Long-Term Revenue Outlook

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Legislative Finance Committee
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Introduction/Forecasts

- Baseline forecasts reflect current economic data, enacted policies, and underlying forecasting assumptions

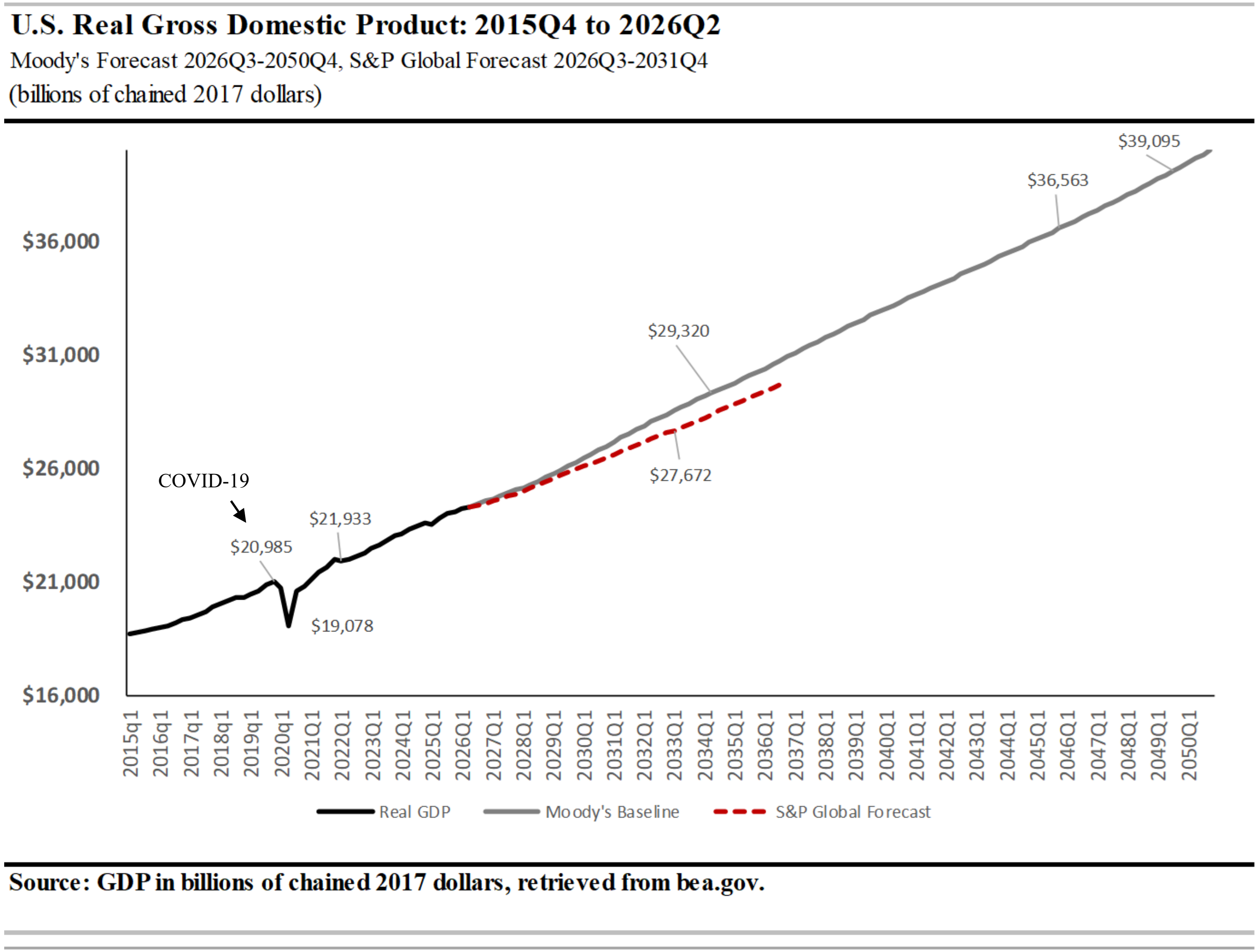
- The baseline is not intended to predict the timing of future recessions or unforeseen economic, energy, and geopolitical shocks

- Uncertainty increases as the forecast horizon extends

- The projections are intended to inform long-term fiscal planning by identifying underlying trends and potential risks

Economic Indicators

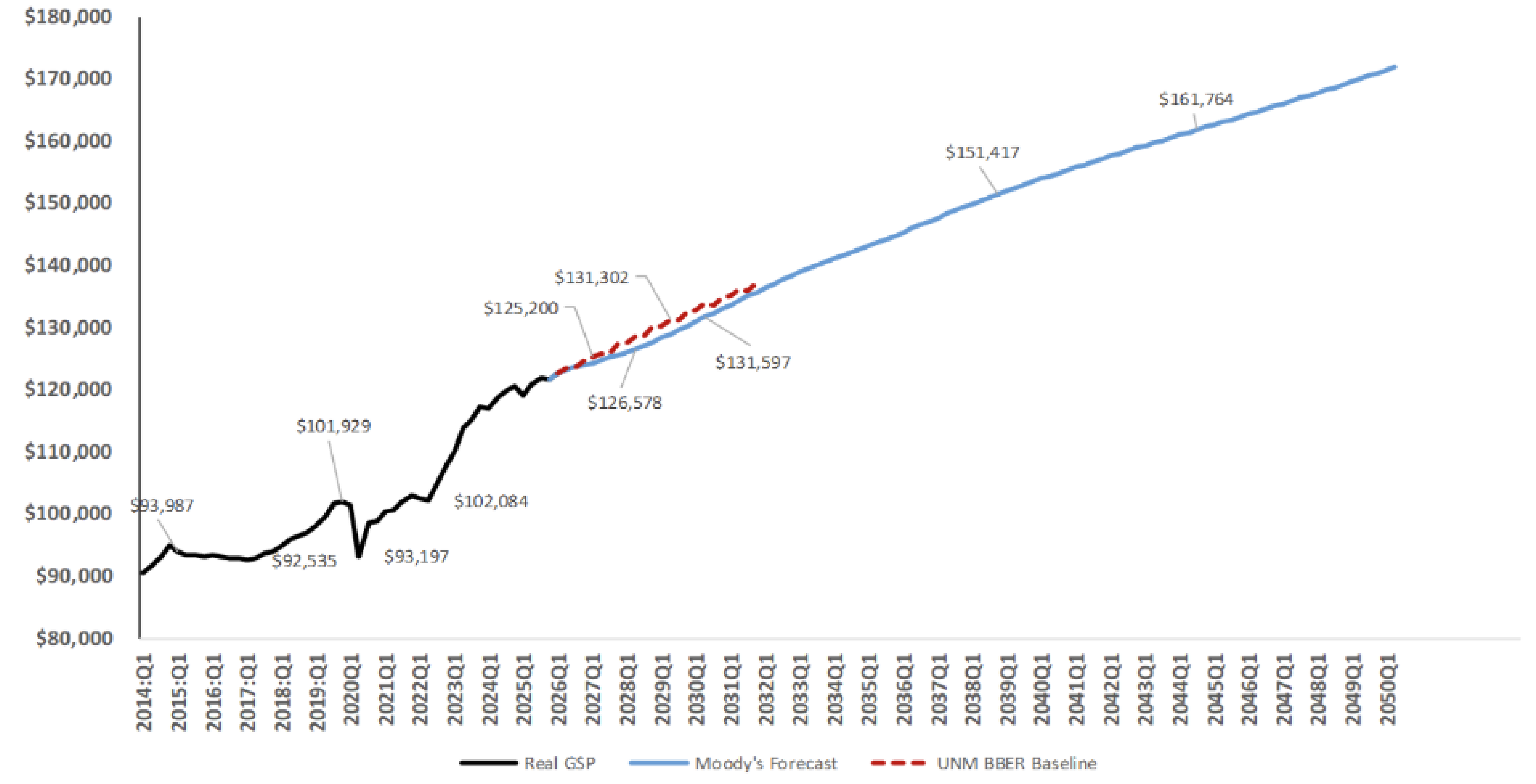
U.S. Real Gross Domestic Product



- Moody's Analytics does not include a national recession in the baseline forecast
  - Higher-than-expected oil prices could weaken economic growth and send the economy into a recession
- Economic uncertainty headwinds have increased as the nation's economic indicators are moderating, while geopolitical tensions create uncertainty both domestically and internationally
- Both Moody's and S&P Global expect growth to continue
- S&P Global expects more tepid long-term growth than Moody's

N.M. Real Gross State Product

New Mexico Real Gross Domestic Product 2014Q1-2026Q1, Moody's Forecast 2026Q2-2050Q4
UNM BBER Forecast 2026Q2-2031Q4
(Millions Ch. 2017 USD, SAAR)

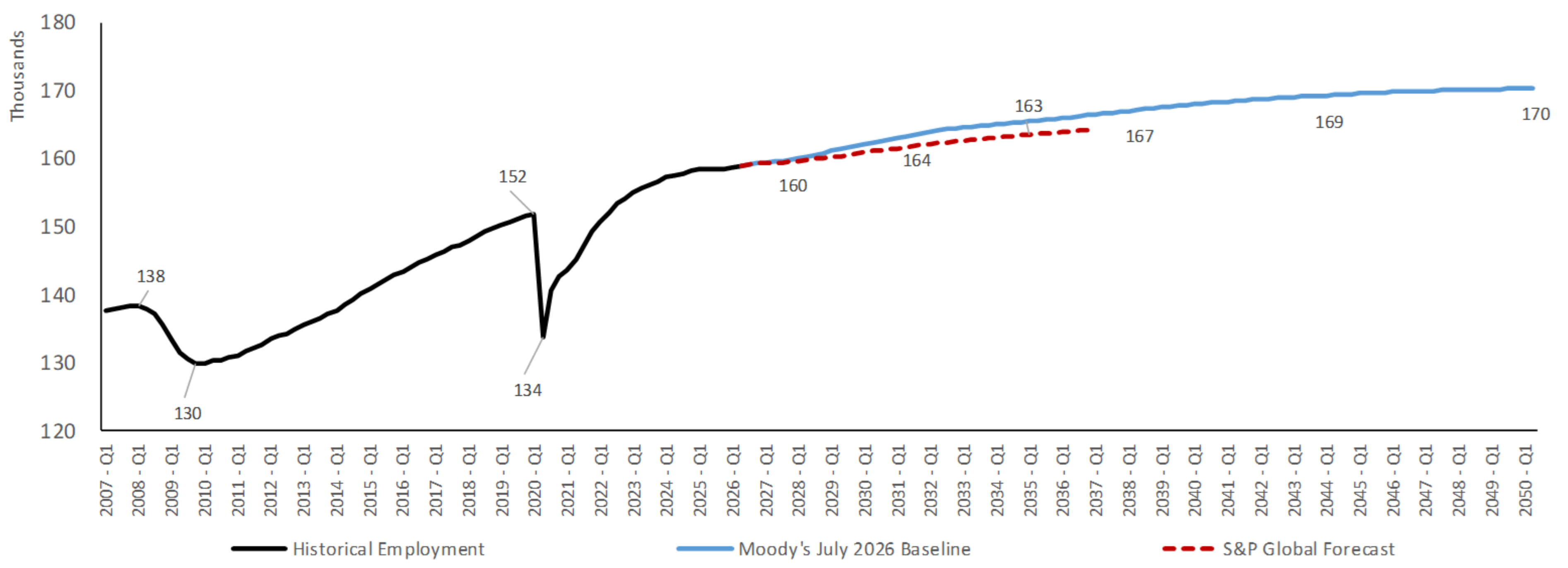


Source: Moody's July 2026 Baseline vs. Historical Values from the Bureau of Economic Analysis

- Moody's and UNM Bureau of Business and Economic Research (BBER) baseline forecasts expect moderate to slow growth in New Mexico Gross State Product

U.S. Employment

U.S. Total Nonfarm Employment: 2007Q1 to 2026Q2, Moody's and S&P Global Forecast: 2026Q3 to 2050Q2 (1,000s of jobs)

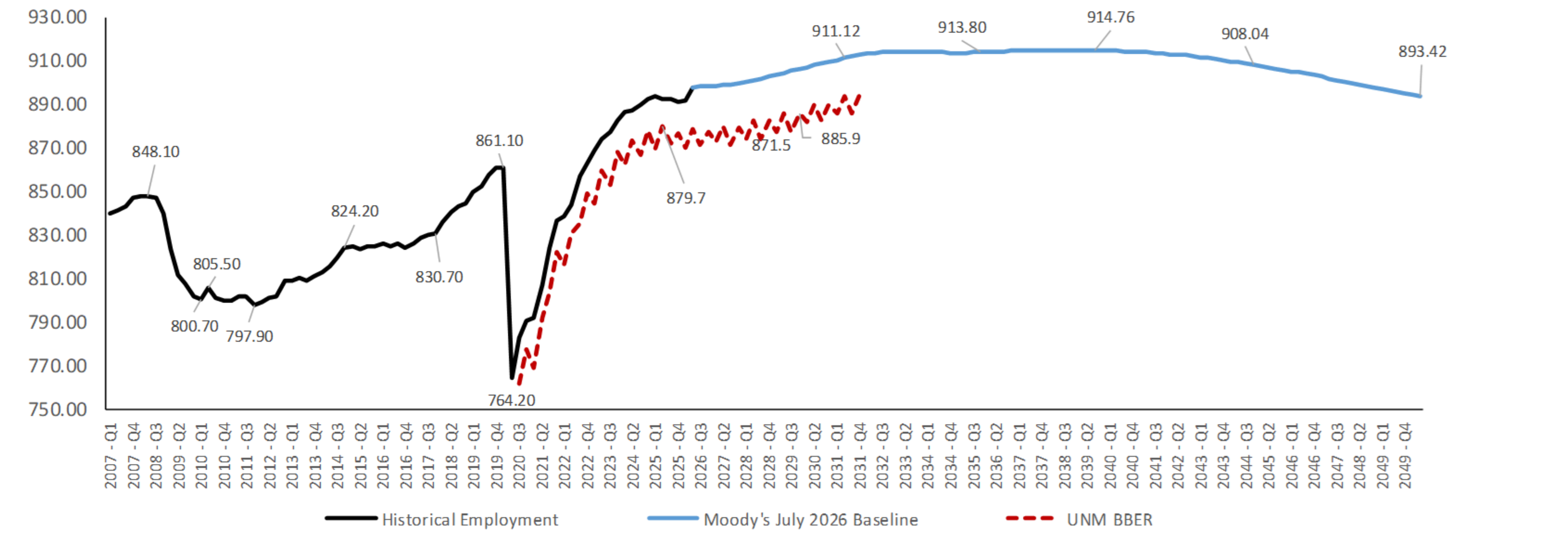


Source: Bureau of Labor Statistics

- National forecasts see employment growth moderating in the long run
- The country is currently at full employment, with a labor force participation rate of 62.5% and an unemployment rate of 4% to 5%
- Recent labor market data indicate the demand for labor is moderating

N.M. Employment

N.M.'s Quarterly Total Nonfarm Employment: 2007Q1 to 2026Q2, Moody's Forecast 2026Q3 to 2050Q2, UNM BBER Forecast 2026Q3 to 2030Q4 (1,000s of jobs)

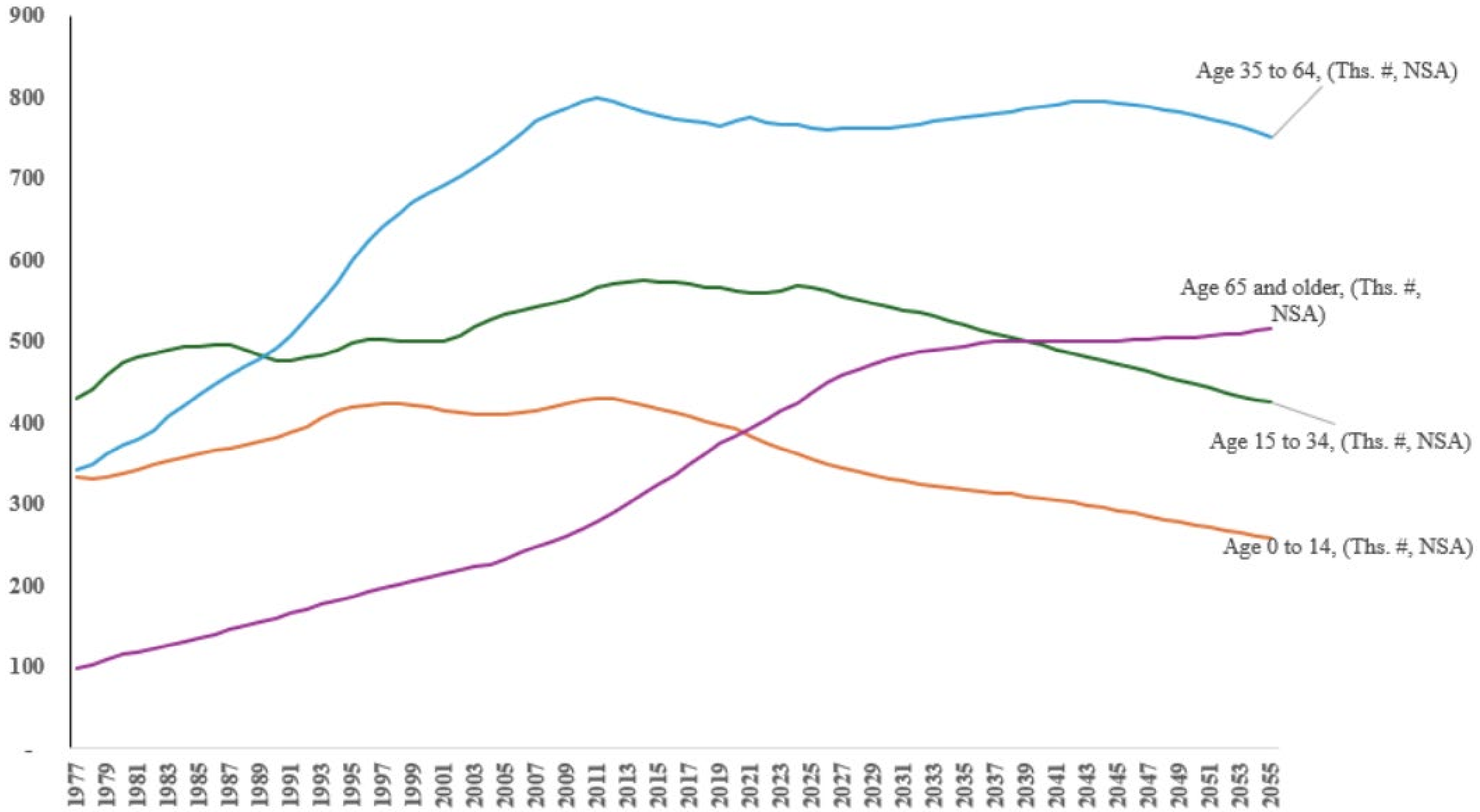


Source: Bureau of Labor Statistics

- Moody's forecasts that NM total employment will grow through CY 2032-2034 and then begin to moderate

New Mexico’s Population by Age and Fiscal Year

N.M. Population by Age Category: FY1977 to FY2055
Moody's Estimate: FY2026 to FY2055

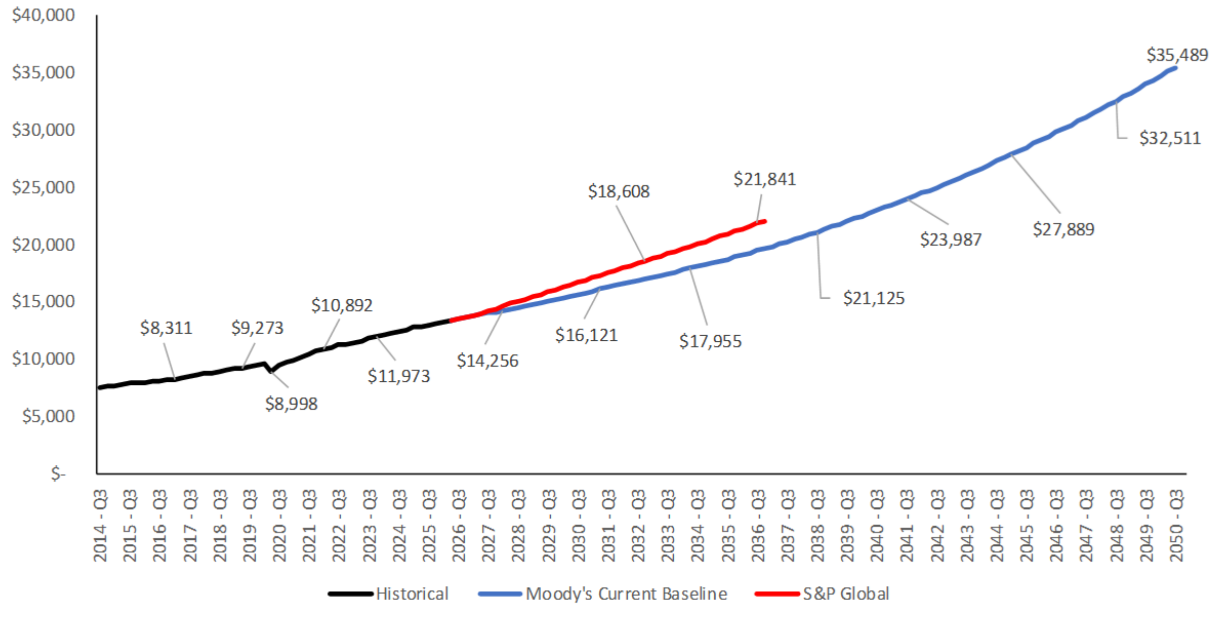


Source: Moody's July 2026 Baseline, Author's Calculation

- Working-age populations are estimated to moderate
    - Components of population change can fluctuate
        - Births, deaths, migration
- Continued growth in the elderly population could potentially increase the demand for social services in the future.

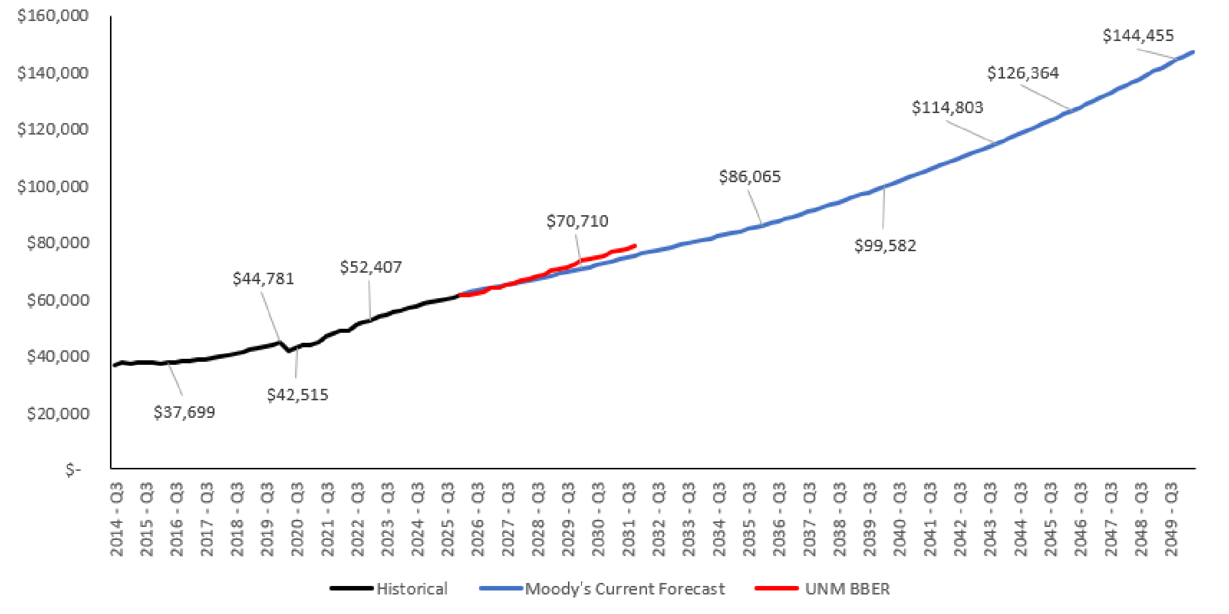
U.S. and N.M. Wages & Salaries

U.S.A Total Wages and Salaries (billions $): CY 2014Q3 to 2026Q2
Moody's Forecast: CY 2026Q3 to 2050Q4



Source: bea.gov

N.M. Total Wages and Salaries (millions $): CY 2014Q3 to 2026Q1
Moody's Forecast: CY 2026Q2 to 2050Q4; UNM BBER Forecast: 2026Q2 to 2030Q4



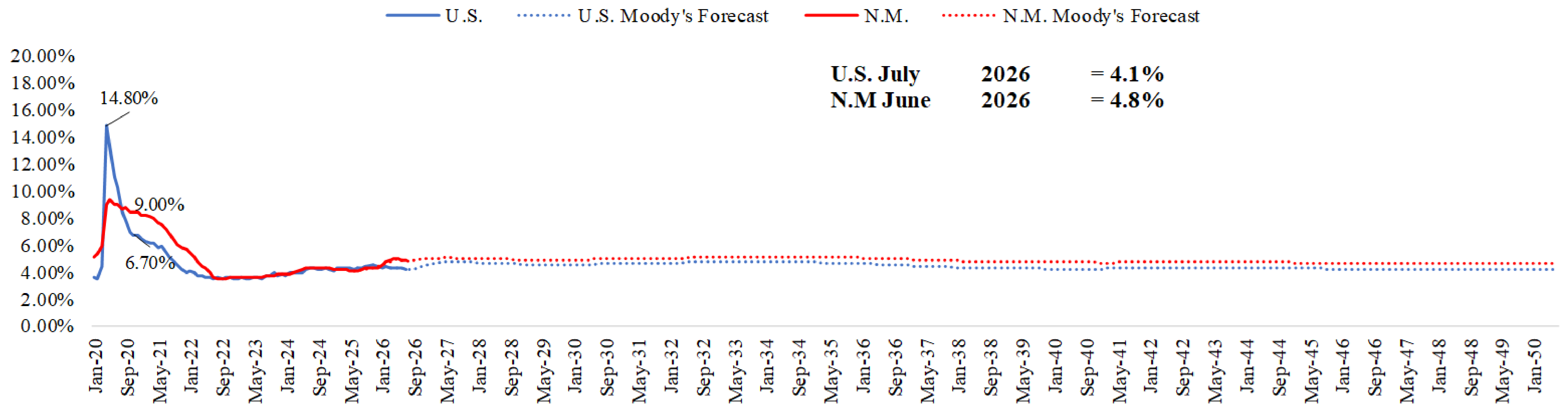
Source: bea.gov

- Demographics and pandemic impacts on the labor market contributed to increases in wages and salaries
- Higher persistent inflation is also driving wage and salary growth
- Wage and salary growth are forecasted to average 1.01% for the nation and 0.91% for the state between CY2026Q2 and CY2050Q2

U.S. and N.M. Unemployment Rates

U.S. and N.M. Unemployment Rate (percent) : January 2020 to Present

Moody's Forecast: June 2026 to June 2050



Source: bls.gov, seasonally adjusted

- National and state unemployment rates are estimated to hover around 4% through FY50
- New Mexico's unemployment rate is expected to be slightly higher than the national rate in the long-term

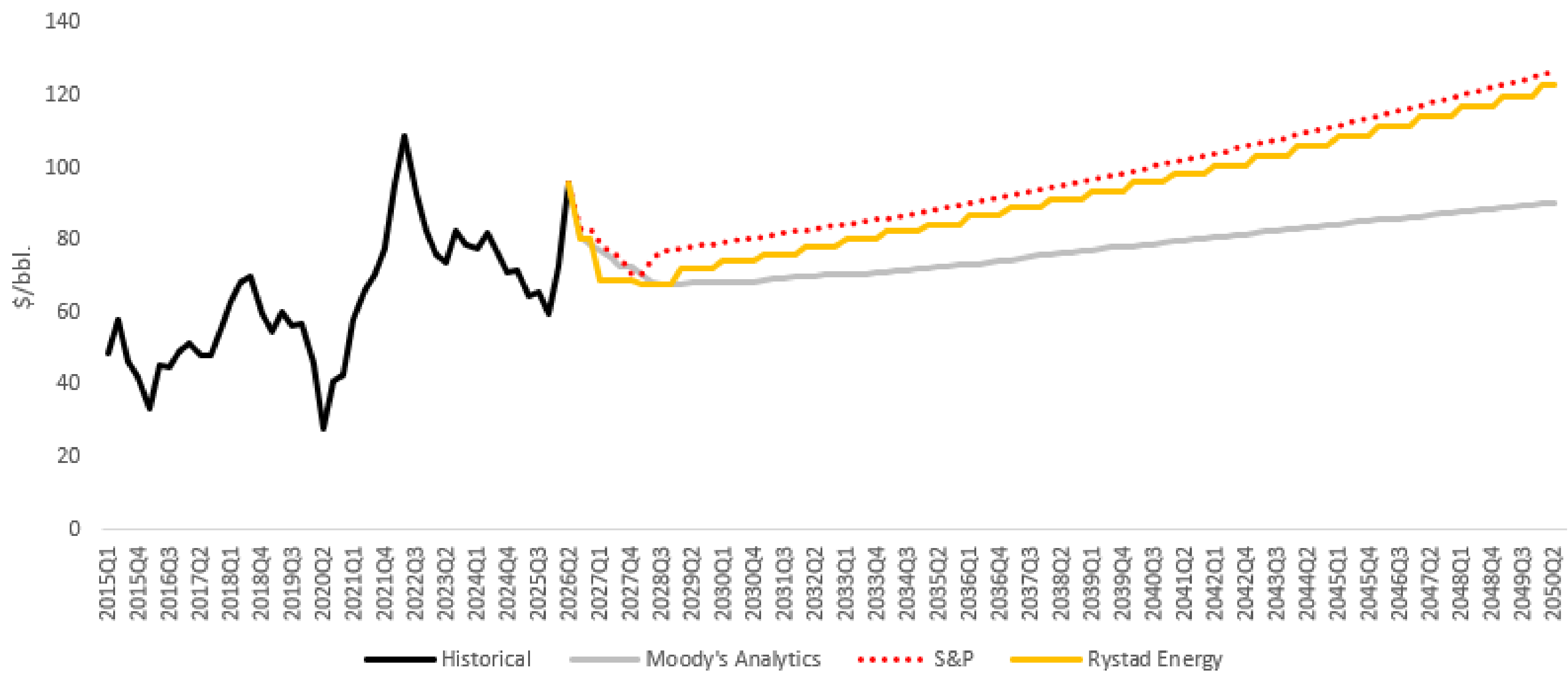
Oil & Natural Gas

Long-Term Production Estimates

- Permian production remains strong in the near term, supported by productivity gains, infrastructure, and highly competitive acreage
- Growth is expected to slow as core acreage matures and development increasingly moves toward less productive inventory
- Industry strategy continues to shift toward capital discipline, inventory management, and sustainable returns
- Long-term forecasts point to a production plateau followed by gradual decline, although the timing remains uncertain

U.S. Oil WTI Prices (Moody’s Analytics, S&P, Rystad)

Moody's Analytics WTI Price Forecast (2026Q3 to 2050Q2)
S&P WTI Price Forecast (2026Q3 to 2050Q2)
Rystad Energy WTI Price Forecast (2026Q3 to 2050Q2)

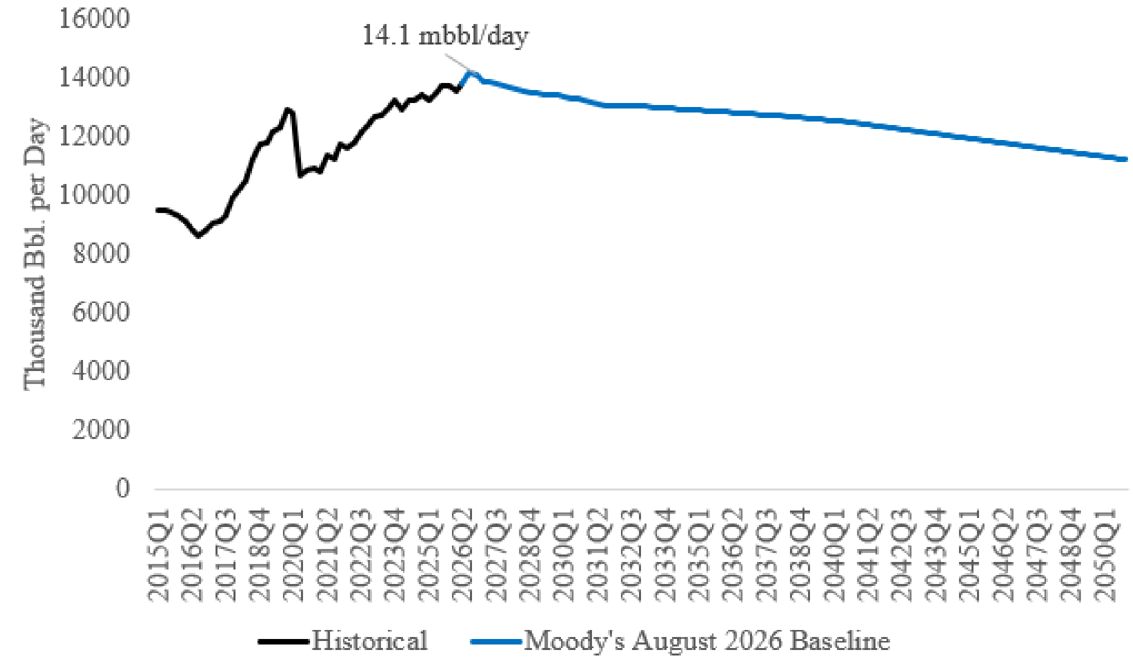


Source: Moody's Analytics, S&P, Rystad Energy

- Oil prices remain highly volatile, with the outlook sensitive to global demand, OPEC+ policy, supply conditions, and geopolitical conflict and disruptions

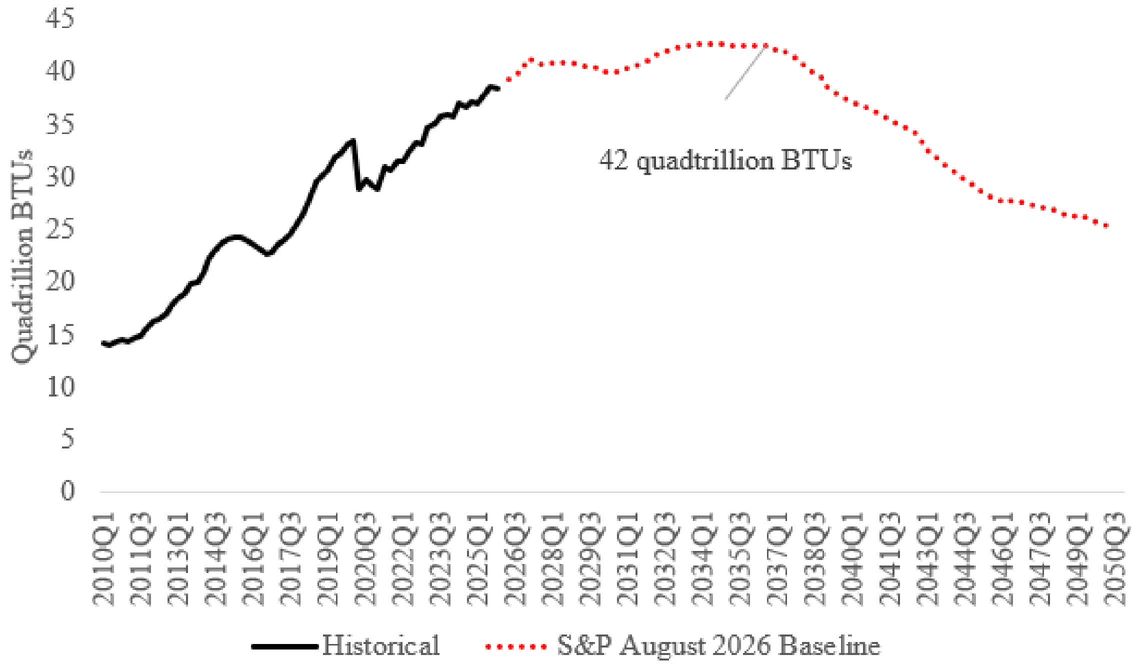
U.S. Oil Production (Moody's Analytics & S&P)

U.S. Crude Oil Production Moody's Forecast (2026Q3 to 2050Q2)



Source: Moody's Analytics

U.S. Crude Oil Production S&P Forecast (2026Q3 to 2050Q2)

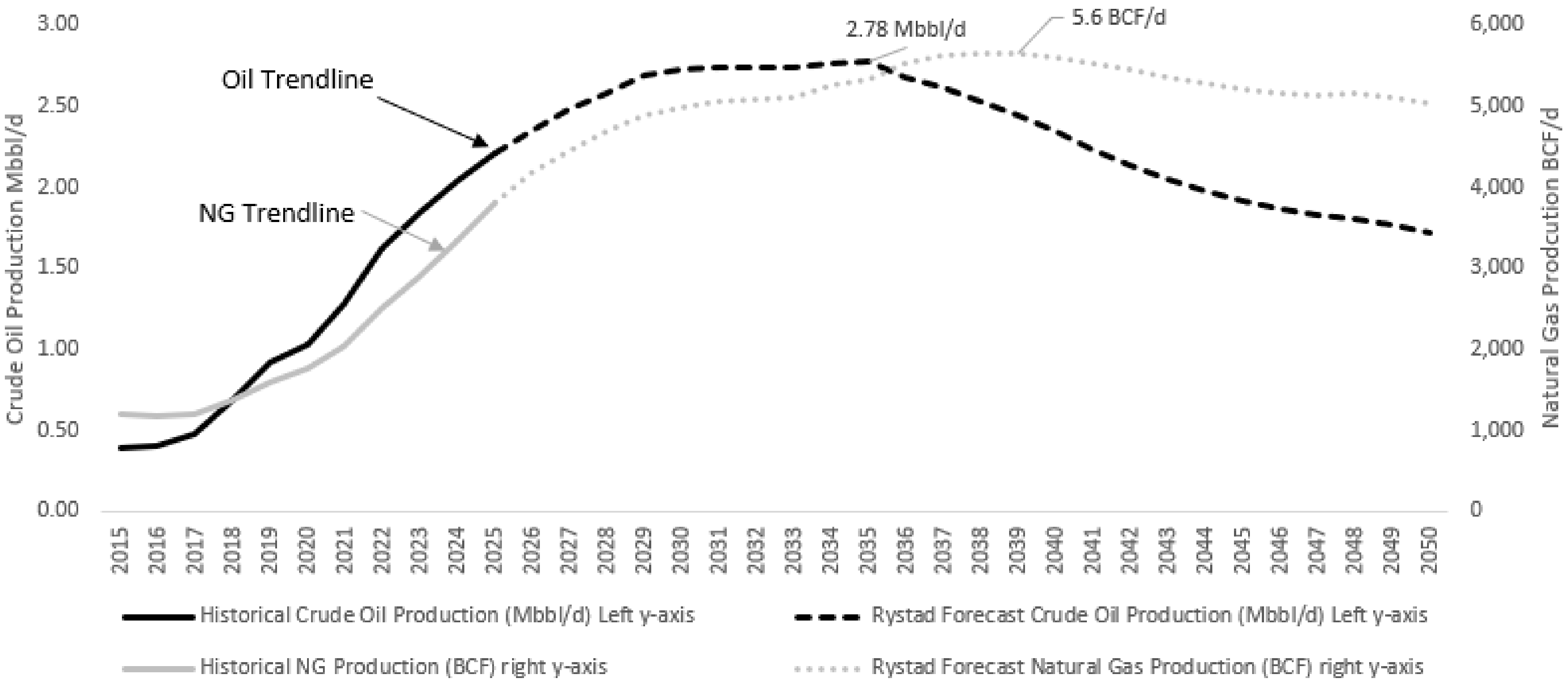


Source: S&P

- Forecasters differ on peak timing, but Moody's and S&P both expect U.S. oil production to decline in the long-term

N.M. Oil Production Long-Term Forecast

NM Crude Oil Production Forecast (FY 2026 to 2050)
NM Natural Gas Forecast (FY 2026 to 2050)

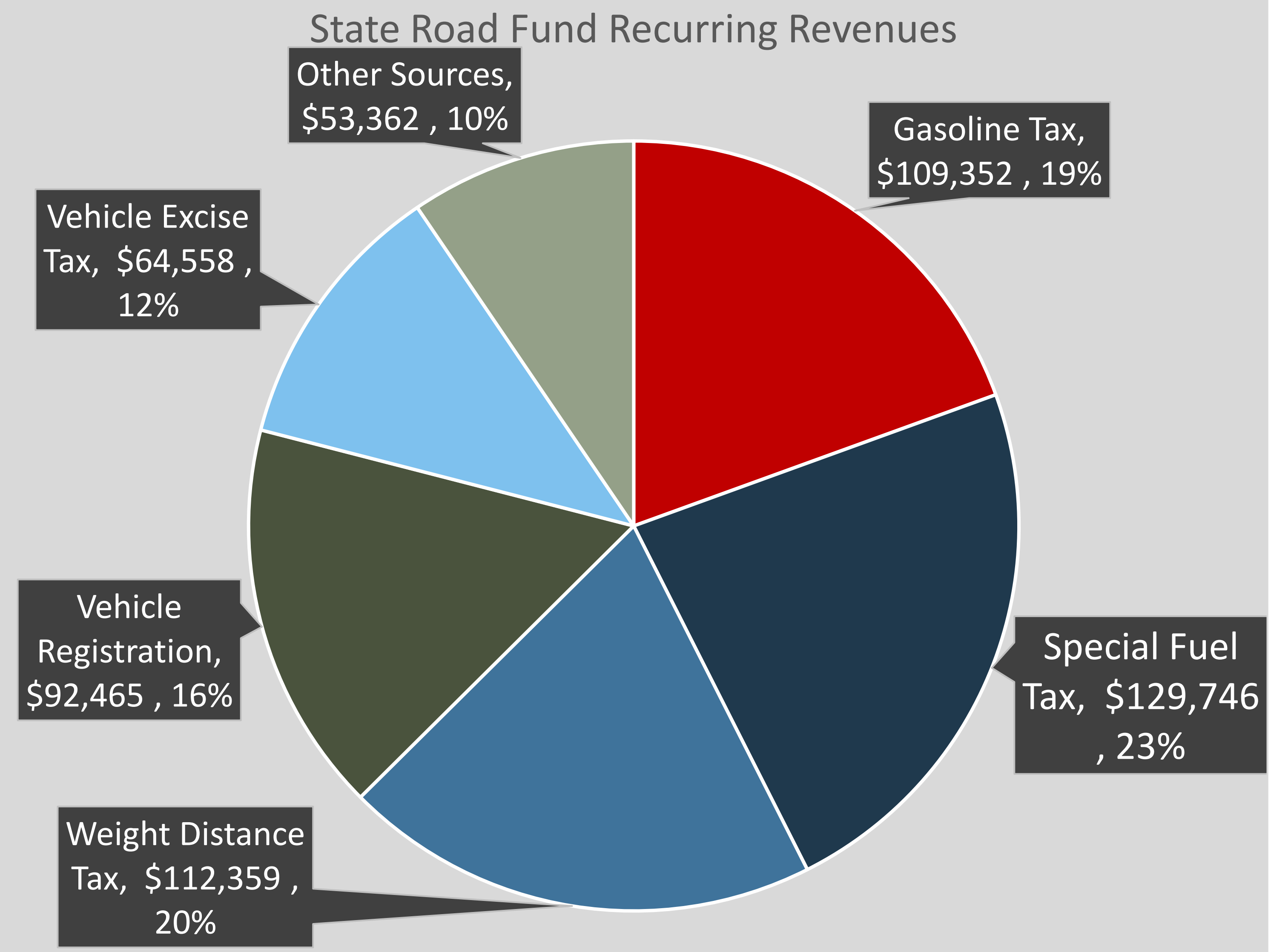


Source: CREG, Rystad Energy Ucube Scenarios, Moody's Analytics, S&P

- New Mexico oil production is projected to plateau before gradually declining, while natural gas production peaks later and remains comparatively elevated through 2050

N.M. State Road Fund

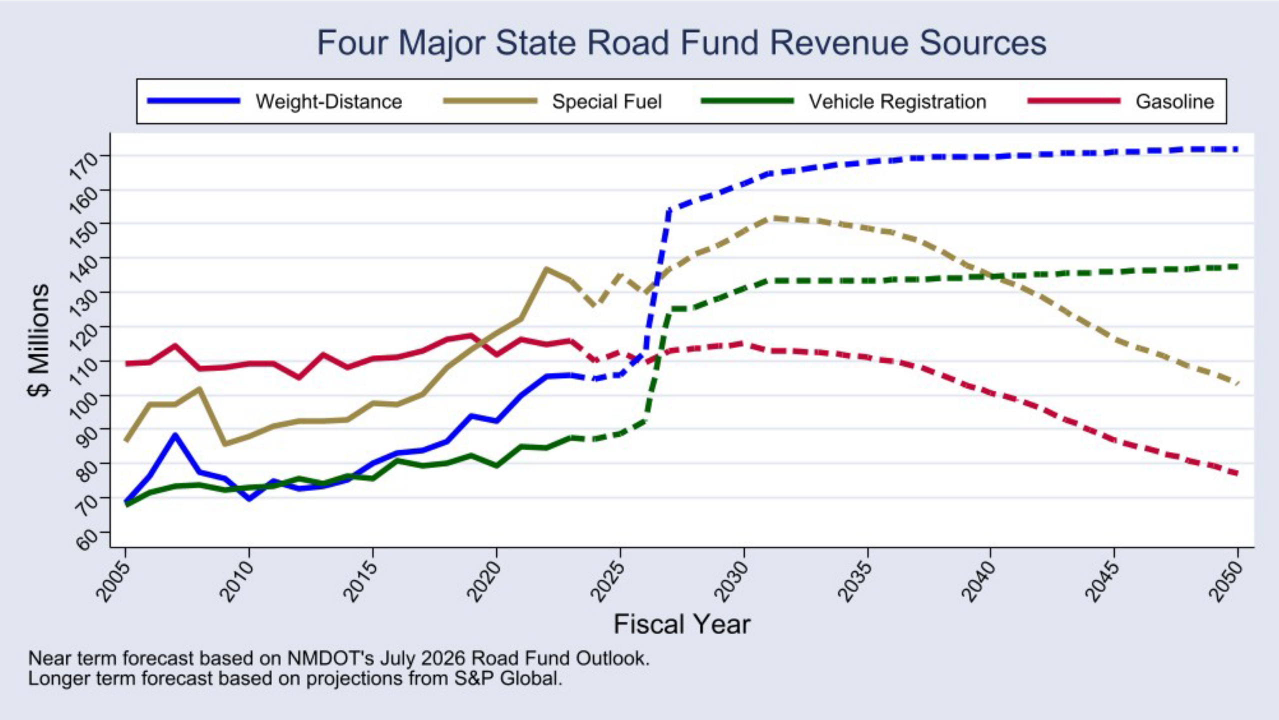
NM State Road Fund – Overview

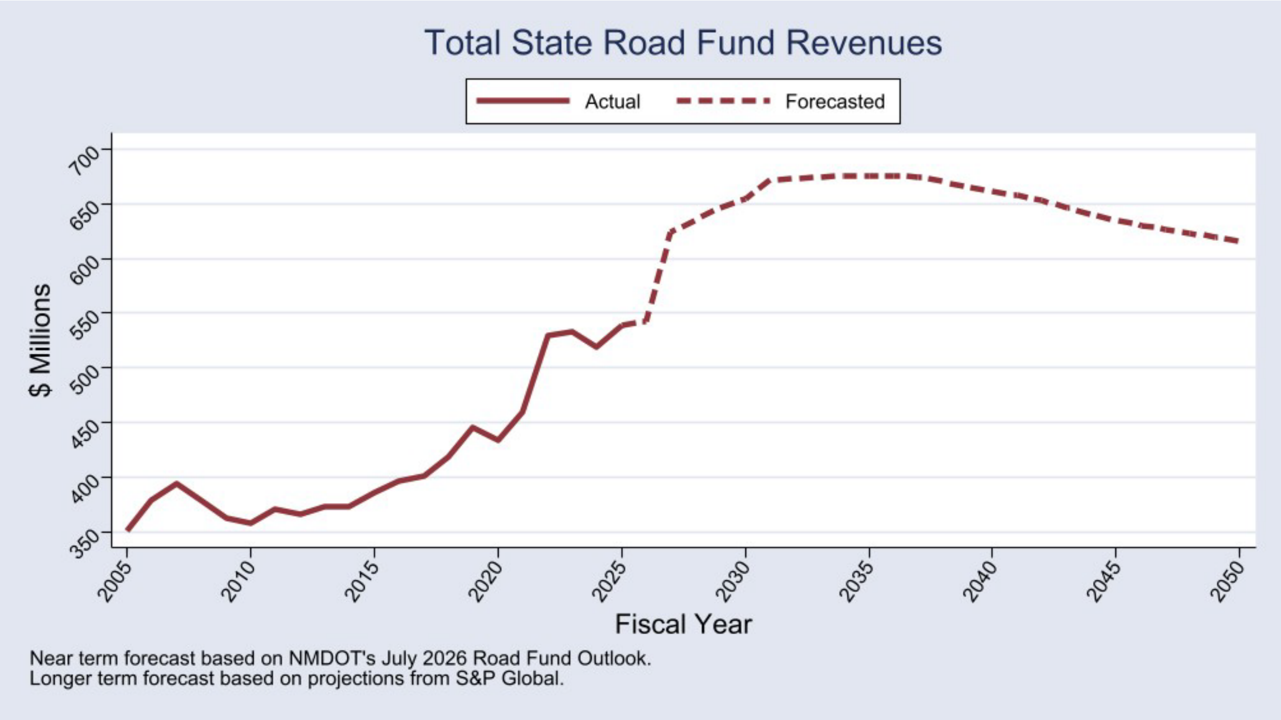


*Based on NMDOT's July 2026 Road Fund Outlook

- State Road Fund received $561 million in recurring revenues in FY26
- NMDOT's July 2026 Road Fund Outlook forecasts the recurring revenues to grow 15.2% in FY27
  - Increases in Weight Distance Tax and Vehicle Registration Fees are expected to drive the growth
  - Since FY15, the State Road Fund recurring revenues have grown at an annual average rate of 3.4%
- Biggest revenue sources are:
  - Gasoline Tax
  - Diesel Tax
  - Weight-Distance Tax
  - Vehicle Registration Fees
  - Motor Vehicle Excise Fees

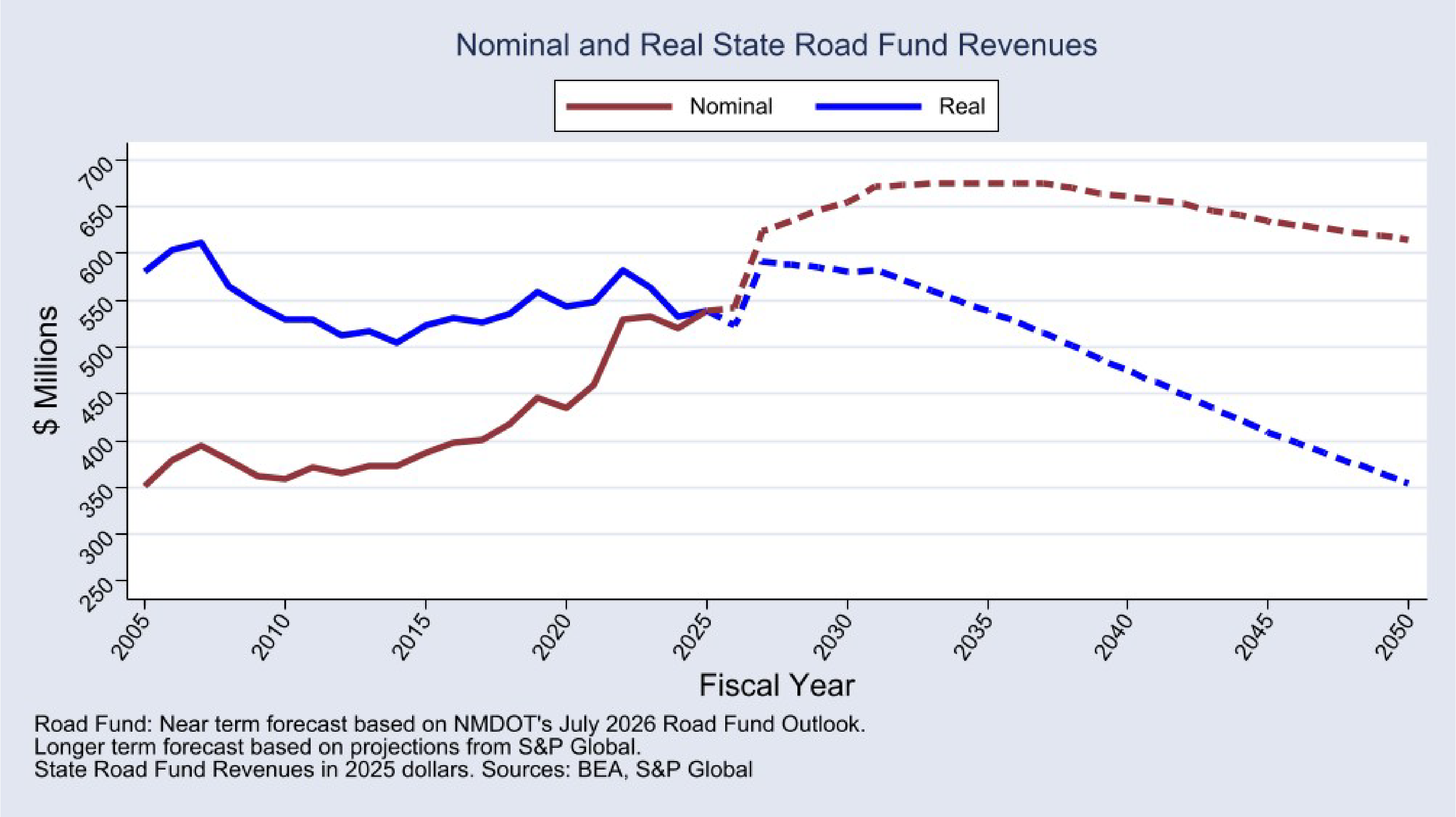
Long Term State Road Fund Outlook





- Over the next 5 years, State Road Fund revenues are expected to grow at an annual average rate of 4%, slowly shrinking thereafter.
  - Short-term growth driven by commercial vehicle revenues and SB2 (2026) tax and fee increases
  - Future long-term revenue expectations reflect declining revenues from gasoline and diesel taxes due to fuel economy standards and increased adoption of electric vehicles

State Road Fund – Future Issues



- Nominal State Road Fund revenue is expected to grow 13% between 2026 and 2050, 0.5% average annual growth
- Real State Road Fund revenue is expected to shrink 32% between 2026 and 2050. -1.3% average annual growth

State Road Fund – Future Issues

- Increased reliance on commercial vehicle taxes makes State Road Fund more vulnerable to national shocks
- New Mexico fuel taxes have not been revised since:
  - FY1996 – Gasoline Tax (reduced 3 cents)
  - FY2004 – Diesel Tax (raised 3 cents)
- New Mexico's gasoline tax, 17 cents per gallon
  - 3rd lowest in the nation, US average 33 cents per gallon
- New Mexico's diesel tax, 21 cents per gallon
  - 9th lowest in the nation, US average 35.3 cents per gallon
- Major concerns for future of State Road Fund – less reliance on motor fuels taxes due to increased fuel efficiency and adoption of electric vehicles
- To mitigate the loss in fuel tax revenues, other states have explored:
  - Additional registration fees
  - Road User Charges

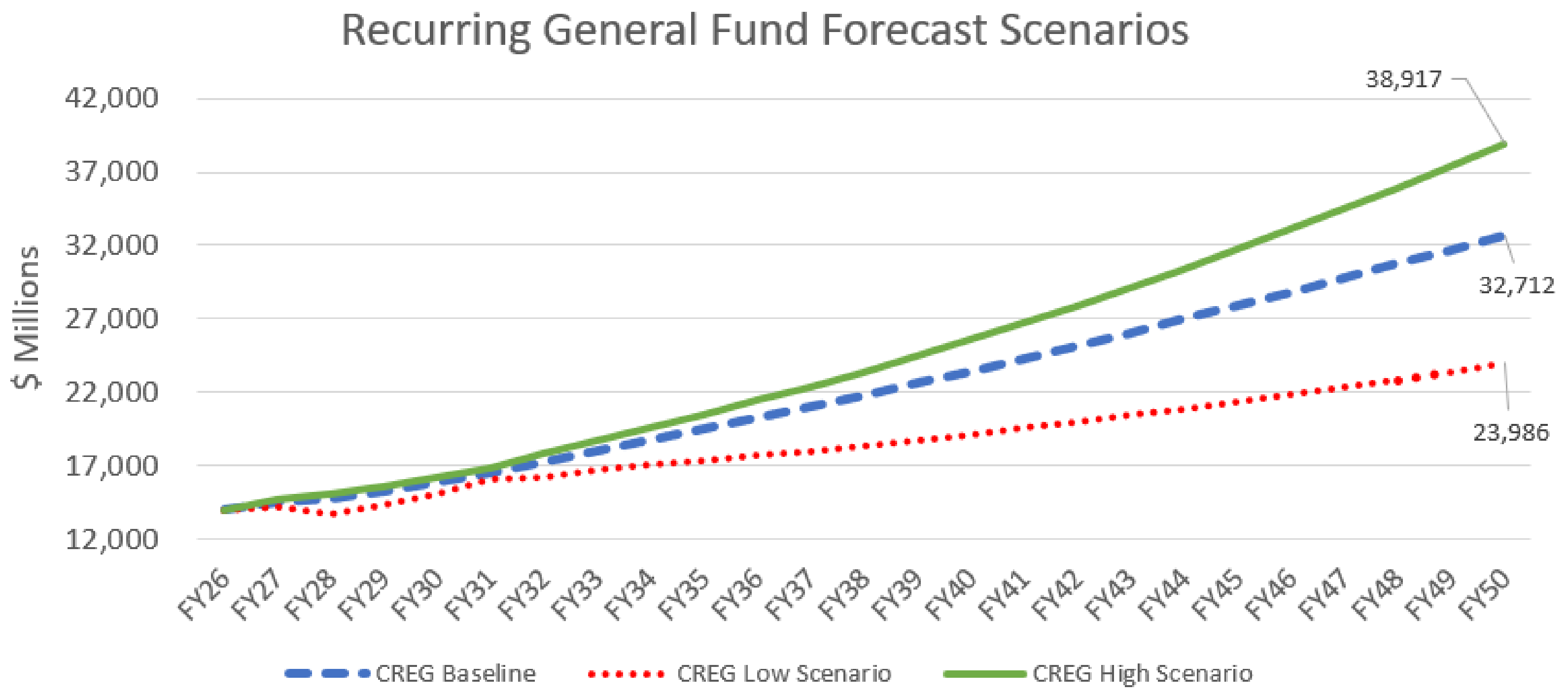
N.M. General Fund

Major Assumptions

- All state tax expenditures remain as per current law
- No change to federal-level income tax
  - H.R. 1 (OBBBA) as currently projected in national forecasters’ baselines
- No change in current tax rates, income brackets, or earmarks/distributions
- Population and labor force participation follow baseline projections

General Fund Long-Term Forecast Scenarios

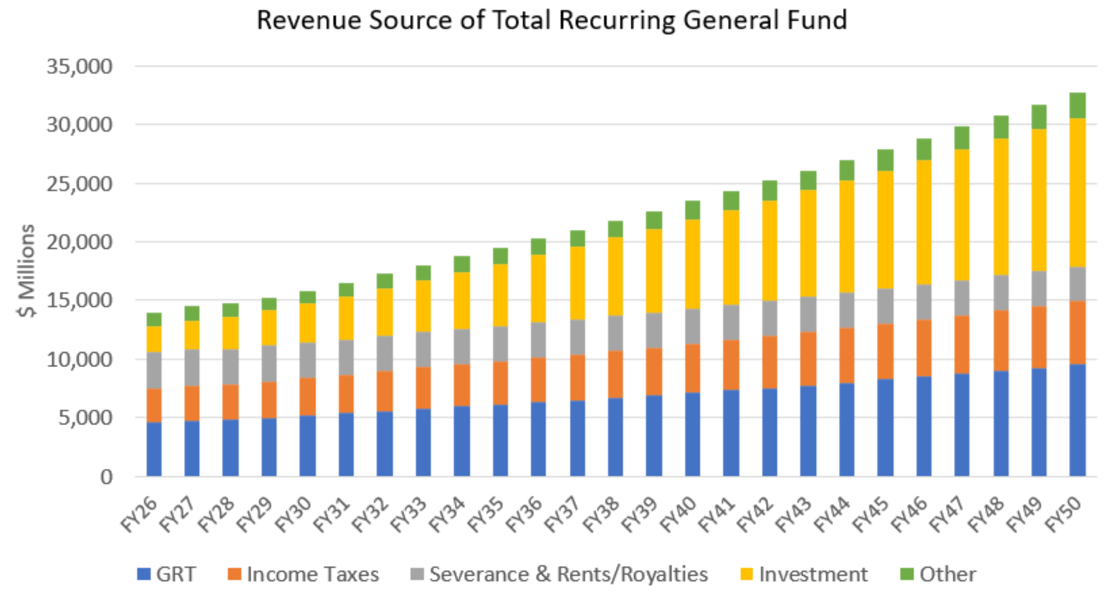
- Benchmarked to FY31 in the August 2026 CREG forecast with legislative adjustments.
  - Baseline General Fund levels expected above last year's forecast
- Oil and Natural Gas forecast
  - Consensus analysis with State Investment Council and CREG
  - Assume Rystad Energy Oil production turning point for New Mexico in baseline scenario is FY35-FY36
  - Stronger Natural Gas Production Outlook bolsters revenues
- Assume GRT and PIT forecast adjustments for changes in oil and gas production
- High Scenario – assume Moody's optimistic scenario for New Mexico's economy, higher oil and natural gas prices and production
- Low Scenario – assume Moody's mild recession in FY27, coupled with low oil and natural gas prices and production



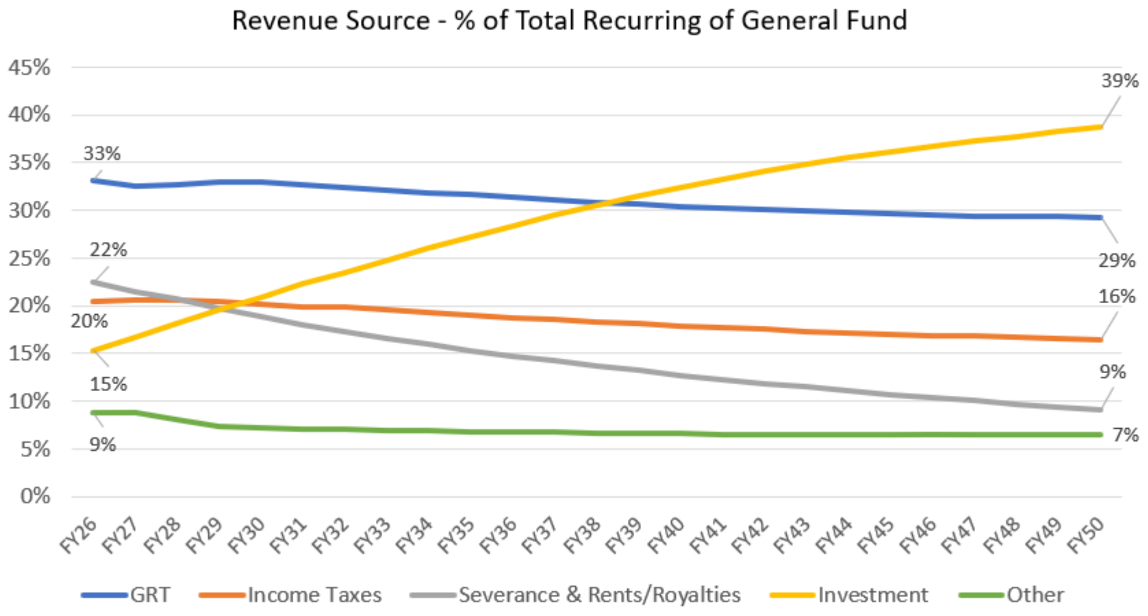
Source: S&P, Moody's Analytics, Rystad Energy, CREG Analysis 2026

General Fund by Component

- Investment earnings rise from 15% to 39% of General Fund to become largest revenue source by FY38.
  - Previous forecast had this occurring in FY42, a shift forward of 4 years
  - Reflects increased growth in investment balances, but also slower growth in other major revenues
- GRT averages moderate 3% growth in the long-term forecast
  - Growth down from previous forecast
  - GRT will be 29% of General Fund revenue by FY50, down from 31% in the previous forecast
- Income tax revenue declines in percentage share of General Fund from 20% to 16%
  - Growth down from previous forecast
- The combined share of Severance Taxes and Rents and Royalties as a percentage of General Fund declines from approximately 22% to 9%.
  - Previous forecast had at 10% in FY50.



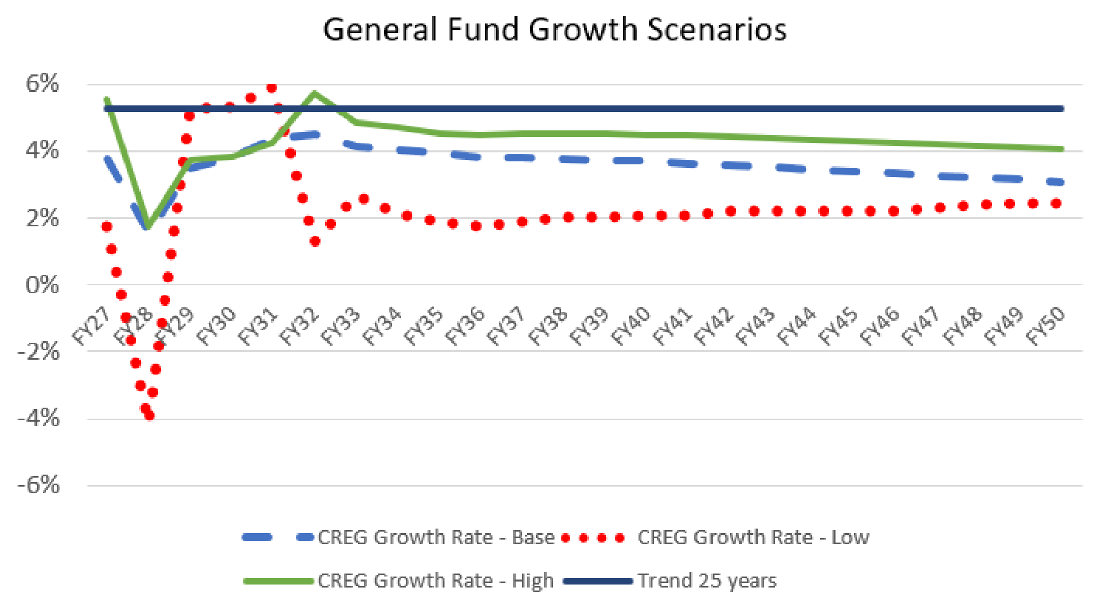
Source: S&P, Moody's Analytics, Rystad Energy, CREG Analysis 2026



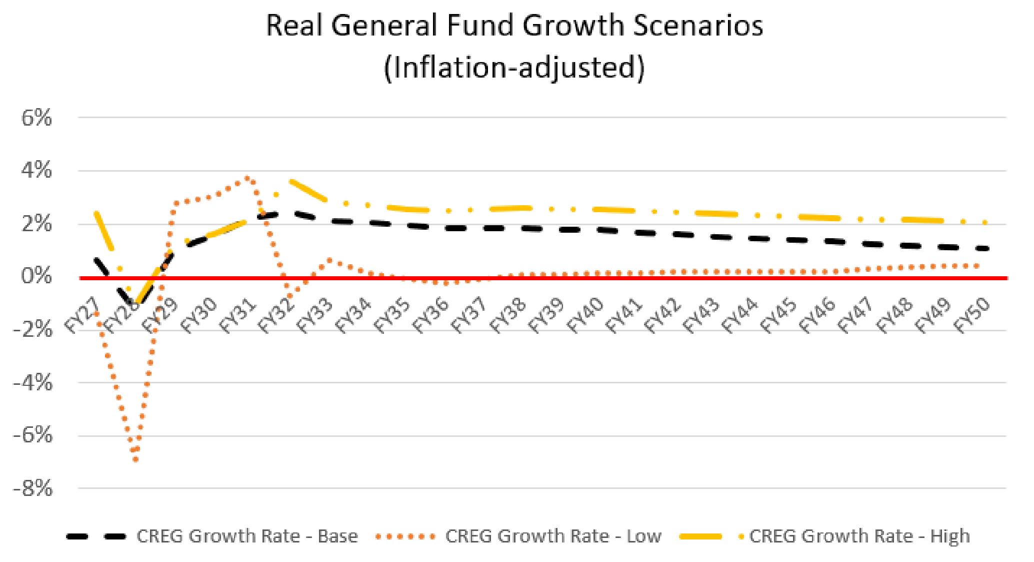
Source: S&P, Moody's Analytics, Rystad Energy, CREG Analysis 2026

General Fund Scenarios Outlook

- Trend Analysis, 25-year (2001-2025) Growth Rate for General Fund
- All scenario growth rates remain below trend
  - With the stabilizing measures in Oil & Gas revenues directing excess revenues to other funds, being below the 25- year trend is expected
- The baseline growth rate is expected to converge to 3% by FY50 with decline in growth over the outlook.
  - Previous outlook had growth converging at 3.5%
- In real terms, the baseline forecast does not contract during the outlook
  - Assuming inflation matches its target, General Fund is expected to grow in real terms



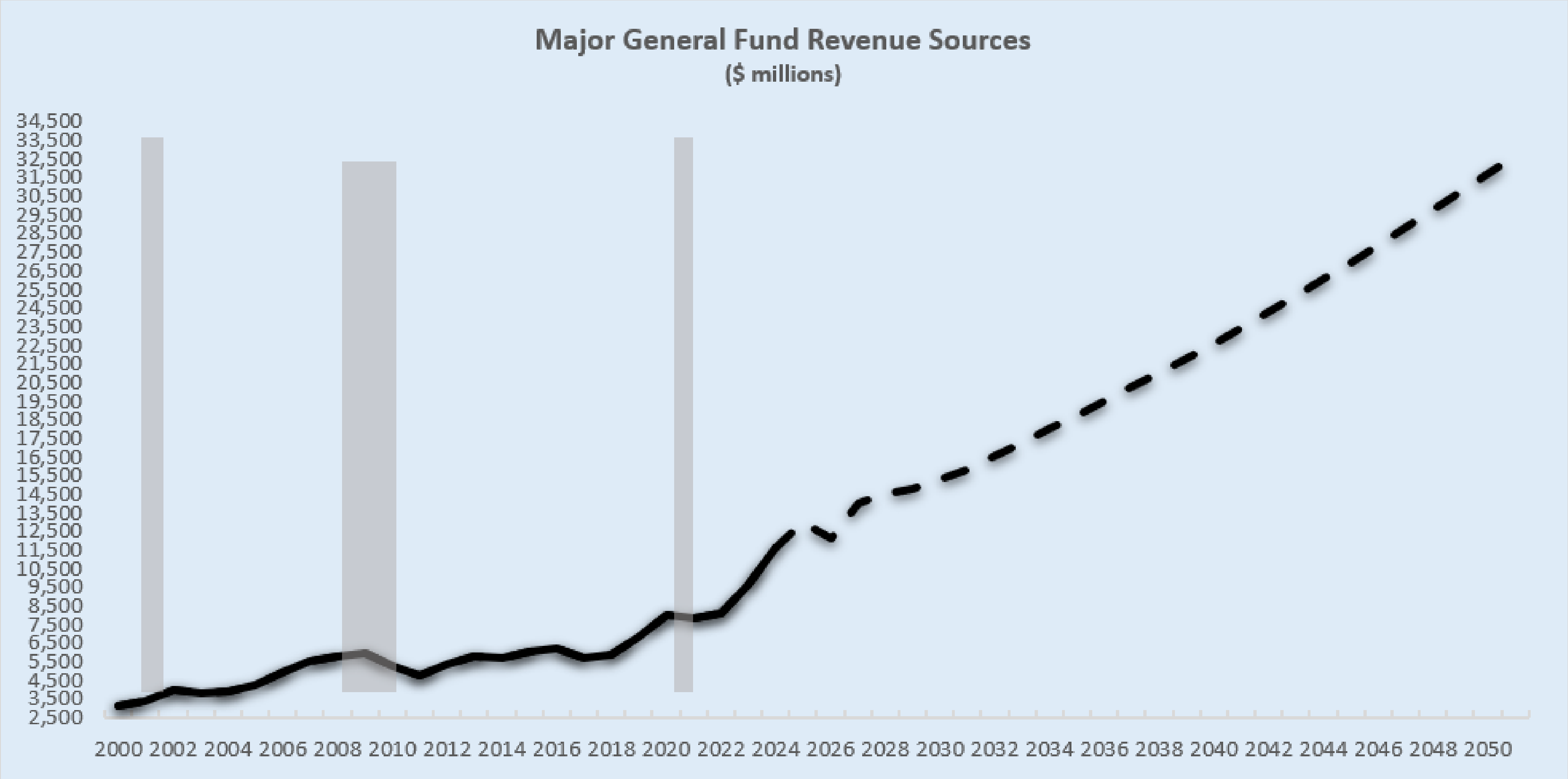
Source: S&P, Moody's Analytics, Rystad Energy, CREG Analysis 2026



Source: S&P, Moody's Analytics, Rystad Energy, CREG Analysis 2026

General Fund Trajectory: Conclusion

- Continued revenue growth
  - The baseline projects continued long-term General Fund growth, although growth moderates relative to historical trends
- A changing revenue composition
  - Investment-related revenues account for an increasing share of the General Fund as broad-based tax and energy revenue growth moderates
- Long-term uncertainty
  - Economic cycles, energy markets, investment performance, and future policy changes may produce outcomes that differ materially from the baseline

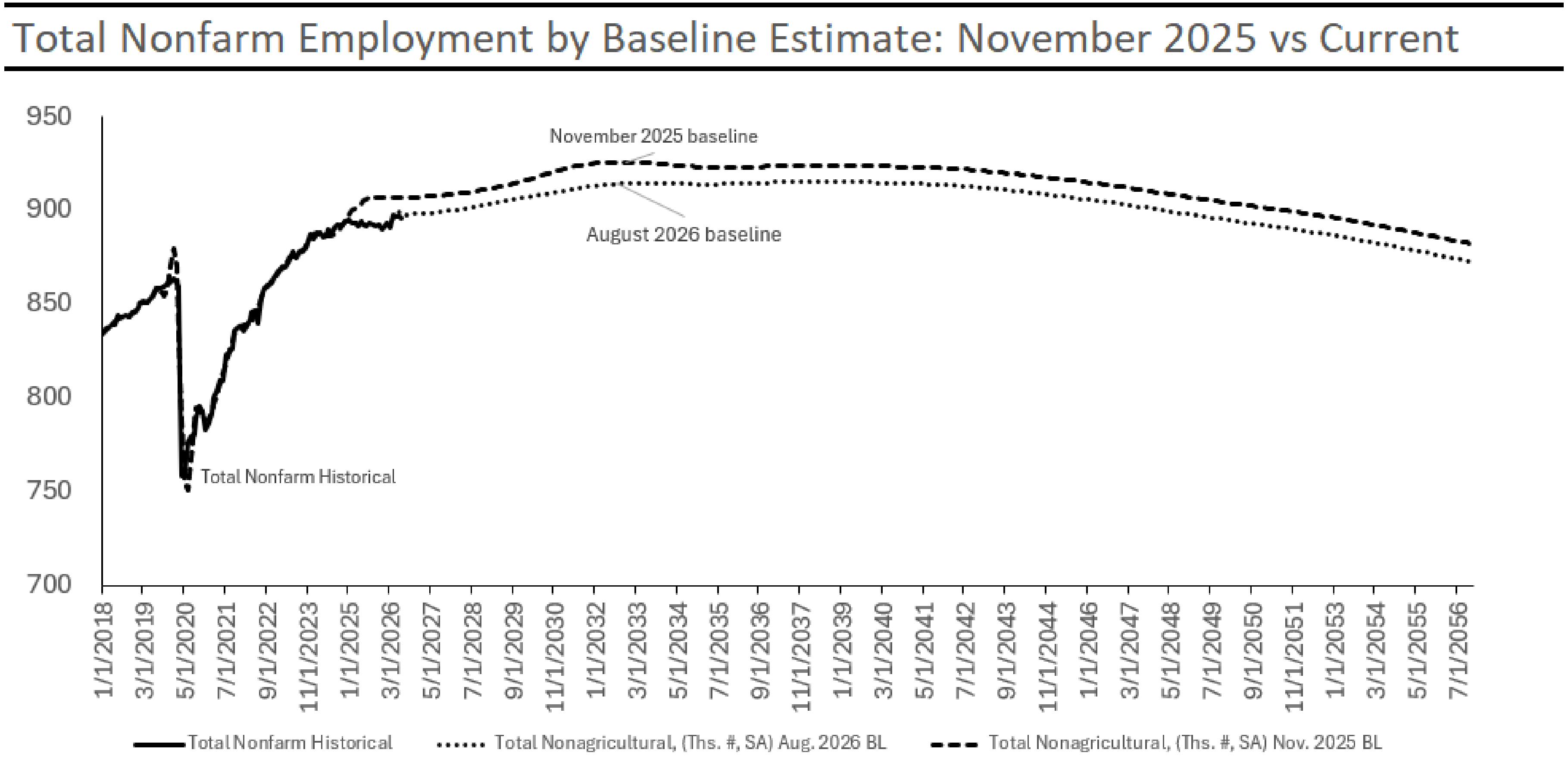


Source: S&P, Moody's Analytics, Rystad Energy, CREG Analysis 2026

Note: major revenue sources are sales taxes, income taxes, severance taxes, rents and royalties, and investment earnings.

Appendix

Total Nonfarm Employment by Baseline: New Mexico

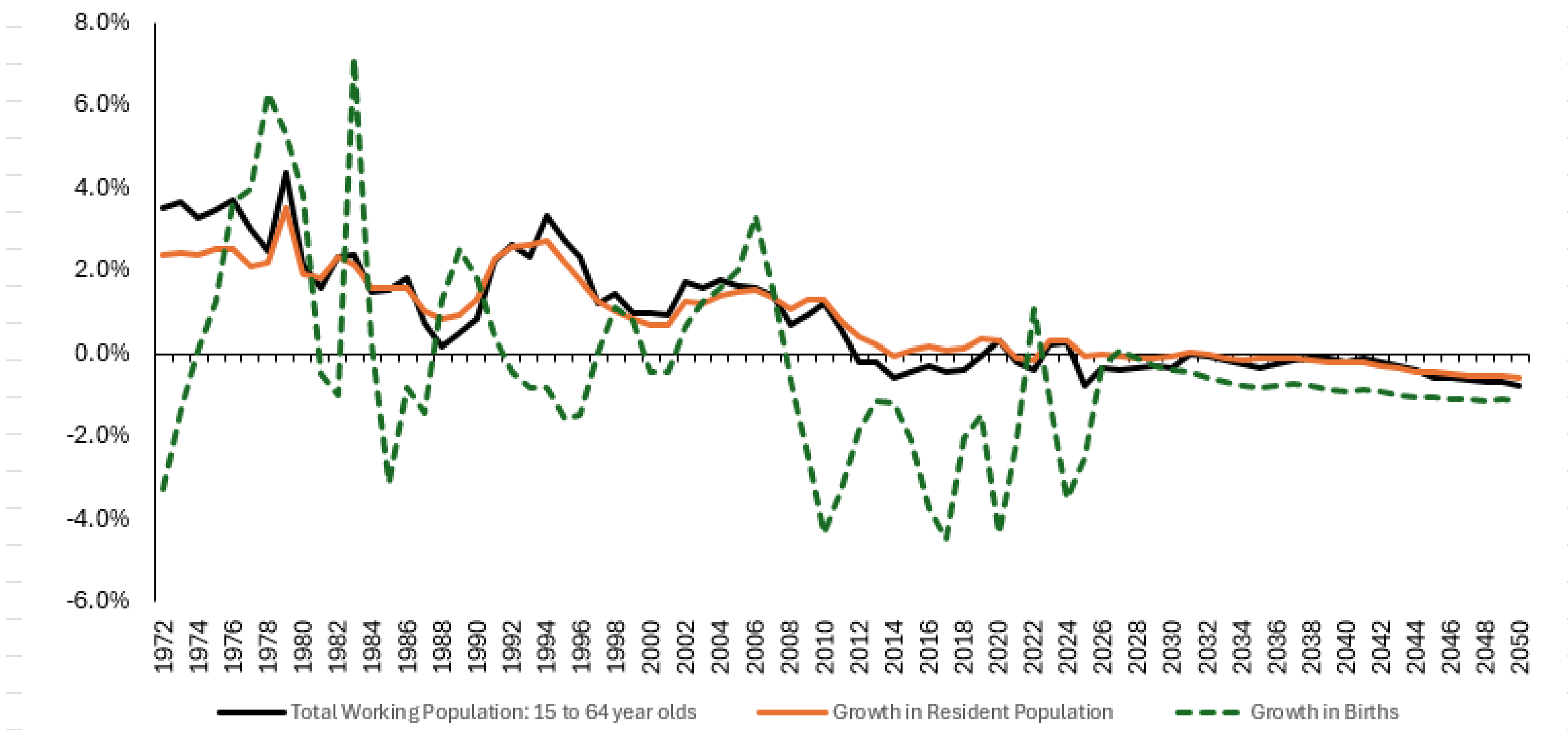


Source: Moody's Analytics; August 2026 baseline; retrieved in September 2026

- The current baseline estimate is lower than the baseline used for the December 2025 Revenue Estimate
- New Mexico's actual employment was lower than projected compared to the November 2025 baseline
  - Reflects moderation in the labor market

New Mexico's Demographic Shift

Growth Rates of N.M.'s Working Age Population, Resident Population and Births
Moody's Estimate from CY2026 to CY2050

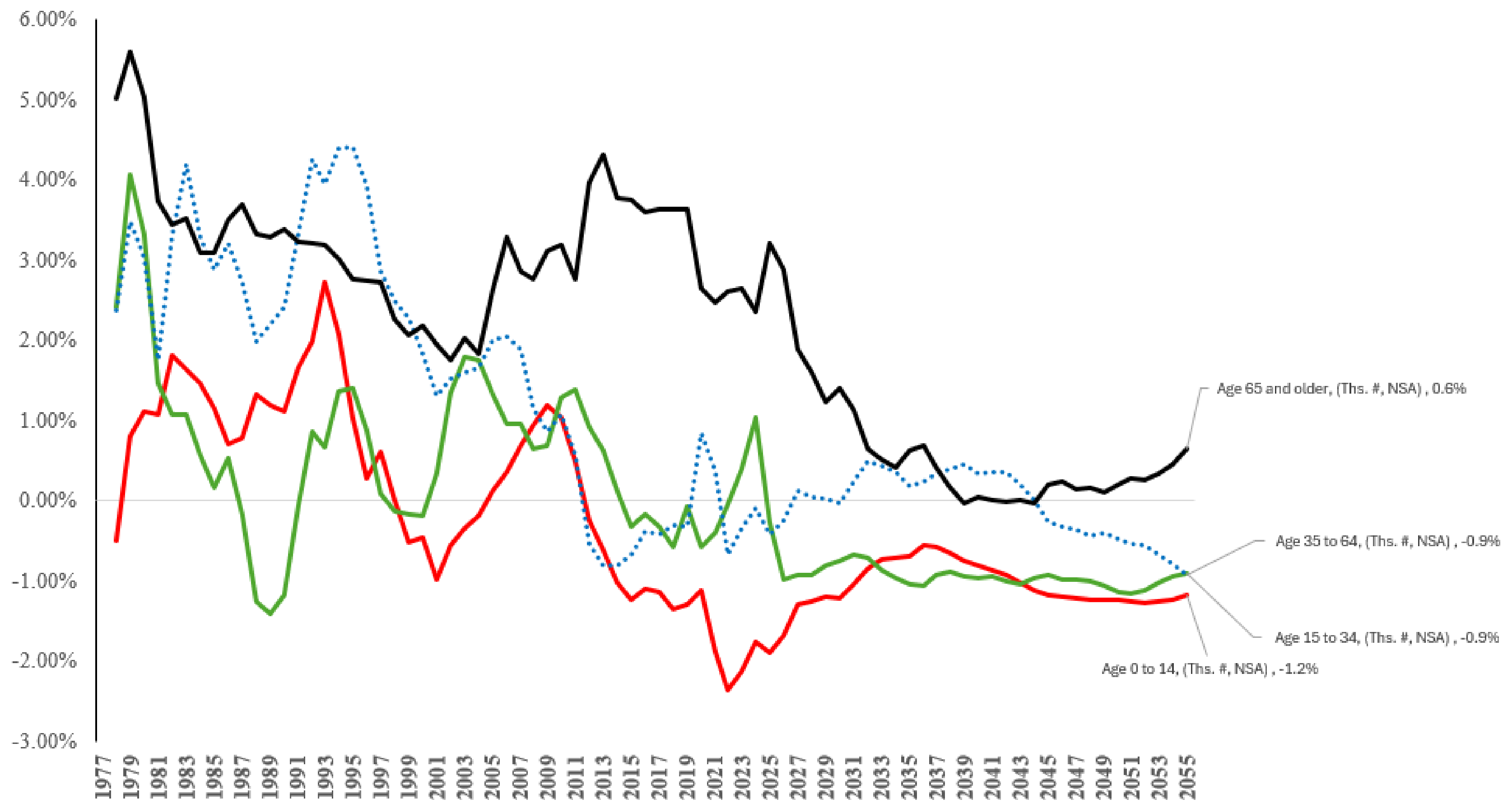


Source: Moody's Analytics

- Three variables can impact the state's labor force: births, deaths, and migration.
- Births will impact the size of the future working-age population
- Previous high birth rates may explain future growth in the working-age population
- The state will experience little to flat population growth through FY2041
- N.M.'s working-age population is anticipated to decline through FY2050 and follow a similar path as the state's population growth
- This low population growth forecast underpins the employment forecast, as well as the forecast for wage and salary growth

New Mexico's Population Growth by Age and Fiscal Year

N.M. Population Growth Rates by Age Category: FY1977 to FY2055
Moody's Estimate: FY2026 to FY2055



Source: Moody's July 2026 Baseline, Author's Calculation

- ➢New Mexico's population growth rates provide insight into the state's demographic shifts
- ➢Population growth rates impact the current and future labor force