# ISSUES FOR HEARING

## August 2017 Consensus Revenue Estimate

**Prepared by the Legislative Finance Committee**

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August 16, 2017

**Summary**

- The Consensus Revenue Estimating Group (CREG), comprised of the Legislative Finance Committee (LFC), Department of Finance and Administration (DFA), Taxation and Revenue Department (TRD), and Department of Transportation (DOT), reached consensus on the revenue estimates presented in this brief. The table below presents a reconciliation of recurring revenues through the current revenue estimating cycle.
- Preliminary FY17 recurring revenue is $5.7 billion, $140.4 million higher than the December 2016 consensus estimate, largely due to strength in gross receipts tax (GRT) revenues, although a significant portion of the GRT strength came as a result of abnormal strength in a revenue line item that typically pulls money out of the general fund. This is one of several examples of unusual and questionable data in recent months and insufficient reporting to explain the issues leading to increased uncertainty in the forecast. Accounting, reporting, and taxpayer behavior uncertainties overshadowed much of the econometric modeling used to forecast revenues, leading to significant risks to the forecast.
- Attachment 1 (page 17) shows general fund revenue revisions from December 2016 to August 2017. Compared with the December forecast, the FY18 recurring revenue estimate was revised up by $12 million to $5.9 billion, and the FY19 revenue estimate was revised downward by $35.1 million to $6.1 billion. The decline in FY19 revenue projections was primarily due to expectations of slower economic and inflation growth included in the economic forecasts used by the consensus group. GRT revenues, which used to be shown in a single line, are now divided into three sections to better illustrate factors affecting this item that provides one-third of general fund revenues. The three individual forecasts shown are for base GRT revenue, which is primarily forecast using economic factors but also includes the impacts of some business credits and earmarks; the impact of 60-day money and other credits (explained in detail in the GRT discussion); and the impact of the phase-out of food and medical "hold harmless" payments to local governments.
    - A goal to further improve reporting in the future is to break out the base forecast into additional lines to show the pure economic-based GRT forecast, the impact of all business credits, and the impact of earmarked revenues. However, detailed credit reporting by TRD would be necessary to provide this additional detail, although it would also significantly improve the accuracy of the revenue forecast.
- Attachment 4 (page 21) shows the general fund financial summary. Preliminary FY17 ending reserve balances are $329 million, or 5.4 percent of recurring appropriations. Projected FY18 ending reserve balances are $206 million, or 3.4 percent of recurring appropriations.
- The "New Money" in FY19, defined as FY19 projected recurring revenue less FY18 recurring appropriations, is $25 million, or 0.4 percent above FY18 appropriations. See Attachment 5 (page 23) for a history of appropriation and revenue levels and Attachment 6 (page 24) for historical reserve levels.

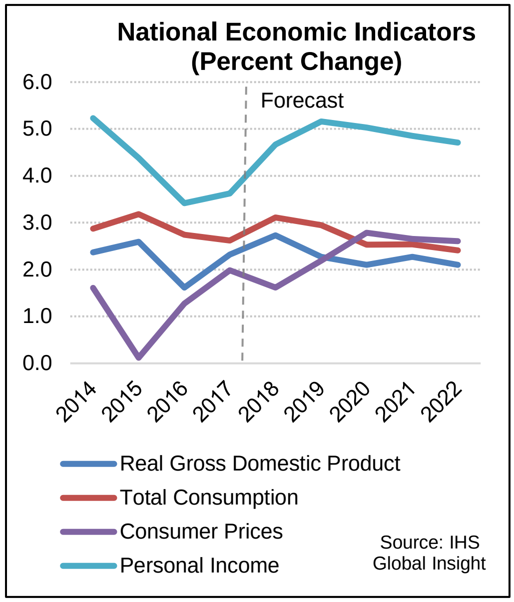
**August 2017 Consensus General Fund Recurring Revenue Outlook**

(in millions of dollars)

| | **FY17** | **FY18** | **FY19** | **FY20** |
|---|---|---|---|---|
| December 2016 Consensus | $5,600.2 | $5,929.1 | $6,142.4 | $6,382.7 |
| August 2017 Adjustments | $140.4 | $12.0 | ($35.1) | ($68.3) |
| August 2017 Consensus | $5,740.6 | $5,941.1 | $6,107.3 | $6,314.4 |
| Annual amount change | $24.1 | $200.5 | $166.2 | $207.1 |
| Annual percent change | 0.4% | 3.5% | 2.8% | 3.4% |

**<u>The US and NM Economic Forecast.</u>** The consensus revenue estimating group uses two different forecasting services in developing the economic assumptions on which the forecast is based. LFC, TRD, and DOT rely on New Mexico forecasts produced by UNM's Bureau of Business and Economic Research (BBER). BBER, in turn, relies on a national forecast produced by IHS Global Insight. DFA utilizes Moody's Analytics for its national and state forecasts. Selected economic indicators from these forecasts are presented in Attachment 2 (page 19).

National economic growth continued at the slow-to-moderate pace seen over the last few years. There are no immediate impediments that appear to be developing, either within the United States or internationally, so the forecasts predict economic growth will continue throughout the forecast horizon.

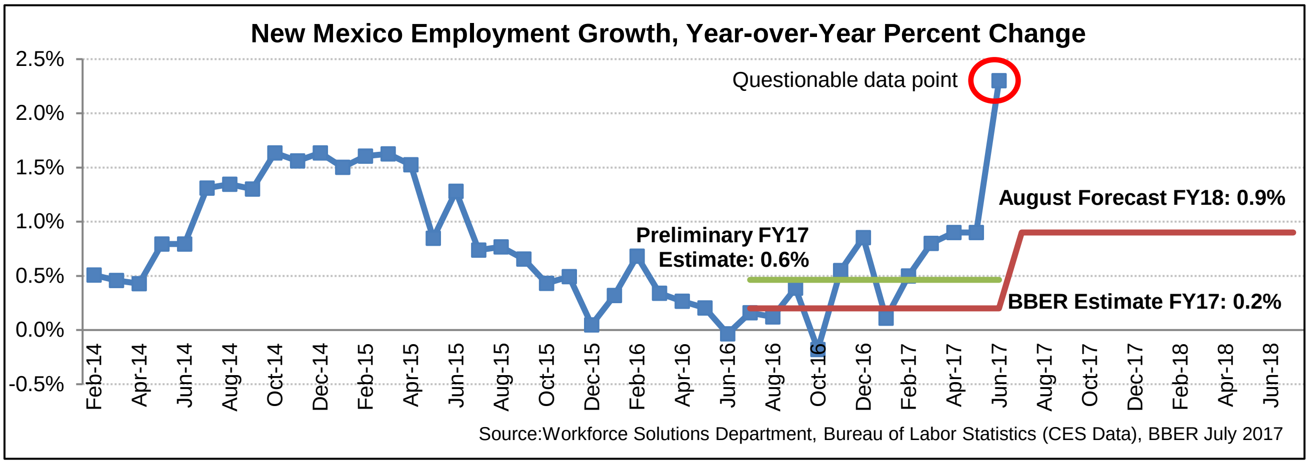



New Mexico's real gross state product (GSP) appeared stagnant in FY17, with BBER estimating a drop of -0.2 percent year-over-year and Moody's estimating an increase of 0.1 percent. However, the economic forecasts were finalized prior to the release of preliminary third-quarter FY17 GSP results, which indicated 2.6 percent annualized growth during that quarter. Both forecasting services assumed growth of about one percent in FY18 before returning to a more historically normal rate of roughly 2 percent.

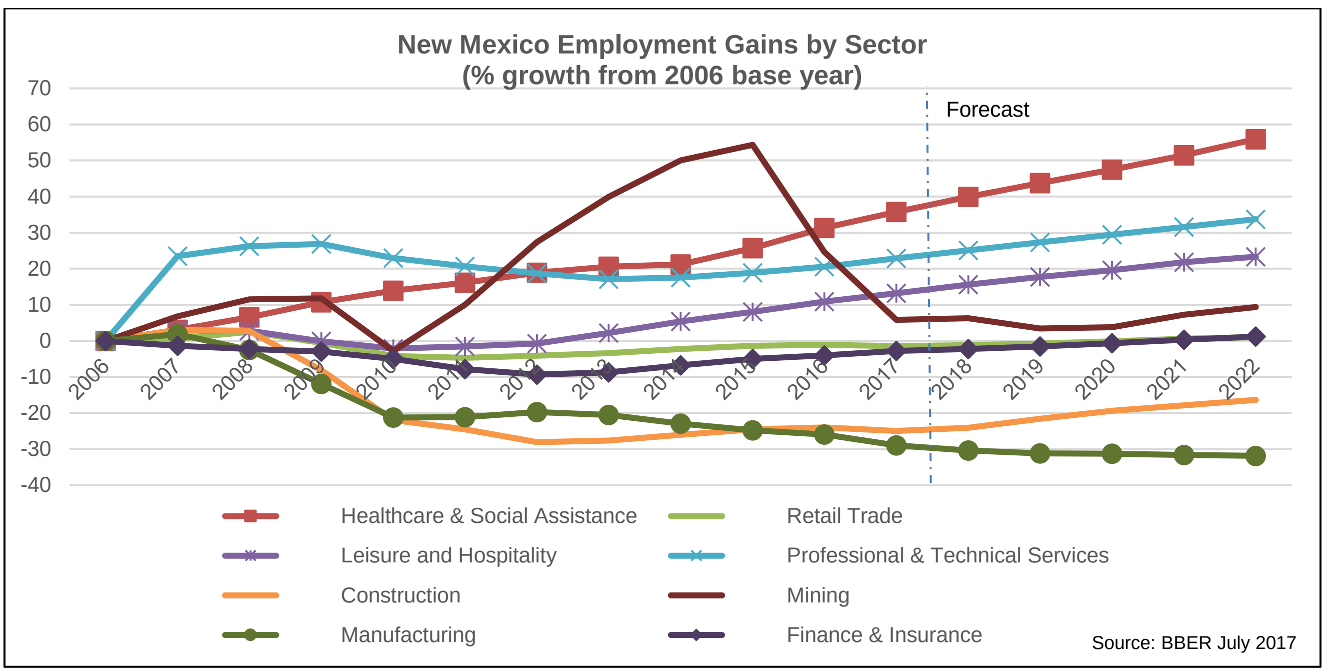
The December 2016 forecast assumed New Mexico employment growth of 0.4 percent in FY17, and preliminary employment data indicate growth for FY17 averaged about 0.6 percent, slightly above the forecast. However, this preliminary figure reflects current employment statistics (CES) survey data released by the U.S. Bureau of Labor Statistics, which includes an estimated 2.3 percent year-over-year growth for June 2017. LFC economists believe the sudden high growth (compared with prior months of less than 1 percent increases) warrants a cautious view, as this might be revised down later. Similarly, BBER's economic forecast warned of potential issues with CES results for FY17.

For example, in reviewing more reliable quarterly census of employment and wages (QCEW) data, BBER stated CES over counted employment in the last quarter of 2016 by more than 8,000 jobs. This discrepancy is an example of one of the issues faced by CREG when developing this revenue forecast with questionable data and insufficient reporting to eliminate the resulting uncertainty. While CES survey data is reported earlier and more frequently, it often faces significant revisions when annually benchmarked against QCEW data.

Benchmarked CES data for 2017 will not be available until March 2018. Therefore, BBER's employment forecast for New Mexico relies heavily on QCEW data for its forecast, and based on this data, BBER estimated employment growth in FY17 was actually 0.2 percent and presented a modest 0.9 percent employment growth forecast for FY18. Moody's estimated 0.6 percent growth in FY17 but agreed with the estimate of 0.9 percent growth for FY18.

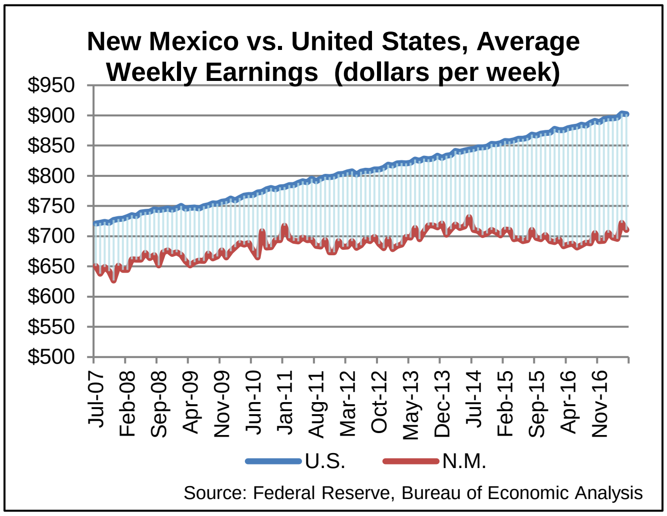


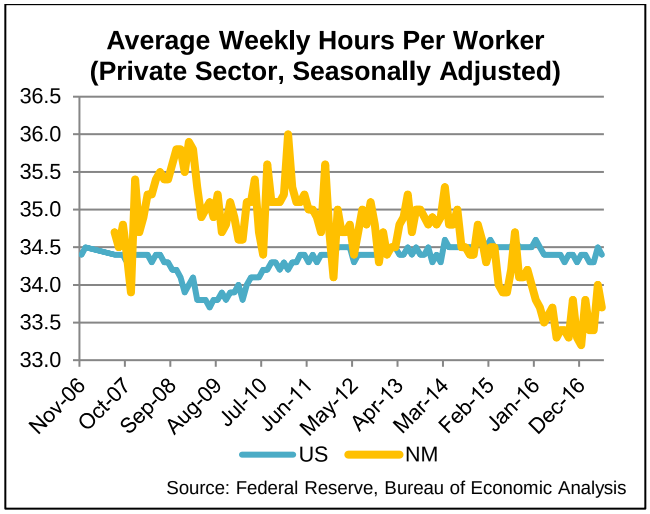

New Mexico's unemployment rate hovered around 6.7 percent in FY17, while the U.S. averaged 4.7 percent for the same period. The only state with a higher unemployment rate was Alaska. BBER forecasted the state's unemployment rate to fall slightly to 6.3 percent in FY18 and to average about 5.6 percent for the remaining forecast horizon. BBER projected increased growth in the healthcare and leisure and hospitality industries from 2018 forward, and moderate growth was expected in professional services industries. Losses in the mining sector appear to have stabilized; however, due to downward pressures on oil and gas prices, growth in this sector appears stagnant in the near term.



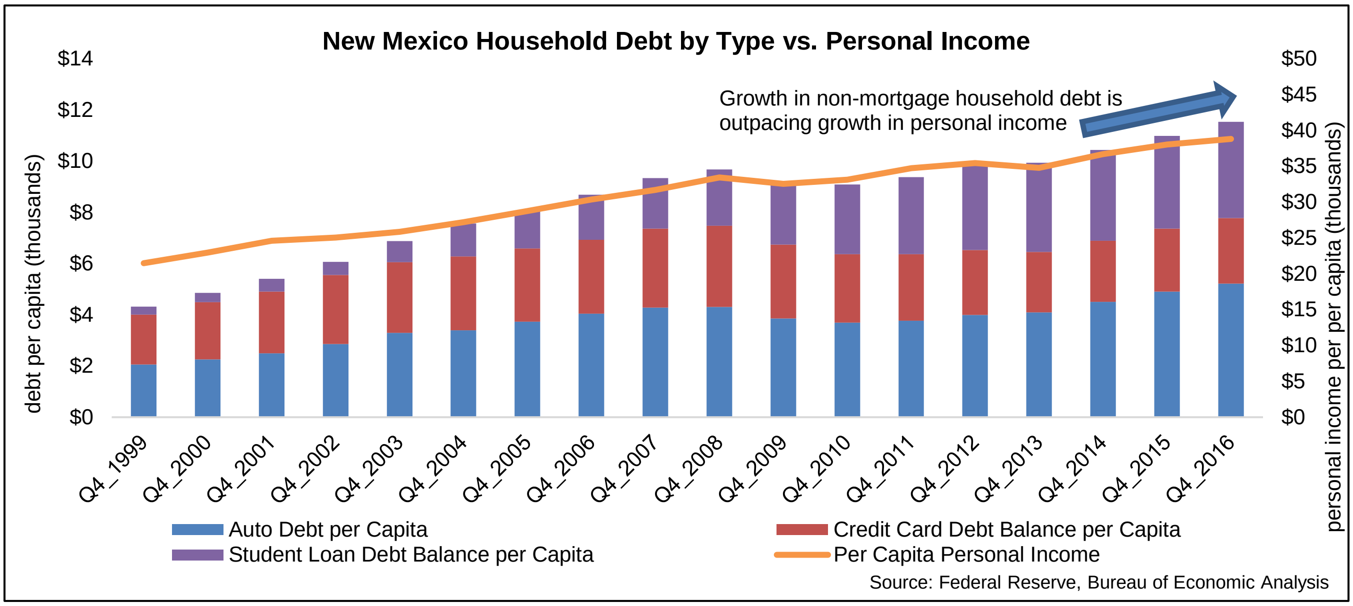

Wage and salary growth in the state became depressed in the weak labor market over the last several years. Average hourly earnings stagnated, and while average weekly earnings picked up in FY17, the growth rate remained well below U.S. averages. The declining earnings partially reflects higher wage jobs in the oil and gas industry and manufacturing being replaced with lower wage jobs, including those in the healthcare and leisure and hospitality industries. However, the change is primarily due to lower average weekly hours worked than at any time in the last

10 years, as shown below, although the number of hours worked increased slightly in the last few months of FY17. Additionally, inflation was about 1.9 percent in FY17, up from 0.7 percent in FY16, contributing to a further reduction in net spending power for New Mexicans.



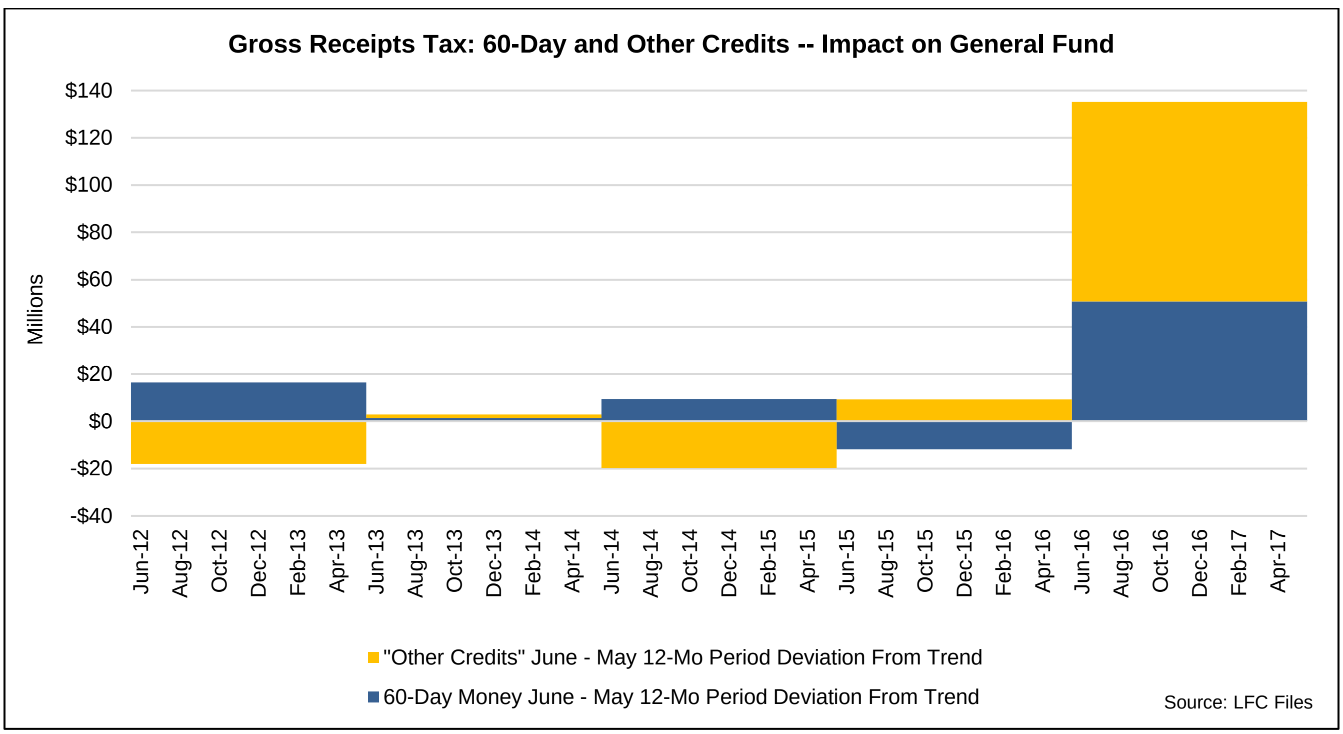

Non-mortgage household debt in New Mexico grew faster than personal income from the end of 2013 through the present, namely student loans and automotive debt. In 2016, per capita personal income grew by 2.1 percent from the previous year, while non-mortgage household debt grew by 4.9 percent. New Mexican non-mortgage household debt per capita was $11.5 thousand in 2016, compared with per capita personal income of $38.8 thousand.




**<u>General Fund Revenue Forecast.</u>**

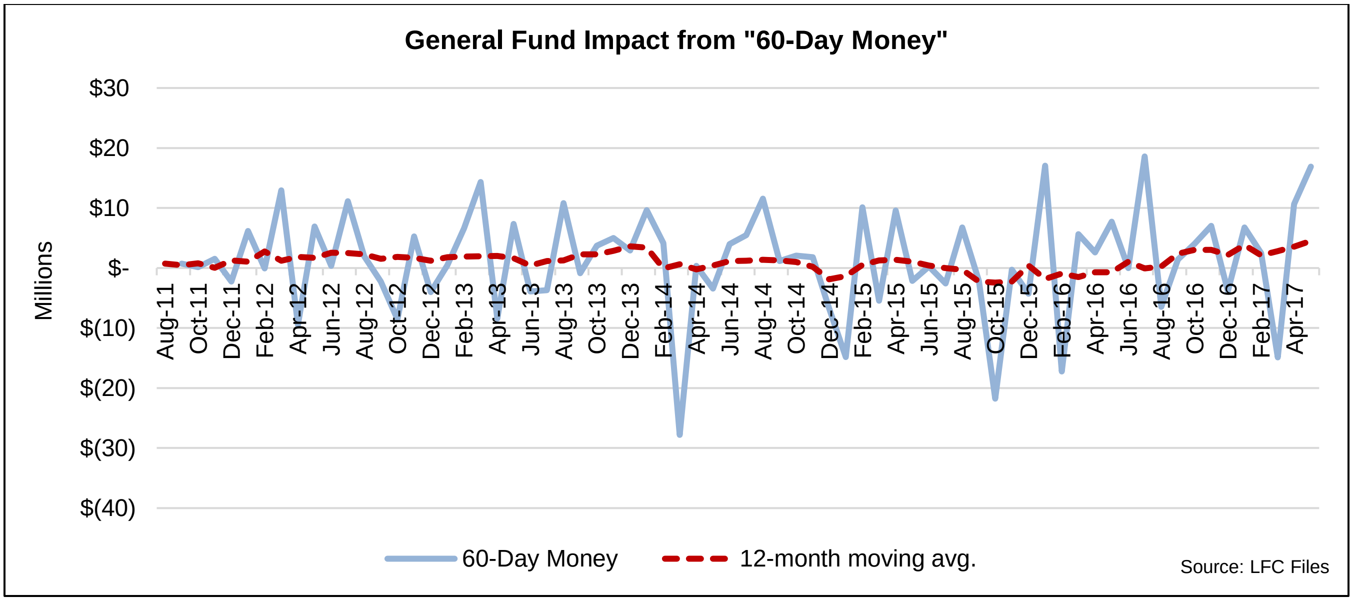
***Gross Receipts Taxes (GRT).*** Components of gross receipts tax (GRT) revenues that were previously stable became far more volatile and unpredictable over the last year or two, and much of the abnormal behavior still requires additional study by TRD to determine the causes and whether the abnormal results will continue or revert to more normal historical trends. The most notable example is the significant increase in the "60-day money and other credits" revenue line item that impacts GRT general fund revenues each month. Historically, this line item averaged about a $5 million loss to the general fund each month, but beginning in June 2016, the line item showed strong gains to the general fund. From June 2016 through May 2017, these revenues added $135 million to the general fund above the historical trend. The interruption of the steady historical trend was caused by both components of the line item. These components also masked the validity of the December 2016 forecast. GRT revenues are now estimated at $151 million more than the December forecast, but these components added $96 million of strength above historical trends. Removing this from consideration, the new estimate would be $55 million, or less than 3 percent, higher.

TRD was asked to explain the abnormalities as part of the work for the February 2017 revenue update, and concerns were noted prior to that, but TRD reported it did not start researching the issue until July, after receiving an official letter regarding this issue from LFC, leaving insufficient time to answer the questions before the forecast was finalized. As a result, this forecast has significant assumptions, including one based on no information on the underlying issue. Actual revenues will likely deviate from the forecast to a greater degree than historically typical. This is particularly concerning given the state's near historic low general fund reserves and diminished ability to quickly raise revenues by sweeping other state funds or enacting accrual changes to book revenues earlier. LFC staff told TRD they would support a request for additional resources to research these GRT issues, but LFC has not yet received such a request. One item that could shed light on the issue and would significantly improve revenue tracking and forecasting would be monthly reports of credits by type and by revenue program. LFC staff requested this from TRD more than a year ago, and TRD recently announced it is working on such a report, but it might not be available in time for the December 2017 revenue forecast.

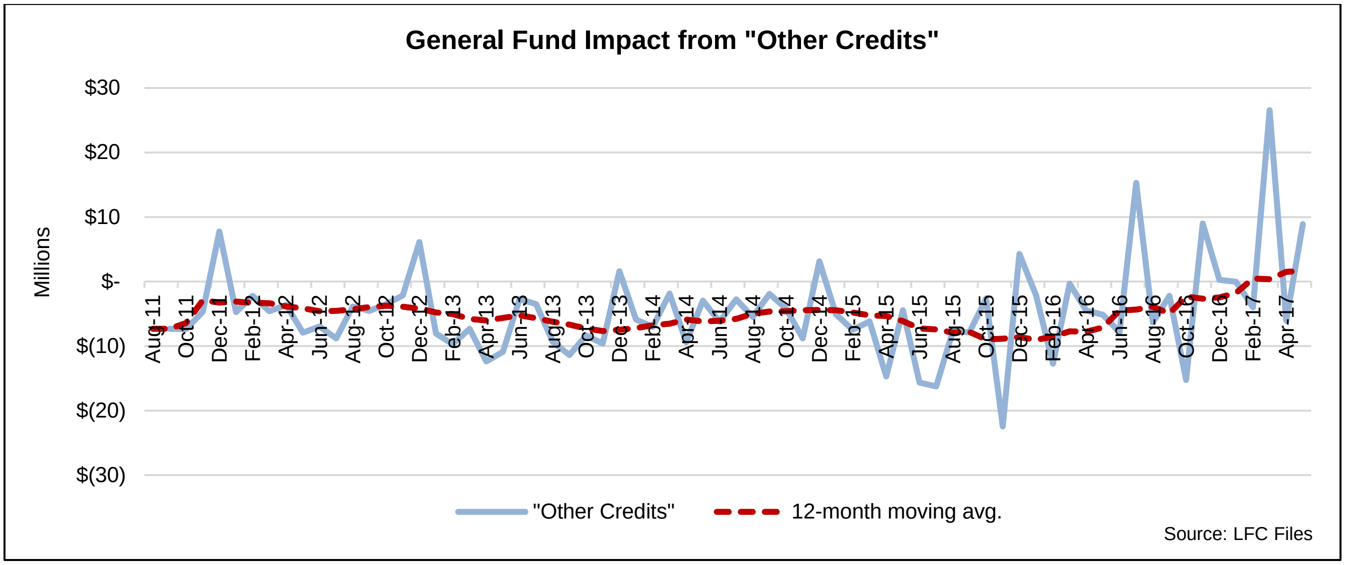



The chart above demonstrates the historical trend for the "60-day money and other credits" line item and the $135 million received above trend over the last 12 months. Sixty-day money is funds held in temporary suspense until they can be matched against taxpayer returns and properly booked and distributed. In cases where this is not possible within 60 days, the money is automatically transferred to the general fund as part of this line item. Additionally, when money that was previously transferred is able to be booked and distributed, it is removed from that line item and accounted for appropriately.

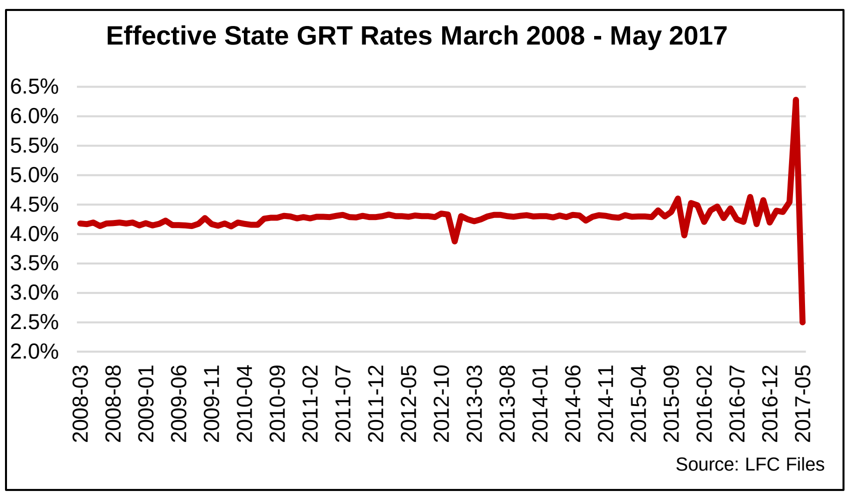
The combination of these inflows and outflows fluctuates, but over time it averages out to a small gain for the general fund of about $3.5 million per year. However, between June 2016 and May 2017, $54.3 million was transferred to the general fund from this portion of the line item, with $35.7 million occurring in FY17. When this money is matched and correctly distributed at some point, it will create a loss to the general fund, presumably by about the average proportion of gross receipts taxes paid that are distributed to local governments and other entities (roughly 40 percent of the total). However, it is possible the portion due to the general fund after matching may be significantly greater or less than this proportion assumed in the forecast.




The second component of this line item is "other credits," and this line item requires much more research and analysis by TRD to explain what detailed items are causing the abnormal revenues. This part of the revenues typically subtracted about $66 million annually from general fund revenues, but between June 2016 and May 2017, it added $19.6 million, with $4.3 million occurring in FY17. It is unknown at this point whether the credits involved are business tax credits or accounting credits, such as amendments to prior business credit amounts or other accounting adjustments related to taxpayer reporting. It is critical to understand the cause to know whether it was due to some change at TRD, for example a change in accounting procedures, or if it was due to a change in taxpayer behavior. TRD has been unable to provide information to predict with any certainty if the increase is a new, permanent trend or if it will reverse course at some point and revert to the historical trend. If it reverts to the historical trend, it is also possible the gains to the general fund in the last year may be booked later as a loss of approximately the same magnitude, creating a serious risk to the revenue forecast, potentially up to the total deviation beyond trend of $85.6 million. This risk poses a significant threat to state finances, because it could reduce the projected general fund reserves at the end of FY18 by nearly half.



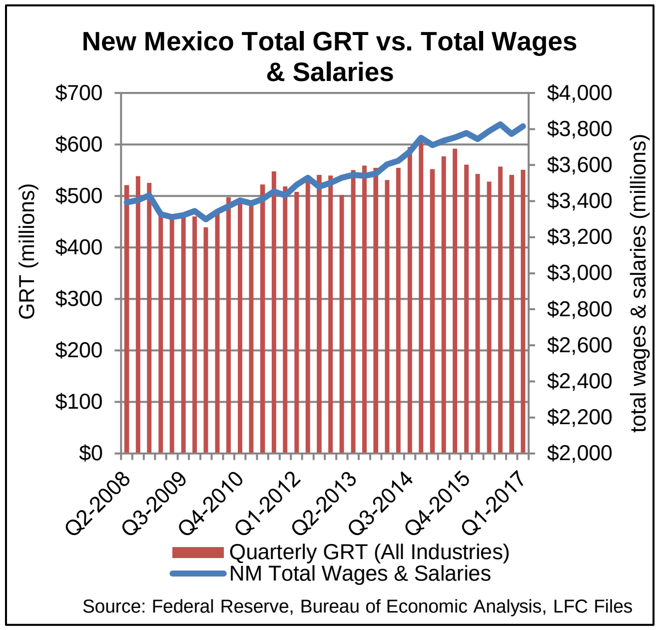

Another recent deviation from historical GRT trends is the average effective state GRT rate. The state GRT rate is 5.125 percent by statute, but 1.225 percent is distributed back to municipalities for transactions occurring within their boundaries, and credits, administrative fees, and other impacts alter the final amount distributed to the general fund, resulting in a blended effective rate. Despite the variety of potential impacts that can change the effective rate, it was remarkably stable over time, as shown in the graph below.

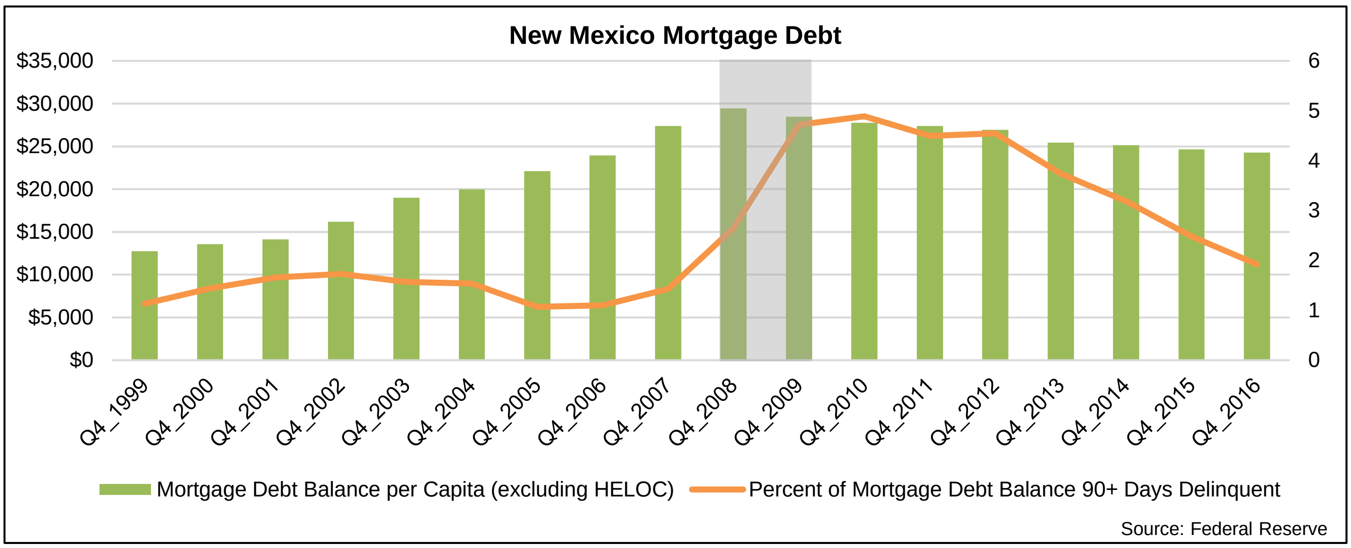



There was a step change in July 2010 when the state rate was increased from 5 percent to 5.125 percent during the depth of the impacts from the Great Recession and the drop in oil prices, and there was a momentary drop in December 2012 of less than half a percent that disappeared the following month. However, in October 2015, the pattern changed completely from a stable, predictable rate to significant swings in nearly every month that followed from as little as less than 4 percent to nearly 4.6 percent through March 2017.

To illustrate the magnitude of these swings, every change in the effective rate of 0.1 percent results in a static change in general fund revenues of nearly $50 million. The monthly deviations from October 2015 through March 2017, while significant and worthy of investigation by TRD and others, pale in comparison with the dramatic swings in April and May of 2017 from a high of 6.3 percent to a low of 2.5 percent. While these two months appear to average each other out to nearly a normal historical rate, the swings are concerning and lead to increased volatility in gross receipts and difficulty in forecasting future revenues.

Another break in longstanding GRT trends is the sudden deviation in GRT growth rates from wage and salary growth rates. There are some possible economic explanations for the break in trend, but it is also possible it could be due in part to a change in taxpayer reporting or other reporting or accounting issues and would benefit from additional study. However, LFC economists believe at least part of the break is due to increased debt service payments resulting from the aforementioned increase in non-mortgage debt incurred by New Mexicans in recent years. In particular, growth in auto sales and resulting monthly payments may be contributing to reduced spending on items taxable under the GRT. Additionally, anecdotal information on growth in rents and mortgage payments as the housing industry slowly recovers could also be reducing disposable income.




Less explainable is the significant divergence of GRT revenues from underlying matched taxable gross receipts (MTGR) activity in FY17. MTGR, which reconciles tax returns against payments to account for total revenues generated by business activity within a given month, is the best indicator of underlying economic activity related to GRT. Part of the divergence is explainable by the 60-day money and other credits issue, and a substantial reduction in approved high-wage jobs tax credits could also be a contributing factor, although a detailed credits report that shows when the credits were approved and when they were taken by taxpayers would help confirm this. However, this might not fully explain MTGR decreasing by 1.3 percent year-over year for FY17 to date through May compared with a year ago while GRT general fund revenues increased by 6.2 percent over the same period.

Beginning in the forecast for FY21 and carried forward into future fiscal years is a placeholder CREG assumption of a loss in GRT revenues of $49 million due to the federal Internet Tax Freedom Act. This statute removes a grandfather provision on July 1, 2020 that currently allows New Mexico and several other states to tax internet access services. CREG will work to make this estimate more accurate for the December 2017 forecast, but this is a reasonable ballpark for the resulting loss in revenue. The federal law change essentially creates a new tax break for New Mexico households, businesses, and governmental entities at the expense of general fund revenues, and the state may want to consider capturing this revenue through some other means if it wants to prevent further erosion of state tax bases.

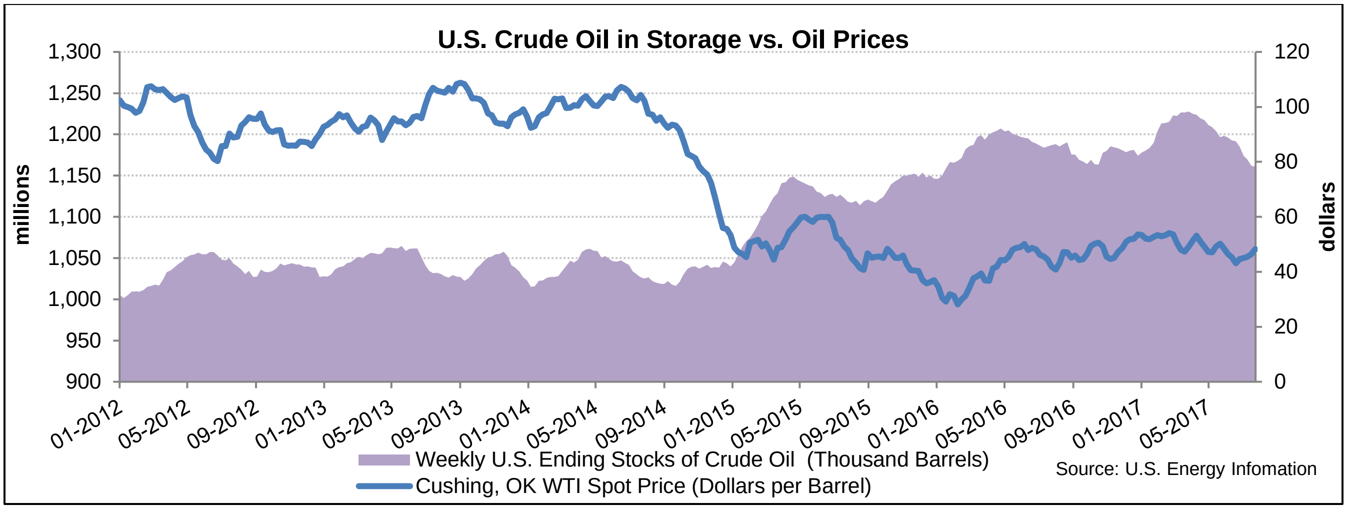
GRT revenues are also declining due to nontaxed internet sales. Amazon.com began collecting the state portion of GRT in April but only for direct sales by Amazon. Platform sales, where third parties sell goods through Amazon, remain completely untaxed, and this is roughly half of all sales through Amazon. Sears created a downside risk to state and local revenues when it recently began selling Kenmore appliances (found in a third of all homes, according to some reports) through Amazon. Because the sales are still made by Sears, the company should still be collecting and remitting GRT; however, if Sears eventually closes its New Mexico locations, the state would lose all tax revenue from Kenmore appliance sales. Additionally, many other online retailers sell products to New Mexicans without collecting GRT because they have no physical presence in the state. These growing losses are at least partially captured in the GRT models, but the significant growth in online shopping may create additional downside risk to the forecast in later years.

A significant portion of the strength in GRT over the last six months and in the forecast is from the rebound in the oil industry and related activities. While the recovery provides welcome relief to the general fund, the very slow growth across much of the state is concerning. If the oil industry takes another downturn, even a relatively minor one, other industries might not be able to absorb the impact and prevent another decline in general fund revenues. While the healthcare industry continues to be one of the leading sectors for employment growth, the industry remains largely untaxed despite efforts by the Legislature in the 2017 regular and special sessions to start bringing the industry into the GRT base.

***Oil & Gas.*** The oil and gas sector experienced modest recovery in the last year; however, downward pressure on global prices persists. The previous consensus forecast was in the wake of the Organization of the Petroleum Exporting Countries (OPEC) decision in November 2016 to cut production by 1.2 million barrels per day, along with an agreement of various other producers, including Russia, to cut production by 600 thousand bbls/day. For several months following the initial OPEC deal, West Texas Intermediate (WTI) oil prices averaged about $54/bbl, and oil futures reflected moderate growth upon the expectation that global supply and demand would soon balance.

For the OPEC deal to work, global oil inventories would have to decrease and global demand for oil would need to keep growing at a decent pace. However, rising oil prices signaled U.S. shale drillers to ramp up production. Active rig counts in the U.S. grew at a rapid pace, and shale drillers maximized horizontal drilling techniques to substantially increase well productivity in order to operate in a low price environment.

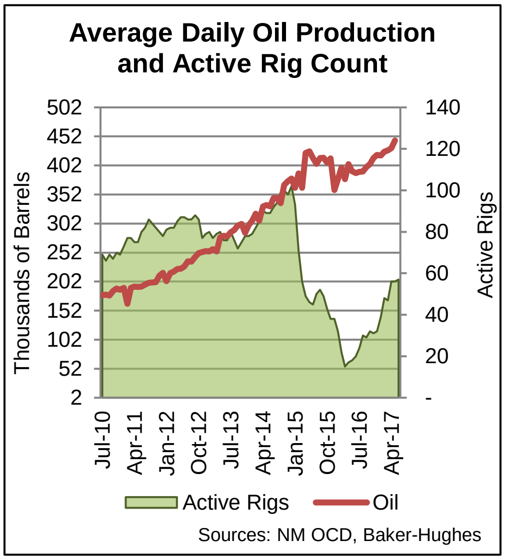
By March 2017, U.S. oil production and domestic stocks of crude oil and petroleum products (namely gasoline) reached record highs. In an already oversupplied market, dramatic increases in U.S. output and high crude oil stockpiles ran counter to expectations, placing doubt on whether the OPEC deal could do what it was intended to do – reduce global oil inventories. Contributing to the pessimistic outlook, the International Energy Agency (IEA) expects global oil demand growth in 2017 and 2018 to be weaker than originally predicted. Despite OPEC's later decision to extend production cuts through March 2018, oil prices once again slipped below the $50 threshold and are expected to remain low for the foreseeable future.




In their most recent reports, major forecasting agencies (EIA, IHS Global Insight, and Moody's) revised oil price estimates downward for late 2017 and 2018, leading the forecast for New Mexico oil prices in FY18 to be adjusted downward by $3.50/bbl from the December 2016 estimate. The New Mexico oil price forecast for FY18 is now $44.50/bbl and assumes a price differential to WTI of about $3.40/bbl. CREG estimates the following prices and volumes for oil and natural gas production in FY17-FY21:

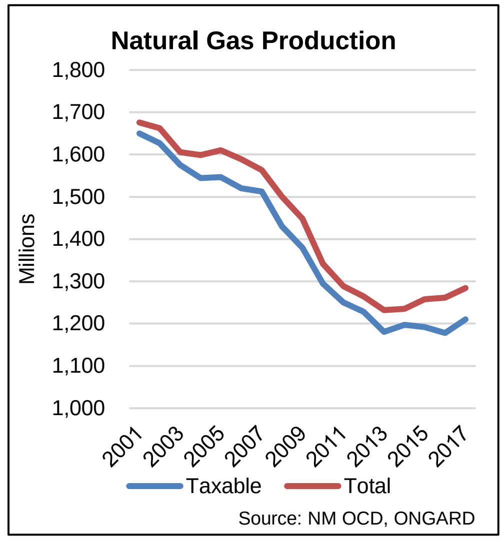
| FY | 2014 | 2015 | 2016 | *2017* | *2018* | *2019* | *2020* | *2021* | *2022* |
|---|---|---|---|---|---|---|---|---|---|
| | Actual | Actual | Actual | *Prelim. Actual* | *Forecast* | *Forecast* | *Forecast* | *Forecast* | *Forecast* |
| **Oil Price** ($/bbl) | 95.75 | 61.72 | 37.85 | 45.10 | 44.50 | 45.50 | 47.00 | 48.00 | 50.00 |
| **Oil Volume** (MMbbls) | 110 | 137 | 146.7 | 150 | 153 | 156 | 159 | 162 | 165 |
| **Natural Gas Price** ($/mcf) | 5.15 | 3.80 | 2.42 | 3.27 | 3.30 | 3.20 | 3.10 | 3.10 | 3.10 |
| **Natural Gas Volume** (bcf) | 1,170 | 1,174 | 1,175 | 1,210 | 1,210 | 1,210 | 1,210 | 1,210 | 1,210 |

Drilling activity picked up in New Mexico along with the rest of the U.S., with Baker Hughes reporting an average of 59 active rigs in New Mexico in July 2017, up from the 24 rigs reported one year prior. However, it is unlikely that active rigs will return to the peak levels of 102 rigs seen in December 2014. With enhanced production methods and horizontal drilling techniques, companies are able to sustain high levels of oil production with fewer active rigs.

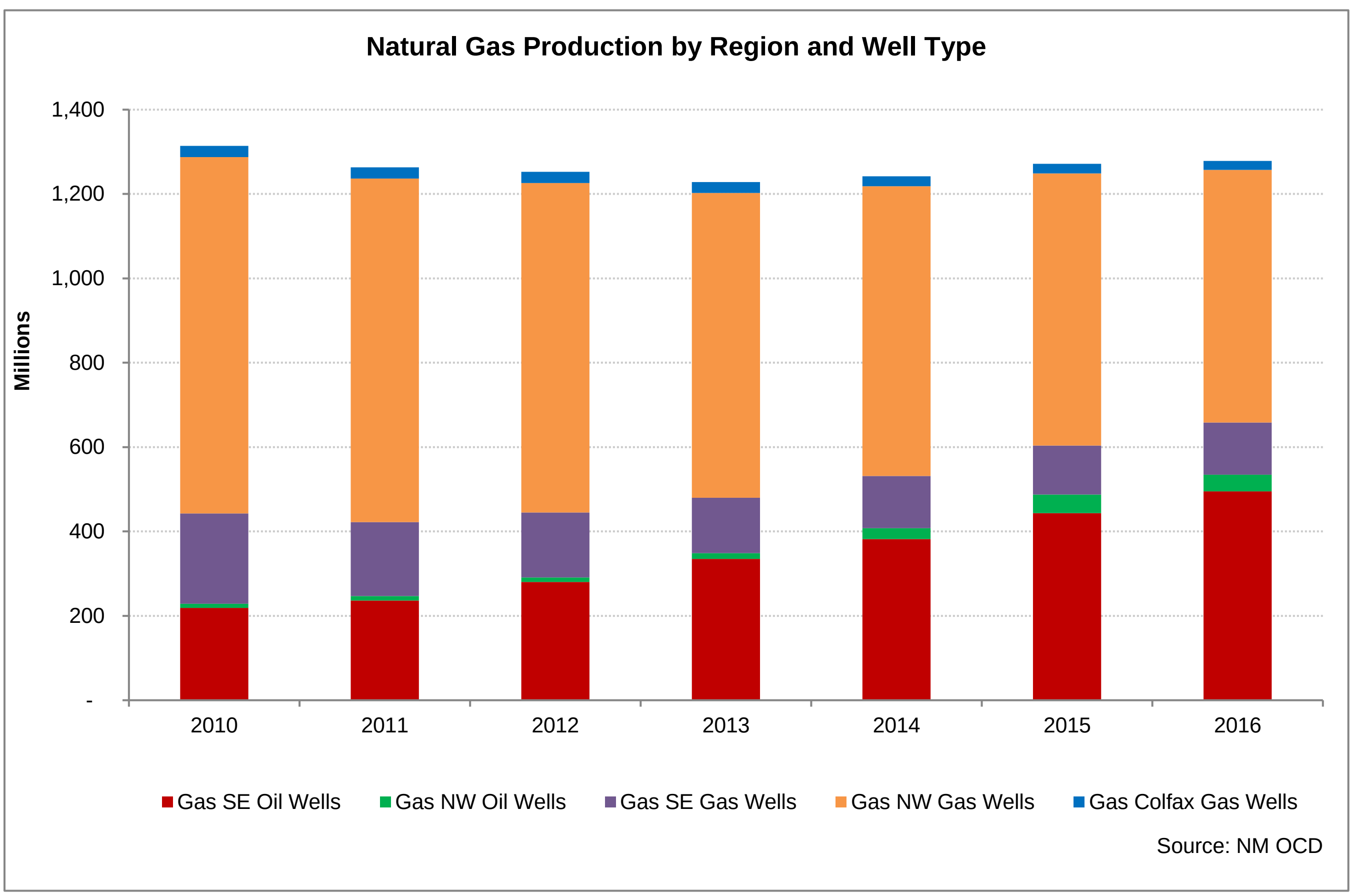


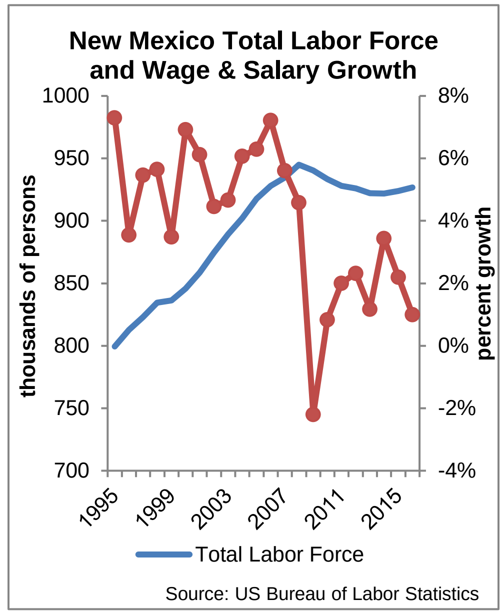

According to data from the New Mexico Oil Conservation Division, oil production in the state averaged about 416 thousand bbls/day in FY17, up 5 percent from 396 thousand barrels averaged in FY16, and up 10 percent from the 378 thousand barrels averaged in FY15. Similarly, data from EIA shows per rig oil productivity in the Permian basin increased 155 percent in FY17 compared with FY15, and per rig natural gas productivity increased 133 percent over FY15. Even with low prices and fewer rigs, production levels are expected to remain elevated throughout the forecast horizon.

Henry Hub (HH) dry gas prices averaged $3.11/mcf in FY17, up 33 percent from the average of $2.34 in FY16. The average price differential of New Mexico gas prices above HH prices was about $0.16/mcf for a total average price of $3.27/mcf in FY17. Combining estimates from the major forecasting agencies and NYMEX futures, CREG expects natural gas prices to rise slightly in FY18 and then fall again in FY19 and beyond.




Despite a long pattern of gradual decline in natural gas production, ONGARD data indicate an uptick in natural gas taxable volumes in FY17. Since 2013, there was a gradual increase in total production reported to OCD, which included both taxable and non-taxable volumes (such as those used as business inputs rather than sold). The increase in total volumes could be due in part to the increasing amounts of associated gas produced from oil wells, as indicated in the graph below. Additionally, 2016 marked the first year that net power generation from natural gas exceeded that of coal in the United States, with EIA reporting natural gas making up 35 percent of power generation in the U.S. and coal making up 31 percent. The increased use of natural gas for power generation helps explain upward pressure on natural gas production despite low natural gas prices. Given both upward and downward pressures on natural gas production, CREG assumes taxable volumes flat with FY17 levels for the forecast.






***Personal Income Tax.*** Despite the decline in average weekly wages in New Mexico over the last two years, previous forecasts of employment growth in the state led CREG to anticipate an offsetting effect resulting in slightly higher personal income tax (PIT) collections in FY17 than in FY16. However, PIT collections came in short of expectations, with the estimated final amount for FY17 falling below the December 2016 forecast by about $46 million. One possible explanation is that while while average weekly earnings began trending upward in July 2016, earnings were still below FY16 levels until December 2016.

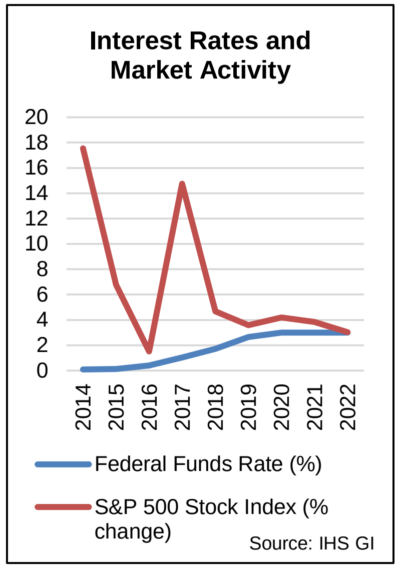
The BBER forecast expects employment growth in FY18 to reach about 0.9 percent, and growth in total wage and salary disbursements of about 2.7 percent, leading to expected growth in PIT collections of about 2 percent in FY18 over FY17 collections. Even though the FY18 PIT growth rate for the current forecast exceeds the growth rate assumed in the December forecast, the lower starting point of FY17 collections results in an FY18 PIT forecast about $36 million below the previous estimate. The forecast assumes gradual growth in FY19 and later years as the economic forecasts call for improved economic conditions.

***Corporate Income Tax.*** Corporate income tax (CIT) revenues are highly volatile for most states and one of the most difficult revenue sources to forecast. Given preliminary revenues for June 2017 (before considering any end-of-year adjustments), this revenue source generated just $40.7 million in FY17, down significantly from the forecast of $70 million and down from FY16 revenues of $118.5 million. Between FY13 and FY15, CIT revenues averaged about $240 million.

Some of revenue shortfall is due to the effects of House Bill 641 (Laws 2013, Ch. 160), which made several changes to the corporate income tax code. The most notable changes were a phased-in rate reduction and single sales factor apportionment, allowing some companies, including manufacturing operations, to claim less revenue in New Mexico. These estimated impacts were used in projecting future CIT revenues; however, unknown external effects appear to be overwhelming the effect of HB641. For example, an analysis by the Taxation and Revenue Department (TRD) for tax year 2015 suggests the effects of HB641 resulted in about $27.3 million less tax revenue due to the state; however, actual revenue declines in FY16 far exceeded this amount. It is important to note that tax year payments do not match CIT receipts by fiscal year. With that in mind, other possible explanations for the dramatic losses in CIT revenues include declines in corporate profitability following losses in the oil and gas sector and changes in taxpayer behavior, particularly regarding quarterly overpayments.

Data from TRD for tax years 2011 through 2015 show corporate entities tended to pay the state more than they owed in taxes by an average of about $210 million. Of this amount overpaid, companies requested a combined average refund of about $68 million, and the remaining $142 million was carried forward to be applied to future tax liability. In other words, companies could use their carry-forward amounts to pay their tax bill, rather than making new payments. TRD suspects that some of the revenue losses seen in FY16 and FY17 can be explained by taxpayers taking advantage of prior overpayments. Due to the natural volatility in the corporate income tax base, the complex relationship between tax years and fiscal year revenue collections, and the uncertainty and underlying subjectivity regarding overpayments, it is difficult to project CIT collections into the future. With this in mind, CREG estimates modest growth in CIT revenues but at levels significantly below historical averages.

***Investment Earnings.*** A rare event occurred in FY17 when one of the revenue sources, investment earnings on assets held by the State Treasurer's Office (STO), turned negative, pulling $3.3 million out of the general fund. This happened largely because of interest rate increases during the year causing fixed-rate investments to lose market value. Additionally, general fund balances held by STO fell significantly during the state's recent financial crisis, and the agency moved much of the remaining funds in its core investment portfolio into liquidity accounts to maintain sufficient cash on hand to pay the state's bills. However, these balances reached a turning point in the first half of 2017, going from a monthly low point of $828 million in March to a monthly low point of $1.8 billion in July. As a result, the agency plans to begin moving funds back from the very low-yield liquidity accounts to the core accounts, which earn higher returns.




Based on actual returns through calendar year 2016, the general fund will receive $584.8 million in distributions from the land grant permanent fund (LGPF) in FY18 and $210.4 million in distributions from the severance tax permanent fund (STPF), with total FY18 distributions to the general fund exceeding the December 2016 forecast by about $4 million. The stock market has performed exceptionally well in 2017 so far, leading to high expected returns for the calendar year and resulting in upward revisions to the estimated distributions for FY19 through FY22. The estimate assumes annual returns in FY18 and beyond in line with the State Investment Council's annual return targets of 7 percent for LGPF and 6.75 percent for STPF. The distribution rate to the general fund for LGPF and STPF remain 5 percent and 4.7 percent, respectively.

***Insurance Premium Tax.*** The forecast for insurance revenues fell slightly from the December 2016 forecast due to a slowdown in the growth of insured populations and reductions in estimates for healthcare inflation in the short term. An audit of premium taxes released early in FY17 determined the state is owed nearly $200 million after reviewing about one-fourth of the returns, although the Office of Superintendent of Insurance (OSI) disputed the audit results. The amounts that will be sent as assessments to any underpaying companies and the resulting general fund revenues are highly uncertain at this time, although additional work done to audit the assessment process and past payments, including possible underpayments and over-application of medical insurance pool credits, should provide an estimate for the December 2017 forecast. For now, this poses an upside revenue risk to the forecast.

***Tribal Gaming.*** Pojoaque stopped paying a share of net win revenues to the state a little over two years ago. The pueblo refused to sign the 2015 gambling compact, resulting in prolonged litigation with the state. Federal courts recently ruled Pojoaque must sign a compact with the state, and the Gaming Control Board reports a signed compact with the pueblo should be submitted to the federal government soon with a possible effective date of late September 2017. The compact would go into effect immediately after being approved, leading to a resumption of revenue sharing payments around October, generating over $5 million a year for the state. The forecast includes three-fourths of this amount for FY18. Pojoaque reportedly placed all its unpaid revenue sharing amounts in escrow, but whether these back payments, totaling about $12 million, must be paid to the state is a matter of ongoing discussion and possibly additional litigation. The forecast does not include any of the funds in escrow, making it an upside risk to the forecast. If the state does not receive this money, it essentially creates a tax holiday for the casino of more than two years – this should be highly concerning to all state officials, and discussions should begin immediately among legislative leadership and executive branch officials to determine the appropriate course of action.

***Federal Mineral Leasing.*** Despite low oil and gas prices, FML payments for FY17 reached about $436 million in FY17, primarily due to increased oil production and a large BLM sale that occurred in September 2016. CREG expects the annual lease sale in FY18 to be more in line with historical averages, leading to estimated FML payments of $430 million in FY18, with moderate growth moving forward due largely to expectations for continued growth in oil production.

***Liquor Excise Tax.*** Beginning in FY18, the 39 percent distribution to the lottery tuition scholarship fund that occurred in FY16 and FY17 will expire, and the funds will revert back to the general fund. The change in distribution will result in a total of $24.6 million to the general fund in FY18, up from $6.4 million in FY17. Beginning in FY19, the DWI grant fund distribution, currently at 46 percent, will revert back to the previous distribution of 41.5 percent, resulting in an increased general fund distribution of about $2 million in FY19 and beyond.

***Nonrecurring Revenue.*** Through significant legislative solvency efforts, LFC projects the state generated $525 million in nonrecurring revenue in FY17 to address the fiscal crisis. This was a combination of fund sweeps, capital outlay swaps, and accounting changes. Some of the sweeps and swaps generated different amounts of revenue than originally projected, including the capital outlay "super sweep," which generated nearly $14 million more than anticipated. The total LFC estimate is less than $10 million below original projections and accounts for cases where fund balances at the time of the sweeps differed from estimates at the time the legislation was written. Due to accounting for additional funds received and information from agencies about unavailable funds, the LFC estimate for nonrecurring revenues may not match the DFA estimate at this time if the agency shows the original expected revenues. In addition to the FY17 amounts, these solvency efforts are projected to generate $18.7 million in FY18.

**Revenue Risks.**

***Revenue and Reporting Risk.*** Breaks in historical trends concerning GRT and significant uncertainty in the "60-day money and other credits" revenue line item impacting GRT general fund revenues each month could swing the forecast for FY18 in a substantially negative or positive direction, overwhelming any changes in underlying economic activity (see GRT discussion above). Increased reporting and information from the Taxation and Revenue Department on credits and other issues regarding GRT is imperative to the state's understanding of the cause for breaks in trend and for determining the future impacts to the state.

LFC economists noted in the August 2016 revenue forecast brief issues with significant increases in the cost of select tax expenditures and noted issues with TRD reporting and resulting uncertainty in revenues. This followed a request to TRD to produce a monthly report on credits by type and by tax program. TRD recently announced it is working on such a report, but more than a year after the initial request, it was not available for this forecast, and it might not be available in time for the December 2017 revenue forecast. Lack of information on tax expenditures and other revenue impacts continues to add to uncertainty to the forecast.

***Recession Risk.*** Recessions do not follow a schedule, so an assertion the country is due for another recession would be erroneous; however, as time passes, the opportunity for conditions to arise that could cause a recession increase. Although the likelihood of another recession occurring within the forecast period appears high given historical cycles, with no signs of an overheating economy or substantial impending shocks, the macroeconomic forecasts used by the economists do not project dates within the forecast period in which a recession would likely occur. However, if FY20 begins with no national recession, this will become the longest expansion in modern U.S. history. Because another recession is inevitable and the state is susceptible to significant revenue losses from other potential macroeconomic factors, such as another drop in oil prices, the state should start planning for how to return to 10 percent or greater reserve levels.

***Oil Price and Volume Risk.*** As observed over the course of the last two years, a significant portion of the state's revenues are generated from the activities of the petroleum industry. Deep volatility in market pricing, elevated international supply, and lower demand levels in tandem with the application of advanced technology in drilling and extraction methods have strongly influenced the expected flows of revenues. As prices stabilize and companies adjust their activities to implement better efficiencies and technologies, production levels are expected to remain elevated. Large companies are striving for lower breakeven targets of $35 to $40 per barrel in anticipation of an ongoing low oil price environment, meaning even if prices fall, production could remain high. However, lower prices could still result in broad layoffs in the industry, fewer sales of oilfield equipment, foreclosures, bankruptcies of oil companies, and overall less state revenue generated.

***Federal Laboratories.*** Currently, the for-profit management status of the national laboratories allows the state to collect gross receipts taxes that would be lost if new management contracts were given to a governmental or nonprofit organization. Both national laboratories and the National Nuclear Safety Administration, the federal oversight agency, worked with LFC staff to provide data to create ballpark estimates of GRT revenues that would be lost if new management companies are nonprofits. The state would lose about $30 million annually with a switch at Sandia and about $24 million with a switch at LANL, and local governments would also incur significant losses, particularly Los Alamos. This issue is a less immediate concern for Sandia, as the recent new management contract was awarded to a for-profit entity; however, it is a potential risk for Los Alamos National Laboratory (LANL) when its current management contract is put out to bid in early 2018.

***Tax Expenditures and Tax Law Changes.*** Significant potential exists for unforeseen increases in the cost of tax expenditures to impact state revenues. In recent years, several tax expenditures have had a larger fiscal impact than initially estimated, significantly contributing to revenue estimating error. In some cases, the revenue impacts have exceeded initial estimates by up to an order of magnitude, requiring changes in statute to curb the impact, such as the changes made during the 2016 special legislative session to the high-wage jobs tax credit and medical deductions. The wide array of tax expenditures available creates opportunity for unforeseen increases in costs due to economic factors or exploitation of unknown loopholes.

To illustrate the cost of tax expenditures and tax law changes, the table below highlights LFC estimates of revenue impacts for the corporate income tax rate and income apportioning changes enacted in 2013, as well as several tax expenditures. Some of these, such as the CIT adjustments and the high-wage jobs tax credit, are difficult to estimate accurately due to revenue volatility and limited usefulness of historical data to predict future claims under significant statute changes and should be viewed as ballpark figures. The film production tax credit is well-defined due to the annual cap, which is a possible solution to other runaway tax expenditures. A cap for volatile credits would allow for far more precise revenue estimates and prevent significantly greater costs than intended.

| Selected Tax Law Changes / Tax Expenditures | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|
| Food and Medical Deduction/Hold Harmless (GRT) | -213.3 | -196.4 | -194.8 | -194.9 | -195.6 |
| Rate Reduction and Single-Sales Apportioning (CIT) | -39.8 | -35.1 | -55.1 | -76.7 | -81.7 |
| High-Wage Jobs Tax Credit (GRT) | -58.2 | -12.5 | -21.1 | -10.6 | -10.6 |
| Health Care Practitioner Deduction/Hold Harmless (GRT) | -66.3 | -76.3 | -73.3 | -79.6 | -72.6 |
| Manufacturing Deduction (GRT) | -20.0 | -27.2 | -37.0 | -37.0 | -37.0 |
| Film Production Tax Credit (CIT) | -50.0 | -50.0 | -50.0 | -50.0 | -50.0 |

***Other Refund Claims.*** In December 2016, TRD initiated a budget adjustment request (BAR) for $200 thousand to increase the Administrative Services Division contractual services category. The BAR indicated a need to hire contract attorneys to litigate a $90 million GRT case. LFC staff is following up with TRD on the status of the litigation, but this could pose an ongoing additional downside risk to the revenue forecast.

**General Fund Financial Summary.** The summary shown on Attachment 4 (page 21) illustrates the impact of the revenue estimates from the August 2017 consensus forecast on reserve levels. Projected revenues in FY17 exceeded expenditures by $156 million, but revenues in FY18 are projected to fall below appropriations by $122 million. This results in operating reserve balances (shown on the second page of the attachment) of $156 million at the end of FY17 and $31 million at the end of FY18. Total ending balances are projected at $329 million, or 5.4 percent, for FY17 and $206 million, or 3.4 percent, for FY18.

Attachment 1

## General Fund Consensus Revenue Estimate August 2017

| Revenue Source | FY17 | | | | | FY18 | | | | | FY19 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec 2016 Est. | Aug 2017 Est. | Change from Prior | % Change from FY16 | $ Change from FY16 | Dec 2016 Est. | Aug 2017 Est. | Change from Prior | % Change from FY17 | $ Change from FY17 | Dec 2016 Est. | Aug 2017 Est. | Change from Prior | % Change from FY18 | $ Change from FY18 |
| Base Gross Receipts Tax | n/a | 2,122.0 | n/a | -0.3% | (6.7) | n/a | 2,241.7 | n/a | 5.6% | 119.7 | n/a | 2,289.5 | n/a | 2.1% | 47.8 |
| 60-Day Money & Other Credits | n/a | 19.7 | n/a | n/a | 41.0 | n/a | (50.0) | n/a | n/a | (69.7) | n/a | (50.0) | n/a | 0.0% | - |
| F&M Hold Harmless Payments | n/a | (121.7) | n/a | -9.2% | 10.3 | n/a | (118.8) | n/a | -2.4% | 2.9 | n/a | (115.2) | n/a | -3.0% | 3.6 |
| NET Gross Receipts Tax | 1,868.6 | 2,020.0 | 151.4 | 2.3% | 44.6 | 2,007.9 | 2,072.9 | 65.0 | 2.6% | 52.9 | 2,103.8 | 2,124.3 | 20.5 | 2.5% | 51.4 |
| Compensating Tax | 50.0 | 48.0 | (2.1) | 2.3% | 1.1 | 53.5 | 52.8 | (0.8) | 10.0% | 4.8 | 57.8 | 54.1 | (3.7) | 2.5% | 1.3 |
| TOTAL GENERAL SALES | 1,918.6 | 2,068.0 | 149.4 | 2.3% | 45.7 | 2,061.4 | 2,125.7 | 64.2 | 2.8% | 57.7 | 2,161.6 | 2,178.4 | 16.8 | 2.5% | 52.7 |
| Tobacco Taxes | 75.0 | 78.3 | 3.3 | -1.9% | (1.5) | 74.5 | 76.9 | 2.4 | -1.8% | (1.4) | 74.0 | 75.1 | 1.1 | -2.3% | (1.8) |
| Liquor Excise | 6.9 | 6.4 | (0.5) | -4.9% | (0.3) | 26.1 | 24.6 | (1.5) | 284.4% | 18.2 | 28.9 | 26.5 | (2.4) | 7.7% | 1.9 |
| Insurance Taxes | 229.2 | 227.0 | (2.2) | 9.2% | 19.1 | 238.6 | 235.1 | (3.5) | 3.6% | 8.1 | 252.9 | 246.2 | (6.7) | 4.7% | 11.1 |
| Fire Protection Fund Reversion | 15.5 | 15.9 | 0.4 | 5.5% | 0.8 | 15.9 | 16.4 | 0.5 | 3.1% | 0.5 | 16.4 | 16.8 | 0.4 | 2.4% | 0.4 |
| Motor Vehicle Excise | 142.5 | 144.7 | 2.2 | -3.8% | (5.7) | 147.5 | 151.3 | 3.8 | 4.6% | 6.6 | 153.0 | 155.9 | 2.9 | 3.0% | 4.6 |
| Gaming Excise | 58.5 | 59.2 | 0.7 | -6.1% | (3.9) | 58.0 | 59.2 | 1.2 | 0.0% | 0.0 | 58.0 | 58.4 | 0.4 | -1.4% | (0.8) |
| Leased Vehicle & Other | 7.6 | 7.5 | (0.1) | -12.1% | (1.0) | 7.6 | 7.7 | 0.1 | 3.1% | 0.2 | 7.6 | 7.7 | 0.1 | 0.0% | - |
| TOTAL SELECTIVE SALES | 535.2 | 539.0 | 3.8 | 0.4% | 2.0 | 568.2 | 571.2 | 3.0 | 6.0% | 32.2 | 590.8 | 586.6 | (4.2) | 2.7% | 15.4 |
| Personal Income Tax | 1,331.0 | 1,285.0 | (46.0) | -3.2% | (42.2) | 1,346.0 | 1,310.1 | (35.9) | 2.0% | 25.1 | 1,370.0 | 1,325.8 | (44.2) | 1.2% | 15.7 |
| Corporate Income Tax | 70.0 | 50.0 | (20.0) | -57.8% | (68.5) | 100.0 | 70.0 | (30.0) | 40.0% | 20.0 | 93.0 | 74.2 | (18.8) | 6.0% | 4.2 |
| TOTAL INCOME TAXES | 1,401.0 | 1,335.0 | (66.0) | -7.7% | (110.7) | 1,446.0 | 1,380.1 | (65.9) | 3.4% | 45.1 | 1,463.0 | 1,400.0 | (63.0) | 1.4% | 19.9 |
| Oil and Gas School Tax | 273.3 | 302.9 | 29.6 | 27.9% | 66.1 | 295.9 | 305.3 | 9.4 | 0.8% | 2.4 | 299.1 | 309.4 | 10.3 | 1.3% | 4.1 |
| Oil Conservation Tax | 14.3 | 15.6 | 1.3 | 37.5% | 4.3 | 15.5 | 15.8 | 0.3 | 0.7% | 0.1 | 15.7 | 16.0 | 0.3 | 1.7% | 0.3 |
| Resources Excise Tax | 13.0 | 9.7 | (3.3) | -13.4% | (1.5) | 13.0 | 10.0 | (3.0) | 3.1% | 0.3 | 13.0 | 10.0 | (3.0) | 0.0% | - |
| Natural Gas Processors Tax | 10.0 | 10.3 | 0.3 | -49.4% | (10.1) | 10.9 | 10.0 | (0.9) | -2.9% | (0.3) | 12.9 | 16.5 | 3.6 | 65.0% | 6.5 |
| TOTAL SEVERANCE TAXES | 310.6 | 338.6 | 28.0 | 21.0% | 58.8 | 335.3 | 341.1 | 5.8 | 0.7% | 2.5 | 340.7 | 351.9 | 11.2 | 3.2% | 10.9 |
| LICENSE FEES | 55.8 | 55.1 | (0.7) | 0.5% | 0.3 | 56.9 | 56.0 | (0.8) | 1.7% | 0.9 | 58.1 | 57.1 | (1.0) | 2.0% | 1.1 |
| LGPF Interest | 540.5 | 541.2 | 0.7 | -2.5% | (13.9) | 580.7 | 584.8 | 4.1 | 8.1% | 43.6 | 614.6 | 626.2 | 11.6 | 7.1% | 41.4 |
| STO Interest | - | (3.3) | (3.3) | n/a | (24.9) | 19.7 | 11.7 | (8.0) | n/a | 15.0 | 28.0 | 22.3 | (5.7) | 90.6% | 10.6 |
| STPF Interest | 200.4 | 200.4 | - | 3.6% | 6.9 | 210.6 | 210.4 | (0.2) | 5.0% | 10.0 | 218.4 | 218.6 | 0.2 | 3.9% | 8.2 |
| TOTAL INTEREST | 740.9 | 738.3 | (2.6) | -4.1% | (32.0) | 811.0 | 806.9 | (4.1) | 9.3% | 68.6 | 861.0 | 867.1 | 6.1 | 7.5% | 60.2 |
| Federal Mineral Leasing | 420.0 | 435.6 | 15.6 | 11.7% | 45.6 | 434.0 | 429.4 | (4.6) | -1.4% | (6.2) | 435.0 | 431.5 | (3.5) | 0.5% | 2.1 |
| State Land Office | 55.0 | 71.5 | 16.5 | 49.5% | 23.7 | 55.0 | 68.8 | 13.8 | -3.8% | (2.7) | 55.0 | 55.0 | - | -20.1% | (13.8) |
| TOTAL RENTS & ROYALTIES | 475.0 | 507.1 | 32.1 | 15.8% | 69.3 | 489.0 | 498.2 | 9.2 | -1.8% | (8.9) | 490.0 | 486.5 | (3.5) | -2.3% | (11.7) |
| TRIBAL REVENUE SHARING | 64.2 | 61.4 | (2.8) | -4.7% | (3.0) | 64.7 | 65.5 | 0.9 | 6.8% | 4.2 | 67.7 | 73.5 | 5.8 | 12.1% | 7.9 |
| MISCELLANEOUS RECEIPTS | 61.5 | 55.3 | (6.2) | 15.1% | 7.3 | 56.7 | 53.9 | (2.8) | -2.5% | (1.4) | 59.5 | 56.2 | (3.3) | 4.1% | 2.2 |
| REVERSIONS | 37.5 | 42.9 | 5.4 | -23.9% | (13.5) | 40.0 | 42.5 | 2.5 | -0.9% | (0.4) | 50.0 | 50.0 | - | 17.6% | 7.5 |
| TOTAL RECURRING | 5,600.2 | 5,740.6 | 140.4 | 0.4% | 24.1 | 5,929.1 | 5,941.1 | 12.0 | 3.5% | 200.5 | 6,142.4 | 6,107.3 | (35.1) | 2.8% | 166.2 |
| TOTAL NONRECURRING | 202.8 | 525.4 | 322.6 | n/a | 522.1 | - | 18.7 | 18.7 | -96.4% | (506.7) | | | | | |
| GRAND TOTAL | 5,803.0 | 6,266.0 | 463.0 | 9.6% | 549.5 | 5,929.1 | 5,959.8 | 30.7 | -4.9% | (306.2) | 6,142.4 | 6,107.3 | (35.1) | 2.5% | 147.5 |

Note: Columns in blue show difference between December 2016 Consensus Revenue Estimate and August 2017 Consensus Revenue Estimate
Note: Columns in red show year-over-year growth expected in current August 2017 Consensus Revenue Estimate



8/14/2017

# General Fund Consensus Revenue Estimate August 2017

| Revenue Source | FY20 | | | | | FY21 | | | | | FY22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec 2016 Est. | Aug 2017 Est. | Change from Prior | % Change from FY19 | $ Change from FY19 | Dec 2016 Est. | Aug 2017 Est. | Change from Prior | % Change from FY20 | $ Change from FY20 | Aug 2017 Est. | % Change from FY21 | $ Change from FY21 |
| Base Gross Receipts Tax | n/a | 2,369.0 | n/a | 3.5% | 79.5 | n/a | 2,405.4 | n/a | 1.5% | 36.4 | 2,485.5 | 3.3% | 80.1 |
| 60-Day Money & Other Credits | n/a | (50.0) | n/a | 0.0% | - | n/a | (50.0) | n/a | 0.0% | - | (50.0) | 0.0% | - |
| F&M Hold Harmless Payments | n/a | (111.4) | n/a | -3.3% | 3.8 | n/a | (106.7) | n/a | -4.2% | 4.7 | (101.4) | -5.0% | 5.3 |
| NET Gross Receipts Tax | 2,209.2 | 2,207.6 | (1.6) | 3.9% | 83.3 | 2,306.2 | 2,248.7 | (57.5) | 1.9% | 41.1 | 2,334.1 | 3.8% | 85.4 |
| Compensating Tax | 63.0 | 55.4 | (7.6) | 2.5% | 1.4 | 69.3 | 56.8 | (12.5) | 2.5% | 1.4 | 58.2 | 2.5% | 1.4 |
| TOTAL GENERAL SALES | 2,272.2 | 2,263.1 | (9.1) | 3.9% | 84.7 | 2,375.5 | 2,305.5 | (69.9) | 1.9% | 42.4 | 2,402.3 | 4.2% | 96.8 |
| | | | | | | | | | | | | | |
| Tobacco Taxes | 73.5 | 73.2 | (0.3) | -2.5% | (1.9) | 73.0 | 71.4 | (1.6) | -2.5% | (1.8) | 69.5 | -2.7% | (1.9) |
| Liquor Excise | 27.7 | 26.7 | (1.0) | 0.8% | 0.2 | 27.7 | 26.7 | (1.0) | 0.0% | - | 26.9 | 0.7% | 0.2 |
| Insurance Taxes | 272.9 | 258.8 | (14.1) | 5.1% | 12.6 | 293.0 | 279.1 | (13.9) | 7.8% | 20.3 | 295.9 | 6.0% | 16.8 |
| Fire Protection Fund Reversion | 16.8 | 17.3 | 0.5 | 3.0% | 0.5 | 17.3 | 17.7 | 0.4 | 2.3% | 0.4 | 18.2 | 2.8% | 0.5 |
| Motor Vehicle Excise | 159.0 | 160.4 | 1.4 | 2.9% | 4.5 | 162.0 | 164.9 | 2.9 | 2.8% | 4.5 | 168.9 | 2.4% | 4.0 |
| Gaming Excise | 58.0 | 57.3 | (0.7) | -1.9% | (1.1) | 58.0 | 56.3 | (1.7) | -1.7% | (1.0) | 55.4 | -1.6% | (0.9) |
| Leased Vehicle & Other | 7.6 | 7.7 | 0.1 | 0.0% | - | 7.6 | 7.7 | 0.1 | 0.0% | - | 7.6 | -0.8% | (0.1) |
| TOTAL SELECTIVE SALES | 615.5 | 601.4 | (14.1) | 2.5% | 14.8 | 638.6 | 623.8 | (14.8) | 3.7% | 22.4 | 642.4 | 3.0% | 18.6 |
| | | | | | | | | | | | | | |
| Personal Income Tax | 1,399.0 | 1,356.3 | (42.7) | 2.3% | 30.5 | 1,447.0 | 1,400.3 | (46.7) | 3.3% | 44.1 | 1,442.4 | 3.0% | 42.0 |
| Corporate Income Tax | 100.0 | 82.4 | (17.6) | 11.0% | 8.2 | 108.0 | 83.2 | (24.8) | 1.0% | 0.8 | 84.8 | 2.0% | 1.7 |
| TOTAL INCOME TAXES | 1,499.0 | 1,438.6 | (60.4) | 2.8% | 38.7 | 1,555.0 | 1,483.5 | (71.5) | 3.1% | 44.9 | 1,527.2 | 2.9% | 43.7 |
| | | | | | | | | | | | | | |
| Oil and Gas School Tax | 311.1 | 316.1 | 5.0 | 2.2% | 6.7 | 322.7 | 324.5 | 1.8 | 2.7% | 8.4 | 337.6 | 4.0% | 13.1 |
| Oil Conservation Tax | 16.4 | 16.4 | 0.0 | 2.5% | 0.4 | 17.0 | 16.9 | (0.1) | 2.8% | 0.5 | 17.6 | 4.2% | 0.7 |
| Resources Excise Tax | 13.0 | 10.0 | (3.0) | 0.0% | - | 13.0 | 10.0 | (3.0) | 0.0% | - | 10.0 | 0.0% | - |
| Natural Gas Processors Tax | 13.0 | 17.5 | 4.5 | 6.1% | 1.0 | 13.0 | 17.0 | 4.0 | -2.9% | (0.5) | 16.7 | -1.8% | (0.3) |
| TOTAL SEVERANCE TAXES | 353.5 | 360.0 | 6.5 | 2.3% | 8.1 | 365.7 | 368.4 | 2.7 | 2.3% | 8.4 | 381.9 | 3.7% | 13.5 |
| | | | | | | | | | | | | | |
| LICENSE FEES | 59.6 | 58.4 | (1.2) | 2.3% | 1.3 | 61.3 | 59.9 | (1.4) | 2.5% | 1.5 | 61.6 | 2.9% | 1.7 |
| | | | | | | | | | | | | | |
| LGPF Interest | 639.6 | 658.6 | 19.0 | 5.2% | 32.4 | 662.9 | 689.1 | 26.2 | 4.6% | 30.5 | 728.3 | 5.7% | 39.2 |
| STO Interest | 38.5 | 34.6 | (3.9) | 55.2% | 12.3 | 45.3 | 43.0 | (2.3) | 24.3% | 8.4 | 50.6 | 17.7% | 7.6 |
| STPF Interest | 223.7 | 224.0 | 0.3 | 2.5% | 5.4 | 228.3 | 228.3 | - | 1.9% | 4.3 | 235.4 | 3.1% | 7.1 |
| TOTAL INTEREST | 901.8 | 917.2 | 15.4 | 5.8% | 50.1 | 936.5 | 960.4 | 23.9 | 4.7% | 43.2 | 1,014.3 | 5.6% | 53.9 |
| | | | | | | | | | | | | | |
| Federal Mineral Leasing | 445.0 | 436.8 | (8.2) | 1.2% | 5.3 | 457.0 | 445.0 | (12.0) | 1.9% | 8.2 | 458.6 | 3.1% | 13.6 |
| State Land Office | 55.0 | 55.1 | 0.1 | 0.2% | 0.1 | 55.0 | 55.2 | 0.2 | 0.2% | 0.1 | 55.5 | 0.5% | 0.3 |
| TOTAL RENTS & ROYALTIES | 500.0 | 491.9 | (8.1) | 1.1% | 5.4 | 512.0 | 500.2 | (11.8) | 1.7% | 8.3 | 514.1 | 2.8% | 13.9 |
| | | | | | | | | | | | | | |
| TRIBAL REVENUE SHARING | 68.2 | 75.1 | 6.8 | 2.2% | 1.6 | 69.2 | 76.7 | 7.5 | 2.2% | 1.7 | 78.7 | 2.5% | 1.9 |
| MISCELLANEOUS RECEIPTS | 62.9 | 58.7 | (4.2) | 4.5% | 2.5 | 66.6 | 62.2 | (4.4) | 6.0% | 3.5 | 65.7 | 5.6% | 3.5 |
| | | | | | | | | | | | | | |
| REVERSIONS | 50.0 | 50.0 | - | 0.0% | - | 50.0 | 50.0 | - | 0.0% | - | 50.0 | 0.0% | - |
| | | | | | | | | | | | | | |
| TOTAL RECURRING | 6,382.7 | 6,314.4 | (68.3) | 3.4% | 207.1 | 6,630.3 | 6,490.7 | (139.7) | 2.8% | 176.3 | 6,738.2 | 3.8% | 247.6 |
| | | | | | | | | | | | | | |
| TOTAL NONRECURRING | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| GRAND TOTAL | 6,382.7 | 6,314.4 | (68.3) | 3.4% | 207.1 | 6,630.3 | 6,490.7 | (139.7) | 2.8% | 176.3 | 6,738.2 | 3.8% | 247.6 |

Note: Columns in blue show difference between December 2016 estimate and August 2017 estimate

Note: Columns in red show year-over-year growth expected in current August 2017 estimate

## U.S. and New Mexico Economic Indicators

| | | FY17 | | FY18 | | FY19 | | FY20 | | FY21 | | FY22 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Dec 16 Forecast | Aug 17 Forecast | Dec 16 Forecast | Aug 17 Forecast | Dec 16 Forecast | Aug 17 Forecast | Dec 16 Forecast | Aug 17 Forecast | Dec 16 Forecast | Aug 17 Forecast | Dec 16 Forecast | Aug 17 Forecast |
| | **National Economic Indicators** | | | | | | | | | | | | |
| GI | US Real GDP Growth (annual avg. ,% YOY)* | 2.0 | 2.0 | 2.2 | 2.6 | 2.2 | 2.6 | 2.1 | 2.0 | 2.1 | 2.3 | | 2.2 |
| Moody's | US Real GDP Growth (annual avg. ,% YOY)* | 2.3 | 2.1 | 2.9 | 2.7 | 2.4 | 2.5 | 2.0 | 1.7 | 1.9 | 1.6 | | 1.7 |
| GI | US Inflation Rate (CPI-U, annual avg., % YOY)** | 1.9 | 1.9 | 2.5 | 1.6 | 2.4 | 1.8 | 2.4 | 2.6 | 2.5 | 2.8 | | 2.6 |
| Moody's | US Inflation Rate (CPI-U, annual avg., % YOY)** | 1.8 | 1.9 | 2.7 | 1.9 | 2.7 | 2.6 | 2.7 | 2.9 | 2.4 | 2.6 | | 1.8 |
| GI | Federal Funds Rate (%) | 0.6 | 0.6 | 1.1 | 1.4 | 1.9 | 2.2 | 2.7 | 2.9 | 2.8 | 3.0 | | 3.0 |
| Moody's | Federal Funds Rate (%) | 0.58 | 0.63 | 1.39 | 1.37 | 2.44 | 2.67 | 3.24 | 3.73 | 3.29 | 3.53 | | 3.21 |
| | **New Mexico Labor Market and Income Data** | | | | | | | | | | | | |
| BBER | NM Non-Agricultural Employment Growth (%) | 0.7 | 0.2 | 1.2 | 0.9 | 1.4 | 1.1 | 1.5 | 1.3 | 1.2 | 1.3 | | 1.2 |
| Moody's | NM Non-Agricultural Employment Growth (%) | 0.0 | 0.6 | 1.0 | 0.9 | 1.1 | 1.0 | 1.2 | 0.8 | 0.6 | 0.3 | | 0.4 |
| BBER | NM Nominal Personal Income Growth (%)*** | 2.4 | 1.8 | 3.6 | 2.5 | 4.5 | 3.5 | 4.7 | 4.2 | 4.6 | 4.5 | | 4.7 |
| Moody's | NM Nominal Personal Income Growth (%)*** | 1.4 | 1.7 | 2.6 | 2.5 | 3.9 | 3.7 | 3.8 | 3.7 | 3.6 | 3.5 | | 4.0 |
| BBER | NM Total Wages & Salaries Growth (%) | 2.4 | 1.3 | 4.0 | 2.7 | 4.2 | 3.4 | 4.4 | 3.8 | 4.3 | 4.2 | | 4.5 |
| Moody's | NM Total Wages & Salaries Growth (%) | 0.7 | 1.1 | 2.6 | 1.8 | 3.5 | 3.5 | 4.3 | 4.2 | 3.1 | 2.7 | | 1.8 |
| BBER | NM Private Wages & Salaries Growth (%) | 3.0 | 1.3 | 4.9 | 3.3 | 5.0 | 4.3 | 5.1 | 4.4 | 4.9 | 4.7 | | 5.0 |
| BBER | NM Real Gross State Product (% YOY) | 0.4 | -0.2 | 2.3 | 0.8 | 2.3 | 1.7 | 2.2 | 2.3 | 2.4 | 2.4 | | 2.2 |
| Moody's | NM Real Gross State Product (% YOY) | 0.6 | 0.1 | 1.7 | 1.3 | 1.5 | 1.7 | 1.7 | 1.3 | 1.7 | 1.4 | | 1.6 |
| CREG | NM Oil Price ($/barrel) | *$43.00* | $45.10 | *$48.00* | $44.50 | *$50.00* | $45.50 | *$53.00* | $47.00 | *$56.00* | $48.00 | | $50.00 |
| BBER | Oil Volumes (million barrels) | 139.2 | 149.4 | 140.1 | 152.7 | 144.5 | 155.9 | 150.8 | 160.0 | 156.8 | 165.7 | | 170.3 |
| CREG | NM Taxable Oil Volumes (million barrels) | *143.0* | 150.0 | *143.0* | 153.0 | *143.0* | 156.0 | *143.0* | 159.0 | *143.0* | 162.0 | | 165.0 |
| | NM Taxable Oil Volumes (%YOY growth) | | | *0.0%* | 2.0% | *0.0%* | 2.0% | *0.0%* | 1.9% | *0.0%* | 1.9% | | 1.9% |
| CREG | NM Gas Price ($ per thousand cubic feet)**** | *$3.15* | $3.27 | *$3.31* | $3.30 | *$3.26* | $3.20 | *$3.35* | $3.10 | *$3.45* | $3.10 | | $3.10 |
| BBER | Gas Volumes (billion cubic feet) | 1,154 | 1,203 | 1,117 | 1,201 | 1,090 | 1,191 | 1,067 | 1,190 | 1,046 | 1,179 | | 1,161 |
| CREG | NM Taxable Gas Volumes (billion cubic feet) | *1,144* | 1,210 | *1,108* | 1,210 | *1,075* | 1,210 | *1,044* | 1,210 | *1,008* | 1,210 | | 1,210 |
| | NM Taxable Gas Volumes (%YOY growth) | | | *-3.1%* | 0.0% | *-3.0%* | 0.0% | *-2.9%* | 0.0% | *-3.4%* | 0.0% | | 0.0% |

<u>LFC, TRD Notes</u>
* Real GDP is BEA chained 2009 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
Sources: BBER - June 2017 FOR-UNM baseline. Global Insight - July 2017 baseline.

DFA Notes
* Real GDP is BEA chained 2005 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base.
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
*****The gas prices are estimated using a formula of NYMEX, EIA, and Moodys (June) future prices as well as a liquid premium based on oil price forecast
Sources: July 2017 Moody's economy.com baseline

## FISCAL YEAR 2017 GENERAL FUND MONTHLY REVENUE TRACKING

(dollars in millions; italics indicate preliminary actual revenue; bold indicates actual revenue)

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| Row # | | July Actual | Aug Actual | Sept Actual | Oct Actual | Nov Actual | Dec Actual | Jan Actual | Feb Actual | Mar Actual | Apr Actual | May Actual | June Est. | FY17 Actual + Estimate | TRACKING CHANGE (Δ) FY17 Dec. Forecast + Solvency | YTD % Δ | YTD $ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ESTIMATED REVENUE ACCRUALS | | | | | | | | | | | | | | | |
| 1 | Gross Receipts Tax | 148.4 | 158.8 | 139.8 | 195.1 | 156.4 | 192.2 | 163.2 | 165.1 | 191.6 | 190.1 | 187.5 | 203.9 | 2,092.0 | 1,868.6 | 12.0% | 223.4 |
| 2 | Compensating Tax | 3.9 | 4.4 | 7.3 | (0.4) | 3.8 | 5.5 | 4.2 | 5.7 | 4.3 | (0.2) | 5.1 | 5.1 | 48.6 | 50.0 | -2.8% | (1.4) |
| 3 | TOTAL GENERAL SALES TAXES | 152.2 | 163.2 | 147.0 | 194.6 | 160.1 | 197.6 | 167.4 | 170.9 | 195.9 | 190.0 | 192.6 | 209.0 | 2,140.6 | 1,918.6 | 11.6% | 222.0 |
| 4 | Tobacco Products & Cigarette Taxes | 6.2 | 8.2 | 5.9 | 7.1 | 5.6 | 6.4 | 4.2 | 7.1 | 6.7 | 5.9 | 6.2 | 7.8 | 77.3 | 75.0 | 3.1% | 2.3 |
| 5 | Liquor Excise Tax | 0.5 | 0.6 | 0.5 | 0.6 | 0.6 | 0.7 | 0.4 | 0.5 | 0.6 | 0.5 | 0.6 | 0.7 | 6.7 | 6.9 | -2.5% | (0.2) |
| 6 | Insurance Premiums Tax | 0.2 | 52.8 | 1.3 | 0.2 | 53.4 | 0.7 | 0.6 | 61.8 | 0.8 | 0.5 | 56.2 | 0.9 | 229.5 | 229.2 | 0.1% | 0.3 |
| 7 | Fire Protection Fund Reversion | - | - | - | - | - | - | - | - | - | - | - | 15.5 | 15.5 | 15.5 | 0.0% | - |
| 8 | Motor Vehicle Excise Tax | 11.3 | 13.9 | 11.0 | 12.5 | 10.9 | 11.7 | 11.7 | 10.7 | 13.7 | 12.6 | 12.1 | 12.5 | 144.5 | 142.5 | 1.4% | 2.0 |
| 9 | Gaming Excise Tax | 5.2 | 4.7 | 4.7 | 4.7 | 4.5 | 5.1 | 4.8 | 5.1 | 5.6 | 5.1 | 3.5 | 4.6 | 57.6 | 58.5 | -1.5% | (0.9) |
| 10 | Leased Vehicle Surcharge | 0.5 | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.3 | 0.5 | 0.3 | 0.6 | 0.5 | 5.5 | 5.4 | 1.4% | 0.1 |
| 11 | Other | 0.1 | 0.5 | (0.1) | 0.3 | 0.1 | (0.3) | 0.8 | (0.0) | (0.8) | 0.2 | 0.2 | 0.2 | 1.3 | 2.2 | -39.8% | (0.9) |
| 12 | TOTAL SELECTIVE SALES TAXES | 24.2 | 81.3 | 23.8 | 25.9 | 75.6 | 24.8 | 22.8 | 85.5 | 27.0 | 25.1 | 79.3 | 42.7 | 538.0 | 535.2 | 0.5% | 2.8 |
| 13 | Withholding | 99.4 | 86.0 | 109.8 | 83.5 | 91.6 | 130.2 | 89.1 | 92.8 | 115.5 | 89.3 | 92.8 | 96.2 | 1,176.3 | 1,223.1 | -3.8% | (46.8) |
| 14 | Final Settlements | - | 12.3 | 41.6 | 23.6 | 11.7 | 31.8 | 35.3 | 13.2 | 32.0 | 145.2 | 25.8 | 52.4 | 425.1 | 438.6 | -3.1% | (13.5) |
| 15 | Oil and Gas Withholding Tax | - | 0.2 | 3.7 | 5.4 | 6.7 | 1.7 | 8.9 | 3.1 | 6.7 | 4.9 | 13.0 | 6.5 | 60.7 | 74.5 | -18.5% | (13.8) |
| 16 | Fiduciary Tax | (0.3) | 0.3 | (0.2) | 0.0 | (0.1) | 0.2 | (0.4) | (0.0) | 3.9 | 0.0 | 0.9 | (0.2) | 4.1 | 7.6 | -46.4% | (3.5) |
| 17 | Gross Personal Income Tax | 99.1 | 98.9 | 155.0 | 112.5 | 110.0 | 163.9 | 132.8 | 109.0 | 158.1 | 239.5 | 132.5 | 154.9 | 1,666.2 | 1,743.8 | -4.5% | (77.6) |
| 18 | Transfer to PIT Suspense | (6.4) | (7.4) | (15.5) | (5.8) | (5.8) | (78.9) | (95.7) | (62.4) | (42.6) | (22.4) | (11.0) | (10.5) | (364.2) | (383.2) | -4.9% | 19.0 |
| 19 | Retiree Health Care | (2.7) | (2.7) | (2.7) | (2.7) | (2.2) | (2.2) | (2.2) | (2.2) | (2.2) | (2.2) | (2.2) | (2.6) | (28.7) | (29.6) | -3.0% | 0.9 |
| 20 | Less: Refunds, distributions to other funds | (9.1) | (10.1) | (18.2) | (8.5) | (8.0) | (81.1) | (97.8) | (64.6) | (44.8) | (24.6) | (13.2) | (13.1) | (393.0) | (412.8) | -4.8% | 19.8 |
| 21 | NET PERSONAL INCOME TAX | 90.0 | 88.8 | 136.8 | 104.0 | 102.0 | 82.7 | 35.0 | 44.5 | 113.4 | 214.9 | 119.3 | 141.8 | 1,273.2 | 1,331.0 | -4.3% | (57.8) |
| 22 | Gross Corporate Payments | - | (4.7) | (9.4) | 19.6 | 7.2 | (8.4) | 18.3 | 1.0 | 6.7 | 15.9 | 3.1 | (8.4) | 40.7 | 70.0 | -41.8% | (29.3) |
| 23 | Less: Refunds, Credits & Adjustments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | - |
| 24 | NET CORPORATE INCOME TAX | - | (4.7) | (9.4) | 19.6 | 7.2 | (8.4) | 18.3 | 1.0 | 6.7 | 15.9 | 3.1 | (8.4) | 40.7 | 70.0 | -41.8% | (29.3) |
| 25 | TOTAL INCOME TAXES | 90.0 | 84.1 | 127.5 | 123.5 | 109.2 | 74.3 | 53.3 | 45.5 | 120.0 | 230.8 | 122.4 | 133.4 | 1,313.9 | 1,401.0 | -6.2% | (87.1) |
| 26 | Oil and Gas School Tax | 22.0 | 22.1 | 22.0 | 23.4 | 25.0 | 27.8 | 30.3 | 26.6 | 26.3 | 26.8 | 22.9 | 23.2 | 298.4 | 273.3 | 9.2% | 25.1 |
| 27 | Oil Conservation Tax | 1.0 | 1.0 | 1.0 | 1.1 | 1.2 | 1.4 | 1.5 | 1.4 | 1.4 | 1.4 | 1.4 | 1.1 | 15.0 | 14.3 | 4.7% | 0.7 |
| 28 | Resources Excise Tax | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 | 0.9 | 0.8 | 0.7 | 1.2 | 10.1 | 13.0 | -22.6% | (2.9) |
| 29 | Natural Gas Processors Tax | 0.9 | 0.8 | 1.0 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 | 0.8 | 0.8 | 10.2 | 10.0 | 2.2% | 0.2 |
| 30 | TOTAL MINERAL PROD. TAXES | 24.7 | 24.6 | 24.9 | 26.2 | 27.8 | 30.9 | 33.4 | 29.6 | 29.4 | 29.9 | 25.8 | 26.3 | 333.6 | 310.6 | 7.4% | 23.1 |
| 31 | LICENSE FEES | 2.2 | 2.7 | 2.5 | 2.1 | 2.2 | 9.0 | 2.6 | 3.5 | 7.8 | 13.4 | 2.5 | 3.6 | 54.1 | 55.8 | -3.0% | (1.7) |
| 32 | Land Grant Perm. Fund Distributions | 45.1 | 45.1 | 45.1 | 45.1 | 45.1 | 45.1 | 45.1 | 45.1 | 45.2 | 45.2 | 45.2 | 45.0 | 541.4 | 540.5 | 0.2% | 0.9 |
| 33 | State Treasurer's Earnings | (0.2) | (2.0) | 1.1 | (1.1) | (4.7) | 0.2 | 0.9 | 0.8 | 0.0 | 1.2 | 1.0 | (0.5) | (3.3) | - | 0.0% | (3.3) |
| 34 | Severance Tax Perm. Fund Distributions | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 200.4 | 200.4 | 0.0% | 0.0 |
| 35 | TOTAL INVESTMENT EARNINGS | 61.6 | 59.8 | 62.9 | 60.7 | 57.1 | 62.0 | 62.7 | 62.6 | 61.9 | 63.1 | 62.9 | 61.2 | 738.6 | 740.9 | -0.3% | (2.3) |
| 36 | Federal Mineral Leasing Royalties | 19.6 | 22.3 | 33.1 | 53.1 | 26.5 | 30.2 | 26.2 | 30.2 | 34.0 | 30.6 | 96.8 | 32.9 | 435.6 | 420.0 | 3.7% | 15.6 |
| 37 | State Land Office Bonuses, Rents | 0.1 | 3.2 | 2.0 | 13.3 | 9.5 | 3.0 | 5.7 | 1.5 | 20.6 | 3.6 | 5.7 | 5.8 | 74.0 | 55.0 | 34.6% | 19.0 |
| 38 | TOTAL RENTS & ROYALTIES | 19.7 | 25.5 | 35.1 | 66.4 | 36.0 | 33.2 | 31.9 | 31.7 | 54.6 | 34.2 | 102.4 | 38.7 | 509.6 | 475.0 | 7.3% | 34.6 |
| 39 | TRIBAL REVENUE SHARING | 0.7 | - | 12.2 | 0.8 | 0.0 | 14.5 | 0.9 | 0.0 | 15.2 | 0.1 | 0.0 | 16.4 | 60.9 | 64.2 | -5.2% | (3.3) |
| 40 | MISCELLANEOUS RECEIPTS | 1.1 | 0.9 | 1.1 | 0.9 | 7.9 | 8.3 | 1.0 | 1.4 | 1.1 | 1.2 | 1.4 | 18.0 | 44.2 | 61.5 | -28.1% | (17.3) |
| 41 | REVERSIONS | - | 0.0 | 0.0 | 0.2 | 2.8 | 4.1 | (0.0) | 0.6 | 2.9 | 0.0 | 0.0 | 28.3 | 39.0 | 45.1 | -13.5% | (6.1) |
| 42 | TOTAL RECURRING REVENUE | 376.3 | 442.1 | 437.1 | 501.5 | 478.8 | 458.8 | 376.0 | 431.4 | 515.9 | 587.7 | 589.2 | 577.6 | 5,772.5 | 5,607.8 | 2.9% | 164.7 |
| 43 | Non-Recurring | 8.0 | 0.2 | (0.1) | 0.0 | 0.4 | (0.2) | 28.0 | 30.7 | 11.0 | 8.0 | 3.0 | - | 88.9 | | | |
| 44 | Additional Transfers | 49.0 | 3.0 | 5.3 | 8.6 | 14.5 | 17.1 | 42.6 | 40.8 | 3.8 | 0.6 | 1.1 | 242.4 | 428.9 | | | |
| 45 | TOTAL NON-RECURRING REVENUE | 57.0 | 3.2 | 5.3 | 8.6 | 14.9 | 16.9 | 70.6 | 71.5 | 14.7 | 8.6 | 4.1 | 242.4 | 517.8 | 532.4 | | (14.6) |
| 46 | GRAND TOTAL REVENUE | 433.3 | 445.4 | 442.4 | 510.1 | 493.7 | 475.7 | 446.6 | 503.0 | 530.6 | 596.3 | 593.3 | 820.0 | 6,290.3 | 6,140.1 | 2.4% | 150.1 |

Estimates are developed by LFC and based on the consensus revenue estimate and historical monthly patterns; the non-recurring additional transfers amount for June includes amounts expected due to solvency legislation

## General Fund Financial Summary:
## August 2017 Consensus Revenue Forecast
(millions of dollars)

| August 14, 2017 | Prelim. FY2017 | Estimate FY2018 | Estimate FY2019 |
|---|---|---|---|
| **APPROPRIATION ACCOUNT** | | | |
| **REVENUE** | | | |
| Recurring Revenue | | | |
| August 2017 Consensus Revenue Forecast | $ 5,740.6 | $ 5,941.1 | $ 6,107.3 |
| Total Recurring Revenue | $ 5,740.6 | $ 5,941.1 | $ 6,107.3 |
| 2016 Session Nonrecurring Revenue Legislation [1] | $ 74.3 | | |
| 2016 Special Session Nonrecurring Revenue Legislation [2, 4] | $ 192.6 | | |
| 2017 Regular & Special Session Nonrecurring Revenue Legislation | $ 258.5 | $ 18.7 | |
| Total Nonrecurring Revenue | $ 525.4 | $ 18.7 | $ - |
| **TOTAL REVENUE** | **$ 6,266.0** | **$ 5,959.8** | **$ 6,107.3** |
| **APPROPRIATIONS** | | | |
| Recurring Appropriations | | | |
| 2016 Legislation and Feed Bill | $ 6,228.1 | | "New Money" is $25 million, or 0.4% |
| 2016 Special Session Recurring Appropriation Reductions [4, 5] | $ (154.4) | | |
| 2017 Regular & Special Session Legislation & Feed Bill | $ 9.5 | $ 6,082.2 | |
| Total Recurring Appropriations | $ 6,083.2 | $ 6,082.2 | |
| Nonrecurring Appropriations | | | |
| 2016 Legislation & Prior Year Appropriations [6] | $ 1.3 | | |
| 2016 Special Session Nonrecurring Appropriations [3, 5] | $ 2.5 | | |
| 2017 Regular & Special Session Nonrecurring Appropriations | $ 23.2 | $ - | |
| Total Nonrecurring Appropriations | $ 27.0 | $ - | |
| **TOTAL APPROPRIATIONS** | **$ 6,110.2** | **$ 6,082.2** | |
| Transfer to (from) Reserves | $ 155.8 | $ (122.4) | |
| **GENERAL FUND RESERVES** | | | |
| Beginning Balances | $ 147.7 | $ 329.3 | |
| Transfers from (to) Appropriations Account | $ 155.8 | $ (122.4) | |
| Revenue and Reversions | $ 81.0 | $ 56.5 | |
| Appropriations, Expenditures and Transfers Out | $ (55.3) | $ (57.0) | |
| **Ending Balances** | **$ 329.3** | **$ 206.4** | |
| *Reserves as a Percent of Recurring Appropriations* | *5.4%* | *3.4%* | |

**Notes:**

1) Laws 2016, Chapter 12 (HB311)

2) Laws 2016, Second Special Session, Chapter 4 (SB2) - $96.5 million original estimate for general fund sweeps and transfers minus $1.7 million in failed DCA AIPP sweep and minus $1.5 million in failed HED sweep for adjusted total of $93.3 million

3) Laws 2016, Second Special Session, Chapter 3 (SB6) - revenue package

4) Laws 2016, Second Special Session, Chapter 5 (SB8) - $89.8 million in capital outlay sweeps (DFA may book $56.2 million as appropriation reductions)

5) Laws 2016, Second Special Session, Chapter 6 (SB9) - appropriation reductions, not including the $22 million vetoed from the reduction to PED's special appropriations

6) Adjusted for FY16 audit

## General Fund Financial Summary:
## August 2017 Consensus Revenue Forecast
## RESERVE DETAIL
(millions of dollars)

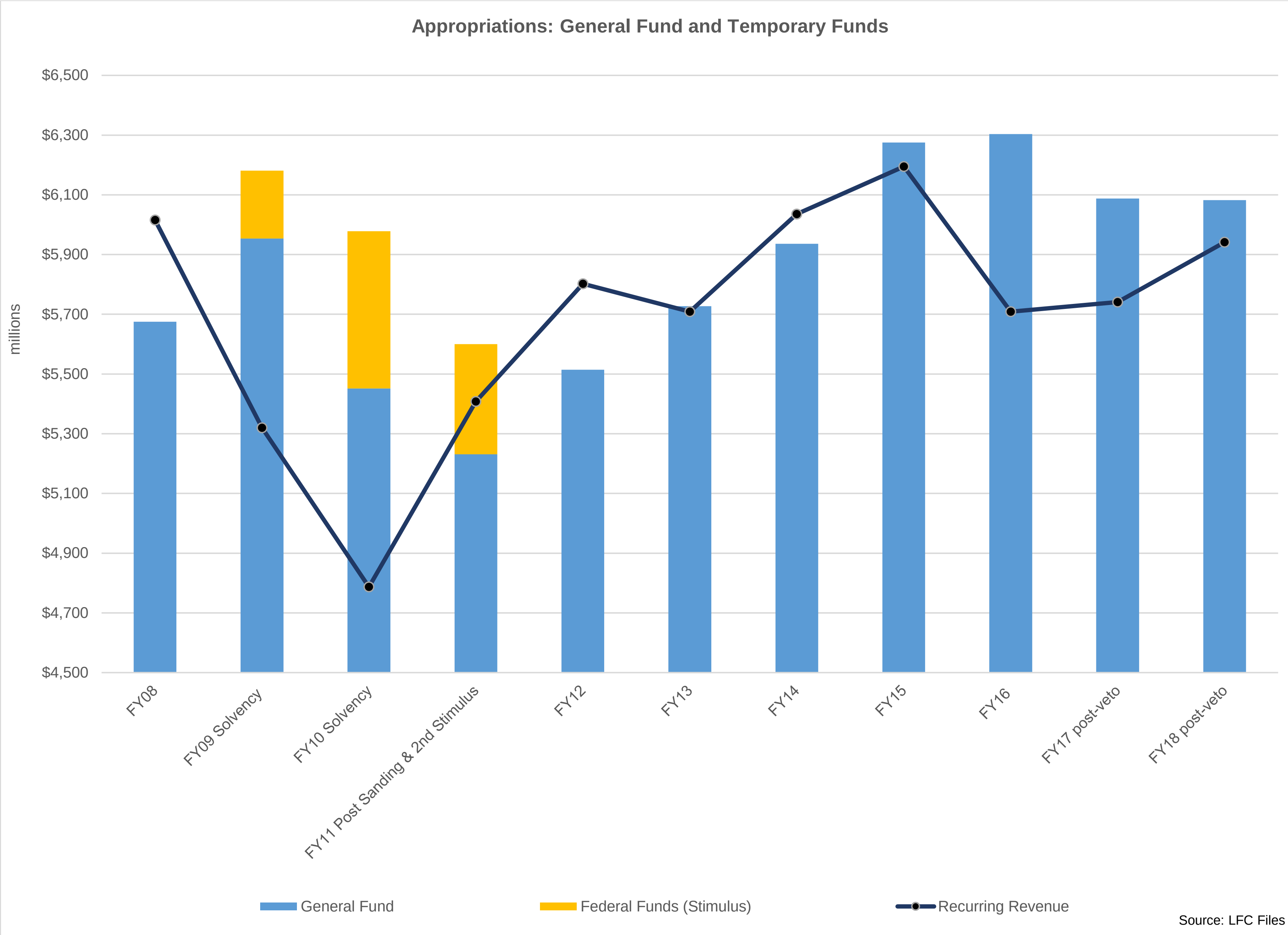
| August 14, 2017 | Prelim. FY2017 | Estimate FY2018 | Estimate FY2019 |
|---|---|---|---|
| **OPERATING RESERVE** | | | |
| Beginning Balance | $ 2.0 | $ 155.8 | $ 31.4 |
| BOF Emergency Appropriations/Reversions | $ (2.0) | $ (2.0) | $ (2.0) |
| Transfers from/to Appropriation Account | $ 155.8 | $ (122.4) | $ - |
| Transfer from (to) ACF/Other Appropriations | $ - | $ - | $ - |
| Transfer from Tax Stabilization Reserve | $ - | | |
| Ending Balance | $ 155.8 | $ 31.4 | $ 29.4 |
| **APPROPRIATION CONTINGENCY FUND** | | | |
| Beginning Balance | $ 34.4 | $ 26.1 | $ 18.1 |
| Disaster Allotments | $ (16.0) | $ (16.0) | $ (16.0) |
| Other Appropriations | $ (0.3) | $ - | $ - |
| Transfers In | $ - | $ - | $ - |
| Revenue and Reversions | $ 8.0 | $ 8.0 | $ 8.0 |
| Ending Balance | $ 26.1 | $ 18.1 | $ 10.1 |
| **STATE SUPPORT FUND** | | | |
| Beginning Balance | $ 1.0 | $ 1.0 | $ 1.0 |
| Revenues | $ - | $ - | $ - |
| Appropriations | $ - | $ - | $ - |
| Ending Balance | $ 1.0 | $ 1.0 | $ 1.0 |
| **TOBACCO PERMANENT FUND** | | | |
| Beginning Balance | $ 110.4 | $ 146.3 | $ 155.8 |
| Transfers In | $ 54.3 | $ 39.0 | $ 39.0 |
| Appropriation to Tobacco Settlement Program Fund [3] | $ (18.5) | $ (19.5) | $ (19.5) |
| Gains/Losses | $ 18.7 | $ 9.5 | $ 10.1 |
| Additional Transfers from TSPF [3] | $ (18.5) | $ (19.5) | $ (19.5) |
| Transfer to General Fund Appropriation Account [2] | $ - | $ - | $ - |
| Ending Balance | $ 146.3 | $ 155.8 | $ 166.0 |
| **TAX STABILIZATION RESERVE** | | | |
| Beginning Balance | $ - | $ - | $ - |
| Transfers In | $ - | $ - | $ - |
| Transfer Out to Operating Reserve | $ - | $ - | $ - |
| Ending Balance | $ - | $ - | $ - |
| **GENERAL FUND ENDING BALANCES** | **$ 329.3** | **$ 206.4** | |
| *Percent of Recurring Appropriations* | *5.4%* | *3.4%* | |

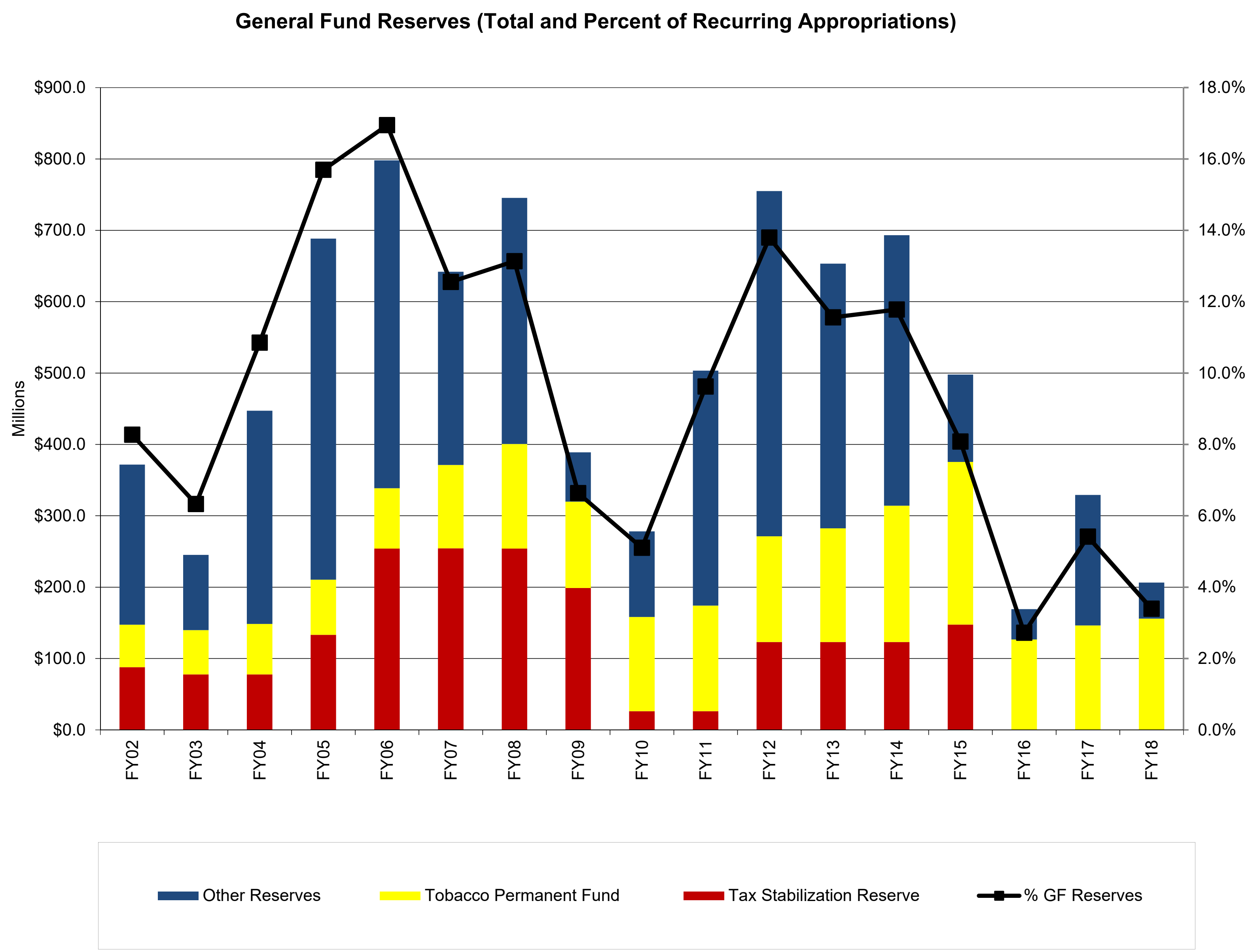
**Notes:**

1) Laws 2016, Chapter 12 (HB311)

2) Laws 2016, Second Special Session, Chapter 4 (SB2) - $96.5 million original estimate for general fund sweeps and transfers minus $1.7 million in failed DCA AIPP sweep and minus $1.5 million in failed HED sweep for adjusted total of $93.3 million

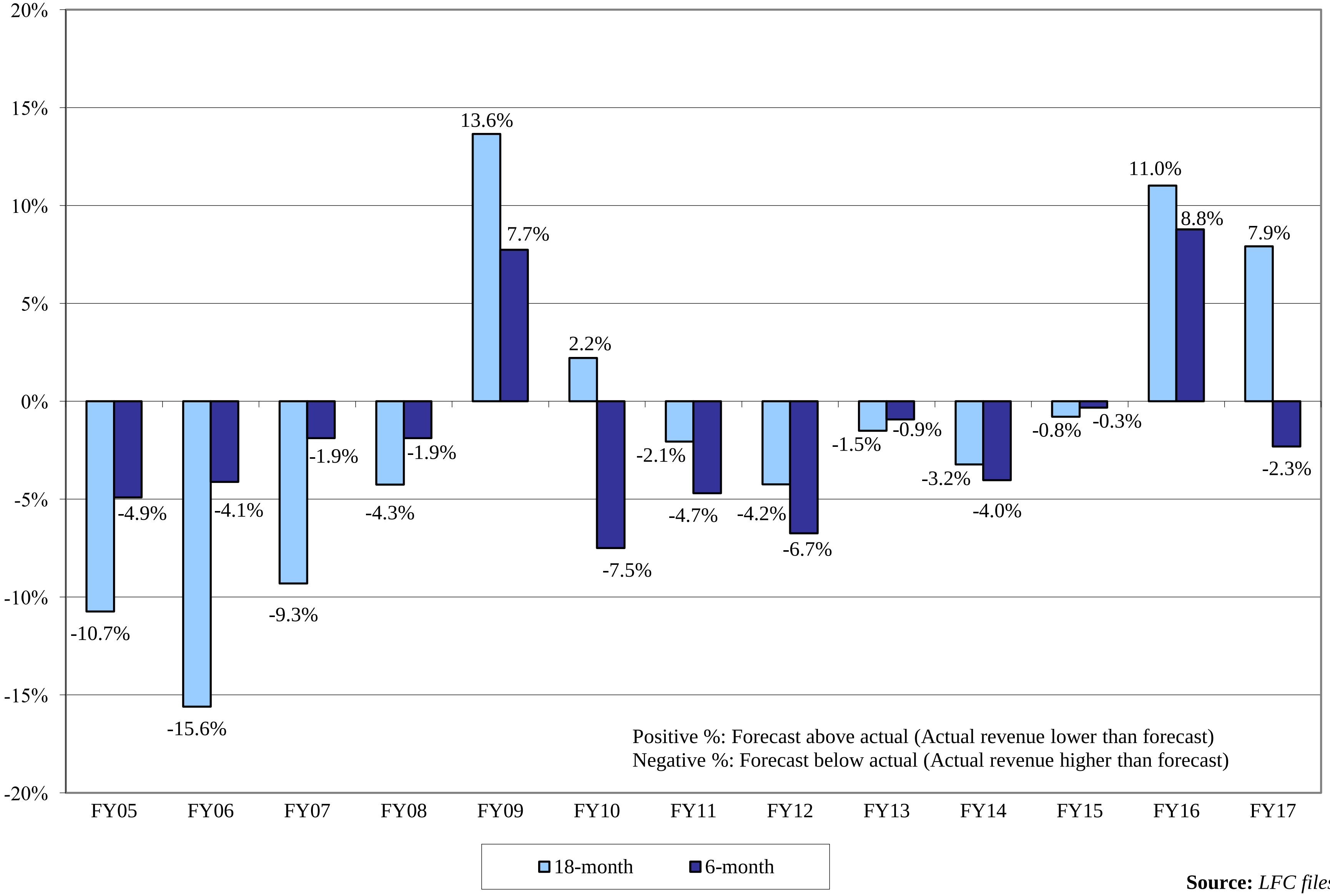
3) Due to a projected windfall, the tobacco settlement program fund is projected to have an ending FY17 balance of $11 million after appropriations, requiring language to revert the excess distribution back to the tobacco settlement permanent fund


Appropriations: General Fund and Temporary Funds
$6,500
$6,300
$6,100
$5,900
$5,700
$5,500
$5,300
$5,100
$4,900
$4,700
$4,500
millions
FY08
FY09 Solvency
FY10 Solvency
FY11 Post Sanding & 2nd Stimulus
FY12
FY13
FY14
FY15
FY16
FY17 post-veto
FY18 post-veto
General Fund
Federal Funds (Stimulus)
Recurring Revenue
Source: LFC Files

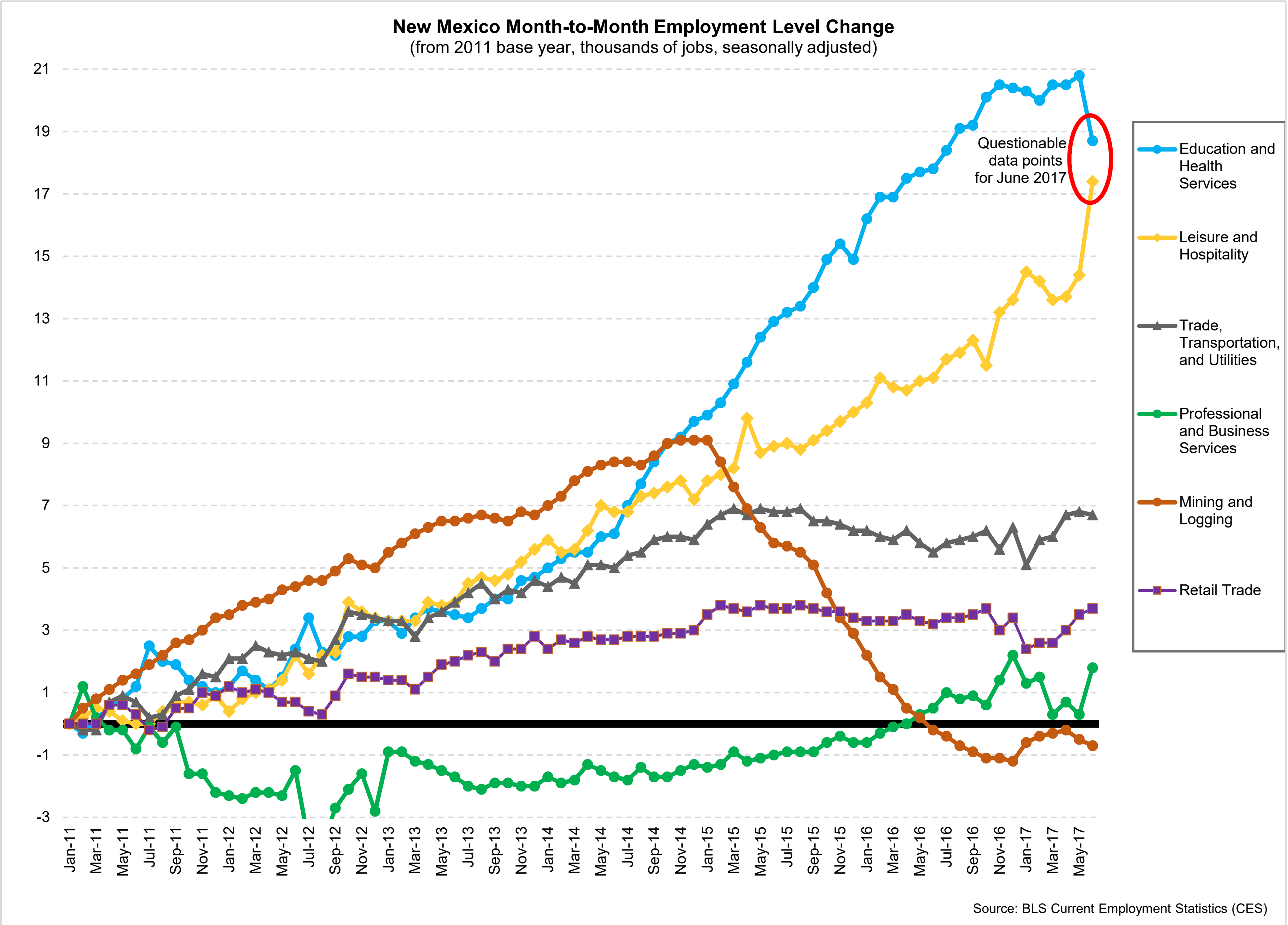


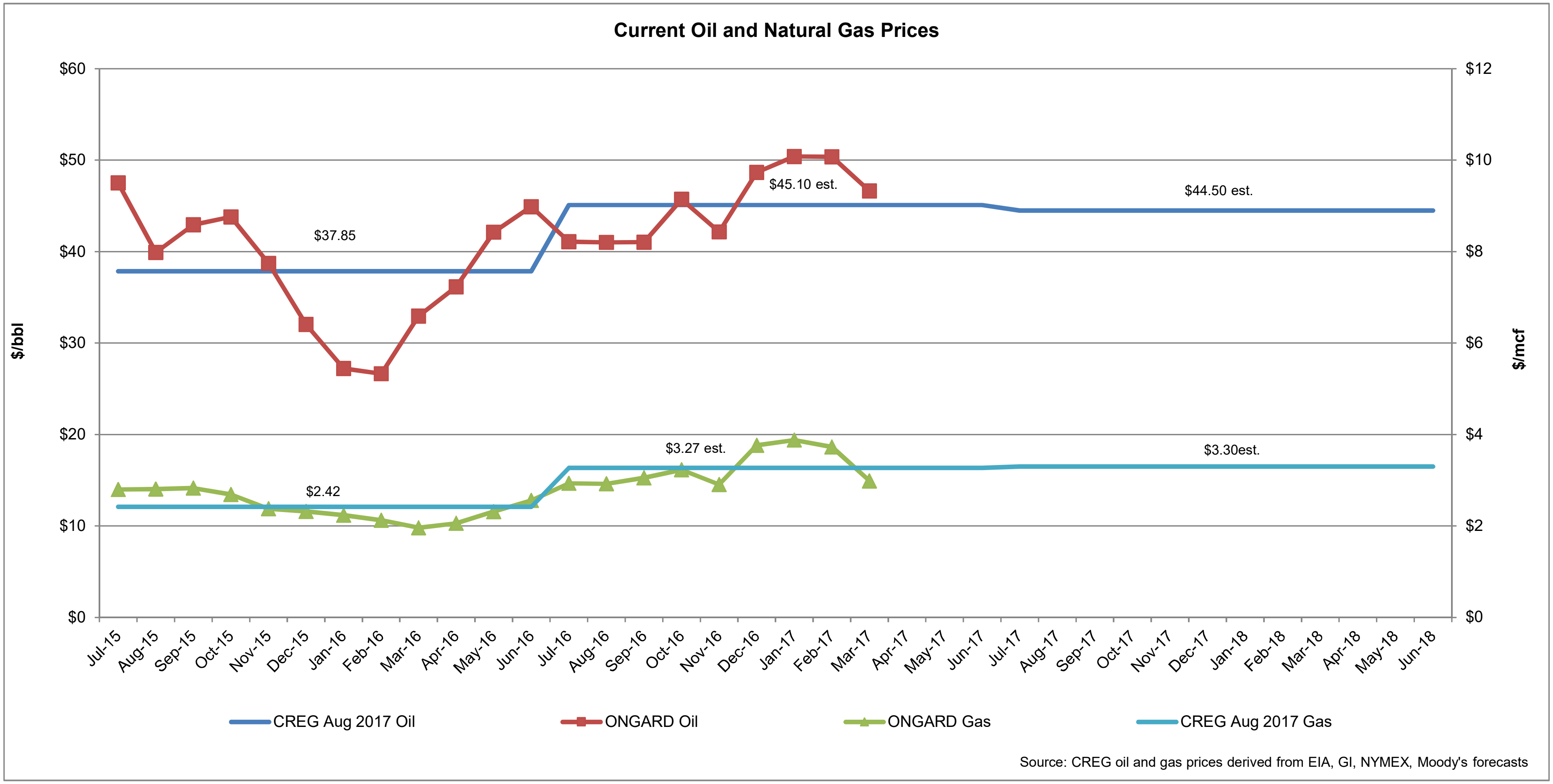

Source: LFC Files

**Consensus Revenue Estimate**
**Recurring Revenue Estimating Difference/Error**



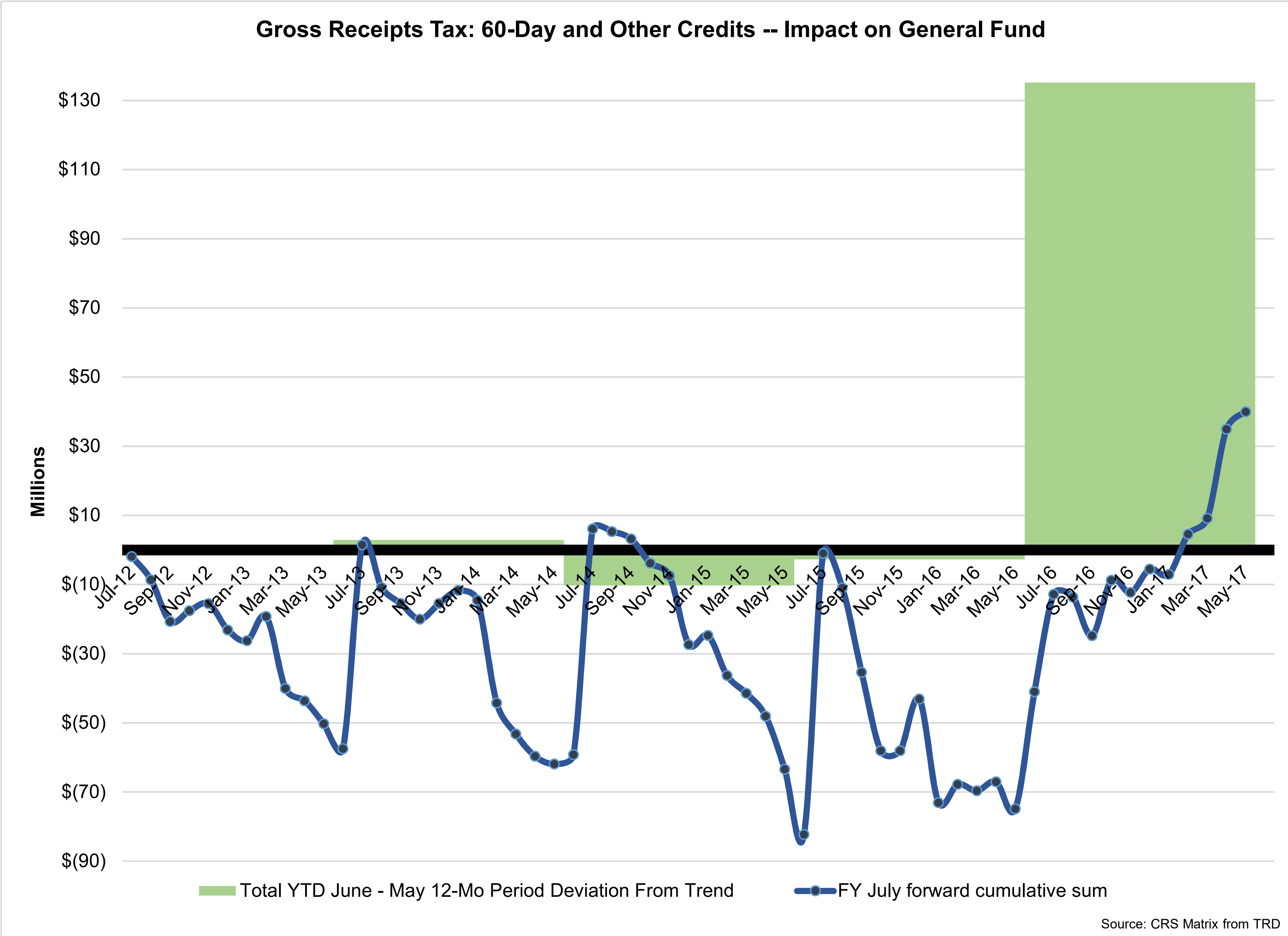

**Source:** *LFC files*

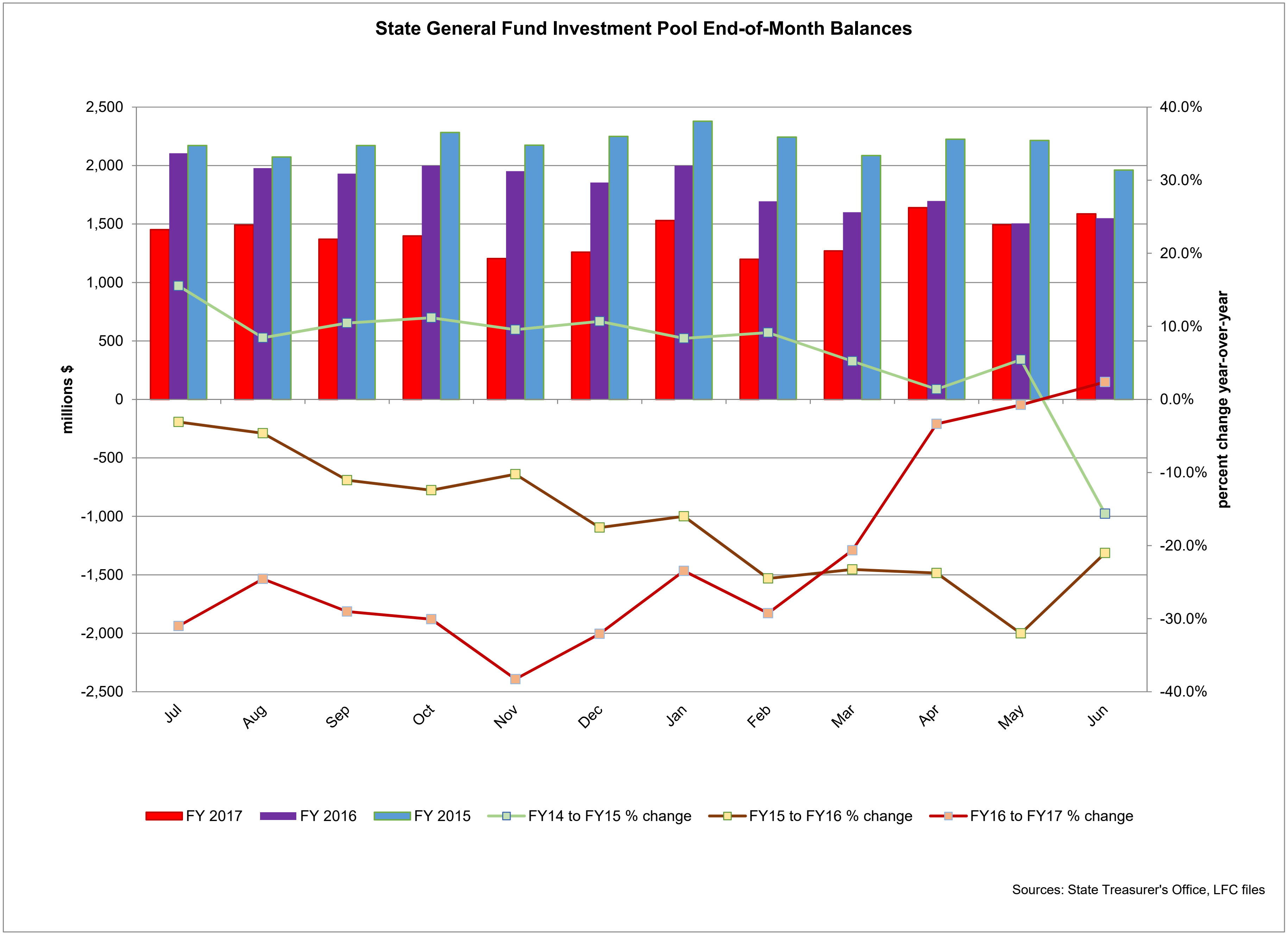

New Mexico Month-to-Month Employment Level Change
(from 2011 base year, thousands of jobs, seasonally adjusted)
21
19
17
15
13
11
9
7
5
3
1
-1
-3
Questionable data points for June 2017
Education and Health Services
Leisure and Hospitality
Trade, Transportation, and Utilities
Professional and Business Services
Mining and Logging
Retail Trade
Jan-11
Mar-11
May-11
Jul-11
Sep-11
Nov-11
Jan-12
Mar-12
May-12
Jul-12
Sep-12
Nov-12
Jan-13
Mar-13
May-13
Jul-13
Sep-13
Nov-13
Jan-14
Mar-14
May-14
Jul-14
Sep-14
Nov-14
Jan-15
Mar-15
May-15
Jul-15
Sep-15
Nov-15
Jan-16
Mar-16
May-16
Jul-16
Sep-16
Nov-16
Jan-17
Mar-17
May-17
Source: BLS Current Employment Statistics (CES)


Current Oil and Natural Gas Prices
$/bbl
$/mcf
$60
$50
$40
$30
$20
$10
$0
$12
$10
$8
$6
$4
$2
$0
$37.85
$45.10 est.
$44.50 est.
$2.42
$3.27 est.
$3.30est.
Jul-15 Aug-15 Sep-15 Oct-15 Nov-15 Dec-15 Jan-16 Feb-16 Mar-16 Apr-16 May-16 Jun-16 Jul-16 Aug-16 Sep-16 Oct-16 Nov-16 Dec-16 Jan-17 Feb-17 Mar-17 Apr-17 May-17 Jun-17 Jul-17 Aug-17 Sep-17 Oct-17 Nov-17 Dec-17 Jan-18 Feb-18 Mar-18 Apr-18 May-18 Jun-18
CREG Aug 2017 Oil
ONGARD Oil
ONGARD Gas
CREG Aug 2017 Gas
Source: CREG oil and gas prices derived from EIA, GI, NYMEX, Moody's forecasts

| Matched Taxable Gross Receipts by Industry July 2016 - May 2017 | | |
|---|---|---|
| **Industry** | **Matched Taxable Gross Receipts** | **Year-over-Year Change** |
| Mining, Quarrying, and Oil and Gas Extraction | $2,047,137,261 | -3.9% |
| Utilities | $2,184,318,651 | 5.4% |
| Construction | $5,956,555,710 | 3.6% |
| Manufacturing | $1,284,652,693 | -14.0% |
| Wholesale Trade | $1,746,045,671 | -7.6% |
| Retail Trade | $11,041,264,887 | 0.0% |
| Transportation and Warehousing | $540,127,258 | -7.3% |
| Information | $2,312,593,624 | -0.3% |
| Real Estate and Rental and Leasing | $1,087,999,589 | -3.6% |
| Professional, Scientific, and Technical Services | $5,523,546,963 | -6.1% |
| Administrative/Support & Waste Management/Remediation | $1,096,414,763 | -5.3% |
| Health Care and Social Assistance | $2,439,985,075 | 2.5% |
| Leisure and Hospitality Services | $4,044,018,078 | 2.6% |
| Other Industries | $4,929,826,080 | n/a |
| **Total** | **$46,234,486,304** | **-1.3%** |

| Matched Taxable Gross Receipts by County July 2016 - May 2017 | | | | | |
|---|---|---|---|---|---|
| **Jurisdiction** | **Matched Taxable Gross Receipts** | **Year-over-Year Change** | **Jurisdiction** | **Matched Taxable Gross Receipts** | **Year-over-Year Change** |
| Bernalillo County | $15,520,384,759 | 1.8% | McKinley County | $976,363,716 | -6.7% |
| Catron County | $36,347,840 | -14.0% | Mora County | $34,087,469 | 19.5% |
| Chaves County | $1,045,273,990 | -0.8% | Otero County | $840,684,714 | -4.1% |
| Cibola County | $316,109,794 | -4.3% | Quay County | $134,228,304 | 13.2% |
| Colfax County | $252,470,544 | 3.4% | Rio Arriba County | $372,112,036 | -10.2% |
| Curry County | $994,630,350 | 10.4% | Roosevelt County | $237,760,631 | -16.1% |
| De Baca County | $27,726,192 | -21.5% | San Juan County | $2,699,956,711 | -12.5% |
| Dona Ana County | $3,203,537,836 | 1.9% | San Miguel County | $275,125,688 | -14.5% |
| Eddy County | $2,922,766,890 | -1.0% | Sandoval County | $1,309,524,883 | -0.1% |
| Grant County | $399,115,818 | -2.4% | Santa Fe County | $3,437,457,528 | 2.3% |
| Guadalupe County | $94,015,598 | 23.0% | Sierra County | $175,626,410 | 2.3% |
| Harding County | $18,824,083 | 17.5% | Socorro County | $189,583,808 | 13.2% |
| Hidalgo County | $77,227,296 | 14.8% | Taos County | $648,695,862 | -6.0% |
| Lea County | $3,130,745,717 | -7.6% | Torrance County | $233,019,064 | 40.5% |
| Lincoln County | $429,098,275 | -4.5% | Union County | $97,541,951 | 7.5% |
| Los Alamos | $834,966,562 | -31.5% | Valencia County | $755,941,371 | 12.6% |
| Luna County | $329,683,898 | 14.5% | | | |


Gross Receipts Tax: 60-Day and Other Credits -- Impact on General Fund
Millions
$130
$110
$90
$70
$50
$30
$10
$(10)
$(30)
$(50)
$(70)
$(90)
Jul-12
Sep-12
Nov-12
Jan-13
Mar-13
May-13
Jul-13
Sep-13
Nov-13
Jan-14
Mar-14
May-14
Jul-14
Sep-14
Nov-14
Jan-15
Mar-15
May-15
Jul-15
Sep-15
Nov-15
Jan-16
Mar-16
May-16
Jul-16
Sep-16
Nov-16
Jan-17
Mar-17
May-17
Total YTD June - May 12-Mo Period Deviation From Trend
FY July forward cumulative sum
Source: CRS Matrix from TRD


State General Fund Investment Pool End-of-Month Balances
2,500
2,000
1,500
1,000
500
0
-500
-1,000
-1,500
-2,000
-2,500
millions $
40.0%
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
percent change year-over-year
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
FY 2017
FY 2016
FY 2015
FY14 to FY15 % change
FY15 to FY16 % change
FY16 to FY17 % change
Sources: State Treasurer's Office, LFC files