



NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

General Fund Consensus Revenue Estimate

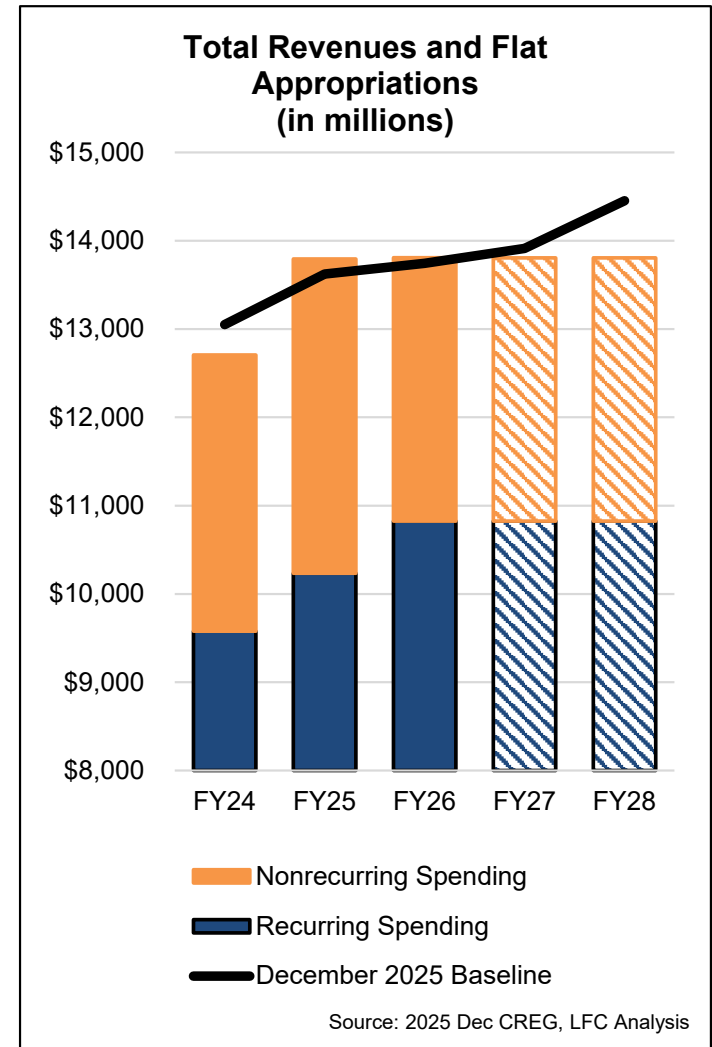
December 2025

HEADLINE REVENUES AND NEW MONEY

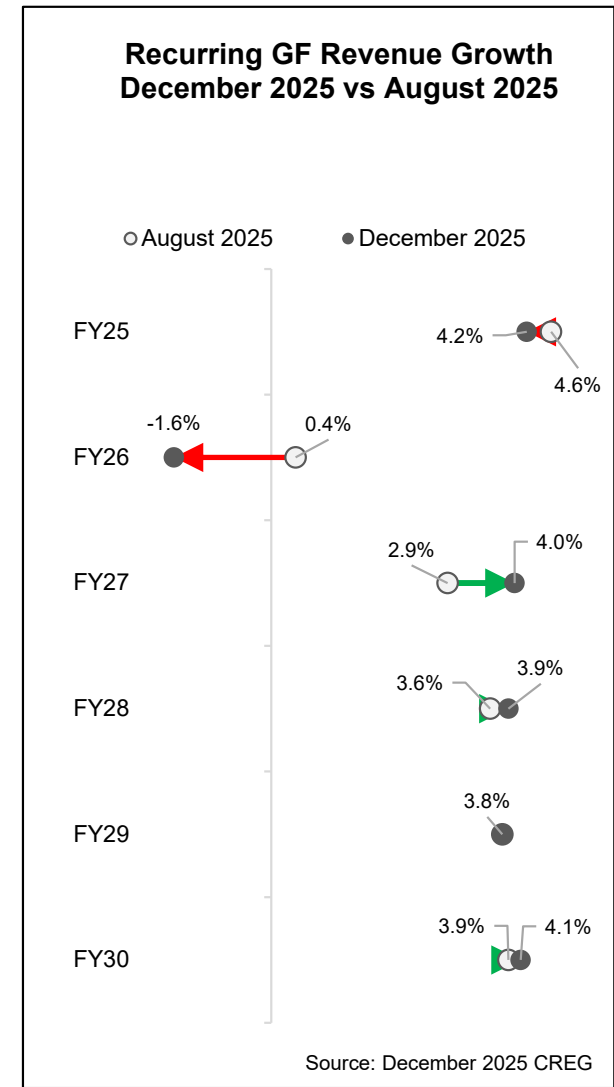
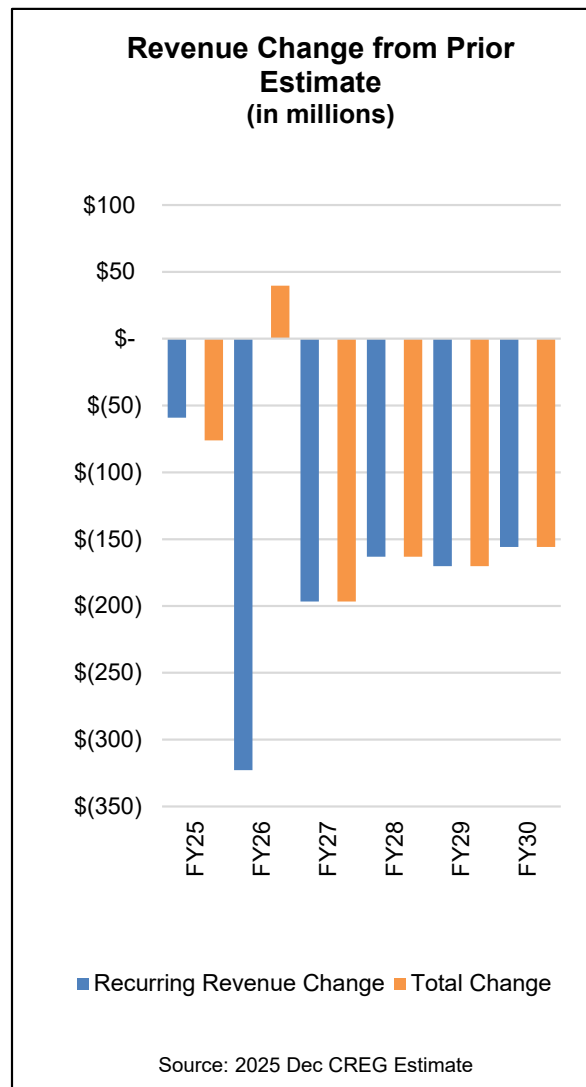
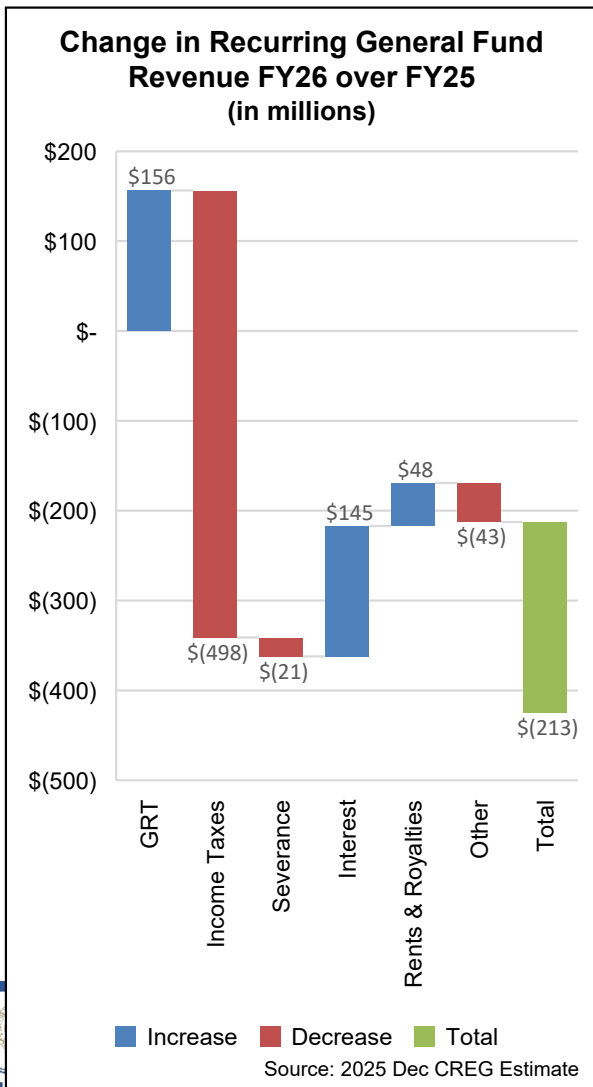


Total new money in FY27 is estimated to be \$105.7 million, or 0.8% growth from FY26.

December 2025 Consensus General Fund Recurring Revenue Estimate			
<i>(in millions)</i>			
	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
August 2025 Consensus	\$13,654.8	\$13,706.0	\$14,109.9
<i>December 2025 Adjustments</i>	<i>(\$59.1)</i>	<i>(\$322.9)</i>	<i>(\$196.7)</i>
December 2025 Consensus	\$13,595.7	\$13,383.1	\$13,913.2
Annual amount change	\$545.5	(\$212.6)	\$530.2
Annual percent change	4.2%	-1.6%	4.0%



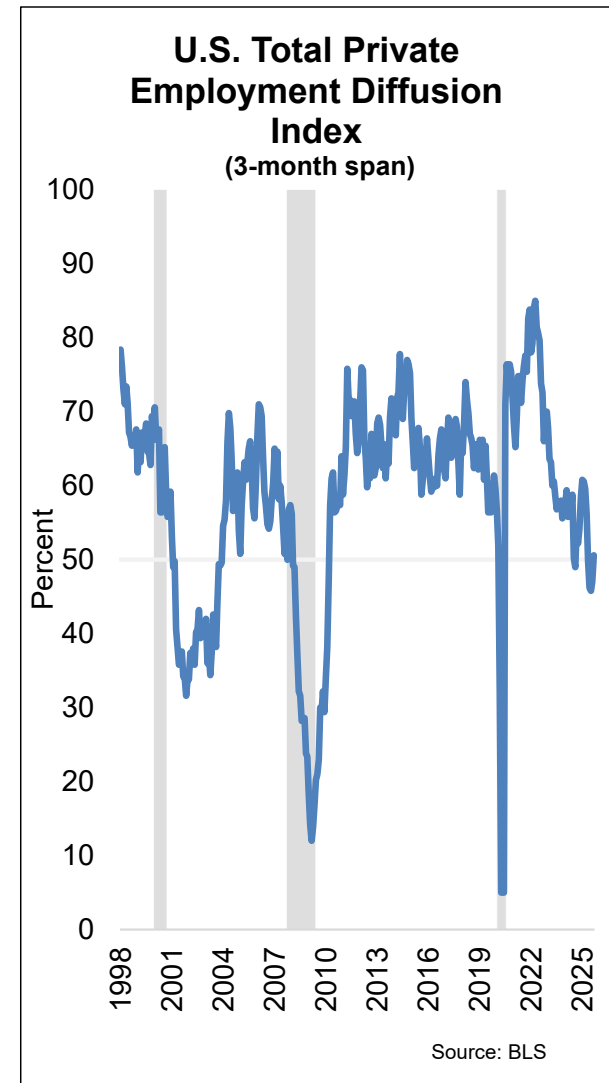
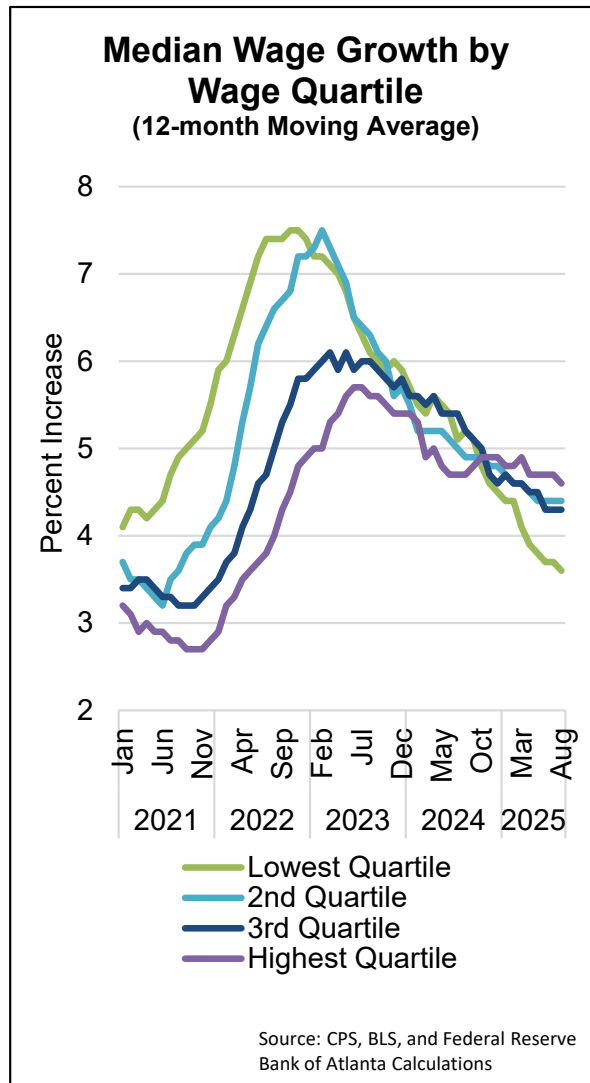
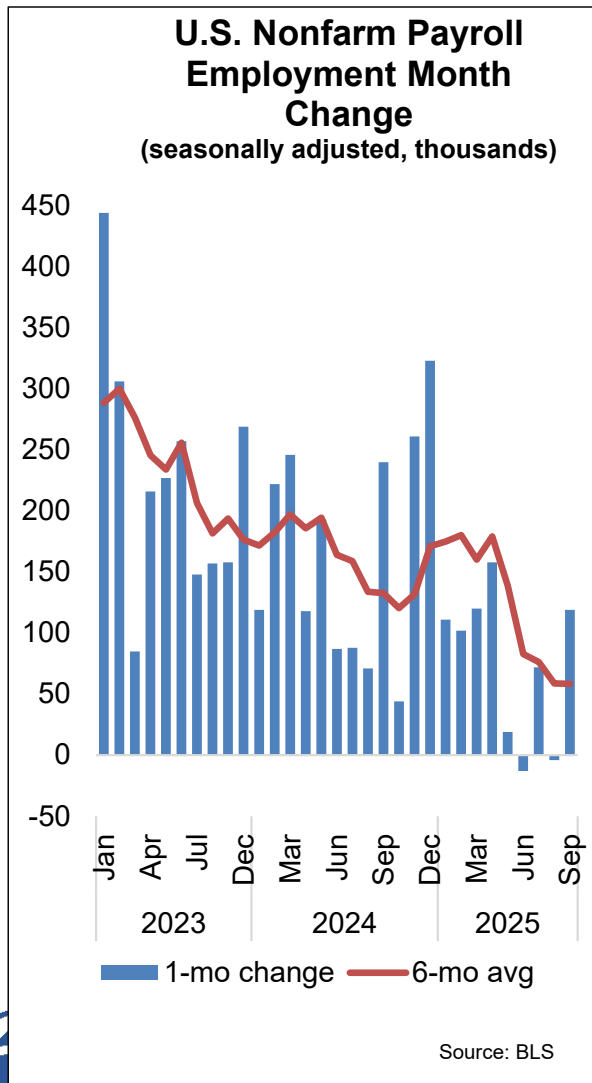
New money and recurring revenues revised lower due to turning revenue activity.



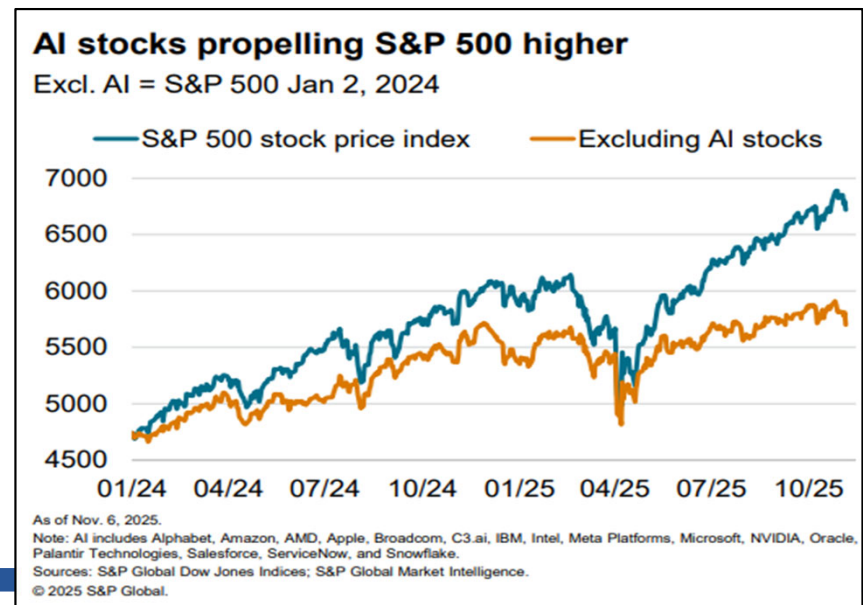
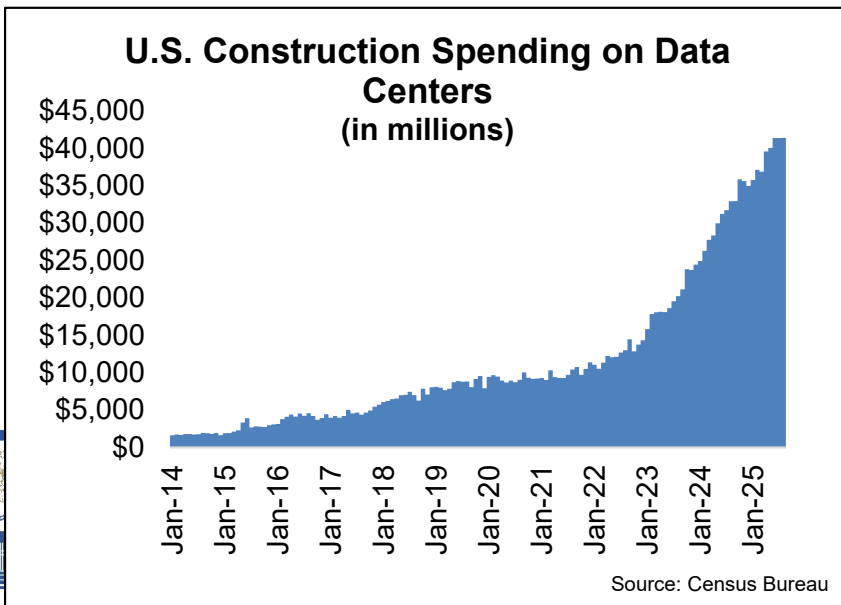
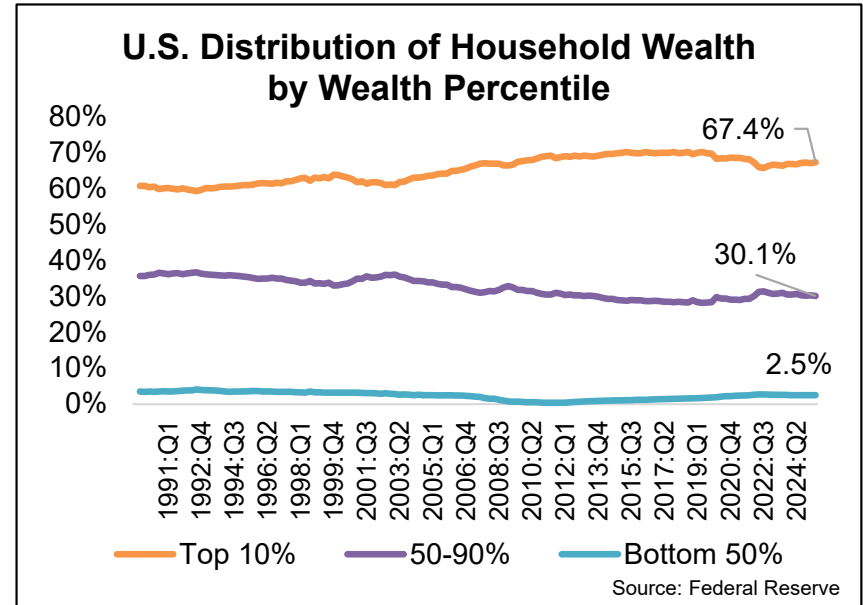
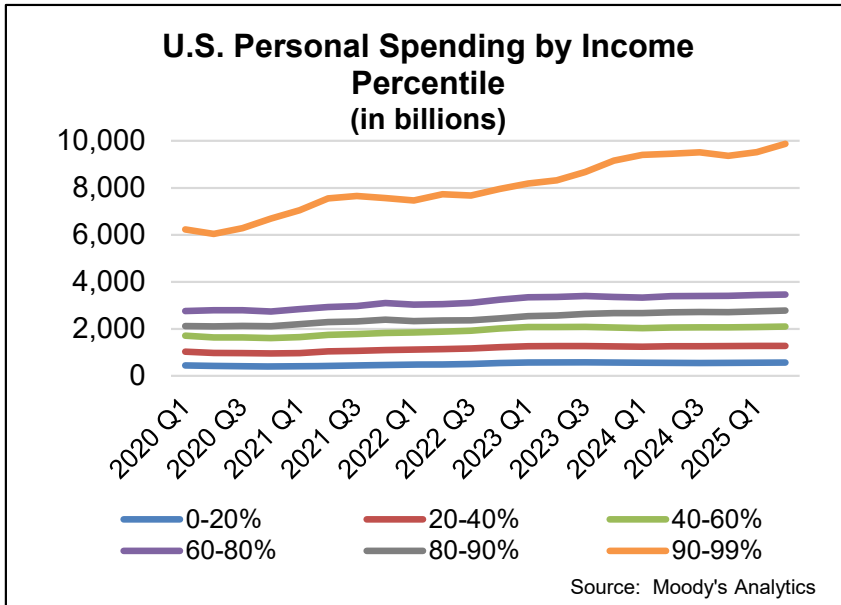
ECONOMIC FORECAST AND ANALYSIS



U.S. “soft landing” is looking increasingly difficult as labor conditions, inflation, and business conditions sour.



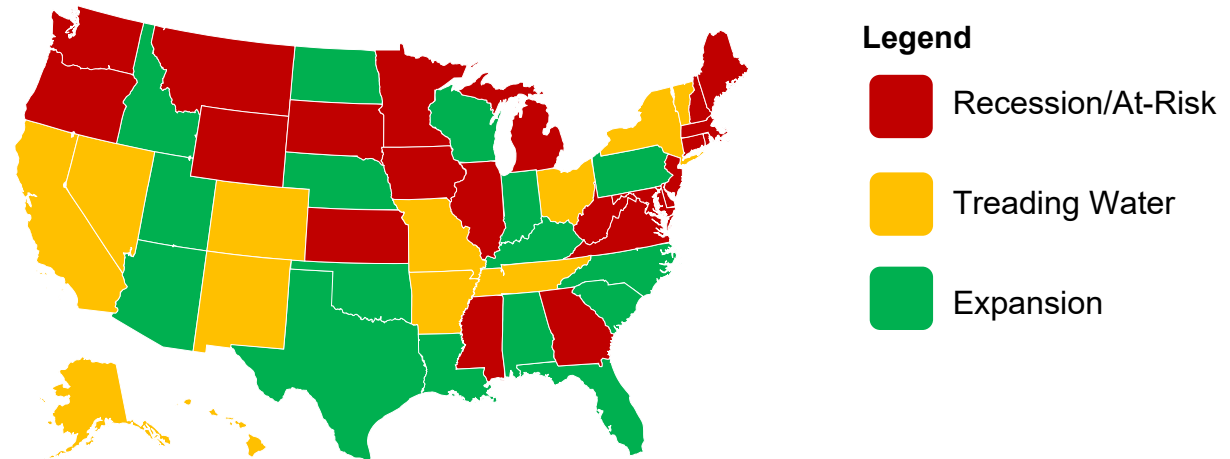
Economic success is becoming dependent on an increasingly concentrated group (high income, AI).



NM's economic conditions fairing better than some, but cracks are forming.

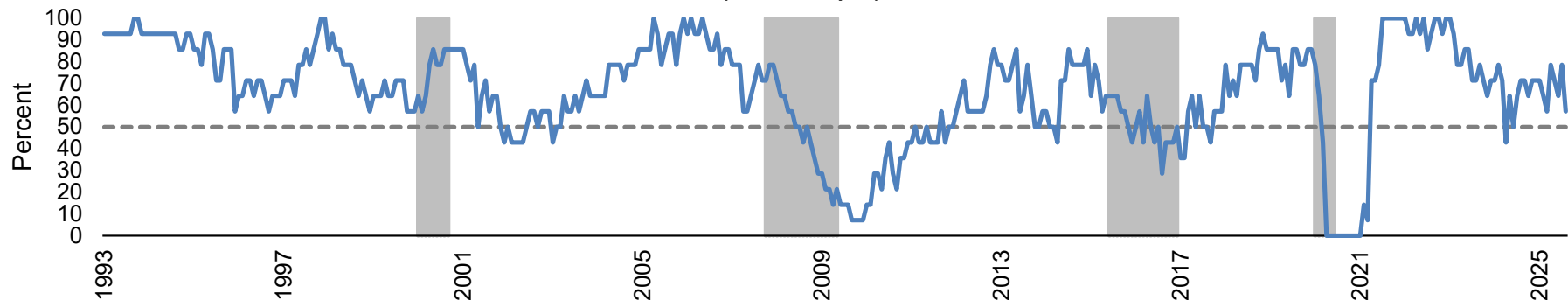
Many States In or Near Recession, Signaling National Recession Risk

Business cycle status, October 2025



Source: Moody's Analytics

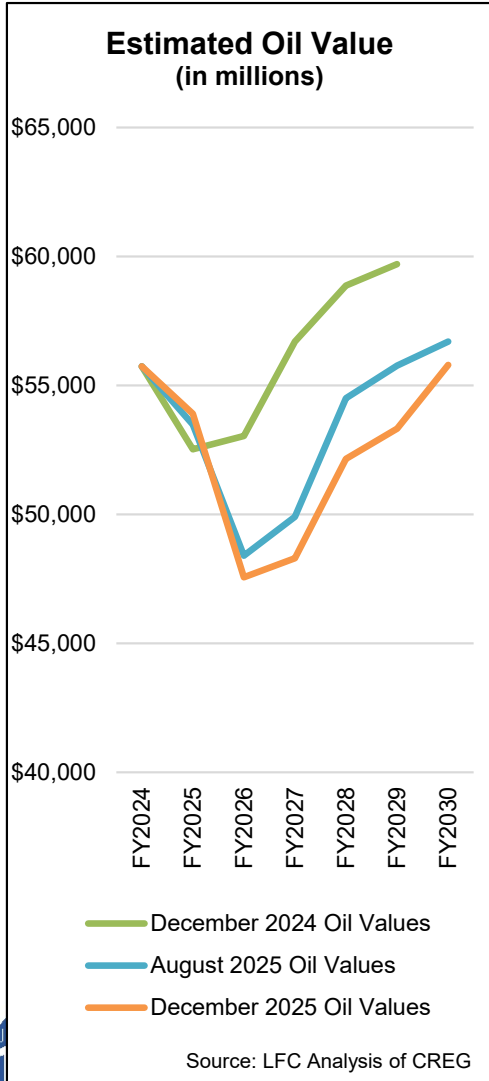
New Mexico Nonfarm Employment Diffusion Index (12-month span)



Note: Gray areas denote U.S. recessions, except for the period between Q3 2015 and Q4 2016 which represented as a New Mexico-specific "recession" because it was associated with a period of widespread economic declines in the state.

Source: BLS, LFC calculations

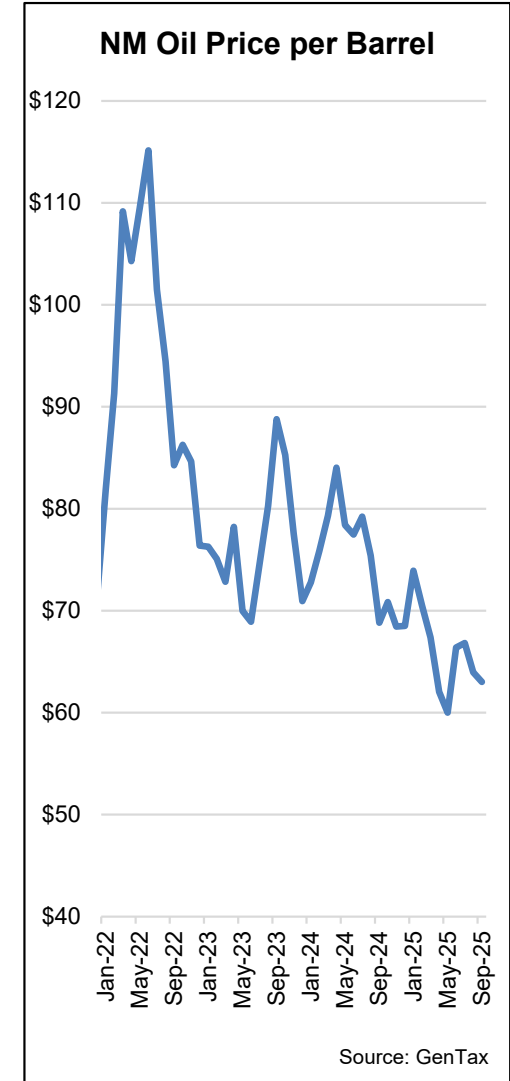
NM revenues and economy challenged by low oil prices which are expected to stay in the short-term, absent major shocks.



Fiscal Year	2025	2026	2027
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>
Gross Oil Price (\$/bbl)	\$69.00	\$58.00	\$57.50
Oil Volume (MMbbls)	781	820	840
Oil Volume (MMbbls/day)	2.13	2.25	2.30
Gross Natural Gas Price (\$/mcf)	\$3.19	\$3.43	\$4.38
Net Natural Gas Price (\$/mcf)*	\$2.03	\$2.57	\$3.27
Natural Gas Volume (bcf)	4,000	4,490	4,640
Natural Gas Volume (bcf/day)	10.96	12.30	12.71

* Net prices are based on the taxable value of the product after deductions for transportation, processing, and royalties.

Source: December 2025 CREG



GENERAL FUND REVENUES



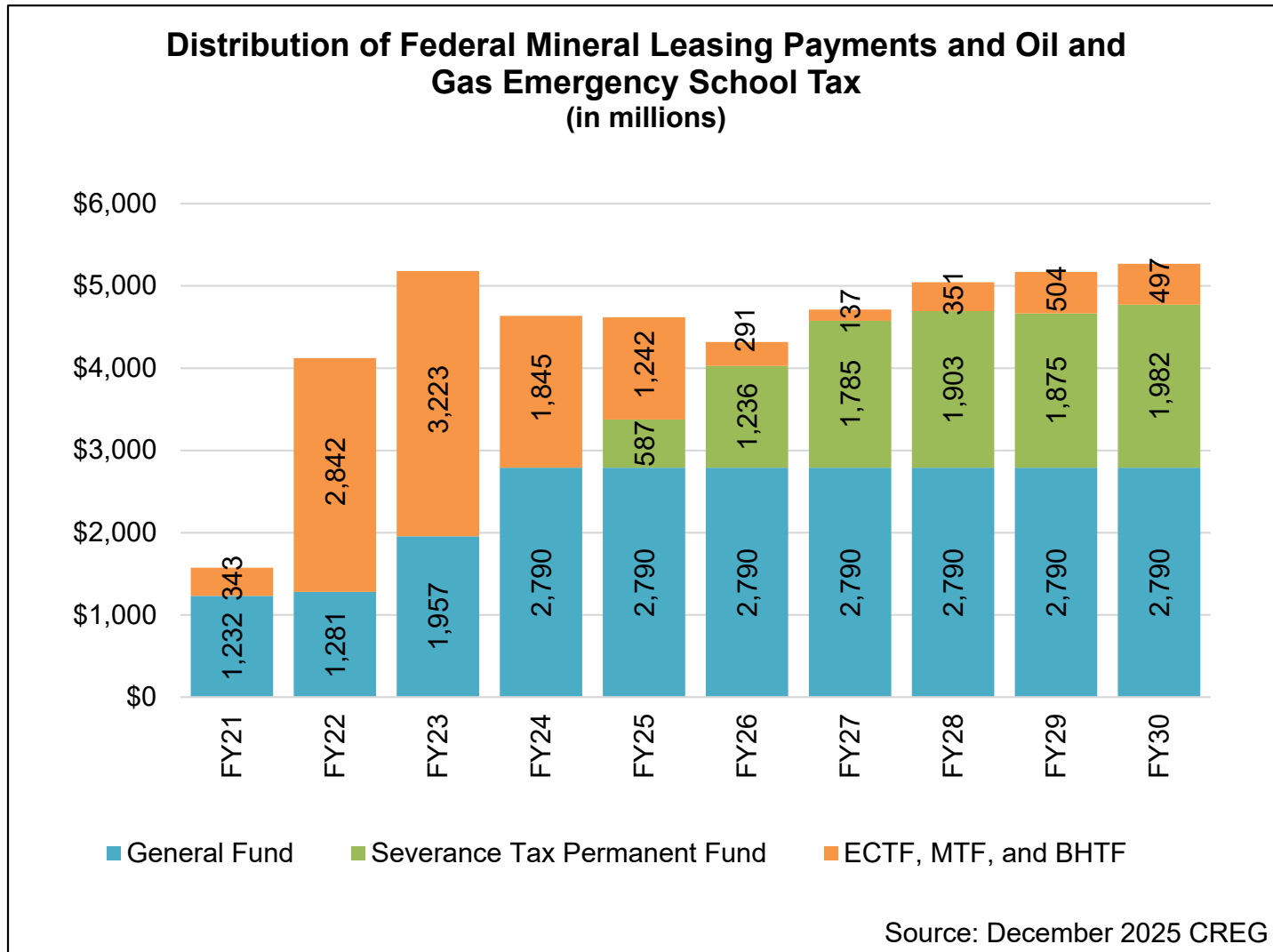
GRT is holding steady and is propped up by business activity. Questions of “spent up demand” and industry concentration remain.

Matched Taxable Gross Receipts by Industry - FY25 vs FY24			
Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$12,338,425,201	\$483,354,767	4.1%
Utilities	\$3,254,879,809	\$145,131,459	4.7%
Construction	\$13,814,625,727	\$967,702,688	7.5%
Manufacturing	\$4,025,570,902	\$449,753,710	12.6%
Wholesale Trade	\$5,295,700,086	\$143,869,224	2.8%
Retail Trade	\$20,822,390,450	\$79,561,683	0.4%
Transportation and Warehousing	\$1,706,230,245	\$64,907,936	4.0%
Information	\$2,738,044,845	\$232,400,203	9.3%
Real Estate and Rental and Leasing	\$2,996,714,274	\$262,874,851	9.6%
Professional, Scientific, and Technical Services	\$10,542,391,074	\$778,008,365	8.0%
Administrative/Support & Waste Management/Remediation	\$4,178,623,207	-\$483,697,853	-10.4%
Health Care and Social Assistance	\$4,960,968,919	\$260,998,758	5.6%
Leisure and Hospitality Services	\$6,932,428,140	\$75,948,347	1.1%
Other Industries	\$11,508,252,713	\$1,354,678,497	13.3%
Total	\$105,115,245,593	\$4,815,492,637	4.8%

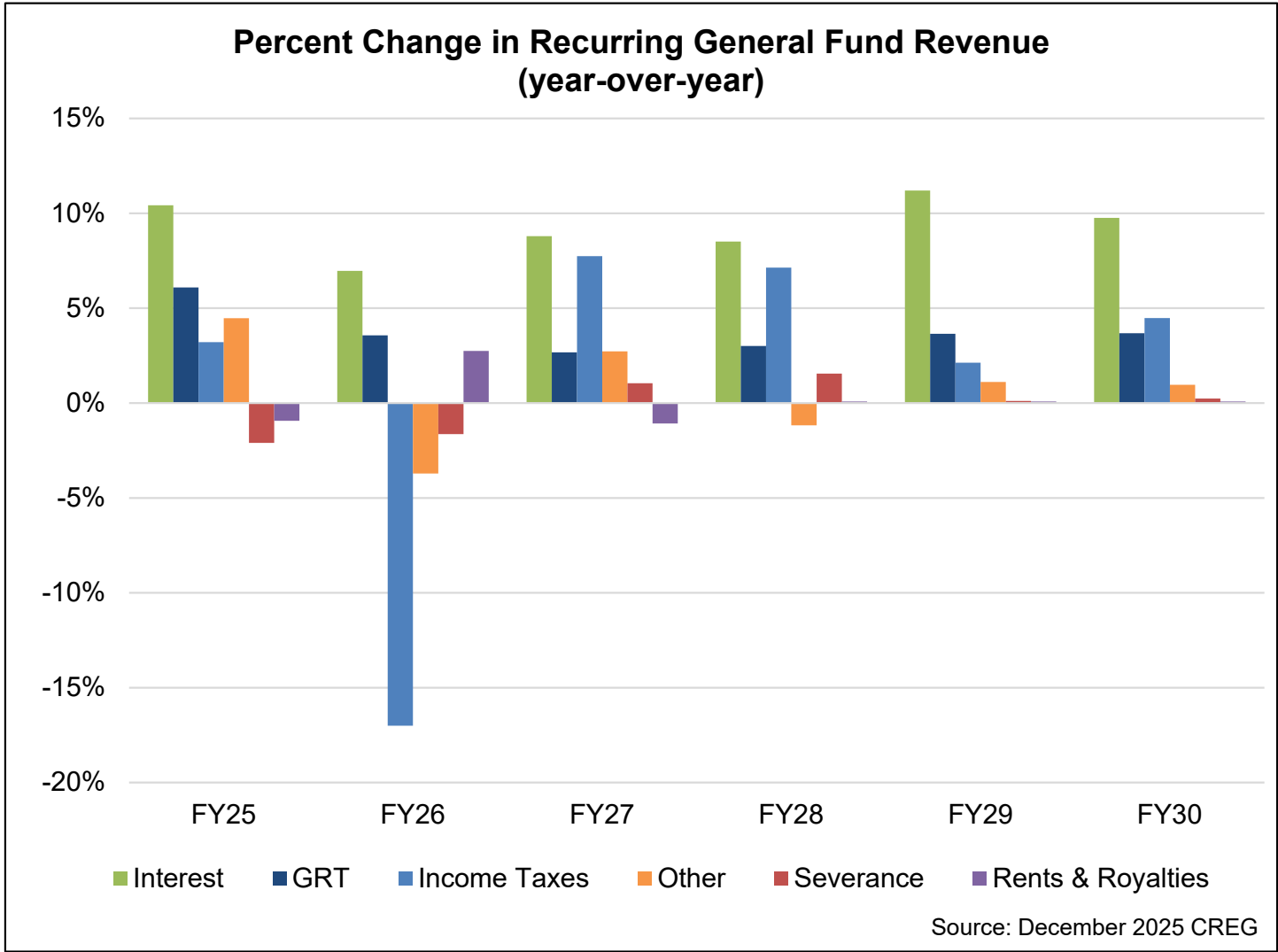
Source: RP500



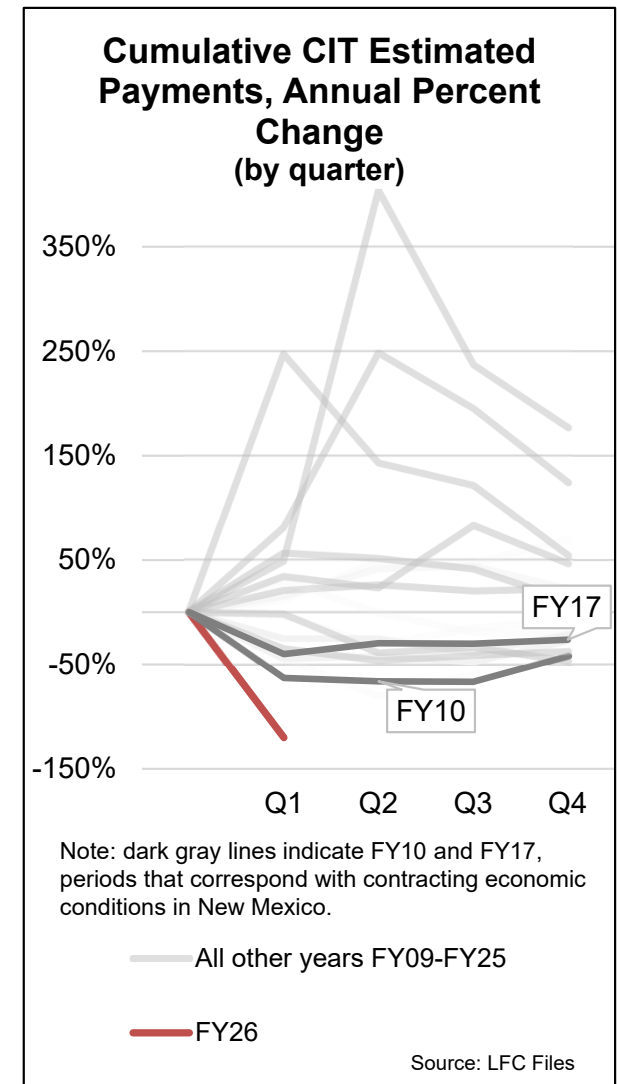
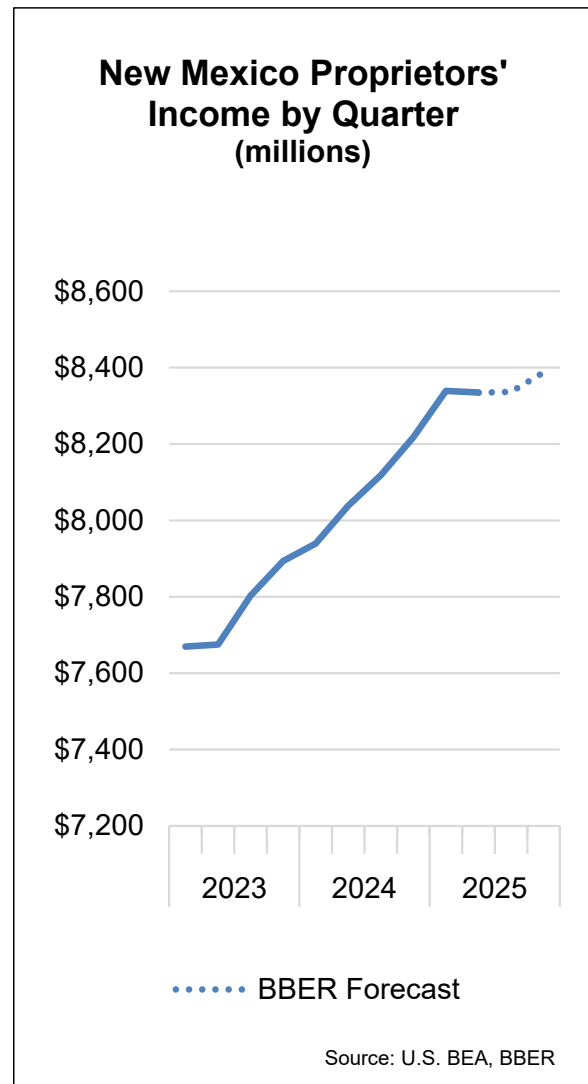
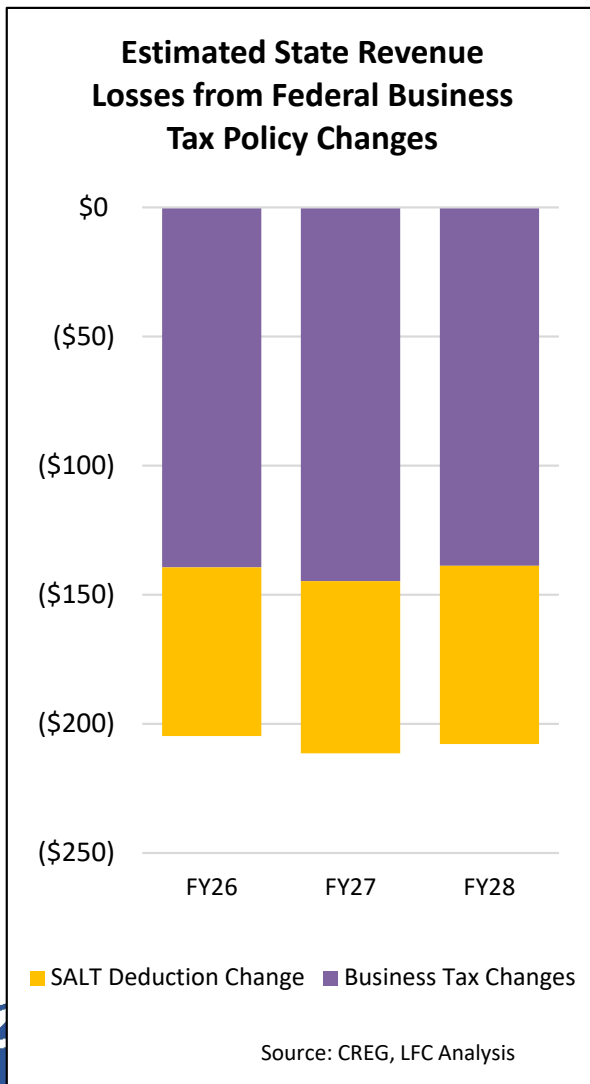
Severance taxes continue to fall with lower prices in FY26 but recovering with higher production in the out-years.



Investment earnings remain the bright spot, providing the fast growing and most stable revenues to budget.



Corporate income tax is the largest contributor to the lower revenue estimates with H.R.1 impacts exceeding previous expectations, a bumpier economic outlook, and low oil prices. Significant risks to the downside remain.



Declines in other general fund revenues offset by one-time increase in land lease sales in FY26.

**State Land Office Leased Acreage
History**

FY	Amount (in millions)	Acres	Price/Acre
FY16	\$36.3	60,774.14	\$597.27
FY17	\$65.4	74,148.32	\$881.80
FY18	\$107.0	74,907.86	\$1,428.72
FY19	\$142.1	46,640.09	\$3,046.19
FY20	\$18.8	35,264.11	\$533.69
FY21	\$11.0	24,099.47	\$455.73
FY22	\$20.2	19,425.65	\$1,041.58
FY23	\$53.7	29,760.40	\$1,803.48
FY24	\$90.8	22,704.89	\$3,999.20
FY25	\$40.8	26,076.63	\$1,565.25
FY26 (July- Nov.)	\$476.3	11,630.67	\$40,950.25

Source: State Land Office



FORECAST RISKS



A “soft landing” is difficult to achieve while flying blind. Data scarcity is also challenging revenue estimates, although NM economists are innovating to provide insight.

**Economic Data Disrupted by Federal Government Shutdown during
CREG Forecast**

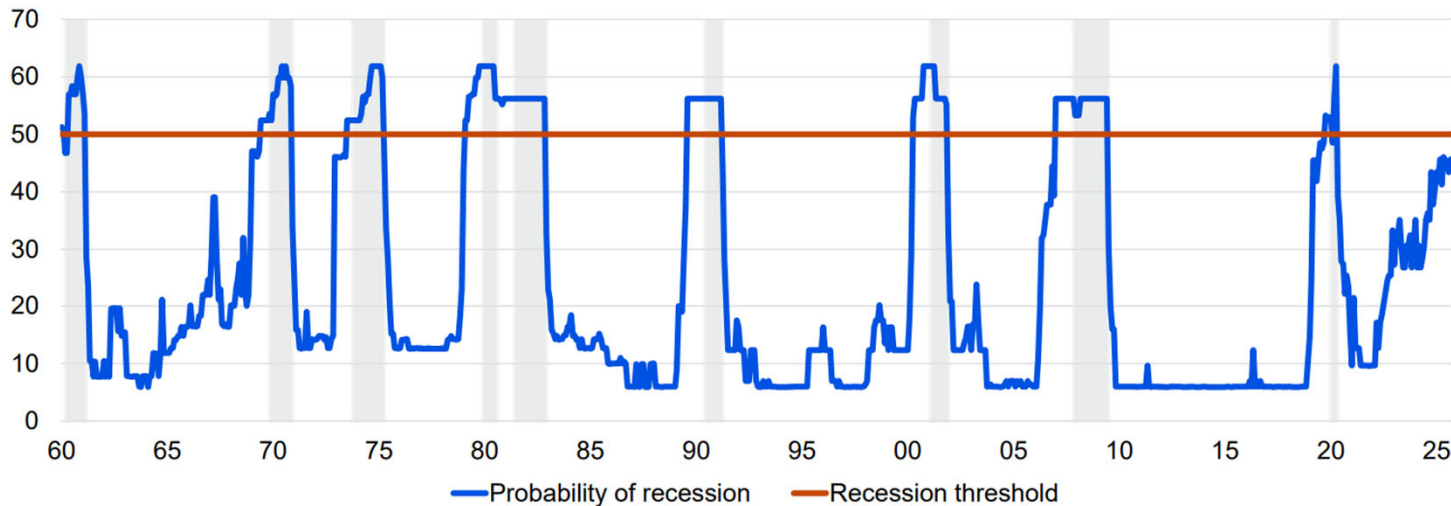
Date	Indicator	Period
Oct 1	Construction spending	August
Oct 2	Factory orders	August
Oct 3	Nonfarm payrolls, unemployment rate	September
Oct 7	Trade balance	August
Oct 16	Retail sales	September
Oct 16	Producer price index	September
Oct 16	Business inventories	August
Oct 17	Import prices	September
Oct 17	New residential construction	September
Oct 24	New-home sales	September
Oct 27	Advanced durable goods orders	September

Source: Census, ETA, Moody's Analytics



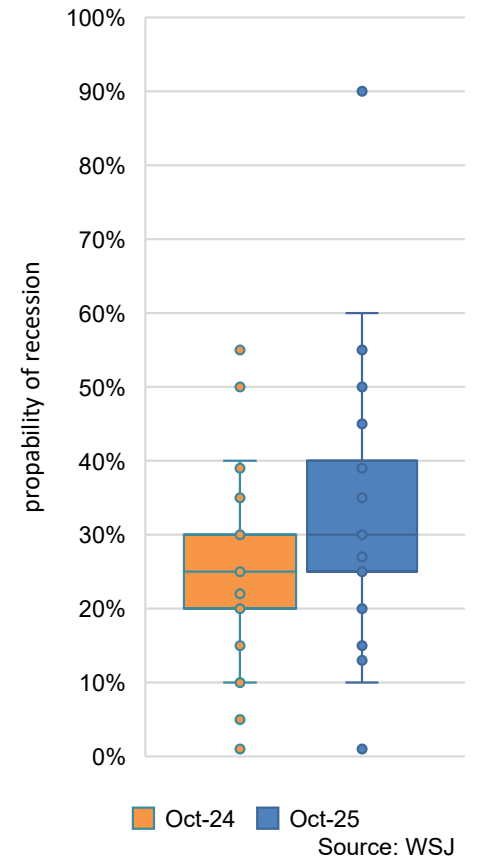
Expected to be a close call as recession probabilities grow. Minor shocks could trigger a downturn.

Estimated probability of recession in next 12 mo, %

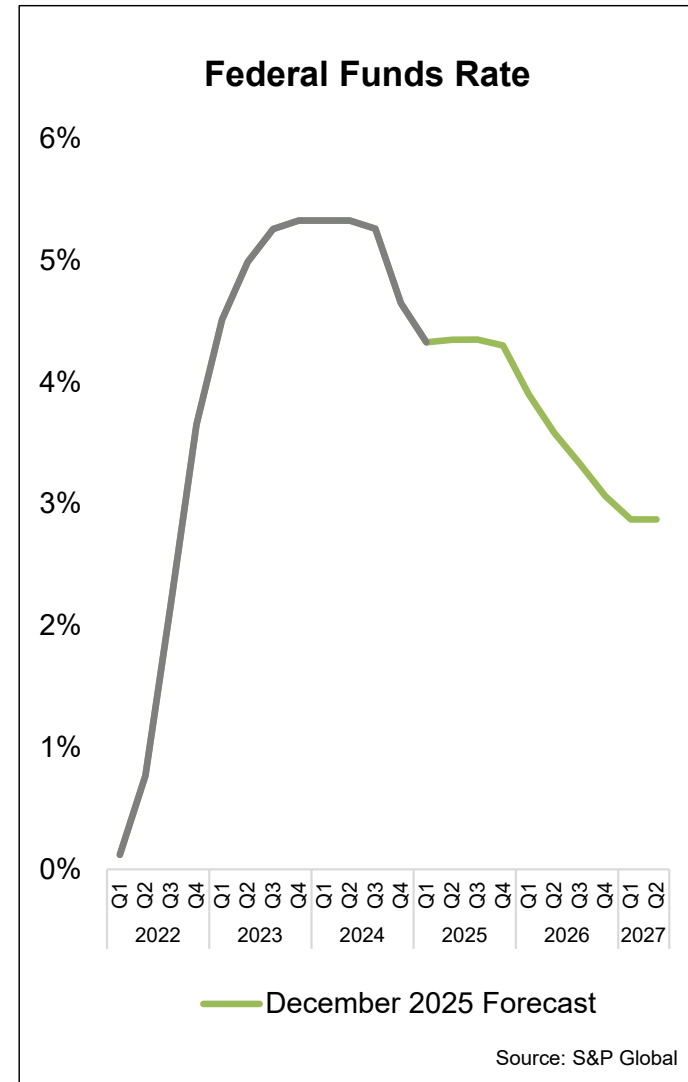
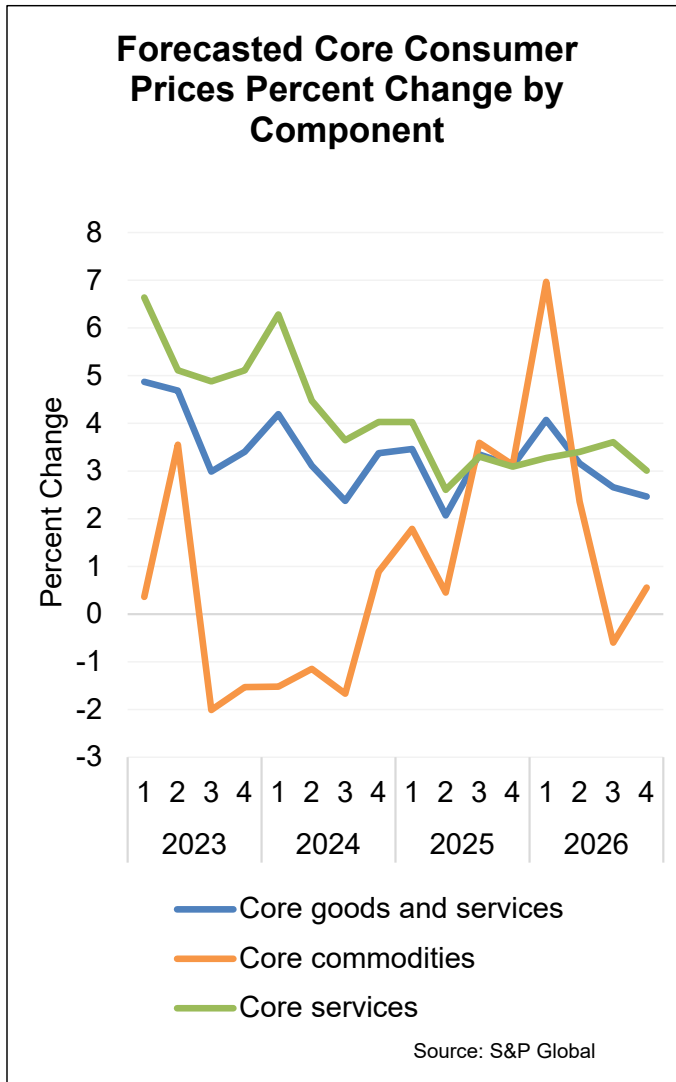


Source: Moody's Analytics

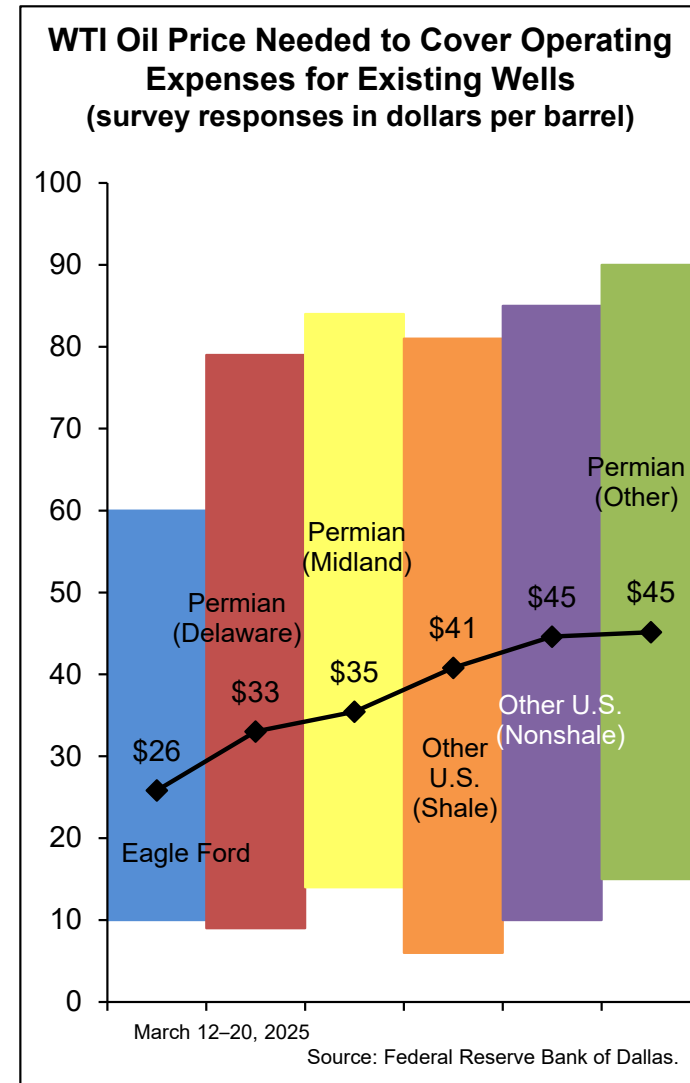
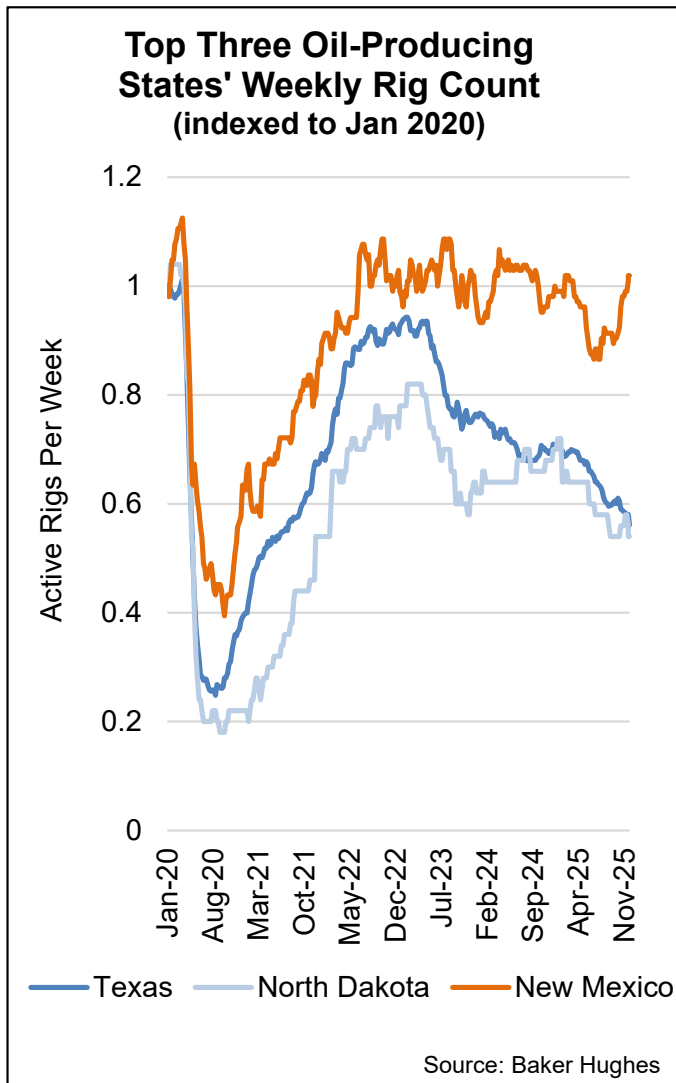
WSJ Economic Survey Responses - Probability of Recession



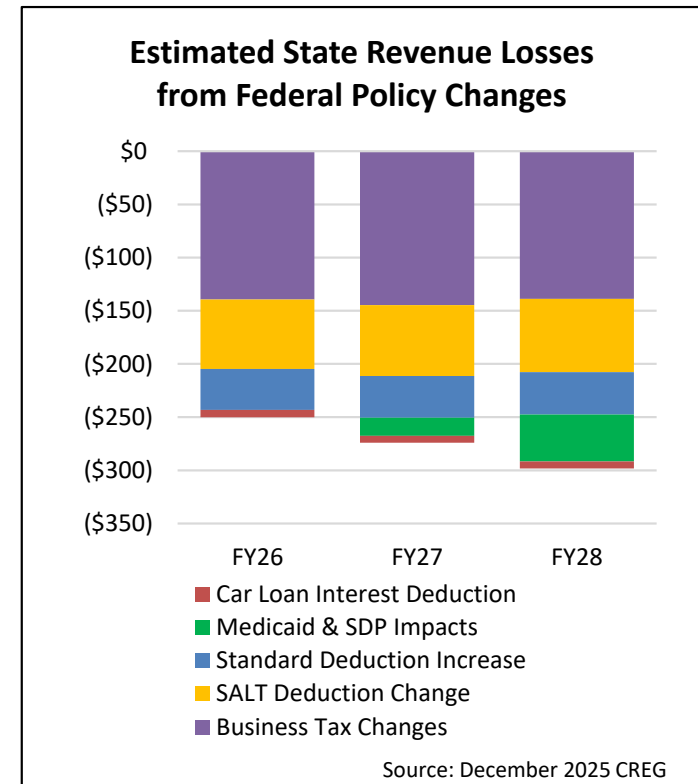
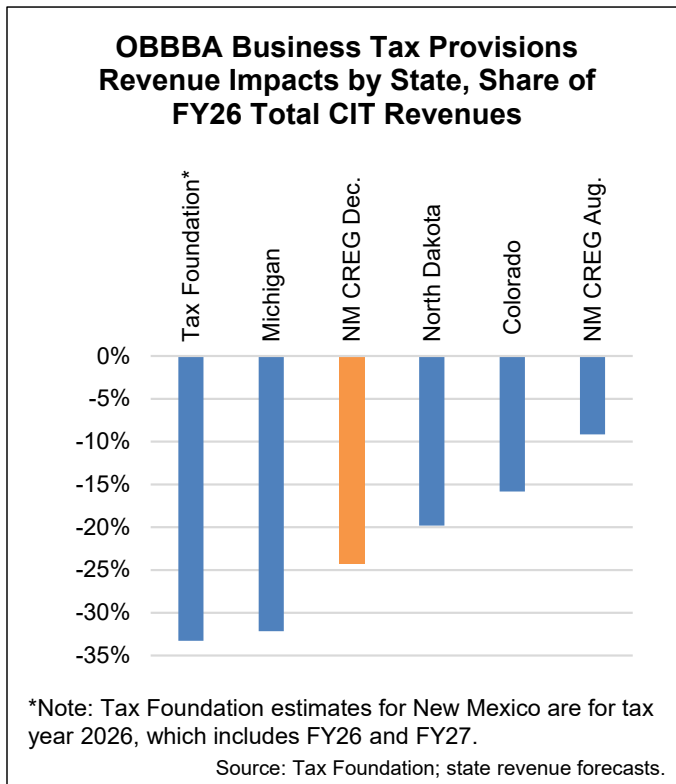
Inflation poses serious challenges to the economy.



Oil holding up for now, but lower prices or prolonged price recovery will wear down activity.



Federal policies could have worse impacts than expected in multiple revenues.



Federal Policy Changes Impacting New Mexico State Revenues

Description	FY26	FY27	FY28
Enhancement of increased standard deduction	(\$38.6)	(\$39.2)	(\$39.9)
No tax on car loan interest	(\$6.9)	(\$6.4)	(\$6.4)
Limitation on individual deductions for certain state and local taxes	(\$65.3)	(\$66.7)	(\$69.0)
All other changes to business-related federal tax provisions	(\$139.4)	(\$144.7)	(\$138.8)
Changes to Medicaid and state-directed payments	(\$0.0)	(\$17.1)	(\$44.1)
Total	(\$250.2)	(\$274.1)	(\$298.2)

Note: Estimate of impacts above TCJA extension.

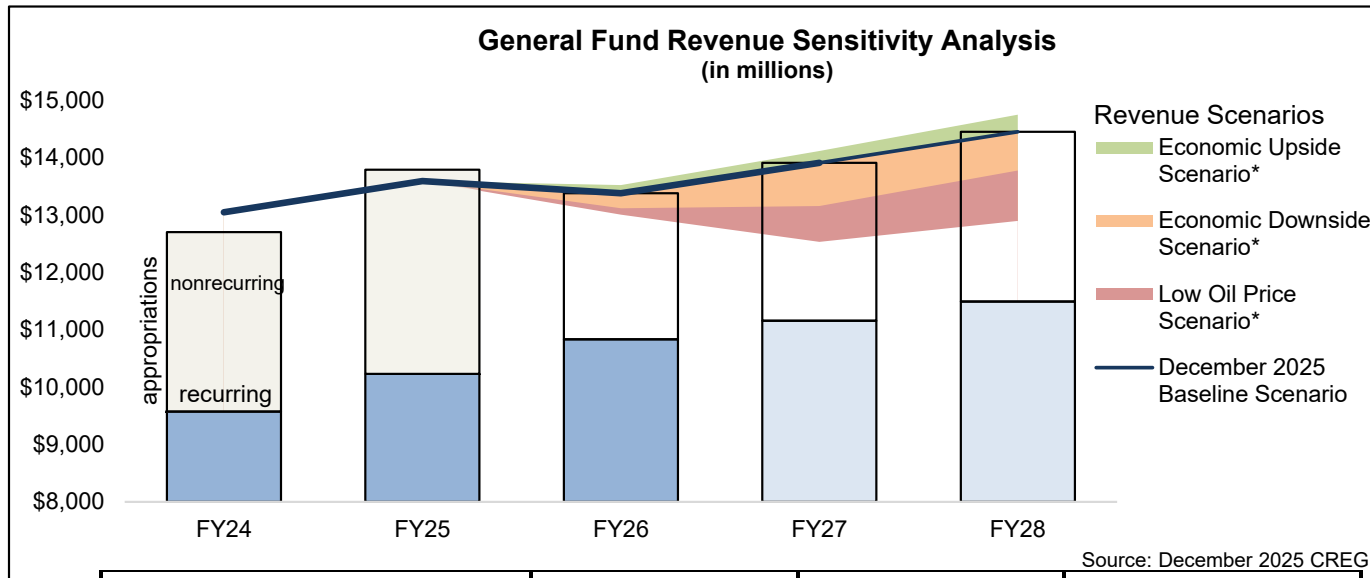
Sources: December 2025 CREG



STRESS TESTING AND TREND ANALYSIS



Total reserves are sufficient for a short-term downturn.

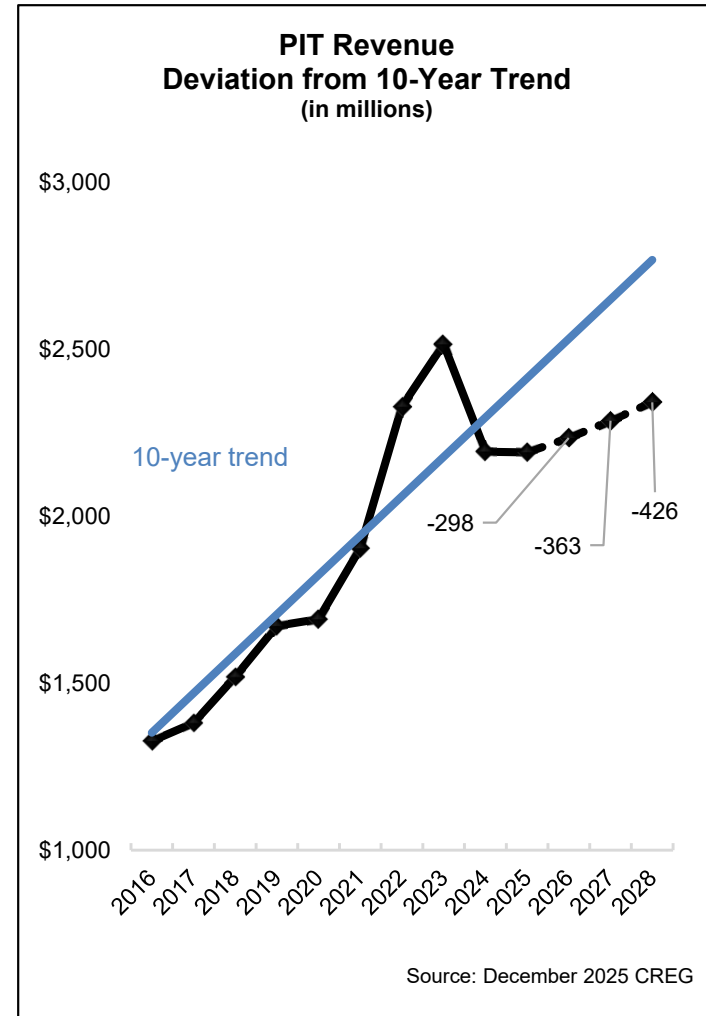
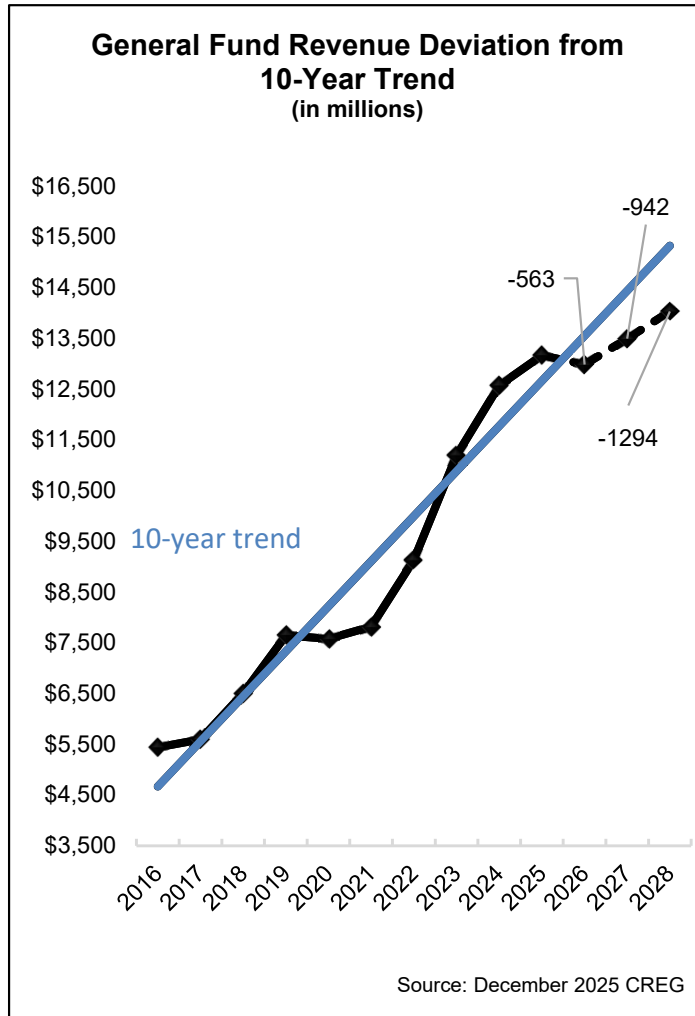


Scenario	S8: Low Oil Price			S3: Economic Downside			S1: Economic Upside		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
1 Severance Taxes to GF	-\$28	-\$322	-\$258	-\$16	-\$37	-\$27	\$2	\$7	\$5
2 Federal Mineral Leasing to GF	\$0	-\$270	-\$276	\$0	\$0	\$0	\$0	\$0	\$0
3 Gross Receipts Taxes	-\$210	-\$532	-\$691	-\$145	-\$459	-\$442	\$17	\$131	\$198
4 Corporate Income Taxes	-\$50	-\$103	-\$126	-\$29	-\$119	-\$104	\$103	\$23	\$40
5 Personal Income Taxes	-\$84	-\$151	-\$202	-\$70	-\$136	-\$102	\$20	\$48	\$56
6									
7 General Fund Difference from Baseline	-\$372	-\$1,377	-\$1,553	-\$261	-\$751	-\$675	\$143	\$209	\$299
8 General Fund Percent of Total Impact	23%	42%	41%	24%	31%	35%	66%	38%	55%
9									
10 Severance Taxes to TSR or ECE	-\$122	-\$85	-\$216	-\$122	-\$85	-\$216	\$39	\$135	\$56
11 Severance Taxes to STPF	-\$506	-\$709	-\$723	-\$192	-\$632	-\$320	1	\$9	\$37
12 Federal Mineral Leasing to ECE	-\$203	-\$51	-\$143	-\$203	-\$51	-\$143	\$34	\$194	\$103
13 Federal Mineral Leasing to STPF	-\$411	-\$1,083	-\$1,187	-\$315	-\$874	-\$593	\$0	\$7	\$47
14 TSR/ECE Transfers Diff. from Baseline	-\$1,242	-\$1,928	-\$2,269	-\$831	-\$1,642	-\$1,273	\$74	\$345	\$244
15 TSR/ECE/STPF Transfers Percent of Total Impact	77%	58%	59%	76%	69%	65%	34%	62%	45%
16 Total Difference from Baseline	-\$1,614	-\$3,305	-\$3,822	-\$1,092	-\$2,394	-\$1,948	\$216	\$554	\$543

Note: in millions



Trend-analysis shows the high years may be over, for now.



GENERAL FUND FINANCIAL OUTLOOK

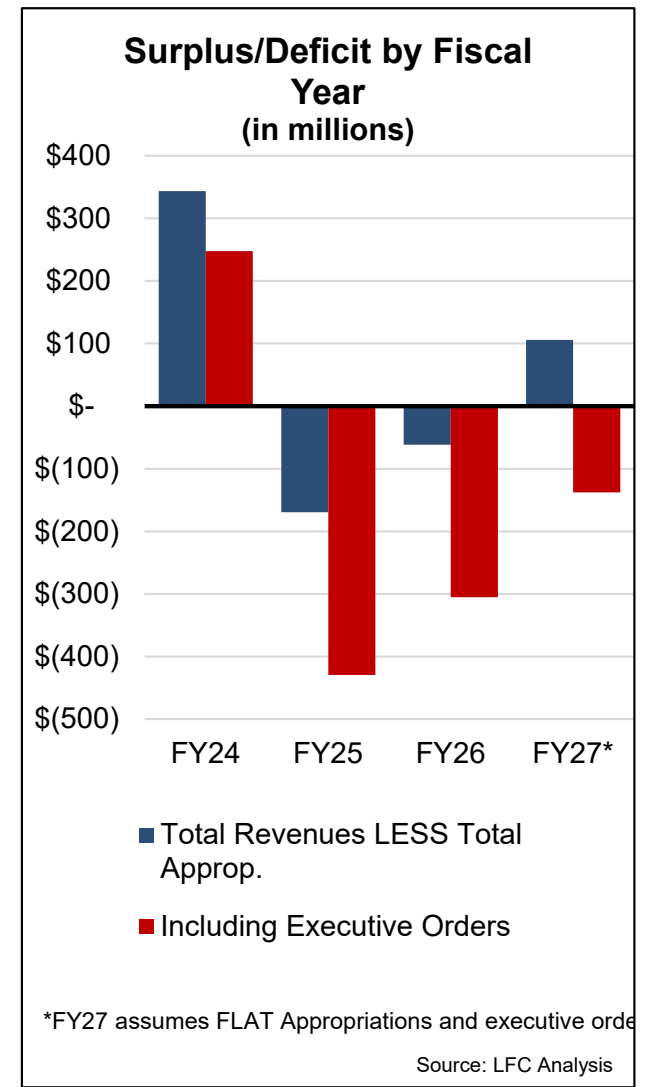
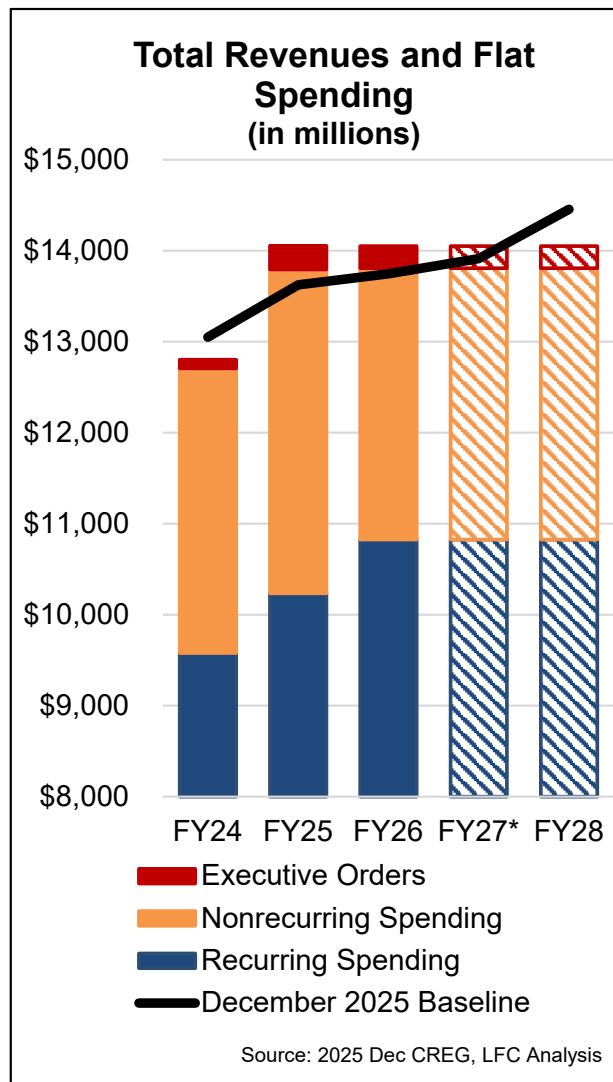


Flat appropriations leave little room for forecast risks, and executive orders could eliminate all new money.

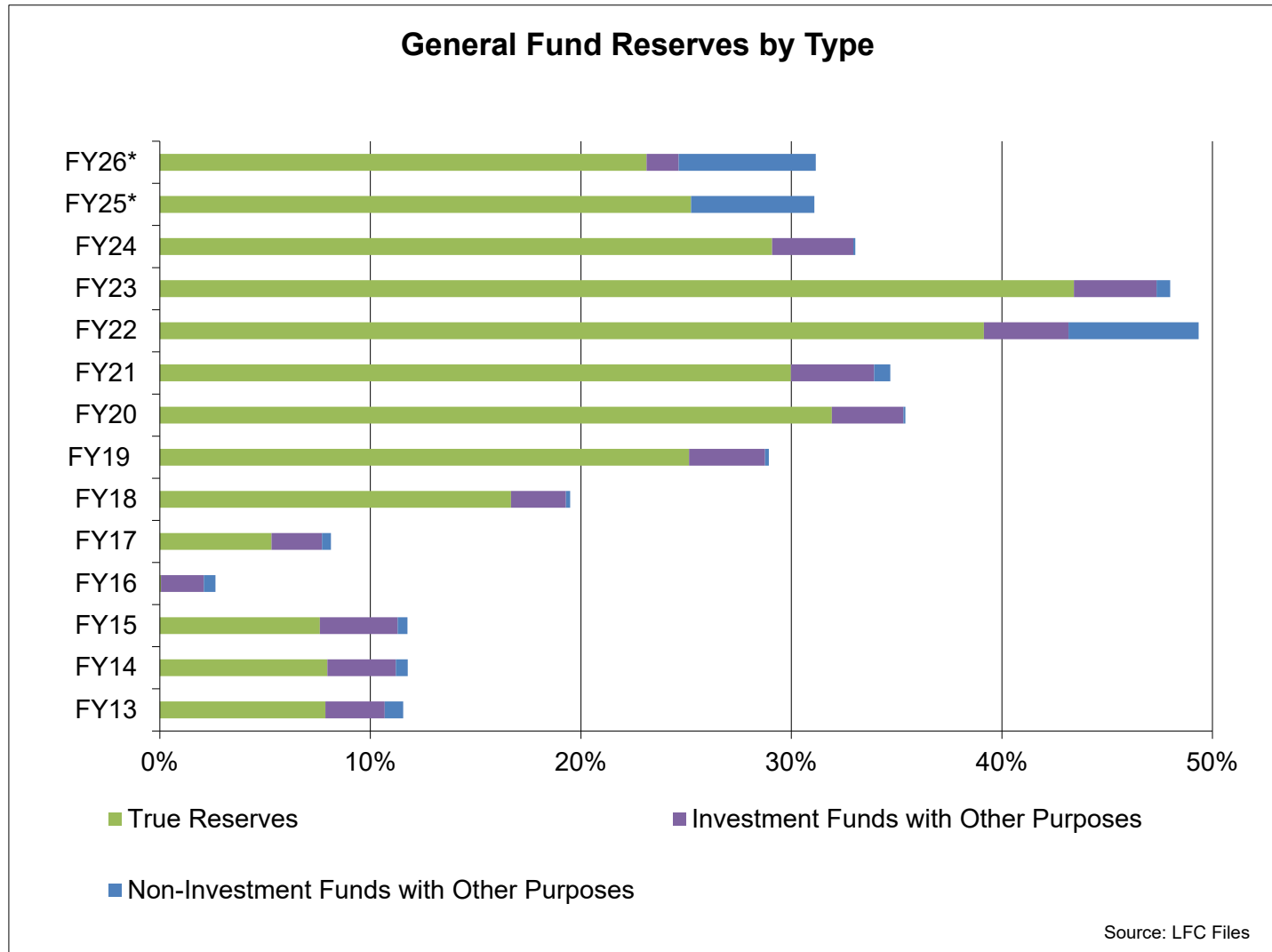
LFC FY27 Capacity Estimate (in millions)

1	FY27 recurring revenue	\$13,913
2	Recurring appropriations (flat from previous year)	\$10,826
3	Nonrecurring appropriations (flat from previous year)	\$2,981
4	Executive orders (flat from previous year)	\$243
5	Capacity Surplus/(Shortfall) (line 1 less lines 2, 3 & 4)	(\$138)

Source: LFC Analysis of December 2025 CREG



Total reserves are healthy with some serious concerns.



Phone: 505-986-4550

Ismael.Torres@nmlegis.gov

QUESTIONS?





General Fund Consensus Revenue Estimate

December 2025 Consensus General Fund Recurring Revenue Estimate			
(in millions)			
	FY25	FY26	FY27
August 2025 Consensus	\$13,654.8	\$13,706.0	\$14,109.9
December 2025 Adjustments	(\$59.1)	(\$322.9)	(\$196.7)
December 2025 Consensus	\$13,595.7	\$13,383.1	\$13,913.2
Annual amount change	\$545.5	(\$212.6)	\$530.2
Annual percent change	4.2%	(-1.6%)	4.0%

Note: Parentheses () denotes a negative number; General fund amounts above do not include oil and gas revenues distributed to the tax stabilization reserve, early childhood trust fund, Medicaid trust fund, behavioral health trust fund or the severance tax permanent fund, or other funds.

Summary

Estimated recurring revenues for FY26 are \$13.383 billion, down \$322.9 million from the last estimate in August 2025 and are 1.6 percent less than generated in FY25. Because expectations for revenues were lowered, the amount available for total appropriations has shrunk. Despite the smaller level of “total new money,” measured as total revenues less total appropriations, the state retains the ability to increase recurring spending by reducing nonrecurring expenditures. This flexibility is the result of several years of restrained growth in recurring appropriations. In FY27, recurring revenues are expected to grow 4.0 percent over FY26 to an estimated \$13.91 billion, though still down from prior estimates, as growth overstates revenues from a low year. While FY27 recurring revenue is \$3.09 billion more than prior year recurring spending, nonrecurring spending has grown rapidly in recent years and now represents more than 29 percent of general fund spending in a single session and more than a quarter of spending in a single year. Total revenues less total prior year spending more accurately reflects new general funds available for spending over the prior year, which is \$105.7 million, or 0.8 percent, in FY27.

Recurring revenues for FY25 are estimated at \$13.6 billion, up \$545.5 million, or 4.2 percent, from FY24, a return to historical growth rates as previously expected. The state’s revenues have grown at a record pace in previous years, propped up by booming oil and gas, durable consumer spending, inflation, strong demand for employment, and robust wage growth. Those factors contributed to nearly 20 percent revenue growth in both FY22 and FY23. However, the pace of revenue growth slowed in FY24 to about 12.5 percent, though still abnormally high above the average growth rate of the previous two decades. As legislative changes to the tax code take effect, federal policy changes impact state revenues, and the economy softens, revenue growth is expected to contract 1.6 percent in FY26 and grow 4.0 percent in FY27 before returning to more typical growth of about 3.9 percent in FY28 and beyond.

The Consensus Revenue Estimating Group (CREG), comprising the Legislative Finance Committee (LFC), Department of Finance and Administration (DFA), Taxation and Revenue Department (TRD), and Department of Transportation (DOT), reached consensus on the revenue estimates presented in this brief. The recurring revenue update table presents a reconciliation of recurring revenues through the current revenue estimating cycle.

FY27 Revenues Less Appropriations

\$105.7 million

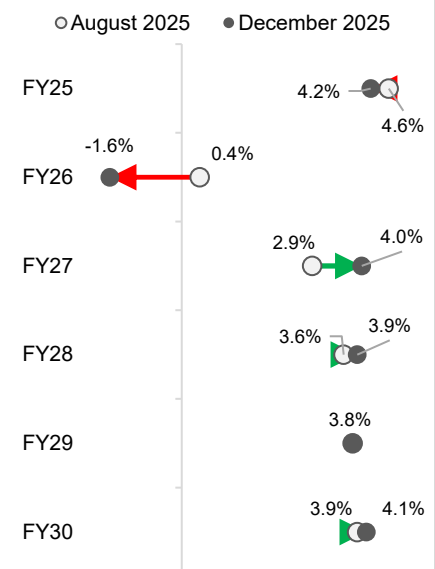
Total FY27 revenue less prior year total spending

\$3.087 billion

Recurring FY27 revenue less prior year recurring spending

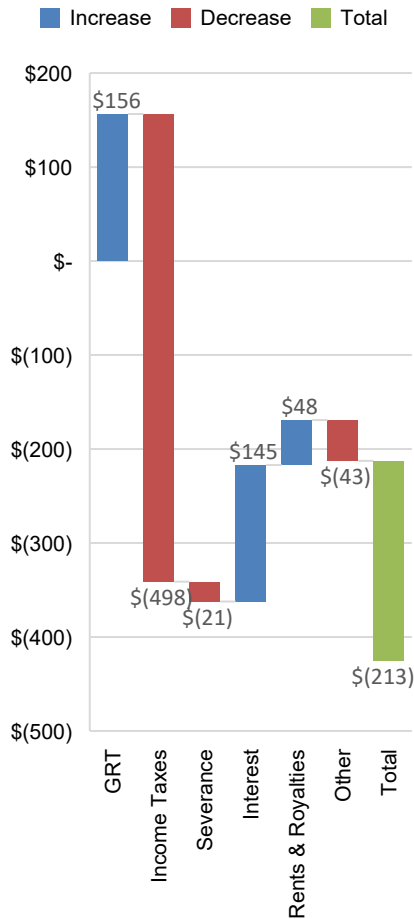
Source: December 2025 CREG

Recurring GF Revenue Growth December 2025 vs August 2025



Source: December 2025 CREG

Change in Recurring General Fund Revenue FY26 over FY25



General Fund Financial Summary and Reserves

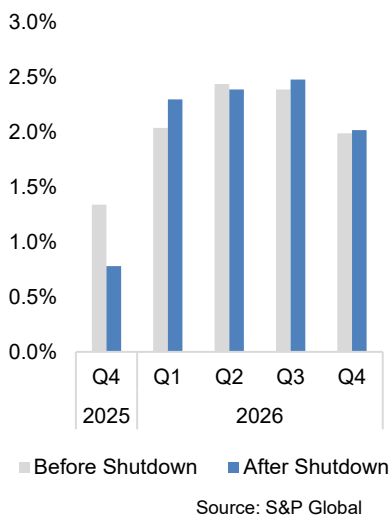
Ending reserve balances for FY25 are estimated at \$3.18 billion, or 31.1 percent of recurring appropriations. Because total reserve balances exceed 25 percent of recurring appropriations, the excess of the five-year average of oil and gas school tax—\$436.2 million—will go to the early childhood education and care trust fund (ECTF) instead of the tax stabilization reserve.

Ending reserve balances for FY26 are estimated at \$3.37 billion, or 31.2 percent of FY26 recurring spending. Again, because reserves are expected to exceed 25 percent of recurring appropriations in FY26, excess oil and gas school tax collections, estimated at about \$122.1 million, will flow into the ECTF and the newly created behavioral health trust fund. Excess federal oil and gas royalty payments above the five-year average, estimated at about \$168.9 million in FY26, will also flow into the early childhood trust fund and newly created Medicaid trust fund (see Attachments 5 and 12). Any nonrecurring spending in the 2026 regular session will reduce the FY25 and FY26 reserve balance.

General Fund Financial Summary		
(in millions)		
	FY25	FY26
	<u>Est.</u>	<u>Est.</u>
Recurring Revenue	\$13,595.7	\$13,383.1
Nonrecurring Revenue*	\$28.5	\$362.6
Total General Fund Revenue	\$13,624.1	\$13,745.7
Recurring Appropriations	\$10,234.6	\$10,826.3
Nonrecurring Appropriations*	\$3,559.0	\$2,981.2
Total General Fund Appropriations	\$13,793.6	\$13,807.5
Transfer to (from) Reserves	(\$161.6)	(\$61.9)
Ending Reserve Balance	\$3,181.4	\$3,372.6
Percent of Recurring Appropriations	31.1%	31.2%

Source: LFC Files

U.S. Government Shutdown GDP Impact



Economic Forecast

At the time of the estimates, the New Mexico and national economic forecasts were mostly unchanged compared with the previous forecast in large part due to a dearth of economic data as a federal shutdown prevented collection and release. Since forecasting began, state revenues have shown significant weakness and private market data shows labor market stress leading to a turbulent short- and medium-term outlook with a narrowing pathway to avoiding a recession. Further, even lower oil prices contribute to lower revenue expectations. CREG economists use national data from S&P Global and Moody’s Analytics, with local data from the University of New Mexico Bureau of Business and Economic Research (BBER) and Moody’s Analytics to develop the forecast. Selected economic indicators used in the forecast are shown in attachment 3.

U.S. Outlook

Growth in the U.S. economy as measured by gross domestic product (GDP) remained strong through 2024 and recovered quickly from a short-lived contraction in the first quarter of 2025. Real GDP, the inflation-adjusted value of all goods and services, decreased at a seasonally adjusted annual rate of 0.5 percent in the first quarter of 2025 before expanding by 3.8 percent in the second quarter of 2025, according to the U.S. Bureau of Economic Analysis. S&P Global is estimating GDP growth of 2.8 percent through FY25 and only 1.4 percent in FY26, as of the estimate.

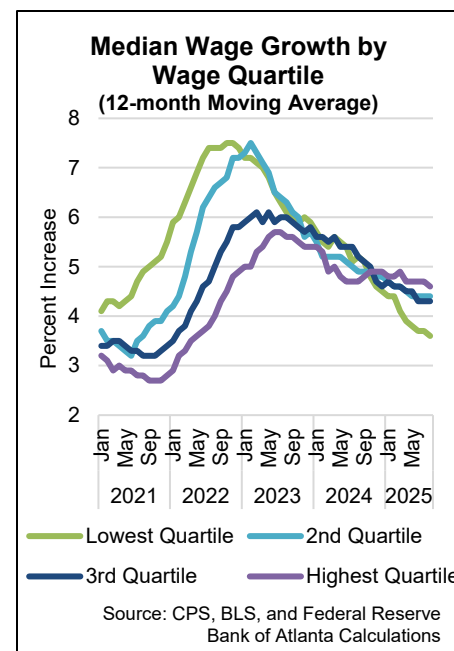
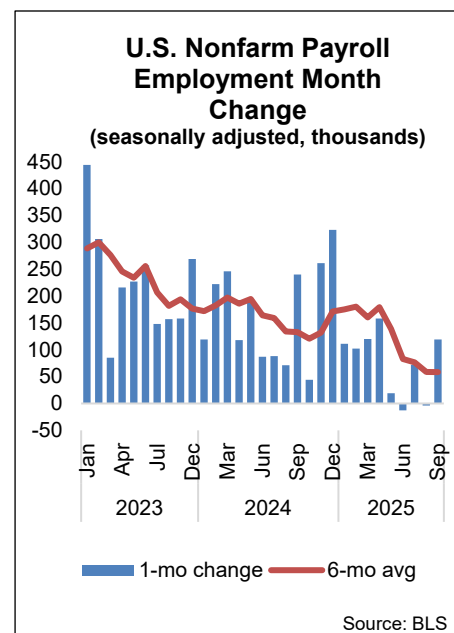
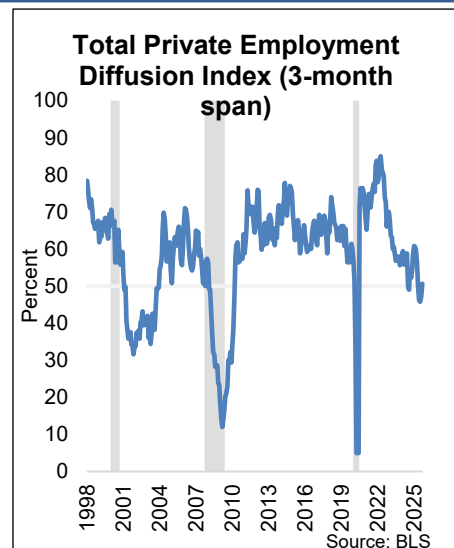
Despite headline economic growth in GDP, the U.S. labor market is showing signs of weakness and has transitioned into a low hire, low fire environment. Payroll growth has slowed to 39,000 per month on average since May, which is sharply below 150,000 in the 12 months through April. Further revisions are expected in early 2026 as part of the annual benchmarking process. The breadth of industries adding jobs remains just above 50 percent. Historically, the U.S. labor market has only seen such narrow growth drivers during past recessions or early recession recoveries. The number of job openings available per number of unemployed has fallen back to levels last seen in 2017.

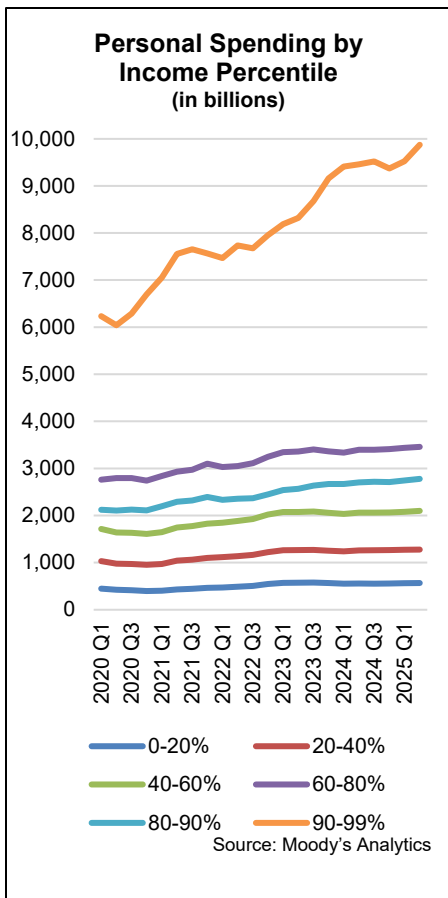
The 12-month change in the consumer price index (CPI)—a measure of inflation—increased by 3.0 percent in September, trending higher after lower inflation was observed earlier this year. Evidence of tariff-induced price hikes has been observed in the June and July inflation reports. Core goods prices rose 1.5 percent over the year and rose by a seasonally adjusted 0.2 percent, on average, over the last six-month period, the highest six-month period since September 2022. In the forecast used, S&P Global estimated inflation to remain at 2.5 percent through FY26 before decreasing to 2.4 percent in FY27 and returning to around 2.1 percent in FY28 and beyond. S&P increased their tariff rate assumptions from the last forecast, now ranging from 10 percent to 45 percent, depending on the good and exporting country. Higher tariffs and higher inflation remain significant risks to this forecast.

S&P Global forecasted the Federal Reserve’s Open Market Committee to hold the federal funds rate at the current level until December 2025, with consecutive cuts through 2026, bringing the federal funds rate to a 3.125 percent long-run neutral target.

Significant uncertainty in the economic outlook remains (see “Forecast Risks”). Neither S&P Global nor Moody’s Analytics include a recession in their baseline forecast. Both S&P Global and Moody’s forecasts included some of the impacts of the recent federal House Resolution 1 (H.R. 1) reconciliation package, but S&P Global did not include the full extent of the federal government shutdown. As more analysis and data on the impacts of both federal impacts becomes clear, the revenue forecast is likely to change.

Further obfuscating the outlook is the growing concentration of consumer spending among high-income households, as traditionally reliable indicators may increasingly mask underlying weakness. Second-quarter 2025 estimates of household spending by income group show continued divergence across the income distribution, according to Moody’s Analytics’ analysis of Federal Reserve data. For households in the bottom 80 percent—those with annual incomes below roughly \$175 thousand—real spending since the pandemic has been largely flat, keeping pace with inflation but showing no real growth,





while higher-income households, particularly in the top 5 percent of the distribution, have experienced substantially stronger spending gains. As a result, aggregate U.S. consumer demand growth is increasingly concentrated among higher-income households, with the top 10 percent of earners now accounting for 49.2 percent of national consumer spending. This concentration can obscure emerging stress in the broader economy, as headline measures such as GDP and retail sales remain positive from top earner spending even as slowing real wage growth, higher debt service, and rising non-discretionary costs place growing strain on working- and middle-income households.

New Mexico Outlook

The estimates used in the consensus revenue forecast expect the New Mexico economy will grow at a slower rate than the U.S. economy throughout the forecast period. Like the national outlook, the state's economic outlook is tied to inflation, monetary policy, national labor markets, federal trade policy and other broader economic mechanisms.

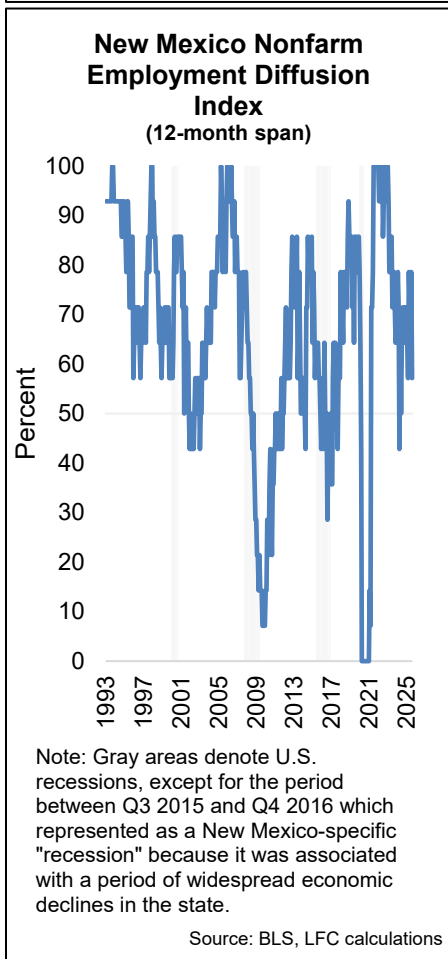
Employment. Preliminary August 2025 data from the U.S. Bureau of Labor Statistics indicates total New Mexico nonfarm employment was a seasonally adjusted 904.8 thousand, down slightly from July but up 1.6 percent compared with a year earlier. BBER expects employment growth to slow, increasing 0.5 percent in FY26 before dipping by 0.4 percent to FY28 and stabilizing around that level through the forecast period.

Compared with the BBER forecast used in the August 2025 CREG estimate, total nonfarm employment has been revised downward in 2025 and revised upward in 2026 and 2027. Decreased expectations of federal government employment growth are reflected in the forecast.

Currently, New Mexico's labor force participation rate was 57.7 percent in August, significantly lower than the national rate but nearly returned to the prepandemic peak of 58.7 percent. BBER expects New Mexico's labor force will expand by 0.8 percent in 2025 compared with 2024, with annual growth expected to tick downward to between 0.3 percent and 0.2 percent in 2026 and beyond.

Wages and Salaries. Total wages and salaries grew by 5.3 percent in FY25, a slowdown from the pandemic recovery period but still well above historical annual growth rates. Each year between 2021 and 2024 has seen annual growth well over 6 percent, peaking at 9.1 percent in 2022, before cooling somewhat to 7.7 percent in 2023 and 6.3 percent in 2024. BBER expects to see average year-over-year growth of 4.4 percent from 2026 through 2030, closer to prepandemic averages.

Total personal income growth, which includes income other than earned wages and salaries, followed a similar pattern. Total personal income reached record heights during the pandemic driven by inflationary pressures, a competitive labor market, and transfer payments. Total personal income expanded year-over-year by 4.3 percent in 2022, 4.8 percent in 2023, and 5.5 percent in 2024. Total personal income is expected to grow by 5.0 percent in 2025. BBER expects average year-over-year growth in total personal income to be 4.8 percent from 2026 to 2030.



Oil and Gas

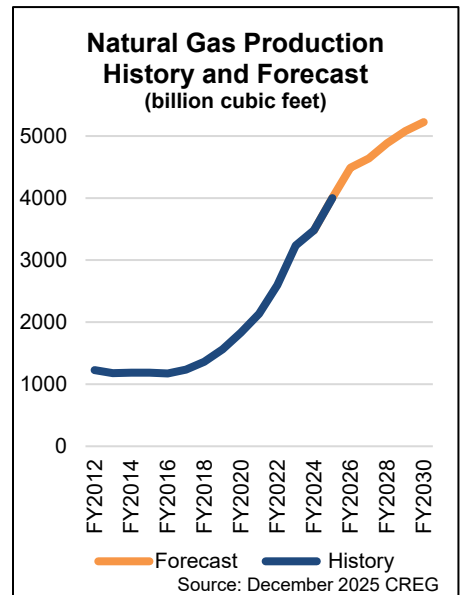
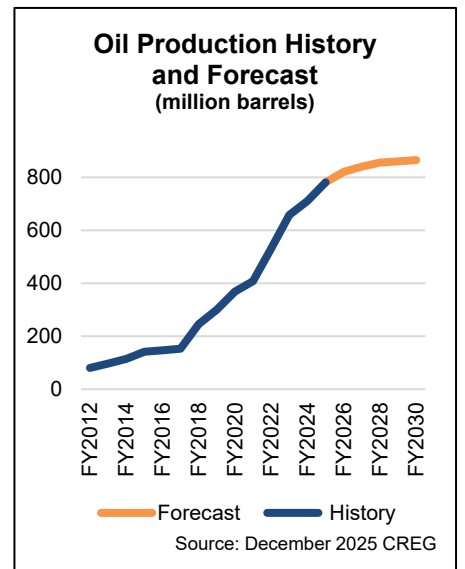
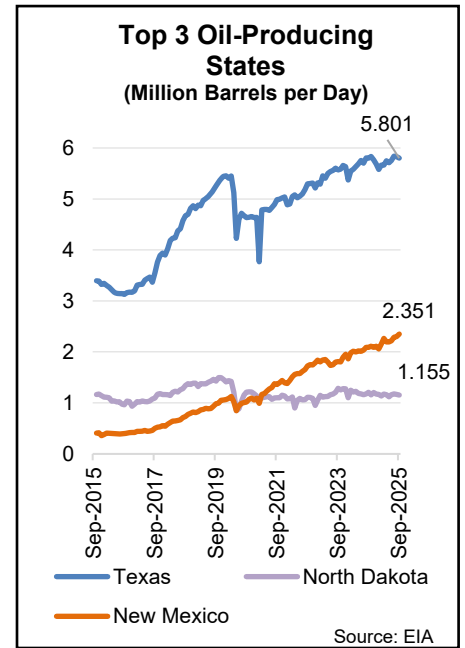
Over the past several years, New Mexico's oil and natural gas industry has experienced significant growth, more than quintupling since 2017 (461 percent growth). This rapid acceleration of production has skyrocketed New Mexico to become the second-largest oil producer in the United States, behind Texas. In the last year, New Mexico production drove nearly 40 percent of the oil production growth in the United States.

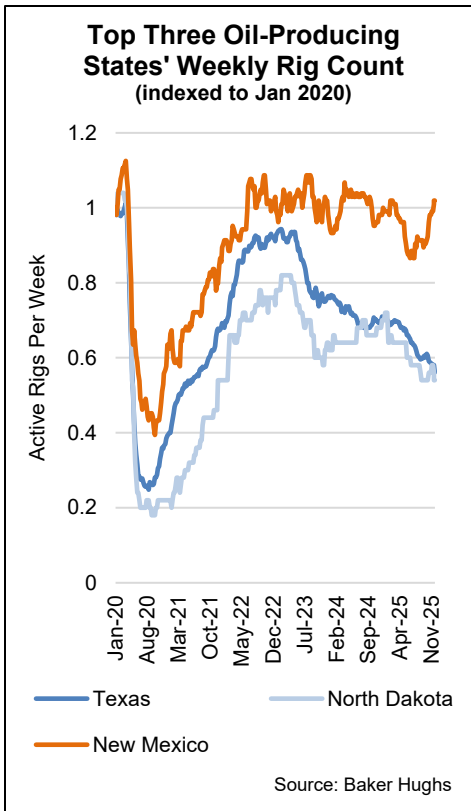
Oil and gas prices remain volatile with a shifting geopolitical landscape, changes in OPEC+ policy, weak demand, and elevated input costs. Despite that, New Mexico's production has remained stable as development in the Permian Basin matures. The basin is now geologically better understood, with fewer productivity gains available through new technology. As a result, planned private investment—not innovation—is the primary driver of production growth. Large producers dominating the region have shifted focus from aggressive expansion to capital discipline, using high-quality inventory strategically and prioritizing shareholder returns through “defend the dividend” strategies. These operators are pacing development to maintain long-term cash flow, rather than pursuing short-term volume gains.

Recent comments from the mid-2025 Federal Reserve Bank of Dallas Energy Survey continue to reinforce a cautious outlook. Firms report weak activity, persistent cost pressures, and widespread delays in new capital investment, with many indicating that sustained drilling generally requires oil prices in the low-to-mid \$60s per barrel. Although employment has stabilized somewhat, production indices for both oil and natural gas remain slightly negative, reflecting a still-subdued operating environment. This more measured, cost-conscious posture—combined with elevated uncertainty around prices and policy—supports a tempered production outlook for New Mexico. At the same time, the industry's continued emphasis on capital discipline and cash-flow resilience helps moderate downside risk to the state's longer-term production base as growth slows.

New Mexico's oil prices averaged \$69.00/bbl in FY25 and are estimated to average \$58.00/bbl in FY26, \$1.50 lower than the prior forecast and \$9.00 lower than the December forecast last year. Similarly, in FY27 prices have been revised lower to \$57.50/bbl. Prices are expected to remain lower than prior expectations because of moderating economic conditions and lower demand with growing supply. S&P Global and the New York Mercantile Exchange (NYMEX) expect national oil prices (West Texas Intermediate or WTI) to average between \$49/bbl and \$67/bbl throughout FY26 and FY27, significantly lower than previously forecasted. New Mexico oil prices are estimated to fall below WTI prices by about \$0.57/bbl.

Oil production is already experiencing a slowdown, even though moderate growth is expected throughout the forecast. The state produced 781 million barrels of oil in FY25, a 9.9 percent increase from total FY24 production but a significant slowdown from 30 percent growth in FY22 and 23.7 percent in FY23. The consensus estimate expects oil production will grow 2.5 percent in FY26 from FY25 levels, resulting in 820 million barrels of New Mexico-produced oil. Growth continues throughout the forecast at a slowing pace.



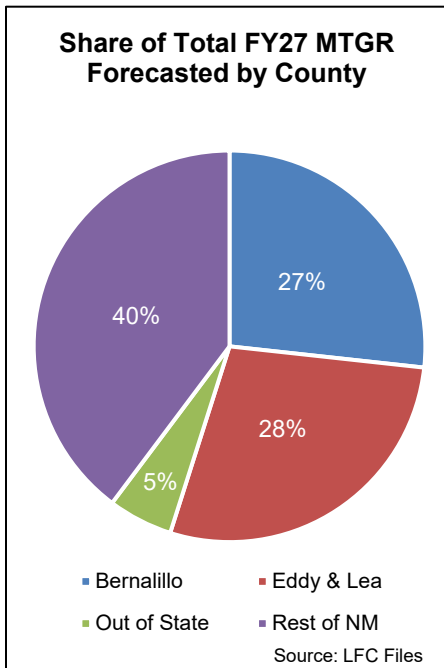


New Mexico’s natural gas production boom has begun to slow as well, although not at the same rate as oil. New Mexico produced 4.0 trillion cubic feet of natural gas in FY25, an increase of 14.9 percent from FY24. The consensus forecast estimates natural gas production will average 12.3 billion cubic feet/day in FY26 and 12.7 bcf/day in FY27. Annual growth in FY26 is estimated at 12.3 percent, before dropping to an average annual growth of 3.9 percent through FY30. Forecasters are not expecting the natural gas plateau within the forecast period as takeaway capacity increases in the state and oil companies turn to “gassier” tier 2 or tier 3 plays and capitalize on the steady demand for natural gas.

Fiscal Year	2025	2026	2027
	Actual	Forecast	Forecast
Gross Oil Price (\$/bbl)	\$69.00	\$58.00	\$57.50
Oil Volume (MMbbls)	781	820	840
Oil Volume (MMbbls/day)	2.13	2.25	2.30
Gross Natural Gas Price (\$/mcf)	\$3.19	\$3.43	\$4.38
Net Natural Gas Price (\$/mcf)*	\$2.03	\$2.57	\$3.27
Natural Gas Volume (bcf)	4,000	4,490	4,640
Natural Gas Volume (bcf/day)	10.96	12.30	12.71

* Net prices are based on the taxable value of the product after deductions for transportation, processing, and royalties.

Natural gas prices averaged \$3.19 per thousand cubic feet (mcf) in FY25, down from \$3.25 in FY24, \$5.40 in FY23, and \$7.15 in FY22 as the world scrambled to replace Russian energy commodities. The Energy Information Administration and NYMEX project national gas prices (Henry Hub) to mostly remain below \$4.00/mcf through 2026 and as low as \$2.89/mcf as higher inventories, warm winters, and high production weigh on prices in the short-term. New Mexico’s natural gas prices averaged only five cents/mcf higher than national prices in FY25, down from a high of \$1.67/mcf in FY22 and is expected to fall further, and even flip negative, as Permian Basin pipeline capacity constraints weigh on prices.



General Fund Revenue Forecast

Gross Receipts Taxes

Data from the Taxation and Revenue Department shows matched taxable gross receipts (MTGR)—a better measure of economic activity than tax revenue because it measures the spending subject to the gross receipts tax and not altered by changing tax rates—were up 4.8 percent in FY25 compared with FY24, a slowdown from 6.4 percent growth in FY24, 14.6 percent growth in FY23, and 21.7 percent growth in FY22. Strong collections have been the result of higher spending in the mining sector, record public investments in construction, high consumer savings, strong wage and consumption growth, and relatively high inflation. However, slower mining activity, lower wage growth, and pessimistic consumer perceptions are beginning to translate into lower expectations for revenue collection growth.

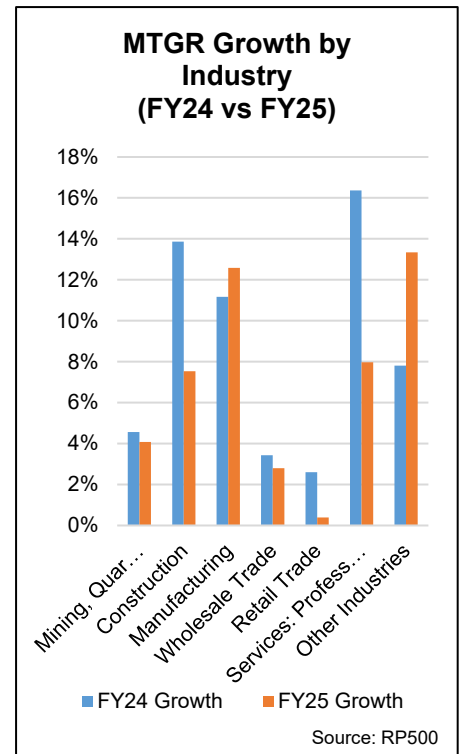
Matched Taxable Gross Receipts by Industry - FY25 vs FY24			
Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$12,338,425,201	\$483,354,767	4.1%
Utilities	\$3,254,879,809	\$145,131,459	4.7%
Construction	\$13,814,625,727	\$967,702,688	7.5%
Manufacturing	\$4,025,570,902	\$449,753,710	12.6%
Wholesale Trade	\$5,295,700,086	\$143,869,224	2.8%
Retail Trade	\$20,822,390,450	\$79,561,683	0.4%
Transportation and Warehousing	\$1,706,230,245	\$64,907,936	4.0%
Information	\$2,738,044,845	\$232,400,203	9.3%
Real Estate and Rental and Leasing	\$2,996,714,274	\$262,874,851	9.6%
Professional, Scientific, and Technical Services	\$10,542,391,074	\$778,008,365	8.0%
Administrative/Support & Waste Management/Remediation	\$4,178,623,207	-\$483,697,853	-10.4%
Health Care and Social Assistance	\$4,960,968,919	\$260,998,758	5.6%
Leisure and Hospitality Services	\$6,932,428,140	\$75,948,347	1.1%
Other Industries	\$11,508,252,713	\$1,354,678,497	13.3%
Total	\$105,115,245,593	\$4,815,492,637	4.8%

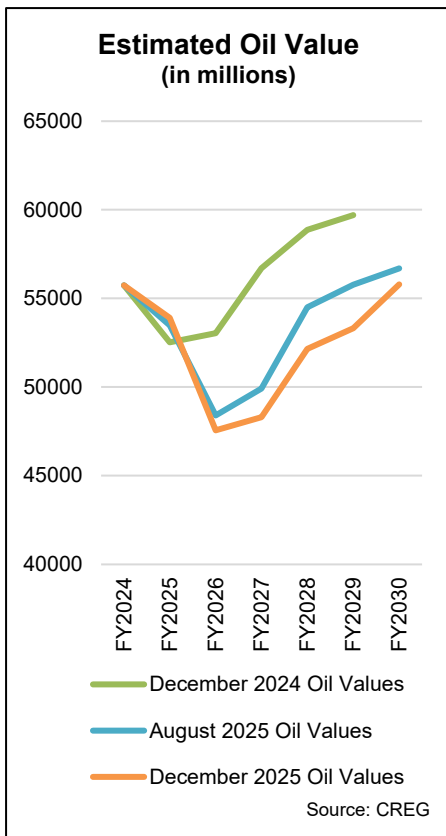
Source: RP500

The largest source of FY25 MTGR growth is in the “other industries” category (driven by growth in unclassified establishments and services) and construction activity followed closely by growing spending in professional, scientific, and technical services. All industries, except for administrative support and waste management, experienced some growth. The decline in administrative support and waste management is almost entirely driven by a 26.4 percent, over \$600 million, drop in economic activity reported in Los Alamos County. Even with slowing growth in the mining sector, Eddy County contributed the most to overall growth among counties, even beating Bernalillo County which was bolstered by growth in nearly all sectors. San Juan, Lincoln, Lea, and Dona Ana counties came next with construction spurring moderate overall growth.

Of the total MTGR activity in the state, nearly one third is oil and gas related. Driven by activity in the Permian Basin, GRT revenue is increasingly volatile; more than a billion dollars in general fund GRT revenue is related to the industry. As GRT revenue from the industry grows, the risk of losses resulting from an oil and gas industry bust grows as well. Like the oil and gas forecast, the oil and gas production slowdown drags down GRT growth.

Gross receipts tax revenue in FY25 was 5.0 percent above FY24, in line with MTGR growth as large prior legislative adjustments completely phased-in in FY24. The largest reduction in tax revenue is from two one-eighth reductions in the statewide gross receipts tax rate in FY23 and FY24, with the total loss of the quarter percent reduction at about \$285.3 million in FY25. Other GRT deductions passed in the last several legislative sessions further erode potential GRT growth. GRT revenue growth is slowing slightly in FY26, estimated at 3.6 percent over FY25, and is expected to remain between 2.7 percent and 3.7 percent a year through FY30.

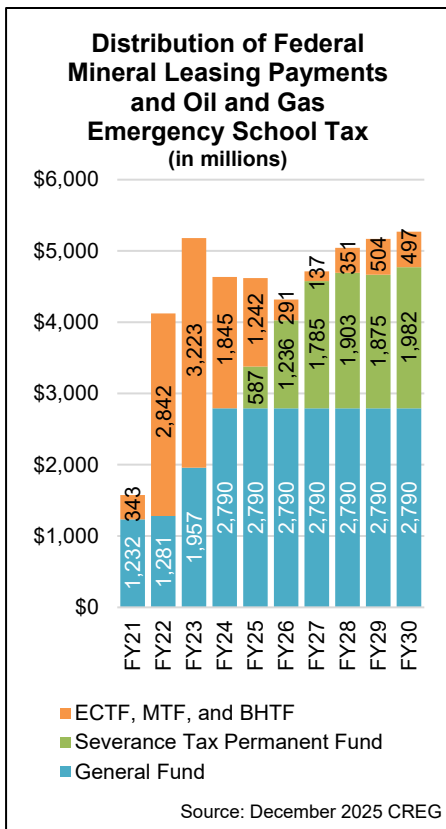




Severance Taxes and Federal Royalties

Severance tax collections—which include the oil and gas school tax, oil conservation tax, resources excise tax, and natural gas processors tax—are projected to total \$1.89 billion in FY26, a decrease of \$79.5 million, or four percent, from FY25. Recent declines in oil and natural gas prices are weighing more heavily on the revenue forecast than modest upward revisions to production. While output in the Permian Basin remains strong by historical standards, state revenues are far more sensitive to price movements than to incremental changes in volume. Even small price declines reduce taxable value across the entire production base, while production gains tend to be gradual and capital-constrained. As a result, current price softness now outweighs production growth as the dominant downward influence on revenue projections. Despite declining topline revenue in FY25, changes enacted by the Legislature help buffer the general fund from volatility by redirecting portions of these revenues to various trust funds and permanent funds based on historical averages and identified thresholds.

Excess oil and gas school tax revenue and federal mineral leasing (FML) payments are distributed to trust funds and permanent funds before reaching the general fund. School tax revenues above FY24 levels will be split between the tax stabilization reserve (if reserves fall below 25 percent), the early childhood education and care trust fund (ECTF), the severance tax permanent fund, and—new for FY26 through FY28—the behavioral health trust fund (BHTF). The BHTF receives half of the amount that would have otherwise gone to the ECTF. These targeted distributions bolster the state’s capacity to invest in early childhood programs and behavioral health services.



Similarly, gross federal mineral leasing revenue is projected to total \$2.79 billion in FY25, but only \$1.64 billion will reach the general fund after distributions to the ECTF and the severance tax permanent fund (STPF). Senate Bill 88 (2025) created the Medicaid trust fund (MTF) and created a new distribution of half of the ECTF portion of excess FML revenue into that fund in FY26 through FY28. In FY26, an estimated \$168.9 million will be distributed to the ECTF and MTF, and \$729.4 million will flow to the STPF, supporting both long-term fiscal sustainability and future Medicaid needs.

From FY25 to FY30, the new forecast anticipates over three billion in mineral leasing and severance taxes will be deposited into the ECTF, BHTF, and MTF. In addition, over \$9.3 billion will be directed to the STPF during the same period. These investments ensure that a significant share of volatile oil and gas revenue is used to strengthen the state’s long-term fiscal position and expand the capacity of key public service programs. By prioritizing these dedicated transfers, New Mexico is advancing a more resilient fiscal structure—one that leverages current resource abundance to prepare for future obligations and invest in critical long-term priorities.

Investment Earnings

The record strength of oil and gas production and high prices resulted in contributions of \$2.8 billion to the land grant permanent funds (LGPF) in 2023 and a smaller amount as prices declined totaling \$2.3 billion in 2024. The fund, which receives royalty payments for oil and gas production on state lands, has also experienced strong investment earnings, helping the value of the LGPF to

reach over \$33.7 billion as of May 2025. The severance tax permanent fund also grew from large severance tax contributions of \$2.4 billion over the last two years and reached a balance of \$10.7 billion in 2025.

Although the permanent funds receive income from oil and gas production, distributions to the general fund are set as a percentage of the five-year average ending balance of the fund, mitigating the effects of energy or investment market booms and busts. Distributions to the general fund from both the LGPF and the STPF will grow by an average of \$176.1 million a year and \$65.5 million a year, respectively. From FY26 to FY30, the estimated average annual growth in the general fund for these sources is 12.8 percent, well over the long-term growth rates and also the most stable revenue source in the general fund. For the first time, total investment earnings benefiting the general fund are expected to exceed personal income taxes to become the second largest source of revenue beginning in FY26, faster than previously expected.

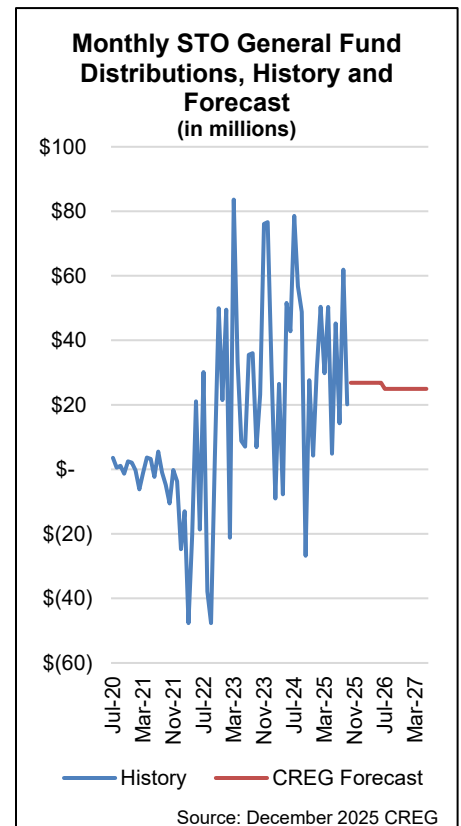
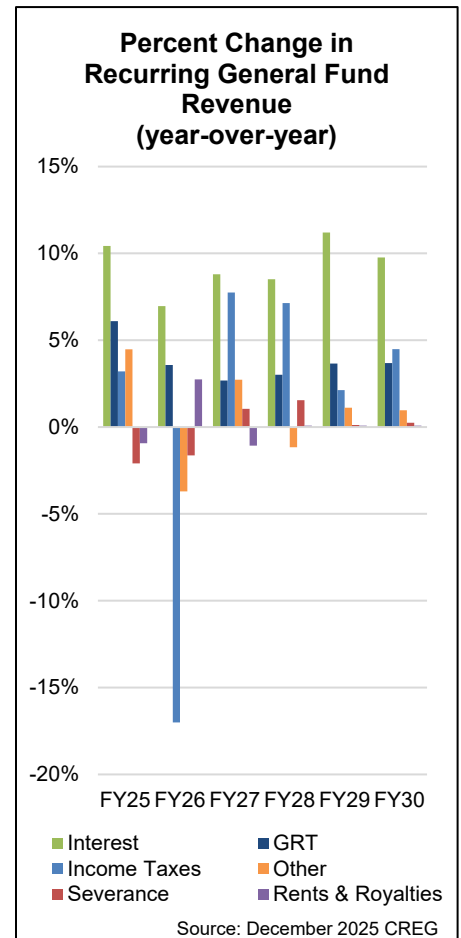
In the 2022 general election, voters approved a constitutional amendment to increase the distribution from the permanent school fund—the largest component of the LGPF—from 5 percent of the five-year average to 6.25 percent. The additional distribution will flow to the general fund, earmarked at 60 percent for early childhood education and 40 percent for public school initiatives and teacher salaries. The additional distribution is estimated at \$269.96 million in FY25, \$306.3 million in FY26, and \$339.2 million in FY27.

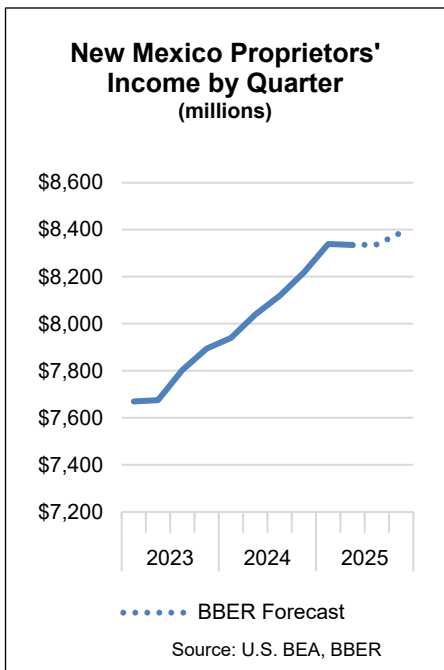
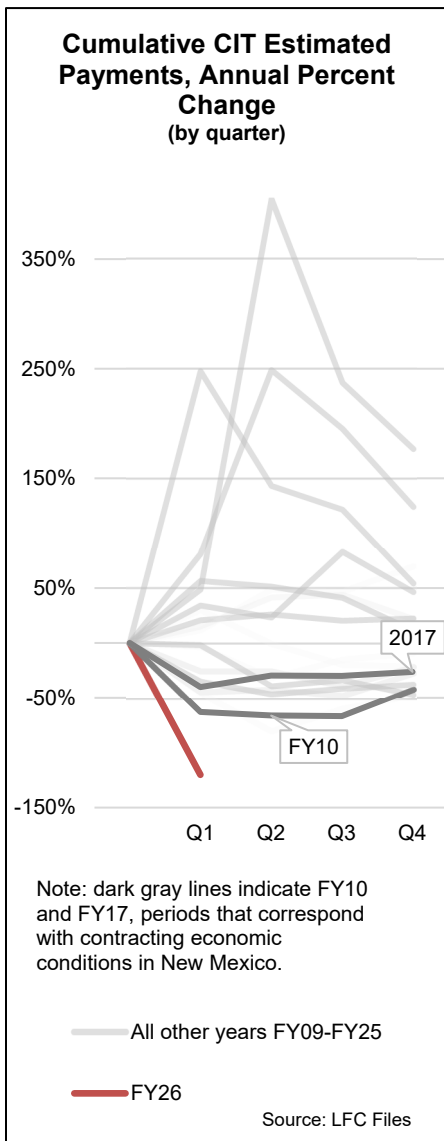
Further contributing to growing investment revenue has been growing distributions from the State Treasurer’s Office (STO). Interest earnings in FY24 and FY25 were a whopping \$390.5 million and \$401.2 million, respectively. The fund returns were high due to large investment balances and high interest rates, further boosted by market anticipation of sinking interest rates. When interest rates decrease, the market value of existing fixed-rate bond holdings increases. When interest rates increase, existing asset holdings’ values fall. STO interest earnings are estimated to be \$322 million in FY26 and \$299.5 million in FY27, though a shifting federal interest rate landscape could cause rapid changes with little notice.

Investments in the state general fund investment pool (SGFIP) have become a major source of volatility. According to LFC analysis from 2024, the previous decade showed earnings on general fund balances managed by the State Treasurer’s Office (STO) have become the most volatile source of revenue in the general fund. As balances in that pool have risen to exceed \$10 billion, interest rates have fluctuated dramatically, and investor expectations for interest rates have been more volatile, the market-valued holdings in the SGFIP have varied wildly. The value of the SGFIP holdings has grown or shrunk by over 1,000 percent on average, year-over-year, in the five-year period before FY25. This has led to inaccurate forecasts of this revenue historically and introduced extreme volatility to budget development.

Income Taxes

Income tax revenues fell short of CREG expectations in FY25 as momentum from earlier in the fiscal year slowed in the final quarter. Income taxes were \$2.9 billion in FY25, up 3.2 percent, or \$90.9 million, compared with FY24. Income taxes are expected to pullback in FY26, with CREG forecasting a 17 percent year-over-year drop driven by corporate income tax revenue declines.





Corporate Income Taxes (CIT). The latest data on CIT revenue suggest an unprecedented retreat in collections and a large divergence from the previous forecast. Total CIT revenues through the first quarter of FY26 were negative for the first time since the short-lived pandemic oil crash of 2020. The CREG has updated its forecast of federal tax changes enacted in P.L. 119-21 (H.R.1), which are expected to reduce taxable income at both the federal and state levels. These policy effects are occurring alongside softer macroeconomic conditions, particularly moderating oil and gas prices and slowing manufacturing activity, which together form the underlying base of New Mexico’s CIT collections.

Although the revision from the previous forecast is significant, it is supported by incoming data. Monthly information from the Taxation and Revenue Department (TRD) shows that CIT “estimated payments”—businesses’ advance payments based on expected tax liability—fell 120 percent in the first quarter of FY26 compared with the same period a year earlier. This is the steepest contraction in the data since FY09, when the series began. While estimated payments do not translate directly into final fiscal year general fund revenues, historical experience shows a strong relationship between the two.

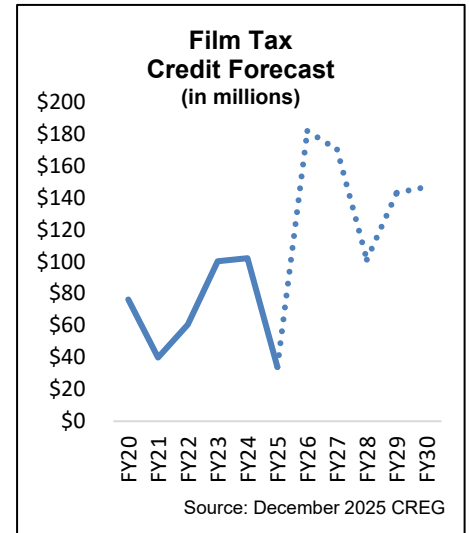
In previous downturns, estimated payments dropped sharply and CIT revenue followed. During the 2016 oil price collapse, estimated payments fell 44 percent and CIT revenue declined 53 percent. In FY09, estimated payments dropped 60 percent and revenue fell 45 percent. The FY26 decline—more than double the magnitude of either episode—coincides with a 107 percent reduction in CIT general fund revenue through the first quarter relative to FY25. These indicators collectively suggest forecasters and policymakers should exercise caution until additional data become available.

Multiple factors are contributing to the decline. First, H.R.1 enacted substantial business tax relief targeted toward capital-intensive industries, including oil and gas and manufacturing, which account for roughly half of New Mexico’s corporate tax base. Because New Mexico conforms to federal taxable income, these federal changes directly reduce state revenue. Second, elevated U.S. tariff rates have likely lowered business profitability. S&P Global estimates the average import duty rate rose to 10.4 percent in August 2025, up from 2.4 percent a year earlier, with rates on steel and aluminum nearing 30 percent and, after exemptions are accounted for, effective rates approaching 45 percent. New Mexico firms may be particularly exposed to these increases, reducing profits and incentivizing short-term tax planning to preserve cash flow. Lastly, slowing business income more broadly may be contributing to lower liability. Nonfarm proprietors’ income in New Mexico declined in the second quarter of 2025 after nine consecutive quarters of growth, and BBER expects incomes to remain mostly flat through 2025 before improving in late 2026. While volatile, sustained declines in proprietors’ income historically coincide with periods of economic slowdown.

Film tax credits, which reduce CIT, are also expected to return to historical payout levels of about \$181 million in FY26. In FY25, however, film credit payouts totaled only \$34 million, well below expectations, and increasing FY25 CIT revenue. Although the credits have been approved by the Economic Development Department (EDD) and TRD, it is unclear why companies deferred claiming them but are now expected to claim them in FY26. EDD now reports production activity declined 56.4 percent in FY25, lowering expectations for payouts over the next three years.

Personal Income Tax (PIT). In FY25, personal income tax (PIT) collections declined 2.9 percent from FY24, reflecting combined effects of PIT bracket reductions and slowing oil and gas withholding revenues. In FY26, federal tax changes enacted under H.R.1 are expected to further reduce PIT revenues through New Mexico’s conformity with the federal tax base. Key provisions include a new deduction for passenger-vehicle loan interest and an expansion of the standard deduction. Together, these changes are expected to reduce New Mexico PIT collections by \$45.5 million, as shown on page 16.

State tax changes enacted between 2019 and 2024 also reduce expected PIT revenues throughout the forecast period. Recent adjustments to PIT brackets likely contributed to lower collections in both FY25 and FY26. Overall, these state-level PIT changes are expected to reduce recurring revenues by approximately \$159 million as taxpayers benefit from lower marginal rates (see Attachment 9 for a complete list of enacted tax changes).



State Land Office Revenues

Revenues from the State Land Office’s (SLO) activity on rents and lease sales are projected to reach record high levels in FY26 due to several one-time factors temporarily expanding the supply of valuable leasable acreage and elevated bidding activity. Total SLO revenues are estimated at \$536.4 million in FY26, of which \$511.86 million is expected to flow to the general fund—far surpassing the previous record of \$184.4 million set in FY19 during the first fracking boom. Of the FY26 total, an estimated \$362.6 million is nonrecurring.

The surge in FY26 collections is primarily attributable to three contributing factors that expanded the pool of available, high-value mining acreage. First, SLO withheld prime oil and gas parcels from auction for over a year with the intent to lease parcels upon enactment of higher maximum royalty rates passed in the 2025 session. Second, enhanced compliance enforcement expanded the pool of available acreage as SLO identified leases with insufficient activity or compliance violations, allowing the office to reclaim and re-offer those tracts for auction. Finally, SLO successfully resolved longstanding potash-related litigation that had prevented significant acreage from being offered for oil and gas development.

The coincidental timing, resolution, and release of these separately accumulated inventories at the start of the fiscal year has generated a substantial one-time increase in lease sale revenue. While this contributed to higher revenues in FY26, there are no more tracts withheld, companies are improving compliance practices, and no new litigation exists, there is very little likelihood that similar volumes of acreage will become available in future years. At the same time, bid values per acre have shown wide variability across auctions, complicating efforts to reliably forecast future lease sale revenues.

Taken together, these factors have created a sizable but temporary boost to general fund revenues in FY26. The CREG has incorporated these gains into the forecast, noting the largely nonrecurring nature of this increase will help offset declines in corporate income tax and other general fund sources in the current year but should not be expected to persist into subsequent fiscal years.

State Land Office Leased Acreage History

FY	Amount (in millions)	Acres	Price/Acre
FY16	\$36.3	60,774.14	\$597.27
FY17	\$65.4	74,148.32	\$881.80
FY18	\$107.0	74,907.86	\$1,428.72
FY19	\$142.1	46,640.09	\$3,046.19
FY20	\$18.8	35,264.11	\$533.69
FY21	\$11.0	24,099.47	\$455.73
FY22	\$20.2	19,425.65	\$1,041.58
FY23	\$53.7	29,760.40	\$1,803.48
FY24	\$90.8	22,704.89	\$3,999.20
FY25	\$40.8	26,076.63	\$1,565.25
FY26 (July-Nov.)	\$476.3	11,630.67	\$40,950.25

Source: State Land Office

Forecast Risks

Effect of Changes in Oil and Gas Prices and Volumes

Based on projected FY26 direct oil and gas revenues (severance taxes and federal royalties):

- A \$1 change in the annual average NM price of oil has about a \$57 million impact;
- A 10-cent change in the annual average New Mexico price of natural gas has about a \$29.1 million impact;
- Each additional million barrels of oil generates about \$4 million in severance taxes and federal royalties; and
- Each additional 10 billion cubic feet of natural gas generates about \$2.4 million in severance taxes and federal royalties.

Because the consensus forecast projects large transfers to the early childhood trust fund, the behavioral health trust fund, the Medicaid trust fund, and the severance tax permanent fund in FY26, the impact of price and production changes would first affect those transfers before affecting the general fund.

These general rules do not consider indirect impacts of prices and production changes on the general fund, such as gross receipts tax revenue from drilling activity or income taxes from production employment.

Oil and Natural Gas Market Dynamics

New Mexico’s reliance on the oil and gas industry (see Attachment 4) continues to make commodity price volatility the largest potential risk to the general fund forecast, although not among the most likely. While strong production growth supported large transfers to the early childhood trust fund, the behavioral health trust fund, the Medicaid trust fund, and severance tax permanent fund, downside risks remain acute—not only to severance and royalty revenues, but also to gross receipts and income tax collections.

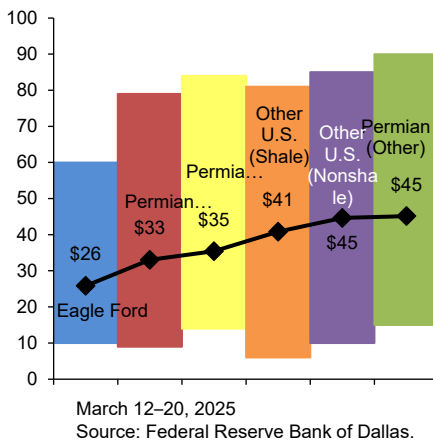
Recent market analysis from Rystad Energy and others indicates that breakeven prices for New Mexico oil production have risen sharply due to inflation in labor, equipment, and service costs. The average breakeven price for existing wells has increased to roughly \$45 per barrel in some parts of the Permian, up from a pre-pandemic average of \$29.60 per barrel, and with even higher costs for new wells. These increased thresholds narrow the margin between profitability and loss, heightening the risk of production slowdowns if prices fall—particularly as producers confront natural decline rates and higher financing costs in a more constrained capital environment.

Supply-side uncertainty from OPEC+ remains another key source of volatility. After multiple rounds of coordinated production cuts aimed at stabilizing global markets, the group has increased output lowering prices worldwide despite weakening demand signals and rising non-OPEC supply. New production restraint could support near-term global prices and bolster New Mexico revenues, while any significant shift toward increased output or lower economic demand from recession or energy transitions would exert downward pressure on prices and drilling activity. This ongoing policy-driven volatility complicates investment decisions for producers and increases uncertainty in the state’s oil-dependent revenue outlook.

Federal policy changes are also adding material uncertainty to the forecast. The federal Royalty Resiliency Act allows oil and gas companies to retroactively claim refunds on past federal royalty payments, introducing new unpredictability into revenue projections given limited information on the size and timing of eligible claims. The CREG currently assumes a reduction of approximately \$50 million per year in general fund revenue from FY26 through FY28, although both upside and downside risks remain.

WTI Oil Price Needed to Cover Operating Expenses for Existing Wells

(survey responses in dollars per barrel)



Additional downward pressure stems from recent changes to federal royalty rates. The Inflation Reduction Act increased the royalty rate on new federal leases from 12.5 percent to 16.67 percent, but Title V, Subtitle A of H.R. 1 reversed the increase and restored the 12.5 percent rate. The CREG had already incorporated the lower 12.5 percent rate in prior forecasts due to limited lease issuance during the higher-rate period and uncertainty around production timing; therefore, no additional downward revision was necessary following passage of H.R. 1. However, analysis by Resources for the Future estimates maintaining the higher federal royalty rate could have generated up to \$1.7 billion in additional revenue for New Mexico through FY35, depending on lease uptake and future production levels.

Recession Risks

The most recent survey of business and academic economists conducted by the Wall Street Journal in October places the probability of a U.S. recession at 33 percent—unchanged from July but down from 45 percent in April. Although the average recession probability has held steady, the range of responses has widened significantly, reflecting increased uncertainty among forecasters. Since October 2024, professional economists’ expectations have become notably more dispersed.

The pessimistic scenario used in the sensitivity analysis incorporates a U.S. recession beginning in the fourth quarter of 2025 and lasting through the first quarter of 2026, driven by higher tariffs and retaliatory trade actions, rising inflation, increased deportations, and monetary tightening by the Federal Reserve. Under this scenario, recovery begins in the second quarter of 2026, but the economy does not return to full employment within the forecast horizon. A recession of this type would slow wage and salary growth, reduce consumer spending, and pose significant downside risks to both personal income tax and gross receipts tax collections.

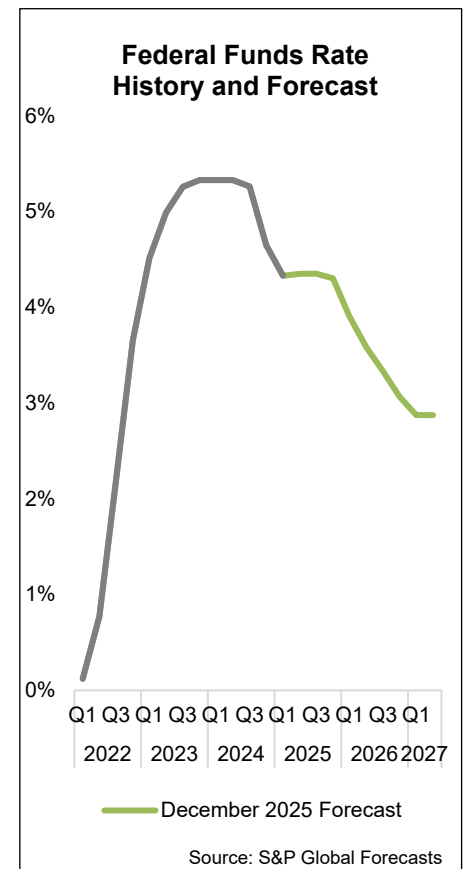
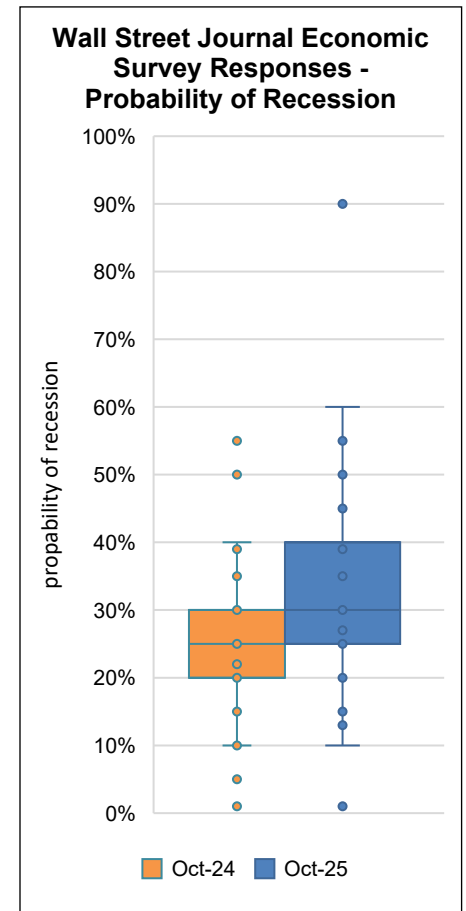
Inflation

Inflation remains a key source of uncertainty in the revenue forecast. Higher inflation can suppress real economic activity, reducing incomes and spending and creating downside risks for state revenues. At the same time, inflation can temporarily boost nominal tax collections, presenting an upside risk in the near term. The balance of these forces—and the federal policy response—will significantly influence revenue performance over the forecast horizon.

National consumer price inflation is expected to gradually move toward the Federal Reserve’s target over the medium term. Although inflation has fallen well below its pandemic-era peaks and many near-term risks have softened, upward pressure remains. The current forecast anticipates inflation will remain above 2 percent through FY28, slightly higher than in the previous projection. Both S&P Global and Moody’s Analytics incorporate higher effective tariff rates into their outlooks to capture the inflationary effects of increased import duties. Each forecaster also expects the Federal Reserve to maintain a restrictive monetary policy stance in the near term and then gradually lower the federal funds rate to its estimated neutral level of roughly 3 percent by late 2026 or early 2027.

Revenue Impacts of Federal Policies

Federal policy changes can substantially influence New Mexico’s state revenues, and several major federal actions have already taken effect with additional changes expected over the forecast period. These policies affect revenues both directly—through New Mexico’s conformity to portions of the federal tax code, changes to Medicaid that may alter insurance tax collections, and adjustments to federal royalty rates on oil and gas production from federal lands—as well as indirectly, through federal fiscal and regulatory shifts that reverberate across the national economy. Wherever possible, the Consensus Revenue Estimating Group (CREG) has incorporated both the direct and indirect impacts of these changes into the current revenue forecast.



H.R. 1 Impacts

On July 3, 2025, Congress passed H.R. 1, which the President signed into law on July 4, 2025 (P.L. 119-21). The legislation makes substantial changes to federal personal and business income taxes, Medicaid eligibility and payment rules, among other changes. Many of these provisions directly affect state revenues.

Personal Income Tax (PIT) Provisions. Title VII, Subtitle A, contains several provisions expected to affect New Mexico tax revenues. Chapter 1, Section 2 increases the federal standard deduction, to which New Mexico conforms, relative to a baseline extension of the Tax Cuts and Jobs Act. Chapter 2, Section 4 creates a new deduction—up to \$10,000—for interest paid on personal-use passenger vehicles purchased between 2025 and 2028, subject to phase-out thresholds. Chapter 3 introduces multiple changes to federal business tax provisions with which New Mexico conforms.

Additionally, H.R.1 included changes to the state and local taxes (SALT) deduction which is expected to reduce state revenues by \$65.3 million in FY26, \$66.7 million in FY27, and \$69 million in FY28. Although these provisions affect personal income taxes as well as pass-through entity taxes, this impact is expected to be reflected in lower CIT revenues.

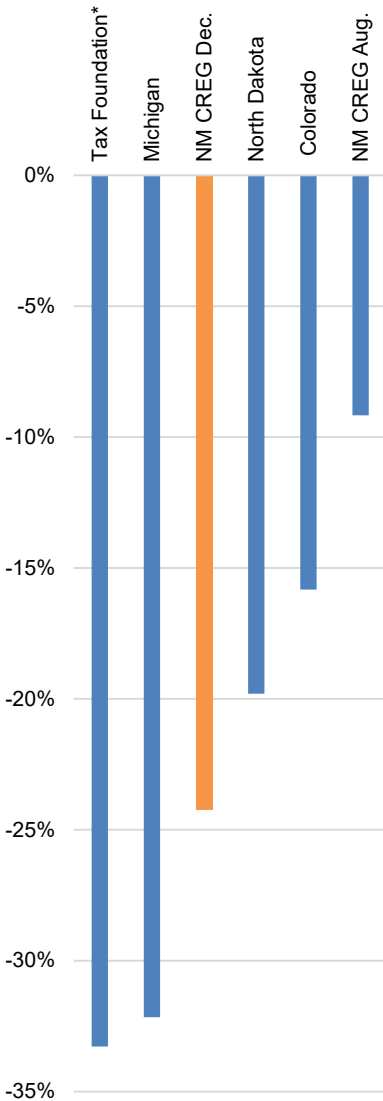
Chapter 1, Section 20 temporarily increases the federal SALT deduction cap from \$10,000 to \$40,000. After the TCJA reduced the cap in 2017, New Mexico and 35 other states adopted pass-through entity (PTE) workarounds that allowed businesses to bypass the limit—lowering their federal tax burden while increasing state revenues through higher effective state tax liability. By raising the federal SALT cap, Section 20 unwinds much of this revenue gain because fewer businesses are expected to elect PTE taxation. CREG assumes this impact will be reflected in lower CIT revenues, although the impact will likely be reflected across both PIT and CIT in an unknown ratio.

Business Income Tax Provisions. New Mexico largely conforms to the federal definitions of business taxable income, and the H.R.1 business tax changes are expected to materially reduce state corporate and individual income tax revenues. Collectively, these provisions are forecast to reduce general fund revenue by \$139.4 million in FY26, \$144.7 million in FY27, and \$138.8 million in FY28. The most significant provisions are described below.

Full Expensing for Certain Business Property. The depreciation deduction allows taxpayers to recover the cost of certain business property over its useful life through annual allowances for wear and tear, deterioration, or obsolescence. Because depreciation reduces taxable income, larger deductions lower federal—and therefore state—income tax liability. Under the Tax Cuts and Jobs Act (TCJA), 100 percent bonus depreciation was available for qualified property placed in service from September 28, 2017, through the end of 2022, with the percentage stepping down to 80 percent in 2023, 60 percent in 2024, 40 percent in 2025, 20 percent in 2026, and expiring thereafter. Bonus depreciation accelerates cost recovery by allowing a large share of the property's cost to be deducted in the first year it is placed in service.

H.R.1 modifies this schedule by restoring 100 percent bonus depreciation for eligible property placed in service on or after January 19, 2025. This additional first-year depreciation deduction permits businesses to immediately expense

OBBBA Business Tax Provisions Revenue Impacts by State, Share of FY26 Total CIT Revenues



*Note: Tax Foundation estimates for New Mexico are for tax year 2026, which includes FY26 and FY27.

Source: Tax Foundation; state revenue forecasts.

the full cost of qualifying assets rather than depreciating them over time. The change is expected to reduce corporate and individual income tax revenues from businesses beginning in FY26, with the impact diminishing in subsequent years as the timing effects of accelerated depreciation taper.

Full Expensing of Domestic Research and Experimental Expenditures. Since 2022, the Tax Cuts and Jobs Act (TCJA) has required businesses to capitalize and amortize domestic research and experimental (R&E) expenses over five years, and foreign R&E expenses over fifteen years, instead of deducting them immediately. Amortization functions similarly to depreciation but applies to intangible assets such as patents, trademarks, copyrights, licenses, and startup costs. H.R.1 allows businesses to immediately deduct all domestic R&E expenditures, rather than amortizing them over time. This change takes effect permanently beginning in tax year 2025 and reduces federal taxable income accordingly. As a result, the expanded amortization deduction is expected to reduce corporate and individual income tax revenues from businesses beginning in FY26, with impacts declining in later years as timing effects fade.

Special Depreciation Allowance for Qualified Production Property. H.R. 1 allows taxpayers to deduct 100 percent of the cost of qualified production property from federal taxable income for property on which construction begins after January 19, 2025, and before January 1, 2029, and that is placed in service before January 1, 2031. Qualifying property must be nonresidential real property used as an integral component of the manufacturing, production, or refining of tangible personal property in the United States. Portions of property used for functions unrelated to manufacturing or production are excluded from the allowance, and if the property’s use changes within ten years after being placed in service, the associated tax benefit may be subject to recapture. This provision is expected to reduce state business income tax revenues throughout the FY26–FY30 forecast horizon.

Modifications of Limitations on Business Interest. A business’s “adjusted taxable income” is generally calculated as earnings before interest, taxes, depreciation, and amortization. Under the Tax Cuts and Jobs Act (TCJA), most businesses were allowed to deduct interest expenses only up to 30 percent of adjusted taxable income, with unused interest deductions carried forward indefinitely. Beginning in 2022, however, the definition of adjusted taxable income was narrowed to earnings before interest and taxes, excluding depreciation and amortization and thereby reducing the allowable interest deduction. H.R.1 reverts to the pre-2022 definition by allowing depreciation and amortization to be included once again in adjusted taxable income. This change increases allowable interest deductions, lowers federal taxable income, and is expected to reduce New Mexico business income tax revenues beginning in FY26.

Other Provisions Impacting Revenues. Title VII, Subtitle B, establishes new Medicaid eligibility requirements expected to reduce enrollment and lower federal funding for medical care in New Mexico. Reduced enrollment will decrease total insurance premiums paid, thereby lowering insurance premium tax collections. In addition, new limits on state-directed payments to hospitals will further reduce both insurance premium taxes and the gross receipts taxes generated from those payments.



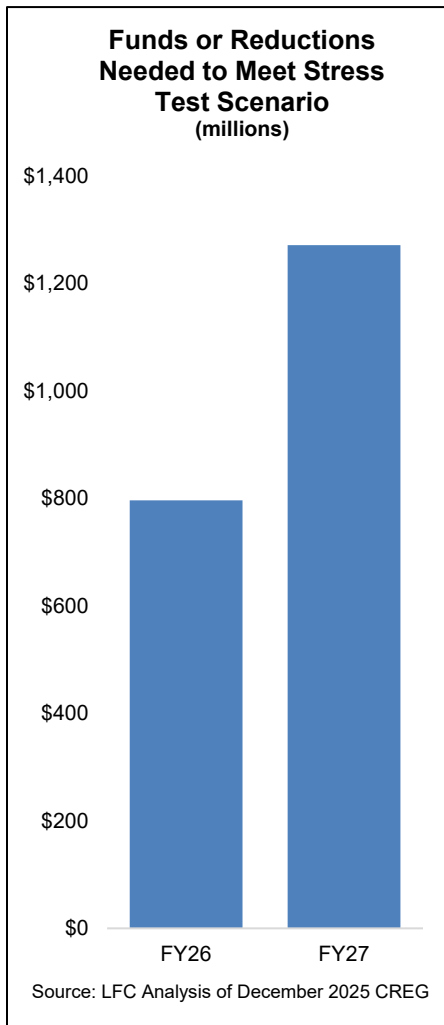
Finally, H.R. 1 alters federal spending patterns by increasing appropriations for national defense, border security, and immigration enforcement, while reducing spending in other areas, primarily Medicaid. These indirect fiscal effects are incorporated into the baseline U.S. macroeconomic forecasts produced by S&P Global and Moody’s Analytics, which CREG relies on in developing the state’s general fund revenue estimates.

Federal Policy Changes Impacting New Mexico State Revenues

Description	FY26	FY27	FY28
Enhancement of increased standard deduction	(\$38.6)	(\$39.2)	(\$39.9)
No tax on car loan interest	(\$6.9)	(\$6.4)	(\$6.4)
Limitation on individual deductions for certain state and local taxes	(\$65.3)	(\$66.7)	(\$69.0)
All other changes to business-related federal tax provisions	(\$139.4)	(\$144.7)	(\$138.8)
Changes to Medicaid and state-directed payments	(\$0.0)	(\$17.1)	(\$44.1)
Total	(\$250.2)	(\$274.1)	(\$298.2)
Note: Estimate of impacts above TCJA extension.			
Sources: December 2025 CREG			

Stress Testing the Revenue Estimate

While the revenue forecast inherently faces upside and downside risk, stress testing helps the Legislature prepare for these risks by looking at a range of alternative outcomes and contextualizing the current estimate with historical trends. These sensitivity and trend analyses can help determine target reserve levels and inform the recurring budget process.



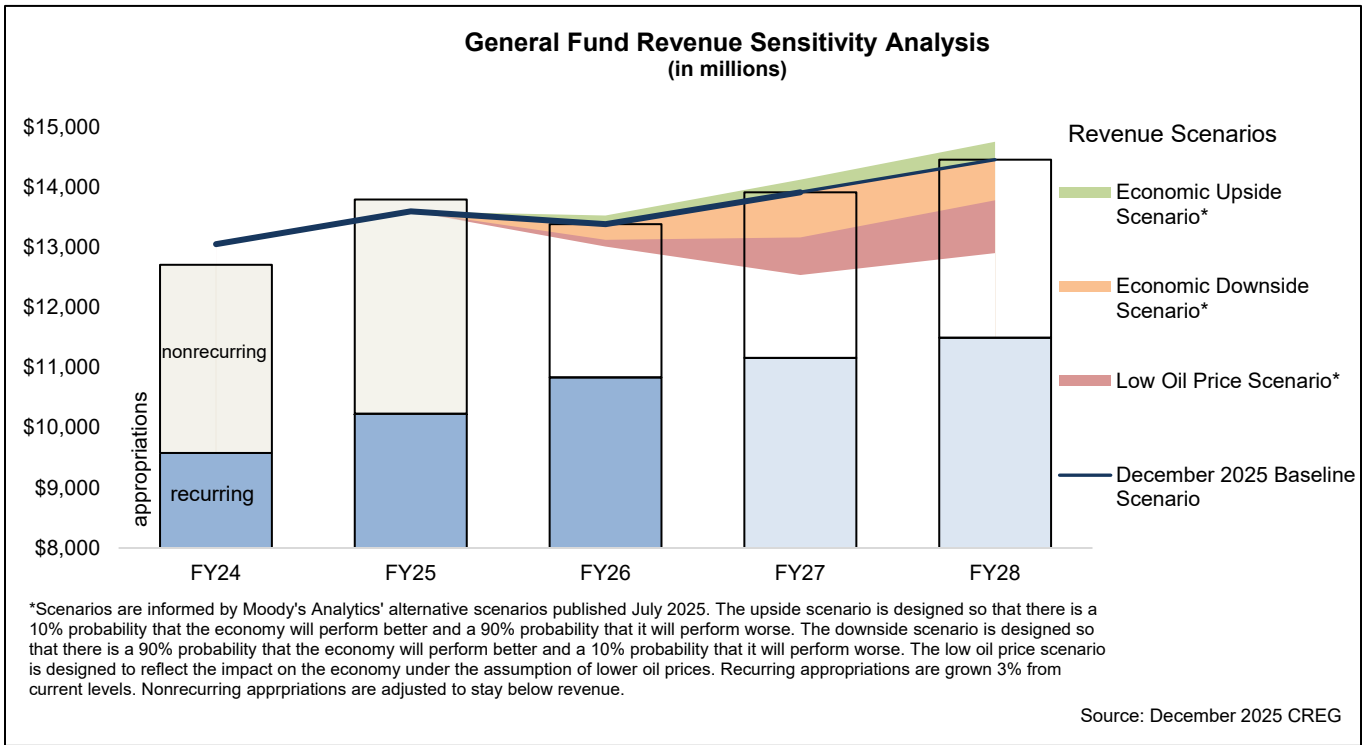
Sensitivity Analysis

The sensitivity analysis uses alternative macroeconomic scenarios from Moody’s Analytics—an economic upside (S1), economic downside (S3), and low-oil price scenario (S8). The CREG used these scenarios, as well as historical revenue responses to different economic conditions, to determine the sensitivity of the state’s largest revenue sources—including severance taxes, federal mineral leasing payments, personal and corporate income taxes, and gross receipts taxes—to theoretical changes in the state’s economic performance.

Mitigation from Distributions of Excess Oil and Gas Revenue. In the low oil price scenario, Moody’s assumes oil prices would fall below \$35/bbl beginning in FY26. Low prices would result in oil and gas production declines, losses in drilling-related GRT receipts, and related employment losses. Should this occur, severance tax and federal royalty collections would fall substantially below the baseline forecast. Some of the loss in these revenues would be first absorbed through reduced distributions to the early childhood trust fund, the behavioral health trust fund, the Medicaid trust fund, and severance tax permanent fund; however, the general fund would still see significant declines. The general fund would also experience losses in GRT on oil and gas drilling and completion activity and reduced income taxes from related profits losses, jobs losses, and oil and gas pass-through withholding.

Although the low oil price scenario results in tax collections that are \$3.3 billion below the consensus forecast for FY27, about 58 percent of that impact would be to trust fund and severance tax distributions. Still, the scenario results in general fund revenues about \$372 million below the consensus forecast in FY26 and \$1.38 billion below the forecast in FY27. In this scenario, the state would need \$2.1 billion in reserves, or from other funds, with flat spending to avoid spending cuts through FY27. This scenario also assumes nonrecurring

spending is reduced under the baseline scenario not to exceed total revenue collections estimated.

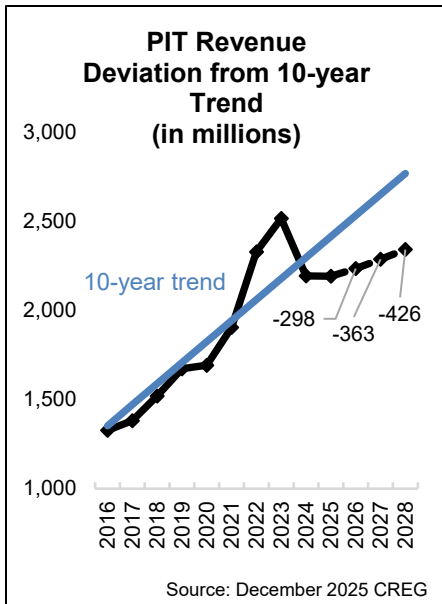


Scenario	S8: Low Oil Price			S3: Economic Downside			S1: Economic Upside		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
1 Severance Taxes to GF	-\$28	-\$322	-\$258	-\$16	-\$37	-\$27	\$2	\$7	\$5
2 Federal Mineral Leasing to GF	\$0	-\$270	-\$276	\$0	\$0	\$0	\$0	\$0	\$0
3 Gross Receipts Taxes	-\$210	-\$532	-\$691	-\$145	-\$459	-\$442	\$17	\$131	\$198
4 Corporate Income Taxes	-\$50	-\$103	-\$126	-\$29	-\$119	-\$104	\$103	\$23	\$40
5 Personal Income Taxes	-\$84	-\$151	-\$202	-\$70	-\$136	-\$102	\$20	\$48	\$56
6									
7 General Fund Difference from Baseline	-\$372	-\$1,377	-\$1,553	-\$261	-\$751	-\$675	\$143	\$209	\$299
8 General Fund Percent of Total Impact	23%	42%	41%	24%	31%	35%	66%	38%	55%
9									
10 Severance Taxes to TSR or ECE	-\$122	-\$85	-\$216	-\$122	-\$85	-\$216	\$39	\$135	\$56
11 Severance Taxes to STPF	-\$506	-\$709	-\$723	-\$192	-\$632	-\$320	1	\$9	\$37
12 Federal Mineral Leasing to ECE	-\$203	-\$51	-\$143	-\$203	-\$51	-\$143	\$34	\$194	\$103
13 Federal Mineral Leasing to STPF	-\$411	-\$1,083	-\$1,187	-\$315	-\$874	-\$593	\$0	\$7	\$47
14 TSR/ECE Transfers Diff. from Baseline	-\$1,242	-\$1,928	-\$2,269	-\$831	-\$1,642	-\$1,273	\$74	\$345	\$244
15 TSR/ECE/STPF Transfers Percent of Total Impact	77%	58%	59%	76%	69%	65%	34%	62%	45%
16 Total Difference from Baseline	-\$1,614	-\$3,305	-\$3,822	-\$1,092	-\$2,394	-\$1,948	\$216	\$554	\$543

Note: in millions

Trend Analysis and Long-Term Outlook

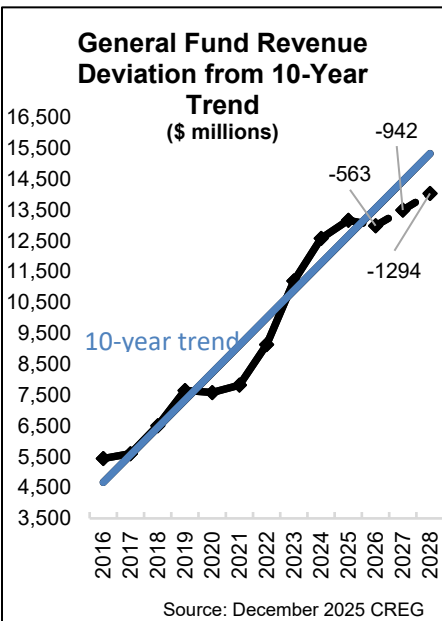
In addition to the sensitivity analysis, the CREG calculated a 10-year trend for major revenue sources—gross receipts taxes, income taxes, severance taxes, investment income, and rents and royalty payments—and compared current revenue estimates to that trend to identify outliers. Using historical data from FY15 to FY24, the 10-year trend line is projected forward through FY28.



Revenue Forecast Returning to and Falling Below Trend. General fund revenues are projected to return to—and then fall below—the 10-year trend over the next three fiscal years, coming in \$563 million below trend in FY26, \$942 million below in FY27, and \$1.29 billion below in FY28. The trend is elevated by the boom years beginning in 2022, and revenues are expected to fall as the economy wobbles on difficult conditions, wage growth slows, and key drivers return to historical patterns. Given this below-trend outlook and growing reliance on volatile revenues, best practices suggest continuing to direct the majority of the current surpluses to nonrecurring uses to reduce the likelihood of recurring budget cuts.

General Fund Financial Summary

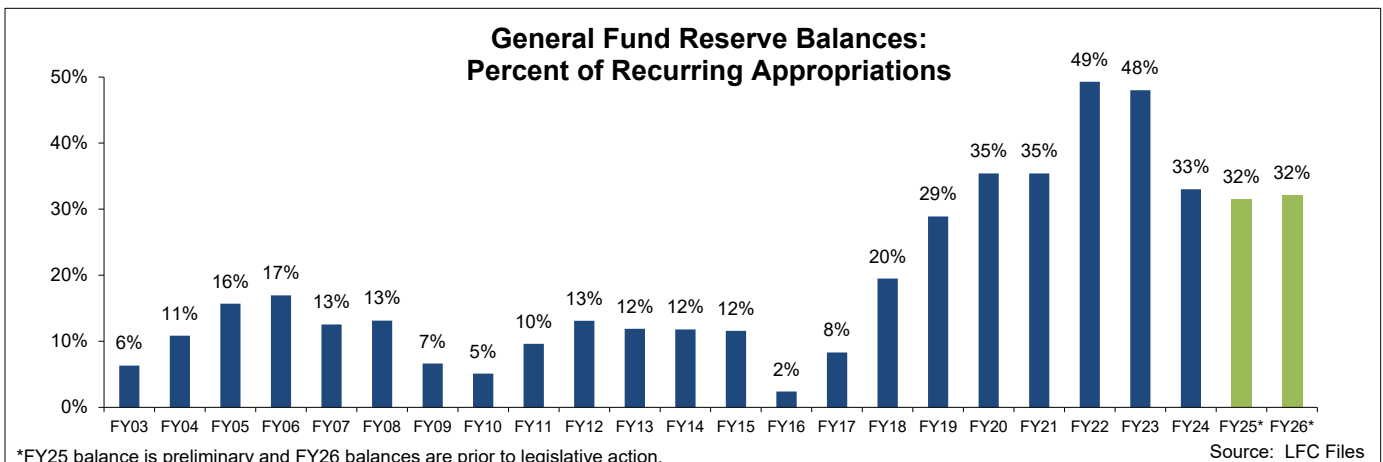
Used as a guide for policymakers, the financial summary conveys complex audit reports into a high-level overview of the state’s general fund transactions. The summary is also useful to investors interested in the state’s financial health and presents an accurate picture of the revenues, spending, and reserves.



Historically, five accounts were in the state’s reserves: the operating reserve, the tobacco settlement permanent fund, the appropriation contingency fund, the state support reserve fund, and the tax stabilization reserve. As reserves are intended to be liquid and ready to cover shortfalls in revenues, these accounts earn inferior investment returns compared to other investments made by the state and are often identified and used for nonrecurring spending. Only two funds, the operating reserve and the tax stabilization reserve, are true reserve funds in that their purpose is to backfill general fund revenues during downturns.

In the 2024 and 2025 session, the Legislature adjusted reserves by removing the tobacco settlement permanent fund and adding both the government results and opportunity fund in FY25 and FY26, and the behavioral health trust fund in FY26 and FY27.

In addition to maintaining healthy total reserves, preserving an adequate balance in the operating reserve—the state’s functional checking account—is critical for managing unexpected revenue declines, addressing emergencies, and supporting spending needs in future years. With little balance currently available, even modest revenue recessions can quickly create unconstitutional deficits and limit the state’s ability to meet in-year obligations and constrain responses to unforeseen events. Rebuilding the operating reserve is therefore a high priority for ensuring the state’s fiscal stability in the coming year.



December 8, 2025

MEMORANDUM

TO: The Members of the Legislative Finance Committee

FROM: Staff Economists of the Department of Finance and Administration, Legislative Finance Committee, Taxation and Revenue Department, and Department of Transportation

THROUGH: Secretary Wayne Propst, Department of Finance and Administration
Secretary Stephanie Schardin Clarke, Taxation and Revenue Department
Secretary Ricky Serna, Department of Transportation
Director Charles Sallee, Legislative Finance Committee

SUBJECT: **Consensus Revenue Estimating Group – December 2025 Forecast**

The Consensus Revenue Estimating Group (CREG) meets several times throughout the state budget process to review economic indicators, analyze tax receipt data, and make modifications to previous revenue estimates to provide policymakers the best information on the New Mexico revenue outlook. This memorandum summarizes the work and conclusions of the CREG, comprised of economists from the Legislative Finance Committee (LFC), the Department of Finance and Administration (DFA), the Taxation and Revenue Department (Tax & Rev), and the Department of Transportation (DOT). After careful review of new economic data and general fund receipts, the CREG has reached a consensus estimate of general fund revenues. The consensus estimate is reflected in the attachment.

December 2025 Consensus General Fund, Recurring Revenue Outlook (in millions)

<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
\$13,595.7	\$13,383.1	\$13,913.2

Total recurring revenues are expected to be \$13.4 billion in FY26 and \$13.9 billion in FY27. Grand total revenues, including nonrecurring revenues, are expected to be \$13.7 billion in FY26 and \$13.9 billion in FY27 as follows:

- General sales tax receipts: \$4.5 billion in FY26 and \$4.7 billion in FY27
- Income tax receipts: \$2.4 billion in FY26 and \$2.6 billion in FY27
- Severance tax receipts: \$1.3 billion in FY26 and \$1.3 billion in FY27
- Interest revenues: \$2.2 billion in FY26 and \$2.4 billion in FY27
- Revenues associated with rent and royalty receipts: \$1.8 billion in FY26 and \$1.8 billion in FY27
- All other recurring revenues: \$1.2 billion in FY26 and \$1.1 billion in FY27
- Other nonrecurring revenues: \$362.6 million in FY26.

General Fund Consensus Revenue Estimate - December 2025

Attachment 1.

Revenue Source	FY25					FY26					FY27				
	Aug 25 Est.	Dec 25 Prelim	Change From Prior (Aug 25)	% Change from FY24	\$ Change from FY24	Aug 25 Est.	Dec 25 Est.	Change From Prior (Aug 25)	% Change from FY25	\$ Change from FY25	Aug 25 Est.	Dec 25 Est.	Change From Prior (Aug 25)	% Change from FY26	\$ Change from FY26
<i>Base Gross Receipts Tax</i>	4,405.1	4,411.1	6.0	5.0%	211.0	4,557.2	4,559.3	2.1	3.4%	148.2	4,670.3	4,669.5	(0.8)	2.4%	110.2
<i>F&M Hold Harmless Payments</i>	(121.1)	(113.0)	8.1	-18.5%	25.7	(110.1)	(107.7)	2.4	-4.7%	5.3	(101.2)	(99.3)	1.9	-7.8%	8.4
NET Gross Receipts Tax	4,284.0	4,298.1	14.1	6.2%	249.5	4,447.1	4,451.6	4.5	3.6%	153.4	4,569.1	4,570.1	1.0	2.7%	118.6
Compensating Tax	84.7	85.4	0.8	2.7%	2.2	87.7	88.4	0.7	3.5%	2.9	90.5	91.1	0.6	3.1%	2.7
TOTAL GENERAL SALES	4,368.7	4,383.5	14.9	6.1%	251.7	4,534.8	4,539.9	5.1	3.6%	156.4	4,659.6	4,661.3	1.7	2.7%	121.3
Tobacco and Cigarette Taxes	69.4	69.8	0.3	-1.9%	(1.3)	65.0	66.5	1.5	-4.7%	(3.3)	63.4	65.0	1.6	-2.3%	(1.5)
Liquor Excise	24.1	23.8	(0.3)	-0.7%	(0.2)	24.3	23.1	(1.2)	-3.2%	(0.8)	24.3	22.9	(1.4)	-0.6%	(0.1)
Cannabis Excise	29.8	29.9	0.1	-8.6%	(2.8)	32.4	31.8	(0.6)	6.4%	1.9	35.5	32.8	(2.7)	3.1%	1.0
Insurance Taxes	455.9	453.9	(2.0)	22.7%	83.9	468.5	459.5	(9.0)	1.2%	5.6	471.2	462.4	(8.8)	0.6%	2.9
Motor Vehicle Excise	176.4	174.1	(2.2)	4.1%	6.8	181.9	178.6	(3.3)	2.6%	4.5	187.5	185.7	(1.8)	4.0%	7.1
Gaming Excise	64.9	67.9	3.0	0.3%	0.2	55.5	53.4	(2.1)	-21.3%	(14.5)	58.6	57.2	(1.4)	7.1%	3.8
Leased Vehicle & Other	7.3	7.0	(0.3)	-38.6%	(4.4)	7.0	6.2	(0.8)	-10.6%	(0.7)	7.1	7.9	0.8	27.1%	1.7
TOTAL SELECTIVE SALES	827.8	826.4	(1.4)	11.0%	82.2	834.6	819.1	(15.6)	-0.9%	(7.3)	847.6	833.9	(13.7)	1.8%	14.8
Personal Income Tax	2,191.1	2,143.1	(48.0)	-2.9%	(64.5)	2,233.5	2,175.0	(58.5)	1.5%	31.9	2,286.4	2,231.9	(54.5)	2.6%	56.9
<i>Gross Corporate Income Tax</i>	525.5	471.9	(53.6)	-11.7%	(62.8)	426.0	113.9	(312.1)	-75.9%	(358.0)	414.9	233.8	(181.1)	105.3%	119.9
<i>Pass-Through Entity Income Tax</i>	322.6	344.6	22.0	81.1%	154.4	330.9	321.1	(9.8)	-6.8%	(23.5)	341.9	320.6	(21.3)	-0.2%	(0.5)
<i>CIT Refundable Credits</i>	(34.0)	(34.0)	(0.0)	-66.7%	68.2	(182.0)	(181.9)	0.1	435.1%	(147.9)	(169.9)	(170.3)	(0.4)	-6.4%	11.6
Total Corporate Income Tax	814.1	782.5	(31.6)	24.8%	155.3	574.9	253.0	(321.8)	-67.7%	(529.5)	586.9	384.1	(202.8)	51.8%	131.1
TOTAL INCOME TAXES	3,005.2	2,925.6	(79.6)	3.2%	90.9	2,808.4	2,428.0	(380.3)	-17.0%	(497.6)	2,873.3	2,616.0	(257.3)	7.7%	188.0
<i>Gross Oil and Gas School Tax</i>	1,808.6	1,832.6	24.0	1.2%	22.0	1,865.2	1,774.0	(91.2)	-3.2%	(58.6)	1,976.6	1,939.6	(36.9)	9.3%	165.6
<i>Excess to TSR, ECTF, or BHTF</i>	(412.2)	(436.2)	(24.0)	-34.4%	229.0	(218.0)	(122.1)	96.0	-72.0%	314.1	(109.0)	(85.5)	23.5	-30.0%	36.6
<i>Excess to STPF</i>	(251.0)	(251.0)	0.0	-	(251.0)	(501.8)	(506.6)	(4.8)	101.8%	(255.6)	(722.2)	(708.8)	13.4	39.9%	(202.2)
NET Oil & Gas School Tax	1,145.4	1,145.4	-	0.0%	(0.0)	1,145.4	1,145.4	0.0	0.0%	0.0	1,145.4	1,145.4	0.0	0.0%	-
Oil Conservation Tax	103.0	102.9	(0.1)	-3.1%	(3.3)	80.5	90.7	10.2	-11.8%	(12.2)	83.0	98.0	15.0	8.0%	7.3
Resources Excise Tax	8.2	8.5	0.3	7.7%	0.6	8.3	8.4	0.1	-0.8%	(0.1)	8.0	8.1	0.1	-3.6%	(0.3)
Natural Gas Processors Tax	28.8	29.0	0.2	-45.7%	(24.5)	20.3	20.3	-	-30.1%	(8.7)	28.2	26.5	(1.7)	30.5%	6.2
TOTAL SEVERANCE TAXES	1,285.4	1,285.8	0.4	-2.1%	(27.2)	1,254.5	1,264.8	10.3	-1.6%	(21.0)	1,264.6	1,278.0	13.4	1.0%	13.1
LICENSE FEES	67.7	70.1	2.5	-3.7%	(2.7)	68.4	60.0	(8.3)	-14.4%	(10.1)	67.5	72.9	5.5	21.5%	12.9
LGPF Interest	1,349.6	1,349.8	0.2	11.8%	142.9	1,534.5	1,531.5	(2.9)	13.5%	181.7	1,698.8	1,696.2	(2.7)	10.7%	164.6
STO Interest	418.1	401.2	(16.9)	2.7%	10.7	290.6	322.0	31.4	-19.7%	(79.2)	257.1	299.5	42.4	-7.0%	(22.5)
STPF Interest	332.8	332.8	0.0	14.9%	43.2	378.3	375.4	(3.0)	12.8%	42.6	433.6	429.2	(4.4)	14.4%	53.9
TOTAL INTEREST	2,100.5	2,083.8	(16.7)	10.4%	196.7	2,203.4	2,228.9	25.5	7.0%	145.1	2,389.6	2,424.9	35.3	8.8%	196.0
<i>Gross Federal Mineral Leasing</i>	2,786.1	2,786.4	0.3	-1.4%	(38.3)	2,644.3	2,543.2	(101.1)	-8.7%	(243.2)	2,823.4	2,772.2	(51.2)	9.0%	229.0
<i>Excess to ECTF or Medicaid TF</i>	(805.6)	(805.9)	(0.3)	-31.7%	373.9	(270.1)	(168.9)	101.2	-79.0%	637.1	(82.5)	(51.6)	30.9	-69.5%	117.3
<i>Excess to STPF</i>	(335.6)	(335.6)	0.0	-	(335.6)	(729.4)	(729.4)	(0.0)	117.4%	(393.9)	(1,095.9)	(1,075.8)	20.1	47.5%	(346.3)
NET Federal Mineral Leasing	1,644.9	1,644.9	-	0.0%	0.0	1,644.9	1,644.9	0.0	0.0%	-	1,644.9	1,644.9	(0.0)	0.0%	(0.0)
State Land Office	101.4	101.4	(0.0)	-13.9%	(16.4)	109.5	149.3	39.8	47.3%	47.9	111.0	130.1	19.1	-12.8%	(19.2)
TOTAL RENTS & ROYALTIES	1,746.3	1,746.3	(0.0)	-0.9%	(16.4)	1,754.4	1,794.2	39.8	2.7%	47.9	1,755.9	1,775.0	19.1	-1.1%	(19.2)
TRIBAL REVENUE SHARING	84.7	85.3	0.6	2.0%	1.7	86.6	87.5	0.9	2.6%	2.2	88.9	90.5	1.6	3.4%	3.0
MISCELLANEOUS RECEIPTS	58.6	78.9	20.3	1.3%	1.0	50.9	50.6	(0.3)	-35.9%	(28.3)	53.0	50.8	(2.2)	0.3%	0.2
REVERSIONS ²	110.0	110.0	-	-22.8%	(32.5)	110.0	110.0	-	0.0%	-	110.0	110.0	-	0.0%	-
TOTAL RECURRING	13,654.8	13,595.7	(59.1)	4.2%	545.5	13,706.0	13,383.1	(322.9)	-1.6%	(212.6)	14,109.9	13,913.2	(196.7)	4.0%	530.2
TOTAL NONRECURRING	45.5	28.5	(17.1)	-79.6%	(111.3)	-	362.6	-	1174.1%	334.1	-	-	-	-	(362.6)
GRAND TOTAL General Fund	13,700.3	13,624.1	(76.2)	3.3%	434.1	13,706.0	13,745.7	39.6	0.9%	121.5	14,109.9	13,913.2	(196.7)	1.2%	167.6

General Fund Consensus Revenue Estimate - December 2025

Attachment 1.

Revenue Source	FY28					FY29					FY30				
	Aug 25 Est.	Dec 25 Est.	Change From Prior (Aug 25)	% Change from FY27	\$ Change from FY27	Aug 25 Est.	Dec 25 Est.	Change From Prior (Aug 25)	% Change from FY28	\$ Change from FY28	Aug 25 Est.	Dec 25 Est.	Change From Prior (Aug 25)	% Change from FY29	\$ Change from FY29
<i>Base Gross Receipts Tax</i>	4,795.5	4,797.3	1.8	2.7%	127.9	4,965.9	4,959.9	(6.0)	3.4%	162.6	5,141.4	5,129.6	(11.8)	3.4%	169.7
<i>F&M Hold Harmless Payments</i>	(91.4)	(89.9)	1.5	-9.5%	9.4	(81.0)	(80.0)	1.0	-11.0%	9.9	(70.1)	(69.9)	0.2	-12.7%	10.1
NET Gross Receipts Tax	4,704.1	4,707.4	3.3	3.0%	137.3	4,884.9	4,879.9	(5.0)	3.7%	172.5	5,071.3	5,059.7	(11.6)	3.7%	179.8
Compensating Tax	93.4	94.1	0.7	3.2%	3.0	96.4	97.0	0.6	3.1%	2.9	99.8	100.3	0.5	3.4%	3.3
TOTAL GENERAL SALES	4,797.5	4,801.5	4.0	3.0%	140.2	4,981.3	4,976.9	(4.4)	3.7%	175.4	5,171.1	5,160.0	(11.1)	3.7%	183.2
Tobacco and Cigarette Taxes	62.9	63.7	0.8	-2.0%	(1.3)	62.6	62.4	(0.2)	-2.0%	(1.3)	62.3	61.2	(1.1)	-1.9%	(1.2)
Liquor Excise	24.5	22.9	(1.6)	-0.2%	(0.1)	24.6	22.8	(1.8)	-0.3%	(0.1)	24.8	22.7	(2.0)	-0.3%	(0.1)
Cannabis Excise	37.6	34.0	(3.6)	3.7%	1.2	40.2	35.3	(4.9)	3.8%	1.3	42.7	37.7	(5.0)	6.8%	2.4
Insurance Taxes	449.5	437.7	(11.8)	-5.3%	(24.7)	447.6	435.0	(12.6)	-0.6%	(2.7)	452.2	437.3	(14.9)	0.5%	2.3
Motor Vehicle Excise	191.1	192.1	0.9	3.4%	6.4	197.9	200.5	2.6	4.4%	8.5	203.7	208.3	4.6	3.9%	7.8
Gaming Excise	59.3	58.9	(0.4)	3.0%	1.7	59.8	62.3	2.5	5.8%	3.4	60.2	63.8	3.6	2.4%	1.5
Leased Vehicle & Other	7.2	8.4	1.2	5.5%	0.4	7.4	7.6	0.2	-9.2%	(0.8)	7.5	7.8	0.3	2.6%	0.2
TOTAL SELECTIVE SALES	832.1	817.6	(14.5)	-2.0%	(16.3)	840.1	825.9	(14.1)	1.0%	8.3	853.4	838.8	(14.5)	1.6%	12.9
Personal Income Tax	2,341.2	2,293.7	(47.5)	2.8%	61.8	2,394.6	2,354.7	(39.9)	2.7%	61.0	2,483.1	2,439.8	(43.3)	3.6%	85.1
<i>Gross Corporate Income Tax</i>	425.8	273.2	(152.6)	16.9%	39.4	450.8	294.8	(156.0)	7.9%	21.6	465.6	330.1	(135.5)	12.0%	35.3
<i>Pass-Through Entity Income Tax</i>	356.5	337.1	(19.4)	5.1%	16.5	368.5	355.9	(12.6)	5.6%	18.8	380.0	367.4	(12.6)	3.2%	11.5
<i>CIT Refundable Credits</i>	(95.1)	(101.3)	(6.2)	-40.5%	69.0	(133.2)	(143.2)	(10.0)	41.4%	(41.9)	(140.5)	(146.9)	(6.4)	2.6%	(3.7)
Total Corporate Income Tax	687.2	509.0	(178.2)	32.5%	124.9	686.1	507.5	(178.6)	-0.3%	(1.5)	705.1	550.6	(154.5)	8.5%	43.1
TOTAL INCOME TAXES	3,028.4	2,802.7	(225.7)	7.1%	186.7	3,080.7	2,862.2	(218.5)	2.1%	59.5	3,188.2	2,990.4	(197.8)	4.5%	128.2
<i>Gross Oil and Gas School Tax</i>	2,079.9	2,085.1	5.2	7.5%	145.4	2,123.4	2,094.1	(29.3)	0.4%	9.1	2,158.9	2,135.7	(23.2)	2.0%	41.6
<i>Excess to TSR, ECTF, or BHTF</i>	(190.1)	(216.2)	(26.0)	152.9%	(130.7)	(215.2)	(205.8)	9.5	-4.8%	10.4	(188.2)	(190.6)	(2.5)	-7.3%	15.1
<i>Excess to STPF</i>	(744.4)	(723.6)	20.8	2.1%	(14.8)	(762.8)	(743.0)	19.8	2.7%	(19.5)	(825.3)	(799.7)	25.6	7.6%	(56.7)
NET Oil & Gas School Tax	1,145.4	1,145.4	0.0	0.0%	-	1,145.4	1,145.4	(0.0)	0.0%	(0.0)	1,145.4	1,145.4	0.0	0.0%	0.0
Oil Conservation Tax	90.6	105.4	14.8	7.6%	7.4	92.7	106.1	13.4	0.7%	0.8	94.3	108.7	14.4	2.4%	2.6
Resources Excise Tax	8.0	7.9	(0.1)	-2.5%	(0.2)	8.0	7.7	(0.3)	-2.5%	(0.2)	8.0	7.5	(0.5)	-2.6%	(0.2)
Natural Gas Processors Tax	36.4	39.1	2.7	47.5%	12.6	39.0	40.1	1.1	2.6%	1.0	39.0	40.9	1.9	2.0%	0.8
TOTAL SEVERANCE TAXES	1,280.4	1,297.8	17.4	1.6%	19.8	1,285.1	1,299.3	14.2	0.1%	1.5	1,286.7	1,302.5	15.8	0.2%	3.2
LICENSE FEES	67.9	73.3	5.4	0.5%	0.4	69.5	74.7	5.2	1.9%	1.4	68.7	73.1	4.4	-2.2%	(1.7)
LGPF Interest	1,853.0	1,850.0	(3.0)	9.1%	153.8	2,046.0	2,042.3	(3.7)	10.4%	192.4	2,235.1	2,230.4	(4.7)	9.2%	188.1
STO Interest	246.6	289.0	42.4	-3.5%	(10.5)	269.3	312.7	43.4	8.2%	23.7	274.5	321.0	46.5	2.7%	8.3
STPF Interest	498.2	492.4	(5.8)	14.7%	63.1	578.2	570.9	(7.2)	16.0%	78.6	668.4	660.1	(8.3)	15.6%	89.1
TOTAL INTEREST	2,597.7	2,631.3	33.6	8.5%	206.5	2,893.5	2,926.0	32.5	11.2%	294.6	3,178.0	3,211.5	33.5	9.8%	285.5
<i>Gross Federal Mineral Leasing</i>	2,973.4	2,958.6	(14.8)	6.7%	186.4	3,114.5	3,075.4	(39.1)	3.9%	116.8	3,166.8	3,133.8	(33.0)	1.9%	58.4
<i>Excess to ECTF or Medicaid TF</i>	(119.2)	(134.8)	(15.6)	161.5%	(83.3)	(304.2)	(298.4)	5.8	121.3%	(163.6)	(298.4)	(306.6)	(8.2)	2.8%	(8.2)
<i>Excess to STPF</i>	(1,209.3)	(1,178.9)	30.4	9.6%	(103.1)	(1,165.5)	(1,132.1)	33.4	-4.0%	46.8	(1,223.5)	(1,182.3)	41.2	4.4%	(50.1)
NET Federal Mineral Leasing	1,644.9	1,644.9	0.0	0.0%	-	1,644.9	1,644.9	-	0.0%	-	1,644.9	1,644.9	0.0	0.0%	0.0
State Land Office	112.5	131.6	19.1	1.1%	1.5	114.0	133.1	19.1	1.1%	1.5	115.5	134.6	19.1	1.1%	1.5
TOTAL RENTS & ROYALTIES	1,757.4	1,776.5	19.1	0.1%	1.5	1,758.9	1,778.0	19.1	0.1%	1.5	1,760.4	1,779.5	19.1	0.1%	1.5
TRIBAL REVENUE SHARING	91.0	91.0	-	0.6%	0.5	93.4	92.2	(1.2)	1.3%	1.2	95.6	94.1	(1.5)	2.1%	1.9
MISCELLANEOUS RECEIPTS	55.0	52.6	(2.4)	3.4%	1.8	57.3	54.4	(2.9)	3.5%	1.8	56.1	52.4	(3.6)	-3.6%	(2.0)
REVERSIONS ²	110.0	110.0	-	0.0%	-	110.0	110.0	-	0.0%	-	110.0	110.0	-	0.0%	-
TOTAL RECURRING	14,617.3	14,454.3	(163.1)	3.9%	541.0	15,169.8	14,999.6	(170.2)	3.8%	545.4	15,768.1	15,612.3	(155.8)	4.1%	612.7
TOTAL NONRECURRING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL General Fund	14,617.3	14,454.3	(163.1)	3.9%	541.0	15,169.8	14,999.6	(170.2)	3.8%	545.4	15,768.1	15,612.3	(155.8)	4.1%	612.7

General Fund Financial Summary 2025 December Consensus Revenue Estimate

(millions of dollars)

December 3, 2025
2:50 PM

	Estimate FY2025	Estimate FY2026	Estimate FY2027
APPROPRIATION ACCOUNT			
REVENUE			
August 2025 Consensus Revenue Estimate	\$ 13,654.8	\$ 13,706.0	\$ 14,109.9
December 2025 Consensus Revenue Estimate	\$ (59.1)	\$ (322.9)	\$ (196.7)
Total Recurring Revenue	\$ 13,595.7	\$ 13,383.1	\$ 13,913.2
<i>Percent Change in Recurring Revenue</i>	<i>4.3%</i>	<i>-1.6%</i>	<i>4.0%</i>
Nonrecurring Revenue			
August 2025 Consensus Revenue Estimate	\$ 45.5	\$ -	\$ -
December 2025 Consensus Revenue Estimate	\$ (17.1)	\$ 362.6	\$ -
Total Nonrecurring Revenue	\$ 28.5	\$ 362.6	\$ -
TOTAL REVENUE	\$ 13,624.1	\$ 13,745.7	\$ 13,913.2
APPROPRIATIONS			
Recurring Appropriations			
2024 Regular Session Recurring Legislation & Feed Bill	\$ 10,219.5		
2025 Regular Session Recurring Legislation & Feed Bill	\$ 15.1	\$ 10,826.3	
Total Recurring Appropriations	\$ 10,234.6	\$ 10,826.3	
Nonrecurring Appropriations			
Allotment to the Election Fund		\$ 30.0	
2024 Regular Session Nonrecurring Legislation	\$ 2,399.6		
2024 Special Session Nonrecurring Legislation	\$ 103.0		
2025 Regular Session Nonrecurring Legislation	\$ 1,056.4	\$ 2,806.6	
2025 1st Special Session Nonrecurring Legislation	\$ -	\$ 144.5	
2025 2nd Special Session Nonrecurring Legislation		\$ 0.1	
Total Nonrecurring Appropriations	\$ 3,559.0	\$ 2,981.2	\$ -
Subtotal Recurring and Nonrecurring Appropriations	\$ 13,793.6	\$ 13,807.5	\$ -
<u>Audit Adjustments</u>	\$ (7.9)		
TOTAL APPROPRIATIONS	\$ 13,785.7	\$ 13,807.5	\$ -
Transfer to (from) Operating Reserves	\$ (161.6)	\$ (61.9)	
Transfer to (from) Appropriation Contingency Fund (ARPA Funds)	\$ -	\$ -	
TOTAL REVENUE LESS TOTAL APPROPRIATIONS	\$ (161.6)	\$ (61.9)	
GENERAL FUND RESERVES			
Beginning Balances	\$ 3,307.3	\$ 3,181.4	
Transfers from (to) Appropriations Account	\$ (161.6)	\$ (61.9)	
Revenue and Reversions	\$ 761.0	\$ 764.3	
Appropriations, Expenditures and Transfers Out	\$ (725.4)	\$ (511.2)	
Ending Balances	\$ 3,181.4	\$ 3,372.6	
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>31.1%</i>	<i>31.2%</i>	

FY27 Total Revenue Less Total FY26 Approps.: \$105.7 million, or 0.8 percent

Notes:

1) Many nonrecurring appropriations, including specials and supplementals in the GAA, had authorization to spend in multiple fiscal years - amounts that were not distributed in the first year become encumbrances for the next year.

* Note: totals may not foot due to rounding

General Fund Financial Summary
2025 December Consensus Revenue Estimate

RESERVE DETAIL

(millions of dollars)

December 3, 2025

2:50 PM

	Estimate FY2025	Estimate FY2026	Estimate FY2027
OPERATING RESERVE			
Beginning Balance	\$ 606.6	\$ 246.5	\$ 138.1
BOF Emergency Appropriations/Reversions	\$ (4.0)	\$ (4.0)	\$ (4.0)
Transfers from (to) Appropriation Account	\$ (161.6)	\$ (61.9)	\$ -
Disaster Allotments	\$ (194.4)	\$ (200.0)	\$ -
Transfers from tax stabilization reserve to restore balance to 1 percent	\$ -	\$ 64.9	
Appropriation (to) HCA for SNAP - 2025 2nd Special Session	\$ -	\$ (160.0)	
Reversions in from HSD, DOH, HCA - 2025 2nd Special Session	\$ -	\$ 162.5	
Transfer from (to) ACF/Other Appropriations	\$ -	\$ 90.0	\$ -
Audit and Pre-Audit Adjustments	\$ (0.1)	\$ -	\$ -
Ending Balance	\$ 246.5	\$ 138.1	\$ 134.1
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	\$ 9.1	\$ 68.4	\$ 30.0
Disaster Allotments	\$ (65.7)	\$ (43.5)	\$ -
Transfers In/(Out)	\$ 150.0	\$ 5.0	\$ -
Appropriations Out	\$ (25.0)	\$ -	\$ -
Ending Balance	\$ 68.4	\$ 30.0	\$ 30.0
STATE SUPPORT FUND			
Beginning Balance	\$ 0.4	\$ 0.4	\$ 0.4
Revenues	\$ 40.0	\$ -	\$ -
Appropriations	\$ (40.0)	\$ -	\$ -
Ending Balance	\$ 0.4	\$ 0.4	\$ 0.4
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO)			
Beginning Balance	\$ 512.2	\$ 530.8	\$ -
Revenues/Gains	\$ 7.7	\$ 10.6	\$ -
Transfers from the Operating Reserve	\$ -	\$ -	\$ -
Appropriations to (from) the GRO	\$ -	\$ 265.3	\$ -
Reversions	\$ 10.9		
Expenditures	\$ -	\$ (132.7)	\$ -
Ending Balance	\$ 530.8	\$ 674.0	\$ -
BEHAVIORAL HEALTH TRUST FUND			
Beginning Balance		\$ -	\$ 166.2
Revenues/Gains		\$ 66.2	\$ 51.4
Appropriations to (from) BHTF		\$ 100.0	\$ -
Distributions		\$ -	\$ (5.2)
Ending Balance		\$ 166.2	\$ 212.4
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	\$ 2,179.0	\$ 2,335.3	\$ 2,364.0
Revenues from Excess Oil and Gas Emergency School Tax	\$ 436.2	\$ 61.0	\$ 42.7
Gains(Losses)	\$ 156.3	\$ 93.6	\$ 94.6
Transfers In (From Operating Reserve)	\$ -	\$ -	\$ -
Transfer Out to Operating Reserve	\$ -	\$ (64.9)	\$ -
Transfer Out to Early Childhood Trust Fund	\$ (436.2)	\$ (61.0)	\$ (42.7)
Ending Balance	\$ 2,335.3	\$ 2,364.0	\$ 2,458.5
Percent of Recurring Appropriations	22.8%	21.8%	
TOTAL GENERAL FUND ENDING BALANCES	\$ 3,181.4	\$ 3,372.6	
Percent of Recurring Appropriations	31.1%	31.2%	

* Note: totals may not foot due to rounding

U.S. and New Mexico Economic Indicators

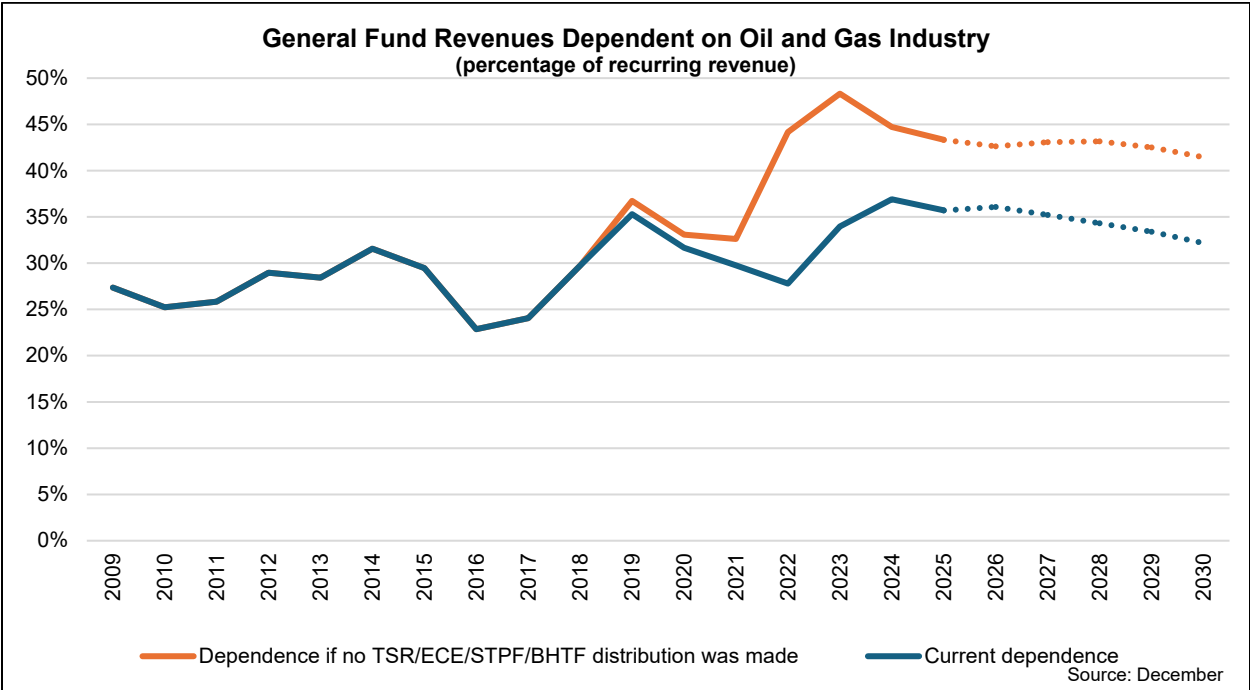
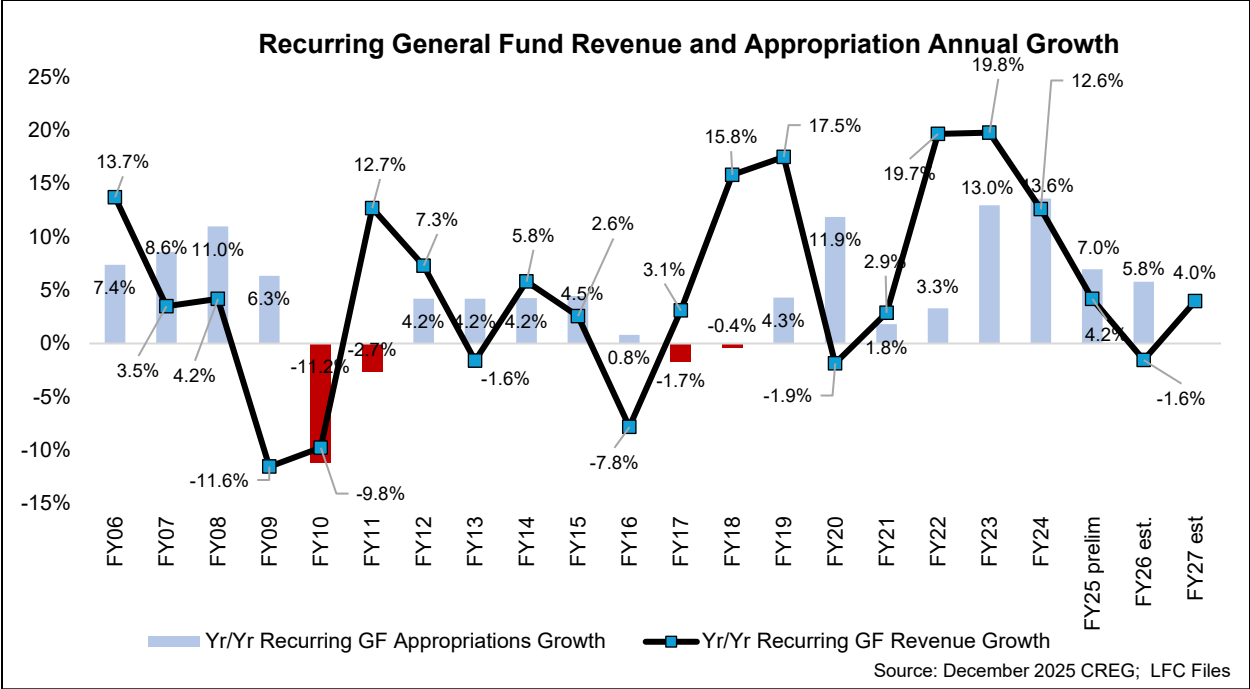
		FY25		FY26		FY27		FY28		FY29		FY30	
		Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast
National Economic Indicators													
S&P Global	US Real GDP Growth (annual avg., % YOY)*	2.8	2.8	1.4	2.0	2.0	2.2	1.7	1.8	1.6	1.6	1.7	1.8
Moody's	US Real GDP Growth (annual avg., % YOY)*	2.3	2.3	1.1	2.0	1.5	1.9	2.0	1.9	2.3	2.3	2.5	2.6
S&P Global	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.5	2.5	2.5	3.1	2.4	2.5	2.1	2.5	2.1	2.0	2.2	2.2
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.6	2.6	3.2	3.1	2.8	3.0	1.9	2.3	1.8	1.9	1.9	1.7
S&P Global	Federal Funds Rate (%)	5.1	5.1	4.3	4.3	3.5	3.5	2.9	2.9	2.9	2.9	3.1	3.1
Moody's	Federal Funds Rate (%)	4.6	4.6	3.9	3.8	3.1	2.9	3.0	2.9	3.0	3.0	2.8	2.8
New Mexico Labor Market and Income Data													
BBER	NM Non-Agricultural Employment Growth (%)	1.1	1.1	0.6	0.5	0.2	0.6	0.2	0.4	0.3	0.3	0.5	0.4
Moody's	NM Non-Agricultural Employment Growth (%)	1.4	1.4	0.8	1.2	0.0	0.0	0.1	0.1	0.3	0.3	0.5	0.5
BBER	NM Nominal Personal Income Growth (%)**	4.8	4.8	5.0	4.4	5.1	5.5	5.0	5.1	4.9	4.7	4.7	4.5
Moody's	NM Nominal Personal Income Growth (%)**	4.7	5.6	5.2	4.7	4.7	4.6	3.9	3.9	3.5	3.6	3.7	3.8
BBER	NM Total Wages & Salaries Growth (%)	5.0	5.0	4.4	3.8	3.8	4.7	4.2	4.6	4.4	4.5	4.2	4.2
Moody's	NM Total Wages & Salaries Growth (%)	4.9	5.3	4.7	4.1	3.9	3.9	3.1	3.1	2.8	2.9	3.3	3.4
BBER	NM Private Wages & Salaries Growth (%)	4.8	4.8	4.7	4.2	4.0	5.1	4.5	5.0	4.6	4.8	4.4	4.4
BBER	NM Real Gross State Product (% YOY)	1.5	2.6	1.3	1.7	1.9	2.0	1.6	1.7	1.7	1.8	1.7	1.7
Moody's	NM Real Gross State Product (% YOY)	1.5	2.6	0.8	1.6	1.1	1.4	1.5	1.4	1.7	1.7	1.9	2.0
CREG	NM Gross Oil Price (\$/barrel)	\$69.00	\$69.00	\$60.50	\$58.00	\$60.50	\$57.50	\$64.50	\$61.00	\$66.00	\$62.00	\$67.50	\$64.50
CREG	NM Net Oil Price (\$/barrel)*****	\$60.51	\$60.33	\$53.06	\$50.77	\$53.06	\$50.31	\$56.57	\$53.38	\$57.88	\$54.25	\$59.20	\$56.44
BBER	Oil Volumes (million barrels)	775	779	770	792	765	790	767	794	771	799	773	797
CREG	NM Taxable Oil Volumes (million barrels)	775	781	800	820	825	840	845	855	845	860	840	865
	NM Taxable Oil Volumes (%YOY growth)	9.2%	10.0%	3.2%	5.0%	3.1%	2.4%	2.4%	1.8%	0.0%	0.6%	-0.6%	0.6%
CREG	NM Gross Gas Price (\$ per thousand cubic feet)****	\$3.31	\$3.19	\$4.42	\$3.74	\$4.77	\$4.58	\$4.49	\$4.62	\$4.42	\$4.34	\$4.32	\$4.09
CREG	NM Net Gas Price (\$ per thousand cubic feet)*****	\$2.11	\$2.03	\$3.14	\$2.57	\$3.44	\$3.27	\$3.19	\$3.30	\$3.13	\$3.06	\$3.06	\$2.85
BBER	Gas Volumes (billion cubic feet)	3,888	3,988	3,920	4,146	3,919	4,147	3,933	4,165	3,949	4,171	3,955	4,153
CREG	NM Taxable Gas Volumes (billion cubic feet)	3,915	4,000	4,200	4,490	4,335	4,640	4,485	4,885	4,640	5,080	4,845	5,225
	NM Taxable Gas Volumes (%YOY growth)	12.5%	12.0%	7.3%	12.3%	3.2%	3.3%	3.5%	5.3%	3.5%	4.0%	4.4%	2.9%

Notes

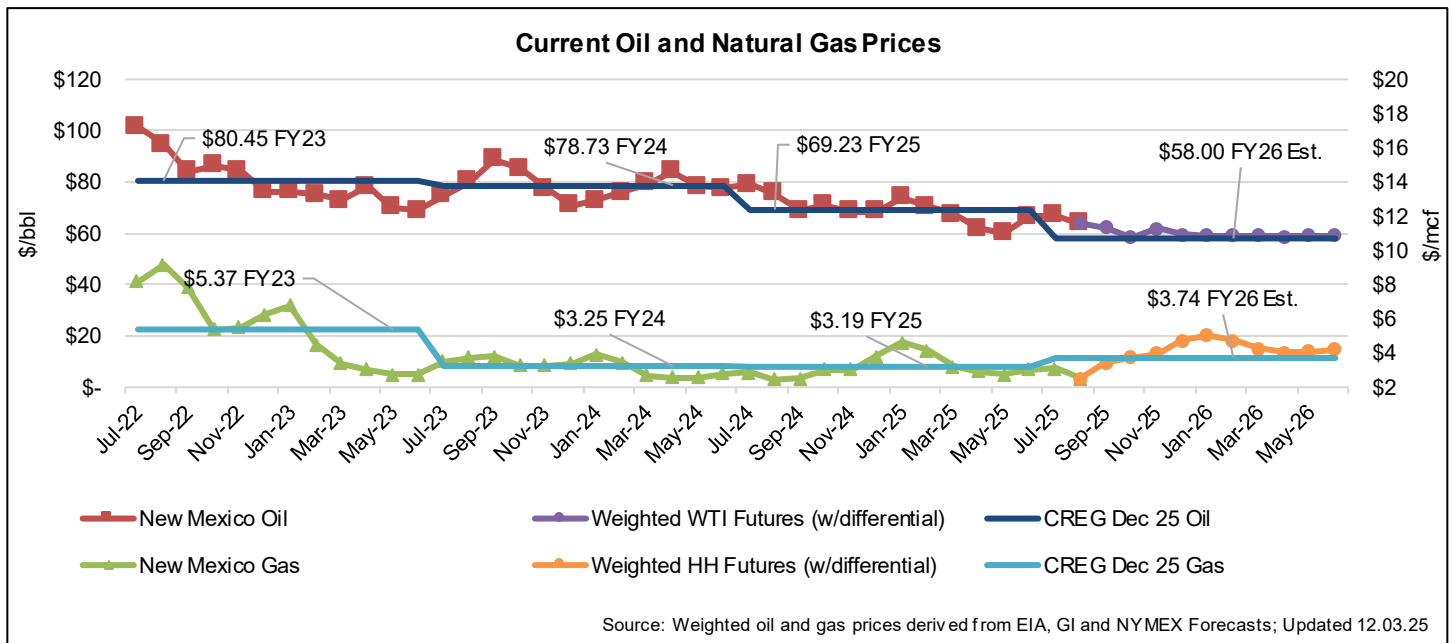
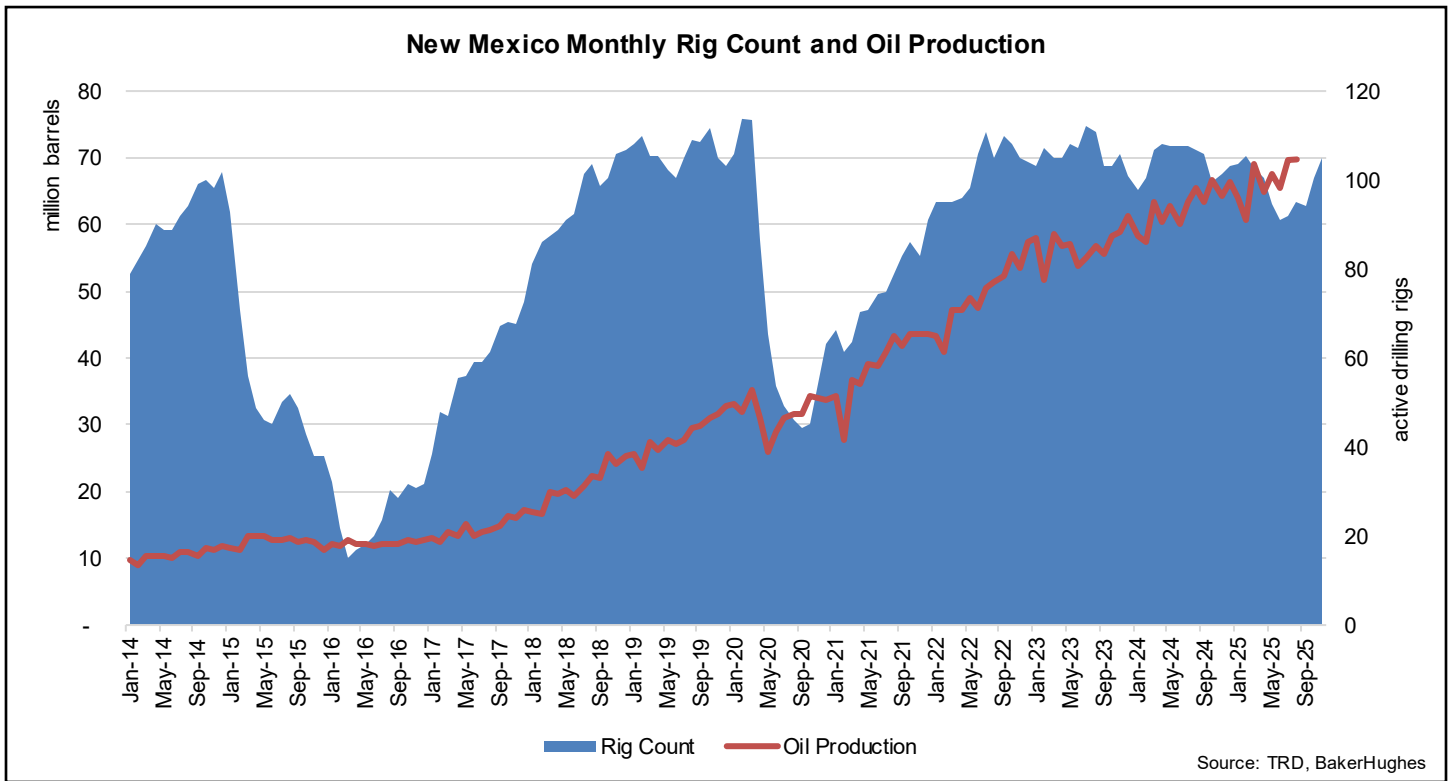
* Real GDP is BEA chained 2017 dollars, billions, annual rate
 ** CPI is all urban, BLS 1982-84=1.00 base
 ****The gross gas prices are estimated using a formula of NYMEX, EIA, and S&P Global future prices
 *****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
 Sources: BBER - October 2025 FOR-UNM baseline. S&P Global Insight - October 2025 baseline.

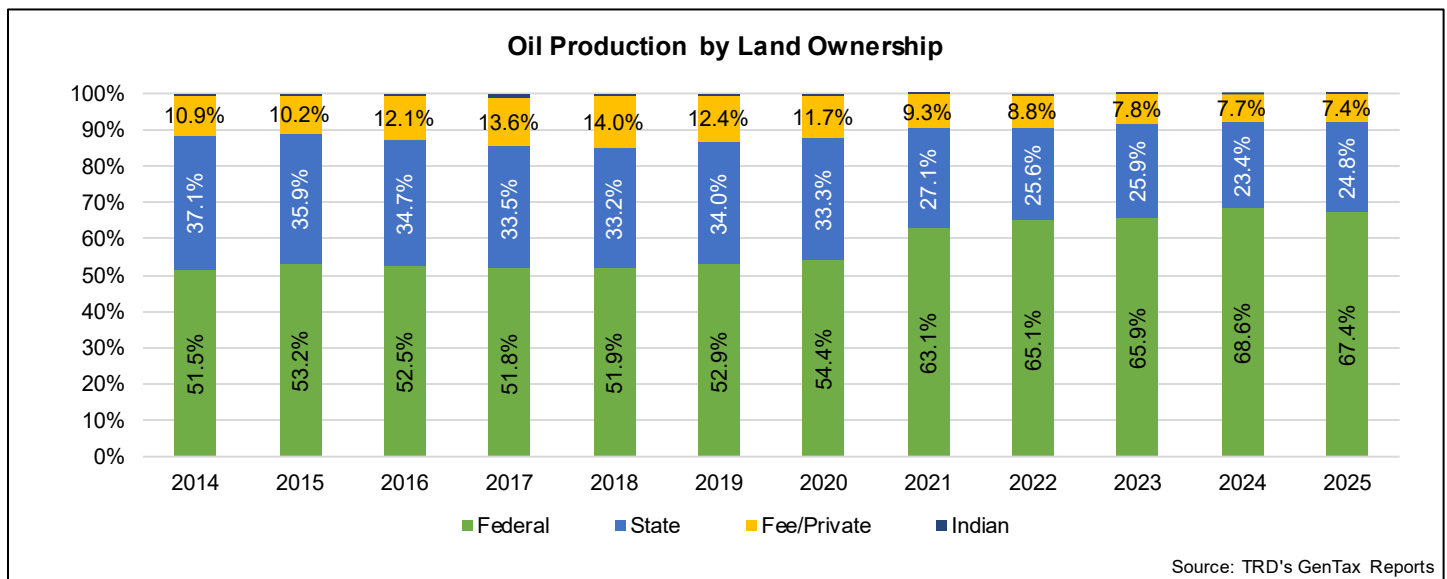
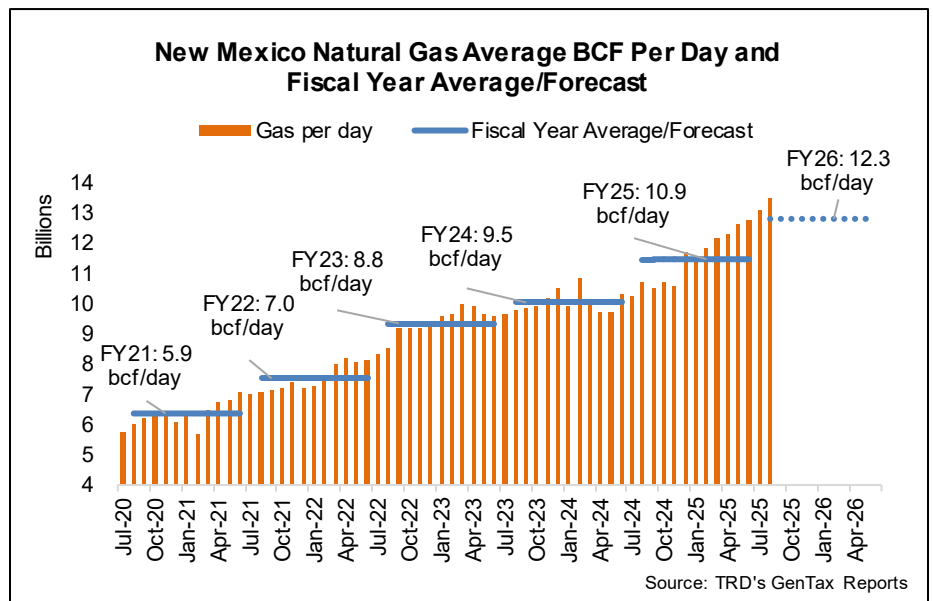
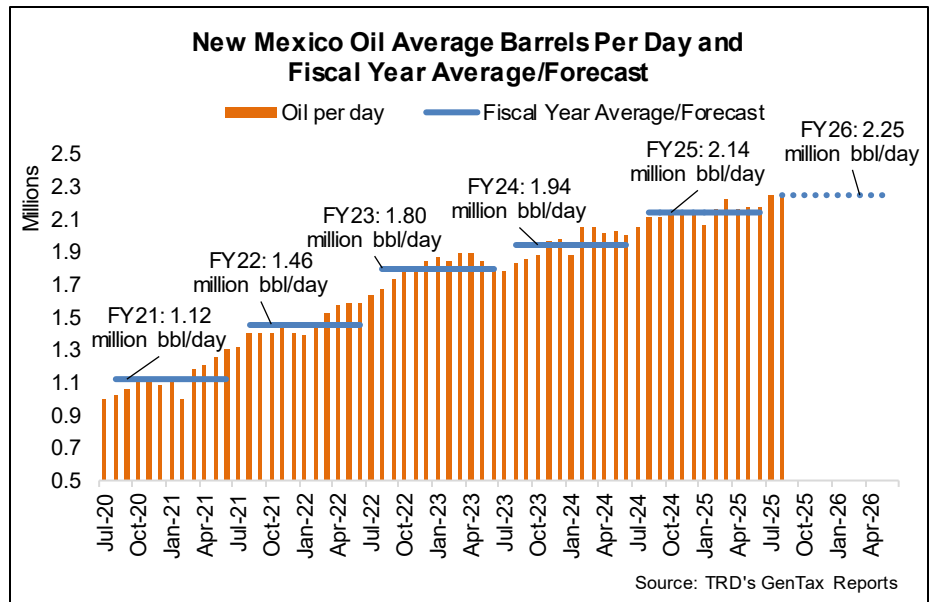
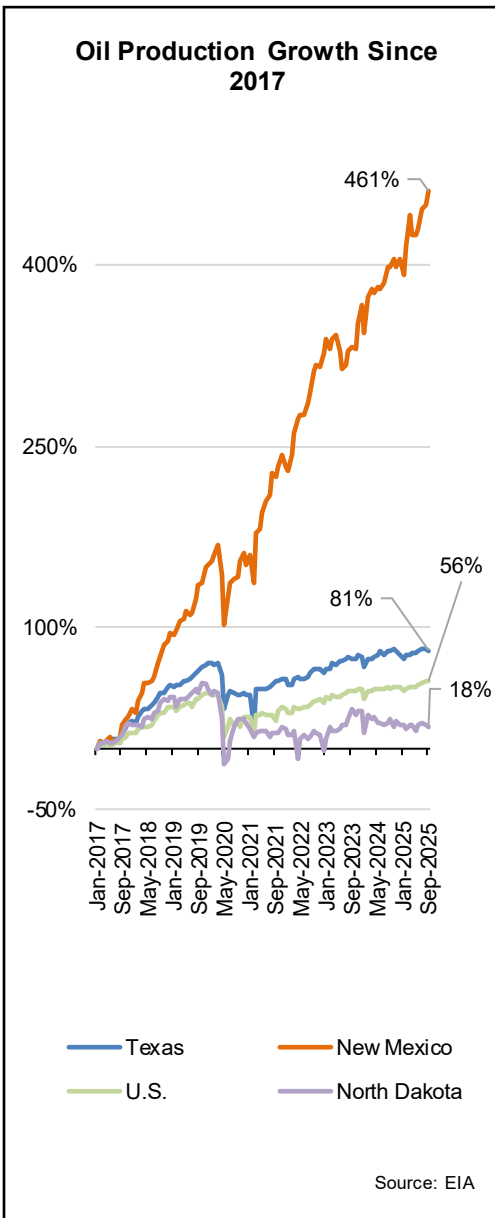
DFA Notes

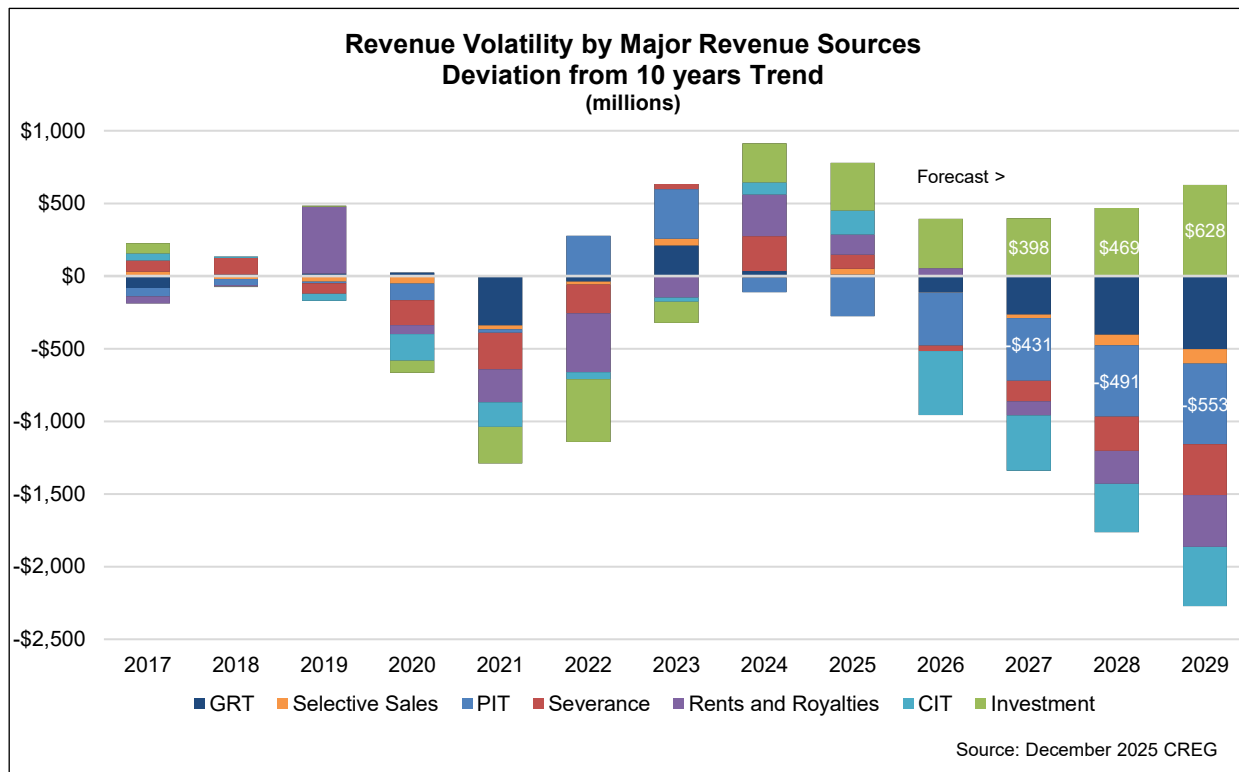
* Real GDP is BEA chained 2012 dollars, billions, annual rate
 ** CPI is all urban, BLS 1982-84=1.00 base.
 ***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
 ****The gross gas prices are estimated using a formula of NYMEX, EIA, and Moody's January future 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: Moody's baseline

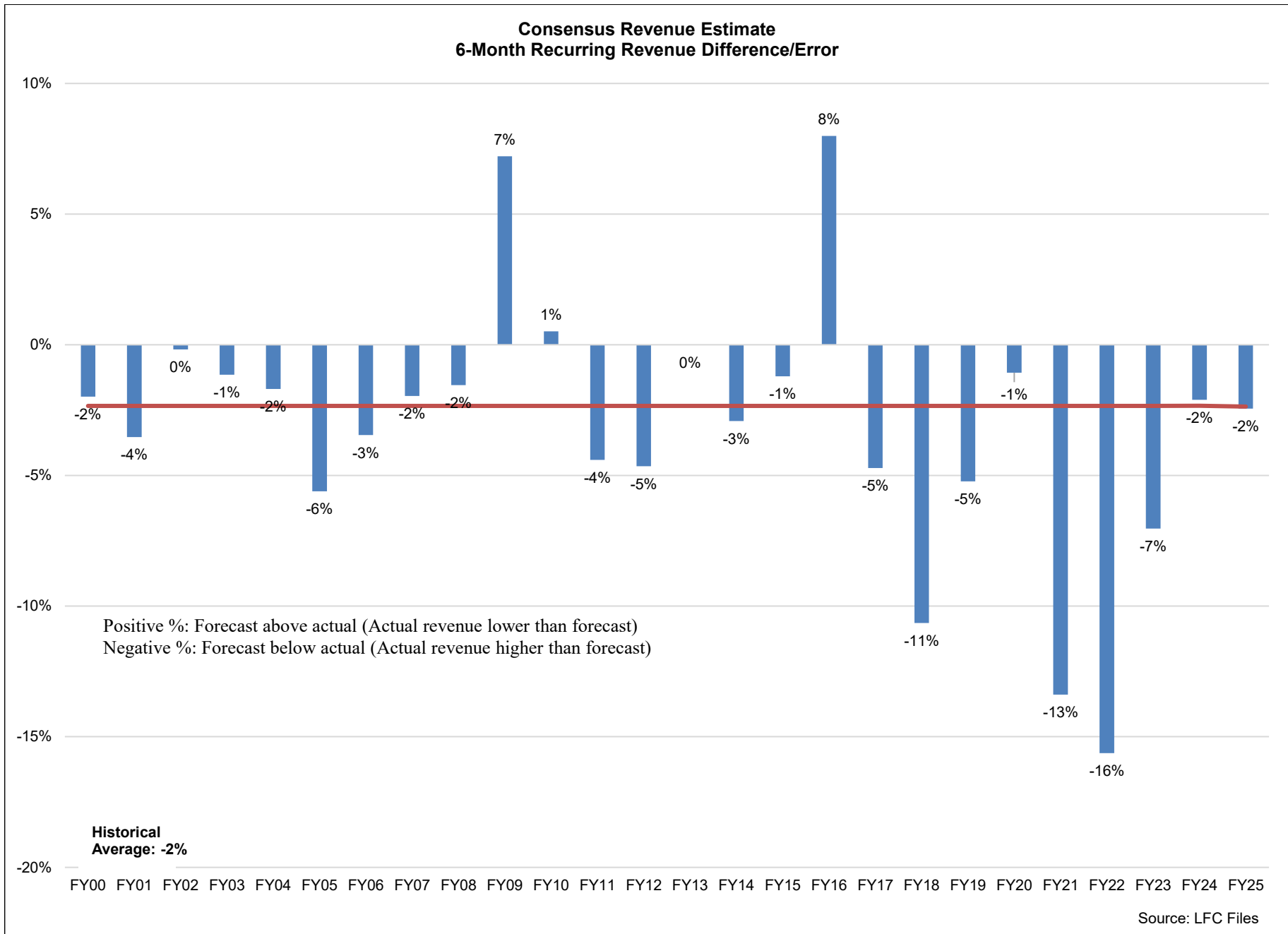


Early Childhood Trust Fund Forecast - December 2025										
(in millions)										
Calendar Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$314.1	\$3,462.0	\$5,721.2	\$9,015.8	\$9,964.2	\$10,483.0	\$10,594.0	\$10,716.4	\$11,128.8
Gains & Losses	\$34.1	(\$6.4)	\$336.1	\$549.7	\$642.5	\$498.2	\$524.1	\$529.7	\$535.8	\$556.4
Excess Federal Mineral Leasing	\$0.0	\$1,501.5	\$2,073.0	\$1,179.8	\$805.9	\$84.4	\$25.8	\$67.4	\$298.4	\$306.6
Excess OGAS School Tax*	\$0.0	\$1,682.80	\$0.0	\$1,815.0	\$0.0	\$436.2	\$61.0	\$42.7	\$108.1	\$205.8
Distribution to ECE Program Fund	(\$20.0)	(\$30.0)	(\$150.0)	(\$250.0)	(\$500.0)	(\$500.0)	(\$500.0)	(\$517.4)	(\$529.9)	(\$540.7)
Ending Balance	\$314.1	\$3,462.0	\$5,721.2	\$9,015.8	\$9,964.2	\$10,483.0	\$10,594.0	\$10,716.4	\$11,128.8	\$11,657.0
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.										
Note: Investment return assumed at 5% and distributions occur on July 1, based on previous calendar year-ending balance.										
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Distribution to ECE Program Fund	\$0.0	\$20.0	\$30.0	\$150.0	\$250.0	\$500.0	\$500.0	\$500.0	\$517.4	\$529.9



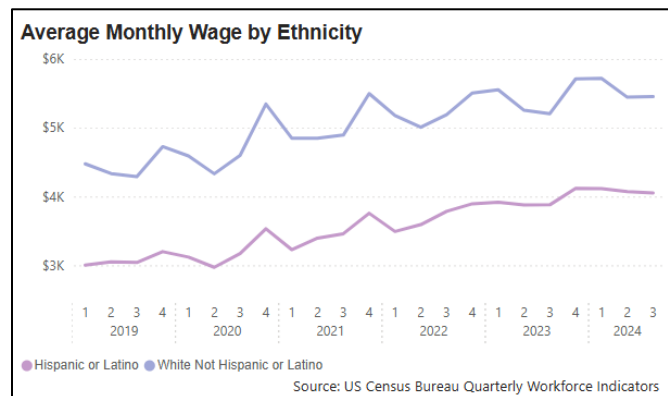
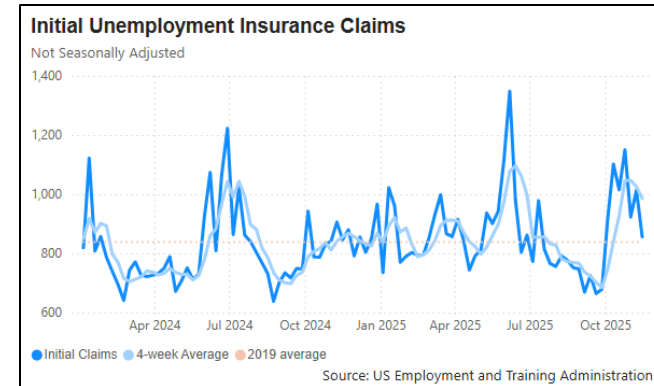
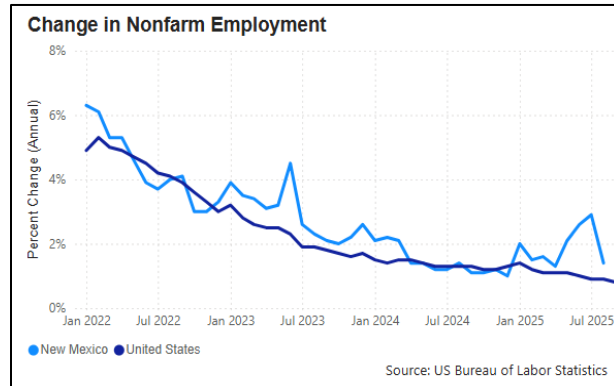
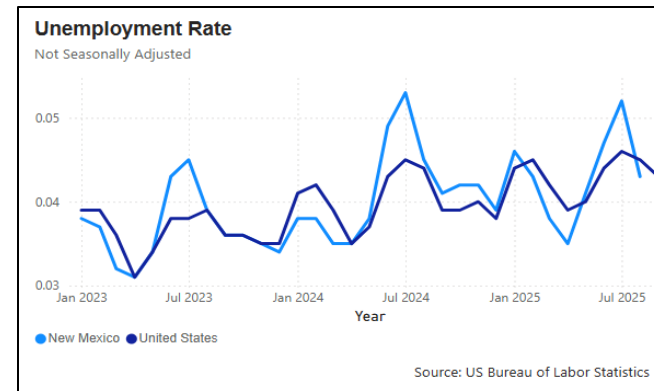
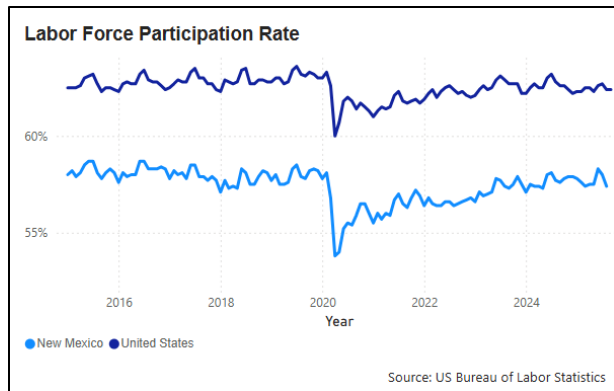






Tax Changes: Legislative Sessions 2019-2025
(in millions of dollars)

	FY25		FY26		FY27		FY28		FY29		
	Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring	
Gross Receipts and Compensating Taxes	2025 Regular Session										
	SB 481 State Fairgrounds District Act										
	2024 Regular Session										
	HB 252 Tax Package										
		\$ (15.56)		\$ (15.62)		\$ (15.83)		\$ (15.99)		\$ (15.99)	
	SB 17 Health Care Delivery & Access Act										
				\$ 25.80		\$ 26.30		\$ 26.80		\$ 26.80	
	SB 108 Distribution to Election Fund										
		\$ (15.00)		\$ (15.00)		\$ (15.00)		\$ (15.00)		\$ (15.00)	
	SB 148 Tax and Admin Fees										
						\$ (22.10)		\$ (45.50)		\$ (45.50)	
	2023 Regular Session										
	HB 353 South Campus TIDD										
		\$ (5.50)		\$ (5.50)		\$ (5.50)		\$ (5.50)		\$ (5.50)	
	HB 547 Omnibus Tax Package										
		\$ (38.85)		\$ (38.60)		\$ (38.50)		\$ (38.50)		\$ (38.50)	
	2022 Regular Session										
	HB 163 Tax Changes										
						\$ (7.12)		\$ (7.12)		\$ (7.12)	
		\$ (4.97)		\$ (7.12)		\$ (7.12)		\$ (7.12)		\$ (7.12)	
	\$ (199.90)		\$ (206.20)		\$ (206.20)		\$ (206.20)		\$ (206.20)		
	\$ (6.00)		\$ (6.20)		\$ (6.20)		\$ (6.20)		\$ (6.20)		
	\$ (7.92)		\$ (8.05)		\$ (8.05)		\$ (8.05)		\$ (8.05)		
2021 First Special Session											
HB 2 Cannabis Regulation Act											
					\$ (13.90)		\$ (13.90)		\$ (13.90)		
	\$ (13.90)		\$ (13.90)		\$ (13.90)		\$ (13.90)		\$ (13.90)		
	\$ 15.39		\$ 15.39		\$ 15.39		\$ 15.39		\$ 15.39		
2019 Regular Session											
HB6 Tax Changes											
					\$ 100.00		\$ 100.00		\$ 100.00		
	\$ 100.00		\$ 100.00		\$ 100.00		\$ 100.00		\$ 100.00		
	\$ 46.00		\$ 46.00		\$ 46.00		\$ 46.00		\$ 46.00		
	\$ (22.00)		\$ (22.00)		\$ (22.00)		\$ (22.00)		\$ (22.00)		
	\$ (42.00)		\$ (42.00)		\$ (42.00)		\$ (42.00)		\$ (42.00)		
	\$ 5.00		\$ 5.00		\$ 5.00		\$ 5.00		\$ 5.00		
	\$ (10.00)		\$ (10.00)		\$ (10.00)		\$ (10.00)		\$ (10.00)		
	\$ (10.00)		\$ (10.00)		\$ (10.00)		\$ (10.00)		\$ (10.00)		
	\$ (236.95)	\$ -	\$ (219.05)	\$ 0.03	\$ (249.76)	\$ -	\$ (272.82)	\$ -	\$ (272.81)	\$ -	
Personal and Corporate Income Taxes	2024 Regular Session										
	HB 252 Tax Package										
		\$ (79.50)		\$ (159.00)		\$ (170.00)		\$ (176.00)		\$ (176.00)	
		\$ (13.96)		\$ (11.63)		\$ (11.63)		\$ (11.63)		\$ (11.63)	
	PIT Brackets										
	Rural Healthcare Practitioner Credit										
				\$ 61.00		\$ 63.00		\$ 65.00		\$ 65.00	
	Capital Gains Deduction										
				\$ (5.00)		\$ (5.00)		\$ (5.00)		\$ (5.00)	
	Fire Recovery Credit										
				\$ 16.10		\$ 16.40		\$ 17.00		\$ 17.00	
	CIT Rate										
		\$ (0.00)		\$ (8.00)		\$ (8.00)		\$ (8.00)		\$ (8.00)	
	Geothermal Heat Pump Credit										
		\$ (1.23)		\$ (5.13)		\$ (11.25)		\$ (12.75)		\$ (12.75)	
	Clean Car Credits										
				\$ (5.00)		\$ (5.00)		\$ (10.00)		\$ (10.00)	
	Electric Generation Tax Sunset										
		\$ (0.99)		\$ (1.00)		\$ (1.01)		\$ (12.12)		\$ (12.12)	
	Armed Service Retirement Pay Exemption										
	\$ (0.10)		\$ (1.18)		\$ (2.37)		\$ (3.55)		\$ (3.55)		
Geothermal Electricity Generation Credit											
			\$ (25.00)		\$ (25.00)		\$ (25.00)		\$ (25.00)		
Advanced Energy Equipment Credit											
	\$ (9.45)		\$ (18.00)		\$ (18.00)		\$ (18.00)		\$ (18.00)		
Solar Market Development Credits											
	\$ (1.13)		\$ (0.45)		\$ (2.35)		\$ (2.35)		\$ (2.35)		
					\$ (2.35)		\$ (2.35)		\$ (2.35)		
2023 Regular Session											
HB 547 Omnibus Tax Package											
	\$ (106.60)		\$ (108.90)		\$ (111.10)		\$ (111.10)		\$ (111.10)		
Child Income Tax Credit											
	\$ (61.50)		\$ (75.90)		\$ (87.30)		\$ (87.30)		\$ (87.30)		
Film Tax Credits											
2022 Regular Session											
HB 163 Tax Changes											
	\$ (74.70)		\$ (75.40)		\$ (75.40)		\$ (75.40)		\$ (75.40)		
Child Credit											
	\$ (11.57)		\$ (12.09)		\$ (12.09)		\$ (12.09)		\$ (12.09)		
Military Pension Exemption											
	\$ (80.24)		\$ (84.58)		\$ (84.58)		\$ (84.58)		\$ (84.58)		
Social Security Exemption											
2021 Regular Session											
HB 291 Tax Changes (LICTR and WFTC)											
	\$ (63.18)		\$ (63.18)		\$ (63.18)		\$ (63.18)		\$ (63.18)		
2020 Regular Session											
SB 29 Solar Market Development Income Tax Credit											
	\$ (5.00)		\$ (5.00)		\$ (5.00)		\$ (5.00)		\$ (5.00)		
2019 Regular Session											
SB 2 Film Tax Credit Changes											
	\$ (95.90)		\$ (95.90)		\$ (95.90)		\$ (95.90)		\$ (95.90)		
HB6 Tax Changes											
	\$ 41.00		\$ 41.00		\$ 41.00		\$ 41.00		\$ 41.00		
New PIT Brackets											
	\$ (41.00)		\$ (41.00)		\$ (41.00)		\$ (41.00)		\$ (41.00)		
Increase WFTC to 17%											
	\$ (28.00)		\$ (28.00)		\$ (28.00)		\$ (28.00)		\$ (28.00)		
Dependent Deduction											
	\$ 10.00		\$ 10.00		\$ 10.00		\$ 10.00		\$ 10.00		
Change PIT Deduction for Capital Gains											
	\$ (630.78)	\$ -	\$ (710.80)	\$ -	\$ (742.33)	\$ -	\$ (764.52)	\$ -	\$ (764.52)	\$ -	
Other Taxes	2024 Regular Session										
	HB 7 Health Care Affordability Fund Distribution										
				\$ (83.20)		\$ (85.70)		\$ (88.30)		\$ (88.30)	
	SB 17 Health Care Delivery & Access Act										
				\$ 86.40		\$ 89.10		\$ 89.90		\$ 89.90	
	SB 151 Premium Tax to Emergency Services Fund										
		\$ (2.90)		\$ (11.00)		\$ (11.20)		\$ (11.60)		\$ (11.60)	
	2023 Regular Session										
	SB 26 Excess Oil & Gas Funds to Severance Tax Fund										
		\$ (587.60)		\$ (1,204.00)		\$ (1,681.70)		\$ (1,681.70)		\$ (1,681.70)	
	SB 491 Health Premium Tax for Law Enforcement										
		\$ (21.80)		\$ (22.20)		\$ (22.60)		\$ (22.60)		\$ (22.60)	
	2021 Regular Session										
SB 3 Small Business Recovery Act											
	\$ (16.09)		\$ (22.16)		\$ (22.16)		\$ (22.16)		\$ (22.16)		
2021 First Special Session											
HB 2 Cannabis Regulation Act											
	\$ 31.64		\$ 31.64		\$ 31.64		\$ 31.64		\$ 31.64		
2020 First Special Session											
SB3 Small Business Recovery Loan Act											
	\$ (17.80)		\$ (22.60)		\$ (22.60)		\$ (22.60)		\$ (22.60)		
2019 Regular Session											
HB6 Tax Changes											
	\$ (28.00)		\$ (28.00)		\$ (28.00)		\$ (28.00)		\$ (28.00)		
MVEX GF Distribution											
	\$ 14.00		\$ 14.00		\$ 14.00		\$ 14.00		\$ 14.00		
Tax E-Cigs and Increase Cig tax											
	\$ (634.30)	\$ -	\$ (1,266.77)	\$ (3.20)	\$ (1,742.87)	\$ (3.20)	\$ (1,744.07)	\$ -	\$ (1,744.07)	\$ -	
	\$ (1,502.03)	\$ -	\$ (2,196.62)	\$ (3.18)	\$ (2,734.96)	\$ (3.20)	\$ (2,781.40)	\$ -	\$ (2,781.39)	\$ -	



Conservation Legacy Permanent Fund (CLPF)		FY24	FY25	FY26 Est.	FY27 Est.	FY28 Est.	FY29 Est.	FY30 Est.
Beginning Balance		\$ 50,000.00	\$ 354,250.84	\$ 392,425.40	\$ 388,682.74	\$ 393,402.05	\$ 398,755.99	\$ 404,157.54
Gains & Losses		\$ 4,250.84	\$ 38,174.56	\$ 29,431.90	\$ 29,151.21	\$ 29,505.15	\$ 29,906.70	\$ 30,311.82
Distribution to LELF			\$ -	\$ (33,174.56)	\$ (24,431.90)	\$ (24,151.21)	\$ (24,505.15)	\$ (24,906.70)
Ending Balance		\$ 54,250.84	\$ 392,425.40	\$ 388,682.74	\$ 393,402.05	\$ 398,755.99	\$ 404,157.54	\$ 409,562.66

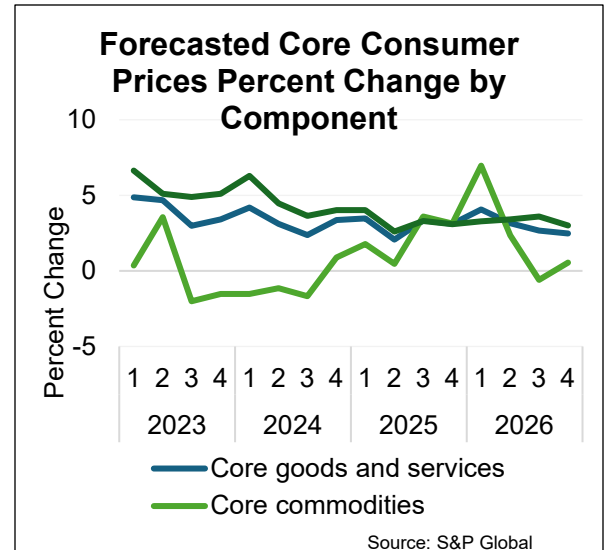
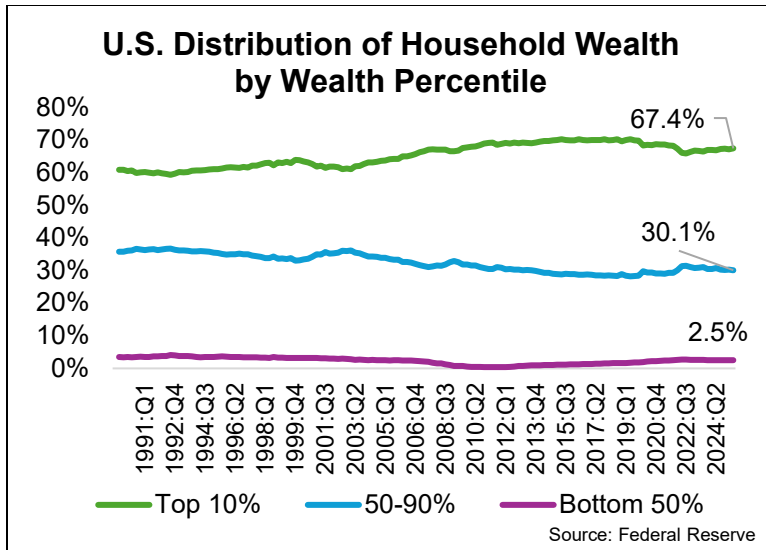
Land of Enchantment Legacy Fund (LELF)		FY24	FY25	FY26 Est.	FY27 Est.	FY28 Est.	FY29 Est.	FY30 Est.
Beginning Balance		\$ 50,000.00	\$ 37,813.34	\$ 26,258.67	\$ 45,067.27	\$ 52,969.39	\$ 58,833.62	\$ 63,607.21
Inflow from CLPF		\$ -	\$ -	\$ 33,174.56	\$ 24,431.90	\$ 24,151.21	\$ 24,505.15	\$ 24,906.70
Gains & Losses		\$ 417.78	\$ 945.33	\$ 656.47	\$ 1,126.68	\$ 1,324.23	\$ 1,470.84	\$ 1,590.18
Balance After Inflows		\$ 50,417.78	\$ 38,758.67	\$ 60,089.69	\$ 70,625.86	\$ 78,444.83	\$ 84,809.62	\$ 90,104.09
Distribution from LELF to Agencies		\$ (12,604.45)	\$ (12,500.00)	\$ (15,022.42)	\$ (17,656.46)	\$ (19,611.21)	\$ (21,202.40)	\$ (22,526.02)
Ending Balance		\$ 37,813.34	\$ 26,258.67	\$ 45,067.27	\$ 52,969.39	\$ 58,833.62	\$ 63,607.21	\$ 67,578.07

Share	Distributions to Agencies	FY24	FY25	FY26 Est.	FY27 Est.	FY28 Est.	FY29 Est.	FY30 Est.
22.5%	EMNRD: 50% to the Forestry Division		\$ 1,418.00	\$ 1,406.25	\$ 1,690.02	\$ 1,986.35	\$ 2,206.26	\$ 2,385.27
	EMNRD: 50% for the National Heritage Conservation Act		\$ 1,418.00	\$ 1,406.25	\$ 1,690.02	\$ 1,986.35	\$ 2,206.26	\$ 2,385.27
	NMDA: Noxious Weed Mgt, Healthy Soil Act, and							
22.5%	Soil/Water Conservation District		\$ 2,836.00	\$ 2,812.50	\$ 3,380.05	\$ 3,972.70	\$ 4,412.52	\$ 4,770.54
	DGF: Projects and programs for the propagation and							
	protection of game and fish		\$ 2,772.98	\$ 2,750.00	\$ 3,304.93	\$ 3,884.42	\$ 4,314.47	\$ 4,664.53
	EDD: 75% for outdoor recreation division special							
	projects and infrastructure		\$ 1,418.00	\$ 1,406.25	\$ 1,690.02	\$ 1,986.35	\$ 2,206.26	\$ 2,385.27
15.0%	EDD: 25% for the outdoor equity grant program		\$ 472.67	\$ 468.75	\$ 563.34	\$ 662.12	\$ 735.42	\$ 795.09
10.0%	NMED: Water quality and river habitat projects		\$ 1,260.44	\$ 1,250.00	\$ 1,502.24	\$ 1,765.65	\$ 1,961.12	\$ 2,120.24
8.0%	DCA: For the Cultural Properties Protection Act		\$ 1,008.36	\$ 1,000.00	\$ 1,201.79	\$ 1,412.52	\$ 1,568.90	\$ 1,696.19
100.0%	TOTAL Distributions		\$ 12,604.45	\$ 12,500.00	\$ 15,022.42	\$ 17,656.46	\$ 19,611.21	\$ 21,202.40

Insurance Premium Tax Distributions Forecast								
(in millions)								
Agency	Fund Name	FY24	FY25 Est.	FY26 Est.	FY27 Est.	FY28 Est.	FY29 Est.	FY30 Est.
HCAF	Health Care Affordability Fund	\$ 174.9	\$ 97.8	\$ 205.6	\$ 215.4	\$ 201.4	\$ 198.2	\$ 198.4
DFA	Law Enforcement Protection Fund	\$ 24.8	\$ 24.1	\$ 31.1	\$ 31.7	\$ 30.3	\$ 29.9	\$ 29.9
DHSEM	Fire Protection Fund	\$ 118.8	\$ 128.5	\$ 132.5	\$ 144.6	\$ 155.5	\$ 166.9	\$ 179.0
DOH	Emergency Medical Services Fund	\$ -	\$ 1.4	\$ 12.9	\$ 13.0	\$ 12.0	\$ 11.7	\$ 11.6

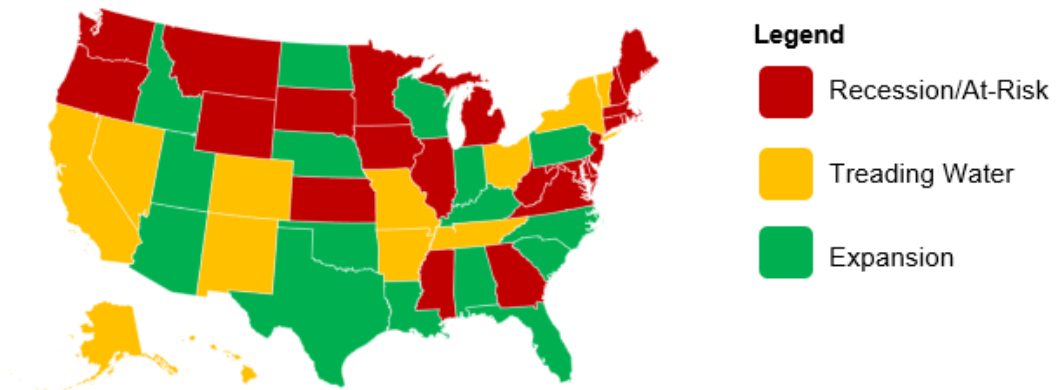
Behavioral Health Trust Fund Forecast						
(in millions)						
Calendar Year	2025	2026	2027	2028	2029	2030
Beginning Balance	\$0.0	\$100.7	\$106.0	\$170.4	\$217.8	\$334.3
Appropriations in/(out)	\$100.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Contributions	\$0.0	\$0.0	\$61.0	\$42.7400	\$108.1	\$0.0
Distributions	\$0.0	\$0.0	(\$5.2)	(\$6.3)	(\$8.2)	(\$12.0)
Gains/(Losses)	\$0.7	\$5.2	\$8.5	\$10.9	\$16.7	\$17.1
Ending Balance	\$100.7	\$106.0	\$170.4	\$217.8	\$334.3	\$339.4
	FY25	FY26	FY27	FY28	FY29	FY30
Distribution to Behavioral Health Program Fund	\$0.0	\$0.0	\$0.0	\$5.2	\$6.3	\$8.2

Medicaid Trust Fund Forecast						
(in millions)						
Calendar Year	2025	2026	2027	2028	2029	2030
Beginning Balance	\$0.0	\$0.0	\$129.2	\$160.1	\$234.0	\$243.3
Appropriations in/(out)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Overflow from Reversions	\$0.0	\$43.1	\$0.0	\$0.0	\$0.0	\$0.0
Contributions from FML	\$0.0	\$84.4	\$25.8	\$67.4	\$0.0	\$0.0
Distributions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gains/(Losses)	\$0.0	\$1.7	\$5.2	\$6.4	\$9.4	\$9.7
Ending Balance	\$0.0	\$129.2	\$160.1	\$234.0	\$243.3	\$253.0
	FY25	FY26	FY27	FY28	FY29	FY30
Distribution to State-Supported Medicaid Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

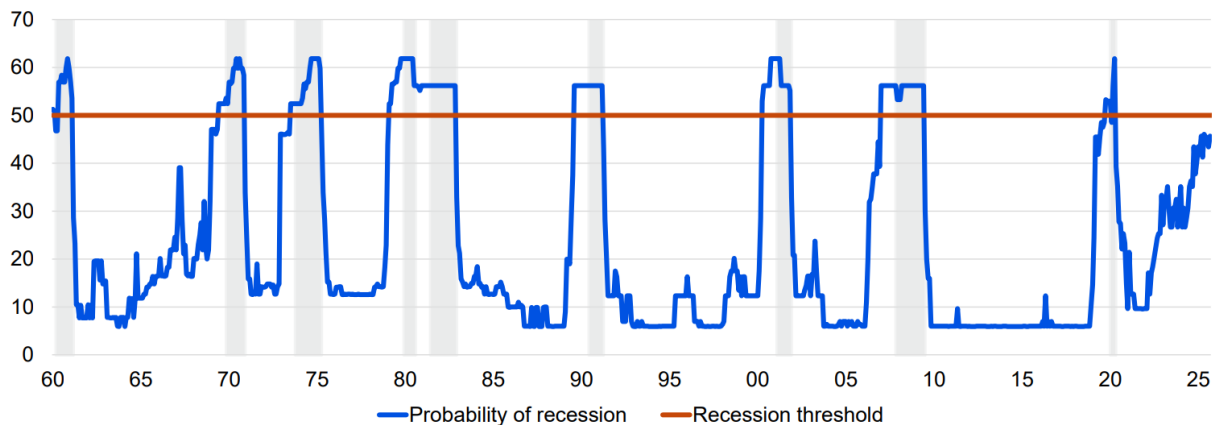


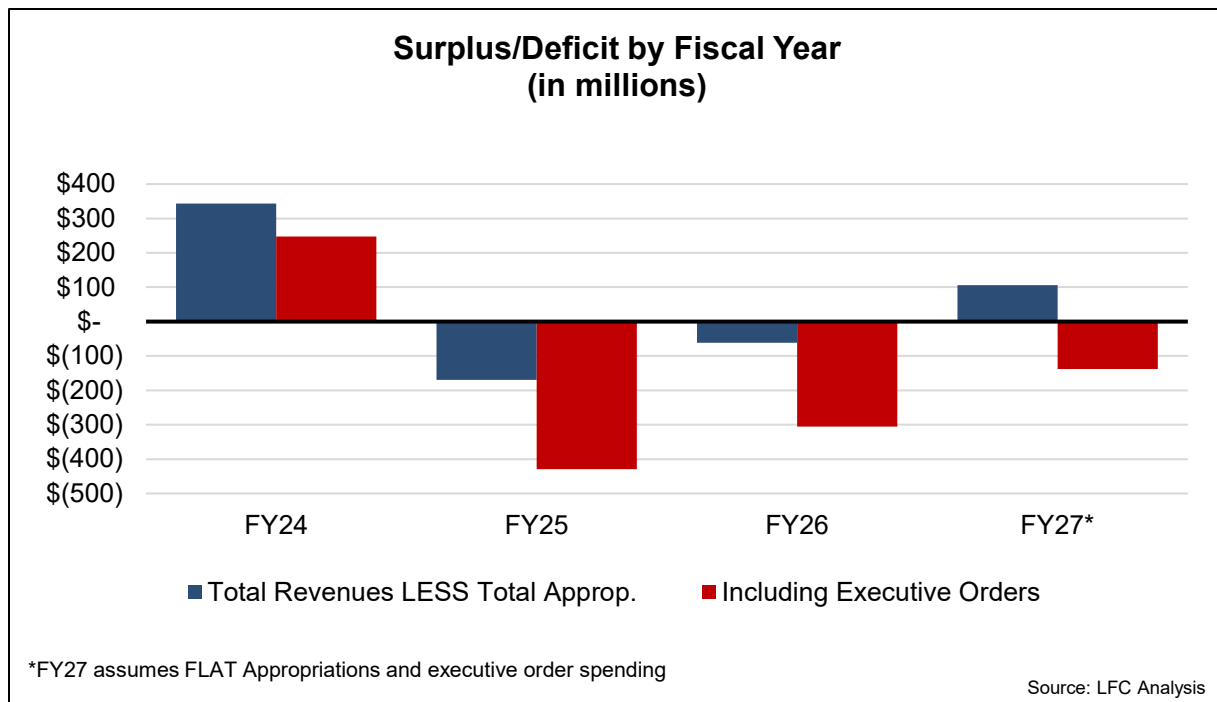
Many States In or Near Recession, Signaling National Recession Risk

Business cycle status, October 2025



Estimated probability of recession in next 12 mo, %





**Economic Data Disrupted by Federal Government Shutdown during CREG
Forecast**

Date	Indicator	Period
Oct 1	Construction spending	August
Oct 2	Factory orders	August
Oct 3	Nonfarm payrolls, unemployment rate	September
Oct 7	Trade balance	August
Oct 16	Retail sales	September
Oct 16	Producer price index	September
Oct 16	Business inventories	August
Oct 17	Import prices	September
Oct 17	New residential construction	September
Oct 24	New-home sales	September
Oct 27	Advanced durable goods orders	September

Source: Census, ETA, Moody's Analytics

**Sources and Uses of Bonding Capacity Available for Authorization
and Severance Tax Permanent Fund Transfer (in millions)
December 2025**

Sources of Funds	FY26	FY27	FY28	FY29	FY30	5-Year
General Obligation Bonds	\$380.3		\$380.3		\$380.3	\$1,140.9
Senior STBs	\$1,116.9	\$1,115.6	\$1,157.3	\$1,203.2	\$1,191.4	\$5,784.4
Severance Tax Bonds Issued ¹	\$385.0	\$385.0	\$385.0	\$385.0	\$385.0	\$1,925.0
Severance Tax Notes	\$731.9	\$730.6	\$772.3	\$818.2	\$806.4	\$3,859.4
Supplemental STBs	\$742.6	\$760.8	\$819.8	\$882.7	\$898.3	\$4,104.2
Supplemental Severance Tax Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Supplemental Severance Tax Notes	\$742.6	\$760.8	\$819.8	\$882.7	\$898.3	\$4,104.2
TOTAL Sources of STB Funds	\$1,859.5	\$1,876.5	\$1,977.0	\$2,085.9	\$2,089.7	\$9,888.6

Uses of Funds	FY26	FY27	FY28	FY29	FY30	5-Year
General Obligation Bonds	\$380.3		\$380.3		\$380.3	\$1,140.9
Senior Severance Tax Bonds	\$1,116.9	\$1,876.5	\$1,977.0	\$2,085.9	\$2,089.7	\$9,146.0
<u>Authorized but Unissued STB Projects</u>	\$63.5	\$0.0	\$0.0	\$0.0	\$0.0	\$63.5
<u>Earmark Programs</u>						
9.0% of Senior STB for Water Projects	\$184.8	\$184.7	\$188.5	\$192.6	\$191.6	\$942.2
4.5% of Senior STB for Colonias Projects	\$92.4	\$92.4	\$94.2	\$96.3	\$95.8	\$471.1
4.5% of Senior STB for Tribal Projects	\$92.4	\$92.4	\$94.2	\$96.3	\$95.8	\$471.1
2.5% Housing Trust Fund Projects	\$51.3	\$51.3	\$52.4	\$53.5	\$53.2	\$261.7
<u>Capital Development Reserve & Program Funds²</u>						
Capital Dev. & Reserve Fund Contribution	\$197.1	\$312.6	\$428.2	\$543.7	\$659.2	\$2,140.9
<u>New Senior STB Statewide Capital Projects</u>	\$435.2	\$382.2	\$299.8	\$220.7	\$95.9	\$1,433.8
PSCOC Public School Capital	\$742.6	\$760.8	\$819.8	\$882.7	\$898.3	\$4,104.2
TOTAL STB Uses of Funds	\$1,859.5	\$1,876.5	\$1,977.0	\$2,085.9	\$2,089.7	\$9,888.6

Estimated Transfer to Severance Tax Permanent Fund & Capital Development Program Fund Disbursement

	FY26	FY27	FY28	FY29	FY30	5-Year
Severance Tax Permanent Fund Transfer	\$681.9	\$643.2	\$787.9	\$755.0	\$874.4	\$3,742.4
Capital Dev. Program Fund Disbursement	\$26.5	\$30.9	\$41.8	\$58.4	\$81.4	\$239.1

¹ The State Board of Finance has calculated the "capped" debt capacity to be \$385 million annually.

² Per HB 253 (2024), SBOF shall distribute any cash savings resulting from reduced long-term bond issuance (also known as debt service savings) annually to the newly established Capital Development and Reserve Fund. Based on the traditional SBOF capacity calculation, estimated at \$1,322 million, and the issuance amount of \$385 million per HB253, average annual debt service savings are estimated to total \$115.52 million, which is applied for 10 years, compounding each year in which debt service savings are realized. This analysis assumes savings will be realized each year. Additionally, on January 1 of each year, a distribution from the Capital Development Reserve fund will be made to the Capital Development Program Fund for small project and design and engineering appropriation.