

BACKGROUND INFORMATION

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.

August 2018 Consensus General Fund Recurring Revenue Outlook				
(in millions of dollars)				
	FY18	FY19	FY20	FY21
2018 Session Consensus	\$6,248.6	\$6,365.1	\$6,559.6	\$6,790.7
August 2018 Adjustments	\$494.6	\$914.3	\$941.7	\$949.3
August 2018 Consensus	\$6,743.2	\$7,279.4	\$7,501.3	\$7,740.0
Annual amount change	\$857.3	\$536.2	\$221.9	\$238.7
Annual percent change	14.6%	8.0%	3.0%	3.2%

Summary

Recurring revenues for FY19 are estimated at \$7.3 billion, an increase of \$536 million, or 8 percent, from FY18. Recurring revenues for FY20 are estimated at \$7.5 billion, an increase of \$221.9 million, or 3 percent, from FY19.

These consensus revenue projections are midpoint estimates with approximately equal chance for actual revenues to come in higher or lower based on the underlying economic data and recent revenue trends. However, New Mexico has entered a period of revenues far above the 10-year trend, and the revenues are highly volatile due to their dependence on the energy industry (see *Stress Testing* on page 5).

Some caution included in prior forecasts in an attempt to partially account for tax refund claim protests is not included in this forecast due to insufficient data. However, these protests could result in general fund losses of up to hundreds of millions of dollars within a single fiscal year, exacerbating the significant risk from revenue volatility and increasing the need for substantial reserves.

“New money,” defined as projected recurring revenues for the following fiscal year less current year recurring appropriations, is estimated at an astonishing \$1.2 billion for FY20, or 18 percent growth from the FY19 recurring budget level. However, as detailed below, revenues could rapidly decline. There are fiscally prudent spending options that would shield against potential shortfalls while also providing significant additional funding for recurring and nonrecurring uses. Prior to any additional appropriations from FY19 revenues, the increase projected for FY19 would flow into reserves and create a significant buffer against possible sharp revenue declines and protect against growing, severe revenue volatility.

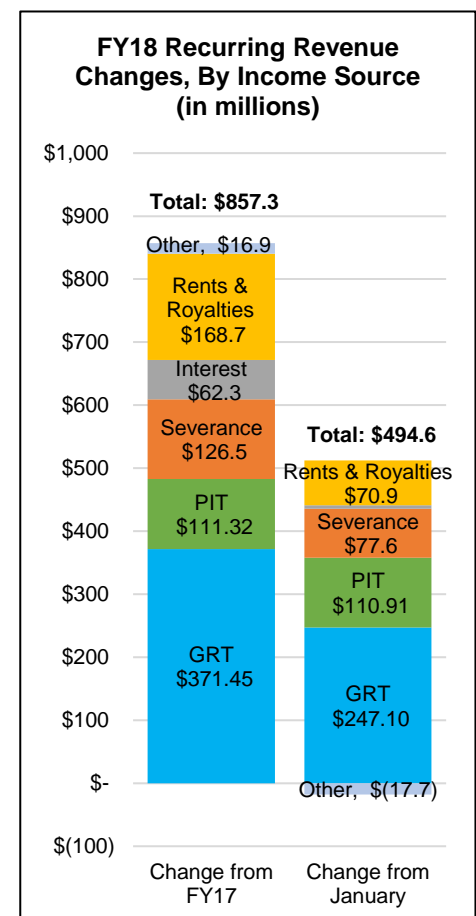
AGENCY: Consensus Revenue Estimating Group

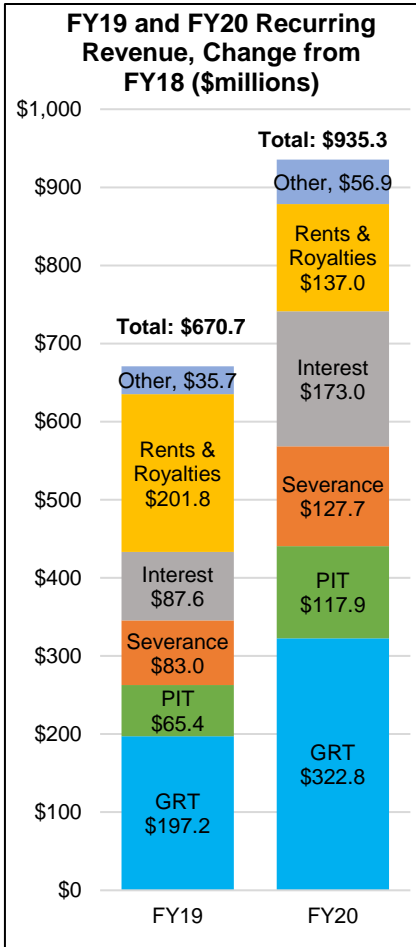
DATE: August 22, 2018
(Revised August 23, 2018)

PURPOSE OF HEARING:
General fund consensus revenue estimate

PREPARED BY: Jon Clark, Chief Economist, and Dawn Iglesias, Economist

EXPECTED OUTCOME:
Informational





LFC economists recommend a minimum of 20 percent reserves by the end of FY19 based on stress testing performed on the forecast. It would be beneficial to achieve reserve levels higher than 20 percent, continue the Legislature’s recent unwinding of fund sweeps and swaps, and begin to replenish those funds to provide another type of buffer against future revenue shortfalls.

Revenue and Budget History

Recurring general fund revenues surged in FY18, growing by an estimated 14.6 percent, a growth rate New Mexico has not seen in more than a decade. The last time the state experienced such strong growth was in FY05, also with a gain of 14.6 percent, another year in which direct energy revenues and a few other revenue sources spiked. Very similar to this forecast for the next several years, FY05 was succeeded by another year of strong revenues but with a slightly lower growth rate and then by two years of modest growth between 3 percent and 4 percent. However, revenues dropped precipitously in FY09 and FY10, declining by 11.3 percent and 9.8 percent, respectively (see Attachment 4).

Unfortunately, recurring budgets were built to incorporate a significant portion of this two-year spike in revenues, with general fund appropriation increases of 11 percent in FY08 and 6.3 percent in FY09. To maintain solvency, the state was forced to slash general fund budgets by 11.2 percent in FY10. The cuts would have been worse, but federal stimulus funds helped offset some of the shortfall that otherwise would have occurred.

New Mexico oil production value is at an all-time high and growing rapidly, making the state highly reliant on this volatile industry. When the next revenue decline occurs, it might be from a recession, another crash in the energy industry, or the impact of tax refund protest decisions against the state’s financial interests. While the next recession is highly unlikely to be as severe as the Great Recession, the impact of an energy industry crash could result in an equally severe state revenue impact. This historical event should be considered during discussion of appropriations in the 2019 legislative session as budgets are developed based on this new revenue estimate.

Forecasting Services

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 7 (page 22).

The December 2017 revenue forecast and January 2018 mid-session update were cautious due to risks the economists were aware of, particularly tax refund claim protest risks. The volume and dollar value of these claims rose rapidly in 2016 and 2017, and CREG attempted to incorporate a portion of the possible risk into the forecast; however, it has become clear that it is impossible to estimate this risk with any precision for value or timing without additional data from TRD. As a result, this forecast does not incorporate any element of tax refund protest risk, but the risk remains and threatens revenues in the current and future fiscal years. If even a small number of protests are lost by the state, it could result in general fund losses of up to hundreds of millions of dollars. This provides additional justification for substantial reserve levels and caution when increasing recurring budgets.

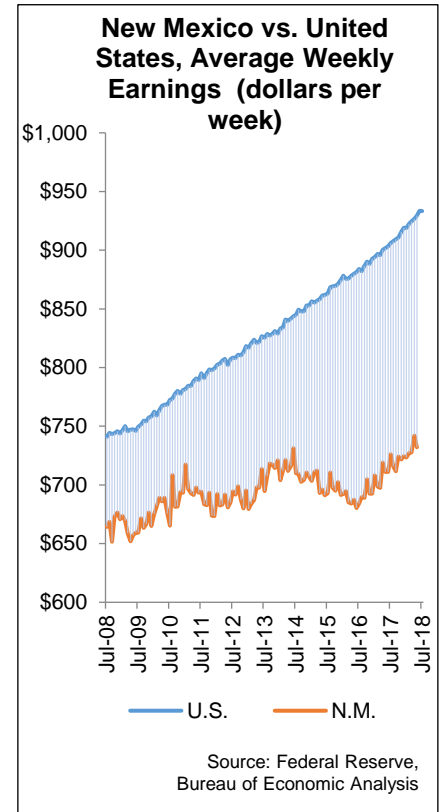
United States and New Mexico Economic Forecast

National economic indicators show increased growth in real gross domestic product (GDP) and inflation in FY18 with additional growth projected in FY19. Real GDP grew 2.7 percent, up from 1.9 percent in FY17, and is projected to grow about 3 percent in FY19. Inflation finally exceeded the Federal Reserve’s 2 percent target in FY18 and is expected to be about 2.5 percent in FY19. As a result, interest

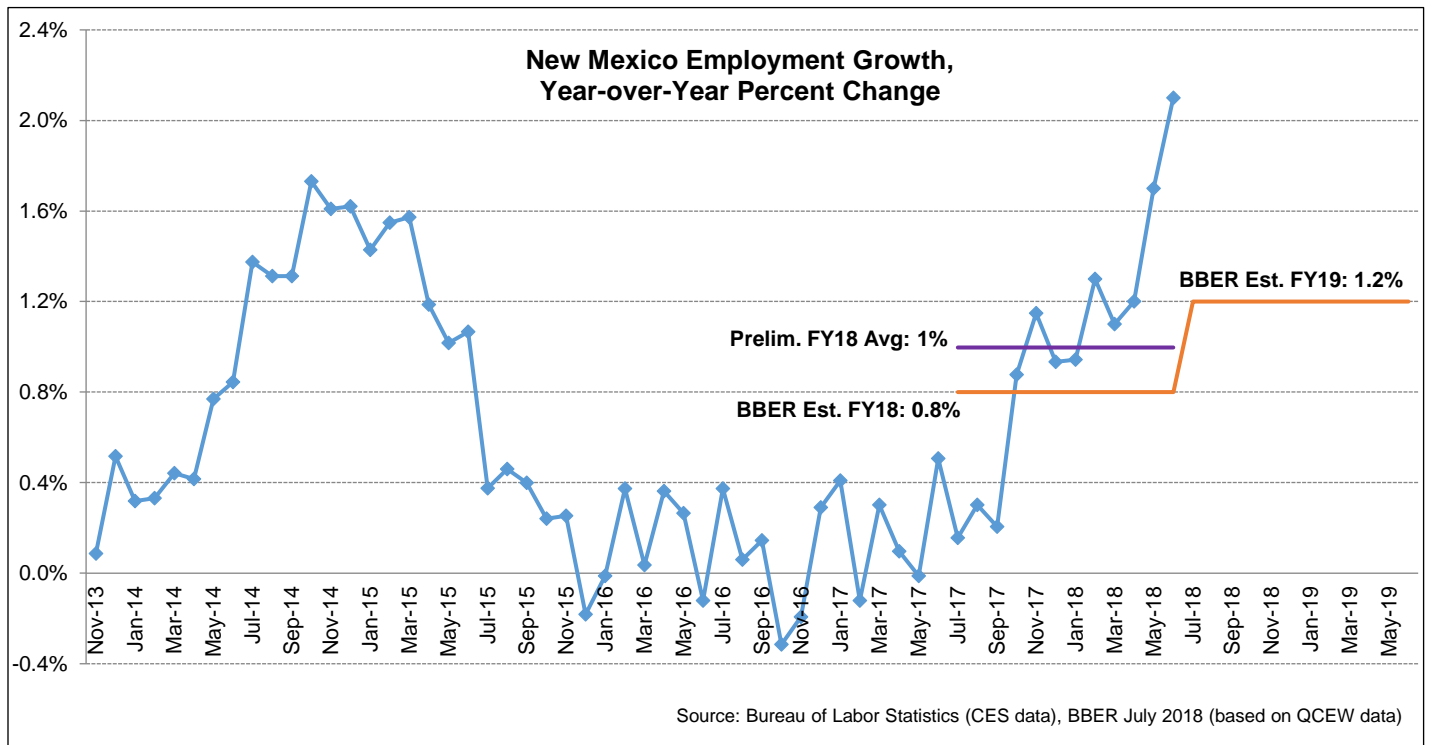
rates have gone up, with the federal funds rate raised to 1.4 percent in FY18, up from 0.6 percent in FY17, and it is projected to rise again in FY19 to about 2.5 percent.

IHS Global Insight projects consumer spending growth will continue to contribute to economic expansion, supported by improving household finances, lower personal tax rates, and gains in employment, real disposable income, and home values. The national forecast incorporates 25 percent tariffs on \$34 billion of imports from China and retaliatory Chinese tariffs of 25 percent on U.S. exports; however, IHS indicates these tariffs had little impact on projected GDP growth. Future forecasts will incorporate any additional tariffs if they occur, and U.S. officials announced consideration in August of tariffs on an additional \$200 billion in Chinese goods. The baseline national forecast does not anticipate a recession in the forecast horizon; however, IHS places a 20 percent probability of a two-quarter recession starting in the third quarter of 2019 caused by a loss in consumer confidence (see *Recession Risk* discussion on page 13).

Both Moody's Analytics and the UNM Bureau of Business and Economic Research (BBER) slightly decreased their estimates for New Mexico non-agricultural employment for FY18 and slightly increased projections for FY19. Employment growth between the two forecasting services is pegged at about 0.9 percent for FY18 and is expected to grow 1.4 percent in FY19. Moody's and BBER estimate real gross state product (GSP) for FY18 at nearly 2 percent, and BBER expects real GSP to rise by 2.5 percent in FY19 while Moody's holds the forecast flat for that year. Both forecasting services significantly increased FY18 estimates for growth in New Mexico total wages and salaries to about 2.5 percent, up from an estimated 1.6 percent in January. BBER projects another 3.8 percent growth in total wages and salaries in FY19, while Moody's projects 3.1 percent growth.



New Mexico's average weekly earnings are improving. Although they remain well below the U.S. average, New Mexico earnings have been growing at a faster rate than the U.S. average over the last year. As of April 2018, the state's average weekly earnings reached \$742, exceeding the previous peak of \$731 in June 2014.

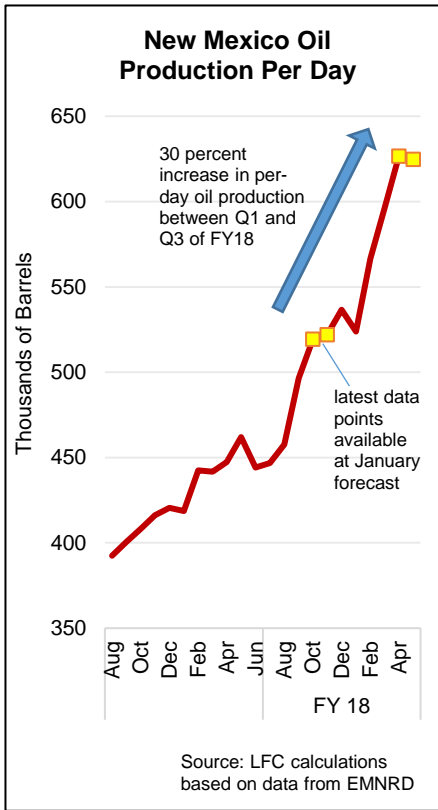


Unexpected Surge in Oil Production

In the months leading up to the January mid-session estimate, available data indicated average monthly oil production for the first quarter of FY18 was about 14 million barrels. At that time, the consensus estimates expected some continued growth throughout the fiscal year and revised the oil production estimates up to reflect about a 9.5 percent increase year-over-year. However, between March and May, monthly oil production shot up to about 18.5 million barrels, an over 30 percent increase unanticipated in the consensus estimate. The revised estimate for total oil production in FY18 is 202 million barrels, up from an estimated 167.5 million in the January forecast.

The surge in oil production was due in part to rising oil prices. In the first quarter of FY18, West Texas Intermediate (WTI) was about \$48 per barrel. By early 2018, prices topped \$65 and at times climbed above \$70. Drilling of oil and gas wells increased substantially as prices rose. Baker Hughes data indicates the state is currently averaging about 104 active rigs in August, up from an average of 73 rigs in December.

However, the increase is primarily due to technological improvements. Producers are drilling longer horizontal wells (up to two miles), completing wells faster and more efficiently, introducing water recycling programs for the fracking process, and expanding resources for trucking in other materials like frack sand. Some producers have entered into “manufacturing mode” by drilling large multi-well pads, allowing them to capitalize on economies of scale, drive down per-well costs, and leverage prices from several different drilling contractors on the same pad.

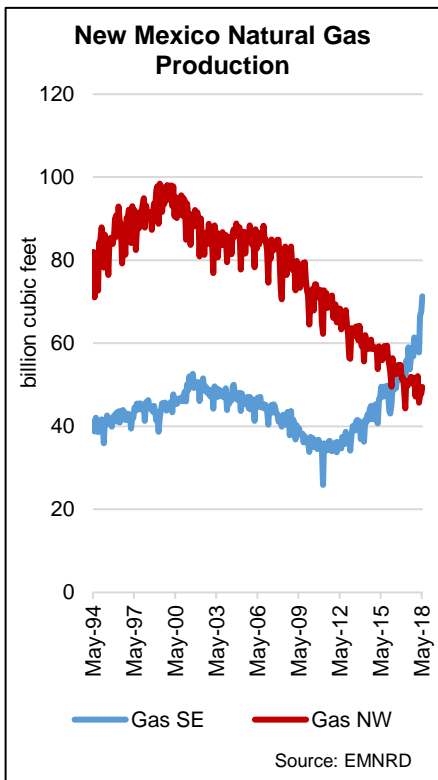


FY	2018	2019	2020
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>
Oil Price (\$/bbl)	\$54.39	\$56.00	\$57.00
Oil Volume (MMbbls)	202	245	270
Natural Gas Price (\$/mcf)	\$3.25	\$3.10	\$2.95
Natural Gas Volume (bcf)	1,300	1,381	1,415

Relatively large production gains are also expected in FY19. The consensus estimate forecasts 21 percent growth in oil production in FY19 and another 10 percent growth in FY20, based on a variety of projections from industry leaders and energy consulting services. For example, a report released by IHS Markit in July forecasted Permian Basin oil production to more than double from 2017 levels by 2023. At this rate, IHS predicts the Permian could become the third or fourth largest oil producer in the world.

In addition to surging oil production, New Mexico also saw rising natural gas production in FY18 due to increases in gas volumes from southeastern wells. Although total natural gas production has been declining since the early 2000s, volumes from southeastern wells have been continually growing since the advent of fracking. Beginning in 2017, southeastern natural gas production overtook that of the northwest. In FY17 and FY18, southeastern growth offset enough of the northwestern losses to lead to overall growth in New Mexico’s natural gas production. This trend is expected to continue throughout the forecast period.

Increased oil price expectations and rising oil production account for over 90 percent of the change in the severance tax revenues for FY18 and FY19 (see



Severance Taxes section on page 8). When combined, this alone adds over \$200 million to the forecast over these two fiscal years.

Consensus estimates for oil volumes assume New Mexico oil prices in the mid-\$50s. Should prices fall or rise substantially below or above those prices, the volume forecasts and associated revenues could significantly change (see *Stress Testing* section below).

Pipeline Capacity and Oil Price Differentials. Pipeline construction in the Permian basin has failed to keep up with recent surges in oil production. Backlogs are leading to higher oil price differentials as producers are forced to heavily discount their product and face high transportation costs to get oil to refineries. Large differentials began to appear in New Mexico oil price data in May, and by August the differential is about \$13/bbl below WTI. The consensus forecast considers a prolonged period of heavy discounts of New Mexico oil prices through the end of 2018 and into 2019 until additional pipeline capacity becomes available.

Stress Testing the Revenue Estimates

Dependence on Highly Volatile Revenue Sources

Surging oil production accounts for about 85 percent of the change in the FY18 recurring revenue amount above the January mid-session forecast. Additionally, of the \$857 million in growth in recurring revenues from FY17 to FY18, about \$550 million, or 65 percent, can be tied directly to the energy industry through severance taxes, rents and royalties, oil and gas income withholding, and gross receipts taxes. Therefore, dependence on revenues from the highly volatile energy industry adds potential, considerable variance to the forecast.

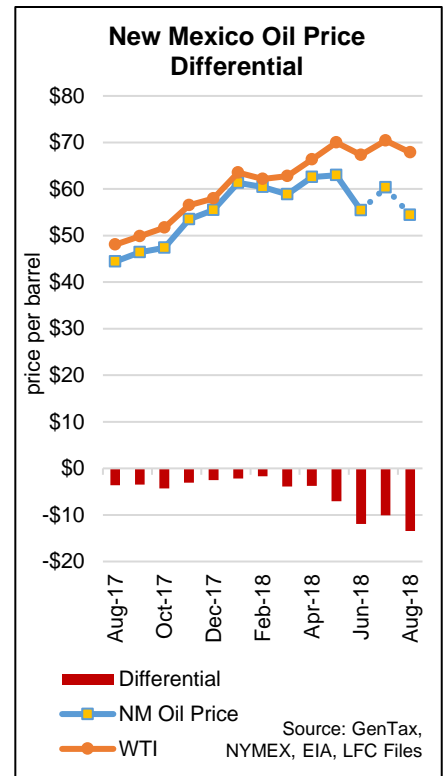
In particular, direct energy revenues could soar or plummet in FY19 and FY20 if price and production levels rise or fall. This is especially the case for oil, since oil production growth was the primary driver for growth in FY18 and the cause for significant revisions in the last two revenue estimates. As such, the total recurring revenue estimate of \$7.3 billion in FY19 and the estimated \$1.2 billion available in new money for FY20 are heavily dependent on the oil price and volume expectations in the forecast.

To illustrate this point, the economists of CREG analyzed the impact on direct energy revenues if oil prices and production expectations were to differ from the forecast. The estimated changes to direct energy revenues would significantly affect the forecasted general fund revenue and reserve levels.

While the consensus estimate includes reasonable price and production expectations based on currently available data, the oil industry is prone to sudden shocks that significantly change market conditions with little notice.

Highest Scenario. On the high end, an unexpected rise in U.S. oil prices to \$100/bbl could trigger production growth above the forecasted levels and would significantly increase the total projected value of New Mexico oil. Since severance taxes and federal royalty payments are a function of oil and gas values, revenues from these two sources would increase dramatically, adding about \$500 million to the FY19 forecast or about \$800 million to FY20.

Additionally, it has been well demonstrated that gross receipts tax (GRT) revenue from Eddy and Lea counties, as well as out-of-state GRT revenue, rise significantly



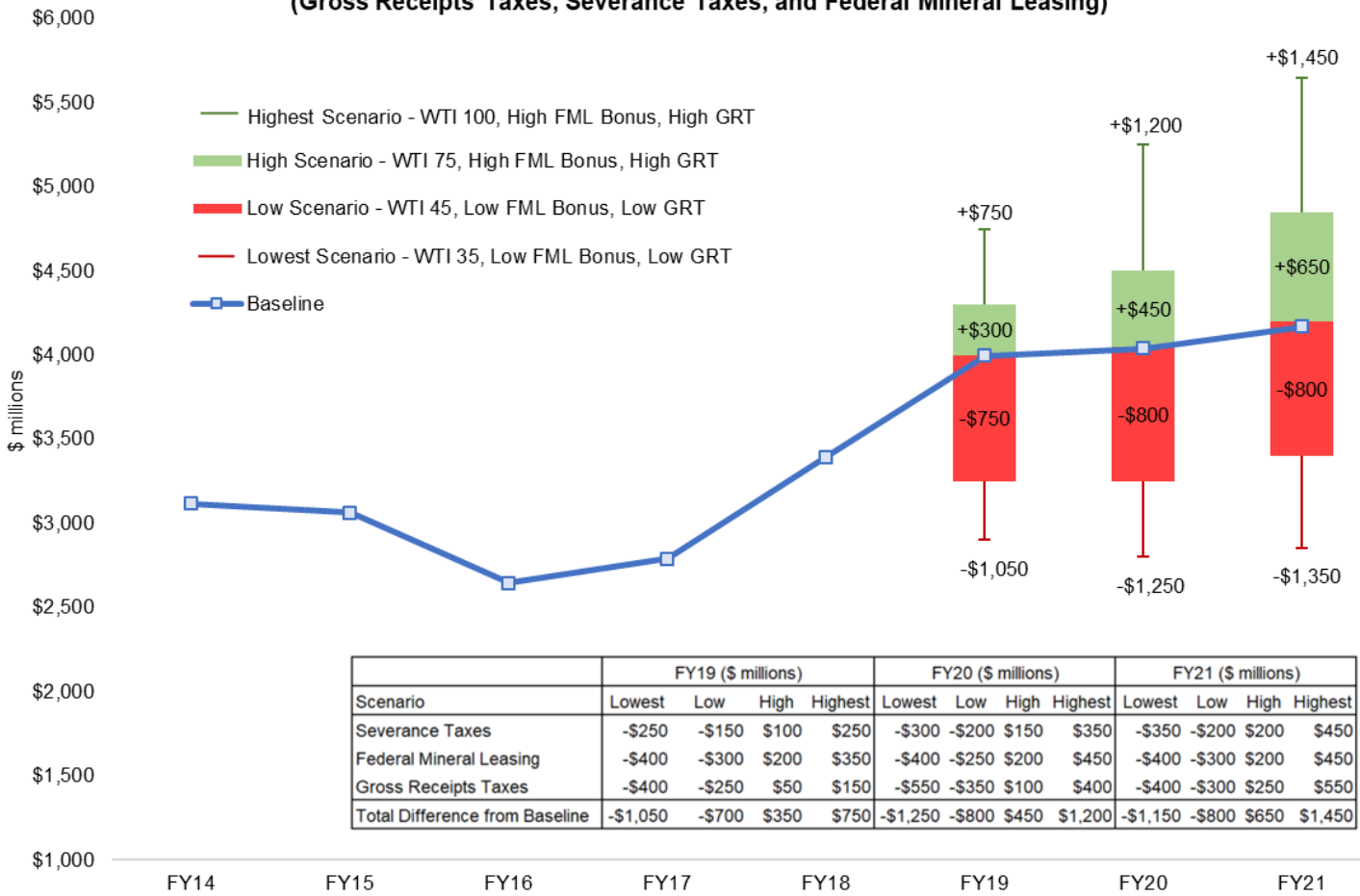
Oil and Gas Activity from Out-of-State Vendors

During the June 2018 LFC hearing, the committee requested a written response from TRD regarding whether out-of-state vendors supporting the oil and gas industry are properly reporting their GRT and personal income tax (PIT) liabilities. The concern was that improper reporting could lead to underpayment of New Mexico taxes and unfair competition with local vendors.

TRD's response focused primarily on GRT issues. The department indicated it is engaged in a compliance initiative for this industry, including informing the industry of various tax laws that apply when doing business in New Mexico.

LFC staff requested additional follow-up from TRD regarding PIT liability and compliance for out-of-state vendors living in other states but traveling to NM to work for weeks or months at a time.

Stress Testing Energy Revenues (Gross Receipts Taxes, Severance Taxes, and Federal Mineral Leasing)



Source: August 2018 Consensus Revenue Estimate, LFC Files

with energy booms. The highest revenue scenario shows the gains that could be seen if the year-over-year growth rates for the two counties and out-of-state receipts during the last half of FY18 continued unabated throughout FY19 then gradually trended down in future fiscal years to the growth rates included in the forecast. This would add about \$150 million to the forecast for FY19 and about \$400 million to FY20. In total, if WTI were to increase to \$100/bbl, the state could gain an additional \$750 million in FY19 or an additional \$1.2 billion in FY20.

Additional Stress-Test Scenarios

The more moderate high and low scenarios shown in the graph above reflect assumptions that roughly split the difference between the actual forecast and the highest and lowest scenarios. These scenarios have a greater likelihood of representing reasonable revenue boundaries for FY19, with the highest and lowest scenarios becoming more possible in FY20 and future fiscal years.

Lowest Scenario. On the low end, an unexpected drop in oil prices would send the state’s direct energy revenues into a tailspin. The scenario assumes that if WTI declined to \$35/bbl, New Mexico oil production would show little-to-no growth in FY19 and would begin to decline in FY20. This could cause the state to lose \$250 million to \$300 million in severance taxes alone. Federal royalty payments would also decline due to losses in oil production value. Additionally, the state may also receive significantly less revenue in bonus payments for lease sales of federal land, as falling prices could signal operators to pullback on investments.

In the lowest scenario, GRT revenues from Eddy and Lea counties and out-of-state receipts plunge down near the level seen at the depth of the oil industry crash in 2016. FY19 is partially insulated from the impact since nearly two months are complete and some spending decisions for following months have already been made. However, a severe impact could cause a sharp decline as the fiscal year continues and then hit FY20 in its entirety. After that, the scenario assumes only slight growth moving forward.

With each of these impacts combined, if WTI were to decline to \$35/bbl, the state could lose nearly \$1.1 billion in direct energy revenues in FY19 or nearly \$1.3 billion if this occurred in FY20.

Trend Analysis

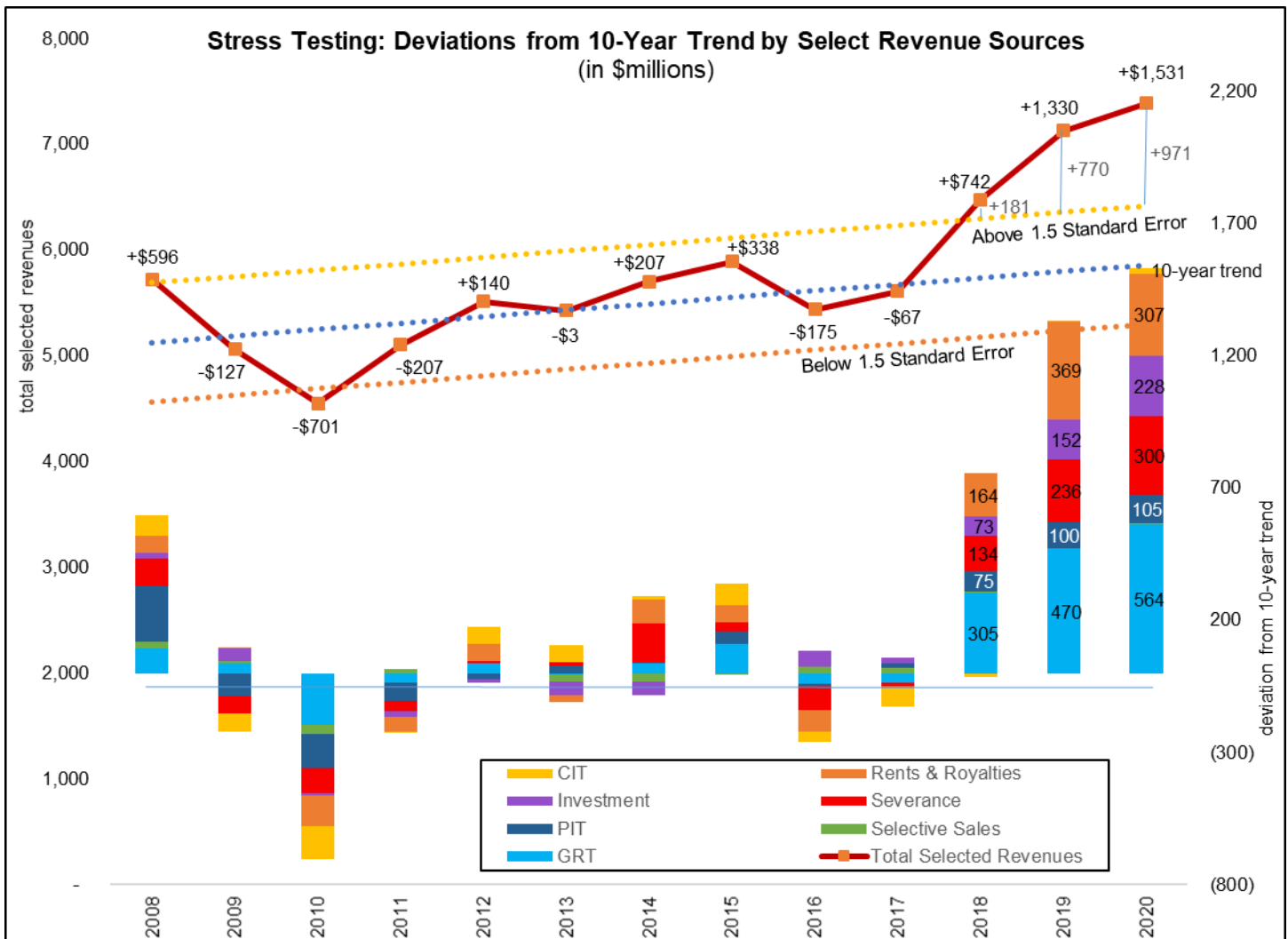
In addition to reviewing potential impacts from changes in highly volatile revenue sources, CREG economists calculated a 10-year trend for revenue collection by major tax type and then compared current revenue estimates with the trend to determine the sustainability of current growth rates.

Linear trend models are a simplistic forecasting technique that uses historical data to predict future outcomes. These models can identify cyclical variations, such as business cycles that consist of a period of prosperity followed by periods of recession and then recovery. Recessionary periods will fall below long-term trend lines, while periods of prosperity are above the long-term trend line.

The following analysis looks specifically at New Mexico’s major sources of revenue: sales taxes, income taxes, severance taxes, investment income, and rents and royalty payments. Using actual revenue data from these sources for FY08 to FY17, a 10-year trend line is established then carried forward through FY20, demonstrating what FY18 through FY20 revenues would look like if they followed the same pattern as the last 10 years. It also illustrates how far current and projected

Standard Error

Standard error is a statistical method of calculating how far the data tends to deviate from the trend line. It is a way of measuring the variability of the revenues.



revenues deviate from the trend, both as individual revenue sources and when totaled together.

Stress Testing in Other States

The Utah Legislature requires legislative and executive analysts to report on revenue volatility in an attempt to manage long-term revenue fluctuations, avoid committing short-term gains to long-term obligations, and assure Utah has adequate and justifiable resources in reserve. When revenue estimates are above trend, Utah must use some of the surplus to restore specified fund withdrawals and maintain reserves.

Minnesota evaluates its revenue volatility and is one of four states to require periodic evaluations to ensure savings targets are adequate. The state's current savings target is the amount deemed necessary to cover 90 percent of all possible downturn scenarios.

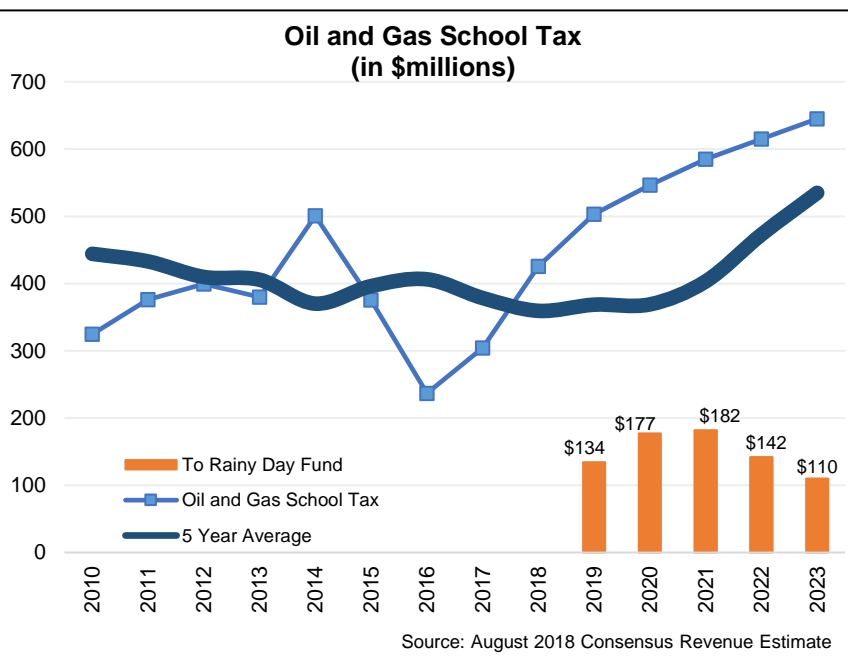
The bar chart represents how far each individual revenue source deviates from its 10-year trend. For example, the light blue bars represents GRT revenue, and in FY18 it was \$305 million above the prior 10-year trend. When each of the major revenue sources are totaled together, as illustrated by the red line, the outcome is FY18 revenues that are \$742 million above trend. Projected revenues for FY20 are \$1.5 billion above trend.

General Fund Revenue Forecast

Severance Taxes

The continued surge in oil production accounts for nearly all of the increase in severance tax and rents and royalty income projections for FY18 and FY19. New Mexico is on track to produce 202 million barrels of oil in FY18, with oil prices this tracking at \$54.39 per barrel. The consensus estimate expects another 21 percent increase in oil production in FY19, with average New Mexico oil prices estimated at \$56 per barrel.

New Mexico is on track to collect a total of \$468 million in severance taxes in FY18. In FY19, the state is expected to generate \$551 million in severance tax revenues, above the January estimate of \$410.9 million. Of the FY19 amount, CREG expects \$416.6 million to flow to the general fund, with the remainder flowing to the state's rainy day fund as the provisions of Chapter 3, Laws 2017 (House Bill 2) of the 2017 special session take effect. This legislation provided for



a distribution of revenue from the oil and gas emergency school tax in excess of the five-year average to flow to the tax stabilization reserve, the state's rainy day fund. The consensus forecast estimates the law's provisions will send \$134.5 million to the rainy day fund in FY19. If the forecasts hold, this provision will send another \$177 million to reserves in FY20.

In the event of an oil price downturn or unrealized expectations of oil production gains, reserved revenues will help protect the state against painful budget cuts. The Legislature may want to consider taking similar measures for revenues from oil and gas rents and royalties, perhaps by sending revenues from federal mineral leasing (FML) payments in excess of the three- or five-year average to reserves.

Rents and Royalties

Revenues for oil and gas bonuses on state lands grew substantially in FY18, with general fund income from the State Land Office totaling \$111.8 million. Much of the strength in bonus payments was due to the leasing of prime land parcels in the Permian basin, many of which are now leased for the next five years. It is unclear

whether the state can continue to expect such high oil and gas bonuses revenue in future years.

Upward revisions to oil price and volumes increased estimates for FML payments, which are largely based on the value of oil and gas production. The forecast brings total FML payments for FY18 to \$564.1 million, up nearly 30 percent from last year. CREG also significantly increased its expectations for FML payments in FY19, up \$295 million from the January forecast. Part of the increase is associated with rising oil and gas prices and production; however, a large portion is due to an expected surge in bonus payments for federal land sales scheduled in September 2018 and December 2018.

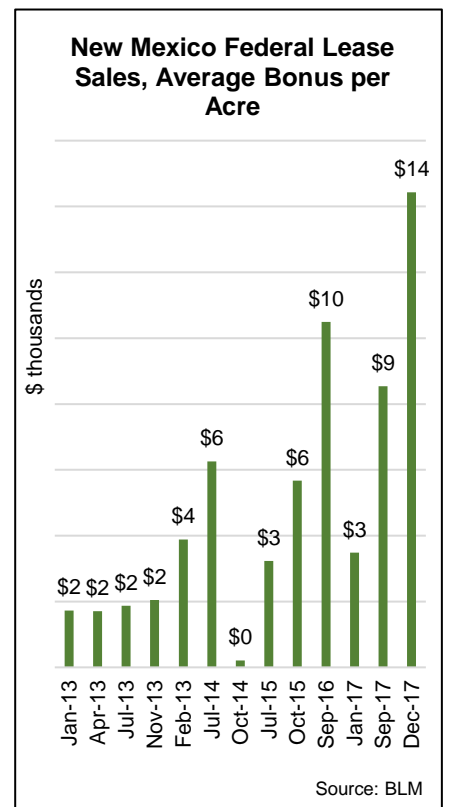
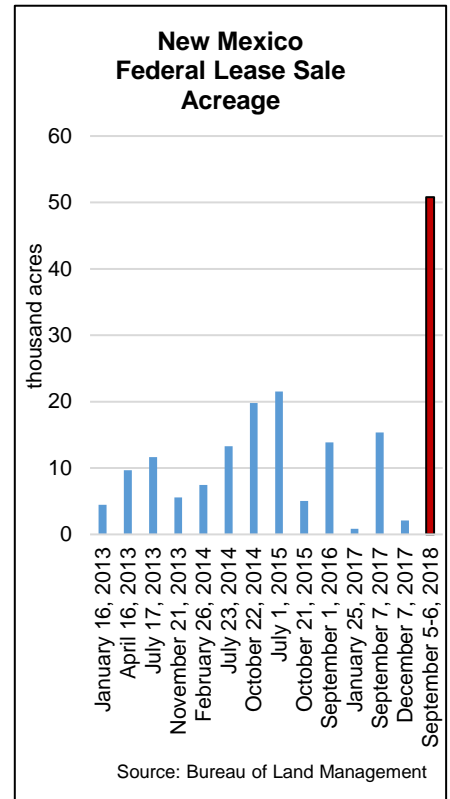
The Bureau of Land Management (BLM) indicates over 50,000 acres are scheduled for the September 2018 lease sale, the majority of which are located in the Permian basin. This represents the largest lease sale in over a decade. An additional 47,000 acres in the Permian were nominated for the December 2018 lease sale.

Average bonus payments per acre have also increased substantially in the last few years. The average bonus per acre prior to 2010 was \$393. From 2011 to 2013, the average bonus payment per acre increased to \$2,263, and since 2014, the average rose to \$6,242/acre. To put this in perspective, the September 2017 lease sale was for 15,000 acres primarily in Eddy and Lea counties, in which the bonuses were valued at over \$8,000 per acre and generated \$65 million for New Mexico. The September 2016 sale for nearly 14,000 acres generated over \$70 million for the state. In FY19, BLM could potentially lease six times this amount of acreage within the state.

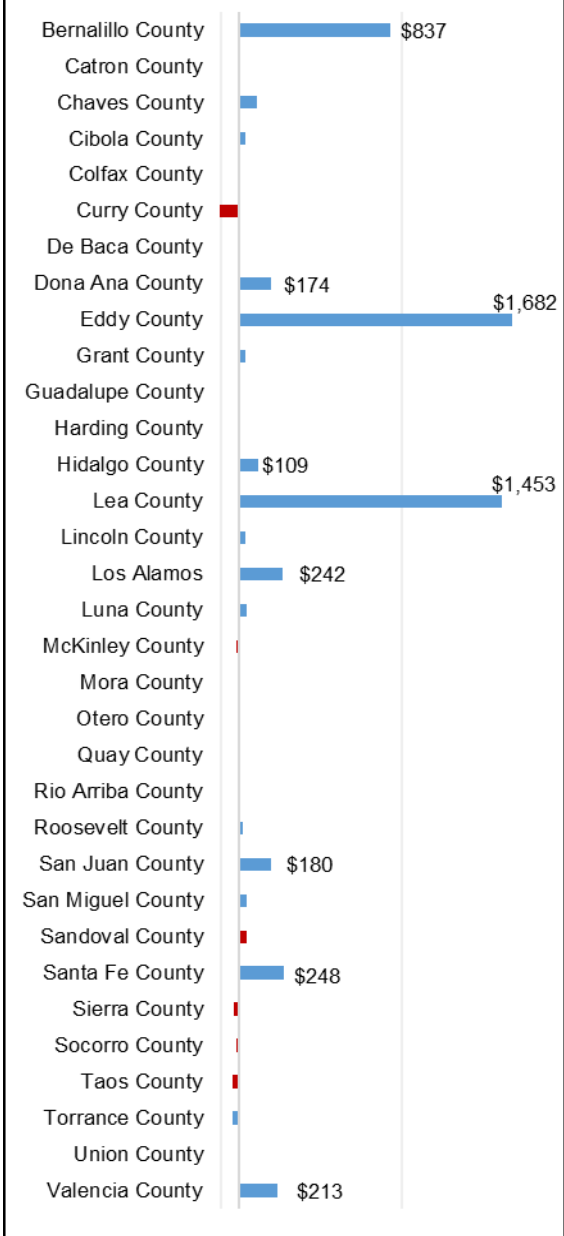
Using historical data on the average bonus payment per acre and knowledge of the available acreages in the upcoming September and December sales, the consensus forecast estimates New Mexico will receive about \$200 million in bonus payments in FY19. However, it is unclear exactly how much revenue the state will receive, as actual bonus payments could land significantly above or below historical averages. The uncertainty represents considerable risk on both the upside and downside for this single revenue source and has potential to swing the revenue estimates by hundreds of millions of dollars (see *Stress Testing* section above for discussion).

Large Gains from Lease Sale Revenues Likely Nonrecurring. While federal lease sales for New Mexico land occur every year, the available acreage and associated revenues from these sales varies and is heavily dependent on market conditions at the time. The large revenue gains expected in the FY19 lease sale appear unlikely to continue, and the CREG forecast assumes FY20 sales will look more like those of the last two years (averaging about \$75 million) before reverting toward historical norms in FY21 and beyond. Federal leases are issued for a 10-year period, so once prime land has been leased it will not be available again for some time.

Additionally, the state experienced months-long delays in both FY17 and FY18 in receiving lease sale revenues due to protests, and a protest for the September 2018 sale has already been filed despite the sale having not yet taken place. Depending on the outcome of any protests, it is possible payments to the state could be pushed into a later fiscal year or significantly reduced.



**Matched Taxable Gross Receipts
by County, Year-over-Year
Amount, July 2017 - May 2018
(in millions)**



Wayfair

The recent U.S. Supreme Court *Wayfair* decision gives states permission to tax out-of-state sellers with no physical presence in the state, breaking with a prior longstanding ruling. However, most states, including New Mexico, will need to make statutory changes to take full advantage of the ruling and capture this large and growing loss to the tax base. Applying the state-level tax increment may be relatively straightforward, but it could be challenging to apply local government GRT increments on these sellers, which would likely require restructuring how the tax is imposed on all sellers.

Gross Receipts Taxes

The significant majority of the revenue increase in this forecast from prior forecasts is attributed to the oil and gas sector, in particular receipts from Eddy and Lea counties and out-of-state receipts. The out-of-state figure is receipts for goods sold into New Mexico for which there is no reporting location. Tax revenues from Amazon and select other online sellers fall into this category, but much of the revenue base, and increase, appears to be related to oil and gas drilling activities. These revenues, along with those from the two counties, are rising at a remarkable rate, with Eddy and Lea county matched taxable gross receipts (MTGR) rising by 58 percent and 46 percent year-over-year, respectively. Out-of-state MTGR grew by 29 percent over the same period.

Compared with the growth rates above, most of the rest of New Mexico experienced little growth overall, but Bernalillo County experienced a moderate rise of 6 percent growth in MTGR in FY18, the highest level of growth since the recession. Some of this growth was one-time impacts from nonrecurring construction activity and amended filings by taxpayers, but a lower level of growth should persist due to rising wages and inflation along with employment growth that recently exceeded the national average.

The remainder of New Mexico has a few other minor bright spots for growth but combined provide little boost to GRT revenues. After accounting for rising inflation rates, GRT revenue changes from many counties may provide a drag on the spending power of state revenues. In fact, for July 2017 through May 2018, the latest month for which detailed data was available in time for the forecast, 12 counties experienced year-over-year declines in MTGR.

Statewide through May, the mining industry dominated MTGR growth by industry, growing by 108 percent year-over-year. This added \$2.2 billion to total MTGR, or one-third of all MTGR growth. Retail trade grew by \$843 million, construction by \$715 million, and wholesale trade by \$678 million. The majority of the construction growth occurred in the Albuquerque metro area with Eddy and Lea counties representing nearly all of the remaining growth. Virtually all of the growth in mining occurred in Eddy and Lea counties and out-of-state, and most of the growth in retail and wholesale trade also occurred in those areas, demonstrating the direct support to the mining industry from other industries and the indirect economic effects of the energy boom in those counties (see Attachment 10 on page 25).

As part of the GRT revenue forecast, CREG incorporated the impact of the recent award of the prime management contract of Los Alamos National Laboratory to Triad National Security, LLC. Triad is made up of three owners, all nonprofit organizations, and the company announced it would file for tax-exempt status with the Internal Revenue Service. If it receives this status, and currently there appear to be no obstacles, Triad will be eligible for a GRT exemption and deduction for receipts of the company and sales to the company. Some of the tax burden would shift to subcontractors, so the state and local governments would not lose all revenue received from the current for-

profit contractor, but some would be lost. While TRD cannot comment on tax payments by an individual taxpayer, and therefore CREG cannot release a specific estimate, LFC economists previously estimated the loss to the general fund at \$25 million to \$30 million annually.

Investment Earnings

Permanent Funds. Strong investment returns in 2017 increased the five-year rolling average of the year-end balance for the land grant permanent fund (LGPF) and severance tax permanent fund (STPF), leading to over \$45 million in additional revenue distributions annually from the LGPF and an additional \$10 million annually from the STPF. In FY18, the LGPF contributed about \$585 million to the general fund for public schools, and the distribution is expected to grow to over \$700 million by FY21. The STPF distributed \$210 million in non-earmarked revenue to the general fund in FY18.

The rising value of oil production in the state appears on track to generate over \$800 million in royalty contributions to the LGPF in 2018, a potentially record-breaking annual amount. If the State Investment Council meets its return target of 7 percent for the year, this combined with large royalty contributions could bring the value of the LGPF to \$18.5 billion by the end of 2018.

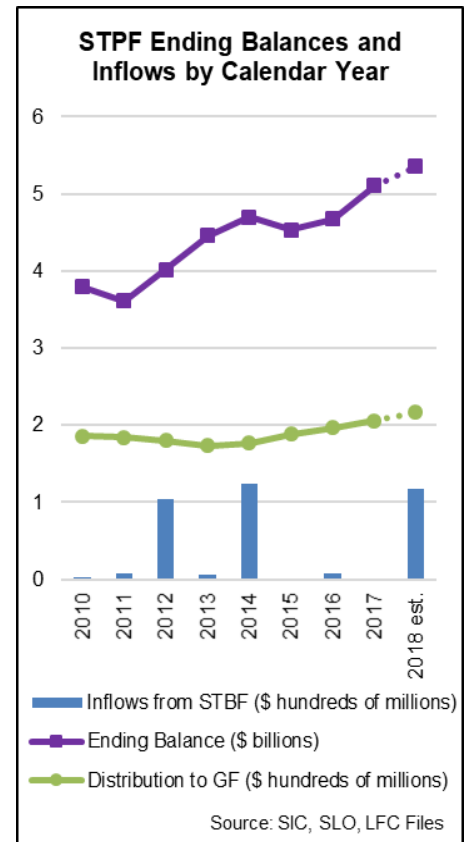
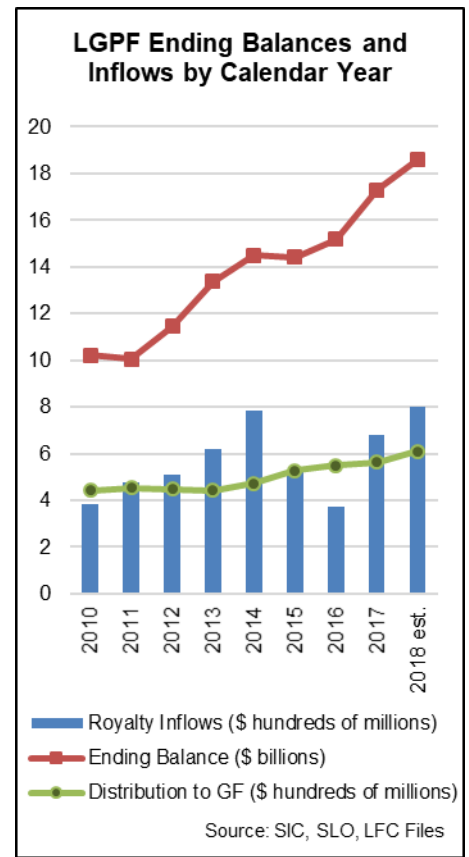
In 2018 to date, \$117 million has been transferred to the STPF from the severance tax bonding fund, up from the mere \$38 dollars transferred to the fund in 2017. As of June 20, 2018, the STPF was valued at about \$5.2 billion, but the fund faces growth challenges as the majority of revenues from the severance tax are used for debt service on severance tax bonds.

State Treasurer’s Office. The revenue forecast for interest earnings on general fund balances held by the state treasurer increases slightly for FY18 compared with the prior forecast and then rises rapidly in FY19 and FY20. This reflects the impacts of a rising interest rate environment and the sharp increase in balances during FY18 on which interest may be earned. General fund balances reached a low point of \$828 million during the depth of the state’s recent fiscal crisis but rose to \$2.8 billion by the end of FY18 (see Attachment 12 on page 27).

Insurance

Recurring insurance revenues fell in FY18 following a decision by the Office of Superintendent of Insurance (OSI) to cease allowing companies to carry forward overpayments into future tax years. OSI required overpayments for the current and prior years to be applied entirely against FY18 liabilities and refunded if payments were in excess of liability when companies made “true-up” calculations for the 2017 tax year in their filings that were accrued as February 2018 revenues. Revenues should increase nearly back to prior levels for FY19 and then grow closely with the blended rate of inflation for insurance premiums.

In addition to the recurring revenues, the general fund received \$42.9 million in nonrecurring insurance revenues in FY18 as a result of the special audit and the investigation conducted in coordination with the state auditor and attorney general, respectively. This revenue was moved into the nonrecurring revenue line because it belonged to many prior fiscal years from nonpayment and underpayment of premium taxes.



Determining the Effects of Legislative Changes to CIT

Chapter 160, Laws 2013 (House Bill 641) made several changes to the corporate income tax code, the most notable of which were phased-in rate reduction and single sales factor apportionment.

An analysis by TRD for tax year 2015 suggested the effects of HB641 resulted in about \$27.3 million less tax revenue due to the state, with about \$6.6 million attributable to firms' ability to make special elections as either a manufacturer or a headquarters entity and about \$20.6 million attributable to the CIT rate reduction. However, it is unclear how this translates to revenue impacts on a fiscal year basis.

Additional analysis by TRD is needed to better determine the impacts of this legislation.

Corporate Income Tax

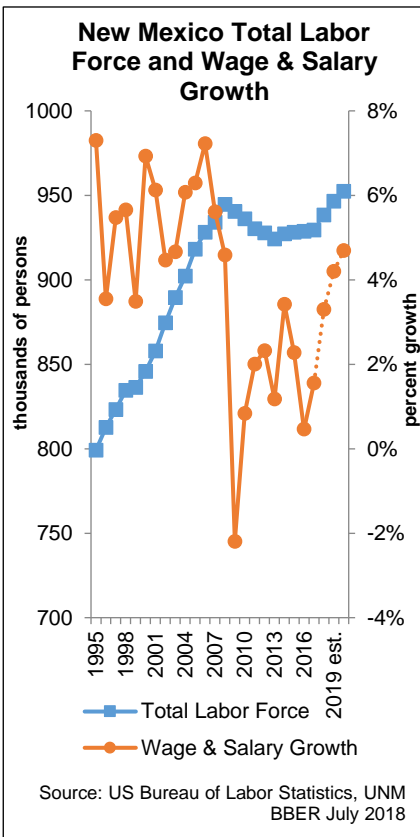
Revenues for the corporate income tax (CIT) are on track to end FY18 at \$110 million, up from \$70.2 million in FY17 but still below the \$118.5 million generated in FY16 and the average \$240 million generated annually between FY13 and FY15. CIT is a highly volatile revenue source for most states, as revenues depend on corporate profitability, the complex relationship between tax years and fiscal years, amendments for up to 3 prior years, and corporate overpayments that can be credited against future liability.

Personal Income Tax

Revenues for the personal income tax (PIT) are tracking at nearly \$1,460 million for FY18, and with end-of-year adjustments, CREG estimates final PIT revenues to be \$1,492 million. This represents an 8.1 percent increase from the previous fiscal year. A sizeable portion of this strength ties to the energy boom, as withholding of oil and gas payments to interest owners based on product value came in about \$40 million above the January forecast.

Additionally, income tax withholding ticked up in the latter part of FY18 as the state's withholding tables were updated to reflect federal tax reform changes in the Tax Cuts and Jobs Act (see *Federal Tax Reform* discussion below). TRD estimates the state will gain about \$54 million annually beginning in FY19 in additional revenue due to federal tax reform impacts. A portion of this annual amount would have been received in the latter part of FY18, and the estimate appears on par with PIT revenue tracking, as income tax withholding for FY18 is tracking about \$24 million above the January forecast before any year-end adjustments.

BBER's forecast indicates New Mexico's total wages and salaries will grow about 3.8 percent in FY19. This growth, combined with the \$54 million TRD estimates for TCJA impacts, led the consensus group to revise the PIT revenue estimate for FY19 up by about \$149 million from the January forecast, reflecting 4.4 percent growth above FY18. An additional 3 percent growth in PIT revenue is expected in FY20, bringing the total PIT estimate for that year to about \$1.6 billion.



Federal Tax Reform

For tax years beginning in 2018 and beyond, the federal Tax Cuts and Jobs Act (TCJA) tax reform package nearly doubled the standard deduction amount for all filers and reduced the personal exemption to zero. New Mexico largely conforms to or “piggybacks” off federal personal income tax filings, and certain federal changes such as these lead to automatic taxation changes at the state level. The table below shows these changes to prior law made by the TCJA.

	Prior Law Deduction	New Law Deduction	Current Personal Exemption	New Personal Exemption
Single	\$6,350	\$12,000	\$4,150 (per exemption)	\$0
Married Filing Joint	\$12,700	\$24,000		
Head of Household	\$9,350	\$18,000		

For these two particular federal changes, the increased standard deduction creates a benefit to the taxpayers but a cost to the state, while elimination of the personal

exemption means the state can no longer piggyback off that provision, creating a cost to the taxpayers but a benefit to the state. This results in effective tax cuts or tax increases for different groups of individuals, but the people who would be most likely to see tax increases would be those with multiple dependents (e.g. children). After significant analysis, TRD determined the overall general fund revenue impact will be an increase of \$54 million annually from TCJA.

Recession Risk

Both economic forecasting services used by CREG assume less than a 50 percent chance of a recession in any given year and therefore do not include any recessionary risk in their baseline economic forecasts. These baseline forecasts are the underpinnings for the revenue forecast, so that risk is similarly excluded from the revenue projections.

However, a recent survey by *The Wall Street Journal* of dozens of economists showed 59 percent expect the current economic expansion to end in 2020, and an additional 22 percent expect the end in 2021. Without a reasonable methodology to account for this risk and the discrepancy in the projections by different economist groups, there was no way to incorporate it into the forecast.

Despite this, it would be a phenomenal occurrence for the next recession not to occur within the forecast period, and the state's insurance against this risk would be high reserve levels and other fiscal buffers combined with reasonable growth in recurring budgets.

General Fund Financial Summary

The summary shown on Attachment 2 (page 14) illustrates the impact of the August 2018 revenue estimates on reserve levels. Revenues are expected to exceed expenditures in FY18 by \$607.7 million. Total ending balances are projected at \$1.1 billion, or 18.3 percent, for FY18. New money is estimated at \$1.2 billion, or 18 percent, more than FY19 recurring appropriations.

Due to the striking revenue volatility and risks, 20 percent or greater reserve levels would act as a resource for significant, unexpected revenue shortfalls. Absent any additional appropriations from FY19 revenues, this forecast projects the operating reserve (a buffer against minor annual declines from the forecast) will exceed 8 percent of recurring appropriations at the end of fiscal years 2018 and 2019. This will cause reserves in excess of that level to flow into the tax stabilization reserve (the rainy day fund buffer for more severe revenue shortfalls) by statute (see Attachment 6 on page 21), leading to 23.4 percent reserves in that fund by the end of FY19.

Business Tax Credits

TRD's GenTax software has not enabled the agency to regularly pull reliable reports on the value of claimed business tax credits due to duplicate entries appearing if a claim is amended. It is not clear if or when TRD will be able to resolve this issue to provide reliable credit data to the public on an ongoing, timely basis.

Risk from Tax Refund Claim Protests

CREG determined currently available tax refund claim protest data is insufficient to estimate the value or timing of the risk. TRD provided some useful data over the last year, but without additional data, this risk cannot be reasonably incorporated into the revenue forecast at this time.

A history of the dollar value of the protests decided in favor of the state versus the taxpayer would be especially helpful for forecasting purposes. This data was requested by LFC staff, and TRD told the committee at a hearing in April it would supply the requested data within one week, but four months later the agency has not supplied any additional information.

Despite the lack of ability to properly estimate the value of this risk, it remains a clear danger to revenues in the current and future fiscal years and could result in general fund losses of up to hundreds of millions of dollars, exacerbating the significant risk from revenue volatility.

General Fund Consensus Revenue Estimate August 2018

Revenue Source	FY17	FY18					FY19					FY20				
	Dec 2017 Actual	2018 Session Update Adj. for Legis	Aug 2018 Prelim. Actual	Change from Prior	% Change from FY17	\$ Change from FY17	2018 Session Update Adj. for Legis	Aug 2018 Est.	Change from Prior	% Change from FY18	\$ Change from FY18	2018 Session Update Adj. for Legis	Aug 2018 Est.	Change from Prior	% Change from FY19	\$ Change from FY19
Base Gross Receipts Tax	2,169.2	2,317.0	2,557.7	240.7	17.9%	388.5	2,331.6	2,751.1	419.5	7.6%	193.4	2,403.4	2,873.1	469.7	4.4%	121.9
60-Day Money & Other Credits	(33.0)	(53.9)	(53.9)	-	63.3%	(20.9)	(53.9)	(53.9)	-	0.0%	-	(53.9)	(53.9)	-	0.0%	-
F&M Hold Harmless Payments	(122.7)	(125.2)	(118.8)	6.4	-3.2%	3.9	(120.3)	(115.0)	5.3	-3.2%	3.8	(115.5)	(111.4)	4.1	-3.1%	3.6
NET Gross Receipts Tax	2,013.5	2,137.9	2,385.0	247.1	18.4%	371.5	2,157.4	2,582.2	424.8	8.3%	197.2	2,234.0	2,707.8	473.8	4.9%	125.5
Compensating Tax	48.5	53.5	57.0	3.5	17.5%	8.5	57.8	70.0	12.2	22.8%	13.0	61.3	70.0	8.7	0.0%	-
TOTAL GENERAL SALES	2,062.1	2,191.4	2,442.0	250.6	18.4%	379.9	2,215.2	2,652.2	437.0	8.6%	210.2	2,295.3	2,777.8	482.5	4.7%	125.5
Tobacco Taxes	77.9	79.4	79.3	(0.2)	1.7%	1.4	77.8	77.6	(0.2)	-2.1%	(1.7)	76.4	76.2	(0.2)	-1.8%	(1.4)
Liquor Excise	7.4	23.5	23.9	0.4	223.8%	16.5	24.2	25.2	1.0	5.4%	1.3	21.5	23.0	1.5	-8.7%	(2.2)
Insurance Taxes	227.5	232.4	201.0	(31.4)	-11.6%	(26.5)	242.3	217.7	(24.6)	8.3%	16.7	253.2	234.6	(18.6)	7.8%	16.9
Fire Protection Fund Reversion	18.7	17.8	17.8	-	-4.7%	(0.9)	18.3	18.3	-	2.8%	0.5	18.9	18.9	-	3.0%	0.6
Motor Vehicle Excise	145.2	150.3	154.0	3.7	6.0%	8.8	148.7	151.7	3.0	-1.5%	(2.3)	152.4	154.9	2.5	2.1%	3.2
Gaming Excise	59.5	59.6	61.5	1.9	3.3%	2.0	58.6	61.8	3.2	0.4%	0.3	59.2	63.1	3.9	2.2%	1.4
Leased Vehicle & Other	7.3	7.6	9.0	1.4	24.1%	1.8	7.7	8.0	0.3	-11.1%	(1.0)	7.7	8.0	0.3	0.0%	-
TOTAL SELECTIVE SALES	543.4	570.6	546.5	(24.2)	0.6%	3.0	577.6	560.2	(17.4)	2.5%	13.8	589.3	578.7	(10.6)	3.3%	18.4
Personal Income Tax	1,380.7	1,381.1	1,492.0	110.9	8.1%	111.3	1,408.7	1,557.4	148.7	4.4%	65.4	1,434.6	1,604.4	169.9	3.0%	47.1
Corporate Income Tax	70.2	105.0	110.0	5.0	56.8%	39.8	110.0	110.0	-	0.0%	-	115.0	115.5	0.5	5.0%	5.5
TOTAL INCOME TAXES	1,450.8	1,486.1	1,602.0	115.9	10.4%	151.2	1,518.7	1,667.4	148.7	4.1%	65.4	1,549.6	1,719.9	170.4	3.2%	52.6
Oil and Gas School Tax	304.3	352.7	426.6	73.9	40.2%	122.3	354.6	368.6	14.0	-13.6%	(58.0)	331.1	369.0	37.9	0.1%	0.4
Oil Conservation Tax	17.4	18.3	22.2	3.9	27.8%	4.8	19.2	26.3	7.1	18.5%	4.1	19.8	28.6	8.8	8.7%	2.3
Resources Excise Tax	9.6	9.3	8.5	(0.8)	-11.9%	(1.1)	9.0	7.3	(1.7)	-14.1%	(1.2)	9.0	7.1	(1.9)	-2.7%	(0.2)
Natural Gas Processors Tax	10.3	10.2	10.8	0.6	5.0%	0.5	12.6	14.4	1.8	33.2%	3.6	12.2	14.0	1.8	-3.3%	(0.5)
TOTAL SEVERANCE TAXES	341.6	390.5	468.1	77.6	37.0%	126.5	395.4	416.6	21.2	-11.0%	(51.5)	372.1	418.7	46.6	0.5%	2.0
LICENSE FEES	53.3	54.2	62.2	8.0	16.6%	8.9	55.4	55.1	(0.3)	-11.4%	(7.1)	56.7	55.7	(1.0)	1.1%	0.6
LGPFF Interest	541.6	584.9	584.9	-	8.0%	43.4	633.6	632.6	(1.0)	8.2%	47.7	675.6	678.6	3.0	7.3%	46.0
STO Interest	(3.2)	-	5.8	5.8	-279.6%	9.0	8.4	35.5	27.1	512.1%	29.7	29.2	66.5	37.3	87.3%	31.0
STPF Interest	200.4	210.4	210.4	-	5.0%	10.0	220.6	220.6	(0.0)	4.8%	10.2	228.0	229.0	1.0	3.8%	8.4
TOTAL INTEREST	738.8	795.3	801.1	5.8	8.4%	62.3	862.6	888.7	26.1	10.9%	87.6	932.9	974.1	41.2	9.6%	85.4
Federal Mineral Leasing	435.7	510.0	564.1	54.1	29.5%	128.4	520.0	815.0	295.0	44.5%	250.9	537.8	750.0	212.2	-8.0%	(65.0)
State Land Office	71.5	95.0	111.8	16.8	56.4%	40.3	55.0	62.7	7.7	-43.9%	(49.1)	55.0	62.9	7.9	0.3%	0.2
TOTAL RENTS & ROYALTIES	507.2	605.0	675.9	70.9	33.3%	168.7	575.0	877.7	302.7	29.9%	201.8	592.8	812.9	220.1	-7.4%	(64.8)
TRIBAL REVENUE SHARING	62.7	64.8	65.0	0.2	3.6%	2.3	73.1	74.0	0.9	13.8%	9.0	74.7	74.8	0.1	1.1%	0.8
MISCELLANEOUS RECEIPTS	49.5	50.7	43.4	(7.3)	-12.3%	(6.1)	52.1	47.4	(4.7)	9.2%	4.0	56.3	48.8	(7.5)	3.0%	1.4
REVERSIONS	76.5	40.0	37.0	(3.0)	-51.6%	(39.5)	40.0	40.0	-	8.1%	3.0	40.0	40.0	-	0.0%	-
TOTAL RECURRING	5,885.9	6,248.6	6,743.2	494.6	14.6%	857.3	6,365.1	7,279.4	914.3	8.0%	536.2	6,559.6	7,501.3	941.7	3.0%	221.9
TOTAL NONRECURRING	575.7	65.5	65.5	-	-88.6%	(510.2)	-	-	-	-100.0%	(65.5)	-	-	-	n/a	-
GRAND TOTAL	6,461.6	6,314.1	6,808.7	494.6	5.4%	347.1	6,365.1	7,279.4	914.3	6.9%	470.7	6,559.6	7,501.3	941.7	3.0%	221.9

Note: Columns in blue show difference between August 2018 Consensus Revenue Estimate and January 2018 Consensus Revenue Estimate

Note: Columns in red show year-over-year growth expected in the August 2018 Consensus Revenue Estimate

Oil & Gas School Tax to Tax Stab. Res.	15.5	134.5	119.0	n/a	134.5	52.3	177.2	124.9	31.7%	42.7
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General Fund Consensus Revenue Estimate August 2018

Revenue Source	FY21					FY22					FY23		
	2018 Session Update Adj. for Legis.	Aug 2018 Est.	Change from Prior	% Change from FY20	\$ Change from FY20	2018 Session Update Adj. for Legis.	Aug 2018 Est.	Change from Prior	% Change from FY21	\$ Change from FY21	Aug 2018 Est.	% Change from FY22	\$ Change from FY22
Base Gross Receipts Tax	2,512.3	2,923.2	410.9	1.7%	50.1	2,598.6	3,023.7	425.1	3.4%	100.5	3,128.6	3.5%	105.0
60-Day Money & Other Credits	(53.9)	(53.9)	-	0.0%	-	(53.9)	(53.9)	-	0.0%	-	53.9	-200.0%	107.8
F&M Hold Harmless Payments	(100.7)	(107.8)	(7.1)	-3.2%	3.6	(93.7)	(104.4)	(10.7)	-3.2%	3.4	(101.1)	-3.2%	3.3
NET Gross Receipts Tax	2,357.7	2,761.5	403.8	2.0%	53.7	2,451.0	2,865.4	414.4	3.8%	103.9	3,081.4	7.5%	216.1
Compensating Tax	63.7	70.0	6.3	0.0%	-	65.0	70.0	5.0	0.0%	-	70.0	0.0%	-
TOTAL GENERAL SALES	2,421.4	2,831.5	410.1	1.9%	53.7	2,516.0	2,935.4	419.4	3.7%	103.9	3,151.4	7.4%	216.1
Tobacco Taxes	75.1	74.7	(0.4)	-1.9%	(1.5)	73.8	72.9	(0.9)	-2.4%	(1.8)	71.2	-2.4%	(1.8)
Liquor Excise	21.4	23.1	1.7	0.4%	0.1	21.2	23.2	2.0	0.4%	0.1	23.3	0.4%	0.1
Insurance Taxes	263.9	243.1	(20.8)	3.6%	8.5	275.5	252.1	(23.4)	3.7%	9.0	260.9	3.5%	8.8
Fire Protection Fund Reversion	19.4	19.4	-	2.7%	0.5	19.9	19.9	-	2.8%	0.5	20.4	2.5%	0.5
Motor Vehicle Excise	155.1	158.0	2.9	2.0%	3.1	158.1	160.6	2.5	1.6%	2.6	163.5	1.8%	2.9
Gaming Excise	60.2	65.1	4.9	3.1%	1.9	60.6	65.4	4.8	0.5%	0.3	65.6	0.4%	0.2
Leased Vehicle & Other	7.7	8.0	0.3	0.0%	-	7.7	8.0	0.3	0.0%	-	8.0	0.0%	-
TOTAL SELECTIVE SALES	602.8	591.3	(11.4)	2.2%	12.7	616.8	602.1	(14.7)	1.8%	10.7	612.9	1.8%	10.8
Personal Income Tax	1,462.6	1,648.3	185.7	2.7%	43.9	1,484.6	1,695.6	211.1	2.9%	47.4	1,744.4	2.9%	48.8
Corporate Income Tax	120.0	121.3	1.3	5.0%	5.8	125.0	127.3	2.3	5.0%	6.1	133.7	5.0%	6.4
TOTAL INCOME TAXES	1,582.6	1,769.6	187.0	2.9%	49.7	1,609.6	1,823.0	213.4	3.0%	53.4	1,878.1	3.0%	55.1
Oil and Gas School Tax	328.1	403.2	75.1	9.3%	34.2	360.4	472.8	112.4	17.3%	69.6	534.9	13.1%	62.1
Oil Conservation Tax	19.6	30.7	11.1	7.3%	2.1	19.6	32.3	12.7	5.2%	1.6	33.8	4.6%	1.5
Resources Excise Tax	9.0	6.9	(2.1)	-2.8%	(0.2)	9.0	6.7	(2.3)	-2.9%	(0.2)	6.5	-3.0%	(0.2)
Natural Gas Processors Tax	12.0	13.3	1.3	-4.9%	(0.7)	11.8	13.0	1.2	-2.0%	(0.3)	13.3	2.0%	0.3
TOTAL SEVERANCE TAXES	368.7	454.1	85.4	8.5%	35.4	400.8	524.8	124.0	15.6%	70.7	588.5	12.1%	63.7
LICENSE FEES	58.2	56.3	(1.9)	1.1%	0.6	60.0	57.1	(2.9)	1.4%	0.8	57.9	1.4%	0.8
LGPF Interest	715.3	721.5	6.2	6.3%	42.9	764.2	773.7	9.6	7.2%	52.2	827.9	7.0%	54.2
STO Interest	41.3	74.6	33.3	12.2%	8.1	50.1	81.1	31.0	8.7%	6.5	81.1	0.0%	-
STPF Interest	234.6	236.6	2.0	3.3%	7.6	244.0	247.2	3.2	4.5%	10.6	257.8	4.3%	10.6
TOTAL INTEREST	991.2	1,032.7	41.5	6.0%	58.6	1,058.3	1,102.0	43.7	6.7%	69.3	1,166.8	5.9%	64.8
Federal Mineral Leasing	535.3	775.0	239.7	3.3%	25.0	533.9	800.0	266.1	3.2%	25.0	825.0	3.1%	25.0
State Land Office	55.0	63.2	8.2	0.5%	0.3	55.0	63.6	8.6	0.6%	0.4	63.8	0.3%	0.2
TOTAL RENTS & ROYALTIES	590.3	838.2	247.9	3.1%	25.3	588.9	863.6	274.7	3.0%	25.4	888.8	2.9%	25.2
TRIBAL REVENUE SHARING	76.3	76.1	(0.2)	1.7%	1.3	78.0	77.6	(0.4)	2.0%	1.5	79.2	2.1%	1.6
MISCELLANEOUS RECEIPTS	59.3	50.3	(9.0)	3.1%	1.5	60.6	51.7	(8.9)	2.8%	1.4	53.5	3.5%	1.8
REVERSIONS	40.0	40.0	-	0.0%	-	40.0	40.0	-	0.0%	-	40.0	0.0%	-
TOTAL RECURRING	6,790.7	7,740.0	949.3	3.2%	238.7	7,028.9	8,077.2	1,048.3	4.4%	337.2	8,517.1	5.4%	439.8
TOTAL NONRECURRING	-	-	-	n/a	-	-	-	-	n/a	-	-	n/a	-
GRAND TOTAL	6,790.7	7,740.0	949.3	3.2%	238.7	7,028.9	8,077.2	1,048.3	4.4%	337.2	8,517.1	5.4%	439.8
Oil & Gas School Tax to Tax Stab. Res.	51.3	181.7	130.4	2.5%	4.5	18.4	142.0	123.6	-21.8%	(39.7)	110.1	-22.5%	(31.9)

**General Fund Financial Summary:
August 2018 Consensus Revenue Forecast**
(millions of dollars)

August 20, 2018	Prelim. FY2018	Estimate FY2019	Estimate FY2020
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
2018 August Consensus Revenue Forecast - Recurring Revenue	\$ 6,743.2	\$ 7,279.4	\$ 7,501.3
Total Recurring Revenue	\$ 6,743.2	\$ 7,279.4	\$ 7,501.3
Nonrecurring Revenue			
2016 & 2017 Regular & Special Sessions Nonrecurring Revenue Legislation ^{1,2}	\$ 18.7		
2018 Mid-Session Update - Nonrecurring Revenue	\$ 31.0		
2018 Regular Session Nonrecurring Revenue Legislation	\$ (2.8)	\$ -	\$ -
Other Nonrecurring Revenue	\$ 18.5		
Total Nonrecurring Revenue	\$ 65.5	\$ -	\$ -
TOTAL REVENUE	\$ 6,808.6	\$ 7,279.4	\$ 7,501.3
APPROPRIATIONS			
Recurring Appropriations			
2017 Regular & Special Session Legislation & Feed Bill ³	\$ 6,073.3		
2018 Session Legislation & Feed Bill	\$ 5.6	\$ 6,332.3	
Total Recurring Appropriations	\$ 6,078.8	\$ 6,332.3	
Nonrecurring Appropriations			
2017 Regular & Special Session Nonrecurring Appropriations ³	\$ 9.0		
2018 Session Nonrecurring Appropriations	\$ 113.1	\$ 47.8	
Total Nonrecurring Appropriations	\$ 122.1	\$ 47.8	
TOTAL APPROPRIATIONS	\$ 6,200.9	\$ 6,380.1	\$ -
Transfer to (from) Reserves	\$ 607.7	\$ 899.2	
GENERAL FUND RESERVES			
Beginning Balances	\$ 505.1	\$ 1,112.3	\$ -
Transfers from (to) Appropriations Account	\$ 607.7	\$ 899.2	\$ -
Revenue and Reversions	\$ 56.5	\$ 188.7	\$ 233.2
Appropriations, Expenditures and Transfers Out	\$ (57.0)	\$ (36.0)	\$ (36.0)
Ending Balances	\$ 1,112.3	\$ 2,164.2	
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>18.3%</i>	<i>34.2%</i>	

New Money FY20
\$1,169 or 18%

Notes:

1) FY17 reflects actual amounts received from solvency legislation per LFC/DFA sweeps tracking - includes Laws 2016, Chapter 12 (HB311, \$75 million fund sweeps); Laws 2016, Second Special Session, Chapter 4 (SB2, \$93 million general fund sweeps and transfers), Chapter 5 (SB8, \$103.2 million capital outlay sweeps), and Chapter 6 (SB9, \$27.9 million PED appropriation reductions); Laws 2017, Chapter 1 (HB4, \$89 million adjusted reversion date for fire protection fund and law enforcement protection fund), Chapter 2 (SB113, \$55.2 million general fund sweeps), and Chapter 3 (SB114, \$40.8 million school cash balances); Laws 2017, First Special Session, Chapter 1 (SB1, \$82.1 million public school capital outlay swap and general fund sweeps)

2) FY18 reflects remaining solvency transfers per Laws 2017, Chapter 1 (HB4, \$10.7 million fire protection fund adjusted reversion) and Laws 2017, First Special Session, Chapter 1 (SB1, \$8 million from NMFA public project revolving fund)

3) \$9 million was moved from FY18 recurring appropriations to nonrecurring appropriations to reflect DFA accounting for \$7 million LEDA special and \$2 million NMCD special

**General Fund Financial Summary:
August 2018 Consensus Revenue Forecast
RESERVE DETAIL**
(millions of dollars)

August 20, 2018	Prelim. FY2018	Estimate FY2019	Estimate FY2020
OPERATING RESERVE			
Beginning Balance	\$ 331.5	\$ 488.3	\$ 486.3
BOF Emergency Appropriations/Reversions	\$ (2.0)	\$ (2.0)	\$ (2.0)
Transfers from/to Appropriation Account	\$ 607.7	\$ 899.2	\$ -
Transfers to Tax Stabilization Reserve	\$ (448.9)	\$ (899.2)	\$ -
Transfer from (to) ACF/Other Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 488.3	\$ 486.3	\$ 484.3
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	\$ 25.7	\$ 17.7	\$ 9.7
Disaster Allotments	\$ (16.0)	\$ (16.0)	\$ (16.0)
Other Appropriations	\$ -	\$ -	\$ -
Transfers In	\$ -	\$ -	\$ -
Revenue and Reversions	\$ 8.0	\$ 8.0	\$ 8.0
Ending Balance	\$ 17.7	\$ 9.7	\$ 1.7
STATE SUPPORT FUND			
Beginning Balance	\$ 1.0	\$ 1.0	\$ 1.0
Revenues	\$ -	\$ -	\$ -
Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 1.0	\$ 1.0	\$ 1.0
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	\$ 146.8	\$ 156.4	\$ 184.5
Transfers In	\$ 39.0	\$ 36.0	\$ 36.0
Appropriation to Tobacco Settlement Program Fund	\$ (19.5)	\$ (18.0)	\$ (18.0)
Gains/Losses	\$ 9.5	\$ 10.2	\$ 12.0
Additional Transfers from TSPF	\$ (19.5)	\$ -	\$ -
Transfer to General Fund Appropriation Account	\$ -	\$ -	\$ -
Ending Balance	\$ 156.4	\$ 184.5	\$ 214.5
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	\$ -	\$ 448.9	\$ 1,482.7
Transfers In ¹	\$ -	\$ 134.5	\$ 177.2
Transfers In (From Operating Reserve)	\$ 448.9	\$ 899.2	\$ -
Transfer Out to Operating Reserve	\$ -	\$ -	\$ -
Ending Balance	\$ 448.9	\$ 1,482.7	\$ 1,659.9
<i>Percent of Recurring Appropriations</i>	<i>7.4%</i>	<i>23.4%</i>	
EMERGENCY RESERVES: RAINY DAY FUND & TSPF ENDING BALANCES	\$ 605.3	\$ 1,667.2	
<i>Percent of Recurring Appropriations</i>	<i>10.0%</i>	<i>26.3%</i>	
OTHER RESERVE FUND ENDING BALANCES	\$ 507.0	\$ 497.0	
<i>Percent of Recurring Appropriations</i>	<i>8.3%</i>	<i>7.8%</i>	
TOTAL GENERAL FUND ENDING BALANCES	\$ 1,112.3	\$ 2,164.2	
<i>Percent of Recurring Appropriations</i>	<i>18.3%</i>	<i>34.2%</i>	

Notes:

1) Estimated transfer to tax stabilization reserve from excess oil and gas emergency school tax revenues above the five-year average

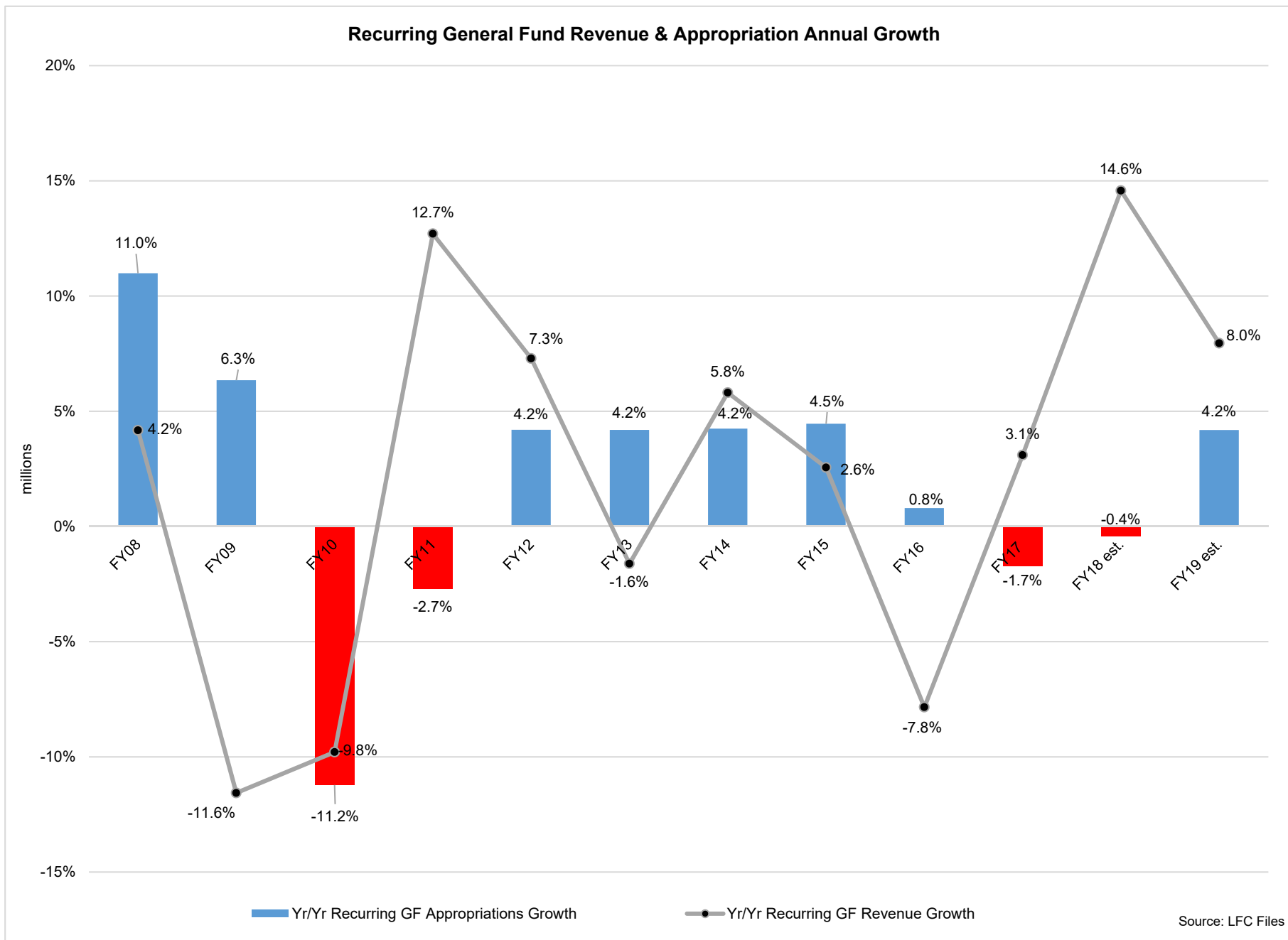
FISCAL YEAR 2018 GENERAL FUND MONTHLY REVENUE TRACKING

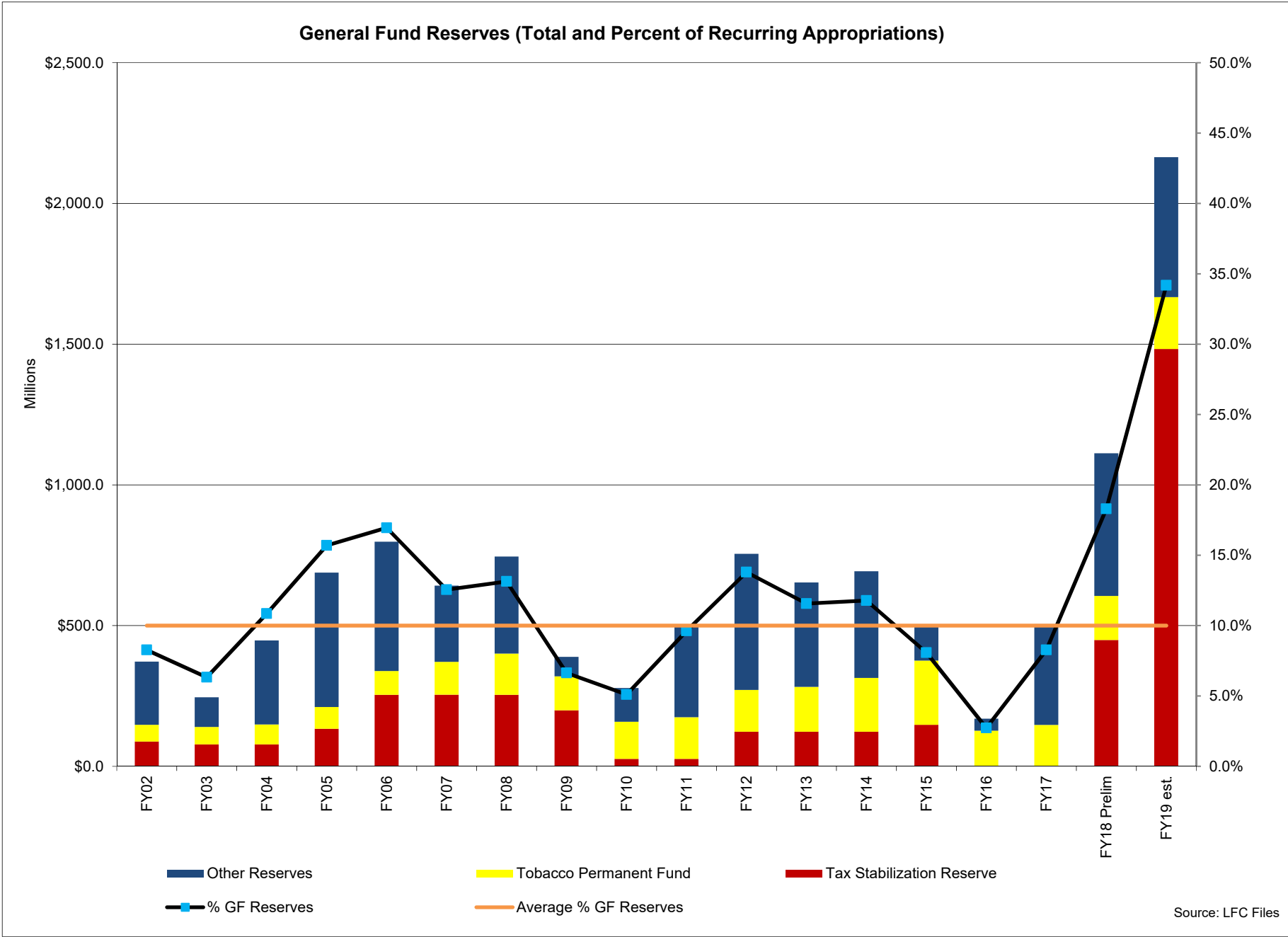
(dollars in millions; italics indicate preliminary actual revenue; bold indicates actual revenue)

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	ESTIMATED REVENUE ACCRUALS												FY18	TRACKING CHANGE		
	July Actual	Aug Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Actual	June Prelim.	Actual + Estimate	FY18 Jan. Forecast	% Diff.	\$ Diff.
Gross Receipts Tax	189.5	195.6	182.7	188.5	209.8	195.4	194.9	190.2	216.4	173.1	213.5	230.0	2,379.5	2,137.9	11.3%	241.6
Compensating Tax	4.5	4.9	6.7	5.6	(8.5)	6.6	6.1	6.4	6.5	5.7	6.3	6.0	56.9	53.5	6.4%	3.4
TOTAL GENERAL SALES TAXES	194.0	200.5	189.4	194.1	201.3	202.0	201.0	196.7	222.9	178.8	219.8	236.0	2,436.4	2,191.4	11.2%	245.0
Tobacco Products & Cigarette Taxes	7.5	7.4	6.2	6.3	5.6	6.1	5.1	8.9	3.8	6.6	7.5	8.4	79.4	79.4	0.0%	(0.0)
Liquor Excise Tax	1.1	2.2	1.9	2.2	2.2	2.3	1.6	1.7	2.0	1.8	2.4	2.4	23.8	23.5	1.5%	0.3
Insurance Premiums Tax	0.4	53.2	0.3	0.5	54.6	0.8	0.2	28.9	0.9	0.1	55.1	0.7	195.6	232.4	-15.8%	(36.8)
Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	18.7	18.7	17.8	4.9%	0.9
Motor Vehicle Excise Tax	12.4	14.1	12.9	12.1	11.5	11.8	12.6	11.1	14.2	12.5	14.2	13.2	152.7	150.3	1.6%	2.4
Gaming Excise Tax	5.2	5.0	5.1	4.8	4.7	5.1	4.8	5.0	6.0	1.7	9.1	5.0	61.5	59.6	3.2%	1.9
Leased Vehicle Surcharge & Other	0.6	1.5	0.1	0.7	0.3	0.4	1.0	1.8	0.6	0.6	0.8	0.7	9.1	7.6	19.2%	1.5
TOTAL SELECTIVE SALES TAXES	27.3	83.5	26.5	26.6	78.8	26.5	25.2	57.4	27.5	23.3	89.2	49.0	540.8	570.6	-5.2%	(29.8)
Withholding	94.5	95.5	107.6	91.1	98.7	148.2	97.0	103.5	126.3	109.3	104.7	112.4	1,289.0	1,265.3	1.9%	23.7
Final Settlements	-	12.1	47.0	24.6	9.7	60.8	32.2	13.9	37.7	141.7	26.9	58.5	465.0	469.7	-1.0%	(4.7)
Oil and Gas Withholding Tax	-	0.4	3.8	12.0	3.3	1.8	8.9	15.9	10.5	13.4	25.2	5.8	101.1	60.5	67.1%	40.6
Fiduciary Tax	(0.7)	0.7	(1.1)	(0.1)	1.6	1.5	0.1	0.3	4.4	(0.6)	1.1	(0.1)	7.1	6.1	17.7%	1.1
Gross Personal Income Tax	93.8	108.7	157.3	127.6	113.3	212.3	138.2	133.7	178.9	263.8	157.9	176.6	1,862.2	1,801.5	3.4%	60.7
Transfer to PIT Suspense	(8.6)	(7.8)	(11.7)	(9.4)	(8.5)	(11.1)	(165.3)	(72.6)	(48.6)	(11.5)	(15.6)	(5.7)	(376.5)	(393.4)	-4.3%	16.9
Retiree Health Care	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(26.3)	(27.1)	-3.0%	0.8
Less: Refunds, distributions to other funds	(10.8)	(10.0)	(13.8)	(11.6)	(10.7)	(13.3)	(167.5)	(74.7)	(50.8)	(13.7)	(17.8)	(7.9)	(402.7)	(420.4)	-4.2%	17.7
NET PERSONAL INCOME TAX	83.0	98.7	143.5	116.0	102.5	199.1	(29.2)	59.0	128.1	250.1	140.1	168.7	1,459.5	1,381.1	5.7%	78.4
CORPORATE INCOME TAX	-	3.8	0.5	25.3	(8.5)	(11.0)	9.1	6.0	2.1	39.7	5.0	5.7	77.7	105.0	-26.0%	(27.3)
TOTAL INCOME TAXES	83.0	102.5	144.0	141.3	94.0	188.1	(20.1)	65.0	130.1	289.8	145.1	174.4	1,537.2	1,486.1	3.4%	51.1
Oil and Gas School Tax	25.2	26.6	27.7	31.4	35.3	35.5	45.1	39.9	48.8	43.8	30.5	27.0	416.7	352.7	18.1%	64.0
Oil Conservation Tax	1.3	1.4	1.4	1.6	1.8	1.8	2.2	2.1	2.3	2.3	1.8	1.4	21.4	18.3	16.7%	3.1
Resources Excise Tax	0.7	0.8	0.7	0.7	0.9	0.7	0.7	0.3	0.9	0.7	0.7	0.8	8.7	9.3	-6.9%	(0.6)
Natural Gas Processors Tax	1.0	0.8	0.9	0.9	0.8	0.8	0.8	0.6	1.4	0.9	0.9	0.8	10.7	10.2	5.3%	0.5
TOTAL MINERAL PROD. TAXES	28.3	29.5	30.8	34.6	38.8	38.8	48.8	42.9	53.4	47.6	33.9	30.0	457.5	390.5	17.1%	67.0
LICENSE FEES	2.3	2.5	2.2	3.9	2.4	10.7	2.0	4.5	6.2	15.2	5.7	3.2	60.8	54.2	12.1%	6.6
Land Grant Perm. Fund Distributions	48.8	48.8	48.8	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.7	586.4	584.9	0.2%	1.5
State Treasurer's Earnings	1.5	2.3	(2.0)	(0.3)	(1.6)	0.5	(2.0)	0.3	2.7	(0.4)	3.4	-	4.4	-	0.0%	4.4
Severance Tax Perm. Fund Distributions	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	210.4	210.4	0.0%	(0.0)
TOTAL INVESTMENT EARNINGS	67.8	68.7	64.3	66.1	64.8	66.9	64.4	66.7	69.1	66.1	69.9	66.3	801.2	795.3	0.7%	5.9
Federal Mineral Leasing Royalties	33.0	33.8	29.4	66.4	32.2	36.2	44.6	39.2	43.2	46.3	38.4	121.2	564.1	510.0	10.6%	54.1
State Land Office Bonuses, Rents	14.9	12.1	13.2	7.7	15.9	3.0	15.6	8.4	3.4	4.4	6.3	7.0	111.8	95.0	17.7%	16.8
TOTAL RENTS & ROYALTIES	47.9	45.9	42.6	74.2	48.2	39.3	60.2	47.6	46.6	50.6	44.6	128.2	675.9	605.0	11.7%	70.9
TRIBAL REVENUE SHARING	0.1	0.0	0.1	15.5	-	16.1	0.4	0.1	14.5	-	-	15.9	62.7	64.8	-3.3%	(2.1)
MISCELLANEOUS RECEIPTS	0.9	0.9	0.8	0.8	17.8	1.1	1.9	0.9	1.0	1.3	1.0	20.4	48.7	50.7	-4.0%	(2.0)
REVERSIONS	0.0	0.0	0.0	0.1	3.6	0.0	0.6	(0.1)	1.6	1.9	0.6	22.6	31.0	40.0	-22.5%	(9.0)
TOTAL RECURRING REVENUE	451.5	534.0	500.8	557.2	549.8	589.5	384.3	481.7	573.0	674.6	609.7	746.0	6,652.1	6,248.6	6.5%	403.5
Non-Recurring	0.0	13.5	0.5	2.5	15.5	11.2	0.0	0.4	(0.1)	0.0	0.2	-	43.8	-	-	-
Additional Transfers	-	-	-	-	-	-	-	-	-	-	-	8.0	8.0	-	-	-
TOTAL NON-RECURRING REVENUE	0.0	13.5	0.5	2.5	15.5	11.2	0.0	0.4	(0.1)	0.0	0.2	8.0	51.8	68.2	-	(16.4)
GRAND TOTAL REVENUE	451.5	547.5	501.3	559.7	565.3	600.6	384.3	482.1	572.9	674.6	610.0	754.0	6,703.9	6,316.8	6.1%	387.1

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







Legislative Finance Committee **FINANCE FACTS**

Understanding State Financial Policy

General Fund Reserves

Because the New Mexico Constitution requires a balanced budget, state government maintains general fund reserves to cover any shortfalls if revenues are unexpectedly low or expenses are unexpectedly high. The general fund reserves are measured as a percentage of recurring appropriations – planned ongoing spending. They are made up of several distinct accounts: the operating reserve, tax stabilization reserve, appropriation contingency fund, and state support reserve fund.

Operating Reserve

Revenues left at the end of the fiscal year are transferred to the operating reserve. If revenues come up short, the governor may transfer money from the operating reserve to cover authorized expenses. The amount the governor can transfer is capped by the Legislature each year in the General Appropriation Act. Once the operating reserve fund hits 8 percent of the prior budget year's recurring appropriations, the excess must be transferred to the tax stabilization reserve by law.

Tax Stabilization Reserve

Money in the tax stabilization reserve may only be appropriated if (1) the governor declares it necessary because of a shortfall and the House and Senate approve it with a simple majority vote, or (2) two-thirds of both the House and Senate vote for it.

Additional funds are deposited into the tax stabilization reserve from the oil and gas emergency tax if annual revenue exceeds the five-year average income. This allows the state to capture windfall revenue from the oil and gas industry and moderate the volatility of that revenue source. Other state revenue that also spikes when the energy industry booms – including federal mineral leasing payments, trust land distributions, and gross receipts tax collections – are not captured.

Until 2017, revenue in the tax stabilization reserve in excess of a specified threshold was transferred to another fund for possible distribution to taxpayers. However, several years of depleted reserves prompted lawmakers to transform the tax stabilization into a true “rainy day” fund.

Appropriation Contingency Fund

The Legislature authorizes revenue going in and out of the appropriation contingency fund. A limited amount of the rev-

enue in the fund can also be spent when the governor declares an emergency. The fund is mostly used to set aside money for use if certain circumstances come into play, such as the start-up of a new program moving faster than funded.

State Support Fund

On the first day of each fiscal year, any balance in the public school district general obligation bonds loan fund over \$1 million is transferred state support reserve fund and can only be used to augment certain appropriations to the public schools.

Tobacco Settlement Fund

The tobacco settlement permanent fund was created to hold payments to New Mexico from cigarette companies under the master settlement agreement of 1998. Under the enabling legislation, the settlement payments are split, with half going to the permanent fund and half spent directly on health and education programs. However, during economic hard times, the Legislature has temporarily suspended deposits into the permanent fund and put the entire amount into direct spending.

Money in the tobacco settlement permanent fund is invested by the State Investment Council and interest is credited to the fund. The Legislature may authorize spending from the fund for a budget shortfall only after balances in all other reserve accounts have been exhausted.



For More Information:

- The status of the New Mexico's reserve accounts can be found in the state's general fund financial summary, published on the State Board of Finance's website: http://nmdfa.state.nm.us/Board_of_Finance.aspx
- Statutes governing New Mexico's general fund reserves include 6-4-2.1, 6-4-2.2, 6-4-2.3, 6-4-4, 6-4-9, 7-1-6.61, 12-11-24, 22-8-31 NMSA 1978.

U.S. and New Mexico Economic Indicators

		FY17		FY18		FY19		FY20		FY21		FY22	
		Jan 18 Forecast	Aug 18 Forecast	Jan 18 Forecast	Aug 18 Forecast	Jan 18 Forecast	Aug 18 Forecast	Jan 18 Forecast	Aug 18 Forecast	Jan 18 Forecast	Aug 18 Forecast	Jan 18 Forecast	Aug 18 Forecast
National Economic Indicators													
GI	US Real GDP Growth (annual avg. ,% YOY)*	1.9	1.9	2.6	2.7	2.6	3.0	2.3	2.1	1.8	1.5	1.9	1.5
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	1.9	1.9	2.7	2.7	2.8	3.1	1.3	1.4	1.7	1.4	3.1	3.0
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.9	1.9	1.9	2.3	1.6	2.4	2.5	2.2	2.8	2.2	2.4	2.2
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.9	1.9	2.1	2.3	2.6	2.8	2.7	2.4	2.4	2.2	2.2	2.2
GI	Federal Funds Rate (%)	0.6	0.6	1.4	1.4	2.2	2.3	2.8	3.2	3.3	3.4	3.4	3.4
Moody's	Federal Funds Rate (%)	0.6	0.6	1.4	1.4	2.6	2.6	3.8	3.8	3.5	3.5	3.1	3.1
New Mexico Labor Market and Income Data													
BBER	NM Non-Agricultural Employment Growth (%)	0.1	0.1	0.9	0.8	1.2	1.4	1.2	1.4	1.1	1.3	1.0	1.2
Moody's	NM Non-Agricultural Employment Growth (%)	0.6	0.1	1.3	1.0	1.3	1.4	0.4	0.8	0.2	-0.2	1.1	0.6
BBER	NM Nominal Personal Income Growth (%)***	1.4	1.4	1.2	1.6	2.7	2.8	3.7	4.0	4.2	3.9	4.6	4.6
Moody's	NM Nominal Personal Income Growth (%)***	1.4	1.4	1.3	1.6	2.4	2.6	3.2	3.4	3.3	3.1	3.7	3.4
BBER	NM Total Wages & Salaries Growth (%)	0.6	0.6	1.7	2.6	4.0	3.8	4.2	4.5	4.0	4.7	3.7	4.5
Moody's	NM Total Wages & Salaries Growth (%)	1.0	0.6	1.5	2.5	3.5	3.1	2.2	3.9	2.2	1.7	3.1	2.4
BBER	NM Private Wages & Salaries Growth (%)	0.4	0.3	2.5	3.2	4.4	4.4	4.5	4.9	4.4	5.2	4.1	4.8
BBER	NM Real Gross State Product (% YOY)	1.0	-0.1	3.2	2.1	1.6	2.5	2.0	2.2	1.9	1.8	1.7	1.6
Moody's	NM Real Gross State Product (% YOY)	0.4	-0.1	1.7	1.7	1.9	1.7	1.5	0.8	1.5	1.1	3.0	3.0
CREG	NM Oil Price (\$/barrel)	\$45.00	\$44.75	\$51.00	\$54.39	\$52.00	\$56.00	\$54.00	\$57.00	\$54.00	\$59.00	\$54.00	\$59.00
BBER	Oil Volumes (million barrels)	152.5	156.0	163.1	199.8	168.9	238.3	174.7	262.1	179.7	282.6	184.4	297.0
CREG	NM Taxable Oil Volumes (million barrels)	153.0	156.0	167.5	202.0	175.0	245.0	175.0	270.0	175.0	285.0	175.0	300.0
	NM Taxable Oil Volumes (%YOY growth)	4.3%	6.3%	9.5%	29.5%	4.5%	21.3%	0.0%	10.2%	0.0%	5.6%	0.0%	5.3%
CREG	NM Gas Price (\$ per thousand cubic feet)****	\$3.26	\$3.24	\$3.25	\$3.25	\$3.25	\$3.10	\$3.25	\$2.95	\$3.20	\$2.90	\$3.20	\$3.00
BBER	Gas Volumes (billion cubic feet)	1,219	1,253	1,239	1,343	1,231	1,378	1,216	1,352	1,173	1,323	1,146	1,334
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,220	1,236	1,244	1,300	1,265	1,381	1,275	1,415	1,269	1,429	1,262	1,455
	NM Taxable Gas Volumes (%YOY growth)	3.8%	5.2%	2.0%	5.2%	1.7%	6.2%	0.8%	2.5%	-0.5%	1.0%	-0.6%	1.8%

LFC, TRD Notes

* 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 - July 2018 FOR-UNM baseline. IHS Global Insight - July 2018 baseline.

DFA Notes

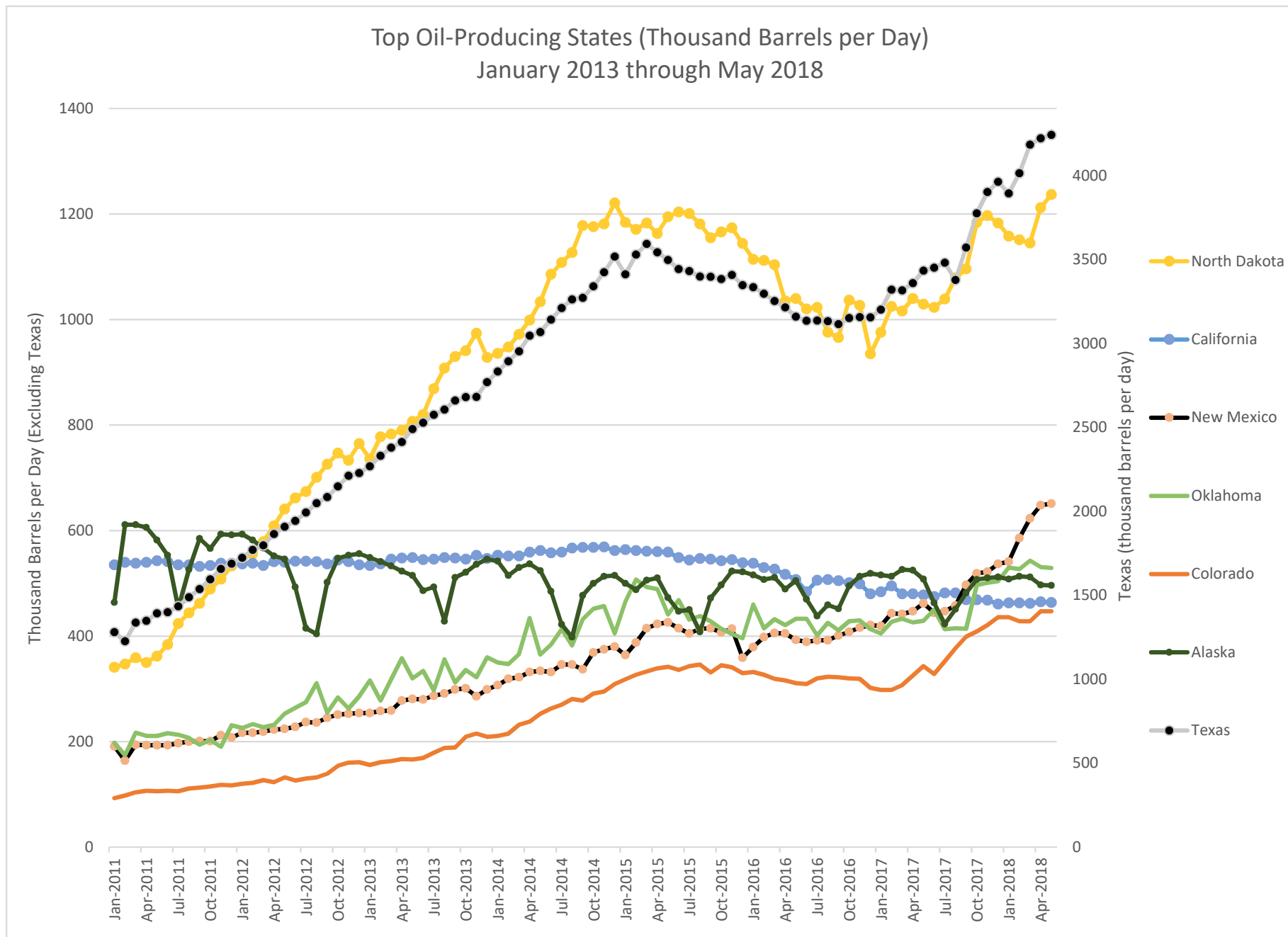
* Real GDP is BEA chained 2005 dollars, billions, annual rate

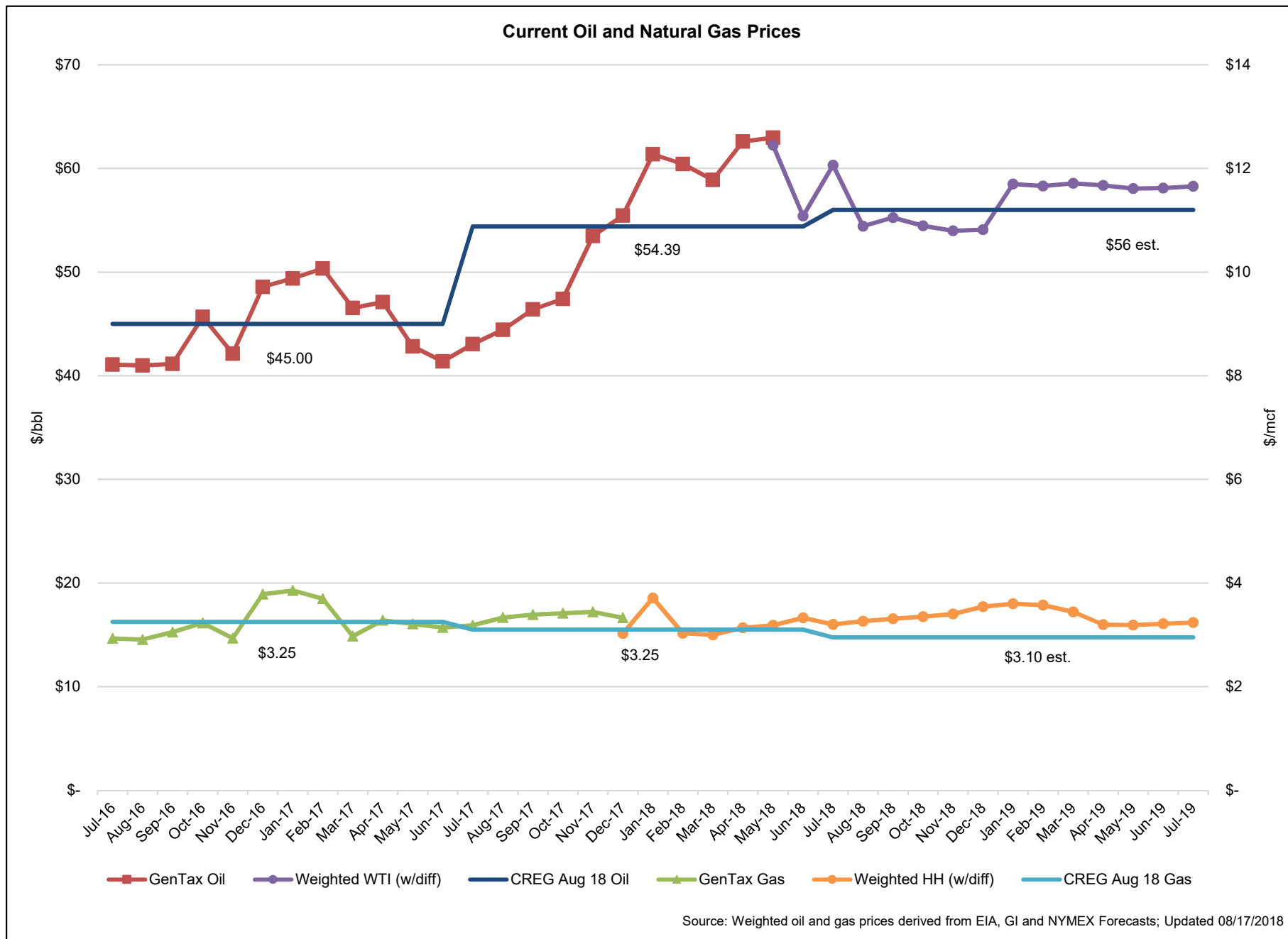
** CPI is all urban, BLS 1982-84=1.00 base.

***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

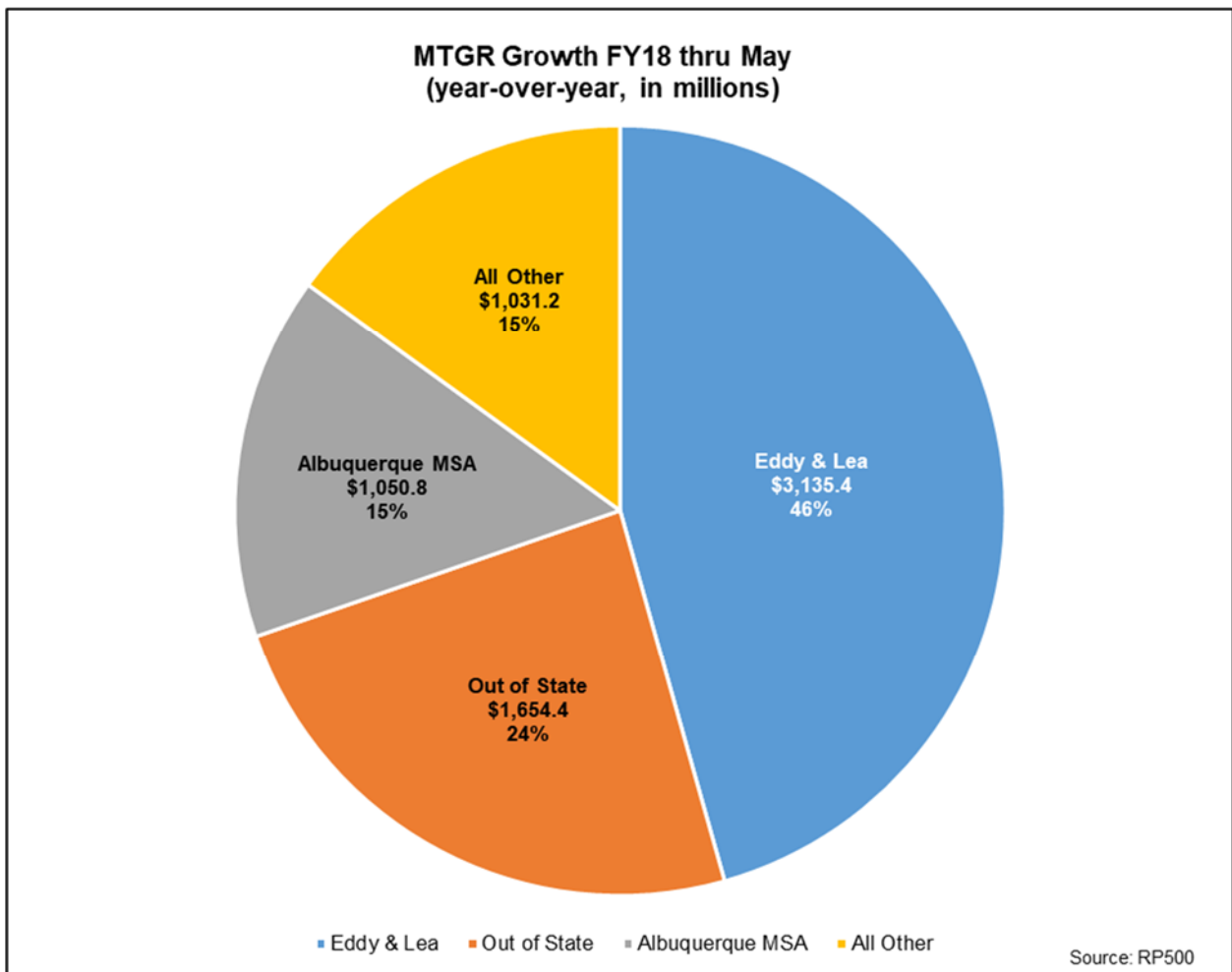
Sources: July 2018 Moody's economy.com baseline



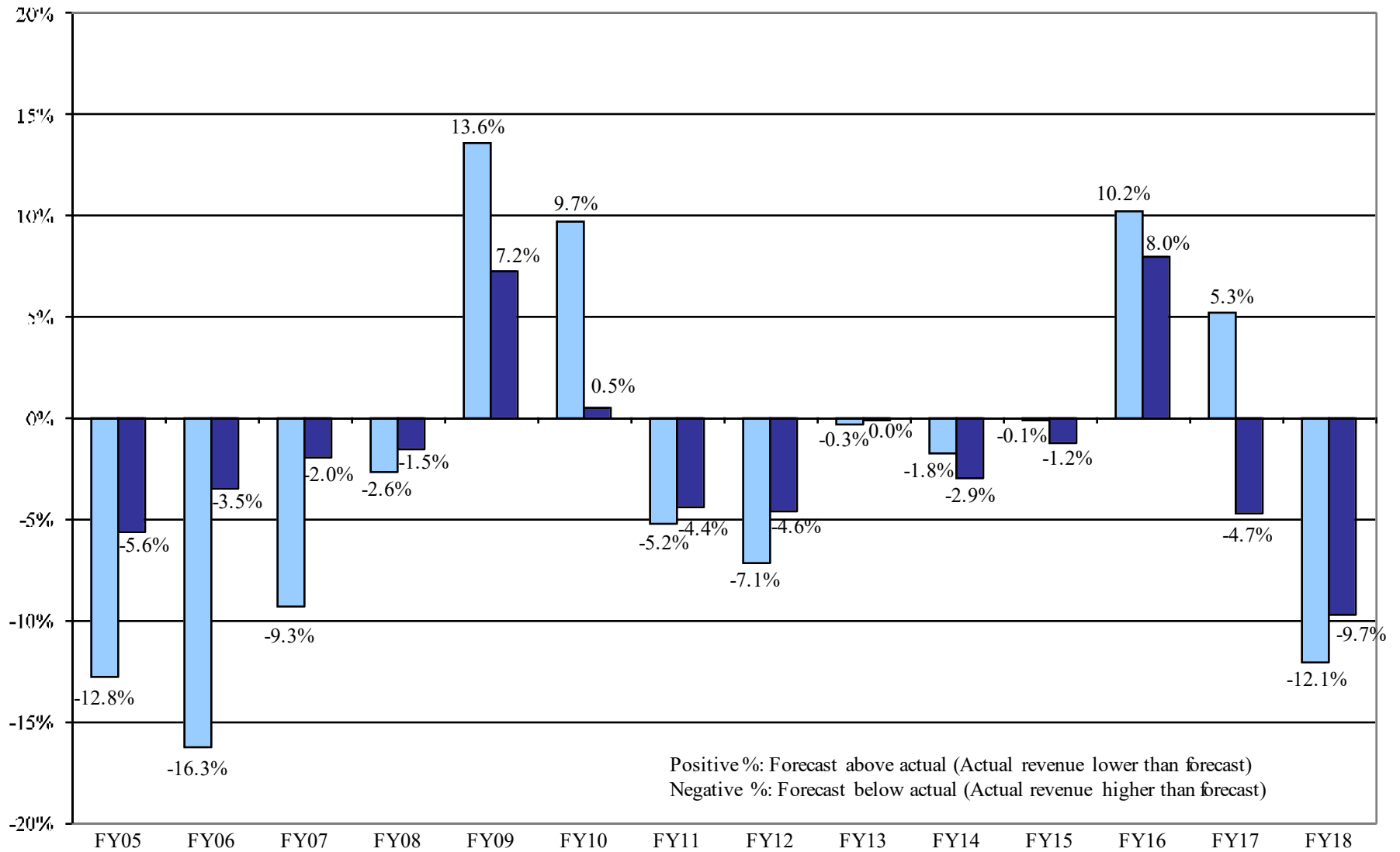


Matched Taxable Gross Receipts by Industry July 2017 - May 2018			
Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$4,259,904,021	\$2,212,766,760	108.1%
Utilities	\$2,221,348,244	\$37,029,594	1.7%
Construction	\$6,671,685,180	\$715,129,470	12.0%
Manufacturing	\$1,459,016,249	\$174,363,556	13.6%
Wholesale Trade	\$2,424,466,774	\$678,421,103	38.9%
Retail Trade	\$11,884,481,148	\$843,216,262	7.6%
Transportation and Warehousing	\$722,893,661	\$182,766,403	33.8%
Information	\$2,308,714,628	-\$3,878,996	-0.2%
Real Estate and Rental and Leasing	\$1,232,478,021	\$144,478,432	13.3%
Professional, Scientific, and Technical Services	\$5,874,268,172	\$350,721,209	6.3%
Administrative/Support & Waste Management/Remediation	\$1,159,816,644	\$63,401,881	5.8%
Health Care and Social Assistance	\$2,853,252,082	\$413,267,006	16.9%
Leisure and Hospitality Services	\$4,288,569,699	\$244,551,621	6.0%
Other Industries	\$5,679,891,505	\$750,065,425	n/a
Total	\$53,040,786,029	\$6,806,299,725	14.7%

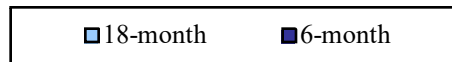
Source: RP500

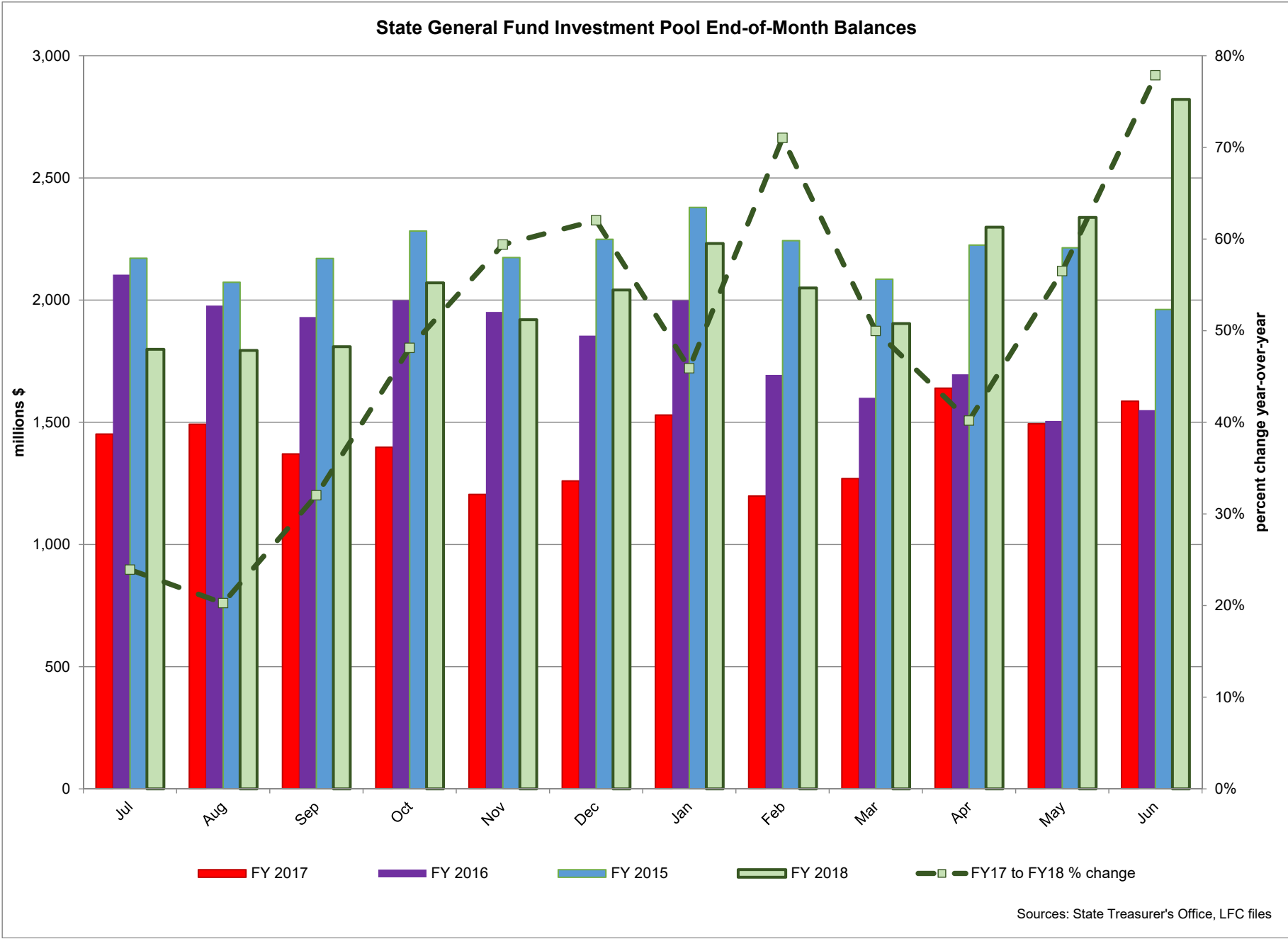


Consensus Revenue Estimate Recurring Revenue Estimating Difference/Error



Source: LFC files





Stress Testing: Deviations from 10-Year Trend by Select Revenue Sources

Trend Analysis of 1996-2005 for years 2006-2011
(in \$millions)

