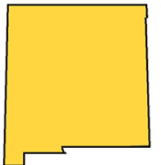


Consensus General Fund Revenue Outlook

New Mexico Department of Finance and Administration

Presented to the Legislative Finance Committee

August 16, 2017



Overview

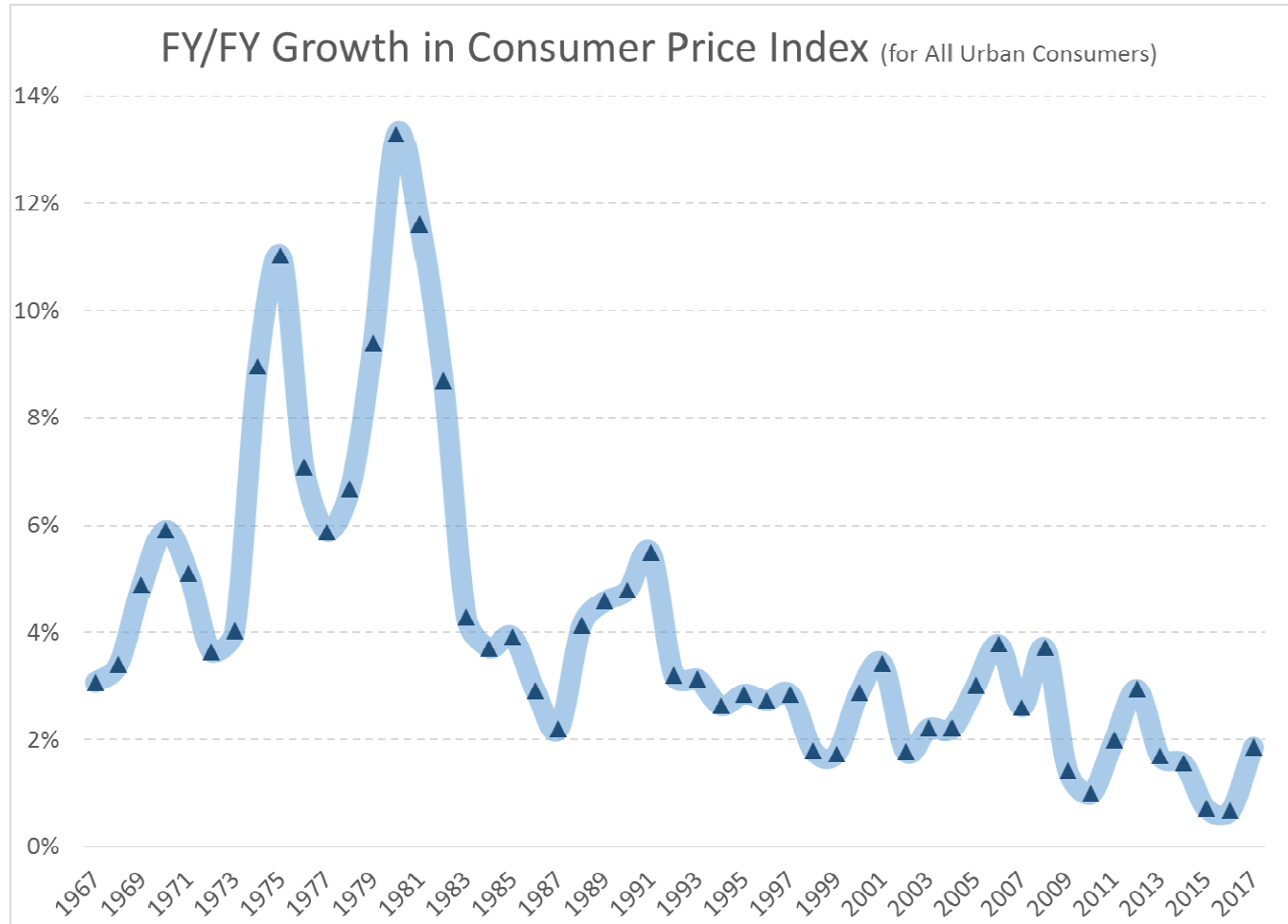
- Moderate growth is expected to continue nationally and in New Mexico.
 - Most forecasters have reduced, but not eliminated the chances for a near term US recession.
- Moody's Analytics and UNM BBER expectations for future New Mexico growth have remained similar and moved closer together.
 - New Mexico employment expected to grow around one percent in both of the next two years.
 - Total State Wages & Salaries forecast to grow around two percent in FY18 and over three percent in FY19.
 - Details provided in attached Appendix 2.
- FY17 recurring General Fund revenues are forecast to beat expectations primarily due to larger gains in severance and gross receipts tax revenues.
 - FY17 revenue is now expected to have increased year-over-year and reached between \$5.7 and \$5.8 billion ahead of the \$5.6 billion previously forecast in December 2016.
- In FY18 and FY19 total recurring General Fund revenues are expected to grow by 3.5 percent and 2.8 percent resulting in total FY19 revenue of \$6.1 billion and a "new money" figure of \$25 million.



US/Global Outlook

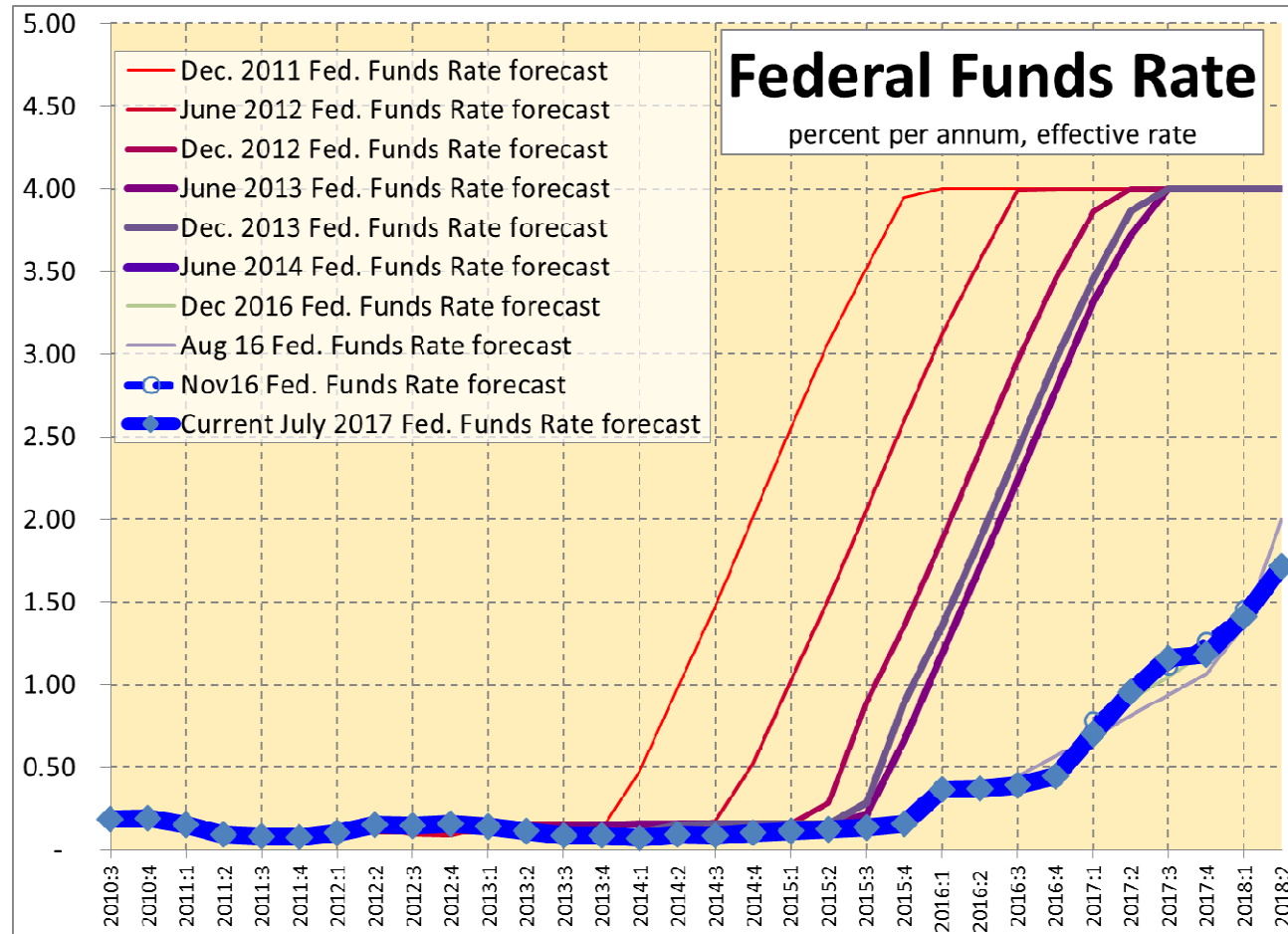
- Overall US Real GDP is expected to continue growing between two and three percent for the next couple years.
- Inflation is expected to return to longer term averages climbing above two percent in FY19 and FY20.
- After appreciating by one-third between mid 2011 and Jan. 2016, the value of the US dollar has leveled off and declined by over five percent since January.
- Federal gridlock may have partially reduced US policy uncertainty; however, global geopolitical uncertainty remains extremely high.

Historically low Inflation = lower nominal revenue growth



- *Inflation had been relatively stable for decades:*
 - 10 year average 1995-2004 = 2.4%
 - 10 year average 2005-2014 = 2.4%
- *FY15 and FY16 lowest inflation in 60 years, only 0.7%*
- *FY17 has started to normalize at 1.9%, but below historic norms.*

Interest Rates began to increase, forecast stabilized



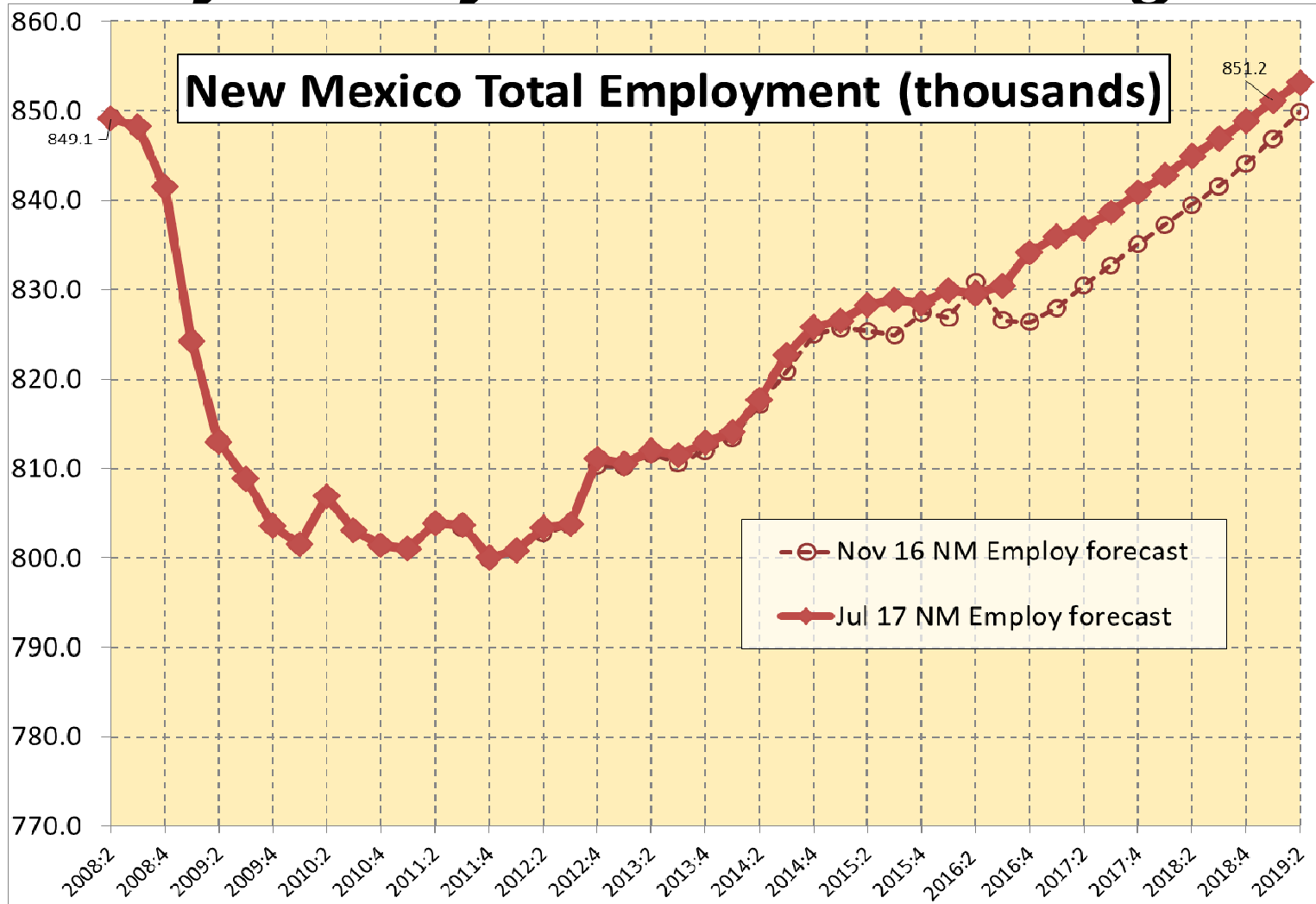
- As assumed in the forecast, the Federal Funds Rate was increased in December 2016, then in March and June of 2017. Finally beginning to move meaningfully above zero for the first time since the quantitative easing undertaken after the 2007-2008 financial crisis.

New Mexico Outlook

- Recent employment growth has slightly outpaced forecast levels; future growth forecasts remain around one percent.
- Rio Grande Corridor had another year of moderate growth
- Southeast New Mexico roughly flat with last fiscal year; however significant upswing since beginning of year will likely result in double digit growth in FY18 even without further growth from current levels.
- Continued economic pain in Northwest New Mexico;
 - In FY17 San Juan and Rio Arriba Counties experienced their lowest level of Taxable Gross Receipts in 13 years.
- A dashboard of current economic indicators for New Mexico can be found at: <https://research.stlouisfed.org/dashboard/9235>



Moody's Analytics Forecast Changes



- Employment revised upwards and recently higher than forecast.
- Now expected to reach 2008 levels in 2019.



Gross Receipts- Divergent Base Trends

FY 16 Y/Y General Fund GRT \$millions

San Juan -10.8	Rio Arriba -0.9	Taos 4.0	Colfax -1.4		Union 0.0
McKinley -1.0	Sandoval -2.6	Los Alamos 7.2	Mora 0.0	Harding -1.1	Quay 0.1
Cibola -0.2	Bernalillo 16.2	Santa Fe 2.6	San Miguel -0.7		Curry 2.2
Catron 0.6	Valencia -0.1	Torrance -0.3	Guadalupe -0.8	De Baca 0.7	Roosevelt -0.2
Grant 1.9	Sierra 0.4	Socorro -0.8	Lincoln 0.4		Lea -102.4
Luna -0.3	Doña Ana 3.4	Otero 5.8	Chaves -7.1		Eddy -50.3
Hidalgo 0.6			Out-of-State: -28.9		

- FY16: Losses in the Northwest and dramatic drop in Southeast overwhelmed growth in the remainder of the state.

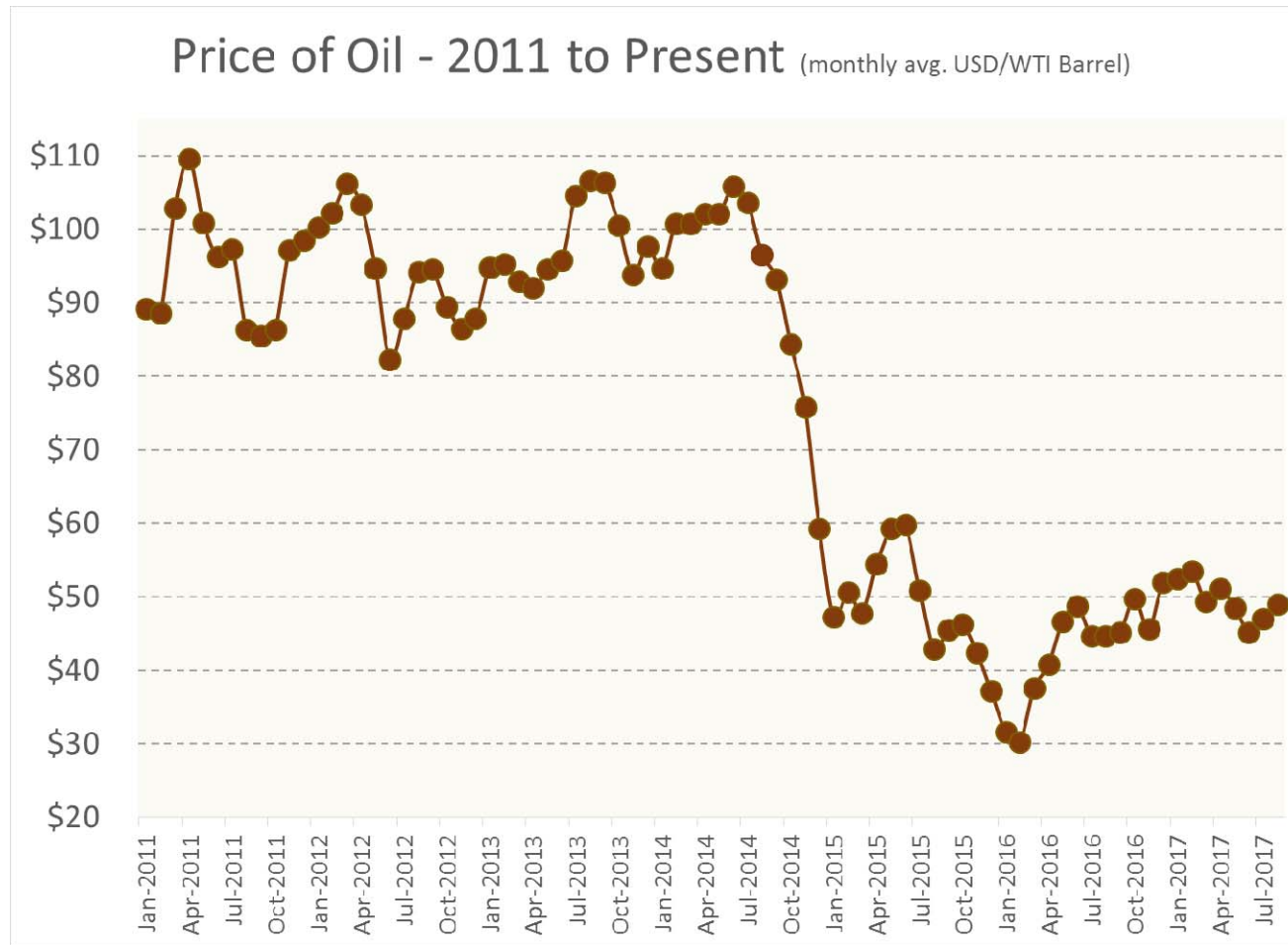
FY 17 Y/Y General Fund GRT \$millions

San Juan -15.7	Rio Arriba -1.9	Taos -2.1	Colfax 1.0		Union 0.2
McKinley -2.9	Sandoval -0.7	Los Alamos 5.6	Mora 0.3	Harding 0.1	Quay 0.5
Cibola -1.8	Bernalillo 12.9	Santa Fe 2.4	San Miguel 0.3		Curry 3.2
Catron -0.4	Valencia 4.7	Torrance 3.5	Guadalupe 0.7	De Baca -0.3	Roosevelt -1.8
Grant -0.5	Sierra 0.0	Socorro 0.6	Lincoln -0.9		Lea -4.3
Luna 2.7	Doña Ana 7.4	Otero -2.4	Chaves 4.1		Eddy 2.4
Hidalgo 0.3			Out-of-State: 2.3		

- FY17: Further declines in the Northwest; Southwest & Out-of-State now about flat FY-over-FY, but poised for growth; continued moderate growth in Santa Fe-ABQ-Las Cruces corridor.



Oil Price Volatility



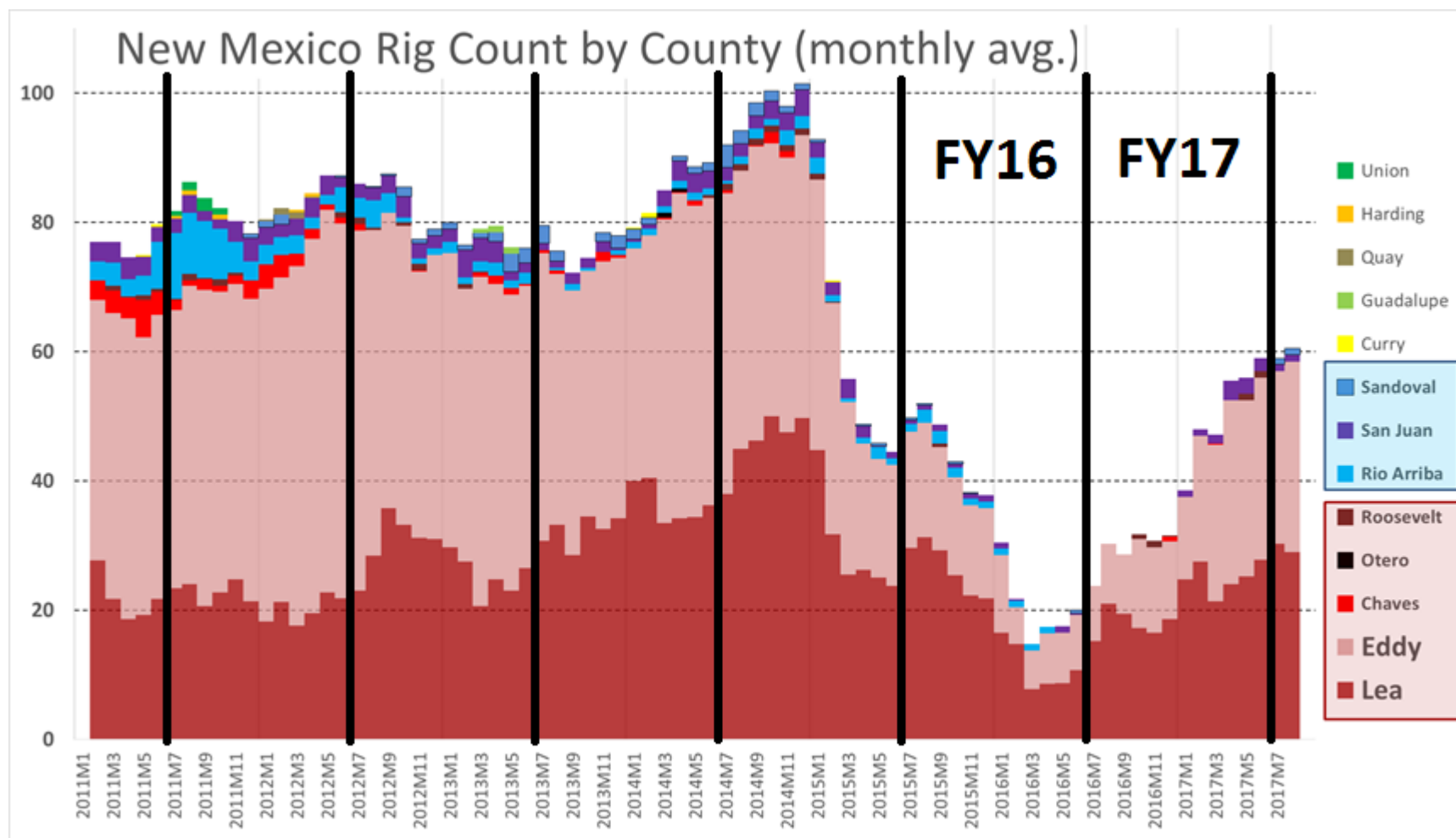
- *After years of relative stability oil prices plummeted.*
 - *High: \$113.39/BBL (April 2011)*
 - *Low: \$26.19/BBL (February 2016)*

Rebounding Exploration:

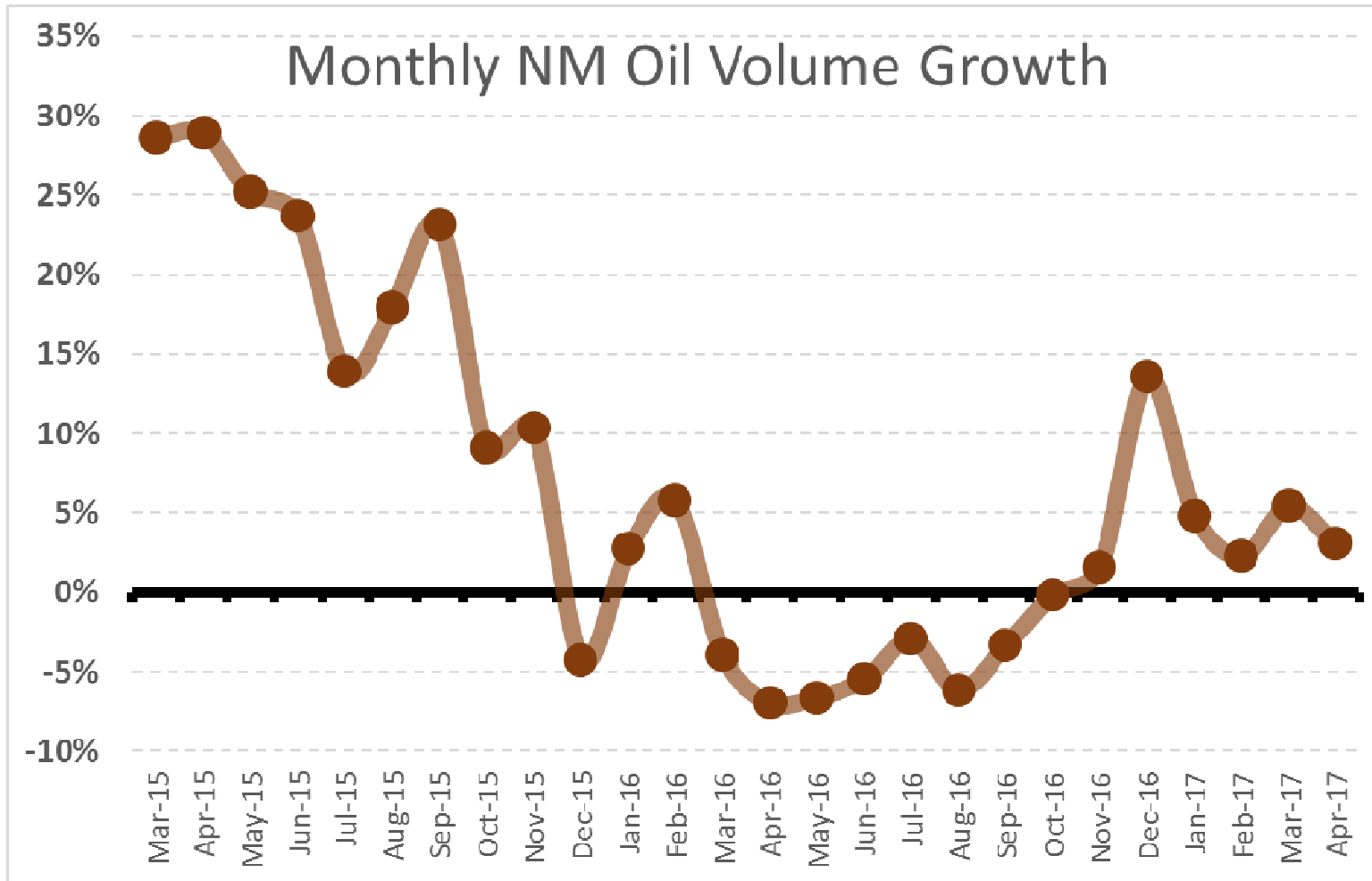
FY16: averaged 33 rigs

FY17: averaged 40 rigs (over 20% growth, compared to roughly flat expectations)

FY18: expected to average 60+ rigs (of higher productivity)



Rebound in Oil Production



New Mexico Oil & Gas Outlook

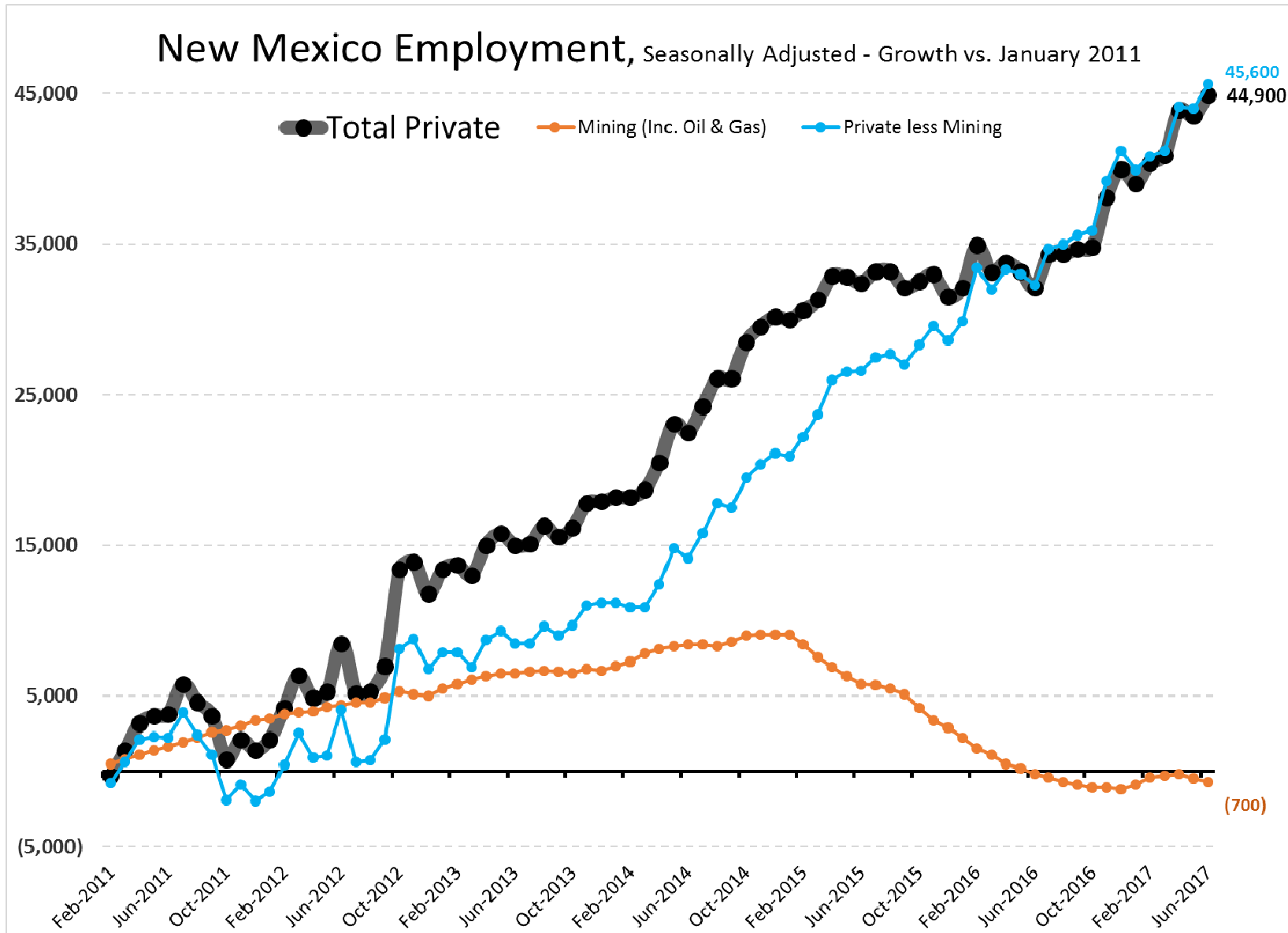
	FY16	FY17	FY18	FY19
Crude Oil:				
Price (\$/barrel)	\$37.85	\$45.10	\$44.50	\$45.50
Production (mill. barrels)	147	150	153	156

Natural Gas:				
Price (\$/1,000 cu. ft.)	\$2.42	\$3.27	\$3.30	\$3.20
Production (Bill. cu. ft.)	1,175	1,210	1,210	1,210

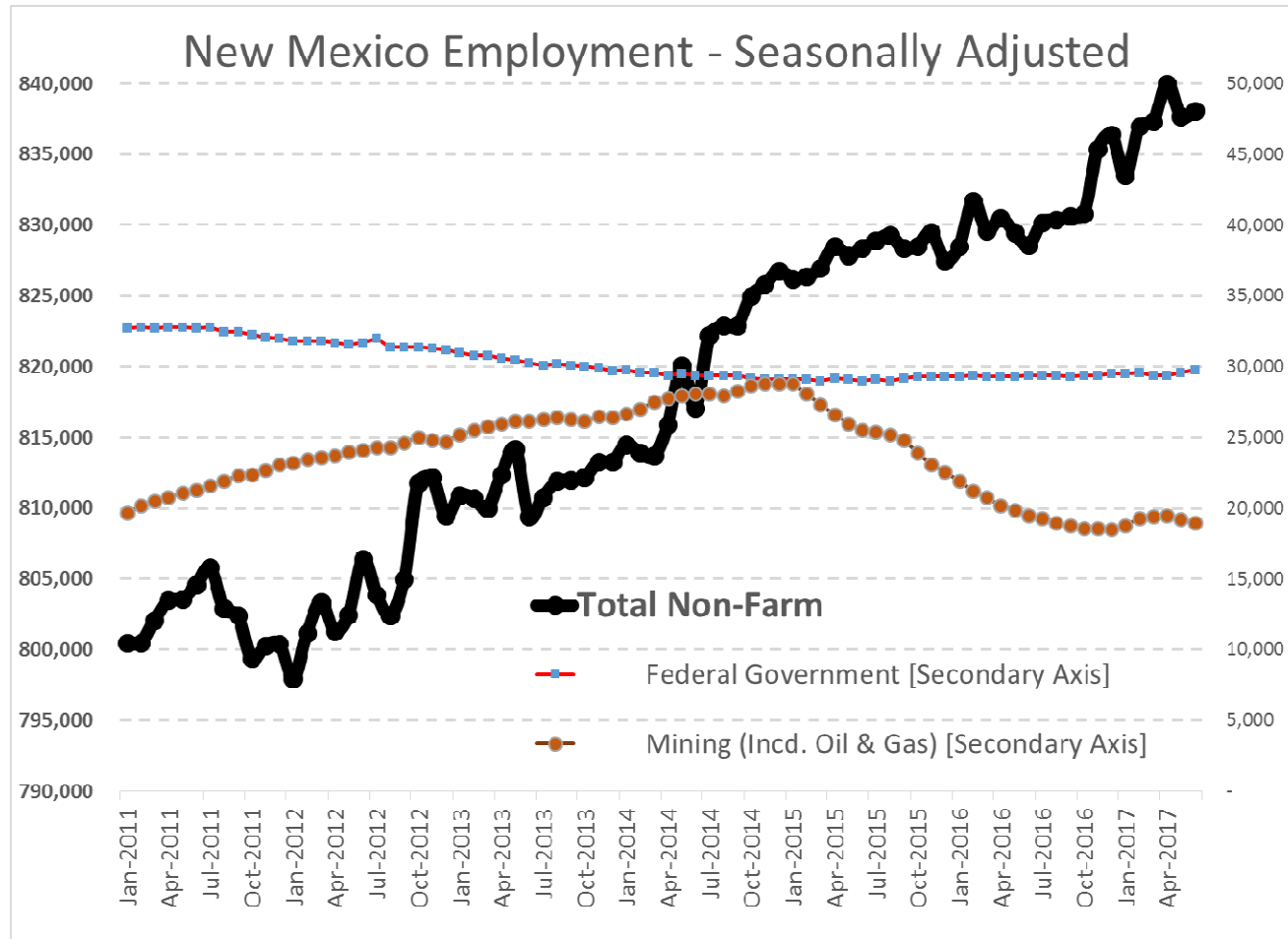
Source: ONGARD; Consensus Revenue Estimating Group

- *Oil prices revised down \$3.50 and \$4.50 (from \$48 in FY18 and \$50 in FY19), while volume now expected to grow.*
- *Natural gas volume now forecast to stay level as San Juan Basin declines are offset by Permian growth.*

Private Employment Growth



Increased Diversification



- Historically highly-reliant on federal government and energy sector.
- Greater proportion of employment base in other industries.

A Sampling of New NM Companies

Company	County	Industry	Jobs
Solaro	Socorro	Green Energy	25
Rural Sourcing, Inc	Bernalillo	Tech	125
Ready Roast, Inc.	Roosevelt	Manufacturing (Food)	200
Skorprios	Bernalillo	Tech	400
Southwest Cheese	Curry	Manufacturing (Food)	50
Safelite AutoGlass	Sandoval	Insurance	900
FedEx	Dona Ana	Shipping/Transportation	200
Fidelity	Bernalillo	Financial	250
Unity PBO	Bernalillo	Tech/Healthcare	240

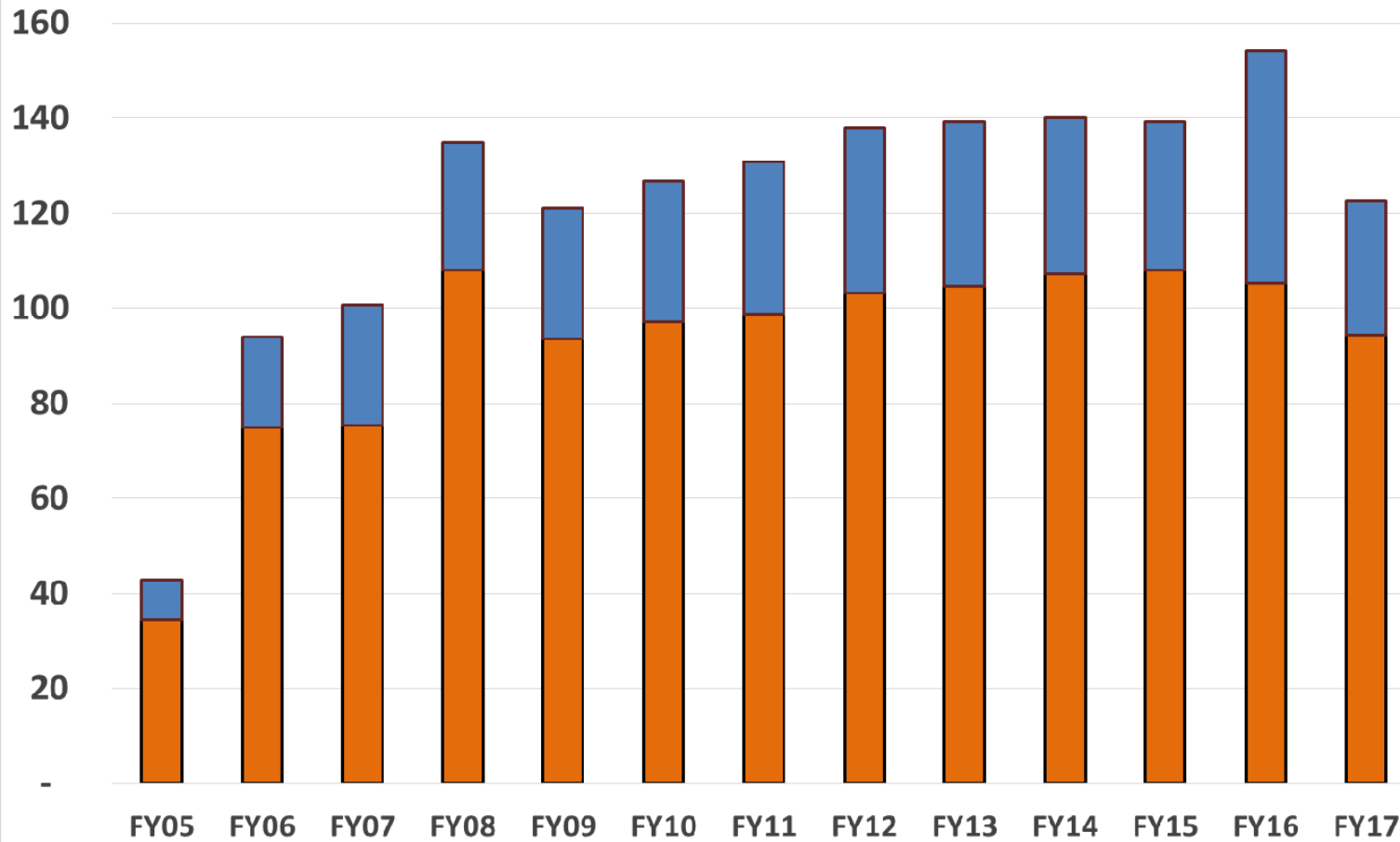
Examples of Business Retention & Expansion

<u>Company</u>	<u>County</u>	<u>Jobs</u>
Amfab/Phat Steel	Sandoval	86
Descartes Labs	Santa Fe	9
Facebook	Valencia	100
Keter Plastics	Valencia	175
Meow Wolf	Santa Fe	200
Mount Taylor Manufacturing	Bernalillo/Cibola	5
RiskSense	Bernalillo	8
Sundance Pools	Otero	3
Wholesome Valley Farms	Dona Ana	90
Ubqld	Los Alamos	19
X2nSAT	Dona Ana	45
Wildflower International	Santa Fe	81

- Positive impact of JTIP, LEDA, etc.

Cost to General Fund of Hold Harmless Distributions (\$millions)

Food Hold Harmless Distribution Medical Hold Harmless Distribution



- FY16 cost reached almost \$154 million.
- Total cost since 2005 = \$1.6 billion.

Counties	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	FY17 Estimated Revenue (\$ millions)
Bernalillo		0.250%	0.250%	42.6
Chaves		0.375%	0.375%	4.3
Cibola	0.375%	0.375%	0.375%	1.2
Colfax	0.250%	0.250%	0.250%	0.7
Curry	0.250%	0.250%	0.250%	2.7
De Baca		0.375%	0.375%	0.1
Dona Ana		0.375%	0.375%	13.2
Eddy		0.125%	0.125%	4.0
Grant	0.375%	0.375%	0.375%	1.6
Harding	0.375%	0.375%	0.375%	0.1
Luna		0.375%	0.375%	1.4
Mora		0.375%	0.375%	0.1
Otero	0.250%	0.375%	0.375%	3.4
Roosevelt		0.375%	0.375%	1.0
San Juan	0.250%	0.250%	0.250%	7.4
San Miguel		0.250%	0.250%	0.8
Santa Fe		0.125%	0.125%	4.7
Sierra	0.375%	0.375%	0.375%	0.7
Valencia	0.375%	0.375%	0.375%	3.2
Municipalities	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	
Artesia		0.250%	0.250%	1.4
Corrales	0.375%	0.375%	0.375%	0.3
Cuba			0.375%	0.1
Espanola	0.375%	0.375%	0.375%	0.9
Farmington		0.250%	0.250%	4.1
Jemez Springs		0.375%	0.375%	0.0
Las Cruces	0.375%	0.375%	0.375%	9.4
Lovington	0.375%	0.375%	0.375%	0.8
Reserve		0.375%	0.375%	0.0
Springer		0.375%	0.375%	0.0
Sunland Park		0.375%	0.375%	0.4
Total				110.7

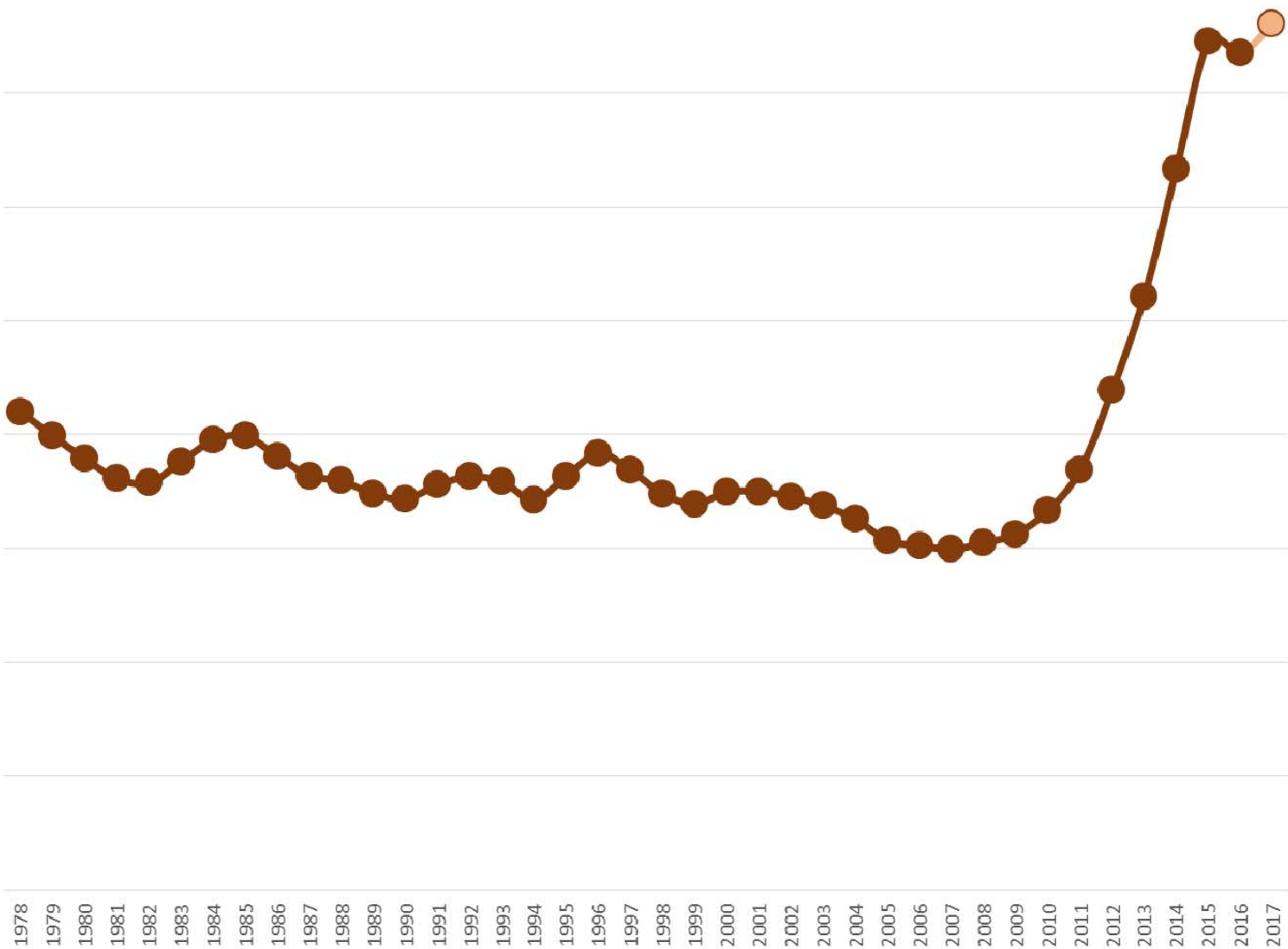
Imposition of new local option hold harmless GRT increments

- Increased local taxes by \$110 million

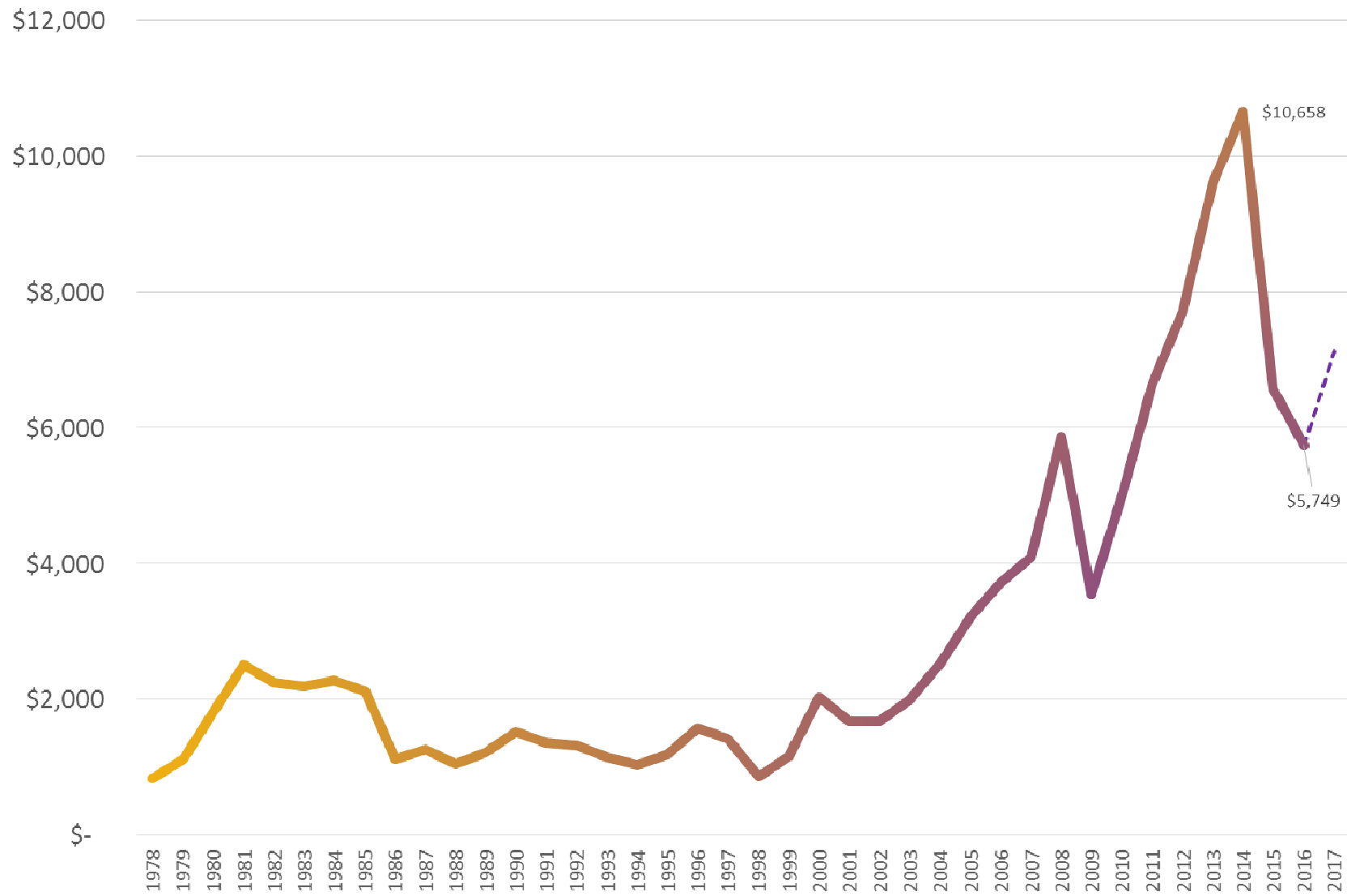
New Mexico Oil Production /CY (million barrels)

160
140
120
100
80
60
40
20
-

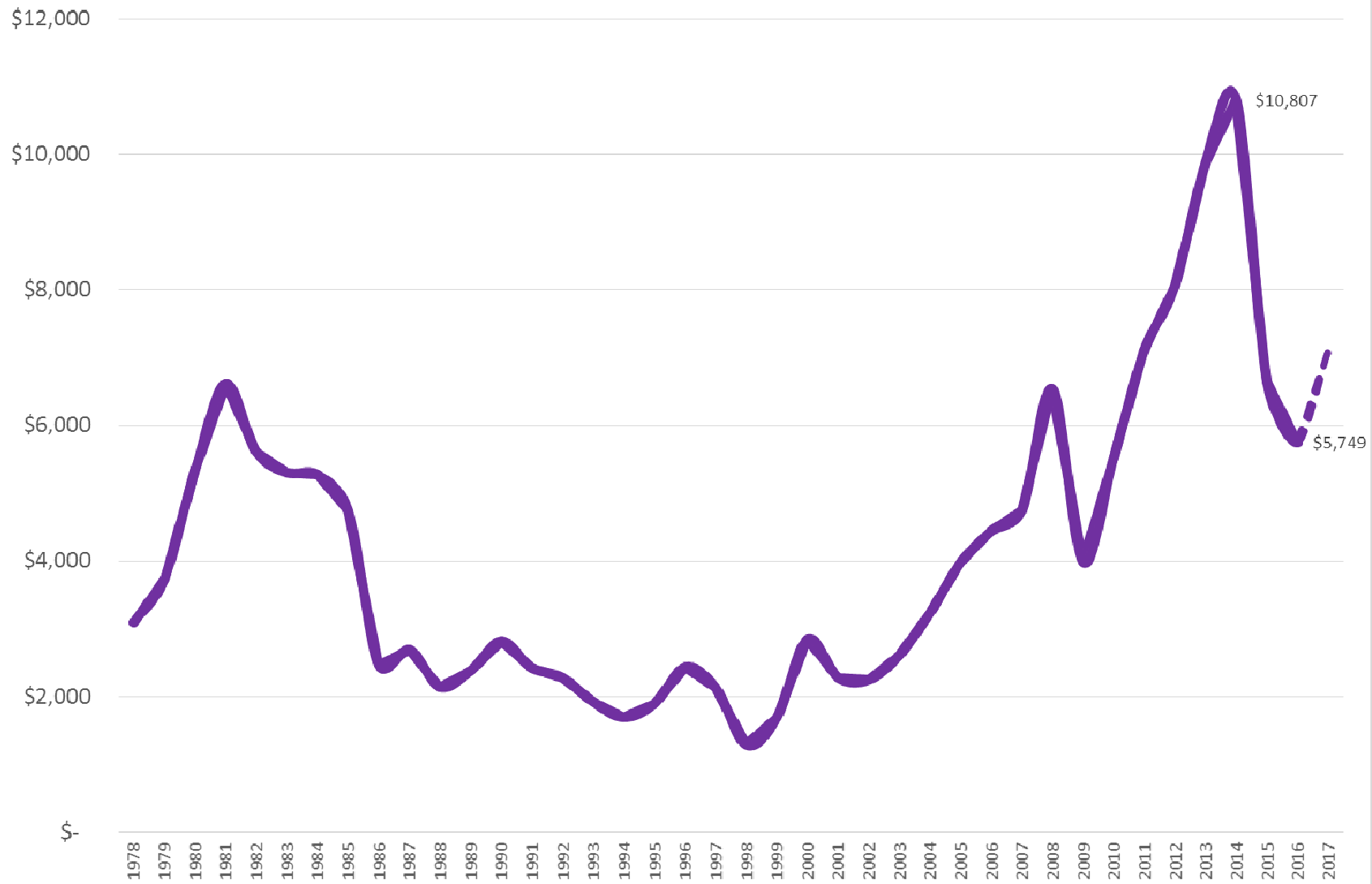
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

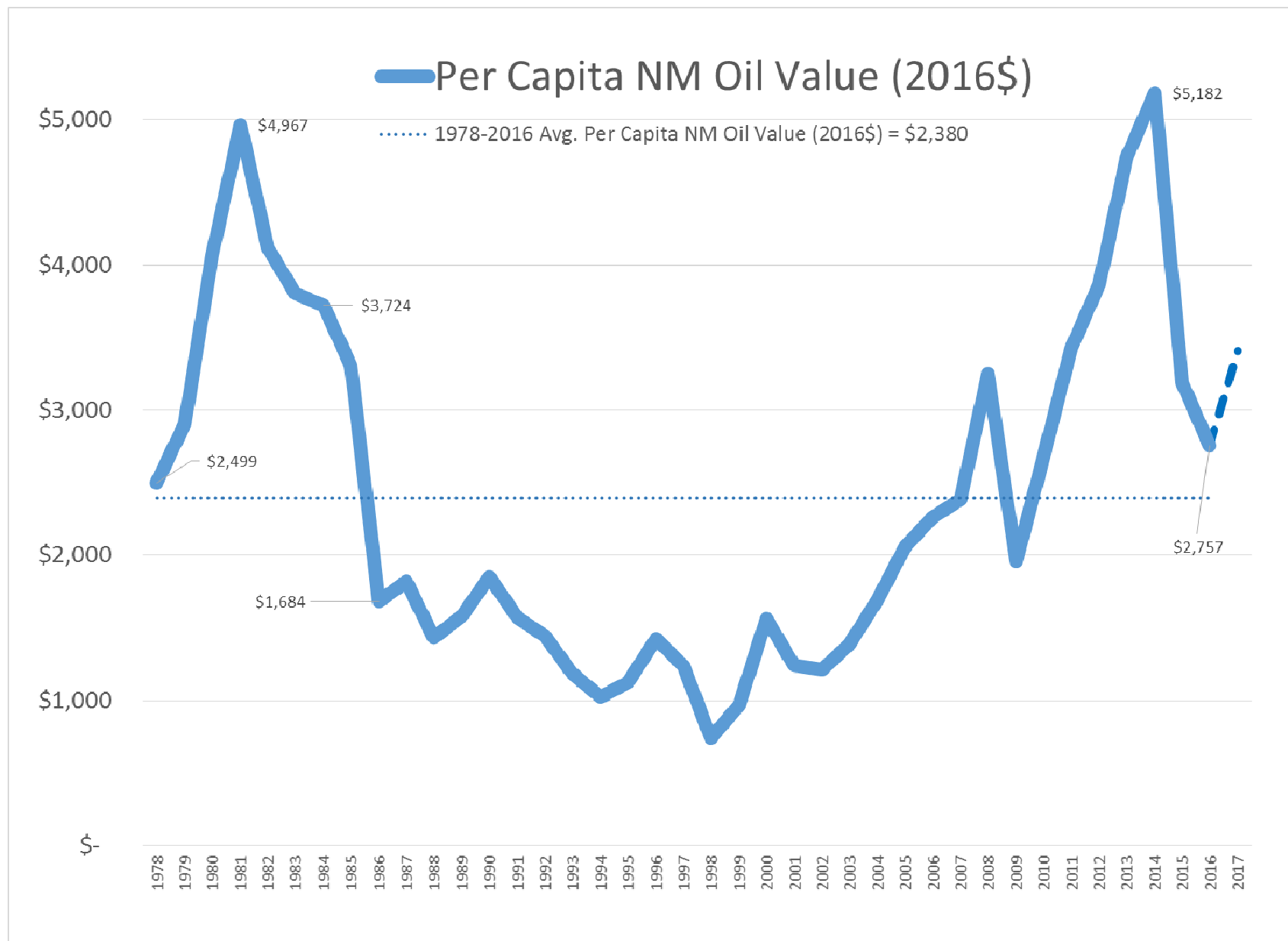


Nominal New Mexico Oil Value (Millions)



Oil Value (Millions) (2016\$- inflation adjusted)

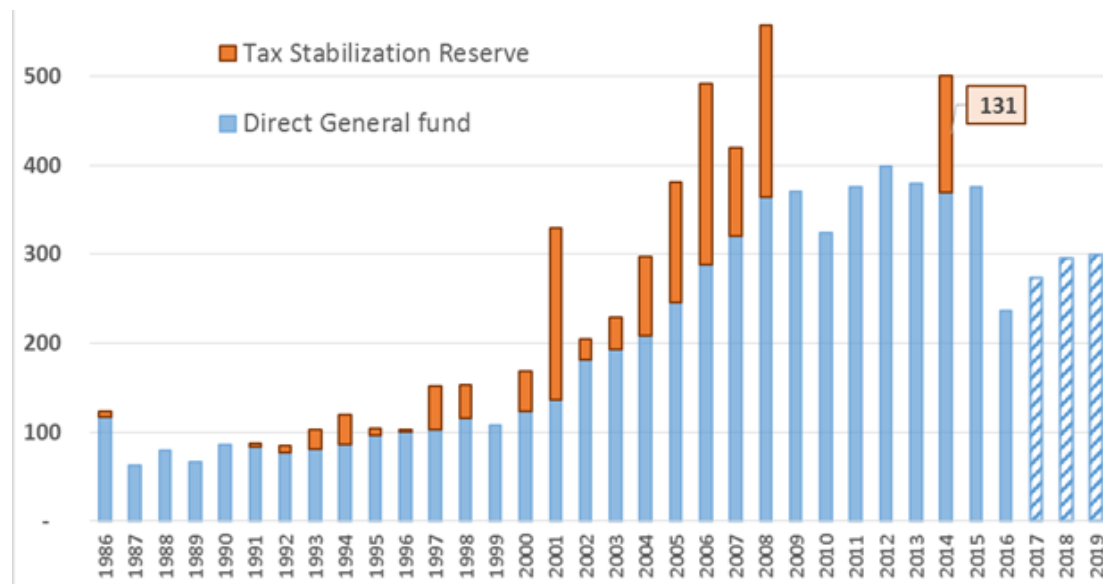




Oil & Gas School Tax to Stabilization Reserve:

Passed in 2017 Special Session HB-2

- Volatility in oil and natural gas prices has created significant and increased volatility in New Mexico's General Fund revenues. This legislation removed a portion of that volatility.
- Beginning in FY19, oil and gas emergency school tax revenue in excess of its prior five fiscal year annual average will be directed to the tax stabilization reserve fund.
- Outflows from the Tax Stabilization Reserve Fund into the Taxpayers Dividend Fund are removed, so that the Tax Stabilization Reserve Fund may grow larger.
- The graph below shows the past 30 year history of oil and gas school tax revenues and how much would have been diverted to the Tax Stabilization Reserve Fund if this legislation had previously been in place.
- Notably, if this legislation had been in place, \$131 million of the above average revenue in FY14 would have been set aside from the General Fund and would have been available to address a portion of the FY16 or FY17 shortfalls.



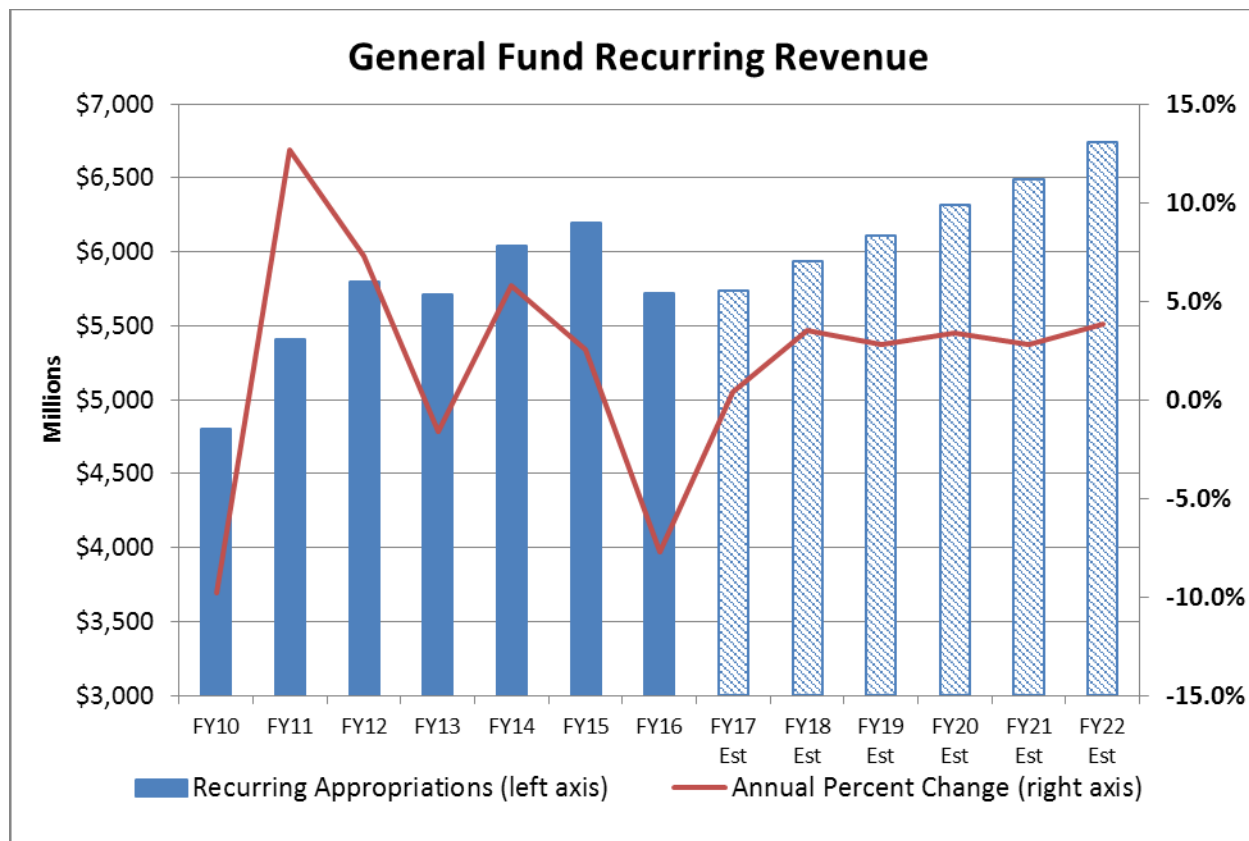
General Fund Forecast Summary

August 2017 Consensus General Fund Forecast						
	FY17		FY18		FY19	
	\$ Millions	% Change	\$ Millions	% Change	\$ Millions	% Change
General Sales	\$2,068	2.3%	\$2,126	2.8%	\$2,178	2.5%
Selective Sales	\$539	0.4%	\$571	6.0%	\$587	2.7%
Income Taxes	\$1,335	-7.7%	\$1,380	3.4%	\$1,400	1.4%
O&G Revenue	\$846	17.9%	\$839	-0.8%	\$838	-0.1%
Investment Income	\$738	-4.1%	\$807	9.3%	\$867	7.5%
Other	\$215	-4.0%	\$218	1.5%	\$237	8.6%
<u>Total Recurring Revenue</u>	<u>\$5,741</u>	<u>0.4%</u>	<u>\$5,941</u>	<u>3.5%</u>	<u>\$6,107</u>	<u>2.8%</u>

- O&G Revenue roughly flat as bonuses are expected to slow while volumes grow.
- Liquor Excise Tax revenue diversion to lottery scholarship fund returns to General Fund in FY18.
- Details in Appendix 1.

General Fund Revenue Outlook

- Recurring revenue reached record high in FY15
- FY17 total growth estimated at 0.4%.
- FY18 total growth estimated to be closer to long term average at 3.5%.



General Fund Financial Summary

	FY17	FY18	FY19
Beginning Balance	\$148	\$337	\$611
Total Revenue	\$6,265	\$5,960	\$6,107
Spending	(\$6,101)	(\$6,083)	“New Money” \$25
Reserve Transfers, etc.	\$25	\$0	
Ending Balance	\$337	\$214	
Percent of Appropriations	5.5%	3.5%	

Upside and Downside Risks to Forecast

- Direct sensitivity to oil and gas price: severance, GRT, and income taxes.
 - Sensitivity/risk levels will be slightly higher in FY18 than last year (severance more focused on oil and Permian and GRT related to Permian oil exploration significantly higher), although not yet at extreme FY15 exposure.
- Potential for higher oil volume even at current prices; however, volumes will drop without continued high levels of oil exploration expenditures/investment. Major companies partially hedged in CY17.
- Longer term structural increases in natural gas supply and demand possible (e.g. BP well performance, electricity demand, LNG exports); alternatively, supply glut and price drop also possible if oil production surges resulting in a surge in associated natural gas production.
- Recent upswing in commercial construction.
- Pojoaque escrow settlement.
- Insurance Premium Taxes.
- Major investment choices in healthcare and international trade sectors delayed and will hinge on uncertain Federal outcomes have outsized impact on New Mexico.
- Increased complexity of and spending through the tax code (e.g. food & medical deductions/exemptions and hold harmless distributions) expose the General Fund revenues to higher volatility and uncertainty.

General Fund Consensus Revenue Estimate August 2017

Appendix 1

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

Note: Columns in blue show difference between December 2016 Consensus Revenue Estimate and August 2017 Consensus Revenue Estimate

Note: Columns in red show year-over-year growth expected in current August 2017 Consensus Revenue Estimate

General Fund Consensus Revenue Estimate August 2017

Appendix 1

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

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

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

U.S. and New Mexico Economic Indicators	FY17		FY18		FY19		FY20		FY21		FY22
	Prior Dec 2016 Forecast	Current Aug 2017 Forecast	Prior Dec 2016 Forecast	Current Aug 2017 Forecast	Prior Dec 2016 Forecast	Current Aug 2017 Forecast	Prior Dec 2016 Forecast	Current Aug 2017 Forecast	Prior Dec 2016 Forecast	Current Aug 2017 Forecast	Current Aug 2017 Forecast
<u>National Economic Indicators</u>											
US Real GDP Growth (annual avg. ,% YOY)*	2.3	2.1	2.9	2.7	2.4	2.5	2.0	1.7	1.9	1.6	1.7
US Inflation Rate (CPI-U, annual avg., % YOY)**	1.8	1.9	2.7	1.9	2.7	2.6	2.7	2.9	2.4	2.6	1.8
Federal Funds Rate (%)	0.6	0.6	1.4	1.4	2.4	2.7	3.2	3.7	3.3	3.5	3.2
<u>New Mexico Labor Market and Income Data</u>											
NM Non-Agricultural Employment Growth	0.0	0.6	1.0	0.9	1.1	1.0	1.2	0.8	0.6	0.3	0.4
NM Nominal Personal Income Growth (%)***	1.4	1.7	2.6	2.5	3.9	3.7	3.8	3.7	3.6	3.5	4.0
NM Total Wages & Salaries Growth (%)	0.7	1.1	2.6	1.8	3.5	3.5	4.3	4.2	3.1	2.7	1.8
NM Real Gross State Product (% YOY)	0.6	0.1	1.7	1.3	1.5	1.7	1.7	1.3	1.7	1.4	1.6
<u>New Mexico Energy Prices & Volumes</u>											
NM Oil Price (\$/barrel)	\$43.00	\$45.10	\$48.00	\$44.50	\$50.00	\$45.50	\$53.00	\$47.00	\$56.00	\$48.00	\$50.00
NM Taxable Oil Volumes (million barrels)	143	150	143	153	143	156	143	159	143	162	165
NM Gas Price (\$ per thousand cubic feet)****	\$3.15	\$3.27	\$3.31	\$3.30	\$3.26	\$3.20	\$3.35	\$3.10	\$3.45	\$3.10	\$3.10
NM Taxable Gas Volumes (billion cubic feet)	1,144	1210	1,108	1210	1,075	1210	1,044	1210	1,008	1210	1210

*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.

****The gas prices are estimated using a formula of NYMEX, EIA, Moody's Analytics, and IHS Global Insight futures and forecast prices as well as a premium for natural gas liquids based on the oil price forecast.

Sources: Moody's Analytics baseline forecast, November 2017 and July 2017

Department of Finance and Administration
GENERAL FUND FINANCIAL SUMMARY
August 2017 Consensus Revenue Forecast
(Dollars in Millions)

		Prelim. FY2017	Estimated FY2018	Estimated FY2019
REVENUE				
1	Recurring Revenue			
	August 2017 Consensus Forecast	\$ 5,740.6	\$ 5,941.1	\$ 6,107.3
2	Total Recurring Revenue	\$ 5,740.6	\$ 5,941.1	\$ 6,107.3
Nonrecurring Revenue				
3	2016 Session **	\$ 74.3		
4	2016 Special Session (SB2, SB8)	\$ 196.2		
5	2017 Session Nonrecurring Revenue Legislation	\$ 171.6	\$ 10.7	
6	2017 Special Session	\$ 82.1	\$ 8.0	
7	Total Non-Recurring Revenue	\$ 524.2	\$ 18.7	
8	TOTAL REVENUE	\$ 6,264.8	\$ 5,959.8	\$ 6,107.3
APPROPRIATIONS				
Recurring Appropriations				
9	2015 & 2016 Sessions	\$ 6,228.1		
10	2016 Session (FY16 Sanding)			
11	2016 Special Session Appropriation Reductions (SB8 and SB9)	\$ (154.4)		
12	FY16 Audit Adjustment			
13	2017 Legislation	\$ 22.3	\$ 5,318.8	"New Money" = \$25 million, or 0.4%
14	2017 Special Session		\$ 763.8	
15	Total Recurring Appropriations	\$ 6,096.1	\$ 6,082.6	
Nonrecurring Appropriations				
16	2015 & 2016 Sessions	\$ 0.4		
17	2016 Special Session (CYFD, Emergency Funding, Swaps)	\$ 2.5		
18	FY16 Audit Adjustment			
19	2017 Session Nonrecurring Appropriations	\$ 0.1		
20	2017 Special Session	\$ 2.1		
21	Total Nonrecurring Appropriations	\$ 5.1	\$ -	
22	TOTAL APPROPRIATIONS	\$ 6,101.2	\$ 6,082.6	
23	Transfer to (from) Reserves	\$ 163.7	\$ (122.8)	
24	Transfer to (from) Other State Funds			
GENERAL FUND RESERVES				
25	Beginning Balances	\$ 147.8	\$ 337.2	
26	Transfers from (to) Appropriations Account	163.7	(122.8)	
27	Revenue and Reversions	81.0	56.5	
28	Appropriations, expenditures and transfers out	(55.3)	(57.0)	
29	Ending Balances	\$ 337.2	\$ 213.9	
30	Reserves as a Percent of Recurring Appropriations	5.5%	3.5%	

*Legislative session expenses treated as recurring appropriation.

**FY16 non-recurring revenues include \$13 million from unspent balances of prior year taxable bond proceeds.
FY17 non-recurring revenues include \$44 million from various state funds, \$8 million in disencumbered balances from prior year general fund appropriations, and \$10 million in governmental gross receipts tax revenues from the New Mexico Finance Authority after satisfying all bond payment requirements.

Department of Finance and Administration
GENERAL FUND FINANCIAL SUMMARY (Continued)
RESERVE DETAIL
(Dollars in Millions)

	Prelim. FY2017	Estimated FY2018	Estimated FY2019
OPERATING RESERVE			
31 Beginning balance	\$ 2.0	\$ 163.7	\$ 38.9
32 BOF Emergency Fund and reversions			
33 Transfer (to) / from Tax Stabilization Fund	(2.0)	(2.0)	(2.0)
34 Contingent Liability for Cash Reconciliation, FY15 Audit*			
35 2016 Session [HB-311 fund transfers & MOE unrestricted]**			
36 Transfer to ACF			
37 2017 Special Session (SEG distribution)			
38 Transfers from (to) appropriation account	<u>163.7</u>	<u>(122.8)</u>	<u>-</u>
39 Ending balance	\$ 163.7	\$ 38.9	\$ 36.9
APPROPRIATION CONTINGENCY FUND			
40 Beginning balance	\$ 34.4	\$ 26.1	\$ 18.1
41 Disaster allotments	(16.0)	(16.0)	(16.0)
42 Transfer from Oper Reserve to ACF (2013 & 2014 GAA)			
43 2016 Session (CYFD relocation - HB2)	-	-	-
44 Revenue and reversions	(0.3)	-	-
	8.0	8.0	8.0
45 Ending Balance	<u>\$ 26.1</u>	<u>\$ 18.1</u>	<u>\$ 10.1</u>
STATE SUPPORT FUND			
45 Beginning balance	\$ 1.0	\$ 1.0	\$ 1.0
46 Revenues	\$ -	\$ -	\$ -
47 Appropriations (2017 SS - SEG Distribution)	\$ -	\$ -	\$ -
48 Ending balance	<u>\$ 1.0</u>	<u>\$ 1.0</u>	<u>\$ 1.0</u>
TOBACCO PERMANENT FUND			
49 Beginning balance	110.4	146.3	155.8
50 Transfers in	54.3	39.0	39.0
51 Appropriation to tobacco settlement program fund	(27.1)	(19.5)	(19.5)
52 Gains/Losses	18.7	9.5	10.1
53 Additional transfers to Program Fund	(9.9)	(19.5)	(19.5)
54 Transfer to General Fund Appropriation Account (SB2)	-	-	-
55 Ending balance	<u>146.3</u>	<u>155.8</u>	<u>166.0</u>
TAX STABILIZATION RESERVE			
56 Beginning balance	\$ -	\$ -	-
57 Transfers in			
57 Transfers out	-	-	-
58 Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
GENERAL FUND ENDING BALANCES			
59	\$ 337.1	\$ 213.8	
60 Percent of Recurring Appropriations	5.5%	3.5%	

*Reversed loss contingency of \$100 million related to historical lack of book-to-bank reconciliation.

**The FY16 General Fund Operating Reserve is increased by a \$147.5 million transfer from the Tax Stabilization Reserve Fund, \$3.3 million of unneeded cash balances for a capital outlay project to the Homeland Security Department, \$36 million previously restricted for the Special Education Maintenance of Effort, and an additional \$1.3 million of cash balances from various state funds.