

# *Consensus General Fund Revenue Outlook*

Presentation to:  
**Legislative Finance Committee**  
December 9, 2019

**Department of Finance and Administration**

**Taxation and Revenue Department**

**Olivia Padilla-Jackson, Cabinet Secretary**

**Stephanie Schardin Clarke, Cabinet Secretary**



New Mexico Department of  
Finance & Administration

**TAXATION &  
REVENUE**  
NEW MEXICO

# *Revenue Forecast Update Topics*

- Consensus Revenue Estimating Group Overview
- US/Global Macroeconomic Outlook
- New Mexico Macroeconomic Outlook
- Oil and Natural Gas Outlook
- Consensus Revenue Summary
- General Fund Gross Receipts
- Tax Stabilization Reserve
- General Fund Financial Summary
- Risk to the Forecast
- Stress Testing the Forecast
- Appendices

# *Consensus Revenue Estimating Group*

## *Participating Agencies*

### **New Mexico Department of Finance and Administration**

**Leonardo Delgado, Chief Economist**

### **New Mexico Taxation and Revenue Department**

**James Girard, Senior Economist**  
**Lucinda Sydow, Senior Economist**  
**Robert McGrail, Senior Economist**

### **New Mexico Department of Transportation**

**Laura Bianchini, Chief Economist**  
**Mallika Pung, Senior Economist**

### **Legislative Finance Committee**

**Dawn Iglesias, Chief Economist**  
**Ismael Torres, Economist**

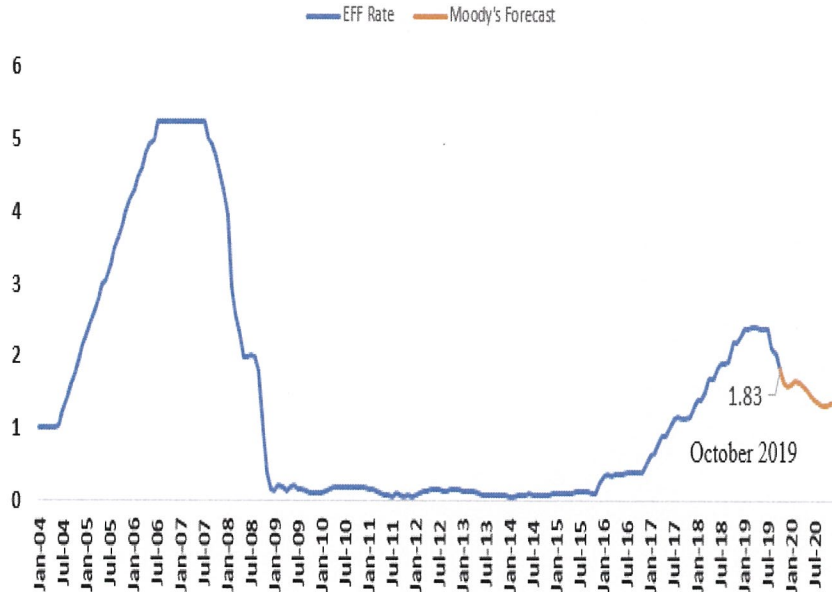
## *US/Global Macroeconomic Outlook*

- National economic growth has been and is expected to remain modest
  - US Real GDP grew 2.6 percent in FY2019
  - FY2020 US Real GDP growth revised down from 2.2% to 2.0% from August 2019 forecast
  - FY2021 US Real GDP growth revised down from 2.3% to 2.2% from August 2019 forecast
- US inflation rate was 2.1% in FY2019, inflation expected to continue modest growth: 2.0% in FY2020, 1.6% in FY2021
- The risk of a national recession remains for CY 20 and CY21  
See “Risks to the Forecast” for probability estimates
- Trade tensions continue and a slowdown in global economic growth add uncertainty to many aspects of the forecast (GRT, PIT, interest earnings)
- In October 2019, the Federal Reserve announced the third rate cut for the calendar year

# US Macroeconomic Outlook

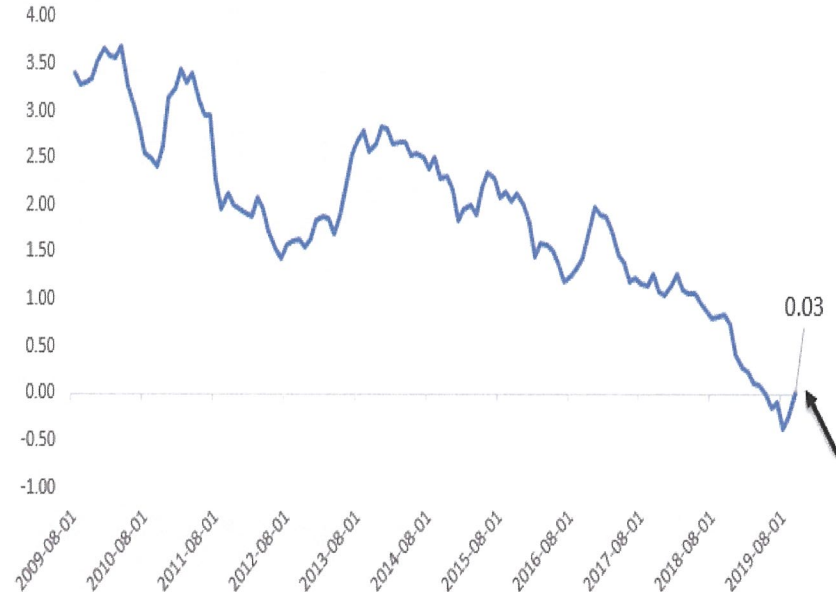
- Federal Reserve cut rates three times in CY19, reducing the target rate from a 1.75-2.00 to 1.50-1.75 percent
- Federal Reserve: “Information received since the Federal Open Market Committee met in September indicates that the labor market remains strong and that economic activity has been rising at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Although household spending has been rising at a strong pace, business fixed investment and exports remain weak...” October 30, 2019
- The yield curve is no longer inverted as of October 2019

Effective Federal Funds Rate (Monthly) Jan. '04 to Sep. '19, Moody's Forecast



Source: Federal Reserve Bank of St. Louis, FRED, Moody's Baseline Scenario

10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity Inverted Yield Curve (August 1, 2009 through October 1, 2019)

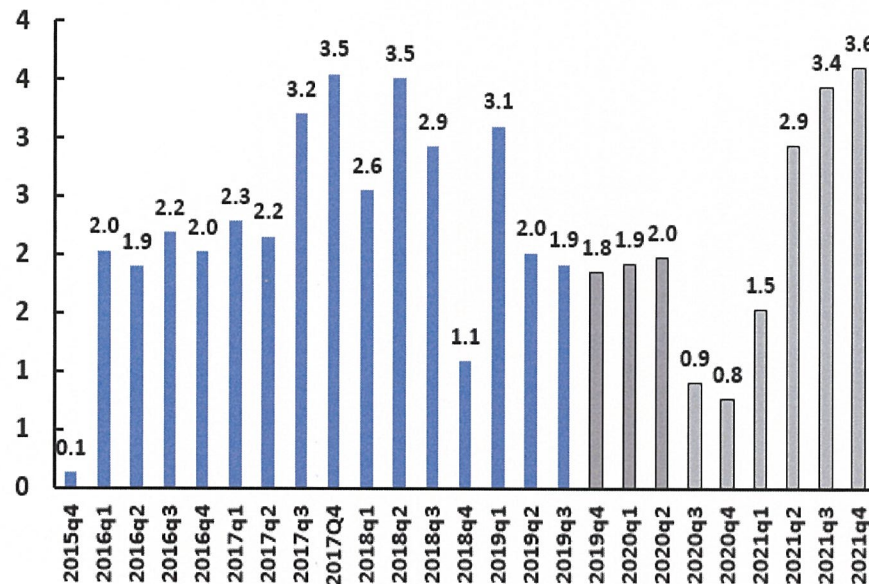


Source: St. Louis Federal Reserve Bank, FRED

# US Economic Outlook

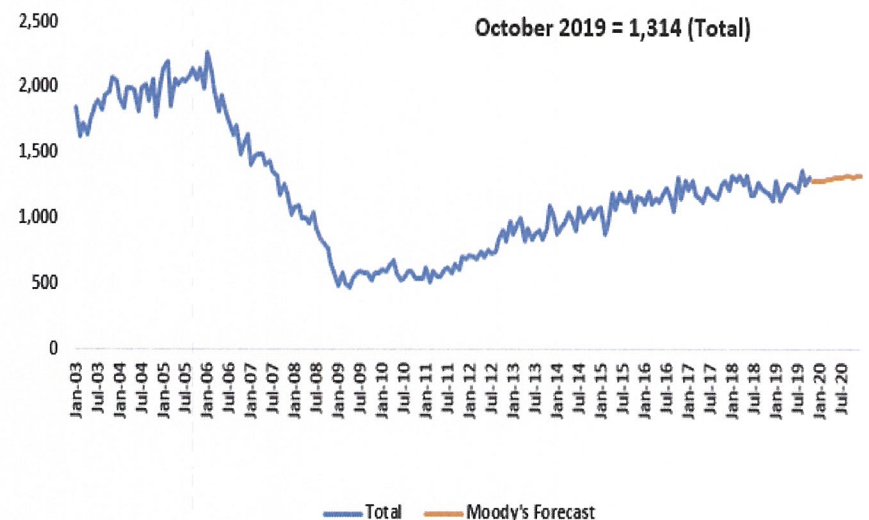
- The US is still experiencing the longest economic expansion in history (NBER)
- US Real GDP grew 1.9 percent from 2019Q2 to 2019Q3
- US Housing Starts have gradually increased since 2009, reaching a 10-year high in early 2018 and remaining steady since
- Housing growth remains positive but housing has not returned to pre-Great Recession levels

Percent Change in US Real GDP: 2015 Q1 to 2019 Q3, Forecast 2019Q4-2021Q4 (Quarter-over-Previous-Quarter)



Source: bea.gov Seasonally Adjusted at annual rates, Moody's Nov. 2019 Baseline Forecast

Housing Starts Jan. '03 to Oct. '19 (Actuals), Forecast Nov. '19 to Dec. '20 (1,000s of units Seasonally Adjusted at Annual Rates)



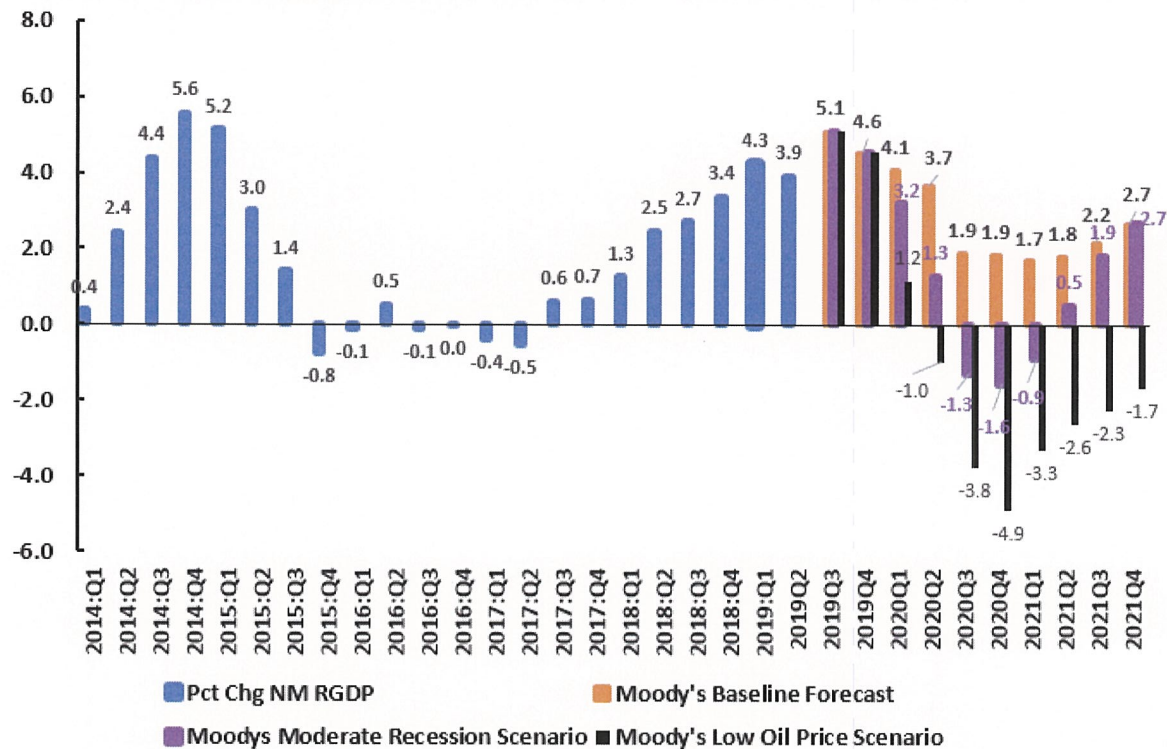
Source: Census Bureau, New Construction Reports, Moody's Baseline Forecast

# *New Mexico Economic Outlook*

- New Mexico Real GDP grew at 3.9% in 2019Q2 over 2018Q2 and growth is forecasted to continue by BBER and Moody's Analytics in FY2020
- New Mexico non-farm jobs have grown 2.0% from October 2018 to October 2019
  - This represents a growth of 17,300 jobs in New Mexico
- New Mexico construction employment at highest levels in over a decade, mostly concentrated in Southeastern quadrant of the state
- Leisure and Hospitality grew 5.1% year over year and while employment in mining has leveled off in recent months, it demonstrated 5.6% growth year over year based on October figures
- Southeastern New Mexico has continued oil production growth setting new record levels for rig counts, production, oil generated revenues
  - Rig counts have experienced some softening recently as firms focus on returning capital to investors, rather than growth and capital expenditures
- The December 2019 CREG forecast does not incorporate a near term US recession but the probability of a recession in FY2020/FY2021 is a risk to the forecast

# New Mexico Economic Outlook

Percent Change in NM Real GDP 2014Q1 to 2019Q2, Moody's Forecasts 2019Q3-2021Q4  
(Quarter-over-same-Quarter-One-Year-Ago)



Source: bea.gov, Moody's Baseline, Moderate Recession, and Low Oil Price Scenario Forecasts

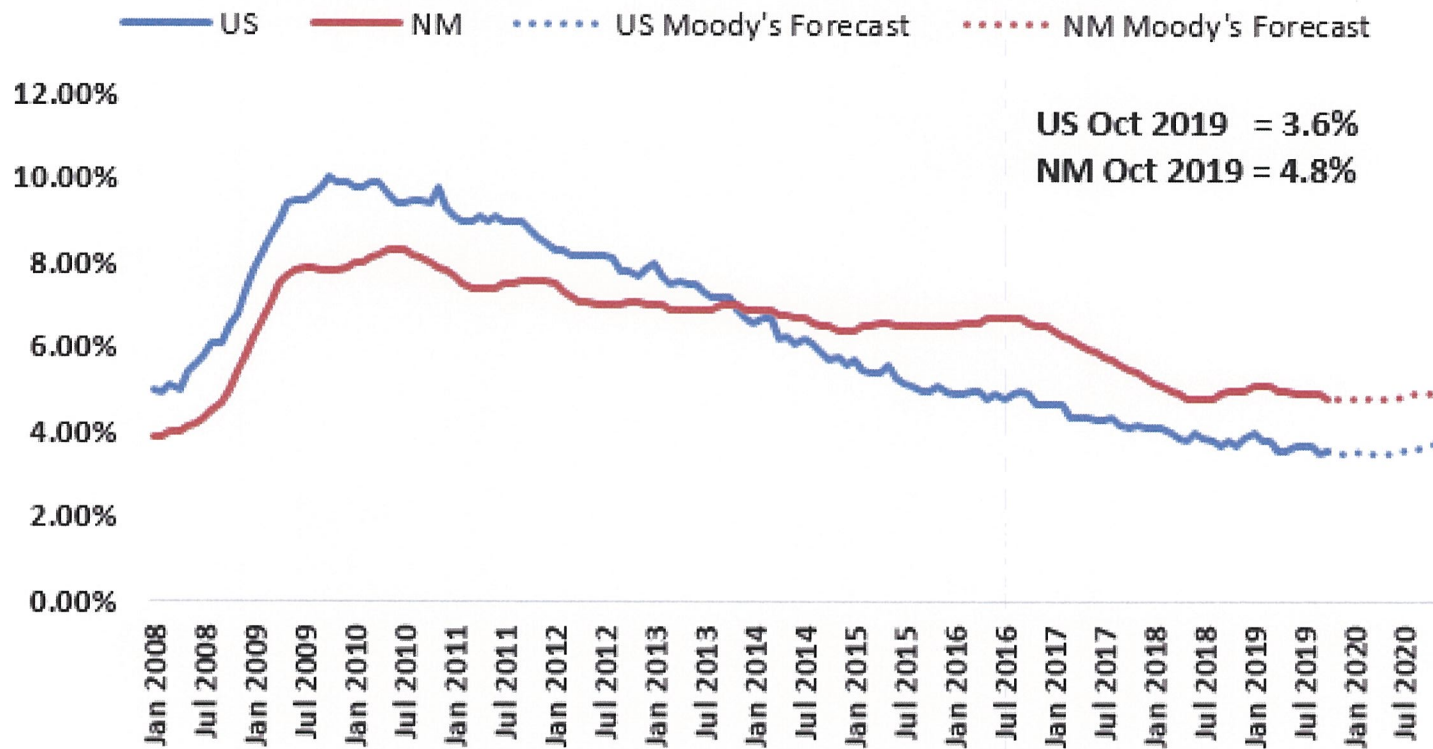
- New Mexico Real GDP has experienced continued positive growth since Q3 2017, peaking at 4.3 percent growth in 2019Q1
- Moody's Baseline forecast projects NM Real GDP to continue at a more moderate pace through 2021
- Moody's Moderate Recession Scenario estimates negative growth for three quarters starting in 2020Q3
  - This scenario is highly unlikely. Moody's assigns a probability of 11% that the US will enter a recession in the six months
- Moody's Low Oil Price Scenario is even less likely. Moody's assigns a probability of less than 5% of this scenario occurring



# *New Mexico - Unemployment*

- US unemployment is currently at 50 year low
- New Mexico unemployment rate is at 4.8 percent (Oct. 2019), lowest rate since pre-Great Recession
- In combination with slight increases in wages, this moves NM closer towards full-employment
- Forecasted US and NM unemployment remain at current rates through 2020

**US and NM Unemployment Rate (percent) : January 2008 to October 2019**  
**Moody's Forecast: November 2019 to December 2020**

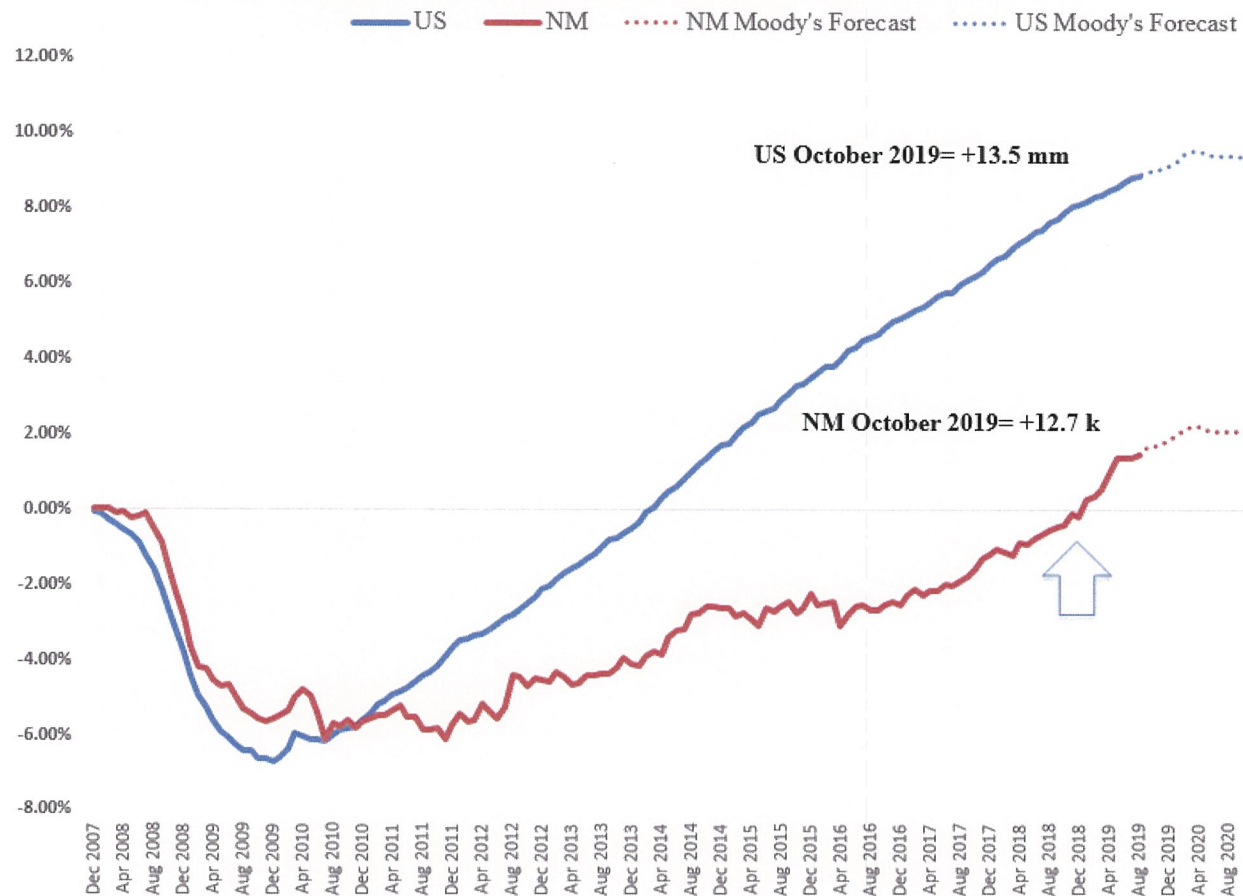


Source: bls.gov, seasonally adjusted, Moody's Analytics: Baseline Forecast

# New Mexico - Jobs

- After lagging for 11 years New Mexico employment has surpassed pre-Great Recession levels in March 2019
- Employment grew 2.0 percent from October 2018 to October 2019
- Employment growth is forecasted to continue in the near term
- BBER forecast New Mexico employment to grow 1.7 percent in FY2020 and 1.2 percent in FY2021

**Percent change in Cumulative Non-Farm Employment in the US and NM: Dec 2007 to October 2019**  
**Moody's Forecast: November 2019 to December 2020**

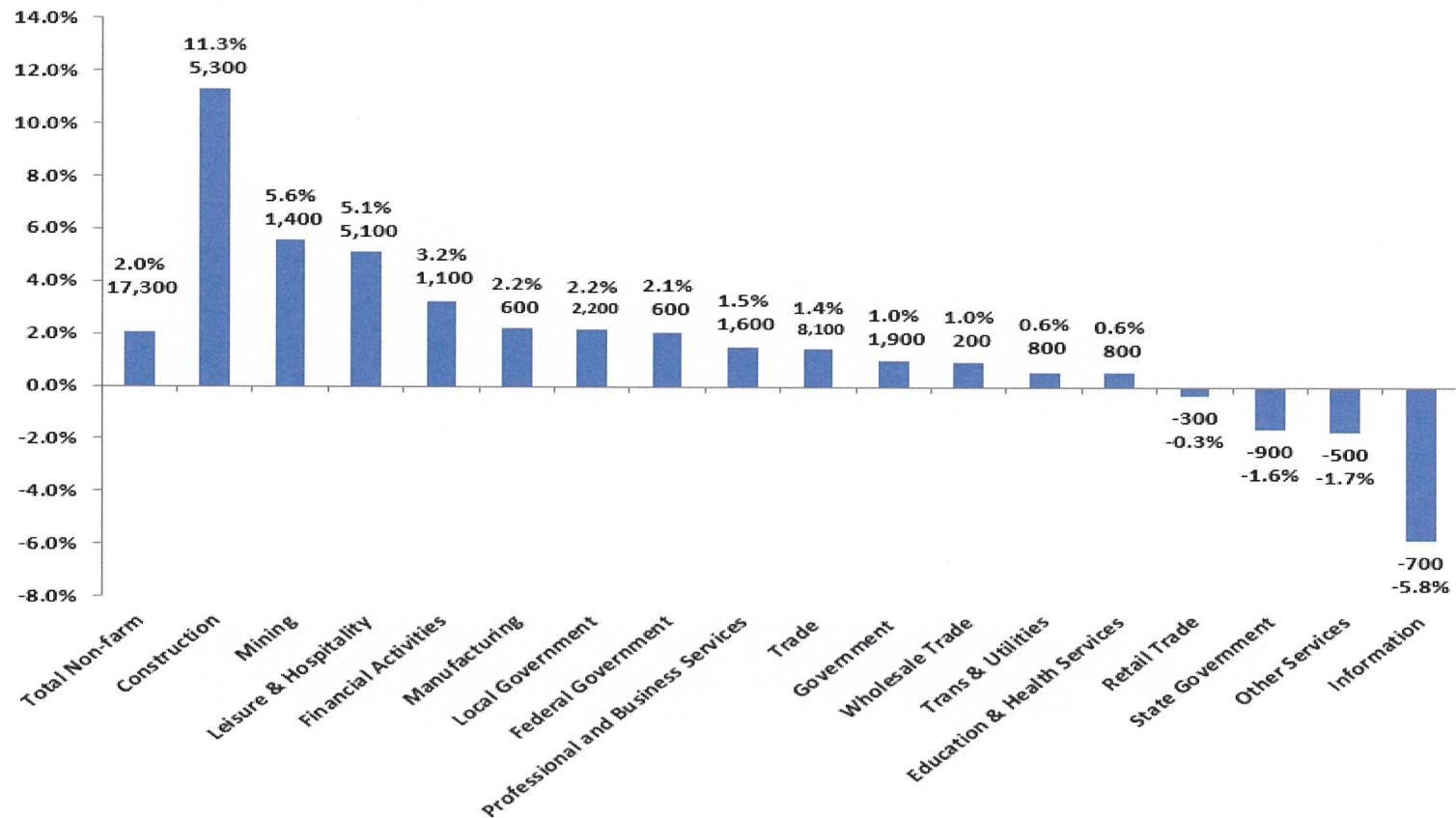


Source: bls.gov, seasonally adjusted, Moody's Analytics: Baseline Forecast

# New Mexico Job Growth by Sector

- 13 sectors are showing year-over-year growth while four sectors have declined
- Strongest percentage growth in Construction, Mining, Leisure & Hospitality
- Strongest growth in number of jobs in Construction, Trade, and Leisure & Hospitality
- Sectors that have declined are Retail Trade, State Government, Other Services, and Information

**Percent Change and Level Change in Non-Farm Employment in New Mexico by Sector  
October 2018 to October 2019**

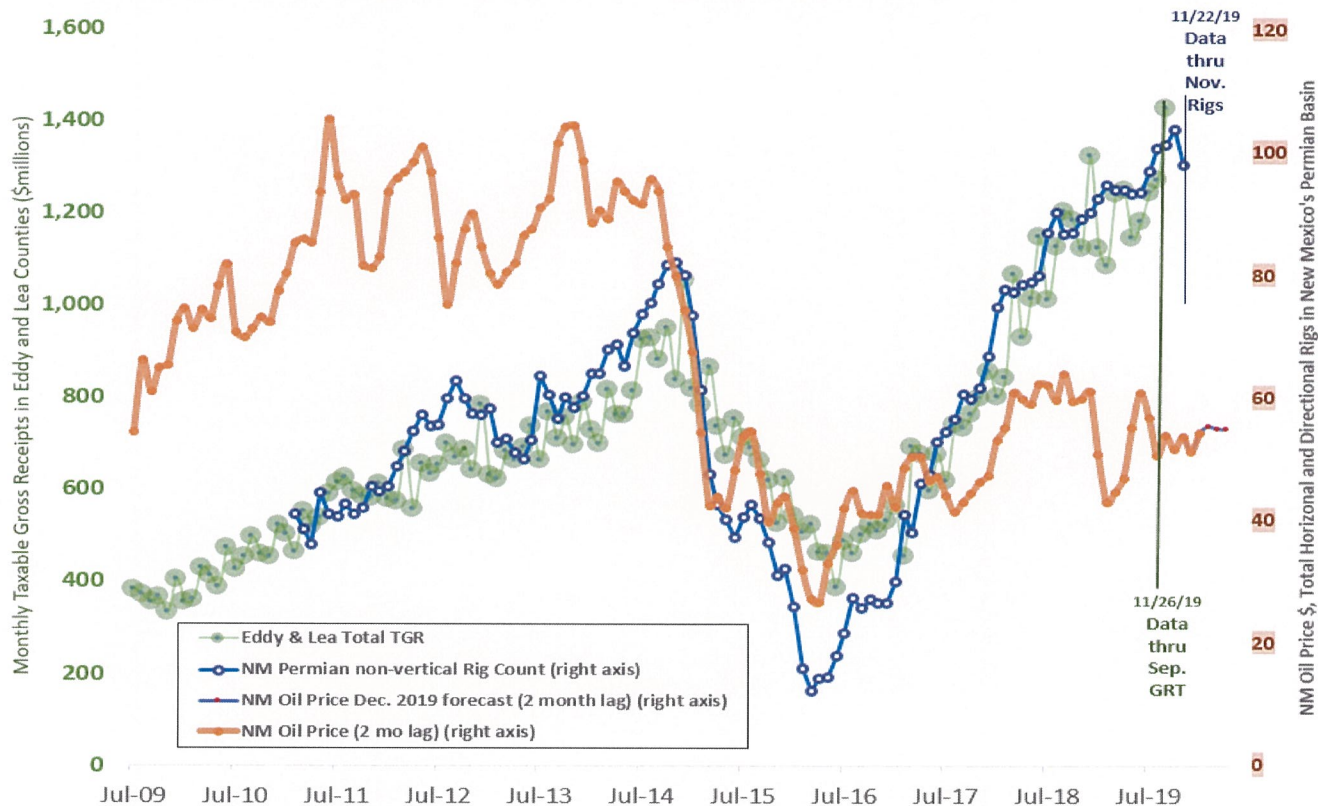


Source: bls.gov, CES seasonally adjusted

# Rig Counts Are a Leading Indicator of GRT

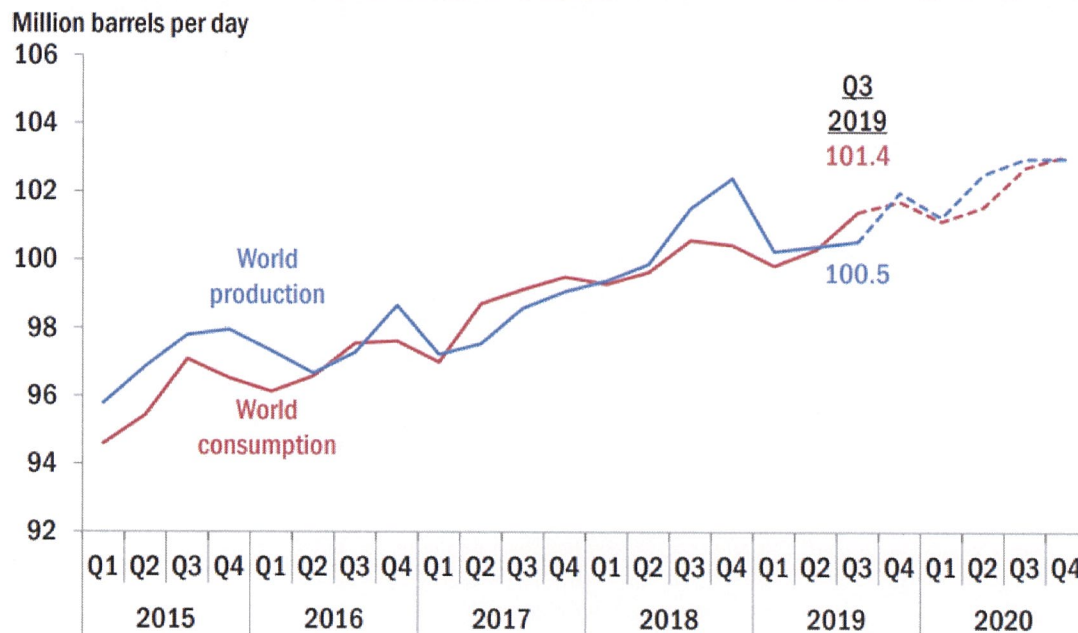
- Oil price changes affect rig counts approximately two months later
- Permian Rig counts are a leading indicator of Lea and Eddy County GRT
- The relationship between WTI and rig counts has changed in recent years due to increased efficiencies, improved technologies and reduced costs
  - At a WTI price above \$50, New Mexico can support rig counts at a level near record highs
- The relationship where oil is profitable has changed
  - Prior to 2016 high oil prices were needed to be profitable
  - 2017 to present high oil prices are not needed to be profitable

**Total Monthly Taxable Gross Receipts in Eddy and Lea Counties  
Compared to NM Oil Price and Permian Horizontal and Directional Rig Count**



# Oil Supply, Demand, and Production: World Oil Supply and Demand

## World Oil Supply & Demand



Federal Reserve Bank of Dallas

NOTE: Dashed lines represent forecasts.  
SOURCE: Energy Information Administration.

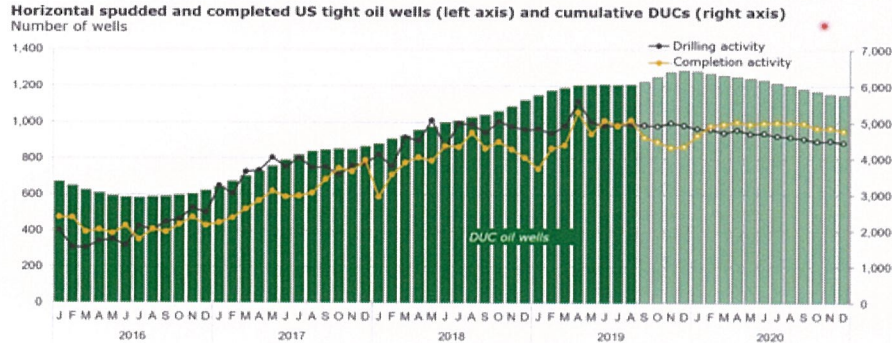
- Forecasted World oil supply is outpacing oil demand in 2020
- In 2020 higher production and weaker demand put downward pressure on prices
- New Mexico now accounts for 0.9 percent of world oil production

Source: Federal Reserve Bank of Dallas

# Oil Supply, Demand, and Production: National Rig Counts and Production

## Rystad National Forecast

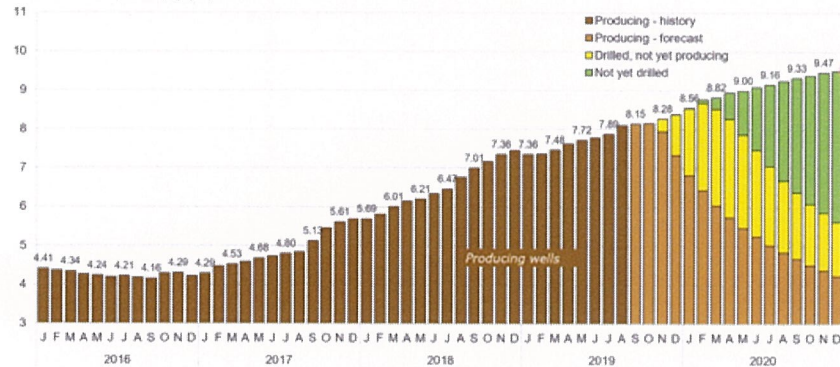
Despite the drop in rig counts, drilling activity for oil wells remained flat through Q2-Q3  
 Completions strongly decelerate towards the end of the year due to exhausted capital budgets



Source: Rystad Energy ShaleWellCube

US LTO production is on track to deliver 8.3-8.4 million bpd by the year-end  
 Our base-case scenario sees growth in 2020, reaching 9.5 million bpd by the year-end

Light Oil Production from US shale plays split by lifecycle  
 Million barrels per day (bpd)



Source: Rystad Energy ShaleWellCube

Source: Rystad Energy ShaleWellCube, Rystad Energy Webinars

- Even with declining rig counts and spent capital budgets, national drilling activity has remained flat
- This is due to the industry's completion of Drilled but Uncompleted Wells (DUCs)
- Rystad forecasts national production to slow through 2020
- Rystad takes into account
  - Drilled and producing wells
  - Drilled but not yet producing wells
  - Yet to be drilled wells

# Oil Supply, Demand, and Production: Oil Producers

## RBC E&P STOCK INDICES

Sort by market cap, or by % change, using the up/down icons to reverse direction.

MAJORS	Market Cap ▼▲	Price	% Change			
			1 Day ▼▲	1 Month ▼▲	6 Month ▼▲	1 Year ▼▲
ExxonMobil	289.5B	68.42	0.0	↓ 1.7%	↓ 4.8%	↓ 15.8%
Shell-A	226.1B	57.13	0.0	↓ 2.6%	↓ 8.4%	↓ 7.6%
ChevronTexaco	220.9B	116.80	0.0	↑ 0.5%	↑ 0.7%	↓ 3.2%
BP P.L.C.	126.1B	37.31	0.0	↓ 3.6%	↓ 9.1%	↓ 9.4%
MAJORS Average:			0.0	↓ 1.85%	↓ 5.40%	↓ 9.00%
LARGE CAPS	Market Cap ▼▲	Price	% Change			
			1 Day ▼▲	1 Month ▼▲	6 Month ▼▲	1 Year ▼▲
ConocoPhillips	66.2B	60.37	0.0	↑ 5.6%	↑ 1.6%	↓ 12.6%
EOG	41.2B	70.79	0.0	↓ 0.5%	↓ 14.7%	↓ 34.5%
Occidental	34.6B	38.68	0.0	↓ 8.5%	↓ 21.6%	↓ 45.8%
Pioneer	21.0B	126.78	0.0	↓ 0.6%	↓ 11.1%	↓ 17.3%
Hess	18.6B	61.19	0.0	↓ 11.2%	↑ 11.8%	↑ 8.4%
Concho	14.8B	73.52	0.0	↑ 6.1%	↓ 26.1%	↓ 45.4%
Diamondback	12.5B	77.88	0.0	↓ 10.3%	↓ 20.7%	↓ 30.6%
Continental	11.6B	31.22	0.0	↑ 3.7%	↓ 10.8%	↓ 36.5%
Noble	9.8B	20.58	0.0	↑ 2.8%	↓ 4.3%	↓ 17.7%
Marathon	9.6B	11.95	0.0	↓ 0.7%	↓ 10.3%	↓ 31.9%
Devon	8.4B	21.83	0.0	↑ 3.1%	↓ 14.4%	↓ 24.1%
Apache	7.3B	19.54	0.0	↓ 17.9%	↓ 27.3%	↓ 46.5%
Cabot	6.5B	16.00	0.0	↓ 13.2%	↓ 36.7%	↓ 35.8%
Encana	5.0B	3.88	0.0	↓ 6.7%	↓ 27.3%	↓ 45.4%
Cimarex	4.9B	47.66	0.0	↑ 8.4%	↓ 17.4%	↓ 44.2%
Parsley	4.8B	15.18	0.0	↓ 7.4%	↓ 14.4%	↓ 26.9%
WPX	4.2B	10.07	0.0	↓ 1.0%	↓ 7.4%	↓ 32.1%
Murphy	3.7B	23.46	0.0	↑ 6.6%	↓ 4.8%	↓ 26.7%
Magnolia Oil & Gas	2.8B	11.19	0.0	↑ 10.2%	↑ 1.3%	↓ 11.1%
Kosmos Energy	2.4B	5.90	0.0	↓ 6.6%	↓ 4.8%	↑ 1.4%
EQT	2.2B	8.44	0.0	↓ 20.1%	↓ 54.2%	↓ 55.4%
LARGE CAPS Average:			0.0	↓ 2.77%	↓ 14.93%	↓ 29.08%

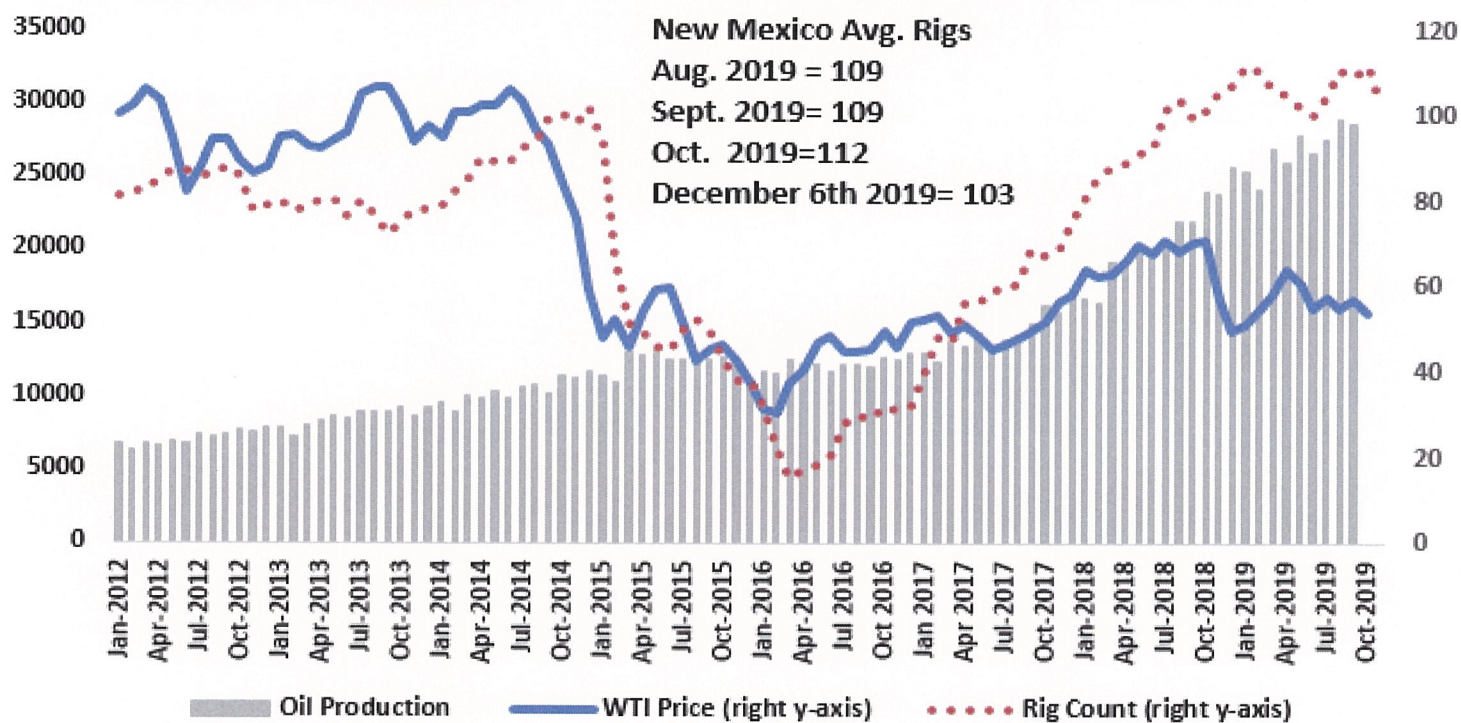
RBC Capital Markets  
12-3-19

- Producer stock prices are down
- The top 4 New Mexico producers are worth 1/2 to 3/4 of what they were worth one year ago.
- The oil industry is shifting focus to investment value rather than high production
- This is motivating producers to
  - Decrease capital expenditures
  - Reduce costs to ensure returns to shareholders
- Slowing production growth

# Record Levels of Oil Production

- New Mexico experienced record oil production in FY2019 despite lower average oil prices
- New Mexico rigs peaked at 113 in mid-October and have begun to decline in the following weeks
  - On December 6<sup>th</sup>, 2019 New Mexico rig counts were at 103
- Consensus forecast expects average oil prices of \$52 in FY2020, \$50 in FY2021 and FY2022, and then increasing to \$52 in FY2023 and \$53 in FY2024
- Consensus forecast expects oil volumes of 350mm barrels in FY2020, 360mm barrels in FY2021, and 365mm barrels in FY2022

**NM Oil Production (1000 barrels), WTI Price (\$ per barrel), & NM Rig Count (number)  
January 2012 to November 2019**



Source: Baker Hughes, EIA (Production through September, Price through October, Rigs through Dec. 6th, 2019)

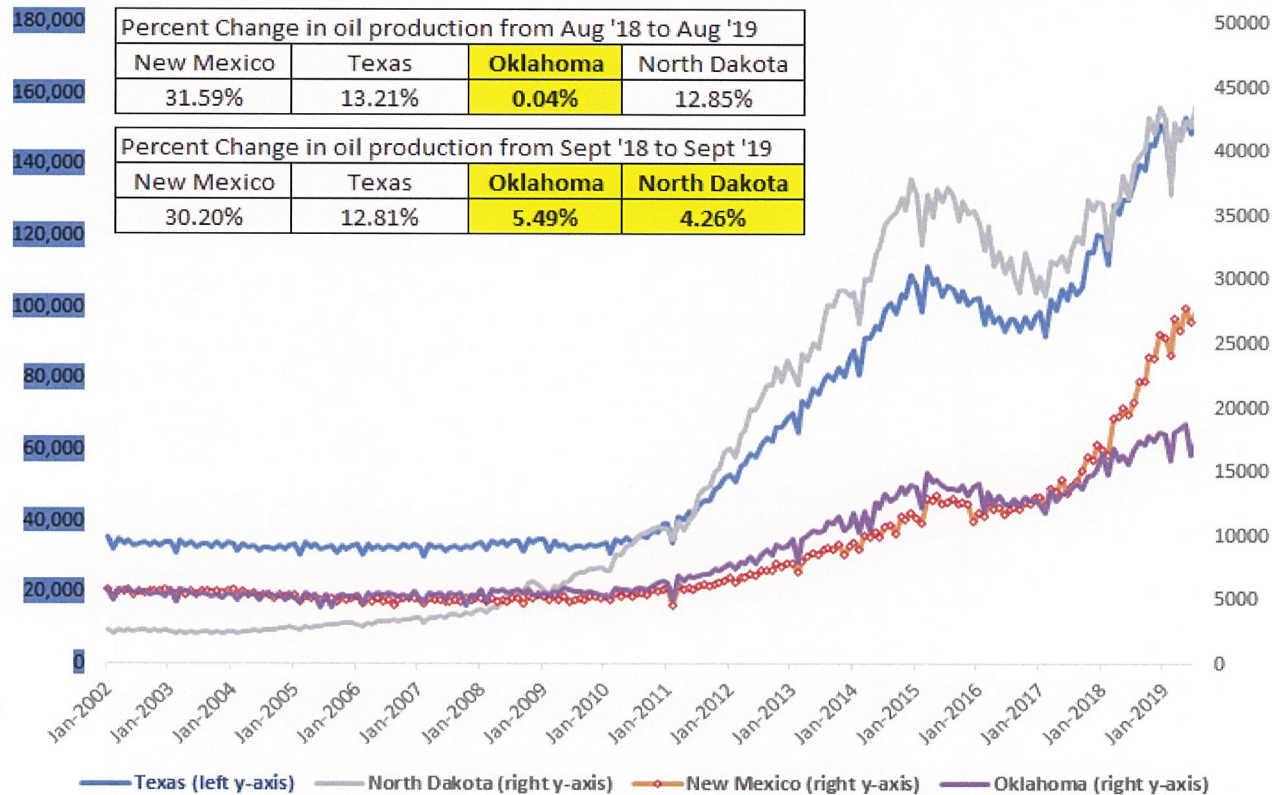


# Oil and Natural Gas: Top 4 Oil Producing States

- New Mexico experienced the largest percentage production growth among the top four oil producing states
- New Mexico's share of national production was 7.6% in September 2019, versus 6.4 % in September 2018 (largest percentage share increase among top 4 states and Gulf of Mexico production September-over-September)
- Overall these percentages are declining compared to prior months
  - North Dakota and Oklahoma experienced the largest changes in production in recent months
  - Oklahoma was essentially flat from August 2018 to August 2019

**Top 4 Oil Producing States in US (thousand barrels)**

**Jan 2002 to Sept 2019**

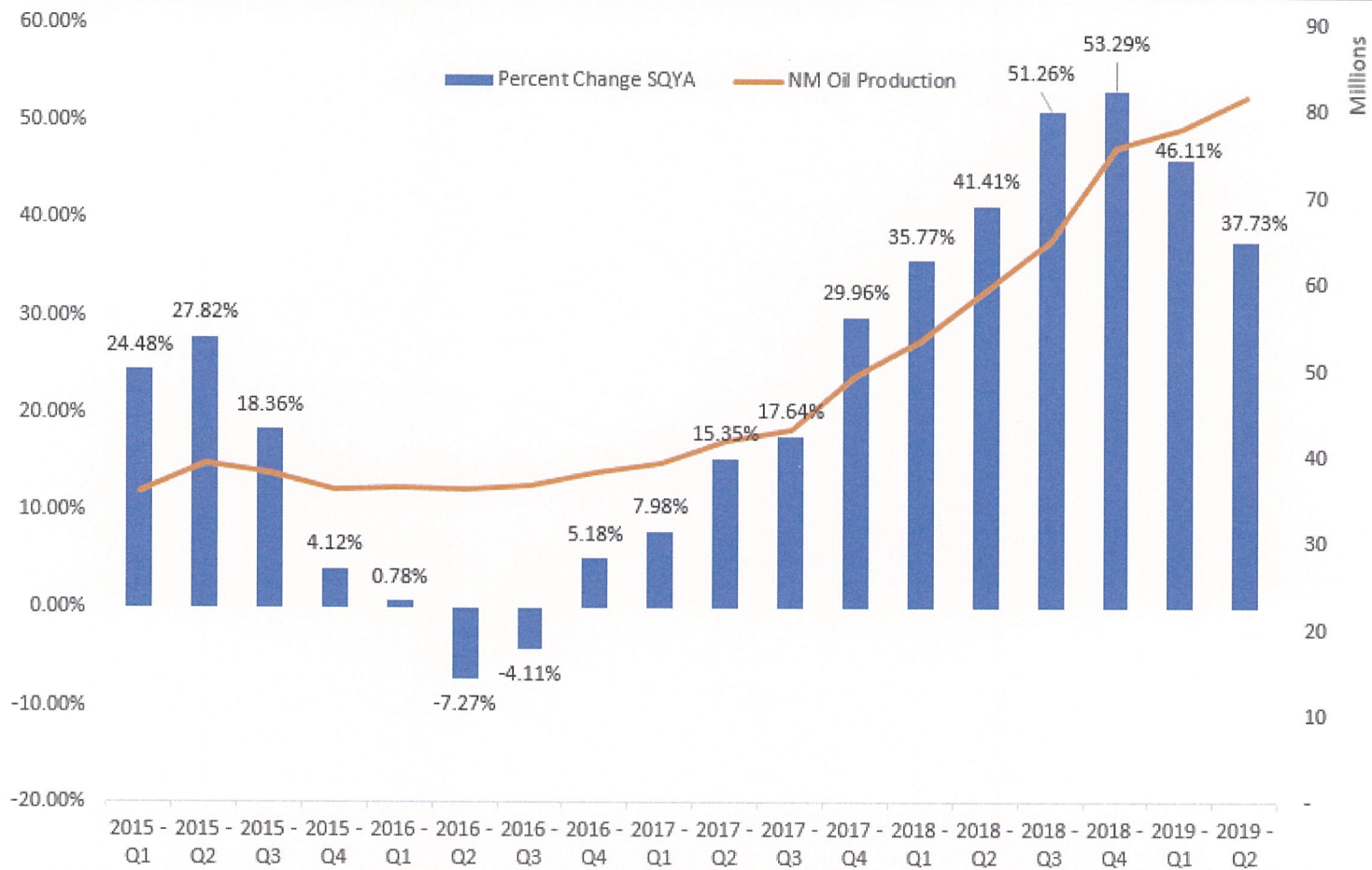


Sources: eia.gov

# New Mexico Oil Production

- New Mexico Oil Production is experiencing an unprecedented oil production boom from 2017 through the present day
- However, new data shows NM Oil production growth is beginning to slow

**New Mexico Oil Production 2015Q1 to 2019Q2**  
**Percent Change: Quarter Over Same Quarter One Year Ago**



Sources: New Mexico TRD Gentax System

# General Fund Overview

## FY19

- FY2019 GF Revenue grew by 15 percent over FY2018
- FY2019 GF Reserves are \$1,833 million, 28.9% of recurring appropriations

## FY20

- FY2020 GF Revenue is estimated to decline by 1.3 percent vs. FY2019
- FY2020 GF Reserves are \$2,406 million, 34% of recurring appropriations\*

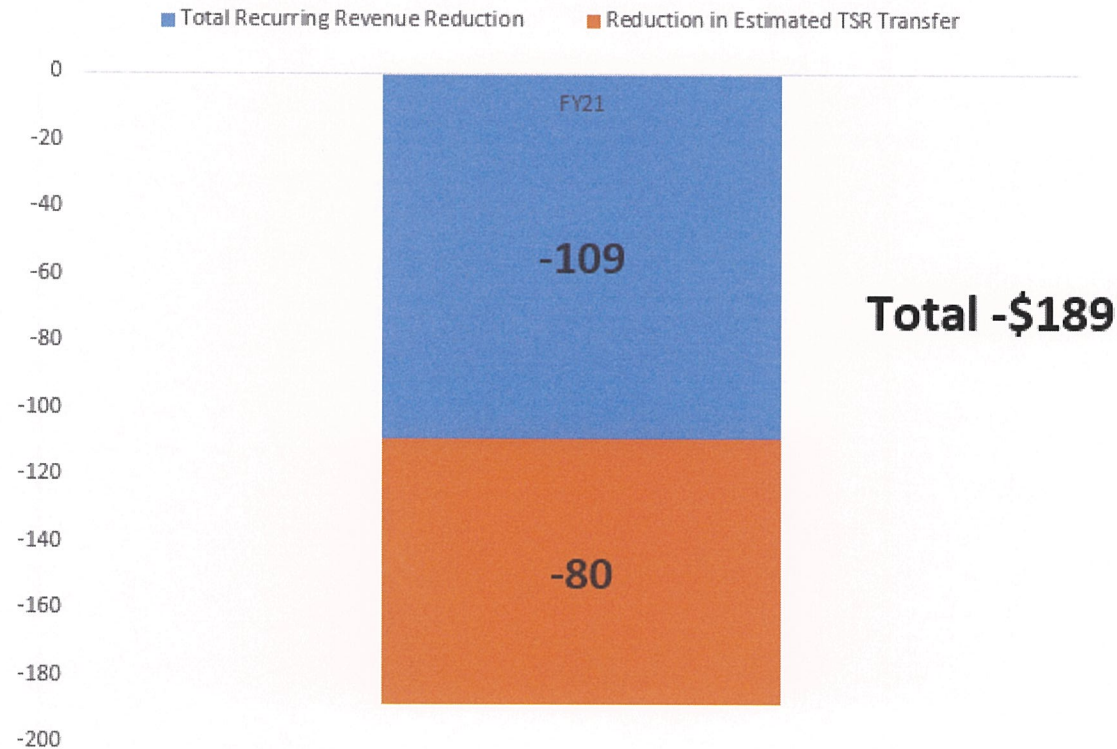
## FY21

- FY2021 GF Revenue is forecasted to grow by 1 percent vs. FY2020
- “New Money” for FY2021 is forecasted to be \$797 million

\*Pending 2020 legislative appropriations

# *Impact of Reduced Revenues – Tax Stabilization Reserve in Action*

**TSR Efficiency - Changes in FY21 Revenue Estimate (\$ millions)**



Source: CREG December 2019

- Total recurring revenue estimate reduced by \$109 million vs. the August 2019 estimate (mostly due to oil and gas revenues)
- Estimated TSR transfer in FY21 absorbs \$80 million of reduction

# Consensus Revenue Summary

**Table 1**  
**December 2019 Consensus General Fund Forecast**  
 (Millions of Dollars)

	FY19		FY20		FY21	
	\$ Millions	% Change	\$ Millions	% Change	\$ Millions	% Change
General Sales	\$2,738	12.30%	\$3,012	10.0%	\$3,056	1.5%
Selective Sales	\$543	3.30%	\$560	3.0%	\$574	2.6%
Income Taxes	\$1,795	10.40%	\$1,679	-6.5%	\$1,678	-0.1%
O&G Revenue	\$1,704	89.20%	\$1,319	-22.6%	\$1,365	3.4%
Investment Income	\$946	17.80%	\$979	3.5%	\$985	0.6%
Other	\$284	11.11%	\$228	-19.9%	\$224	-1.4%
<b>Total Recurring Revenue</b>	<b>\$8,010</b>	<b>17.50%</b>	<b>\$7,776</b>	<b>-2.9%</b>	<b>\$7,883</b>	<b>1.4%</b>

- Total recurring GF revenue increased in FY2019 by 17.5%
- Total recurring GF revenue decreases in FY2020 due to a large unprecedented FML payment in FY2019
- Total recurring GF revenue is estimated to increase FY2021 by 1.4%

# Consensus Revenue Summary

**Table 2**  
**December 2019 Revisions (Change from August 2019 Estimate)**  
 (Millions of Dollars)

Fiscal Year	Gross receipts tax	Selective sales taxes	Personal income tax	Corporate income tax	Energy-related revenues	Investment/Interest earnings	Other revenues	Total Recurring Revenue
FY19	(\$12)	\$7	\$29	(\$1)	\$0	\$3	\$60	\$86
FY20	\$4	\$4	\$38	(\$30)	(\$28)	\$1	\$7	(\$4)
FY21	(\$0)	\$4	\$16	(\$32)	(\$94)	(\$4)	\$2	(\$109)

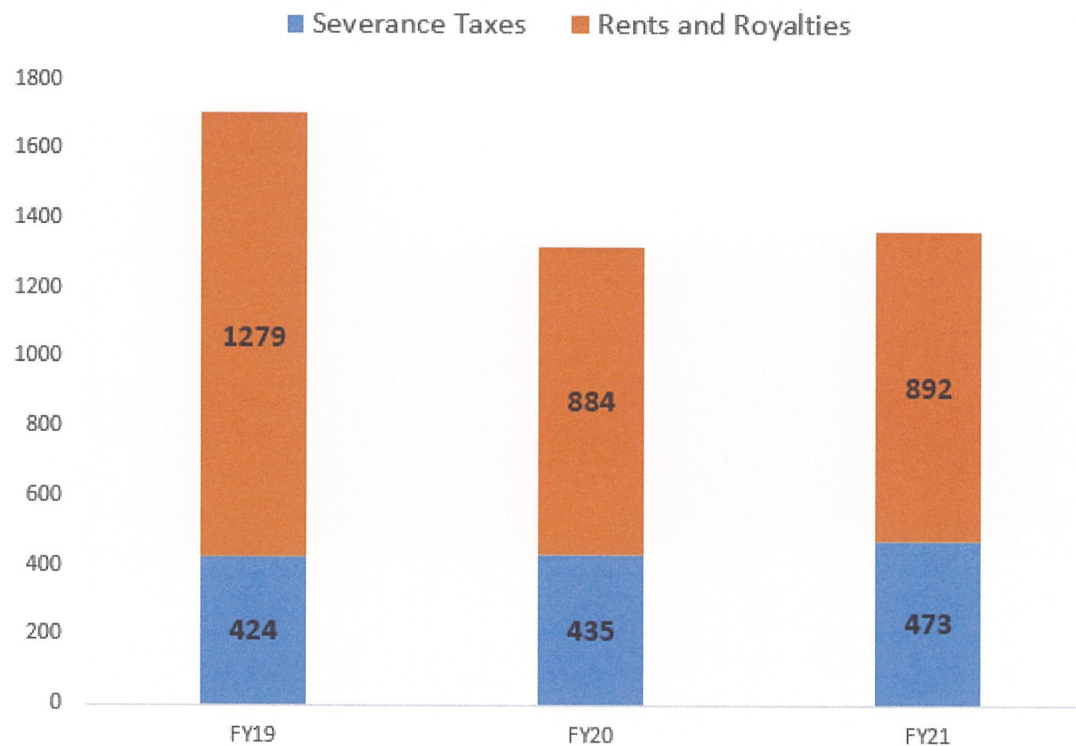
\* Excludes O&G School Tax to Tax Stabilization Reserve

- In FY2019 General Fund revenue ended the year \$86 million above the previously forecasted level
- In FY2020 General Fund was revised downward by \$4 million from the August 2019 estimate, effectively unchanged
- The FY2021 GF revenue estimate was revised down by \$109 million to \$7.882 billion
  - Major changes in the reduced GF revenue for FY21 relate to decreasing oil production growth with continued modest oil prices, impacting energy-related revenues
  - Modeling improvements resulting in better estimates of the effects of the Manufacturers and rate tax cuts. This also agrees more closely with current tracking for FY20
  - Personal Income Tax experiences growth in the near term due growth in employment and wages and salaries, however, this growth slows in FY2021

# Energy Related Revenues

- After an unprecedented large Federal Mineral Leasing payment in FY19, FML is expected to return to trend beginning in FY20. Moving forward the largest gains in energy related revenues are coming from FML

**Estimated Severance and Rents and Royalties Revenues for FY19, FY20, and FY21 (\$ millions)**



Source: CREG December 2019

# General Fund Gross Receipts Taxes: FY20 YTD

- GRT has increased 13.6% in FY2020Q1 over FY2019Q1
- GRT growth excluding Eddy and Lea counties was 8.6% in Q1 of FY20 Y/Y
- GRT growth in Eddy and Lea Counties and Out of State was 23.6%
- August accrual period GRT was an all-time high (most recent month)
- As a share of total, Bernalillo has decreased from 31.9 % to 28.4% from FY11 to FY19
- Eddy and Lea county share of total has increased from 12.8% to 21.6% FY11 to FY19

FY 20 Q1 Y/Y % Change

San Juan	Rio Arriba	Taos	Colfax	Union	
8.5%	5.4%	10.1%	60.3%	9.4%	
McKinley	Sandoval	Los	Mora	Harding	Quay
12.1%	13.3%	31.9%	16.5%	-20.2%	-23.8%
Cibola	<b>Bernalillo</b>	<b>Santa Fe</b>	San	Curry	
15.7%	<b>4.1%</b>	<b>8.7%</b>	33.9%	4.3%	
Catron	Valencia	Torrance	Guadalupe	De Baca	Roosevelt
8.9%	0.7%	38.9%	6.6%	-42.6%	119.9%
Grant	Sierra	Socorro	Lincoln	Lea	
2.9%	-7.3%	-2.6%	12.3%	9.2%	
Luna	Doña Ana	Otero	Chaves	Eddy	
-19.8%	4.2%	4.2%	54.2%	26.5%	
Hidalgo	Out-of-State: 32.9%				
-18.0%					

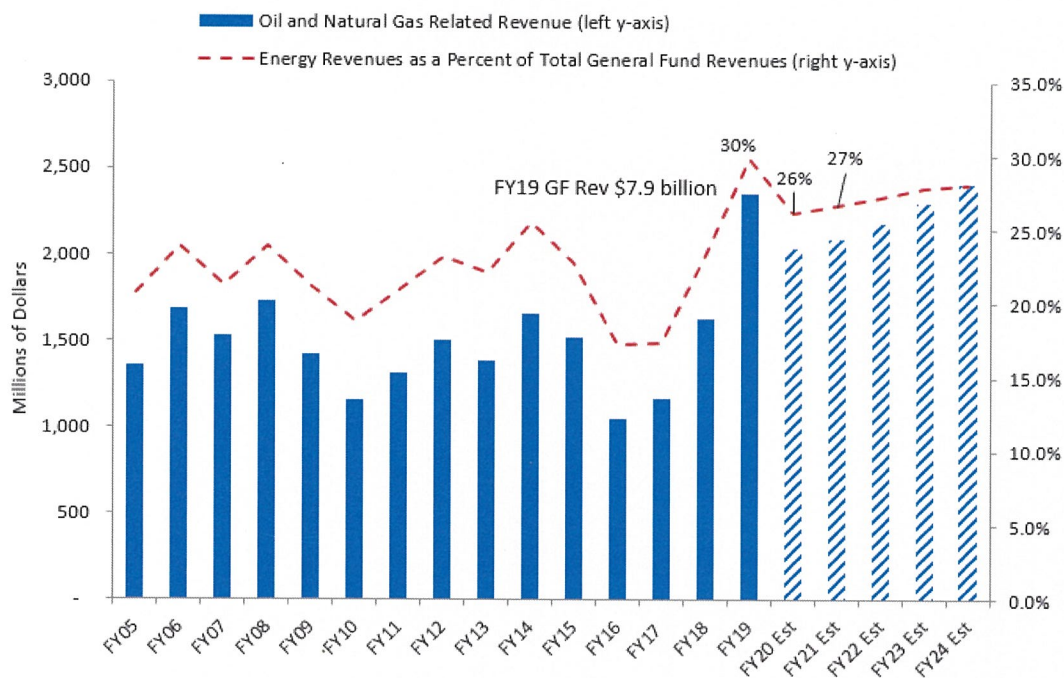
FY 20 Q1 TGR Share

San Juan	Rio Arriba	Taos	Colfax	Union	
4.4%	0.6%	1.1%	0.5%	0.2%	
McKinley	Sandoval	Los	Mora	Harding	Quay
1.7%	2.5%	3.0%	0.1%	0.0%	0.2%
Cibola	<b>Bernalillo</b>	<b>Santa Fe</b>	San	Curry	
0.6%	<b>26.5%</b>	<b>6.6%</b>	0.7%	1.4%	
Catron	Valencia	Torrance	Guadalupe	De Baca	Roosevelt
0.1%	1.3%	0.3%	0.1%	0.0%	0.8%
Grant	Sierra	Socorro	Lincoln	Lea	
0.7%	0.2%	0.3%	0.9%	9.9%	
Luna	Doña Ana	Otero	Chaves	Eddy	
0.4%	5.4%	1.4%	1.9%	11.8%	
Hidalgo	Out-of-State: 14.6%				
0.1%					



# General Fund Oil and Natural Gas Related Revenues

**Total Revenue from Severance Taxes, Rents and Royalties & Oil and Natural Gas Related GRT as a Percent of Total General Fund Revenue**

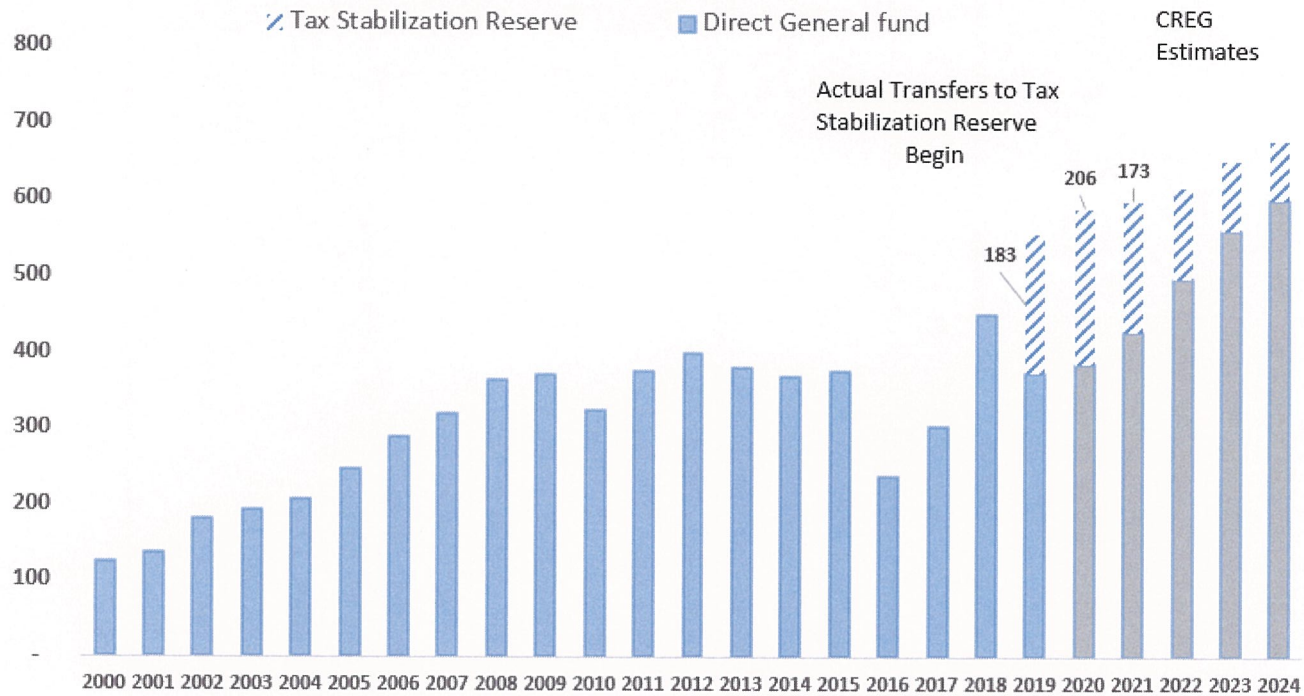


Source: DFA, CREG, Author's calculation, Inflation Adjusted 2019S

- FY2019 total General Fund grew by 15% over FY2018 to reach the highest year in the history of our state
- Significant growth driven by energy sector, including the large FML payment (\$497 million)
- Energy related revenues as a percent of total previously hovered around 15% to 20%, but are now forecasted to exceed 25% of the total in FY20 and FY21, highlighting the need for additional tax stabilization measures

# Oil & Gas School Tax to Stabilization Reserve

Oil and Gas School Tax Stabilization Reserve Intercept Effect (millions)



**Note: Transfers to the Tax Stabilization Reserve began to take effect in FY19  
Until FY19, all Oil and Gas School Tax Revenues were sent to the GF**

- Starting in FY19, Tax Stabilization Reserve begins to hedges state operating revenues against volatile Oil & Natural Gas Sector
- FY2019 transfer to TSR \$183 million
- FY2020 estimated transfer to TSR \$206 million
- FY2021 estimated transfer to TSR \$173 million

# *General Fund Financial Summary*

## *(\$ in millions)*

	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
Beginning Balance (General Fund Reserves)	\$1,184.7	\$1,833.3	\$2,406.7
Total Revenue (Recurring Revenue)	\$8,009.5	\$7,776.4	\$7,882.5
Spending (Recurring Appropriations)	(\$6,339.8)	(\$7,085.2)	<b>“New Money” \$797 million</b>
Reserve Transfers, etc.	\$394.5	\$288.1	
Ending Balance (General Fund Reserves)	\$1,833.3	\$2,406.7	
General Fund Reserves as a Percent of Recurring Appropriations	28.9%	34.0%*	

\*Pending 2020 legislative appropriations

# *Risks to the Forecast*

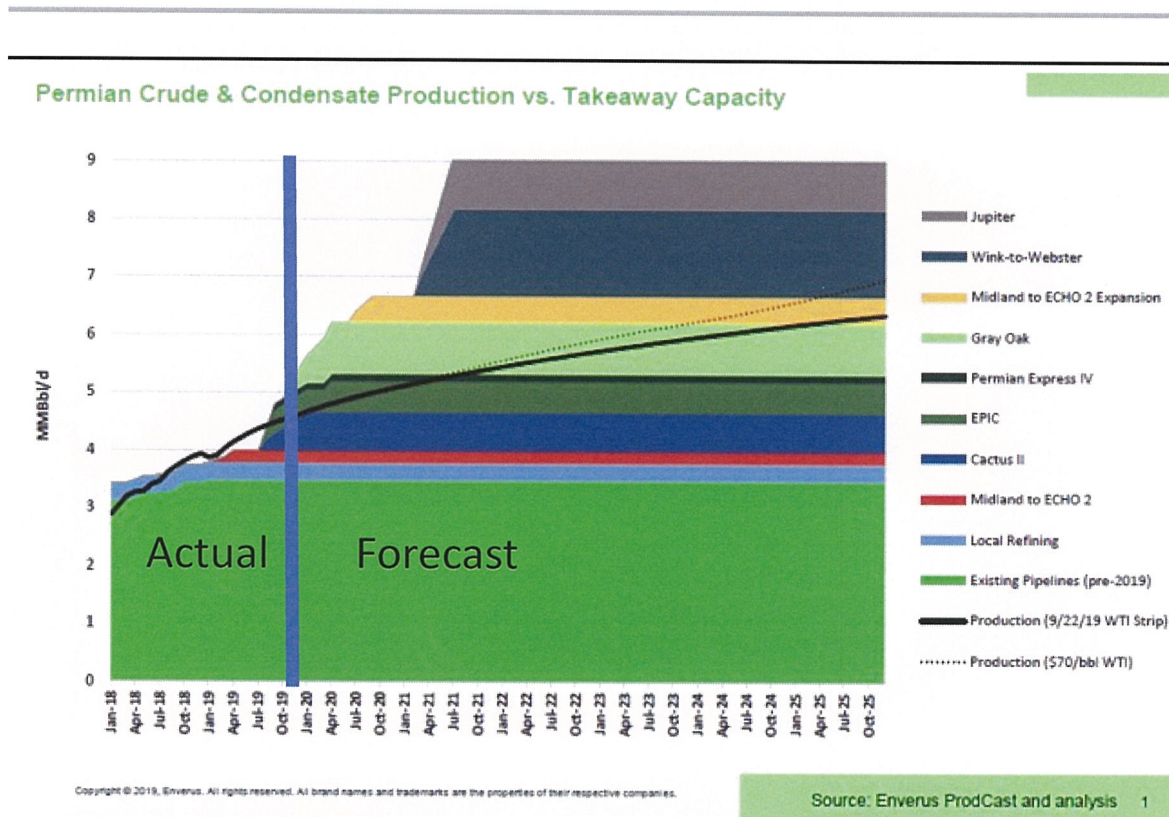
## **Negative Risks**

- Risk of oil price or production volume declining
  - Significant rig count decline
- Natural gas constraints create uncertainty in natural gas prices and oil production
- Unexpected changes in international oil market
- US trade war with China creates uncertainty
- Risk of a US recession on the horizon
  - IHS has probability of US entering a recession in 2020 at 19%
  - Moody's Analytics probability of the US entering a recession in the next six months at 11%
  - Predicting when a recession will occur and how severe is impossible, but taking preemptive measures is a must
- NM oil and natural gas revenue is uniquely exposed to changes in federal policy

## **Positive Risks**

- Oil production volume has exceeded forecasts in recent years
- Natural gas pipeline constraints are being addressed
- Oil pipeline capacity has expanded and has the capacity to absorb growth rates experienced in the last two years
- Increased federal expenditures in the areas of national security

# Risk to the Forecast – Positive Risk continued

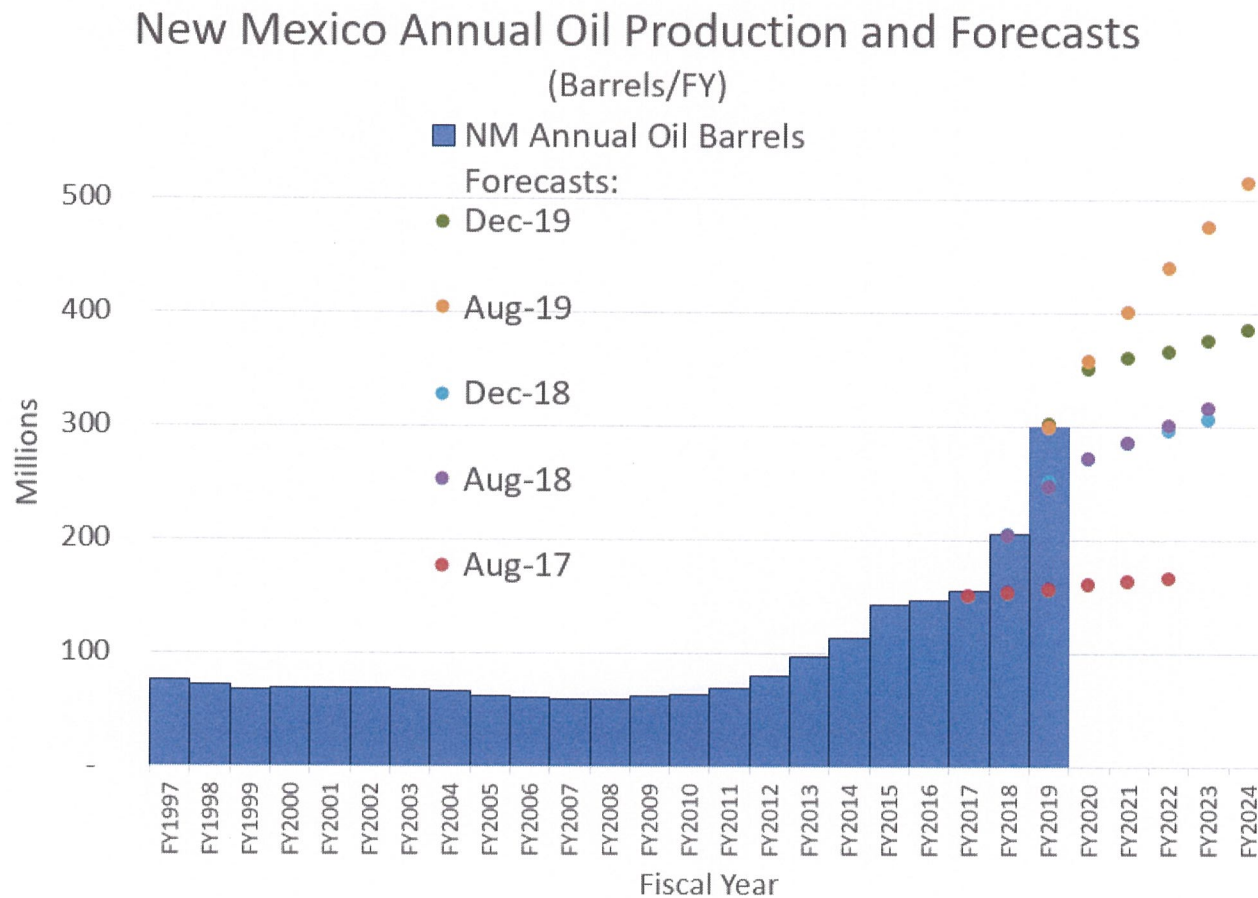


Source: Enverus (formerly DrillingInfo)

- As oil pipeline constraints ease in the Permian, NM oil producers will be able to transport oil more easily to refineries

# *NM Oil Production and Historical Forecasts*

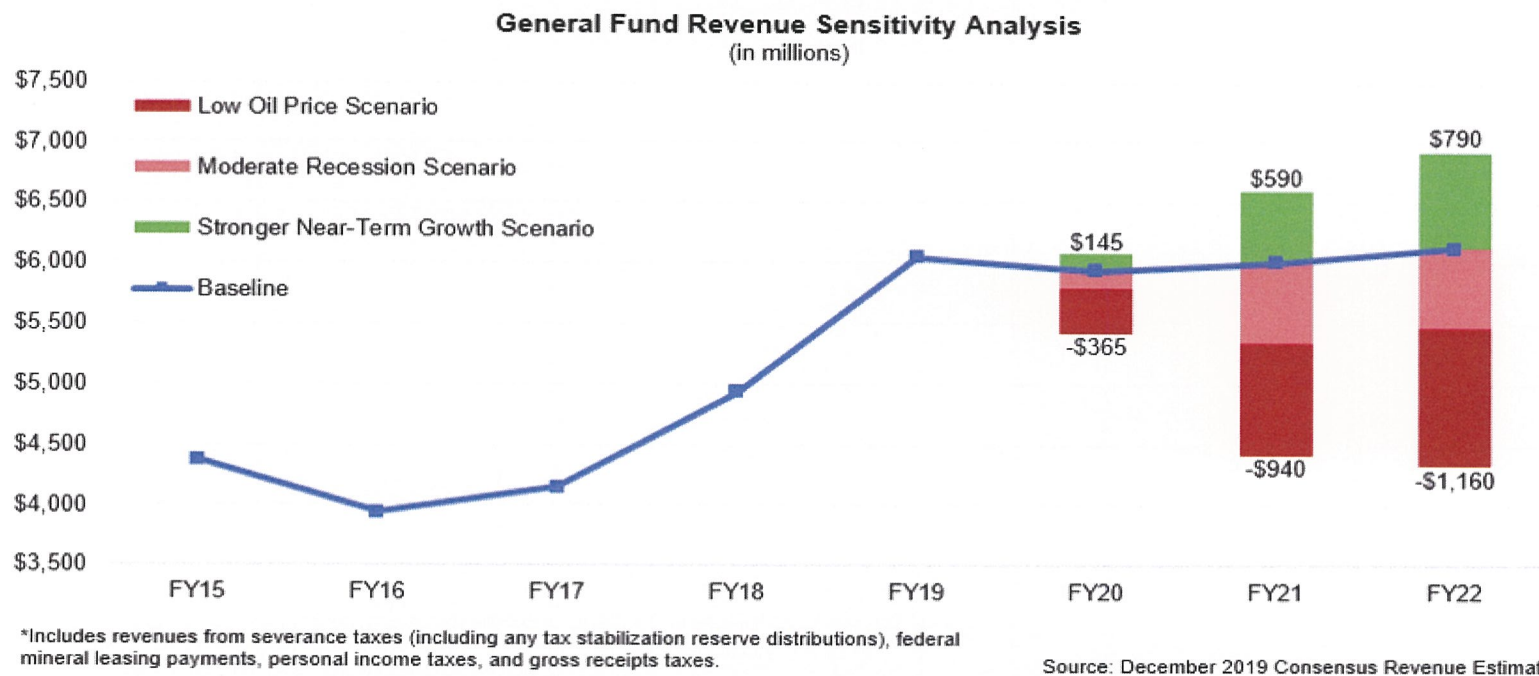
- New Level of NM Oil Production challenges the forecasts
- Greater exposure to downside risks



Source: CREG December 2019

# Stress Testing the Forecast

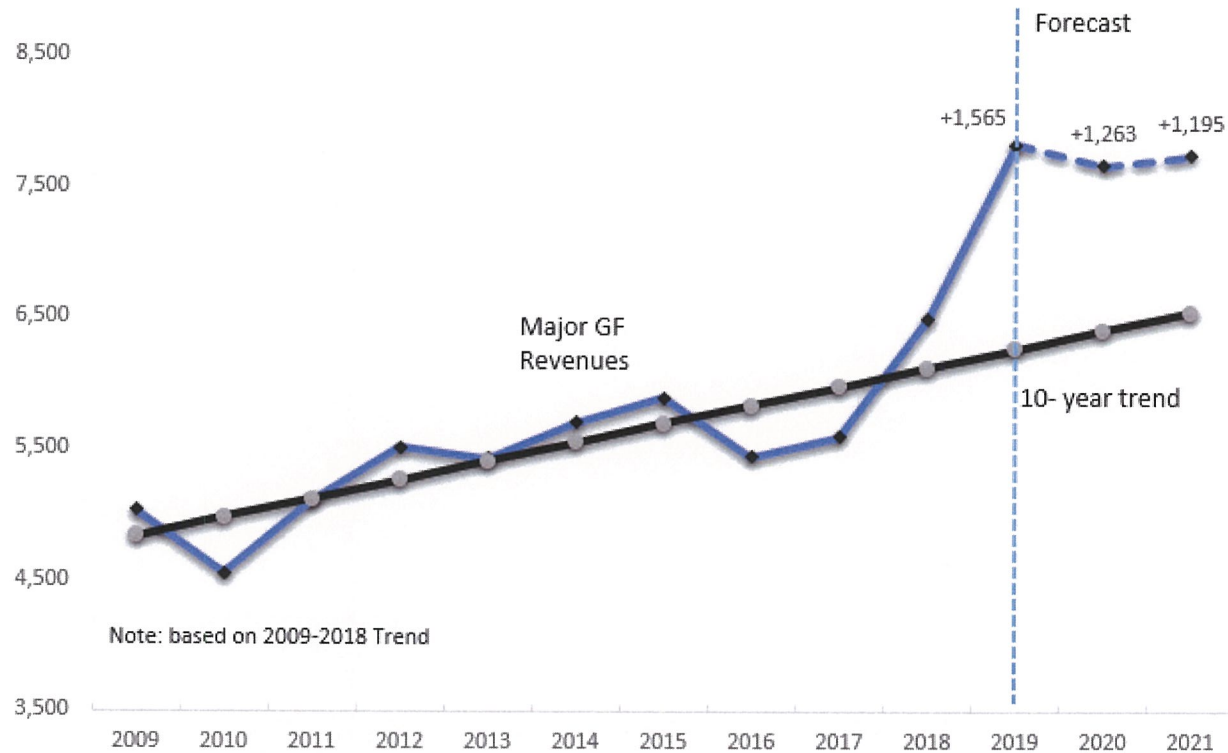
- A recession or oil market downturn may last multiple fiscal years, driving the need to increase reserves
- New Mexico is both exposed to an energy downturn and a recession at the national level



Source: CREG December 2019, Moody's Analytics

# Revenues are Projected to significantly exceed 10-Year Trend

**Volatility in Major General Fund Revenue Sources**  
**Deviation from 10-year trend line (\$ millions)**



Source: CREG December 2019 Revenue Estimate



# Appendix 1a

Revenue Source	FY19					FY20					FY21				
	Aug 2019 Prelim.	Dec 2019 Audited Actual	Change from Prior (Aug. 19)	% Change from FY18	\$ Change from FY18	Aug 2019 Est.	Dec 2019 Est.	Change from Prior (Aug. 19)	% Change from FY19	\$ Change from FY19	Aug 2019 Est.	Dec 2019 Est.	Change from Prior (Aug. 19)	% Change from FY20	\$ Change from FY20
Base Gross Receipts Tax	2,791.8	2,772.8	(19.0)	9.8%	246.9	3,039.8	3,083.8	44.0	11.2%	311.0	3,077.0	3,091.9	14.8	0.3%	8.1
F&M Hold Harmless Payments	(120.4)	(113.4)	7.0	-8.4%	10.4	(114.6)	(155.0)	(40.4)	36.7%	(41.6)	(106.2)	(121.4)	(15.2)	-21.7%	33.6
NET Gross Receipts Tax	2,671.4	2,659.4	(12.0)	11.7%	278.3	2,925.2	2,928.8	3.6	10.1%	269.4	2,970.8	2,970.4	(0.4)	1.4%	41.7
Compensating Tax	78.7	78.3	(0.4)	39.5%	22.2	82.9	82.9	-	6.0%	4.7	85.4	85.4	-	3.0%	2.5
<b>TOTAL GENERAL SALES</b>	<b>2,750.1</b>	<b>2,737.7</b>	<b>(12.4)</b>	<b>12.3%</b>	<b>300.5</b>	<b>3,008.1</b>	<b>3,011.7</b>	<b>3.6</b>	<b>10.0%</b>	<b>274.0</b>	<b>3,056.3</b>	<b>3,055.9</b>	<b>(0.4)</b>	<b>1.5%</b>	<b>44.2</b>
Tobacco Taxes	77.6	75.4	(2.2)	-3.8%	(2.9)	89.4	88.6	(0.8)	17.5%	13.2	89.0	88.0	(1.0)	-0.7%	(0.6)
Liquor Excise	25.4	25.3	(0.1)	6.2%	1.5	22.3	23.2	1.0	-8.1%	(2.1)	22.3	23.2	1.0	0.0%	0.0
Insurance Taxes	184.8	216.3	31.5	20.5%	36.8	198.7	206.1	7.4	-4.7%	(10.2)	206.5	215.1	8.6	4.4%	9.0
Fire Protection Fund Reversion	22.6	-	(22.6)	-100.0%	(20.0)	16.9	16.9	-	-	16.9	17.4	17.4	-	3.0%	0.5
Motor Vehicle Excise	152.6	152.5	(0.1)	-1.0%	(1.5)	153.8	150.0	(3.8)	-1.7%	(2.5)	158.2	153.5	(4.7)	2.3%	3.5
Gaming Excise	64.8	64.9	0.1	4.6%	2.8	66.7	66.5	(0.2)	2.5%	1.6	69.3	68.8	(0.5)	3.5%	2.3
Leased Vehicle & Other	8.7	8.7	0.0	6.6%	0.5	8.1	8.3	0.2	-5.0%	(0.4)	8.1	8.3	0.2	0.0%	-
<b>TOTAL SELECTIVE SALES</b>	<b>536.4</b>	<b>543.2</b>	<b>6.8</b>	<b>3.3%</b>	<b>17.3</b>	<b>555.9</b>	<b>559.7</b>	<b>3.8</b>	<b>3.0%</b>	<b>16.5</b>	<b>570.8</b>	<b>574.4</b>	<b>3.6</b>	<b>2.6%</b>	<b>14.7</b>
Personal Income Tax	1,642.8	1,672.0	29.2	10.1%	153.1	1,585.0	1,623.3	38.3	-2.9%	(48.7)	1,645.0	1,660.6	15.6	2.3%	37.3
Gross Corporate Income Tax	174.0	172.8	(1.2)	10.3%	16.2	155.8	134.4	(21.3)	-22.2%	(38.4)	159.4	134.0	(25.4)	-0.3%	(0.5)
CIT Refundable Credits	(50.0)	(50.0)	-	0.0%	-	(70.0)	(78.8)	(8.8)	57.6%	(28.8)	(110.7)	(116.9)	(6.2)	48.4%	(38.1)
NET Corporate Income Tax	124.0	122.8	(1.2)	15.2%	16.2	85.8	55.6	(30.1)	-54.7%	(67.2)	48.7	17.1	(31.6)	-69.3%	(38.6)
<b>TOTAL INCOME TAXES</b>	<b>1,766.8</b>	<b>1,794.8</b>	<b>28.0</b>	<b>10.4%</b>	<b>169.3</b>	<b>1,670.7</b>	<b>1,678.9</b>	<b>8.2</b>	<b>-6.5%</b>	<b>(115.9)</b>	<b>1,693.7</b>	<b>1,677.7</b>	<b>(16.0)</b>	<b>-0.1%</b>	<b>(1.2)</b>
Gross Oil and Gas School Tax	569.3	555.4	(13.9)	23.2%	104.6	609.1	588.4	(20.7)	6.0%	33.0	684.0	597.5	(86.5)	1.5%	9.1
Excess to Tax. Stabilization Reserve	(196.8)	(182.8)	(14.0)	n/a	n/a	(224.3)	(206.4)	(17.9)	12.9%	(23.6)	(252.8)	(173.2)	(79.6)	-16.1%	33.2
NET Oil & Gas School Tax	372.5	372.5	0.0	n/a	n/a	384.8	382.0	(2.8)	2.5%	9.5	431.2	424.3	(6.9)	11.1%	42.3
Oil Conservation Tax	29.6	28.7	(0.9)	25.4%	5.8	32.4	31.2	(1.2)	8.7%	2.5	36.1	31.6	(4.5)	1.3%	0.4
Resources Excise Tax	7.6	7.8	0.2	-8.6%	(0.7)	7.7	7.4	(0.3)	-5.5%	(0.4)	7.7	7.5	(0.2)	1.4%	0.1
Natural Gas Processors Tax	14.9	15.1	0.2	39.5%	4.3	14.3	14.3	-	-5.5%	(0.8)	11.7	9.5	(2.2)	-33.6%	(4.8)
<b>TOTAL SEVERANCE TAXES</b>	<b>424.6</b>	<b>424.2</b>	<b>(0.4)</b>	<b>-14.0%</b>	<b>(68.9)</b>	<b>439.2</b>	<b>434.9</b>	<b>(4.3)</b>	<b>2.5%</b>	<b>10.7</b>	<b>486.7</b>	<b>472.9</b>	<b>(13.8)</b>	<b>8.7%</b>	<b>38.0</b>
LICENSE FEES	51.7	55.4	3.7	-9.2%	(5.6)	52.8	52.8	-	-4.8%	(2.6)	53.3	53.3	-	1.1%	0.6
LGPF Interest	638.0	638.7	0.7	8.9%	52.1	667.5	671.8	4.3	5.2%	33.1	701.4	696.5	(4.9)	3.7%	24.7
STO Interest	84.5	86.9	2.4	1361.4%	80.9	85.0	82.1	(2.9)	-5.5%	(4.8)	56.3	59.5	3.2	-27.5%	(22.6)
STPF Interest	220.6	220.6	-	4.9%	10.2	225.3	225.3	-	2.1%	4.6	231.5	229.4	(2.1)	1.8%	4.1
<b>TOTAL INTEREST</b>	<b>943.1</b>	<b>946.2</b>	<b>3.0</b>	<b>17.8%</b>	<b>143.3</b>	<b>977.7</b>	<b>979.1</b>	<b>1.4</b>	<b>3.5%</b>	<b>33.0</b>	<b>989.1</b>	<b>985.4</b>	<b>(3.7)</b>	<b>0.6%</b>	<b>6.2</b>
Federal Mineral Leasing	1,146.3	1,146.8	0.5	103.2%	582.6	833.8	810.4	(23.4)	-29.3%	(336.4)	897.4	817.3	(80.2)	0.9%	6.9
State Land Office	132.5	132.5	-	18.4%	20.6	74.0	74.0	-	-44.1%	(58.5)	74.5	74.5	-	0.7%	0.5
<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>1,278.8</b>	<b>1,279.3</b>	<b>0.5</b>	<b>89.2%</b>	<b>603.2</b>	<b>907.8</b>	<b>884.4</b>	<b>(23.4)</b>	<b>-30.9%</b>	<b>(394.9)</b>	<b>971.9</b>	<b>891.8</b>	<b>(80.2)</b>	<b>0.8%</b>	<b>7.4</b>
TRIBAL REVENUE SHARING	76.9	78.4	1.5	15.2%	10.3	78.5	80.1	1.6	2.1%	1.6	80.4	82.0	1.6	2.4%	1.9
MISCELLANEOUS RECEIPTS	52.3	53.6	1.3	14.3%	6.7	49.4	49.4	-	-7.9%	(4.2)	49.2	49.2	-	-0.4%	(0.2)
REVERSIONS	43.0	96.7	53.7	21.3%	17.0	40.0	45.5	5.5	-53.0%	(51.2)	40.0	40.0	-	-12.1%	(5.5)
<b>TOTAL RECURRING</b>	<b>7,923.7</b>	<b>8,009.5</b>	<b>85.8</b>	<b>17.5%</b>	<b>1,193.0</b>	<b>7,780.1</b>	<b>7,776.4</b>	<b>(3.7)</b>	<b>-2.9%</b>	<b>(233.0)</b>	<b>7,991.4</b>	<b>7,882.5</b>	<b>(108.9)</b>	<b>1.4%</b>	<b>106.1</b>
<b>TOTAL NONRECURRING</b>	<b>(100.0)</b>	<b>(99.2)</b>	<b>0.8</b>	<b>-253.1%</b>	<b>(164.0)</b>	<b>-</b>	<b>28.8</b>	<b>28.8</b>	<b>-129.1%</b>	<b>128.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>(28.8)</b>
<b>GRAND TOTAL</b>	<b>7,823.7</b>	<b>7,910.3</b>	<b>86.6</b>	<b>15.0%</b>	<b>1,029.0</b>	<b>7,780.1</b>	<b>7,805.2</b>	<b>25.2</b>	<b>-1.3%</b>	<b>(105.0)</b>	<b>7,991.4</b>	<b>7,882.5</b>	<b>(108.9)</b>	<b>1.0%</b>	<b>77.3</b>

Note: Columns in blue show difference between December 2019 Consensus Revenue Estimate and August 2019 Consensus Revenue Estimate  
 Note: Columns in red show year-over-year growth expected in the December 2019 Consensus Revenue Estimate

# Appendix 1b

Revenue Source	FY22					FY23					FY24				
	Aug 2019 Est.	Dec 2019 Est.	Change from Prior (Aug. 19)	% Change from FY21	\$ Change from FY21	Aug 2019 Est.	Dec 2019 Est.	Change from Prior (Aug. 19)	% Change from FY22	\$ Change from FY22	Aug 2019 Est.	Dec 2019 Est.	Change from Prior (Aug. 19)	% Change from FY23	\$ Change from FY23
Base Gross Receipts Tax	3,135.2	3,063.2	(72.0)	-0.9%	(28.7)	3,227.5	3,139.3	(88.2)	-2.5%	76.1	3,325.5	3,242.5	(83.0)	-3.3%	103.2
F&M Hold Harmless Payments	(96.9)	(113.4)	(16.5)	-6.6%	8.0	(87.0)	(105.0)	(18.0)	-7.4%	8.3	(76.8)	(96.4)	(19.6)	-8.3%	8.7
NET Gross Receipts Tax	3,038.3	2,949.8	(88.5)	-0.7%	(20.6)	3,140.5	3,034.3	(106.2)	-2.9%	84.4	3,248.7	3,146.1	(102.5)	-3.7%	111.9
Compensating Tax	88.0	88.0	-	3.0%	2.6	90.6	90.6	-	3.0%	2.6	93.4	93.4	-	3.0%	2.7
TOTAL GENERAL SALES	3,126.3	3,037.8	(88.5)	-0.6%	(18.1)	3,231.1	3,124.9	(106.2)	-2.9%	87.1	3,342.0	3,239.5	(102.5)	-3.7%	114.6
Tobacco Taxes	88.2	88.2	-	0.2%	0.2	87.4	86.9	(0.5)	-1.5%	(1.3)	86.6	85.6	(1.0)	-1.5%	(1.3)
Liquor Excise	22.3	22.3	-	-4.2%	(1.0)	22.2	22.2	-	-0.1%	(0.0)	22.1	22.1	-	-0.4%	(0.1)
Insurance Taxes	214.6	221.9	7.3	3.2%	6.8	222.6	228.0	5.4	2.7%	6.1	230.9	234.1	3.2	2.7%	6.1
Fire Protection Fund Reversion	18.0	18.0	-	3.0%	0.5	18.5	18.5	-	3.0%	0.5	19.1	19.1	-	3.0%	0.6
Motor Vehicle Excise	134.3	131.5	(2.8)	-14.3%	(22.0)	138.2	136.0	(2.2)	-3.4%	4.5	142.1	140.8	(1.3)	-3.5%	4.8
Gaming Excise	71.4	70.9	(0.5)	3.1%	2.1	73.2	72.4	(0.8)	2.1%	1.5	74.5	73.5	(1.0)	1.5%	1.1
Leased Vehicle & Other	8.1	8.3	0.2	0.0%	-	8.1	8.2	0.1	-1.2%	(0.1)	8.0	-	(8.0)	-100.0%	(8.2)
TOTAL SELECTIVE SALES	556.9	561.0	4.2	-2.3%	(13.4)	570.2	572.2	2.0	2.0%	11.2	583.3	575.2	(8.1)	0.5%	3.0
Personal Income Tax	1,713.8	1,707.1	(6.7)	2.8%	46.5	1,765.7	1,748.1	(17.6)	2.4%	41.0	1,818.4	1,790.1	(28.3)	2.4%	42.0
Gross Corporate Income Tax	163.1	133.3	(29.8)	-0.5%	(0.7)	166.9	132.6	(34.3)	-0.5%	(0.7)	170.8	132.6	(38.2)	0.0%	(0.1)
CIT Refundable Credits	(145.0)	(145.0)	-	24.0%	(28.1)	(165.0)	(165.0)	-	13.8%	(20.0)	(155.0)	(155.0)	-	-6.1%	10.0
NET Corporate Income Tax	18.1	(11.7)	(29.8)	-168.3%	(28.8)	1.9	(32.4)	(34.3)	177.2%	(20.7)	15.8	(22.4)	(38.2)	-30.7%	9.9
TOTAL INCOME TAXES	1,731.9	1,695.5	(36.5)	1.1%	17.7	1,767.7	1,715.7	(51.9)	1.2%	20.3	1,834.1	1,767.6	(66.5)	3.0%	51.9
Gross Oil and Gas School Tax	759.2	618.6	(140.6)	3.5%	21.1	844.1	654.4	(189.7)	5.8%	35.8	927.8	680.0	(247.8)	3.9%	25.6
Excess to Tax Stabilization Reserve	(235.3)	(119.0)	(116.3)	-31.3%	54.2	(229.3)	(91.8)	(137.5)	-22.9%	27.2	(234.7)	(77.2)	(157.5)	-15.9%	14.6
NET Oil & Gas School Tax	523.9	499.6	(24.3)	17.7%	457.3	614.8	562.6	(52.2)	12.6%	63.0	693.1	602.8	(90.3)	7.1%	40.2
Oil Conservation Tax	39.9	32.5	(7.4)	2.8%	0.9	44.4	34.4	(10.0)	5.8%	1.9	48.7	35.7	(13.0)	3.8%	1.3
Resources Excise Tax	7.4	7.2	(0.2)	-4.0%	(0.3)	7.1	7.0	(0.1)	-2.8%	(0.2)	7.1	7.0	(0.1)	0.0%	-
Natural Gas Processors Tax	9.8	9.0	(0.8)	-5.3%	(0.5)	12.1	10.6	(1.5)	17.8%	1.6	13.4	11.3	(2.1)	6.6%	0.7
TOTAL SEVERANCE TAXES	581.0	548.3	(32.7)	15.9%	75.4	678.4	614.6	(63.8)	12.1%	66.3	762.3	656.8	(105.5)	6.9%	42.2
LICENSE FEES	54.0	54.0	-	1.2%	0.6	54.7	54.7	-	1.3%	0.7	55.4	55.4	-	1.4%	0.8
LGPFF Interest	746.0	737.4	(8.6)	5.9%	40.9	794.6	783.0	(11.6)	6.2%	45.6	836.2	822.4	(13.8)	5.0%	39.4
STO Interest	65.7	66.8	1.1	12.3%	7.3	71.9	72.3	0.4	8.2%	5.5	71.9	72.3	0.4	0.0%	-
STPF Interest	240.8	236.7	(4.1)	3.2%	7.4	250.4	244.1	(6.4)	3.1%	7.4	257.5	248.6	(8.9)	1.9%	4.5
TOTAL INTEREST	1,052.5	1,040.9	(11.6)	5.6%	55.5	1,116.9	1,099.4	(17.6)	5.6%	58.5	1,165.6	1,143.3	(22.3)	4.0%	43.9
Federal Mineral Leasing	985.2	829.8	(155.4)	1.5%	12.6	1,086.3	866.5	(219.8)	4.4%	36.7	1,193.9	901.8	(292.1)	4.1%	35.3
State Land Office	74.7	74.7	-	0.2%	0.2	75.0	75.0	-	0.4%	0.3	75.5	75.5	-	0.6%	0.5
TOTAL RENTS & ROYALTIES	1,059.9	904.5	(155.4)	1.4%	12.7	1,161.3	941.5	(219.8)	4.1%	37.0	1,269.3	977.3	(292.1)	3.8%	35.8
TRIBAL REVENUE SHARING	82.2	83.8	1.6	2.2%	1.8	83.1	84.7	1.6	1.1%	0.9	85.8	87.4	1.7	3.2%	2.7
MISCELLANEOUS RECEIPTS	49.4	49.4	-	0.5%	0.2	49.4	49.4	-	0.0%	0.0	49.9	49.9	-	1.0%	0.5
REVERSIONS	40.0	40.0	-	0.0%	-	40.0	40.0	-	0.0%	-	40.0	40.0	-	0.0%	-
TOTAL RECURRING	8,334.0	8,015.2	(318.9)	1.7%	132.6	8,752.7	8,297.1	(455.6)	3.5%	282.0	9,187.8	8,592.5	(595.3)	3.6%	295.3
TOTAL NONRECURRING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL	8,334.0	8,015.2	(318.9)	1.7%	132.6	8,752.7	8,297.1	(455.6)	3.5%	282.0	9,187.8	-	(9,187.8)	-100.0%	(8,297.1)

# Appendix 2

## U.S. and New Mexico Economic Indicators

		FY19		FY20		FY21		FY22		FY23		FY24	
		Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast
<b>National Economic Indicators</b>													
GI	US Real GDP Growth (annual avg., % YOY)*	2.6	2.6	2.2	2.0	2.3	2.2	1.9	1.7	1.7	1.5	1.6	1.7
Moody's	US Real GDP Growth (annual avg., % YOY)*	2.6	2.6	2.0	2.0	1.5	1.5	2.9	2.9	2.3	2.5	2.2	2.2
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.1	2.1	2.2	2.0	1.9	1.6	2.3	2.2	2.4	2.5	2.5	2.5
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.1	2.1	2.1	1.8	2.1	2.3	2.4	2.4	2.3	2.3	2.3	2.3
GI	Federal Funds Rate (%)	2.2	2.2	2.2	1.8	2.3	1.8	2.4	2.3	2.5	2.5	2.6	2.6
Moody's	Federal Funds Rate (%)	2.2	2.2	1.8	1.8	1.7	1.4	2.3	2.0	2.9	2.7	3.0	3.0
<b>New Mexico Labor Market and Income Data</b>													
BBER	NM Non-Agricultural Employment Growth (%)	1.5	1.5	1.6	1.7	1.2	1.2	1.1	1.0	0.9	0.8	0.9	0.8
Moody's	NM Non-Agricultural Employment Growth (%)	1.4	1.4	1.4	1.9	0.2	0.1	0.4	0.4	0.8	0.9	0.6	0.6
BBER	NM Nominal Personal Income Growth (%)***	3.8	3.8	4.8	5.7	4.0	3.8	4.6	4.5	4.4	4.2	4.4	4.5
Moody's	NM Nominal Personal Income Growth (%)***	4.6	4.6	4.4	4.6	3.1	2.8	3.6	3.6	4.0	4.1	3.7	3.6
BBER	NM Total Wages & Salaries Growth (%)	4.8	4.8	5.1	5.8	4.6	4.8	4.2	3.9	3.7	3.7	3.6	3.6
Moody's	NM Total Wages & Salaries Growth (%)	4.9	4.9	4.1	5.2	2.0	2.1	1.7	1.8	2.8	3.0	2.8	2.9
BBER	NM Private Wages & Salaries Growth (%)	5.5	5.5	5.2	5.4	5.0	4.7	4.4	4.1	4.0	4.0	3.9	4.0
BBER	NM Real Gross State Product (% YOY)	2.4	2.4	1.6	1.9	1.4	1.2	1.2	1.3	1.1	1.2	1.1	1.1
Moody's	NM Real Gross State Product (% YOY)	3.7	3.7	3.2	3.4	1.9	1.9	2.6	2.7	2.1	2.2	2.3	2.2
CREG	NM Gross Oil Price (\$/barrel)	\$51.80	\$51.51	\$52.50	\$52.00	\$52.00	\$50.00	\$52.00	\$50.00	\$54.00	\$52.00	\$55.50	\$53.00
CREG	NM Net Oil Price (\$/barrel)****	\$45.58	\$45.25	\$46.20	\$45.75	\$45.75	\$44.00	\$45.75	\$44.00	\$47.50	\$45.75	\$48.85	\$46.65
BBER	Oil Volumes (million barrels)	302.7	302.7	361.8	341.3	389.5	370.3	404.2	384.6	416.9	397.0	428.0	407.9
CREG	NM Taxable Oil Volumes (million barrels)	298.0	300.4	356.3	350.0	399.6	360.0	438.3	365.0	475.0	375.0	512.8	385.0
	NM Taxable Oil Volumes (%YOY growth)	45.8%	45.8%	19.6%	16.5%	12.2%	2.9%	9.7%	1.4%	8.4%	2.7%	8.0%	2.7%
CREG	NM Gross Gas Price (\$ per thousand cubic feet)****	\$3.05	\$3.08	\$2.00	\$2.10	\$2.25	\$2.25	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
CREG	NM Net Gas Price (\$ per thousand cubic feet)****	\$2.20	\$2.18	\$1.32	\$1.26	\$1.51	\$1.47	\$1.70	\$1.67	\$1.70	\$1.67	\$1.70	\$1.67
BBER	Gas Volumes (billion cubic feet)	1,602	1,602	1,679	1,696	1,718	1,758	1,748	1,798	1,749	1,813	1,714	1,779
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,575	1,562	1,662	1,610	1,745	1,625	1,832	1,650	1,914	1,665	2,001	1,675
	NM Taxable Gas Volumes (%YOY growth)	15.7%	15.7%	5.5%	3.1%	5.0%	0.9%	5.0%	1.5%	4.5%	0.9%	4.5%	0.6%

### Notes

\* Real GDP is BEA chained 2012 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 gross gas prices are estimated using a formula of NYMEX, EIA, and IHS Markit (November) future prices

\*\*\*\*\*The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties

Sources: BBER - October 2019 FOR-UNM baseline. IHS Global Insight - November 2019 baseline.

### DFA Notes

\* Real GDP is BEA chained 2012 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 gross gas prices are estimated using a formula of NYMEX, EIA, and Moody's (November) future prices

\*\*\*\*\*The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties

Sources: November 2019 Moody's economy.com baseline

# Appendix 3a

<b>GENERAL FUND FINANCIAL SUMMARY</b>					
<b>(in millions of dollars)</b>					
		<b>Actual Audited</b>	<b>Est.</b>	<b>Est.</b>	<b>Est.</b>
		<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY21</b>
<b>APPROPRIATION ACCOUNT</b>					
Revenue:					
Recurring Revenue:					
Consensus Revenue Estimating Group August 2019 Estimate		8,009.5	\$ 7,780.1	\$ 7,991.4	
CREG Mid-Sessin Update					
2019 Legislative Session (Net Revenue Changes)			-	-	
December 2019 Consensus Revenue Forecast Adjustments			(3.7)	(108.9)	
<b>Subtotal Recurring Revenue</b>		<b>8,009.5</b>	<b>7,776.4</b>	<b>7,882.5</b>	
Nonrecurring Revenue:					
Consensus Revenue Estimating Group December 2018 Estima		-	-	-	
CREG Mid-Sessin Update					
2019 Legislative Session		(100.0)	28.8	-	
<b>Subtotal Nonrecurring Revenue</b>		<b>(100.0)</b>	<b>28.8</b>	<b>-</b>	
<b>Total Revenue</b>		<b>7,909.5</b>	<b>7,805.2</b>		
Appropriations:					
Recurring Appropriations:					
Prior Legislative Sessions		6,329.8			
2019 Legislative Session and Feed Bill		10.0	7,085.2		
		-	-	-	
<b>Subtotal Recurring Appropriations</b>		<b>6,339.8</b>	<b>7,085.2</b>		
Nonrecurring:					
Prior Legislative Sessions		47.8*			
Audit Adjustments					
2019 Legislative Session		1,177.8	431.9	-	
FY2019 Ending Audit Adjustments		-	50.4	-	
<b>Subtotal Nonrecurring Appropriations</b>		<b>1,175.2</b>	<b>431.9</b>	<b>-</b>	
<b>Total Appropriations</b>		<b>7,515.0</b>	<b>7,517.1</b>	<b>-</b>	
Transfers to/(from Reserves)					
		394.5	288.1		
		69.0			
<b>GENERAL FUND RESERVES</b>					
Beginning Balances		<b>1,184.7</b>	<b>1,833.3</b>	<b>2,406.7</b>	
Transfers from/(to) Appropriation Account		394.5	288.1	-	
Revenue and Reversions		288.4	320.8	298.2	
Appropriations, Expenditures & Transfers Out		(34.3)	(35.5)	(35.0)	
Ending Balances		1,833.3	2,406.7		
Reserves as a % of Recurring Appropriations		28.9%	34.0%		
Amount Required for 20% Reserves		1,268.0	1,417.0		
Balance Available for Nonrecurring Spending		565.3	989.6		

FY21  
New  
Money:  
\$797  
Million

# Appendix 3b

RESERVE ACCOUNTS	Actual Audited		Est.	
	FY19	FY20	FY20	FY21
<b>OPERATING RESERVE</b>				
Beginning Balance	485.9	485.6	485.6	507.2
BOF Emergency Appropriations/Reversions	(2.0)	(2.0)	(2.0)	(2.0)
Disaster Allotments	(14.1)			
Transfers from/to Appropriation Account	394.5	288.1	288.1	-
Transfers to Tax Stabilization Reserve	(378.7)	(264.5)	(264.5)	
Transfers from (to) ACf/Other Appropriations	-	-	-	
<b>Ending Balance</b>	<b>485.6</b>	<b>507.2</b>	<b>507.2</b>	<b>505.2</b>
<b>APPROPRIATION CONTINGENCY FUND</b>				
Beginning Balance	12.3	11.7	11.7	3.7
Disaster Allotments	(15.3)	(16.0)	(16.0)	(16.0)
Other Appropriations	-			
Transfers In	-			
Revenue and Reversions	14.7	8.0	8.0	8.0
<b>Ending Balance</b>	<b>11.7</b>	<b>3.7</b>	<b>3.7</b>	<b>(4.3)</b>
<b>STATE SUPPORT RESERVE</b>				
Beginning Balance	1.0	19.1	19.1	29.1
Revenues/Transfers	18.1	10.0	10.0	-
Appropriations	-	-	-	-
<b>Ending Balance</b>	<b>19.1</b>	<b>29.1</b>	<b>29.1</b>	<b>29.1</b>
<b>TOBACCO SETTLEMENT PERMANENT FUND</b>				
Beginning Balance	158.7	228.6	228.6	261.0
Transfers In	74.2	35.0	35.0	34.0
Appropriation to Tobacco Settlement Program Fund	(17.0)	(17.5)	(17.5)	(17.0)
Gains/Losses	12.7	14.9	14.9	17.0
Additional Transfers from TSPF	-	-	-	-
Transfer to General Fund Appropriation Account	-	-	-	-
<b>Ending Balance</b>	<b>228.6</b>	<b>261.0</b>	<b>261.0</b>	<b>295.0</b>
<b>TAX STABILIZATION RESERVE</b>				
Beginning Balance	526.8	1,088.3	1,088.3	1,605.7
Revenues In	182.8	206.4	206.4	173.2
Transfers In (from Operating Reserve)	378.7	264.5	264.5	-
Transfer Out to Operating Reserve)	-	-	-	-
Gains/Losses	-	46.5	46.5	66.0
Other appropriations	-	-	-	-
<b>Ending Balance</b>	<b>1,088.3</b>	<b>1,605.7</b>	<b>1,605.7</b>	<b>1,844.8</b>
Emergency Reserves: Rainy Day Fund and TSPF Ending Balances	1,316.9	1,866.7	1,866.7	
Percent of Recurring Appropriations	20.8%	26.3%	26.3%	
Other Reserve Fund Ending Balances	516.4	540.0	540.0	
Percent of Recurring Appropriations	8.1%	7.6%	7.6%	
Total General Fund Ending Balances	1,833.3	2,406.7	2,406.7	
Percent of Recurring Appropriations	28.9%	34.0%	34.0%	

# Appendix 4a

County Level Detail: Gross Receipts Tax Growth Impact on General Fund

	a	b	c	d	e	f						
	FY 2018	FY 2019										
	FY18 TGR \$ millions	Final FY19 TGR \$ millions	TGR Level Change from FY19 over FY18	TGR % Change from FY19 over FY18	FY19 General Fund GRT \$ millions	Approx Effective Rate into General Fund Before Earmarks, Credits, HH Dist. Etc.	Current Census est. for Population as of July 1, 2018	Population % of NM	FY19 TGR % of NM	% of FY19 NM Oil Vol.	% of FY19 NM Natural Gas Vol.	
Bernalillo	17,924	18,425	501	2.8%	20.0	4.0%	678,701	32.4%	28.4%			
Catron	35	36	0	0.4%	0.0	4.0%	3,578	0.2%	0.1%			
Chaves	1,257	1,194	(63)	-5.0%	-2.5	4.0%	64,689	3.1%	1.8%	0.5%	0.9%	
Cibola	381	346	(34)	-9.0%	-1.4	4.0%	26,746	1.3%	0.5%			
Colfax	281	254	(28)	-9.8%	-1.1	4.0%	12,110	0.6%	0.4%	0.0%	1.4%	
Curry	932	969	37	3.9%	1.5	4.0%	49,437	2.4%	1.5%			
De Baca	27	35	8	30.8%	0.3	4.0%	1,781	0.1%	0.1%			
Dona Ana	3,706	3,729	23	0.6%	0.9	4.0%	217,522	10.4%	5.7%			
Eddy	5,185	6,986	1,800	34.7%	82.8	4.6%	57,900	2.8%	10.8%	40.2%	29.5%	
Grant	481	494	14	2.9%	0.6	4.0%	27,346	1.3%	0.8%			
Guadalupe	99	91	(8)	-8.1%	-0.3	4.0%	4,341	0.2%	0.1%			
Harding	16	20	4	26.7%	0.2	4.0%	655	0.0%	0.0%			
Hidalgo	192	74	(119)	-61.7%	-4.8	4.0%	4,240	0.2%	0.1%			
Lea	5,153	7,041	1,887	36.6%	85.9	4.6%	69,611	3.3%	10.8%	54.7%	24.8%	
Lincoln	520	538	18	3.5%	0.7	4.0%	19,556	0.9%	0.8%			
Los Alamos	1,392	1,639	248	17.8%	9.7	3.9%	19,101	0.9%	2.5%			
Luna	409	351	(58)	-14.1%	-2.3	4.0%	23,963	1.1%	0.5%			
Mckinley	1,052	1,096	44	4.2%	1.8	4.0%	72,290	3.4%	1.7%			
Mora	41	38	(3)	-6.2%	-0.1	4.0%	4,506	0.2%	0.1%			
Otero	928	960	32	3.4%	1.3	4.0%	66,781	3.2%	1.5%			
Quay	147	165	18	12.1%	0.7	4.0%	8,253	0.4%	0.3%			
Rio Arriba	413	408	(5)	-1.1%	-0.2	4.0%	39,006	1.9%	0.6%	0.7%	16.8%	
Roosevelt	284	265	(18)	-6.5%	-0.7	4.0%	18,743	0.9%	0.4%	0.1%	0.1%	
San Juan	3,141	2,846	(295)	-9.4%	-11.8	4.0%	125,043	6.0%	4.4%	3.0%	25.5%	
San Miguel	379	372	(7)	-1.9%	-0.3	4.0%	27,591	1.3%	0.6%			
Sandoval	1,495	1,597	102	6.8%	4.1	4.0%	145,179	6.9%	2.5%	0.7%	1.0%	
Santa Fe	4,068	4,208	140	3.4%	5.6	4.0%	150,056	7.2%	6.5%			
Sierra	164	176	12	7.5%	0.5	4.0%	10,968	0.5%	0.3%			
Socorro	191	198	7	3.6%	0.3	4.0%	16,735	0.8%	0.3%			
Taos	676	690	14	2.0%	0.5	4.0%	32,835	1.6%	1.1%			
Torrance	208	158	(50)	-24.1%	-2.0	4.0%	15,591	0.7%	0.2%			
Union	107	111	4	4.0%	0.2	4.0%	4,118	0.2%	0.2%			
Valencia	1,053	1,043	(10)	-1.0%	-0.4	4.0%	76,456	3.6%	1.6%			
Out of State	6,193	8,352	2,159	34.9%	110.7	5.125%			12.9%			
	58,532	64,908	6,376	10.9%	300.3	4.2%	2,095,428	100.0%	100.0%	100%	100%	
			b-a	(b-a)/a	c*f							

# Appendix 4b

County Level Detail: Gross Receipts Tax Growth Impact on General Fund

	a	b	c	d	e	f							
	FY19 Q1	FY20 Q1											
	FY19 Q1 TGR \$ millions	FY20 Q1 TGR \$ millions	TGR Level Change from FY20 Q1 over FY19 Q1	TGR % Change from FY20 Q1 over FY19 Q1	FY20 Q1 General Fund GRT \$ millions	Approx Effective Rate into General Fund Before Earmarks, Credits, HH Dist. Etc.	Current Census est. for Population as of July 1, 2018	Population % of NM	FY20 Q1 TGR % of NM	% of FY20 Q1 NM Oil Vol.	% of FY20 Q1 NM Natural Gas Vol.		
Bernalillo	4,625	4,815	189	4.1%	7.6	4.0%	678,701	32.4%	26.5%				
Catron	9	10	1	8.9%	0.0	4.0%	3,578	0.2%	0.1%				
Chaves	222	342	120	54.2%	4.8	4.0%	64,689	3.1%	1.9%	0.4%	0.5%		
Cibola	88	102	14	15.7%	0.6	4.0%	26,746	1.3%	0.6%				
Colfax	52	83	31	60.3%	1.2	4.0%	12,110	0.6%	0.5%	0.0%	0.9%		
Curry	241	251	10	4.3%	0.4	4.0%	49,437	2.4%	1.4%				
De Baca	14	8	(6)	-42.6%	-0.2	4.0%	1,781	0.1%	0.0%				
Dona Ana	935	974	39	4.2%	1.6	4.0%	217,522	10.4%	5.4%				
Eddy	1,701	2,151	450	26.5%	20.7	4.6%	57,900	2.8%	11.8%	40.1%	34.2%		
Grant	124	127	4	2.9%	0.1	4.0%	27,346	1.3%	0.7%				
Guadalupe	22	23	1	6.6%	0.1	4.0%	4,341	0.2%	0.1%				
Harding	6	5	(1)	-20.2%	0.0	4.0%	655	0.0%	0.0%				
Hidalgo	20	16	(4)	-18.0%	-0.1	4.0%	4,240	0.2%	0.1%				
Lea	1,647	1,800	152	9.2%	6.9	4.6%	69,611	3.3%	9.9%	57.0%	33.4%		
Lincoln	150	168	18	12.3%	0.7	4.0%	19,556	0.9%	0.9%				
Los Alamos	413	545	132	31.9%	5.1	3.9%	19,101	0.9%	3.0%				
Luna	99	79	(20)	-19.8%	-0.8	4.0%	23,963	1.1%	0.4%				
Mckinley	269	301	32	12.1%	1.3	4.0%	72,290	3.4%	1.7%				
Mora	10	11	2	16.5%	0.1	4.0%	4,506	0.2%	0.1%				
Otero	242	252	10	4.2%	0.4	4.0%	66,781	3.2%	1.4%				
Quay	47	36	(11)	-23.8%	-0.4	4.0%	8,253	0.4%	0.2%				
Rio Arriba	105	111	6	5.4%	0.2	4.0%	39,006	1.9%	0.6%	0.4%	12.2%		
Roosevelt	65	144	78	119.9%	3.1	4.0%	18,743	0.9%	0.8%	0.1%	0.1%		
San Juan	735	798	63	8.5%	2.5	4.0%	125,043	6.0%	4.4%	1.3%	18.0%		
San Miguel	90	121	31	33.9%	1.2	4.0%	27,591	1.3%	0.7%				
Sandoval	394	446	52	13.3%	2.1	4.0%	145,179	6.9%	2.5%	0.6%	0.7%		
Santa Fe	1,098	1,193	96	8.7%	3.8	4.0%	150,056	7.2%	6.6%				
Sierra	47	44	(3)	-7.3%	-0.1	4.0%	10,968	0.5%	0.2%				
Socorro	56	54	(1)	-2.6%	-0.1	4.0%	16,735	0.8%	0.3%				
Taos	176	194	18	10.1%	0.7	4.0%	32,835	1.6%	1.1%				
Torrance	42	58	16	38.9%	0.6	4.0%	15,591	0.7%	0.3%				
Union	32	35	3	9.4%	0.1	4.0%	4,118	0.2%	0.2%				
Valencia	242	244	2	0.7%	0.1	4.0%	76,456	3.6%	1.3%				
Out of State	2,000	2,659	659	32.9%	33.8	5.125%			14.6%				
	16,016	18,200	2,183	13.6%	98.1	4.2%	2,095,428	100.0%	100.0%	100%	100%		
			b-a	(b-a)/a	c*f								

# Appendix 5

## Sources and Uses of Bonding Capacity Available for Authorization and Severance Tax Permanent Fund Transfer (in millions) DECEMBER 2019 Estimate

Sources of Funds	FY20	FY21	FY22	FY23	FY24	5-Year
<b>General Obligation Bonds</b>	<b>\$198.9</b>		<b>\$198.9</b>		<b>\$198.9</b>	<b>\$596.7</b>
<b>Senior STBs</b>	<b>\$442.1</b>	<b>\$448.0</b>	<b>\$435.6</b>	<b>\$418.1</b>	<b>\$411.7</b>	<b>\$2,155.6</b>
Severance Tax Bonds	\$335.7	\$335.7	\$335.7	\$335.7	\$335.7	\$1,678.5
Severance Tax Notes	\$106.4	\$112.3	\$99.9	\$82.4	\$76.0	\$477.1
<b>Supplemental STBs</b>	<b>\$201.1</b>	<b>\$193.4</b>	<b>\$206.9</b>	<b>\$216.5</b>	<b>\$232.8</b>	<b>\$1,050.7</b>
Supplemental Severance Tax Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Supplemental Severance Tax Notes	\$201.1	\$193.4	\$206.9	\$216.5	\$232.8	\$1,050.7
<b>TOTAL Sources of Funds</b>	<b>\$842.2</b>	<b>\$641.5</b>	<b>\$841.4</b>	<b>\$634.5</b>	<b>\$843.4</b>	<b>\$3,803.0</b>
Uses of Funds	FY20	FY21	FY22	FY23	FY24	5-Year
<b>GOB Projects Approved by Referendum</b>	<b>\$198.9</b>		<b>\$198.9</b>		<b>\$198.9</b>	<b>\$596.7</b>
Authorized but Unissued STB Projects*	\$0.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.08
Reassigned STB Projects**	\$0.22	\$0.00	\$0.00	\$0.00	\$0.00	\$0.22
9% of Senior STB for Water Projects	\$39.79	\$40.32	\$39.20	\$37.63	\$37.06	\$194.00
4.5% of Senior STB for Colonias Projects	\$19.90	\$20.16	\$19.60	\$18.81	\$18.53	\$97.00
4.5% of Senior STB for Tribal Projects	\$19.90	\$20.16	\$19.60	\$18.81	\$18.53	\$97.00
<b>New Senior STB Statewide Capital Projects</b>	<b>\$362.3</b>	<b>\$367.4</b>	<b>\$357.2</b>	<b>\$342.8</b>	<b>\$337.6</b>	<b>\$1,767.3</b>
PSCOC Public School Capital	\$176.13	\$168.43	\$181.89	\$216.46	\$232.77	\$975.68
PED Instructional Materials/Transportation	\$25.00	\$25.00	\$25.00	\$0.00	\$0.00	\$75.00
<b>TOTAL Uses of Funds</b>	<b>\$842.2</b>	<b>\$641.5</b>	<b>\$841.4</b>	<b>\$634.5</b>	<b>\$843.4</b>	<b>\$3,803.0</b>

\*Includes projects authorized in Laws 2018 that have not yet met requirements for project funding.

\*\*Includes projects that have remained inactive for a period of at least 18 months following bond issuance for which the proceeds have been reassigned to ready projects.

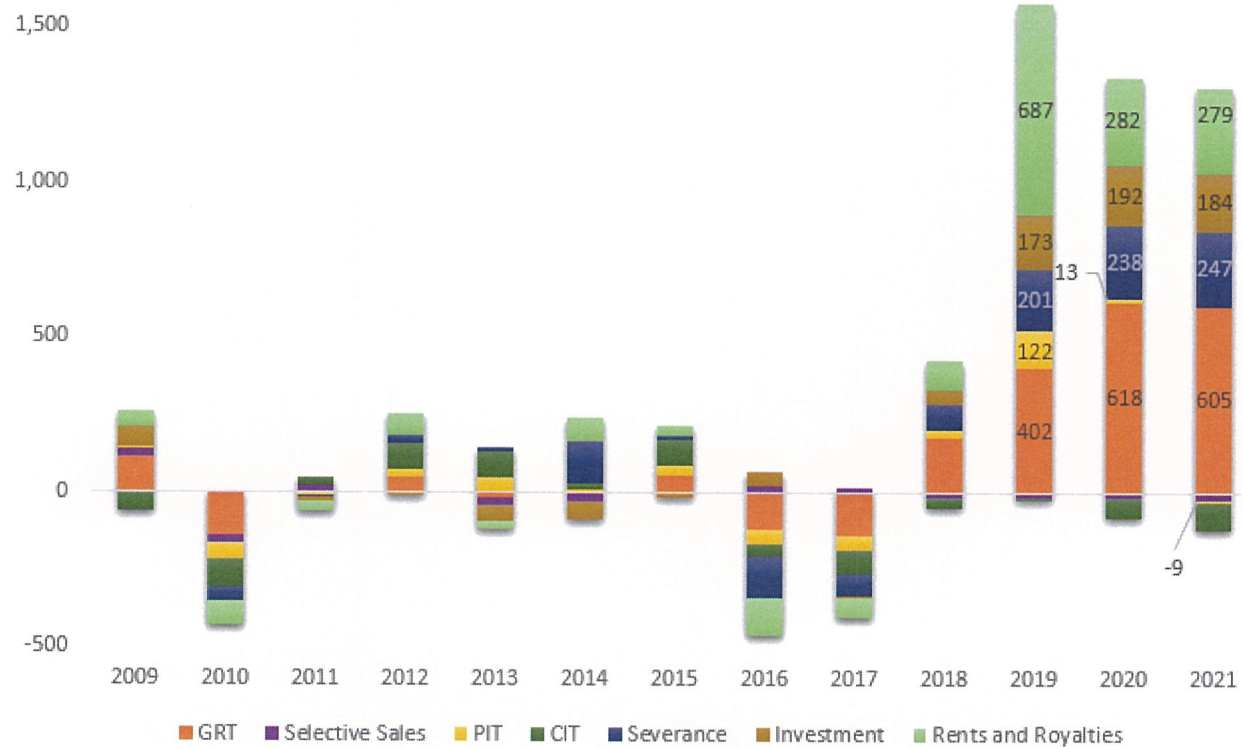
### Estimated Transfer to Severance Tax Permanent Fund

	FY20	FY21	FY22	FY23	FY24	5-Year
<b>Severance Tax Permanent Fund Transfer</b>	<b>\$127.7</b>	<b>\$77.6</b>	<b>\$72.1</b>	<b>\$95.8</b>	<b>\$112.3</b>	<b>\$485.6</b>



# Appendix 6a

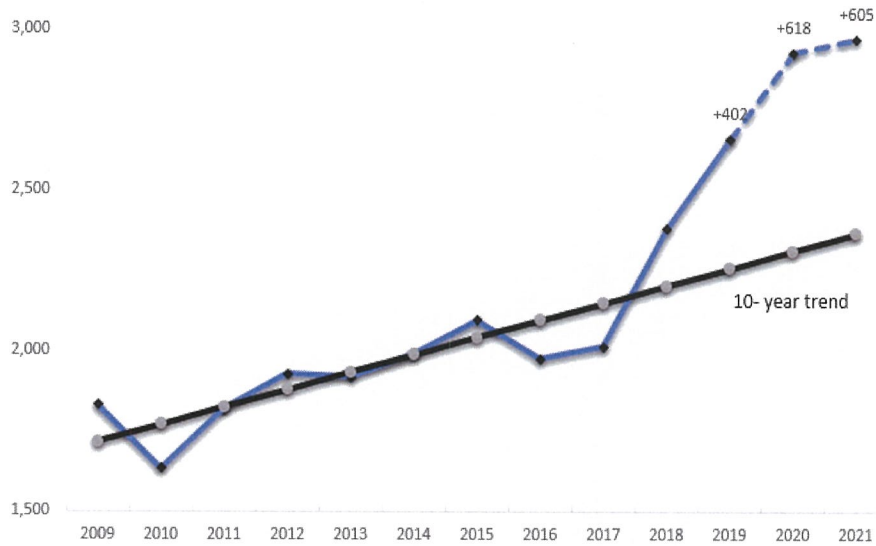
**Revenue Volatility by Major Revenue Sources**  
**Deviation from 10-year trend line (\$ millions)**



Source: CREG December 2019

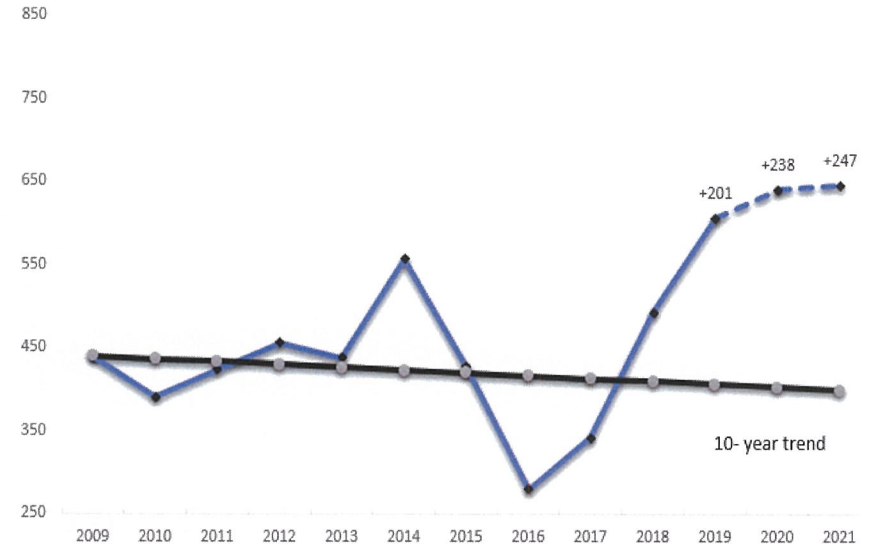
# Appendix 6b

**Volatility in GRT Revenue**  
**Deviation from 10-year trend line (\$ millions)**



Source: CREG December 2019

**Volatility in Severance Tax Revenue**  
**Deviation from 10-year trend line (\$ millions)**



Source: CREG December 2019