise Funds – net					-
Total Transfers outside the Agency					<u>429,702,891</u>
Government-wide adjustments					<u>-</u>
Total Government-wide - Statement of Activities					<u><u>\$ 429,702,891</u></u>

- (9) State Board of Finance Severance Tax Bond Laws of 2022, Reauthorized, Ch 1, Sec 38
- (10) State Board of Finance Severance Tax Bond Laws of 2022, Ch 53, Sec 36
- (11) Laws 2022, HB2, Chapter 54, Section 9, Items 1-8, Special Transportation Appropriations with \$20 million recategorized as Federal through the Laws 2022, Chapter 54, Section 9, Item 7 from General Fund to ARPA per Laws 2023, Chapter 271, Section 9, Item 3
- (12) Laws 2022, SB212, Chapter 53, Section 48, Items 1-2
- (13) Laws 2022, SB1, Chapter 3, Sections 8 & 17
- (14) Revert expired Village of Roy Appropriation
- (15) General Fund Reversions of FY23 Expiring Appropriations from GF Capital Outlay Fund

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

13. DUE TO COMPONENT UNITS OF THE STATE

Fund Description	Fund Number	Due To	Total
Governmental Funds			
State Road Fund(s)	10040 and 20100	New Mexico Finance Authority	\$ 331,877
Total Government-wide			<u>\$ 331,877</u>

14. DUE TO HIGHER ED INSTITUTION

Fund Description	Fund Number	Due To	Total
Governmental Funds			
State Road Fund(s)	10040 and 20100	New Mexico Institute of Mining & Tech	88,226
		Regents of NMSU	148,428
		The University of New Mexico	652,447
Total Government-wide			<u>\$ 889,101</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

15. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2023:

Governmental Activities	Balance at			Ending Balance		Amounts due
	June 30, 2022	Increase	Decrease	June 30, 2023	within one year	
2014A Revenue Bonds	\$ 55,575,000	\$ -	\$ -	\$ 55,575,000		\$ -
2014B Refunding Bonds	71,490,000	-	(1,830,000)	69,660,000		1,920,000
2018A Refunding Bonds	404,820,000	-	(83,805,000)	321,015,000		142,060,000
2020A Refunding Bonds	59,585,000	-	(41,935,000)	17,650,000		10,935,000
2021A Revenue Bonds	234,600,000	-	-	234,600,000		-
2022A Refunding Bonds	47,240,000	-	(2,980,000)	44,260,000		1,945,000
Debentures	873,310,000	-	(130,550,000)	742,760,000		156,860,000
Lease liability	894,522	170,808	(171,185)	894,145		185,987
Subscription liability	-	1,587,421	(711,050)	876,371		481,447
Compensated absences payable	10,804,301	8,455,648	(8,204,554)	11,055,395		11,055,395
Total obligations	885,008,823	\$ 10,213,877	\$ (139,636,789)	755,585,911		\$ 168,582,829
Less current portion	(141,495,915)			(168,582,829)		
Net long-term obligations	\$ 743,512,908			\$ 587,003,082		
Unamortized bond premium	\$ 131,462,814	\$ -	\$ (18,512,572)	\$ 112,950,242		\$ 18,512,572

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			Ending Balance		Amounts due
	June 30, 2022	Increase	Decrease	June 30, 2023	within one year	
Deferred loss on refunding	\$ 27,091,228	-	(5,594,357)	\$ 21,496,871		5,594,357

The State Road Fund (#20100) is used to liquidate other long-term liabilities, such as compensated absences, lease and subscription liabilities. 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 issuances 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, 2023, there were no bonds outstanding that were considered defeased in substance.

The cumulative deferred amount on the refundings of \$21,496,871, 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 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 \$15,875,750, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2014A Revenue:			
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	6,495,000	2,190,000	8,685,000
2028	6,920,000	1,865,250	8,785,250
2029-2032	<u>30,385,000</u>	<u>3,769,000</u>	<u>34,154,000</u>
Total	<u>\$ 55,575,000</u>	<u>\$ 15,875,750</u>	<u>\$ 71,450,750</u>

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 \$13,336,500, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2014B Refunding:			
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	<u>\$ 69,660,000</u>	<u>\$ 13,336,500</u>	<u>\$ 82,996,500</u>

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 \$48,303,500, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2018A Refunding:			
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	31,285,000	6,374,750	37,659,750
2028	35,185,000	4,810,500	39,995,500
2029-2030	61,025,000	4,255,250	65,280,250
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 321,015,000</u>	<u>\$ 48,303,500</u>	<u>\$ 369,318,500</u>

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 \$71,382,855 including an original issuance premium of \$8,727,192. The cost of issuance, including the underwriters' discount, was \$515,703.

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 \$1,218,250, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2020A Refunding:			
2024	\$ 10,935,000	\$ 882,500	\$ 11,817,500
2025	<u>6,715,000</u>	<u>335,750</u>	<u>7,050,750</u>
Total	<u>\$ 17,650,000</u>	<u>\$ 1,218,250</u>	<u>\$ 18,868,250</u>

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2021A Revenue Bonds

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 \$303,402,303 including an original issuance premium of \$69,296,420. The cost of issuance, including the underwriters' discount, was \$1,319,164.

Proceeds 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 identified in the Official Statement 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.

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 2030.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$62,469,000, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2021A Revenue:			
2024	\$ -	\$ 11,730,000	\$ 11,730,000
2025	24,795,000	11,730,000	36,525,000
2026	26,345,000	10,490,250	36,835,250
2027	-	9,173,000	9,173,000
2028	53,630,000	9,173,000	62,803,000
2029-2030	129,830,000	10,172,750	140,002,750
Total	<u>\$ 234,600,000</u>	<u>\$ 62,469,000</u>	<u>\$ 297,069,000</u>

15. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2022A Refunding Bonds

The Department issued \$47,240,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2022A in April 2022. The gross proceeds to the Department were \$51,981,020 including an original issuance premium of \$4,536,626 and transfer of prior debt service funds of 688,883. The cost of issuance, including the underwriters' discount was \$460,240.

Proceeds from the sale of the Series 2022A Bonds were used (i) to refund a portion of the balance of the NMFA State Transportation Revenue and Refunding Revenue Bonds (Senior Lien) Series 2012A in an aggregate principal amount of \$50,960,000 (the "Refunded Bonds") to achieve debt service savings and (ii) also used to pay costs of issuing the Series 2022A 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 2026.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$5,402,250, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2022A Refunding:			
2024	\$ 1,945,000	\$ 2,213,000	\$ 4,158,000
2025	20,845,000	2,115,750	22,960,750
2026	21,470,000	1,073,500	22,543,500
Total	<u>\$ 44,260,000</u>	<u>\$ 5,402,250</u>	<u>\$ 49,662,250</u>

15. LONG-TERM OBLIGATIONS - continued

Lease Liability

Leases subject to GASB 87 (1) do not meet the definition of a short-term lease (12 months or less), (2) are not inter-agency leases, (3) are not contracts that transfer ownership, and (4) are not otherwise excluded by GASB 87. The State of New Mexico has adopted the policy to capitalize leases that have a calculated present value of \$5,000 or more using the interest rate stated in the agreement or an Incremental Borrowing Rate (IBR). The IBR is an estimation made by the State of New Mexico based on current borrowing rates, as shown below:

Lease Term	IBR (FY23)	IBR (FY22)
>1 year to 5 years	2.21%	0.50%
>5 years to 10 years	2.86%	0.75%
>10 years	3.27%	1.75%

The Department has entered into agreements to lease buildings and equipment that are subject to GASB 87 accounting. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021.

The Department had three lease agreements in effect on July 1, 2022 to lease buildings through July 2028, requiring monthly payments of \$13,011. These leases are measured at the applicable IBR of 1.75%, and have a total lease asset net book value of \$740,084 and a total lease liability of \$752,908 at June 30, 2023.

The Department entered into twenty lease agreements during fiscal year 2023 to lease multifunction printers and copiers through March 2027, requiring monthly payments of \$3,715. These leases are measured at the applicable IBR of 2.21%, and have a total lease asset net book value of \$140,435 and a total lease liability of \$141,237 at June 30, 2023.

The Department's future principal and interest requirements for the lease liability is payable monthly and fully matures in fiscal year 2029.

Related to this lease liability, the Department's principal and interest requirements to maturity, including interest payments of \$39,617, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Lease Liability:			
2024	\$ 185,987	\$ 14,723	\$ 200,710
2025	189,465	11,245	200,710
2026	193,007	7,702	200,709
2027	164,659	4,346	169,005
2028	150,204	1,585	151,789
2029	10,823	16	10,839
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 894,145</u>	<u>\$ 39,617</u>	<u>\$ 933,762</u>

15. LONG-TERM OBLIGATIONS - continued

Subscription Liability

Agreements subject to GASB 96 (1) do not meet the definition of a short-term contract (12 months or less), (2) are not inter-agency contracts, (3) are not contracts that transfer ownership, and (4) are not otherwise excluded by GASB 96. The State of New Mexico has adopted the policy to capitalize Subscription-Based Information Technology Arrangements (SBITAs) that have a calculated present value of \$5,000 using the interest rate stated in the agreement or an incremental borrowing rate, as shown below:

Subscription Term	IBR (FY23)
>1 year to 5 years	2.21%
>5 years to 10 years	2.86%
>10 years	3.27%

The Department has entered into subscription agreements that are subject to GASB 96 accounting. The SBITAs have been recorded at the present value of the future subscription payments as of the date of their inception or, for subscriptions existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2022.

The Department's SBITAs grant it the right to use several types of software, providing access through June 2026, requiring average annual payments of \$464,305. These agreements are measured at the applicable IBR of 2.21% and have a total SBITA asset net book value of \$1,050,585 and a total subscription liability of \$876,371 at June 30, 2023.

The Department's future principal and interest requirements for the subscription liability is payable annually and fully matures in fiscal year 2025.

Related to this subscription liability, the Department's principal and interest requirements to maturity, including interest payments of \$21,559, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Subscription Liability:			
2024	\$ 481,447	\$ 15,964	\$ 497,411
2025	394,924	5,595	400,519
Total	<u>\$ 876,371</u>	<u>\$ 21,559</u>	<u>\$ 897,930</u>

15. LONG-TERM OBLIGATIONS - continued

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

<u>Year Ended June 30,</u>	<u>Total</u>
2024	\$ 194,696,121
2025	111,626,229
2026	111,219,209
2027	122,472,005
2028	111,735,539
2029-2032	<u>239,447,839</u>
Total	<u>\$ 891,196,942</u>

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 \$44,019,272 for the year-ended June 30, 2023.

Compensated Absences

An obligation amounting to \$11,055,395 at June 30, 2023 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 \$3,239,428

This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

Fund 10030: Federal Planning and Development Fund \$2,494,178

This amount represents deferred inflows that will be billed and received in the subsequent fiscal year.

Fund 10040 / 20100: State Road Fund(s) \$4,757,360 (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 Aviation Fund \$1,664 (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 \$25,000 are required to contribute 10.42% of their gross salary, those who earn up to \$25,000 are required to contribute 7.42% of their gross salary.

The Department was required to contribute 18.74% in FY23 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, 2023, 2022, 2021 were \$22,581,626, \$19,959,489, and \$18,492,217, 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, 2023.

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, 2023 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 2022-2023 fiscal year, the Department paid Risk Management \$8,803,588 in insurance premiums. During the 2021-2022 fiscal year, the Department paid Risk Management \$6,986,488 in insurance premiums. During the 2020-2021 fiscal year, the Department paid Risk Management \$7,414,716 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, 2023, 2022, and 2021, 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 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. 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, 2023 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.

22. 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.

23. SUBSEQUENT EVENTS

Toward the end of FY22 and the beginning of FY23 New Mexico experienced numerous wildfires across the state which destroyed over 500,000 acres of land. Those same areas were subsequently affected by flooding. NMDOT is continuing to evaluate the impact to infrastructure.

Two of the largest fires, Hermits Peak and Calf Canyon fires, left substantial burn scars placing San Miguel and Mora County at continual risk of devastating flooding. Therefore, the Governor approved multiple executive orders to provide emergency financial resources for the purposes of avoiding or minimizing economic and physical harm; protecting the public health, safety, welfare; and providing emergency and disaster relief. Early in FY24, NMDOT received approval and reimbursement from FEMA for \$16 million in emergency relief funds related to amounts expended from these executive orders.

Beginning in FY24, the Department will enter the next phase of FEMA eligible expenses to begin reconstruction and rehabilitation of state and county roads damaged by the fires.

In August 2023, the Department brought 12 Electric Vehicle Charging Stations into operation in Deming, Roswell and Las Vegas.

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-1” by Moody’s and “A-1+” 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-1+” 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, NA, 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 than 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

Modification and Amendment Without Consent. 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 2024A 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 2024A 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.

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 July 1, 2023 was 2,114,371 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 8, 2022.

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 July 1, 2023 was 2,114,371 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
2014-2023

<u>Year</u>	<u>Population</u>		<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>
2014	2,089,568	318,301,008	(0.1%)	0.7%
2015	2,089,291	320,635,163	0.0%	0.7%
2016	2,091,630	322,941,311	0.1%	0.7%
2017	2,091,784	324,985,539	0.0%	0.6%
2018	2,092,741	326,687,501	0.1%	0.5%
2019	2,096,829	328,239,523	0.2%	0.5%
2020 (Census)	2,118,390	331,511,512	1.0%	1.0%
2021	2,116,677	332,031,554	(0.1%)	0.2%
2022	2,113,344	333,287,557	(0.2%)	0.4%
2023	2,114,371	334,914,895	(0.1%)	0.1%

⁽¹⁾ Estimate as of July 1, 2023.

(Source: U.S. Census Bureau, Population Division. Last revised December 2023.)

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 2013 through 2022.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Growth 2021-2022	Growth 2013-2022
Total employment	1,075,465	1,083,772	1,092,255	1,092,519	1,095,406	1,110,504	1,116,979	1,069,680	1,092,639	1,139,488	4.3%	6.0%
Wage and salary employment	846,495	852,638	860,270	861,156	862,617	875,798	890,675	833,811	846,057	878,478	3.8%	3.8%
Proprietors employment	228,970	231,134	231,985	231,363	232,789	234,706	226,304	235,869	246,582	261,010	5.9%	14.0%
Farm proprietors employment	21,547	21,557	21,542	21,476	21,410	21,121	21,206	21,195	20,999	20,491	(2.4)%	(5.1)%
Nonfarm proprietors employment	207,423	209,577	210,443	209,887	211,379	213,585	205,098	214,674	225,583	240,519	6.5%	16.0%
Farm employment	29,208	28,346	29,003	29,826	28,930	28,565	28,135	28,428	27,643	26,416	(4.4)%	(10.6)%
Nonfarm employment	1,046,257	1,055,426	1,063,252	1,062,693	1,066,476	1,081,939	1,088,844	1,041,252	1,064,996	1,113,072	4.5%	6.4%
Private nonfarm employment	835,402	845,767	854,472	854,231	860,327	875,757	880,991	839,465	868,128	913,153	5.2%	9.3%
Forestry, fishing, and related activities ⁽¹⁾	5,235	5,674	5,557	5,820	5,990	6,013	5,954	5,950	5,987	6,223	3.9%	18.9%
Mining ⁽²⁾	36,857	38,214	36,662	31,814	31,207	31,919	31,994	26,135	24,990	28,039	12.2%	(31.4)%
Utilities	4,652	4,591	4,683	4,899	4,622	4,574	4,499	4,490	4,500	4,476	(0.5)%	3.9%
Construction ⁽³⁾	59,142	59,584	59,707	60,008	62,068	64,920	67,896	67,308	65,168	67,735	3.9%	14.5%
Manufacturing	35,463	34,027	34,157	33,186	32,562	33,357	34,086	32,740	32,532	33,829	4.0%	(4.8)%
Durable goods manufacturing ⁽⁴⁾	22,549	21,238	21,189	20,016	19,250	19,448	19,538	18,514	18,096	18,789	3.8%	(20.0)%
Nondurable goods manufacturing ⁽⁵⁾	12,914	12,789	12,968	13,170	13,312	13,909	14,548	14,226	14,436	15,040	4.2%	16.5%
Wholesale trade	26,688	28,854	28,503	25,372	24,989	24,889	24,986	23,703	23,723	25,062	5.6%	(6.5)%
Retail trade ⁽⁶⁾	112,726	113,924	114,887	113,633	111,458	110,703	108,114	106,200	110,127	112,166	1.9%	(0.5)%
Transportation and warehousing ⁽⁷⁾	25,502	25,905	27,244	26,672	28,059	30,843	32,232	34,367	38,904	44,779	15.1%	75.6%
Information ⁽⁸⁾	16,059	15,725	15,587	16,001	15,492	15,098	13,999	12,254	13,936	15,066	8.1%	(6.6)%
Finance and insurance ⁽⁹⁾	35,010	34,781	34,462	35,685	35,674	36,930	35,902	37,322	38,576	41,302	7.1%	18.0%
Real estate and rental and leasing ⁽¹⁰⁾	38,414	39,111	39,656	39,859	40,496	41,445	39,206	41,274	44,568	49,032	10.0%	27.6
Professional, scientific and technical services	75,919	76,116	77,542	77,751	79,924	77,751	83,459	83,380	86,513	89,859	3.9%	18.4%
Management of companies and enterprises	5,502	5,632	5,876	6,336	6,144	6,631	6,711	6,543	6,463	6,774	4.8%	23.1%
Administrative and support and waste management and remediation services ⁽¹¹⁾	54,597	54,370	52,994	53,889	56,398	57,322	59,412	55,379	57,483	60,204	4.4%	10.3%
Educational services	16,426	16,709	16,960	17,017	16,807	16,609	17,231	14,933	16,284	17,553	7.8%	6.9%
Health care and social assistance ⁽¹²⁾	123,737	124,796	129,721	134,263	134,790	135,922	136,919	134,834	137,348	139,389	1.5%	12.7%
Arts, entertainment and recreation ⁽¹³⁾	23,734	24,227	24,245	24,150	25,155	25,482	25,875	22,987	22,987	24,196	5.3%	1.9%
Accommodation and food services ⁽¹⁴⁾	85,494	88,297	90,193	92,523	93,513	94,736	95,992	79,280	84,641	92,244	9.0%	7.9%
Other services, except government and government enterprises ⁽¹⁵⁾	54,245	55,230	55,836	55,353	54,979	56,679	56,524	52,066	53,398	55,225	3.4%	1.8%
Government and government enterprises ⁽¹⁶⁾	210,855	209,659	208,780	208,462	206,149	206,182	207,853	201,787	196,868	199,919	1.5%	(5.5)%

⁽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 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 private services” 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 29, 2023, including new estimates for 2022 and revised estimates for 2007-2020.)

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
2013-2022

<u>Year</u>	<u>Civilian Labor Force (Thousands)</u>		<u>Number of Employed (Thousands)</u>		<u>Unemployment Rate</u>		
	<u>New Mexico⁽¹⁾</u>	<u>United States⁽¹⁾</u>	<u>New Mexico⁽¹⁾</u>	<u>United States⁽¹⁾</u>	<u>New Mexico</u>	<u>United States</u>	<u>N.M. as % of U.S. Rate</u>
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	4.9%	3.7%	132%
2020	935	160,755	860	147,806	8.1%	8.1%	100%
2021	943	161,204	879	152,579	6.8%	5.3%	128%
2022	947	167,451	909	161,183	4.0%	3.7%	108%

⁽¹⁾ Figures rounded to nearest thousand.

(Source: U.S. Bureau of Labor Statistics. Last updated December 2023 for national data and March 17, 2023 for state data.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2013-2022

<u>Year</u>	<u>Personal Income (Thousands)⁽¹⁾</u>		<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>
2013	\$ 73,079,800	\$14,063,283,000	(2.1%)	1.1%
2014	77,266,000	14,778,160,000	5.8%	5.1%
2015	79,130,800	15,467,113,000	2.4%	4.7%
2016	80,782,300	15,884,741,000	1.9%	2.7%
2017	82,354,100	16,658,962,000	1.9%	4.9%
2018	86,179,500	17,514,402,000	4.5%	5.1%
2019	91,393,600	18,343,601,000	5.4%	4.7%
2020	98,783,200	19,609,985,000	8.0%	6.9%
2021	108,248,300	21,392,812,000	9.7%	9.1%
2022	110,303,000	21,820,248,500	2.1%	2.0%

⁽¹⁾ Figures rounded to the nearest hundred thousand.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last updated: September 29, 2023, including revised statistics for 2013-2022.)

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PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2013-2022

<u>Year</u>	<u>Per Capita Income</u>		N.M. as a % <u>of U.S.</u>	<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>		<u>New Mexico</u>	<u>United States</u>
2013	\$35,858	\$44,401	78.5%	(2.3)%	0.4%
2014	36,880	46,287	79.7%	5.8%	4.2%
2015	37,753	48,060	78.6%	2.4%	3.8%
2016	38,475	48,641	78.6%	1.9%	1.9%
2017	39,197	51,004	76.9%	1.9%	4.2%
2018	40,977	53,309	76.9%	4.5%	4.5%
2019	43,191	55,547	77.8%	5.4%	4.2%
2020	46,631	59,153	78.8%	8.0%	6.5%
2021	51,141	64,430	79.4%	9.7%	8.9%
2022	52,194	65,470	79.7%	2.1%	1.6%

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last updated: September 29, 2023, including revised statistics for 2013-2022.)

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**WAGES AND SALARIES BY INDUSTRY SECTOR
2013-2022**

	New Mexico (Thousands of Dollars) ⁽¹⁾⁽²⁾		United States (Thousands of Dollars) ⁽¹⁾⁽²⁾		Cumulative Percent Change 2013-2022		Distribution of 2022 Wages & Salaries	
	2013	2022	2013	2022	N.M.	U.S.	N.M.	U.S.
	Total Wages and Salary	\$35,407,200	\$49,946,019	\$7,104,786,000	\$11,105,671,000	41.06%	56.31%	100.00%
Farm Wages and Salary	271,428	256,371	23,768,000	26,105,000	(5.87%)	9.83%	0.51%	0.24%
Non-farm Wages and Salary	35,135,772	49,689,648	7,081,018,000	11,079,566,000	41.42%	56.47%	99.49%	99.76%
Private Non-farm Wages and Salary	25,682,795	37,369,581	5,890,816,000	9,483,504,000	45.50%	60.99%	74.82%	85.39%
Forestry, Fishing, and Related Activities	71,225	121,612	15,905,000	25,325,006	70.74%	59.23%	0.24%	0.23%
Mining, Quarrying, and Oil and Gas Extraction	1,916,850	2,072,102	79,585,000	66,387,000	8.09%	(19.88)%	4.15%	0.60%
Utilities	341,929	408,055	53,323,000	70,458,000	19.34%	32.13%	0.82%	0.63%
Construction	1,833,937	3,048,918	322,164,000	588,157,000	66.25%	82.56%	6.10%	5.30%
Manufacturing	1,661,779	1,845,951	746,134,000	1,034,801,000	11.08%	38.69%	3.70%	9.32%
Durable Goods Manufacturing	1,173,378	1,143,258	494,558,000	683,421,000	(2.63)%	38.19%	2.29%	6.15%
Nondurable Goods Manufacturing	488,401	702,693	251,576,000	351,380,000	43.87%	39.67%	1.41%	3.16%
Wholesale Trade	1,117,564	1,463,715	401,888,000	578,780,000	30.98%	44.02%	2.93%	5.21%
Retail Trade	2,516,362	3,323,414	436,713,000	645,962,000	32.07%	47.92%	6.65%	5.82%
Transportation and Warehousing	959,083	1,516,350	226,748,000	418,893,000	58.10%	84.74%	3.04%	3.77%
Information	621,791	820,086	239,055,000	446,839,000	31.89%	86.92%	1.64%	4.02%
Finance and Insurance	1,306,561	1,886,032	545,423,000	886,633,000	44.35%	62.56%	3.78%	7.98%
Real Estate and Rental and Leasing	371,981	553,068	102,378,000	182,938,000	48.68%	78.69%	1.11%	1.65%
Professional, Scientific, and Technical Services	3,808,935	6,316,135	692,333,000	1,256,204,000	65.82%	81.45%	12.65%	11.31%
Management of Companies and Enterprises	337,938	610,347	231,553,000	367,186,000	80.61%	58.58%	1.22%	3.31%
Administrative services	1,450,510	2,440,471	298,336,000	535,592,000	68.25%	79.53%	4.89%	4.82%
Educational Services	336,833	424,937	133,625,000	195,829,000	26.16%	46.55%	0.85%	1.76%
Health Care and Social Assistance	4,345,917	6,229,269	813,770,000	1,280,551,000	43.34%	57.36%	12.47%	11.53%
Arts, Entertainment, and Recreation	205,913	347,959	76,263,000	124,123,000	68.98%	62.76%	0.70%	1.12%
Accommodations and Food Services	1,462,807	2,436,336	254,349,000	439,416,000	66.55%	72.76%	4.88%	3.96%
Other private services	1,014,880	1,504,825	221,271,000	339,755,000	48.28%	53.55%	3.01%	3.06%
Government and Government Enterprises	9,452,977	12,320,067	1,190,202,000	1,596,062,000	30.33%	34.10%	24.67%	14.37%
Federal Civilian	2,060,964	2,570,403	207,285,000	272,671,000	24.72%	31.54%	5.15%	2.46%
Military	911,001	1,144,675	95,320,000	105,344,000	25.65%	10.52%	2.29%	0.95%
State and Local	6,481,012	8,604,989	887,597,000	1,218,047,000	32.77%	37.23%	17.23%	10.97%

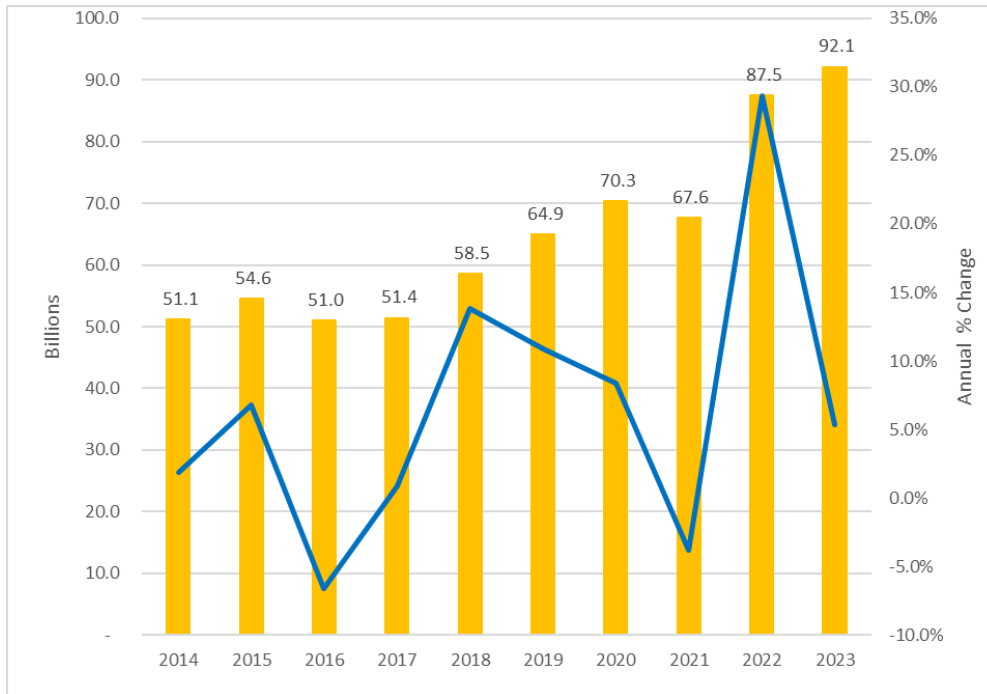
(1) The estimates for 2011-2016 are based on the 2012 North American Industry Classification System ("NAICS"). The estimates for 2017 forward are based on the 2017 NAICS.

(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 29, 2023, including new statistics for 2022.)

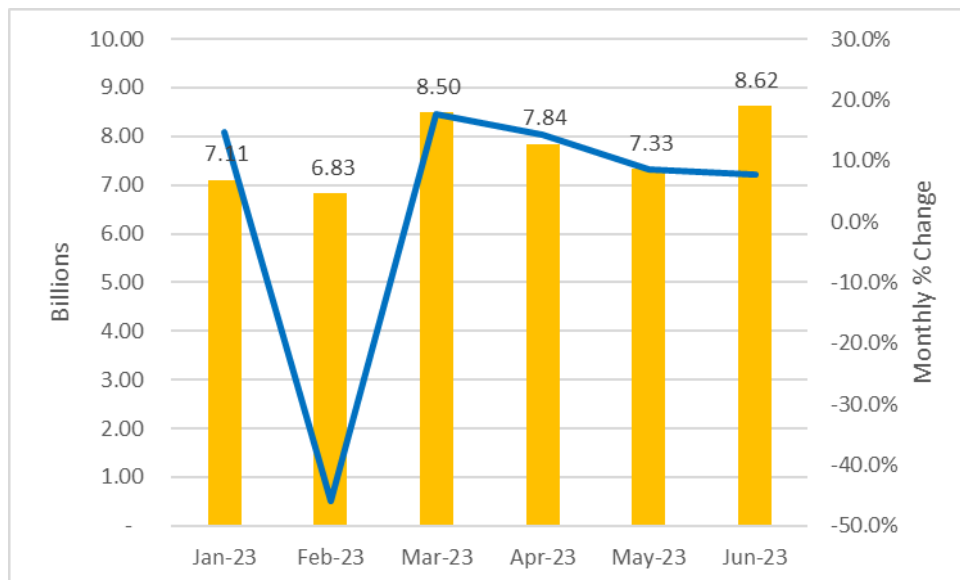
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**ANNUAL GROSS RECEIPTS TAX RECEIPTS
OF STATE GENERAL REVENUE FUND
STATE FISCAL YEAR 2014-2023⁽¹⁾**



(1) Source: New Mexico Taxation and Revenue Department

**MONTHLY GROSS RECEIPTS TAX RECEIPTS
OF STATE GENERAL REVENUE FUND
JANUARY 2023-JUNE 2023⁽¹⁾**



(1) Source: New Mexico Taxation and Revenue Department

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2024A Bonds, Rodey, Dickason, Sloan, Akin & Robb, PA, Bond Counsel to the Finance Authority, proposes to issue its opinion in substantially the following form:

July 2, 2024

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 \$117,485,000 State Transportation Refunding Revenue Bonds (State Transportation Commission – Senior Lien), Series 2024A (the “Series 2024A Bonds”). The Series 2024A 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 Revenue Bonds (State Transportation Commission—Subordinate Lien) Series 2014A, State Transportation Refunding Revenue Bonds (Senior Lien) Series 2014B-1 and State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2014B-2 (collectively, the “Refunded Bonds”) and to pay costs of issuing the Series 2024A 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 2024A Bonds are being issued pursuant to a resolution of the Commission adopted on May 23, 2024, 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 May 30, 2024 (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-Sixth Series Indenture of Trust dated as of July 1, 2024 (the “Twenty-Sixth 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds. Interest on the Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds. The Series 2024A 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 2024A 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 2024A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024A 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 2024A 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 2024A Bonds, except in the event that use of the book-entry system for the Series 2024A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024A 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 2024A 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 2024A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024A 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 2024A 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 2024A 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 2024A 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 2024A 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 2024A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2024A 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 2024A Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 2024A 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

\$117,485,000

New Mexico Finance Authority
State Transportation Refunding Revenue Bonds
(State Transportation Commission – Senior Lien),
Series 2024A

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 \$117,485,000 of the Authority’s State Transportation Refunding Revenue Bonds (State Transportation Commission – Senior Lien), Series 2024A (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-Sixth Series Indenture of Trust dated as of July 1, 2024 (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 “PLEGGED REVENUES” and “STATE RECEIPTS OF FEDERAL TRANSPORTATION FUNDS – Pledged Revenues History and Estimates.”

“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 July 2, 2024, 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 J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and Wells Fargo Bank, National Association.

“Report Date” means March 31 of each year, beginning in 2025, 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 of Counterparts; Electronic Signatures. 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: July 2, 2024.

NEW MEXICO FINANCE AUTHORITY

By: _____
Kathy Keith, 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: _____
Ricky Serna, Cabinet Secretary

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