

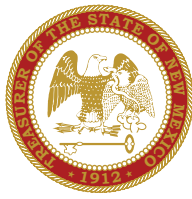


New Mexico
State Treasurer's Office
Annual Report
Fiscal Year 2021

STATE TREASURER

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The New Mexico State Treasurer’s Office Annual Financial Report for the Fiscal Year ended June 30, 2021, provides a synopsis of STO’s achievements. An electronic version of this report is available at www.nmsto.gov.



STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER

THE HONORABLE TIM EICHENBERG
State Treasurer

SAMUEL K. COLLINS, JR.
Deputy State Treasurer

December 15, 2021

The Honorable Michelle Lujan Grisham, Governor of New Mexico
Members of the New Mexico State Legislature
New Mexico State Board of Finance
Citizens of the State of New Mexico

Dear Fellow New Mexicans,

The State Treasurer's Office respectfully submits the Annual Report for the fiscal year ending June 30, 2021. The report includes financial statements and other pertinent information regarding operations and accomplishments of the agency, which include generating more than \$61 million in earnings for FY2021.

It has been an honor to serve as your State Treasurer and I will continue to represent the citizens of New Mexico with honesty and integrity, while safeguarding the taxpayers' money through sound management practices and a safe investment program.

As the COVID-19 pandemic and quarantine persisted, the dedicated employees of the State Treasurer's Office continued teleworking. The executive staff managed record investment, cash management, and debt service responsibilities in an exemplary fashion. We thank them for their hard work and commitment to the agency's success and New Mexico's wellbeing.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Eichenberg".

Tim Eichenberg
New Mexico State Treasurer

FISCAL YEAR 2020: BY THE NUMBERS

0 findings
in FY2021
independent
audit

881 ABLER
Accounts

\$9.3 Billion
in assets
under
management

\$61
million earned on
investments

FY2021: \$6,898.39

FY2020: \$5,495.80

FY2019: \$4,630.45

Average **ABLE**
Account Balances

67% New Mexico
private-sector
workers with
no retirement
savings

15th consecutive
fiscal year
LGIP rated **AAAm** by S&P

5 **Investment Pools**

- General Fund
- Taxable Bond Proceeds Investment Pool
- Tax-Exempt Bond Proceeds Investment Pool
- Local Government Investment Pool
- Severance Tax Bonding Fund

340,000
private-sector
workers with **no**
at-work retirement
savings plan

28 hard-
working
STO
employees

300 Agency depository
accounts totalling
\$1 million

The Budget and Finance Division manages the annual budget, accounts payable, procurement, professional contracts, fixed-asset inventory, and all financial accounting and reporting activities for the State Treasurer's Office.

It is the responsibility of the Budget and Finance Division to reconcile and post operating, investment, and long-term debt fund activity in the State Treasurer's general ledger (financial statements) and coordinate the annual financial audit. The division must comply with State laws, various regulations, and accounting standards that govern its activities.

CHIEF FINANCIAL OFFICER

The State Treasurer's Chief Financial Officer (CFO) serves as the Budget and Finance Division Director. The CFO is responsible for establishing strong budgetary controls and ensuring that financial transactions and reporting activities are in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) rules. This function requires that transactions are recorded and posted in the proper category and that cash account records are reconciled in a timely manner, with monthly reports to the State Treasurer.

The CFO is responsible for ensuring that budget and accounting systems function properly and that appropriation requests, operating budget, and quarterly performance reporting documents are submitted on time. In addition, the CFO coordinates annual external audit work between the State Treasurer's Office and the independent public accounting firm, and is responsible for having the audit reports completed by the deadline. This position oversees procurement of goods and services, and assures that payments to vendors are completed in compliance with the State procurement law.

BUDGET BUREAU

The Budget Bureau compiles and evaluates annual budget needs for each division within the State Treasurer's Office. Proper justification and documentation are required for all budget requests. The appropriation request is submitted to the Department of Finance and Administration and the Legislative Finance Committee for consideration by the Legislature and

the Governor. When the appropriations act is passed by the Legislature and signed by the Governor, the Budget Bureau prepares the operating budget for the upcoming fiscal year. Throughout the fiscal year, the Budget Bureau submits monthly status reports to the State Treasurer to ensure that the office is operating within budget guidelines.

FINANCE BUREAU

The Finance Bureau is charged with the following responsibilities:

RECONCILIATION & PREPARATION OF FINANCIAL STATEMENTS & TREASURY TRANSACTION POSTINGS TO GENERAL LEDGER

The Finance Bureau coordinates information required by the independent public accounting firm performing the annual external audit.

CONTRACT MANAGEMENT

This ensures that requests for proposals (RFPs) and service contracts are prepared in compliance with statutes, rules, and policies, and that vendor payments for completed services are timely. This unit also enters contract transactions into the general ledger and subsequently closes them out in accordance with the agreement and all applicable regulations.

ACCOUNTS PAYABLE TO RECEIVE AND PROCESS INVOICES FOR GOODS AND SERVICES RENDERED

This includes the pre-audit of costs in accordance with the contract or purchasing agreement prior to payment. Accounts payable submits payment requests to the Department of Finance and Administration; upon receipt of the payment, the warrant is reviewed for accuracy prior to release to the vendor.

INVESTMENT ACCOUNTING BUREAU

The bureau makes all scheduled debt service payments to the designated paying agents on general obligation bonds, severance tax bonds, and supplemental severance tax bonds. The bureau tracks investment income to ensure compliance with arbitrage restrictions and rebate requirements in accordance

BUDGET AND FINANCE DIVISION

with the Federal Tax Reform Act of 1986. The bureau reconciles all investment activity. All certificates of deposits (CDs) and New Mexico gaming revenue are managed by the bureau.

SIGNIFICANT MILESTONES & ACCOMPLISHMENTS FOR FY2021

The FY2021 audit yielded an unmodified opinion with no findings for the third consecutive year since FY2019. The number of findings has reduced significantly from four in FY2014 to zero in FY2019, FY2020, and FY2021. Improved internal controls, and adherence to those controls, led to the latest satisfactory audit.

Successfully implemented GASB 84 with the FY2021 audit.

Continued to convert physical warrant payments to paperless, all-electronic disbursements.

Continued updates of the financial matrix developed by STO and DFA, and continued working with the agency's other divisions to overcome the obstacles of SHARE.

Continued improving procurement procedures for purchases of goods and services to ensure adherence to the State Purchasing Act.

Continued communication and improvement on internal and external customer service.

INITIATIVES FOR FY2022

Convert a majority of physical warrant payments to paperless all-electronic disbursements.

Continue communication and improvement on internal and external customer service.

Address and build redundancy into the division to ensure ongoing operations.

Leverage technology to move toward a paper-free environment.

Continue to update written procedures for the Budget and Finance Division to reflect the teleworking environment.

The Cash Management Division provides treasury banking services to the State through the fiscal agent contract and relationship. These services include cash forecasting and liquidity management to ensure that payments issued by the Department of Finance and Administration and other agencies are funded on a timely basis. Cash Management also oversees depository activity by all agencies, and ensures that public funds held by financial institutions are collateralized appropriately. Additionally, functional responsibilities have been realigned within STO to provide greater separation for investment transaction settlement and investment compliance.

The position of State Cash Manager was established in 1993 under 8-6-3.1 NMSA 1978 and its duties are defined to include: issue regulations to enforce the Cash Management Improvement Act; monitor State agencies' cash activity and the balances on hand in financial institutions; monitor deposits and cash balances on hand to enable projection of short-term and long-term cash available for investment; and prepare a monthly written report to the State Treasurer's Investment Committee and the State Board of Finance of the State fund balances in financial institutions.

CASH MANAGEMENT FUNCTIONAL AREAS

BANKING RESOURCES BUREAU

The Banking Resources Bureau monitors all balances and activity related to State funds in financial institutions. Specific activities of this bureau include development of regulations related to approximately 300 bank accounts, with approval, analysis, and authorization of these State agency bank accounts.

The bureau validates deposits and withdrawals into and out of the State's fiscal agent accounts, including all adjustments to the accounts such as returned checks, stop payments, and other miscellaneous transactions posting to the accounts. The bureau compares fiscal agent bank accounts' activity to transactions in the State's enterprise accounting system (SHARE) daily. The bureau is also responsible for all Banking and Treasury Module configuration in the SHARE system, and for releasing vendor payments processed through SHARE as ACH transactions.

Monthly reports are obtained from State agencies detailing funds from any source in the agency's custody. The bureau authorizes State agency requests for depository bank accounts outside the fiscal agent bank; reports account balances in each financial institution to the State Board of Finance; verifies compliance with established bank account guidelines and reports any deviations to the agency and the State Board of Finance; and enforces laws and regulations that apply to financial institutions receiving State funds. This bureau also reviews the monthly fiscal agent account analysis for compliance with the agreement and to identify and prevent unauthorized use.

CASH FLOW

The Cash Management Division is responsible for projection of the State's short-term and long-term cash balance needs, utilizing an internally developed model. STO uses historical trends, together with information related to significant receipts and disbursements, as the primary input to the model. The division coordinates with State agencies that have the largest inflows and outflows of funds to anticipate changes in the amount and timing that could impact the cash position of the State Treasurer's Office. The cash flow model is updated monthly (or more frequently, if necessary) and a written report is issued to the State Treasurer's Investment Committee and the State Board of Finance.

The Cash Management Division also performs daily cash positioning. Cash positioning is the process of determining the State's cash needs on an intra-day basis to meet its obligations. Funds that are not required to meet the State's immediate cash needs are invested by the investment division to provide additional earnings. Cash positioning is a very critical function because errors can result in overdrafts or returned items at the fiscal agent bank.

The Cash Management Division will continue to research and work with the State's fiscal agent, other banking institutions, and other professional organizations in implementing modern cash-management products to further best practices and accelerate receipts for more effective cash management, and thereby maximize funds available for investment.

CASH MANAGEMENT IMPROVEMENT ACT

The CMIA Coordinator is responsible for compliance with the Cash Management Improvement Act of 1990 (CMIA). Congress established the CMIA to ensure efficiency, effectiveness, and equity in the transfer of funds between state and Federal governments. CMIA addresses key Federal funding issues, such as funds drawn in advance of need or late grant of awards from the Federal government. Major CMIA provisions require that:

- Federal agencies make timely fund disbursements and grant awards to states.
- State and Federal agencies must minimize the time between the transfer of Federal funds to states and the presentment of states' checks, warrants, or settlement of electronic fund transfer payments for program purposes.
- With minor exceptions, that states earn interest from the Federal government for the time the state advances its own funds for program purposes prior to Federal reimbursement.

The CMIA Coordinator performs annual compliance reviews of State agencies that receive Federal funds exceeding an established threshold and for compliance with the CMIA and regulations outlined in the U.S. Treasury/State Agreement (TSA). This agreement, negotiated between New Mexico and the Federal government, identifies the funding techniques utilized for covered programs. Audits begin at the end of the fiscal year and must be completed by mid-December. The Cash Management Division submits an annual report to the U.S. Treasury detailing State and/or Federal government interest liability and any costs associated with the monitoring and reporting of CMIA compliance.

COLLATERAL MANAGEMENT/ INVESTMENT COMPLIANCE

The Collateral Manager ensures that adequate protection of State monies is maintained in all State agency deposit accounts at all times. This is accomplished by requiring all qualified financial institutions to pledge collateral to secure public deposits. Risk assessment reports are analyzed to determine data accuracy, the institution's financial condition, and the percentage of collateral required. The pledged collateral is constantly monitored and must comply with all State requirements and custodial agreements. Both proposed and current pledged collateral are continuously evaluated for compliance with all applicable statutes, policies, and depository and custodial agreements. Pledged securities are monitored to assure that acceptable, valid, and marketable instruments secure public funds at all times. Custodial banks are monitored to evaluate their strength and stability. The Collateral Manager provides monthly reports to the State Treasurer's Investment Committee regarding compliance by all financial institutions and plays a key role in the Division's cash-forecasting activities. The Collateral Manager also reviews investment trade documentation for adherence to the State Treasurer's Investment Policies and Investment Division procedures.

INVESTMENT TRANSACTIONS BUREAU

The movement of funds and recording of investment activity into the Treasurer's sub-ledger accounting system and the custody system are performed in the bureau, now aligned under the Cash Management Division. The bureau verifies all trade activity from trade documentation, and enters the data into the sub-ledger accounting systems, SHARE and the QED Broadridge Investment Accounting, and the custody system. The bureau also manages the overnight repurchase process. The bureau provides administrative management of the Local Government Investment Pool (LGIP), whereby they correspond with participants on a daily basis. Several reconciliation processes take place regularly, including a weekly reconciliation submission to the Standard & Poor's rating agency for the LGIP.

CASH MANAGEMENT DIVISION

SIGNIFICANT MILESTONES & ACCOMPLISHMENTS FOR FY2021

Following the successful implementation of the IPAS module of the QED Broadridge Investment Accounting system, continued to encourage and support LGIP participants in adapting to the addition of online access for initiating transactions and reviewing statements.

Conducted the biennial application and selection process to identify Broker-Dealers approved to conduct trades with STO Investment Division through FY2023.

Supported the implementation and activation of government money market funds as an additional investment option for managing liquidity.

Continued working with the New Mexico Department of Finance and Administration (DFA) and the New Mexico State Board of Finance (BoF) to guide and support agencies wishing to accept payment cards for the first time and agencies wishing to expand or modify payment card services; and to provide oversight for the quarterly and annual PCI audits performed by vendor RiskSense.

Provided subject matter expertise in the Board of Finance project to develop three requests for proposal (RFPs) for fiscal agent banking services. Also provided a representative to participate on evaluation committees for all three RFPs.

INITIATIVES FOR FY2022

Fully assess and develop a roadmap for alternative solutions for processing bank deposits in remote communities in New Mexico, which have been impacted by banks closing branches.

Provide oversight and guidance in the conversion from a single provider for all fiscal agent services to a model that could result in three new providers for the following financial service groups: treasury and merchant services, online bill presentment and payment, and prepaid debit card. Also adapt banking relationship management practices to ensure that all service providers work well with the State and with each other.

Work with BOF and DFA to develop an enterprise program for the ongoing support of PCI DSS (bankcard data security) compliance; assist vendor RiskSense with obtaining quarterly and annual audit responses from agencies.

In conjunction with the PCI Compliance efforts, the Cash Management Division will continue to work with DFA and DoIT to formalize the process through which agencies can request approval from the State Board of Finance for additions or changes to payment card services, vendors, or platforms and to implement related services with the fiscal agent bank.

Assess operational requirements and develop plans for adoption of alternatives for overnight repurchase agreements and a longer-term LGIP pool.

The Investment Division is responsible for investing cash held in the custody of the State Treasurer that is not immediately needed for government operations or to fund capital projects. The managed funds are temporary in nature, originating from three major sources: revenue collected by the State awaiting disbursement, legislative appropriations, and proceeds from bond issues invested short-term until disbursed for legislatively authorized capital projects.

Investments are restricted to the highest-quality securities as determined by the major rating agencies with maturities not to exceed five years. The State Treasurer's Chief Investment Officer and internal investment team discuss, agree upon, and recommend the security types and terms prior to purchase; secure and distribute post-trade documentation; facilitate trade settlement initiation; and report the executed portfolio activity monthly to the State Treasurer's Investment Committee and the State Board of Finance. The State Treasurer's Office contracts with an independent investment advisor who provides advisory services to the State Treasurer and staff.

THE STATE TREASURER'S INVESTMENT COMMITTEE

The State Treasurer's Investment Committee (STIC) is an advisory committee that meets monthly to review the investment portfolios for statutory compliance, quality, diversification, maturity, and performance. The STIC also reviews portfolio controls and collateral adequacy, and recommends investment procedural changes. Periodically, the committee recommends changes to the State Treasurer's Investment Policy.

INVESTMENT STRATEGY

During FY2021, the division earned approximately \$61 million. At the end of FY2021, the five portfolios totaled approximately \$9.3 billion. All funds are invested in a manner that conforms to Federal, State, and other legal requirements. The division is charged with observing the following priorities in making investment decisions, in the order described:

Safety—The first priority must be accorded to the preservation and protection of the principal of the funds to be invested.

Maintenance of Liquidity Needs—The second level of priority must be accorded to maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, to satisfy the reasonably anticipated, continuing operational requirements of the specific fund invested.

Maximum Return on Investments—The third priority must be accorded to maximizing investment return, consistent with the higher priorities accorded to the safety and liquidity of principal.

INVESTMENT DIVISION ORGANIZATION

INVESTMENT PORTFOLIO MANAGEMENT

The State Treasurer's Office makes statutorily defined investments that may be subject to further limitations or restrictions by the State Treasurer's Investment Policy, which provides guiding principles for all investment decisions. All portfolios are invested by qualified and experienced in-house portfolio managers. The internal investment advisory team discusses, agrees upon, and recommends the security types and terms prior to purchase and reports the executed portfolio activity to the STIC monthly. The division, with the assistance of the investment advisor, develops benchmarks against which the portfolios' performance can be measured. The portfolio managers invest the available cash based upon the intended uses into one of the pools described below.

INVESTMENT FUNDS MANAGED BY THE STATE TREASURER'S OFFICE

THE GENERAL FUND INVESTMENT POOL

The General Fund Investment Pool consists of three main components:

- **General Fund Liquidity Portfolio**—Immediate cash needs of the State are met with the General

Fund Liquidity Portfolio. The Liquidity Portfolio is expected to have minimal liquidity risk and all investments in this portfolio are constrained to less than one year.

- **General Fund Core Portfolio**—The Core Portfolio is comprised of balances that are not necessary to meet the short-term cash-flow needs of the State. Accordingly, it may be invested over a longer term than the Liquidity Portfolio. Investments are constrained to maturities of five years or less.
- **General Fund Tax and Revenue Anticipation Notes (TRAN) Portfolio**—The TRAN portfolio may temporarily hold proceeds of short-term Tax and Revenue Anticipation Notes, which are periodically issued and sold by the State Treasurer pursuant to NMSA 1978, Section 6-12A-5. There were no TRANs issued in FY2021.

The State Treasurer’s Office makes a portion of the General Fund money available for investment in certificates of deposit (CDs) with New Mexico banks and credit unions to foster the economy of their communities. The passage of House Bill 471, the “Linked Deposit Program,” during the 2007 legislative session expanded the CD program to allow the Treasurer to place time deposits with qualifying financial institutions (those serving economically disadvantaged rural communities) at favorable rates.

During FY2021 the General Fund reported \$47.6 million in earnings. At fiscal year end, the General Fund Investment Pool had an unrealized gain of \$38.6 million based on mark-to-market. Most investments are held to maturity.

THE BOND PROCEEDS INVESTMENT POOLS

The State Treasurer is responsible for investing bond proceeds from the issuance of State bonds sold by the State Board of Finance for capital projects, which include general obligation bonds, severance tax bonds, and supplemental severance tax bonds. These bonds are long-term obligations issued by the State of New Mexico to fund various infrastructure projects on behalf of all New Mexicans.

Bond proceed monies are managed according to whether the issued bonds were tax-exempt or taxable.

1. **The Tax-Exempt Bond Proceeds Investment Pool (Tax-Exempt BPIP)** holds proceeds from tax-exempt general obligation and severance tax bonds issued by the State Board of Finance until they are expended on capital projects.
2. **The Taxable Bond Proceeds Investment Pool (Taxable BPIP)** holds proceeds from taxable severance tax bonds issued by the State Board of Finance until expended on capital projects.

During FY2021 the bond proceeds pools reported \$11.2 million in earnings. At fiscal year end, the bond proceeds pools had \$4.1 million in unrealized gains, based on mark-to-market. Most investments are held to maturity.

The BPIPs facilitate the tracking of investment earnings and project draws to assure compliance with arbitrage restrictions and rebate requirements in accordance with the Federal Tax Reform Act of 1986.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP)

The LGIP is a fund created pursuant to NMSA 1978 6-10-10.1 to allow municipal, city, county, tribal, and quasi-governmental bodies to voluntarily remit money to the State Treasurer to receive professional money management on a pooled basis. The LGIP is rated “AAAm” by Standard & Poor’s, the highest principal stability credit rating awarded by Standard & Poor’s, and has been reaffirmed annually since August 2007.

The State Treasurer has expanded a statewide outreach program to inform eligible entities about the benefits of investing in the LGIP in concert with the New Mexico Municipal League and New Mexico Counties. Quarterly newsletters have been established to inform LGIP participants of fund performance, investment strategies, and economic conditions.

During FY2021 the Local Government Investment Pool reported \$1.8 million in earnings.

THE SEVERANCE TAX BONDING FUND POOL

The Severance Tax Bonding Fund holds severance tax receipts pledged for debt service on severance tax bonds. Excess receipts can then be spent on permitted uses or transferred to the Severance Tax Permanent Fund held by the State Investment Council.

During FY2021 the Severance Tax Bonding Fund reported \$270,000 in earnings.

OVERNIGHT REPURCHASE POOL

The Repurchase Pool acts as a repository for cash balances from the portfolios managed by the State Treasurer, the Educational Retirement Board, the State Investment Council, and the Public Employees Retirement Association.

SIGNIFICANT MILESTONES AND ACCOMPLISHMENTS FOR FY2021

Improved electronic trading capabilities with the implementation of MarketAxess, enhancing the transparency and execution for transactions within the corporate sector.

Enhanced our credit-monitoring capabilities through subscriptions to Creditsights and Standard and Poor's Ratings Direct.

Established a quarterly LGIP newsletter for distribution to participants, enhancing the communication of portfolio characteristics and strategies along with pertinent market data.

Navigated a challenging investment environment created by the complexities of COVID-19 with successful duration and sector allocation strategies.

Continued outreach (LGIP, banks, CD program, counties, and municipalities) to the extent possible.

INITIATIVES FOR FY2022

Update and revise the State Treasurer's Investment Policy, facilitating implementation through the prescribed approval processes that culminate with the advice and consent of the New Mexico State Board of Finance.

Maximize investment returns through duration and security selection, while maintaining adequate liquidity to meet required cash flows.

Conduct the annual portfolio benchmark review for maintenance and to incorporate proposed changes if warranted, followed by obtaining the necessary approvals, including the advice and consent of the New Mexico State Board of Finance.

Explore the potential for investing in additional fixed-income sectors.

Increase the approved list of creditworthy repurchase agreement counterparties for diversification purposes.

Continue outreach (LGIP, banks, CD program, counties, and municipalities).

The Operations Division is responsible for facilities management and security, agency vehicle maintenance, mail processing, and inter-agency deliveries. It also provides information technology (IT) and daily office operations support to the State Treasurer's Office. The division responds to internal employee needs and works with external agencies and stakeholders.

INFORMATION TECHNOLOGY BUREAU

The IT Bureau operates, maintains, and monitors the State Treasurer's Office IT systems. The bureau evaluates business processes and plans for automating functions where possible. The bureau maintains the agency servers, computers, local area network, investment systems, accounting system, and telecommunications for the office. The bureau also maintains the disaster recovery network and manages the security systems and information systems (software and hardware). The bureau is responsible for cybersecurity and the maintenance of the State Treasurer's Office Disaster Recovery and Business Continuity Plan. The State Treasurer's Office maintains a disaster recovery site (hot site) at an off-site location in New Mexico. The bureau continuously reviews and evaluates the hardware and software to determine future technology needs to ensure that the State Treasurer's Office can continue operations with minimal downtime and maximum efficiency.

FORFEITURE PROGRAM

During the 2015 Legislative session, the New Mexico Forfeiture Act (NMSA 1978 § 31-27-1 to 31-27-11 [2015]) was amended. The purposes are to make uniform standards and procedures for the process;

protect people's constitutional rights; deter criminal activity by reducing its economic incentives; and ensure that only criminal forfeiture is allowed. The Forfeiture Act requires forfeited property that is not currency and any abandoned property to be delivered to the State Treasurer for disposition at a public auction. Forfeited currency and all proceeds from the sale of forfeited or abandoned property must be deposited in the general fund. An annual report must be prepared by each law enforcement agency and submitted to the Department of Public Safety within 60 days following the conclusion of each fiscal year regarding seizures and forfeitures conducted pursuant to applicable State law and Federal forfeiture law.

LOSS PREVENTION AND CONTROL PROGRAM

The Loss Prevention and Control Program complies with NMAC 1.6.4, the State Loss Prevention and Control Program rule, to assure that loss prevention and control is:

- An integral part of each agency worker's job and required training for every employee.
- A line-management responsibility of high priority, as shown by the fact that managers are evaluated on its execution.
- An agency commitment as demonstrated by the appointment of knowledgeable and experienced loss-control personnel.
- A priority as shown through compliance with workplace safety and employment-related civil rights rules and regulations.

All divisions within the State Treasurer's Office are covered by this program.

SIGNIFICANT MILESTONES AND ACCOMPLISHMENTS FOR FY2020

INFORMATION TECHNOLOGY

Continued to maintain IT systems at a level to achieve clean cybersecurity audits. Continued supporting 25 users with virtual private network (VPN), versus two users prior to COVID-19 pandemic/quarantine.

Continued to use IT to reduce business costs throughout the agency, including via transformed processes to support effective teleworking. This resulted in significant reduction of paper use.

Supported Special Programs as needed, particularly with the growth in the number of ABLE account holders and the launch of New Mexico Work and \$ave.

FORFEITURE ACT

Continued working with district attorneys, district courts, and law enforcement agencies statewide to implement and refine the program.

LOSS PREVENTION AND CONTROL PROGRAM

Continued to stay in compliance with the requirement NMAC 1.6.4 even in the teleworking environment.

Required STO staff to sign form for equipment received (cellphones, laptops, jetpacks, etc.).

Assured STO's commitment to make loss prevention and control an integral part of the job and the required training of every agency worker, with workplace safety and employment-related civil rights a priority.

Maintained offices, vehicles, and facility security by monitoring facility cameras and vehicle logs.

Installed video doorbell for greater security and efficiency.

INITIATIVES FOR FY2021

INFORMATION TECHNOLOGY

Implement any recommended upgrades in software and infrastructure (if necessary).

Continue successful completion of IT security audits.

Continue to develop cost-saving processes utilizing IT to support reduced business costs.

Support Special Programs within STO to promote growth (as needed).

See IT plan for additional details.

FORFEITURE ACT

Continue to work with district attorneys, district courts, and law enforcement agencies statewide to implement and refine the program.

Obtain program funding. This Act reimburses law enforcement for any costs associated with forfeitures and seizures but does not provide funding to manage the program through the State Treasurer's Office. All funds received are directly placed into the State's General Fund, yet STO has no reoccurring budget with which to operate the program.

LOSS PREVENTION AND CONTROL PROGRAM

Maintain facility security both in person and during teleworking environments.

The Special Programs Division includes the Achieving a Better Life Experience (ABLE), Forfeiture, Retirement Income Security, and Financial Empowerment for Women programs.

ABLE PROGRAM

In 2014 Congress passed the Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act. This was historic, life-changing financial legislation for special needs individuals, families, and communities, and was considered one of the most significant pieces of legislation for the disability community since the Americans with Disabilities Act. The New Mexico legislature authorized ABLE accounts in 2016 with overwhelming bipartisan support.

The program enables eligible individuals with disabilities to save money in a tax-exempt account that may be used for qualified expenses while keeping their eligibility for Federal public benefits. The total annual contributions allowed into an ABLE account by all contributors (including family, friends, and the beneficiaries themselves) is \$15,000 per tax year. An account may have up to \$468,000 before Federal and State benefits would be affected (\$100,000 for those receiving SSI). Eligible individuals must have significant disabilities with an onset prior to age 26.

The ABLE accounts are administered as a 529A account, similar to the 529 College Savings Program, and beneficiaries may choose from a variety of investment options, similar to 529 college savings accounts or Roth IRAs. Funds within the account can be used to cover qualified disability-related expenses that assist the individual in increasing and/or maintaining health, independence, and/or quality of life.

The New Mexico State Treasurer's Office launched ABLE New Mexico in January 2018. It is estimated that currently 30,000 New Mexicans meet the threshold. More than 100 accounts were opened during the first six months of the program.

WORK AND \$AVE PROGRAM

Studies show that the lack of retirement savings by private-sector workers poses serious fiscal challenges for states. Aging populations without adequate retirement savings will rely on public funds to fulfill

their needs. Compared to the rest of the United States, more New Mexico private-sector workers do not have access to a retirement savings plan through their employers, and more of them have \$0 saved for retirement. By 2040, it is estimated that 469,000 New Mexicans 60+ years old will have less than \$10,000 saved for their retirement.

In 2018 House Memorial 12 created the Retirement Income Security Task Force, chaired by the State Treasurer. The Task Force made four recommendations: focus on financial literacy, create an online marketplace, create a voluntary IRA (which, depending on certain triggers, could convert to a mandatory IRA), and request an advisory opinion from New Mexico's Attorney General.

In 2019, Senate Memorial 119 (New Mexico Saves) directed the State Treasurer to devise a plan to implement the Retirement Income Security Task Force recommendations.

In 2020, House Bill 44 enacted the New Mexico Work and Save Act. The Act establishes a nine-member board. The board is charged with designing and implementing 1) a voluntary retirement marketplace (a web-based portal connecting private-sector employers and employees with Board-approved investment service providers) and 2) a voluntary payroll deduction Roth IRA program in which employers deduct and remit Roth contributions to board-approved investment providers on behalf of employees.

FINANCIAL LITERACY PROGRAM

The Financial Literacy program was initiated during Treasurer Eichenberg's first year in office. The Treasurer believes it is important to bring financial literacy to high school students because these money-management skills prepare them for real-life experiences.

As the only non-statutory program within the State Treasurer's Office, Financial Literacy was put on hold for a few years due to budget cuts.

Then in early 2019, the State Treasurer received an appropriation from the legislature in the amount of \$150,000 to provide financial literacy education. Per the RFP, the funds will be awarded to a contractor to provide financial literacy classes to youth transition-

SPECIAL PROGRAMS DIVISION

ing out of the foster care system. The organization awarded will provide a bilingual financial literacy curriculum containing information on budgeting, saving and investing, opening and maintaining a bank account, interest rates, college tuition and student loans, retirement, and more. The financial literacy contractor will hold regular in-person trainings and offer one-on-one financial coaching to assist the students as they learn to manage their finances.

ALTERNATIVE DISPUTE RESOLUTION PROGRAM

This program promotes early dispute resolution and positive collaboration among employees by providing mediation services to resolve workplace conflict.

SIGNIFICANT MILESTONES AND ACCOMPLISHMENTS FOR FY2021

ABLE PROGRAM

As of June 30, 2021, there were 881 active ABLE New Mexico accounts.

Continued to collaborate with partner agencies and community service providers to inform consumers.

Maintained a partnership with the Public Education Department and various school districts to include ABLE New Mexico information in every new student orientation packet, and presented at scheduled transition fairs.

Continued strong adherence to the conditions of the no-cost partnership with Ohio's STABLE Program in maintaining and promoting ABLE New Mexico and added Utah as the 13th partner state.

Continued tracking and reporting the number of active ABLE NM accounts, average account balances, and returns on investment.

Continued monitoring accounts, support, and guidance to account owners to ensure a less-than-24-hour response time for all participants, families, community members, statewide agencies, public and charter schools, and non-profits.

Translated all outreach literature from English to Spanish, Navajo, and Braille to keep accessibility and cultural awareness at the center of our work.

Distributed a monthly newsletter to keep all of the special needs families, communities, non-profit organizations, state agencies, public and charter schools, higher education offices, and universities informed. Distributed via email and archived on the New Mexico State Treasurer's website.

Maintained and nurtured strong partnerships with New Mexico's non-profit organizations, universities of higher learning, public and charter schools, statewide agencies, and business leaders.

WORK AND \$AVE PROGRAM

The New Mexico Saves committee (including the State Treasurer) met several times and reported its findings and recommendations, including proposed legislation, to legislative committees.

This led to passage of House Bill 44, the New Mexico Work and Save Act, which created the New Mexico Work and Save Board and gave the board powers and duties. These include creating a retirement savings plan web-based marketplace and a voluntary savings program for private-sector and nonprofit employees and the self-employed; and providing protection for covered employers and confidentiality for participants and account information.

SPECIAL PROGRAMS DIVISION

FINANCIAL LITERACY PROGRAM

Contracted with NMCAN to present a financial literacy program to youth in foster care.

ADR PROGRAM

Continued to work with the Risk Management Division Alternative Dispute Resolution Bureau to continue providing employees with conflict-resolution options.

Tracked all events related to ADR, including trainings, seminars, and referrals to mediation, then report these quarterly to the General Services Department (GSD) Risk Management Division.

INITIATIVES FOR FY2022

ABLE PROGRAM

Work with the Ohio STABLE program and 12 partner states to update each state's website to include an exclusive Spanish enrollment portal for Spanish speakers.

Offer the ABLE NM newsletter in Spanish.

With the New Mexico Children, Youth, and Families Department, develop pathways for New Mexico's foster care children and youth to have an account for their financial wellness.

With the New Mexico State School Board Association, help support our public schools and communities with financial literacy programs (ABLE New Mexico, New Mexico Work and \$ave, and NMCAN Financial Literacy).

Work with New Mexico's Congressional Delegation to pass the ABLE Age Adjustment Act (S. 331 & H.R. 1219) to raise the age of eligibility from 26 to 46, allowing 8 million more individuals living with disabilities to access the program, including 1 million veterans.

With other New Mexico universities' schools of social work, develop opportunities for Master's Level students to complete field practicum hours within the ABLE New Mexico program for leadership and professional growth.

Expand outreach by hosting a monthly online videoconference (using Zoom) for all ABLE New Mexico participants and their families.

Track all current and new active accounts by plotting the number of accounts by zip code to target outreach efforts within communities where there are no active accounts.

WORK AND \$AVE PROGRAM

Convene the Work and \$ave board.

Assist as needed with legislation or testify before the State Legislature.

Stand up the New Mexico Work and \$ave programs (Marketplace and IRA program).

Promote Work and \$ave through outreach, including presenting at businesses statewide and through various media outlets.

FINANCIAL LITERACY PROGRAM

Work with the legislature to introduce legislation to make financial literacy a requirement for graduation.

ADR PROGRAM

Continue to work with the Risk Management Division (RMD) ADR Bureau to provide employees with conflict-resolution options.

Track all ADR events, including trainings, seminars, and referrals to mediation, then report quarterly to the RMD.



STATE TREASURER

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

Honorable Michelle Lujan Grisham,
Governor and President, State Board of Finance and

Honorable Tim Eichenberg, State Treasurer,
New Mexico Office of the State Treasurer and

Honorable Brian Colón, State Auditor,
New Mexico Office of the State Auditor

Santa Fe, New Mexico

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the **General Fund** of the State of New Mexico Office of the State Treasurer (the Office) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presenta-

tion of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Office as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTERS

REPORTING ENTITY

As discussed in Note 2, the financial statements of the State of New Mexico Office of the State Treasurer are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, and each major fund of the Office that is attributable to the transactions of the Office. They do not purport to, and do not present fairly the financial position of State of New Mexico as of June 30, 2021, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

PENSION ACCOUNTING AND REPORTING

As discussed in Note 16, the State of New Mexico, as a single employer, follows Governmental Accounting Standards Board (GASB) Standards No. 68 Accounting and Financial Reporting for Pensions, as of June 30, 2021, in the Annual Comprehensive Financial Reports (ACFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Office's financial statements. All other required footnotes and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico ACFR for June 30, 2021. Our opinion is not modified with respect to this matter.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS ACCOUNTING AND REPORTING

As discussed in Note 17, the State of New Mexico, as a single employer, follows GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of June 30, 2021, in the ACFR. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Office's financial statements. All other required footnotes and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico ACFR for June 30, 2021. Our opinion is not modified with respect to this matter.

OTHER MATTERS

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER INFORMATION

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

The schedules in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Except for the schedule of investment pool net position (unaudited), schedule of changes in investment pool net position (unaudited) and the schedule of asset management costs (unaudited), such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules in the Supplementary Information section required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of investment pool net position (unaudited), schedule of changes in investment pool net position (unaudited) and the schedule of asset management costs (unaudited) have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2021, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Office's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP
Albuquerque, New Mexico
November 1, 2021

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Investment in State General Fund Investment Pool	\$ 324,149,633
Due from Other Agencies	213,743,954
Gaming Suspense Receivables	18,433,433
Other Receivables	2,481
Capital Assets, Net of Accumulated Depreciation	686,390
Total Assets	<u>557,015,891</u>
LIABILITIES	
Accounts Payable	915,841
Receipts Held in Suspense	3,118,834
Accrued Payroll and Payroll Taxes	80,471
Due to State General Fund	18,433,433
Compensated Absences	172,129
Total Liabilities	<u>22,720,708</u>
NET POSITION	
Investment in Capital Assets	686,390
Restricted for:	
Debt Service	533,780,922
Unrestricted	<u>(172,129)</u>
Total Net Position	<u>\$ 534,295,183</u>

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position Primary Government</u>
PRIMARY GOVERNMENT			
Governmental Activities			
General Government	\$ 5,767,171	\$ -	\$ (5,767,171)
Total Governmental Activities	<u>\$ 5,767,171</u>	<u>\$ -</u>	(5,767,171)
GENERAL REVENUES			
State Property Tax Levy			99,671,079
Severance Taxes			861,179,840
TRANSFER FROM (TO) STATE AGENCIES			
State General Fund Appropriations			3,685,300
State General Fund Compensation Appropriation			11,000
Reversions to State General Fund FY21			(336,260)
Other State Agencies			(762,654,193)
Interest Revenue			11,678,678
Other State Funds			390,000
Miscellaneous Revenue			106
Federal Funds			<u>2,362</u>
Total General Revenues and Transfers			<u>213,627,912</u>
CHANGE IN NET POSITION			207,860,741
Net Position - Beginning of Year			<u>326,434,442</u>
NET POSITION - END OF YEAR			<u>\$ 534,295,183</u>

FINANCIAL STATEMENTS

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	
ASSETS				
Investment in State General Fund				
Investment Pool	\$ 3,287,600	\$ 81,191,680	\$ 239,670,353	\$ 324,149,633
Due from Other Agencies	-	5,475,783	208,268,171	213,743,954
Gaming Suspense Receivables	18,433,433	-	-	18,433,433
Other Receivables	2,481	-	-	2,481
	<u>21,723,514</u>	<u>86,667,463</u>	<u>447,938,524</u>	<u>556,329,501</u>
Total Assets	\$ 21,723,514	\$ 86,667,463	\$ 447,938,524	\$ 556,329,501
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	90,776	74,928	750,137	\$ 915,841
Receipts Held in Suspense	3,118,834	-	-	3,118,834
Accrued Payroll and Payroll Taxes	80,471	-	-	80,471
Due to State General Fund	18,433,433	-	-	18,433,433
Total Liabilities	<u>21,723,514</u>	<u>74,928</u>	<u>750,137</u>	<u>22,548,579</u>
FUND BALANCES				
Restricted for:				
Debt service	-	86,592,535	447,188,387	533,780,922
Unassigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>86,592,535</u>	<u>447,188,387</u>	<u>533,780,922</u>
				-
Total Liabilities and Fund Balances	\$ 21,723,514	\$ 86,667,463	\$ 447,938,524	\$ 556,329,501

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balance - Governmental Funds
(Balance Sheet - Governmental Funds) \$ 533,780,922

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position

Capital Assets Total Acquisition Value	2,106,981
Total Accumulated Depreciation	<u>(1,420,591)</u>
Total Capital Assets, Net	686,390

Some liabilities (compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position

(172,129)

Net Position of Governmental Activities (Statement of Net Position)

\$ 534,295,183

FINANCIAL STATEMENTS

STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund (Various Funds)	Severance Tax Bond Fund (Various Funds)	
REVENUES				
Severance Taxes	\$ -	\$ -	\$ 861,179,840	\$ 861,179,840
State Property Tax Levy	-	99,671,079	-	99,671,079
Other State Funds	390,000	-	-	390,000
Interest Income - Debt Service	-	2,097,305	9,581,373	11,678,678
Federal Funds	2,362	-	-	2,362
Total Revenues	<u>392,362</u>	<u>101,768,384</u>	<u>870,761,213</u>	<u>972,921,959</u>
EXPENDITURES				
Current:				
Personnel Services and Employee Benefits	2,800,345	-	-	2,800,345
Operating Costs:				
Contractual Services	278,237	-	-	278,237
Other Administrative Expenditures	673,926	-	-	673,926
Other Charges	-	368,150	1,231,441	1,599,591
Total Expenditures	<u>3,752,508</u>	<u>368,150</u>	<u>1,231,441</u>	<u>5,352,099</u>
NET (EXPENSES) REVENUES	(3,360,146)	101,400,234	869,529,772	967,569,860
OTHER FINANCING SOURCES (USES)				
State General Fund Appropriations	3,685,300	-	-	3,685,300
Compensation Appropriation	11,000	-	-	11,000
Other State Funds	-	-	-	-
Miscellaneous Revenues	106	-	-	106
Reversions to State General Fund FY21	(336,260)	-	-	(336,260)
Transfer (to) from Other State Agencies	-	(87,820,938)	(674,833,255)	(762,654,193)
Total Other Financing Sources (Uses)	<u>3,360,146</u>	<u>(87,820,938)</u>	<u>(674,833,255)</u>	<u>(759,294,047)</u>
NET CHANGE IN FUND BALANCES	-	13,579,296	194,696,517	208,275,813
Fund Balances - Beginning of Year	-	73,013,239	252,491,870	325,505,109
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 86,592,535</u>	<u>\$ 447,188,387</u>	<u>\$ 533,780,922</u>

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds
(statement of revenues, expenditures, and
changes in fund balances) \$ 208,275,813

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report outlays for capital assets as expenditures
because such outlays use current financial resources. In contrast,
the statement of activities reports only a portion of the outlay as
expense. The outlay is allocated over the assets' estimated useful
lives as depreciation expense for the period.

Capital Outlay -
Depreciation Expense (399,503)

Depreciation Expense in Excess of Capital Outlay (399,503)

Some expenses reported in the statement of activities do not require
the use of current financial resources, and these are not reported
as expenditures in governmental funds:

Increase in Compensated Absences (15,569)

Change in Net Position of Governmental Activities \$ 207,860,741

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF REVENUES AND EXPENDITURES –
GENERAL FUND – BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

	General Fund (18200)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund Appropriations	\$ 3,838,900	\$ 3,685,300	\$ 3,685,300	\$ -
State General Fund				
Compensation Appropriation	97,800	11,000	11,000	-
Federal Grants	2,000	2,000	2,362	362
Other State Funds	390,000	390,000	390,000	-
Miscellaneous Revenue	-	-	106	106
Total Revenues	4,328,700	4,088,300	4,088,768	468
EXPENDITURES				
Personnel Services and Benefits	3,249,000	2,923,600	2,800,345	123,255
Contractual Services	524,800	434,800	278,237	156,563
Other Operating Costs	554,900	729,900	673,926	55,974
Total Expenditures	4,328,700	4,088,300	3,752,508	335,792
NET (EXPENSES) REVENUES	-	\$ -	336,260	\$ 336,260
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted Reversions to State General Fund			(336,260)	
NET CHANGE IN FUND BALANCES (GAAP BASIS)			\$ -	

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS
JUNE 30, 2021

	External Investment Pool Funds (Local Government Investment Pool Trust Fund)
ASSETS	
Cash and Investments:	
Cash in Banks	\$ 300,789,350
Government Bonds	88,529,471
Interfund	(309,263)
Discounted Notes	626,017,097
Supranationals	<u>87,826,189</u>
Total Cash and Investments	1,102,852,844
Accrued Interest Receivable	<u>60,265,706</u>
Total Assets	1,163,118,550
LIABILITIES	
Due to Broker	<u>19,997,472</u>
Total Liabilities	<u>19,997,472</u>
FIDUCIARY NET POSITION - Held in Trust for Pool Participants	<u><u>\$ 1,143,121,078</u></u>

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS
YEAR ENDED JUNE 30, 2021

	External Investment Pool Funds (Local Government Investment Pool Trust Fund)
ADDITIONS	
Investment Income	\$ 1,729,050
Deposits	1,184,907,392
DEDUCTIONS	
Management Fees	(534,984)
Withdrawals	<u>(988,031,388)</u>
CHANGE IN FIDUCIARY NET POSITION	198,070,070
Fiduciary Net Position, Held in Trust for Pool Participants - Beginning of Year	<u>945,051,007</u>
FIDUCIARY NET POSITION , Held in Trust for Pool Participants - End of Year	<u><u>\$ 1,143,121,077</u></u>



STATE TREASURER

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER**

CASH FLOW PORTFOLIOS

**EXTERNAL AND INTERNAL
INVESTMENT POOLS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

Honorable Michelle Lujan Grisham,
Governor and President, State Board of Finance and

Honorable Tim Eichenberg, State Treasurer,
New Mexico Office of the State Treasurer and

Honorable Brian Colón, State Auditor,
New Mexico Office of the State Auditor

Santa Fe, New Mexico

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **Local Government Investment Pool, the Consolidated Investment Pool, and the General Fund Investment Pool State of New Mexico** (the Pools), administered by the Office of the State Treasurer (Office) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Pools' basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presenta-

tion of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the Local Government Investment Pool, the Consolidated Investment Pool, and the General Fund Investment Pool of the State of New Mexico, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTERS

REPORTING ENTITY

As discussed in Note 1, the financial statements of the Cash Flow Portfolios, both external (local) and internal (state) investment pools managed by the State of New Mexico Office of the State Treasurer are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, and each major fund of the Office that is attributable to the transactions of the Pools. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2021, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

OTHER MATTERS

REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2021, management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential

part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

OTHER INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pools' basic financial statements. The schedules in the Supplementary Information section within the Table of Contents are required by 2.2.2 NMAC and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of asset management costs (unaudited) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2021, on our consideration of the Pool'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 result of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Pool's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP
Albuquerque, New Mexico
November 1, 2021

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER CASH FLOW PORTFOLIOS
EXTERNAL AND INTERNAL INVESTMENT POOLS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Investment Pools			Total
	LGIP Short-Term Investment Pool (External)	Consolidated Investment Pool (Internal) BPIP #1 and #2	General Fund Investment Pool (Internal)	
ASSETS				
Cash and Investments:				
Fiscal Agent Bank Account	\$ -	\$ -	\$ 70,449,032	\$ 70,449,032
Cash in Banks	300,789,350	34,666	680,653,393	981,477,409
Money Market Mutual Funds	-	76,642,149	347,877,936	424,520,085
Repurchase Agreements	-	-	-	-
Bank Acceptances	-	38,072,750	79,140,648	117,213,398
Certificates of Deposit	-	6,200,000	2,500,000	8,700,000
Commercial Paper	-	59,908,366	19,964,850	79,873,216
Corporate Bonds	-	108,782,574	481,037,943	589,820,517
Demand Notes	-	82,550,000	116,630,000	199,180,000
Government Bonds	88,529,471	1,170,681,418	2,093,851,539	3,353,062,427
Supranationals	87,826,189	96,905,153	142,125,893	326,857,235
Municipal Bonds	-	23,924,080	45,788,254	69,712,334
Mutual Funds	-	377,673,355	562,956,514	940,629,869
Discounted Notes	626,017,097	200,017,812	1,313,328,163	2,139,363,072
Interfund Investments	(309,263)	-	309,263	-
Total Cash and Investments	1,102,852,844	2,241,392,322	5,956,613,428	9,300,858,594
Accrued Interest Receivable	60,265,706	3,929,331	10,692,029	74,887,066
TOTAL ASSETS	1,163,118,550	2,245,321,653	5,967,305,457	9,375,745,660
LIABILITIES				
Due to Broker	19,997,472	40,036,899	-	60,034,371
TOTAL LIABILITIES	19,997,472	40,036,899	-	60,034,371
NET POSITION - HELD IN TRUST	<u>\$ 1,143,121,078</u>	<u>\$ 2,205,284,754</u>	<u>\$ 5,967,305,457</u>	<u>\$ 9,315,711,289</u>

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER CASH FLOW PORTFOLIOS
EXTERNAL AND INTERNAL INVESTMENT POOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Investment Pools			Total
	LGIP Short-Term Investment Pool (External)	Consolidated Investment Pool (Internal) BPIP #1 and #2	General Fund Investment Pool (Internal)	
ADDITIONS				
Investment Income	\$ 1,729,050	\$ 2,424,352	\$ 7,139,745	\$ 11,293,147
Deposits	1,184,907,393	1,417,477,859	57,940,782,216	60,543,167,468
DEDUCTIONS				
Management Fees	(534,984)	-	534,984	-
Custodial Fees	-	-	-	-
Other Investment Costs	-	-	-	-
Withdrawals	(988,031,389)	(671,164,708)	(57,029,667,340)	(58,688,863,437)
SUBTOTAL OF CHANGE IN NET POSITION	198,070,070	748,737,503	918,789,605	1,865,597,178
Net Position - Held in Trust for Pool Participants, June 30, 2020	945,051,007	1,456,547,251	5,048,515,853	7,450,114,111
NET POSITION - Held in Trust for Pool Participants, June 30, 2021	<u>\$ 1,143,121,077</u>	<u>\$ 2,205,284,754</u>	<u>\$ 5,967,305,458</u>	<u>\$ 9,315,711,289</u>

The Office of the State Treasurer was created under Article V, Section 1 of the New Mexico Constitution. The duties and responsibilities of the State Treasurer are primarily defined by Chapters 6 and 8 of the New Mexico Statutes Annotated 1978 (NMSA 1978). These and other Chapters of New Mexico Statute a) require the Treasurer to act as the State's banker to receive, keep, and account for State funds collected and disbursed, and b) define the State Treasurer's banking, cash management, and investment roles. The principal statutory provisions related to the State Treasurer's prudent management of the State's financial resources and investment authority are listed below.

Sections 8-6-1 through 8-6-7 NMSA 1978 specify administrative and procedural requirements and define certain duties of the State Treasurer. Section 8-6-3 provides that, among other responsibilities, the State Treasurer shall "receive and keep all monies of the State, except when otherwise specially provided" as well as "disburse the public money upon warrants drawn according to law." This section also requires that the State Treasurer shall "keep a just, true, and comprehensive account of all monies received and disbursed."

Section 6-1-13 NMSA 1978 provides that the State Treasurer shall authorize all deposit accounts for State agencies and prescribe conditions and reports appropriate to such accounts.

Section 6-8-6 NMSA 1978 places the State permanent fund in the custody of the State Treasurer; and provides that the State permanent fund, or any part of the fund, shall at all times be available to the State Investment Officer for investment in accordance with State law.

Section 6-8-11 NMSA 1978 places in the custody of the State Treasurer securities purchased or held by the State Investment Officer or the State Investment Council and authorizes the State Treasurer, with the approval of the Secretary of the Department of Finance and Administration, to deposit the securities with a bank or trust company for safe-keeping and servicing.

Section 6-10-10 NMSA 1978, in part, permits the State Treasurer to deposit funds in certain financial institutions and to invest, in certain allowable securities and contracts, money not immediately required for the operation of State government.

Section 6-10-10.1 NMSA 1978 creates a short-term investment fund, which serves as an optional investment opportunity for local governments and Native American tribes, nations, and pueblos; and provides for the investment of the fund, either separately or consolidated with other funds, by the State Treasurer.

Sections 6-10-24.1, 6-10-25, 6-10-26, and 6-10-29 NMSA 1978 place conditions on the deposit and investment of State funds in New Mexico financial institutions; provide for reports from the State Treasurer concerning money on deposit in State depositories, including the amount required for operation of State government and the amount available for investment; and require depositories to submit an itemized monthly statement concerning the deposits to the State Treasurer.

Section 6-10-24.2 NMSA 1978 establishes the linked deposit program, which allows the State Treasurer to invest up to 14% of State deposits, not to exceed \$49 million, in certain financial institutions located in financially at-risk rural communities; places conditions on the deposit of State funds in these financial institutions; and authorizes the State Treasurer to accept a rate of interest not more than 1% below the market rate.

Section 6-10-28 NMSA 1978 allows the State Treasurer to invest the proceeds of general obligation and State revenue bonds.

Section 6-12A-5 NMSA 1978, permits the State Treasurer to issue and sell one or more tax revenue anticipation notes; and permits the State Treasurer to pledge the anticipated revenue to secure the payment of the principal of and interest on the anticipation notes.

BIOGRAPHY OF THE STATE TREASURER



**THE HONORABLE
TIM EICHENBERG**

Tim Eichenberg assumed office on January 1, 2015, becoming the 29th State Treasurer of New Mexico. Raised in Albuquerque, New Mexico, he attended Albuquerque Public Schools and graduated from the University of New Mexico. He and his wife have two adult children and two grandchildren.

Mr. Eichenberg's career in public service began when he was elected Bernalillo County Treasurer. The reforms that were implemented during his tenure saved taxpayers money and led to his re-election. After serving two terms as Bernalillo County Treasurer, he went to work in the private sector. He operated a small business in Albuquerque as a Property Tax Consultant, State Certified Appraiser, General Contractor (GB-98), and Real Estate Broker.

Mr. Eichenberg was first elected to the Albuquerque Metropolitan Arroyo Flood Control Authority Board in 1994, a position he still holds today. He was appointed by Governor Richardson to the position of New Mexico State Property Tax Director.

Mr. Eichenberg was elected to the New Mexico State Senate in 2008. As a State Senator, he chaired the Restructuring Committee, which sought to streamline State government and save taxpayers money. In 2010, he carried the Governmental Conduct Act, establishing a code of ethics for all government employees. In 2012, Mr. Eichenberg served as Chair of the Revenue Stabilization and Tax Policy Committee.

BIOGRAPHY OF THE DEPUTY STATE TREASURER



SAMUEL K. COLLINS, JR.

Samuel K. Collins, Jr., was sworn in as Deputy State Treasurer on October 7, 2015, by District Judge Stan Whitaker, and again for a second term on January 2, 2019, by the Office of the Secretary of State. Raised in Roswell, New Mexico, he attended Roswell Independent School District and graduated from Eastern New Mexico University.

Mr. Collins' background combines experience in the public sector with several years of senior-level bank management. He served for 15 years as President/Chief Executive Officer of Union Financial Corporation and its subsidiaries (Union Savings Bank and Union Savings Bank Mortgage Company) in Albuquerque. He also served as Vice President/Controller at Pioneer Bank in Roswell.

Mr. Collins served as the New Mexico State Cash Manager at the State Treasurer's Office prior to his appointment as Deputy Treasurer.

STATE TREASURER'S OFFICE STAFF

Staff as of December 15, 2021

Tim Eichenberg—State Treasurer
Samuel K. Collins, Jr.—Deputy Treasurer
Heather R. Benavidez—Chief of Staff

Marie Andermann
Accountant & Auditor A

Claudia Armijo
Work and \$ave Executive Director

Dominic L. Chavez
Cash Management Division Manager

Hannah Chavez
Investment Transaction Supervisor

Charmaine Cook, AAP
State Cash Manager

Alisha Dominick
Financial Coordinator A

Dominic Donio
Administrative Operations Manager I

Kathy Duffy
Chief Operations Officer/Forfeiture

Julie Filatoff
Staff Manager

Arsenio Garduño
Collateral Manager

Vikki Hanges
Chief Investment Officer

Melissa Ortega
Securities Coordinator

Brent Johnson
IT Technology Officer

Paul Madrid
IT Systems Administrator III

David Mahooty
Chief Financial Officer

Steve Marsico
Deputy State Cash Manager

Anna Murphy
Portfolio Manager A

Denise Payne
Overnight Repo Coordinator

Ashly Quintana
Accountant & Auditor O

Michael Romero
Accountant & Auditor A

Felicia Roybal
LGIP Coordinator

Maria Schoeppner
Accountant & Auditor O

Katrina Smedley
Human Resources Specialist

Maria Spray
Work and \$ave Program Coordinator

Annabel Vigil
Accountant & Auditor A

STATE TREASURER'S OFFICE HISTORY

In 1851, the Legislative Assembly of the Territory of New Mexico passed an act that created the Office of the Territorial Treasurer and defined the powers and duties of the Treasurer.

With Statehood in 1912, Article V Section I of the New Mexico State Constitution created the Office of the State Treasurer and recognized the State Treasurer as an elected official within the executive department of State government. While the Governor is the chief executive officer, under New Mexico's pluralistic form of executive branch of government, the other elected

members of the executive branch—the Lieutenant Governor, the Secretary of State, the State Treasurer, the Attorney General, the State Auditor, and the Commissioner of Public Lands—all share the responsibility for administering State government. The State Treasurer serves as the elected chief banking officer of the State and is entrusted with keeping, investing, and disbursing all State money, unless otherwise provided by law. In addition, the State Treasurer is charged with a variety of other duties directed toward ensuring prudent management of the State's financial resources as set forth in various sections of the statutes.

NEW MEXICO STATE TREASURERS

Owen N. Marron	1912–1916	Joe Callaway	1959–1962
H.L. Hall	1917–1918	Joseph B. Grant	1963–1966
Charles U. Strong	1919–1920	H.E. Thomas, Jr.	1967–1968
O.A. Matson	1921–1922	Merrill B. Johns, Jr.	1968–1969
John W. Corbin	1923–1924	Jesse D. Kornegay	1969–1974
Warren R. Graham, Sr.	1925–1928	Edward M. Murphy	1975–1978
Emerson Watts	1929–1930	Jan Alan Hartke	1979–1982
Warren R. Graham, Sr.	1931–1932	Earl E. Hartley	1983–1985
Clinton P. Anderson	1933–1934	James B. Lewis	1985–1990
James J. Connelly	1935–1938	David W. King	1991–1994
Rex French	1939–1942	Michael A. Montoya	1995–2002
Guy Shepard	1943–1946	Robert E. Vigil	2003–2005
H.R. Rodgers	1947–1950	Douglas Brown	2005–2006
R.H. Grissom	1951–1954	James B. Lewis	2006–2014
Joseph B. Grant	1955–1958	Tim Eichenberg	2015–Present

Treasurer Eichenberg is the only elected State official to serve as a member of all State financial and investment boards and commissions, which have a total fiduciary responsibility of more than \$60 billion. Here is a list of those boards and commissions.

STATE BOARD OF FINANCE

(BOF) has general supervision of the fiscal affairs of the State. It is charged with the safekeeping of all money and securities belonging to or in the custody of the State, and has the authority to issue general obligation bonds and severance tax revenue bonds.

State Investment Council (SIC) administers and manages New Mexico's three permanent trust funds: the Land Grant Permanent Fund, the Severance Tax Permanent Fund, and the Tobacco Settlement Permanent Fund. Additionally, the State Investment Council manages long-term investment funds for multiple State and local government entities.

Public Employees Retirement Association (PERA) oversees the principal retirement and disability benefits programs of State, county, and municipal employees, including municipal police and firefighters. The Board serves as trustee for the association. Its mission is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to association members.

Educational Retirement Board (ERB) provides retirement benefits for teachers and other school employees from public school districts, institutions of higher education, and educational agencies. The Board is the trustee of the Educational Retirement Fund.

Retiree Health Care Authority (RHCA) was created in 1990 to provide comprehensive and affordable group health insurance to eligible retirees of certain public service employers in New Mexico, to their spouses and dependents, and to surviving spouses and dependents.

Mortgage Finance Authority (MFA) is a quasi-public entity, financing housing and related services for low- to moderate-income and underserved families. The Mortgage Finance Authority provides affordable housing finance programs, including assistance for the homeless, apartment development, and home ownership.

Educational Assistance Foundation (EAF) is a non-profit corporation, created pursuant to the State Educational Assistance Act, that provides financial assistance to qualified post-secondary students. The purpose of the Foundation is to improve the educational opportunities of residents of New Mexico through educational assistance programs.

Small Business Investment Corporation (SBIC) is charged with creating new job opportunities and supporting new or expanding businesses in the State. The SBIC makes more capital available to small businesses through investing in alternative and micro lenders as well as venture capital funds.

Martin Luther King, Jr. Commission (MLK) promotes cultural awareness and human rights to all people of New Mexico through Dr. King's life philosophy and six principles of nonviolent social action.

Capitol Buildings Planning Commission (CBPC) is responsible for long-range planning and review of State properties and the development of an overall master plan.

Renewable Energy Transmission Authority (RETA) has the authority to issue and sell revenue bonds and use the proceeds to finance eligible energy transmission and storage facilities, and to acquire and operate facilities through leases.



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