

Consensus General Fund Revenue Outlook

New Mexico Department of Finance and Administration

Presented to the Revenue Stabilization & Tax Policy Committee

December 12, 2017



Overview

- Preliminary FY17 revenue exceeded August expectation by \$145 million largely due to higher reversions and income tax revenue.
- In FY18 and FY19 total recurring General Fund revenues are expected to grow by 3.5 percent and 3.1 percent, respectively, resulting in total FY19 revenue of \$6.3 billion and “new money” of \$199 million.
- Moderate macroeconomic growth is expected to continue nationally and in New Mexico.
 - A near term US recession is not forecast in the baseline scenario, but remains around a 20% probability.
- Moody’s Analytics and UNM BBER expectations for future New Mexico growth have remained near one another and are not significantly changed from August.
 - New Mexico employment is expected to grow around one percent in both of the next two years, but at around a half percent higher level compared to August.
 - Details provided in attached Appendix 2.
- Due to the volatility of revenues and range of risks New Mexico should target at least 10% reserves.

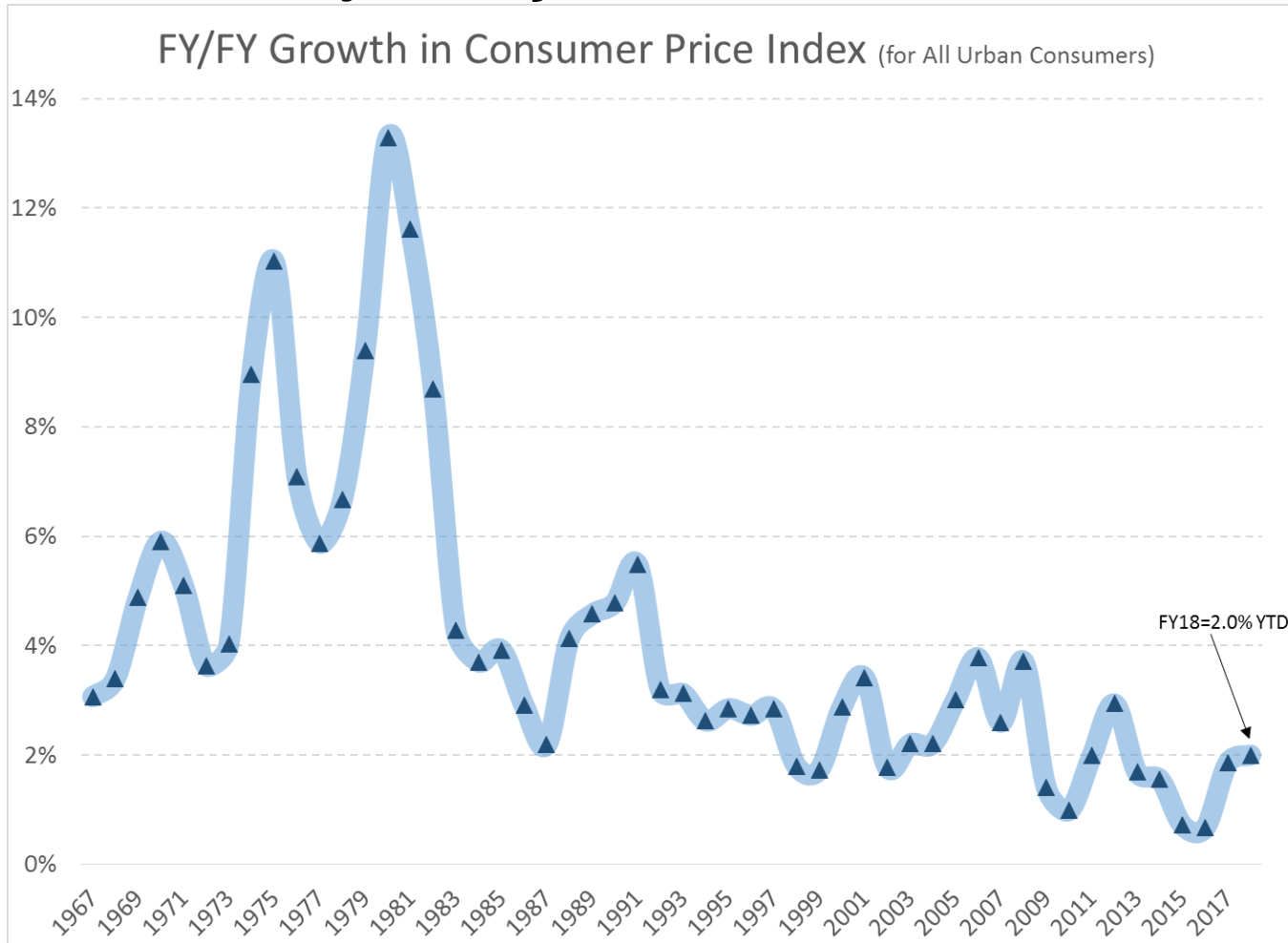
Major Forecast Revisions vs. August

- Personal Income Tax (PIT) – at the very end of FY17 \$69 million of previously unmatched CRS payments were identified as withholding (PIT). Along with other strength at the end of FY17, PIT exceeded August expectations for FY17 by \$96 million. This strength is expected to continue into FY18 and FY19 with forecasts for those two years being increased by \$71 million and \$83 million.
- Corporate Income Tax (CIT) – Preliminary FY17 net CIT exceeded August expectations by \$20 million, this strength along with a strong initial estimated quarterly payment in FY18 and slightly higher national expectations, has also increased the estimated CIT in FY18 and FY19 by \$35 million and \$36 million.
- Oil and Gas: due to increased price and volume expectations along with higher recent State Land Office and Federal Mineral Leasing payments, forecast oil and gas revenues from severance taxes and rents and royalties have been increased by approximately \$70 million in both FY18 and FY19.

US/Global Outlook

- Overall US Real GDP is expected to continue growing between two and three percent for the next couple years.
- Inflation is expected to return to longer term averages climbing above two percent in FY19 and FY20 (now both Moody's and Global Insight share this expectation).
- After appreciating by one-third between mid 2011 and Jan. 2016, the value of the US dollar has leveled off and declined by over six percent since January.
- The proposed federal tax reform offers the largest changes in decades and would have major positive and negative impacts on NM revenue; however, its final passage and form are highly uncertain at this time.
- Federal Funds rate hikes are expected to continue in 2018 at a measured pace.

Historically low Inflation = lower nominal revenue growth



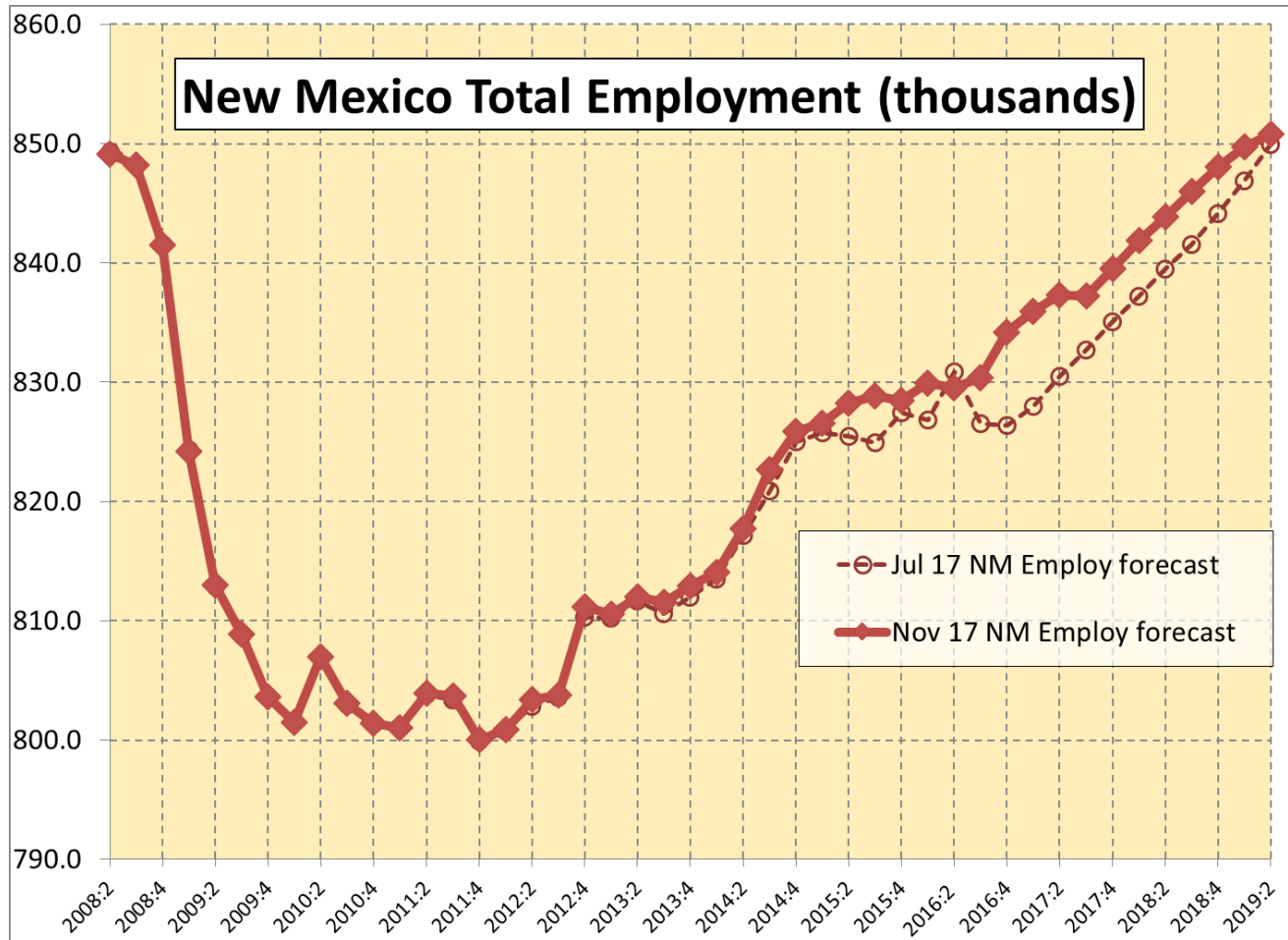
- *Inflation had been relatively stable for decades:*
 - 10 year average 1995-2004 = 2.4%
 - 10 year average 2005-2014 = 2.4%
- *FY15 and FY16 lowest inflation in 60 years, only 0.7%*
- *FY17 began to normalize at 1.9%*
- *FY18 on track for 2.0% YTD*

New Mexico Outlook

- Recent employment growth was revised upward; future growth forecasts remain around one percent but at a higher level.
- The Rio Grande Corridor grew moderately in FY17, and is on pace to grow slightly faster in FY18.
- Southeast New Mexico has rebounded sharply and is on pace to exceed August expectations.
- A dashboard of current economic indicators for New Mexico can be found at: <https://research.stlouisfed.org/dashboard/9235>



Moody's Analytics Forecast Changes



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



Gross Receipts- substantial oil patch rebound & core growth

FY 17 Y/Y General Fund GRT \$millions

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

FY 18 Q1 Y/Y General Fund GRT

San Juan 3.3	Rio Arriba 0.5	Taos -0.3	Colfax 0.3	Union 0.0	
McKinley -0.5	Sandoval -0.4	Los Alamos 0.5	Mora 0.2	Harding 0.0	Quay -0.2
Cibola -0.1	Bernalillo 6.1	Santa Fe 1.7	San Miguel 0.4	Curry -1.8	
Catron 0.0	Valencia 3.5	Torrance 1.0	Guadalupe -0.1	De Baca -0.3	Roosevelt 0.3
Grant 0.4	Sierra -0.9	Socorro -0.2	Lincoln 0.4	Lea 13.5	
Luna 0.8	Doña Ana 0.4	Otero -0.2	Chaves 1.5	Eddy 15.0	
Hidalgo 1.7	Out-of-State: 16.7				

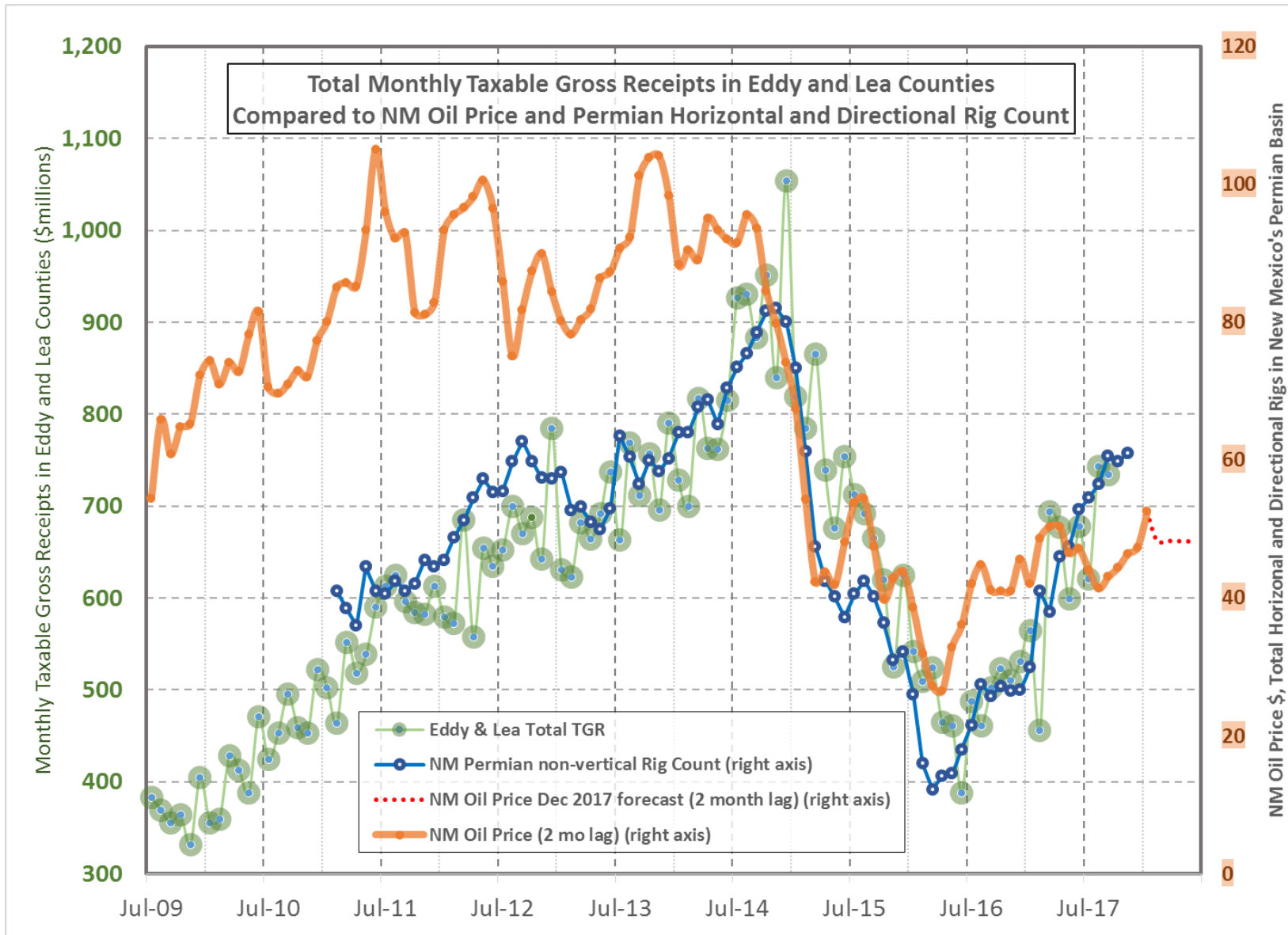
FY17: Further declines in the Northwest; Southwest & Out-of-State were near level FY-over-FY; continued moderate growth in Santa Fe-ABQ-Las Cruces corridor.

Note: See Appendix 4 for calculation and additional detail

First Quarter of FY18: The decline has reversed (at least temporarily) in San Juan, growth is accelerating in Santa Fe, and the ABQ metro (Bernalillo, Valencia, & Torrance are all tracking in excess of last year's growth). Eddy, Lea, and Out-of-State will have the largest impact by far due to increased oil activity. Rural NM lags.



Oil Price Volatility → Rig Count and TGR Volatility



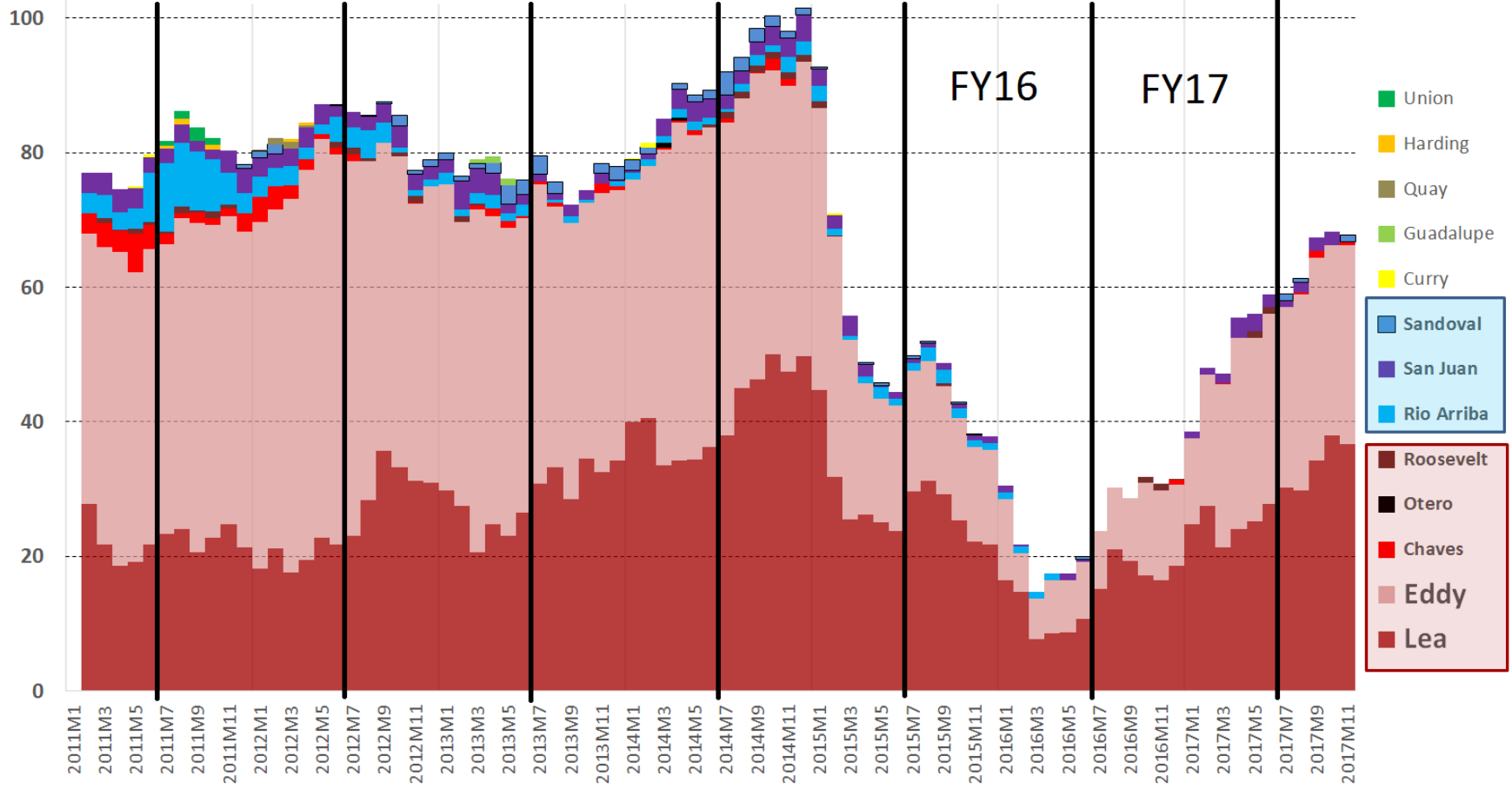
Rebounding Exploration:

FY16: averaged 33 rigs

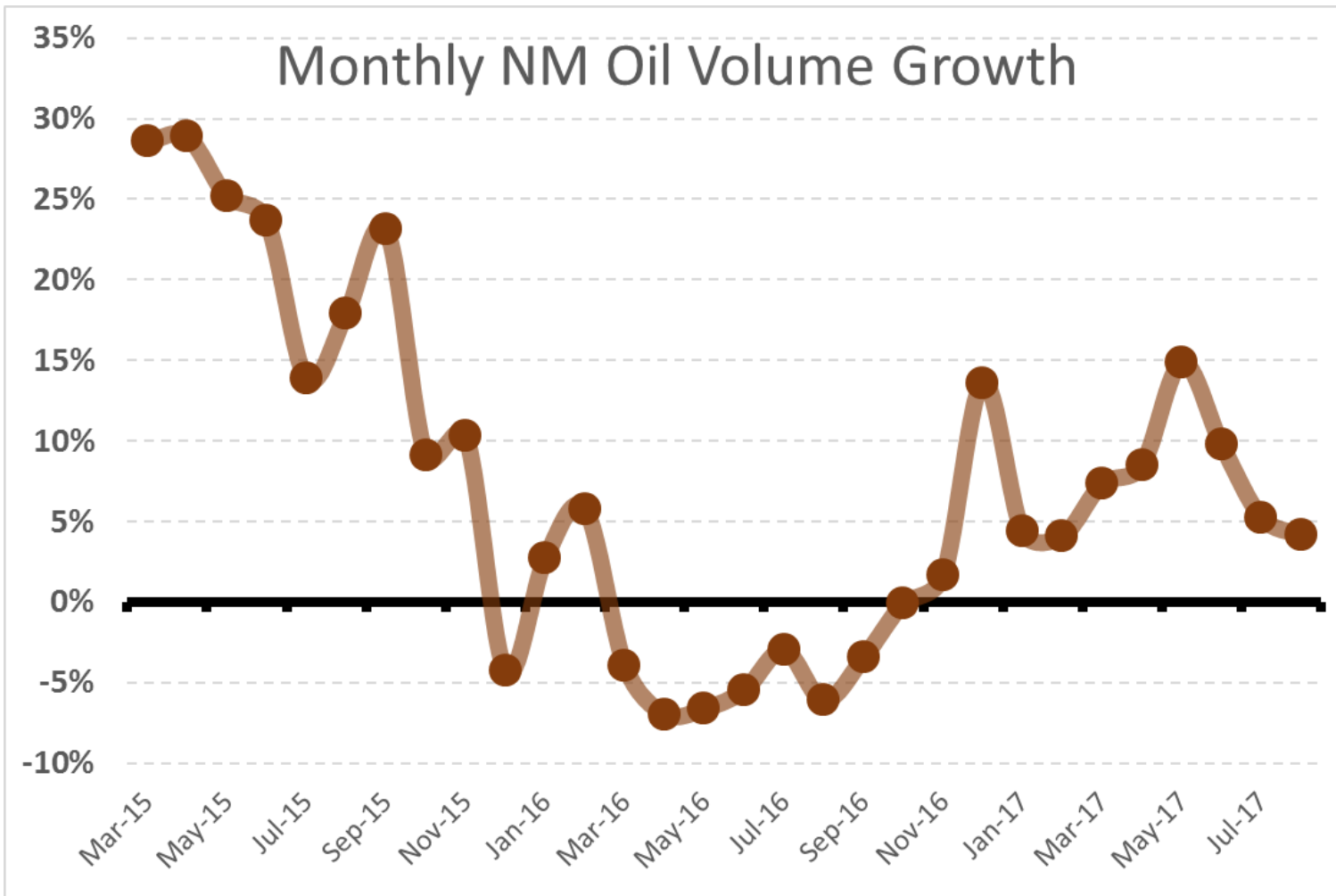
FY17: averaged 40 rigs (over 20% growth, compared to roughly flat expectations)

FY18: expected to average around 70 rigs (of higher productivity)

New Mexico Rig Count by County (monthly avg.)



Rebound in Oil Production



New Mexico Oil & Gas Outlook

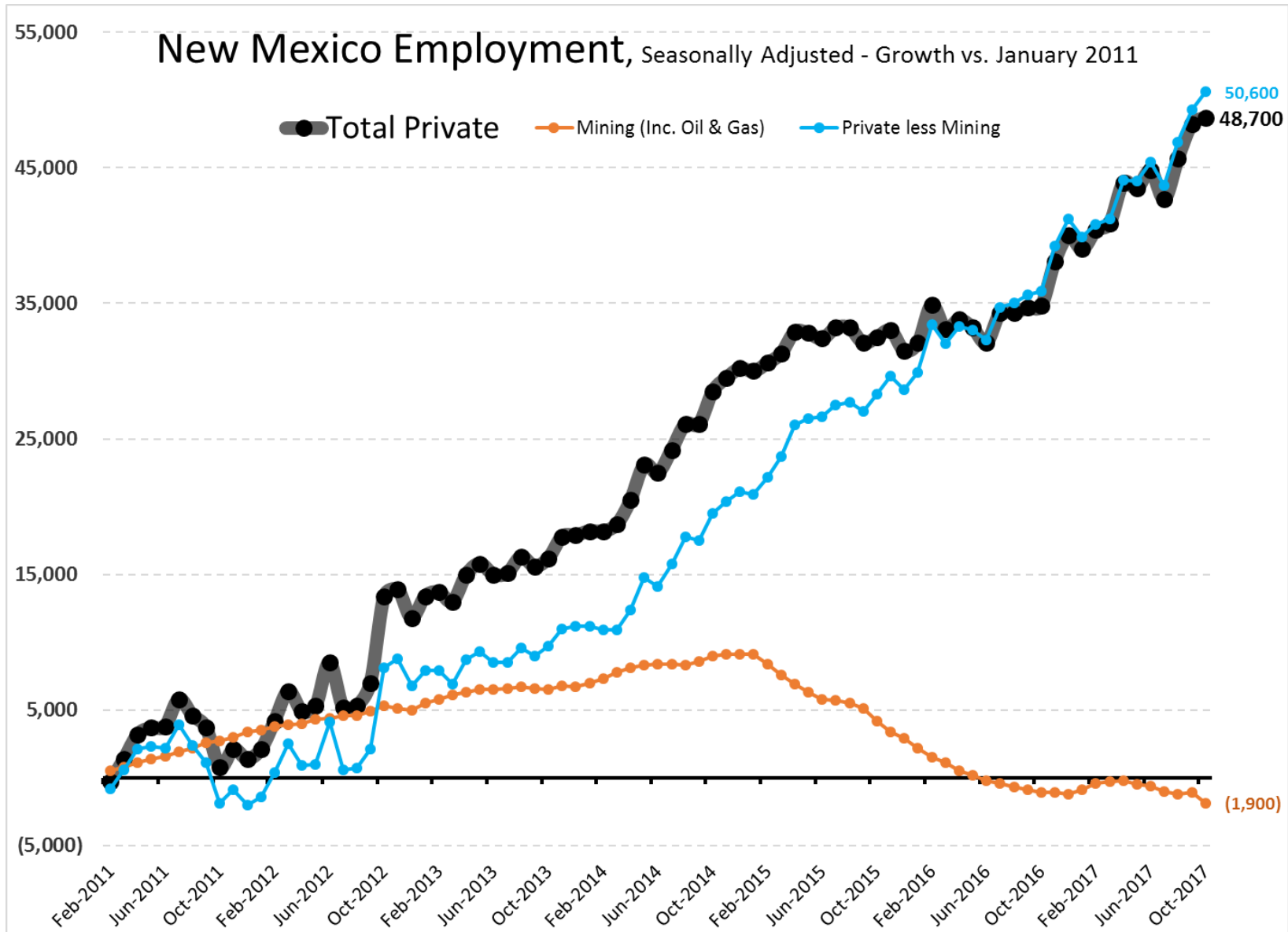
	FY16	FY17	FY18	FY19
Crude Oil:				
Price (\$/barrel)	\$37.85	\$45.00	\$47.50	\$49.50
Production (mill. barrels)	147	153	158	162

Natural Gas:				
Price (\$/1,000 cu. ft.)	\$2.42	\$3.26	\$3.25	\$3.25
Production (Bill. cu. ft.)	1,175	1,220	1,230	1,220

Source: ONGARD; Consensus Revenue Estimating Group

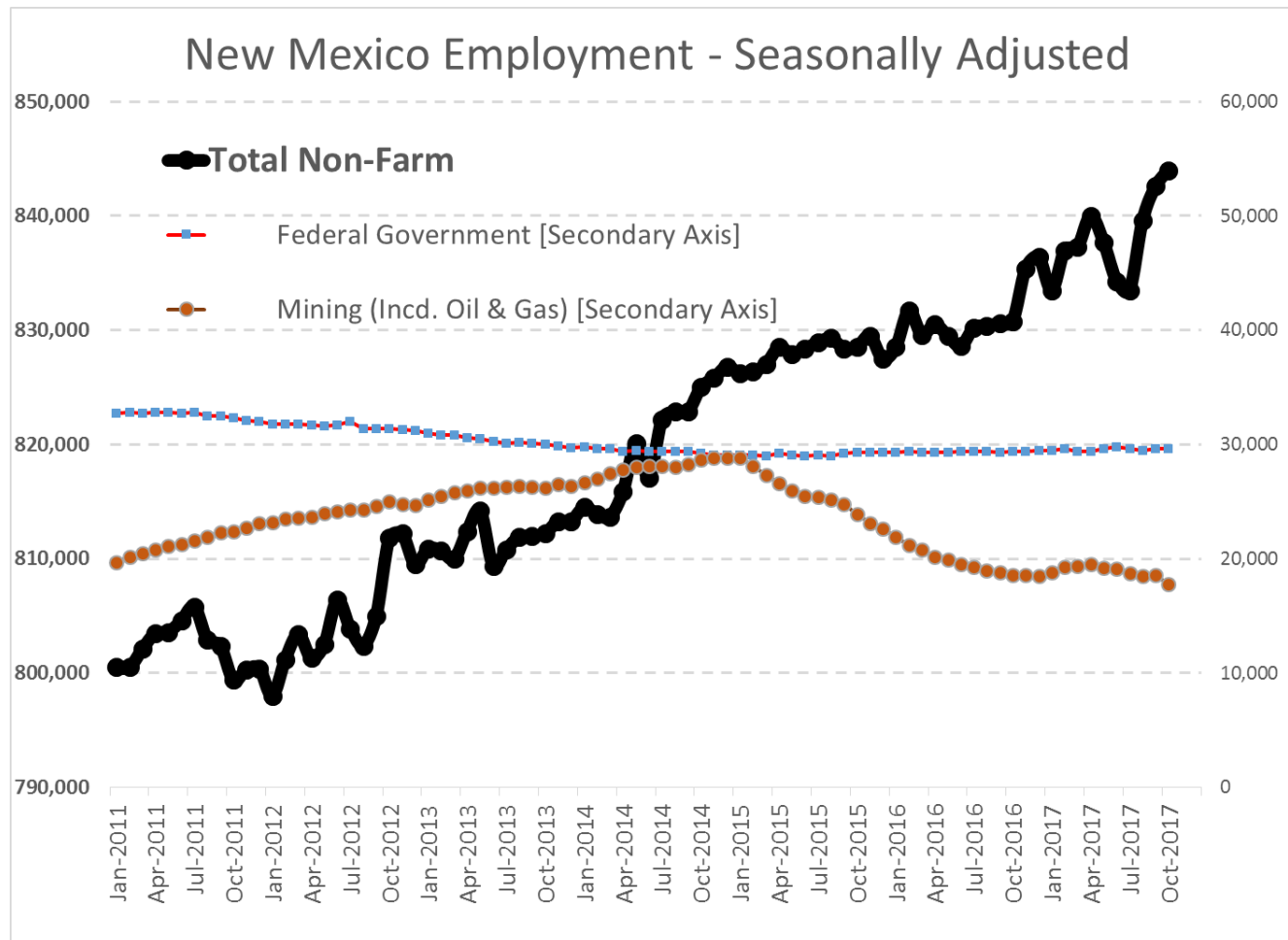
- *Oil prices revised up \$3.00 and \$4.00 (from \$44.50 in FY18 and \$45.50 in FY19), while volume is expected to grow 3.3 percent in FY18 and 2.5 percent in FY19.*
- *Natural gas volume now forecast to increase slightly and then revert to long term trend of gradual decline.*

Private Employment Growth



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Increased Diversification



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

A Sampling of New NM Companies

Company	County	Industry	Jobs
Solaro	Socorro	Green Energy	25
Rural Sourcing, Inc	Bernalillo	Tech	125
Ready Roast, Inc.	Roosevelt	Manufacturing (Food)	200
Facebook	Valencia	Tech	100
Southwest Cheese	Curry	Value Added Agriculture	400
Safelite AutoGlass	Sandoval	Insurance	900
FedEx	Dona Ana	Shipping/Transportation	200
Fidelity	Bernalillo	Financial	1,250
Unity PBO	Bernalillo	Tech/Healthcare	300
Keter Plastics	Valencia	Manufacturing	175

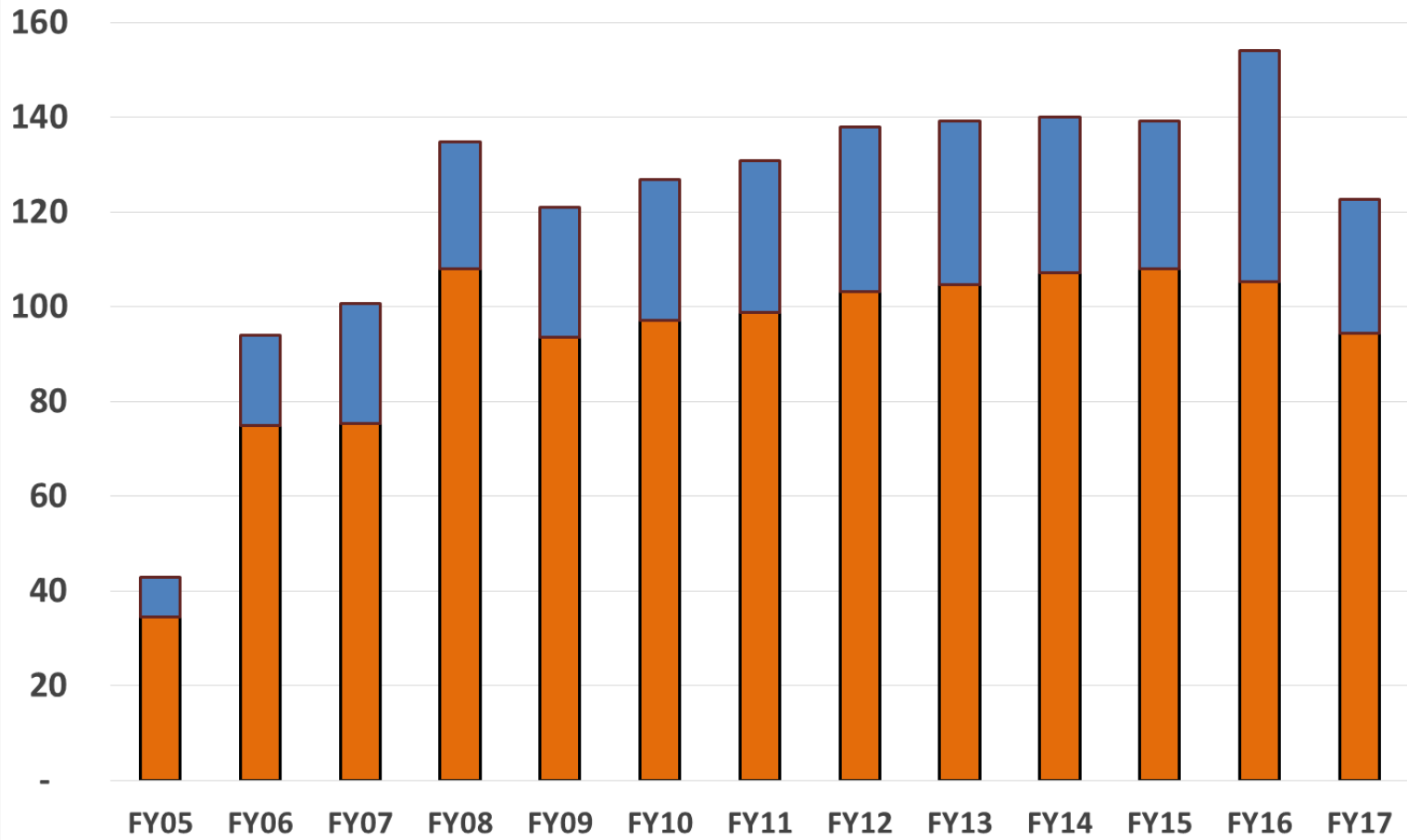
Examples of Business Retention & Expansion

<u>Company</u>	<u>County</u>	<u>Jobs</u>
Amfab/Phat Steel	Sandoval	86
Descartes Labs	Santa Fe	50
Pesco	San Juan	170
Ideum	Sandoval	67
Compass	Luna	142
Mount Taylor Manufacturing	Bernalillo/Cibola	5
RiskSense	Bernalillo	60
Sundance Pools	Otero	3
Wholesome Valley Farms	Dona Ana	90
UbiQD	Los Alamos	20
X2nSAT	Dona Ana	45
Wildflower International	Santa Fe	81
Skorpios	Bernalillo	300
Sol Aero	Bernalillo	100

- Positive impact of JTIP, LEDA, etc.

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

Food Hold Harmless Distribution Medical Hold Harmless Distribution



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

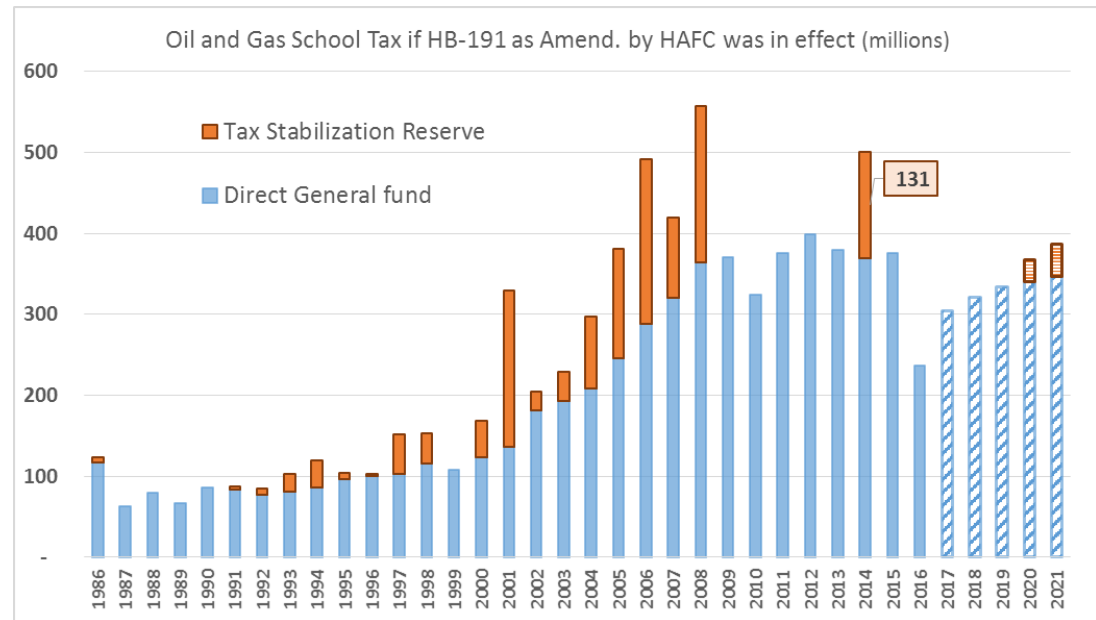
Counties	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	FY17 Estimated Revenue (\$ millions)
Bernalillo		0.250%	0.250%	42.6
Chaves		0.375%	0.375%	4.3
Cibola	0.375%	0.375%	0.375%	1.2
Colfax	0.250%	0.250%	0.250%	0.7
Curry	0.250%	0.250%	0.250%	2.7
De Baca		0.375%	0.375%	0.1
Dona Ana		0.375%	0.375%	13.2
Eddy		0.125%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

Imposition of new local option hold harmless GRT increments

- Increased local taxes by \$110 million

Oil & Gas School Tax to Stabilization Reserve: *Passed in 2017 Special Session HB-2*

- This legislation removed a portion of the volatility in the oil and natural gas revenues into New Mexico's General Fund.
- Beginning in FY19, oil and gas emergency school tax revenue in excess of its prior five fiscal year annual average will be directed to the tax stabilization reserve fund.
- The graph below shows the past 30 year history of oil and gas school tax revenues and how much would have been diverted to the Tax Stabilization Reserve Fund if this legislation had been in place during these periods.
- If this legislation had been in place, \$131 million of the above average revenue in FY14 would have been set aside from the General Fund and been available to address a portion of the FY16 or FY17 shortfalls.
- This mechanism is expected to set aside \$28 million in FY20 and \$39 million in FY21.



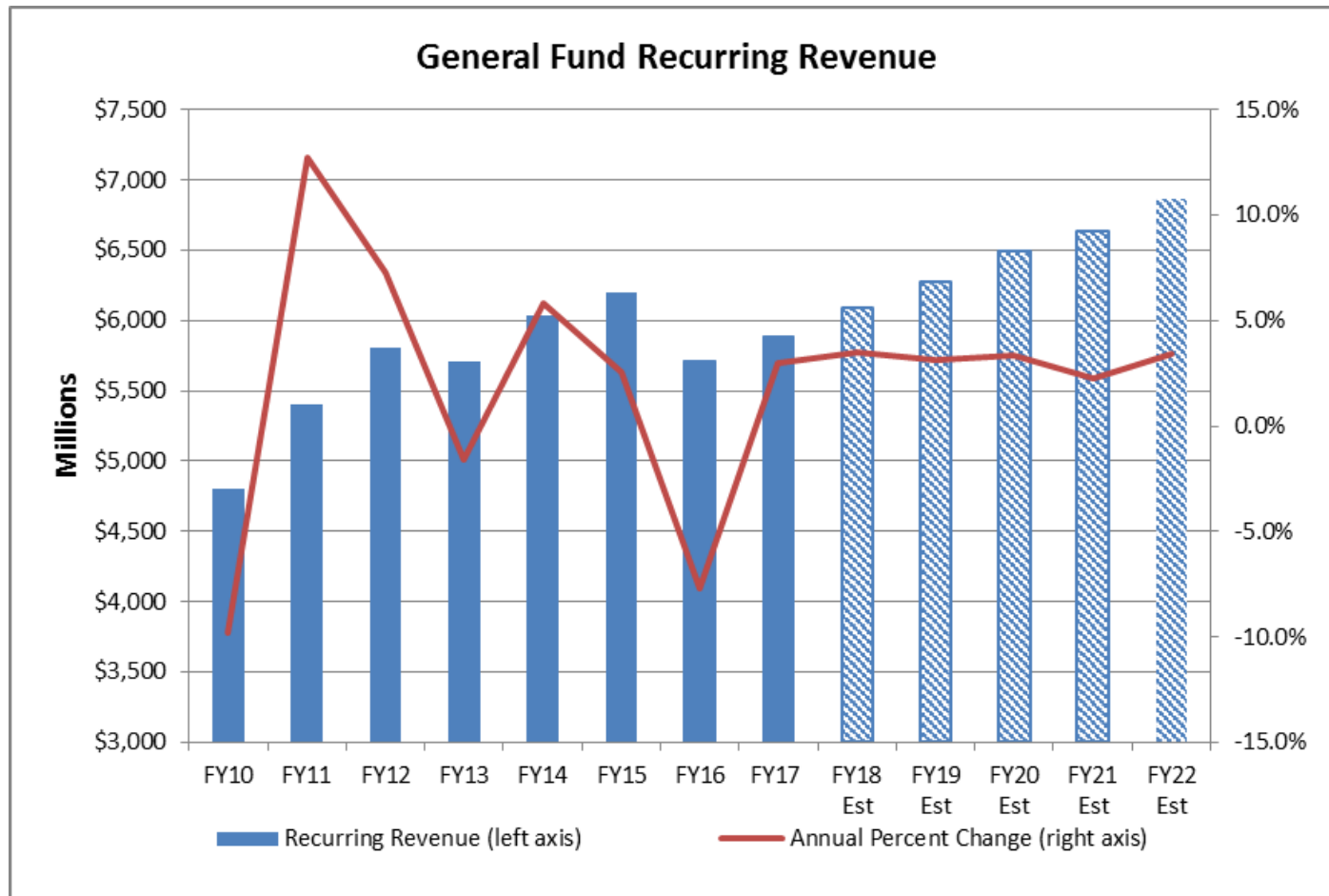
General Fund Forecast Summary

December 2017 Consensus General Fund Forecast						
	FY17		FY18		FY19	
	\$ Millions	% Change	\$ Millions	% Change	\$ Millions	% Change
General Sales	\$2,062	2.0%	\$2,118	2.7%	\$2,185	3.2%
Selective Sales	\$543	1.2%	\$574	5.5%	\$590	2.8%
Income Taxes	\$1,451	0.4%	\$1,486	2.4%	\$1,519	2.2%
O&G Revenue	\$849	18.3%	\$908	7.0%	\$909	0.0%
Investment Income	\$738	-4.1%	\$795	7.7%	\$859	8.0%
Other	\$242	8.2%	\$210	-13.3%	\$221	5.2%
<u>Total Recurring Revenue</u>	<u>\$5,886</u>	<u>3.0%</u>	<u>\$6,091</u>	<u>3.5%</u>	<u>\$6,281</u>	<u>3.1%</u>

- General Sales and Income Taxes moving closer to long run average growth rates.
- Oil and gas related revenue growth.
- Selective Sales growth rates inflated by Liquor Excise Tax revenue diversion to lottery scholarship fund reverting to normal General Fund distribution in FY18.
- Details in Appendix 1 and Appendix 3.

General Fund Revenue Outlook

- Recurring revenue reached record high in FY15, now estimated to be exceeded in FY19
- FY18 total growth estimated at 3.5%.
- FY19 total growth estimated to be 3.1%.



General Fund Financial Summary

(\$ in millions)

	FY17	FY18	FY19
Beginning Balance	\$148	\$505	\$611
Total Revenue	\$6,461	\$6,128	\$6,281
Spending	(\$6,130)	(\$6,082)	“New Money” \$199
Reserve Transfers, etc.	\$26	\$0	
Ending Balance	\$505	\$550	
Percent of Appropriations	8.3%	9.0%	

Risks to the Forecast

- Direct sensitivity to oil and gas price: severance, GRT, and income taxes.
 - New Mexico severance revenues are increasingly driven by the global oil price instead of a mix previously dominated by regional natural gas price.
 - Sensitivity/risk levels will be higher in FY18 than last year (severance more focused on Permian oil and gas production and GRT related to Permian oil exploration significantly higher).
- Natural gas supply glut and price drop possible if oil production surges resulting in a spike of associated natural gas production without natural gas infrastructure and demand growth.
- Major investment choices in healthcare and international trade sectors delayed and will hinge on uncertain outcomes at the federal level may have significant impacts on New Mexico.
- Increased complexity of and spending through the tax code (e.g. food & medical deductions/exemptions and hold harmless distributions) expose the General Fund revenues to higher volatility and uncertainty.
- The proposed federal tax reform offers the largest changes in decades and would have major positive and negative impacts on NM revenue; however, its final passage and form are highly uncertain at this time.
- Risks indicate a minimum of 10% reserves should be targeted.

General Fund Consensus Revenue Estimate December 2017

Revenue Source	FY17					FY18					FY19				
	Aug 2017 Est.	Dec 2017 Prelim. Actual	Change from Prior	% Change from FY16	\$ Change from FY16	Aug 2017 Est.	Dec 2017 Est.	Change from Prior	% Change from FY17	\$ Change from FY17	Aug 2017 Est.	Dec 2017 Est.	Change from Prior	% Change from FY18	\$ Change from FY18
Base Gross Receipts Tax	2,122.0	2,169.2	47.2	-0.6%	(13.2)	2,241.7	2,247.8	6.1	3.6%	78.6	2,289.5	2,306.4	16.9	2.6%	58.6
60-Day Money & Other Credits	19.7	(33.0)	(52.7)	n/a	41.0	(50.0)	(53.9)	(3.9)	63.3%	(20.9)	(50.0)	(53.9)	(3.9)	0.0%	-
F&M Hold Harmless Payments	(121.7)	(122.7)	(1.0)	-9.2%	10.3	(118.8)	(129.4)	(10.6)	5.5%	(6.7)	(115.2)	(125.3)	(10.1)	-3.2%	4.1
NET Gross Receipts Tax	2,020.0	2,013.5	(6.5)	1.9%	38.1	2,072.9	2,064.5	(8.4)	2.5%	51.0	2,124.3	2,127.2	2.9	3.0%	62.7
Compensating Tax	48.0	48.5	0.6	3.5%	1.6	52.8	53.5	0.8	10.2%	5.0	54.1	57.8	3.7	8.0%	4.3
TOTAL GENERAL SALES	2,068.0	2,062.1	(5.9)	2.0%	39.8	2,125.7	2,118.0	(7.7)	2.7%	55.9	2,178.4	2,185.0	6.6	3.2%	67.0
Tobacco Taxes	78.3	77.9	(0.4)	-2.4%	(1.9)	76.9	79.4	2.5	1.9%	1.5	75.1	77.8	2.7	-2.0%	(1.6)
Liquor Excise	6.4	7.4	1.0	9.6%	0.6	24.6	23.5	(1.1)	218.4%	16.1	26.5	25.3	(1.2)	7.7%	1.8
Insurance Taxes	227.0	227.5	0.5	9.4%	19.6	235.1	232.4	(2.7)	2.2%	4.9	246.2	242.3	(3.9)	4.3%	9.9
Fire Protection Fund Reversion	15.9	18.7	2.8	23.9%	3.6	16.4	17.8	1.4	-4.7%	(0.9)	16.8	18.3	1.5	2.8%	0.5
Motor Vehicle Excise	144.7	145.2	0.5	-3.4%	(5.2)	151.3	150.3	(1.0)	3.5%	5.1	155.9	155.1	(0.8)	3.2%	4.8
Gaming Excise	59.2	59.5	0.3	-5.6%	(3.5)	59.2	62.5	3.3	5.0%	3.0	58.4	63.2	4.8	1.1%	0.7
Leased Vehicle & Other	7.5	7.3	(0.2)	-14.7%	(1.3)	7.7	7.6	(0.1)	4.8%	0.4	7.7	7.7	-	1.3%	0.1
TOTAL SELECTIVE SALES	539.0	543.4	4.5	1.2%	6.4	571.2	573.5	2.3	5.5%	30.1	586.6	589.7	3.1	2.8%	16.2
Personal Income Tax	1,285.0	1,380.7	95.7	4.0%	53.5	1,310.1	1,381.1	71.0	0.0%	0.4	1,325.8	1,408.8	83.0	2.0%	27.7
Corporate Income Tax	50.0	70.2	20.2	-40.8%	(48.3)	70.0	105.0	35.0	49.7%	34.8	74.2	110.0	35.8	4.8%	5.0
TOTAL INCOME TAXES	1,335.0	1,450.8	115.8	0.4%	5.1	1,380.1	1,486.1	106.0	2.4%	35.3	1,400.0	1,518.8	118.8	2.2%	32.7
Oil and Gas School Tax	302.9	304.3	1.3	28.5%	67.4	305.3	322.6	17.3	6.0%	18.3	309.4	336.0	26.6	4.2%	13.4
Oil Conservation Tax	15.6	17.4	1.7	52.7%	6.0	15.8	16.7	0.9	-3.9%	(0.7)	16.0	17.4	1.4	4.2%	0.7
Resources Excise Tax	9.7	9.6	(0.1)	-13.9%	(1.6)	10.0	9.3	(0.7)	-3.6%	(0.3)	10.0	9.0	(1.0)	-3.2%	(0.3)
Natural Gas Processors Tax	10.3	10.3	0.0	-49.3%	(10.0)	10.0	10.2	0.2	-1.1%	(0.1)	16.5	12.6	(3.9)	23.5%	2.4
TOTAL SEVERANCE TAXES	338.6	341.6	3.0	22.1%	61.8	341.1	358.8	17.7	5.0%	17.2	351.9	375.0	23.1	4.5%	16.2
LICENSE FEES	55.1	53.3	(1.8)	-2.7%	(1.5)	56.0	54.2	(1.8)	1.6%	0.9	57.1	55.4	(1.7)	2.2%	1.2
LGPF Interest	541.2	541.6	0.3	-2.4%	(13.6)	584.8	584.9	0.1	8.0%	43.4	626.2	630.8	4.6	7.8%	45.9
STO Interest	(3.3)	(3.2)	0.1	n/a	(24.9)	11.7	-	(11.7)	n/a	3.2	22.3	8.4	(13.9)	n/a	8.4
STPF Interest	200.4	200.4	0.0	3.6%	6.9	210.4	210.4	-	5.0%	10.0	218.6	219.5	0.9	4.3%	9.1
TOTAL INTEREST	738.3	738.3	-	-4.1%	(32.0)	806.9	795.3	(11.6)	7.7%	57.0	867.1	858.7	(8.4)	8.0%	63.4
Federal Mineral Leasing	435.7	435.7	-	11.7%	45.7	429.4	473.2	43.8	8.6%	37.5	431.5	472.9	41.4	-0.1%	(0.3)
State Land Office	71.5	71.5	(0.0)	49.5%	23.7	68.8	76.2	7.4	6.6%	4.7	55.0	60.6	5.6	-20.5%	(15.6)
TOTAL RENTS & ROYALTIES	507.2	507.2	(0.0)	15.8%	69.4	498.2	549.4	51.2	8.3%	42.2	486.5	533.5	47.0	-2.9%	(15.9)
TRIBAL REVENUE SHARING	61.4	62.7	1.3	-2.6%	(1.7)	65.5	64.8	(0.7)	3.3%	2.1	73.5	73.1	(0.4)	12.8%	8.3
MISCELLANEOUS RECEIPTS	55.3	49.5	(5.9)	2.9%	1.4	53.9	50.7	(3.2)	2.5%	1.2	56.2	52.1	(4.1)	2.8%	1.4
REVERSIONS	42.9	76.5	33.6	35.7%	20.1	42.5	40.0	(2.5)	-47.7%	(36.5)	50.0	40.0	(10.0)	0.0%	-
TOTAL RECURRING	5,740.7	5,885.4	144.7	3.0%	168.9	5,941.1	6,090.7	149.6	3.5%	205.3	6,107.3	6,281.3	174.0	3.1%	190.5
TOTAL NONRECURRING	570.5	575.7	5.2	n/a	572.4	18.7	37.2	18.5	-93.5%	(538.5)	-	-	-	-100.0%	(37.2)
GRAND TOTAL	6,311.2	6,461.1	149.9	13.0%	744.6	5,959.8	6,127.9	168.1	-5.2%	(333.2)	6,107.3	6,281.3	174.0	2.5%	153.3

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

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

General Fund Consensus Revenue Estimate December 2017

Revenue Source	FY20					FY21					FY22				
	Aug 2017 Est.	Dec 2017 Est.	Change from Prior	% Change from FY19	\$ Change from FY19	Aug 2017 Est.	Dec 2017 Est.	Change from Prior	% Change from FY20	\$ Change from FY20	Aug 2017 Est.	Dec 2017 Est.	Change from Prior	% Change from FY21	\$ Change from FY21
Base Gross Receipts Tax	2,369.0	2,403.2	34.2	4.2%	96.8	2,405.4	2,431.4	26.0	1.2%	28.2	2,485.5	2,505.6	20.1	3.1%	74.2
60-Day Money & Other Credits	(50.0)	(53.9)	(3.9)	0.0%	-	(50.0)	(53.9)	(3.9)	0.0%	-	(50.0)	(53.9)	(3.9)	0.0%	-
F&M Hold Harmless Payments	(111.4)	(121.2)	(9.8)	-3.3%	4.1	(106.7)	(107.2)	(0.5)	-11.6%	14.0	(101.4)	(100.9)	0.5	-5.9%	6.3
NET Gross Receipts Tax	2,207.6	2,228.1	20.5	4.7%	100.9	2,248.7	2,270.3	21.6	1.9%	42.2	2,334.1	2,350.8	16.7	3.5%	80.5
Compensating Tax	55.4	61.3	5.9	6.1%	3.5	56.8	63.7	6.9	3.9%	2.4	58.2	65.0	6.8	2.0%	1.3
TOTAL GENERAL SALES	2,263.1	2,289.4	26.3	4.8%	104.4	2,305.5	2,334.0	28.5	1.9%	44.6	2,392.3	2,415.8	23.5	3.5%	81.8
Tobacco Taxes	73.2	76.4	3.2	-1.8%	(1.4)	71.4	75.1	3.7	-1.7%	(1.3)	69.5	73.8	4.3	-1.7%	(1.3)
Liquor Excise	26.7	25.2	(1.5)	-0.4%	(0.1)	26.7	25.1	(1.6)	-0.4%	(0.1)	26.9	24.9	(2.0)	-0.8%	(0.2)
Insurance Taxes	258.8	253.2	(5.6)	4.5%	10.9	279.1	263.9	(15.2)	4.2%	10.7	295.9	275.5	(20.4)	4.4%	11.6
Fire Protection Fund Reversion	17.3	18.9	1.6	3.0%	0.6	17.7	19.4	1.7	2.7%	0.5	18.2	19.9	1.7	2.8%	0.5
Motor Vehicle Excise	160.4	159.0	(1.4)	2.5%	3.9	164.9	161.8	(3.1)	1.8%	2.8	168.9	164.9	(4.0)	1.9%	3.1
Gaming Excise	57.3	63.4	6.1	0.3%	0.2	56.3	64.0	7.7	0.9%	0.6	55.4	64.6	9.2	0.9%	0.6
Leased Vehicle & Other	7.7	7.7	-	0.0%	-	7.7	7.7	-	0.0%	-	15.4	15.4	-	100.0%	7.7
TOTAL SELECTIVE SALES	601.4	603.8	2.4	2.4%	14.1	623.8	617.0	(6.9)	2.2%	13.2	650.2	639.0	(11.2)	3.6%	22.1
Personal Income Tax	1,356.3	1,434.7	78.4	1.8%	25.9	1,400.3	1,462.7	62.3	2.0%	28.0	1,442.4	1,484.7	42.3	1.5%	22.0
Corporate Income Tax	82.4	115.0	32.6	4.5%	5.0	83.2	120.0	36.8	4.3%	5.0	84.8	125.0	40.2	4.2%	5.0
TOTAL INCOME TAXES	1,438.6	1,549.7	111.0	2.0%	30.9	1,483.5	1,582.7	99.1	2.1%	33.0	1,527.2	1,609.7	82.4	1.7%	27.0
Oil and Gas School Tax	316.1	315.0	(1.1)	-6.3%	(21.0)	324.5	308.5	(16.0)	-2.1%	(6.5)	337.6	331.5	(6.1)	7.5%	23.0
Oil Conservation Tax	16.4	17.8	1.4	2.3%	0.4	16.9	18.1	1.2	1.7%	0.3	17.6	18.5	0.9	2.2%	0.4
Resources Excise Tax	10.0	9.0	(1.0)	0.0%	-	10.0	9.0	(1.0)	0.0%	-	10.0	9.0	(1.0)	0.0%	-
Natural Gas Processors Tax	17.5	12.2	(5.3)	-3.2%	(0.4)	17.0	12.0	(5.0)	-1.6%	(0.2)	16.7	11.8	(4.9)	-1.7%	(0.2)
TOTAL SEVERANCE TAXES	360.0	354.0	(6.0)	-5.6%	(21.0)	368.4	347.6	(20.8)	-1.8%	(6.4)	381.9	370.8	(11.1)	6.7%	23.2
LICENSE FEES	58.4	56.7	(1.7)	2.3%	1.3	59.9	58.2	(1.7)	2.6%	1.5	61.6	60.0	(1.6)	3.1%	1.8
LGPF Interest	658.6	668.0	9.4	5.9%	37.2	689.1	703.6	14.5	5.3%	35.6	728.3	748.1	19.8	6.3%	44.5
STO Interest	34.6	29.2	(5.4)	247.6%	20.8	43.0	41.3	(1.7)	41.4%	12.1	50.6	50.1	(0.5)	21.3%	8.8
STPF Interest	224.0	225.8	1.8	2.9%	6.3	228.3	231.1	2.8	2.3%	5.3	235.4	239.2	3.8	3.5%	8.1
TOTAL INTEREST	917.2	923.0	5.8	7.5%	64.3	960.4	976.0	15.6	5.7%	53.0	1,014.3	1,037.4	23.1	6.3%	61.4
Federal Mineral Leasing	436.8	480.3	43.5	1.6%	7.4	445.0	485.0	40.0	1.0%	4.7	458.6	490.0	31.4	1.0%	5.0
State Land Office	55.1	61.8	6.7	2.0%	1.2	55.2	62.0	6.8	0.3%	0.2	55.5	62.2	6.7	0.3%	0.2
TOTAL RENTS & ROYALTIES	491.9	542.1	50.2	1.6%	8.6	500.2	547.0	46.8	0.9%	4.9	514.1	552.2	38.1	1.0%	5.2
TRIBAL REVENUE SHARING	75.1	74.7	(0.4)	2.2%	1.6	76.7	76.3	(0.4)	2.1%	1.6	78.7	78.0	(0.7)	2.2%	1.7
MISCELLANEOUS RECEIPTS	58.7	56.3	(2.4)	8.1%	4.2	62.2	59.3	(2.9)	5.3%	3.0	65.7	60.6	(5.1)	2.2%	1.3
REVERSIONS	50.0	40.0	(10.0)	0.0%	-	50.0	40.0	(10.0)	0.0%	-	50.0	40.0	(10.0)	0.0%	-
TOTAL RECURRING	6,314.4	6,489.6	175.2	3.3%	208.4	6,490.7	6,638.0	147.3	2.3%	148.4	6,736.1	6,863.5	127.4	3.4%	225.5
TOTAL NONRECURRING	-	-	-	0.0%	-	-	-	-	0.0%	-	-	-	-	0.0%	-
GRAND TOTAL	6,314.4	6,489.6	175.2	3.3%	208.4	6,490.7	6,638.0	147.3	2.3%	148.4	6,736.1	6,863.5	127.4	3.4%	225.5

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

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

U.S. and New Mexico Economic Indicators	FY17		FY18		FY19		FY20		FY21		FY22	
	Prior Aug 2017 Forecast	Current Dec 2017 Forecast	Prior Aug 2017 Forecast	Current Dec 2017 Forecast	Prior Aug 2017 Forecast	Current Dec 2017 Forecast	Prior Aug 2017 Forecast	Current Dec 2017 Forecast	Prior Aug 2017 Forecast	Current Dec 2017 Forecast	Prior Aug 2017 Forecast	Current Dec 2017 Forecast
<u>National Economic Indicators</u>												
US Real GDP Growth (annual avg., % YOY)*	2.1	1.9	2.7	2.7	2.5	2.6	1.7	1.4	1.6	1.6	1.7	2.6
US Inflation Rate (CPI-U, annual avg., % YOY)**	1.9	1.9	1.9	2.0	2.6	2.6	2.9	2.8	2.6	2.6	1.8	2.3
Federal Funds Rate (%)	0.6	0.6	1.4	1.4	2.7	2.7	3.7	3.7	3.5	3.5	3.2	3.0
<u>New Mexico Labor Market and Income Data</u>												
NM Non-Agricultural Employment Growth	0.6	0.6	0.9	0.7	1.0	1.0	0.8	0.4	0.3	0.2	0.4	0.9
NM Nominal Personal Income Growth (%)***	1.7	1.4	2.5	2.4	3.7	2.6	3.7	3.2	3.5	3.3	4.0	3.6
NM Total Wages & Salaries Growth (%)	1.1	1.0	1.8	3.0	3.5	3.2	4.2	3.3	2.7	2.2	1.8	2.8
NM Real Gross State Product (% YOY)	0.1	0.4	1.3	1.7	1.7	1.6	1.3	0.7	1.4	1.5	1.6	2.6
<u>New Mexico Energy Prices & Volumes</u>												
NM Oil Price (\$/barrel)	\$45.10	\$45.00	\$44.50	\$47.50	\$45.50	\$49.50	\$47.00	\$50.50	\$48.00	\$51.50	\$50.00	\$52.50
NM Taxable Oil Volumes (million barrels)	150	153	153	158	156	162	159	165	162	168	165	170
NM Gas Price (\$ per thousand cubic feet)****	\$3.27	\$3.26	\$3.30	\$3.25	\$3.20	\$3.25	\$3.10	\$3.25	\$3.10	\$3.20	\$3.10	\$3.20
NM Taxable Gas Volumes (billion cubic feet)	1,210	1,220	1,210	1,230	1,210	1,220	1,210	1,200	1,210	1,190	1,210	1,180

*Real GDP is BEA chained 2009 dollars, billions, annual rate.

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

***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins.

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

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

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

	Prelim. FY2017	Estimated FY2018	Estimated FY2019
REVENUE			
Recurring Revenue			
1			
	\$ 5,885.4	\$ 6,090.7	\$ 6,281.3
2	\$ 5,885.4	\$ 6,090.7	\$ 6,281.3
Nonrecurring Revenue and Transfers			
3	\$ 75.0		
4	\$ 224.1		
5	\$ 185.1	\$ 10.7	
6	\$ 82.1	\$ 8.0	
7	\$ 9.5	\$ 18.5	
8	\$ 575.7	\$ 37.2	
9	\$ 6,461.1	\$ 6,127.9	\$ 6,281.3
APPROPRIATIONS			
Recurring Appropriations			
10	\$ 6,228.1		
11	\$ (133.9)		
12	\$ 22.3	\$ 5,318.5	
13		\$ 763.8	
14	\$ 6,116.5	\$ 6,082.3	
Nonrecurring Appropriations			
15	\$ 0.4		
16	\$ 2.5		
17	\$ 8.1		
18	\$ 2.1		
19	\$ 13.1	\$ -	
20	\$ 6,129.6	\$ 6,082.3	
21	\$ 331.5	\$ 45.6	
22			
GENERAL FUND RESERVES			
23	\$ 147.8	\$ 505.1	
24	331.5	45.6	
25	78.0	56.5	
26	(52.2)	(57.0)	
27	\$ 505.1	\$ 550.3	
28	8.3%	9.0%	

"New Money" =
\$199 million, or
3.3%

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

		Prelim.	Estimated	Estimated
		FY2017	FY2018	FY2019
OPERATING RESERVE				
29	Beginning balance	\$ 2.0	\$ 331.5	\$ 375.1
30	BOF Emergency Fund and reversions	(2.0)	(2.0)	(2.0)
31	Transfer (to) / from Tax Stabilization Fund			
32	Transfer to ACF			
33	Transfers from (to) appropriation account	<u>331.5</u>	<u>45.6</u>	<u>-</u>
34	Ending balance	\$ 331.5	\$ 375.1	\$ 373.1
APPROPRIATION CONTINGENCY FUND				
35	Beginning balance	\$ 34.4	\$ 25.7	\$ 17.7
36	Disaster allotments	(13.0)	(16.0)	(16.0)
37	Other appropriations	(0.3)	-	-
38	Transfer from Oper Reserve to ACF	-		
39	Reversions (including Fed. Match Reimbursement)	<u>4.6</u>	<u>8.0</u>	<u>8.0</u>
40	Ending Balance	25.7	\$ 17.7	\$ 9.7
STATE SUPPORT FUND				
41	Beginning balance	\$ 1.0	\$ 1.0	\$ 1.0
42	Revenues	\$ -	\$ -	\$ -
43	Ending balance	\$ 1.0	\$ 1.0	\$ 1.0
TOBACCO PERMANENT FUND				
44	Beginning balance	110.4	146.8	156.4
45	Transfers in	54.3	39.0	36.0
46	Appropriation to tobacco settlement program fund	(18.5)	(19.5)	(18.0)
47	Gains/Losses	19.2	9.5	10.2
48	Additional transfers to Program Fund	(18.5)	(19.5)	(18.0)
49	Ending balance	146.8	156.4	166.5
TAX STABILIZATION RESERVE				
50	Beginning balance	\$ -	\$ -	
51	Transfers in			
52	Transfers out	-	-	
53	Ending balance	\$ -	\$ -	
54	GENERAL FUND ENDING BALANCES	\$ 505.1	\$ 550.2	
55	<i>Percent of Recurring Appropriations</i>	<i>8.3%</i>	<i>9.0%</i>	

County Level Detail on Divergent Gross Receipts Tax Trends

Appendix 4

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	n	o	
	FY2016	FY 2017				FY17 Q1	FY 2018 Q1										
		TGR %	TGR level Change	FY17 Y/Y General Fund GRT			TGR %	TGR \$ Change from FY17	FY18 Q1 Y/Y General Fund GRT		Approx. Effective Rate into General Fund Before Earmarks, Credits, HH Dist. Etc.	Current Census est. for Population as of July 1, 2016	Population % of NM	FY18 Q1 TGR % of NM	% of FY16 NM Natural Gas Vol.	% of FY16 NM Oil Volume	
	FY16 TGR \$millions	FY17 TGR \$millions	Change from FY16 \$millions	Change from FY16 \$millions	FY17 Q1 TGR	FY18 Q1 TGR	Change from FY17 Q1	Change from FY17 Q1 \$millions	FY18 Q1 Y/Y General Fund GRT \$millions			Population as of July 1, 2016	Population % of NM	FY18 Q1 TGR % of NM	% of FY16 NM Natural Gas Vol.	% of FY16 NM Oil Volume	
Bernalillo	16,736	17,049	1.9%	313	12.5	4,367	4,515	3.4%	148.0	5.9	4.0%	676,953	32.5%	31.9%			
Catron	48	39	-18.9%	-9	-0.4	10	11	11.7%	1.2	0.0	4.0%	3,508	0.2%	0.1%			
Chaves	1,046	1,145	9.5%	99	4.0	277	314	13.3%	36.8	1.5	4.0%	65,282	3.1%	2.2%	1%	1%	
Cibola	357	315	-11.9%	-43	-1.7	94	90	-3.8%	-3.5	-0.1	4.0%	27,487	1.3%	0.6%	0%		
Colfax	252	276	9.6%	24	1.0	77	84	8.7%	6.7	0.3	4.0%	12,253	0.6%	0.6%	2%		
Curry	994	1,072	7.8%	78	3.1	274	229	-16.2%	-44.4	-1.8	4.0%	50,280	2.4%	1.6%			
De Baca	37	29	-21.5%	-8	-0.3	12	5	-56.2%	-6.8	-0.3	4.0%	1,793	0.1%	0.0%			
Doña Ana	3,328	3,508	5.4%	180	7.2	875	885	1.1%	10.0	0.4	4.0%	214,207	10.3%	6.3%			
Eddy	3,139	3,194	1.7%	54	2.5	727	1,062	46.0%	334.8	15.1	4.5%	57,621	2.8%	7.5%	25%	44%	
Grant	446	433	-2.8%	-12	-0.5	105	115	9.7%	10.2	0.4	4.0%	28,280	1.4%	0.8%			
Guadalupe	87	103	18.6%	16	0.6	28	26	-7.2%	-2.0	-0.1	4.0%	4,376	0.2%	0.2%			
Harding	18	20	12.4%	2	0.1	4	4	-8.0%	-0.3	0.0	4.0%	665	0.0%	0.0%			
Hidalgo	74	82	10.7%	8	0.3	23	65	184.9%	42.3	1.7	4.0%	4,302	0.2%	0.5%			
Lea	3,589	3,490	-2.8%	-99	-4.2	723	1,037	43.4%	313.9	13.5	4.3%	69,749	3.4%	7.3%	19%	49%	
Lincoln	494	473	-4.3%	-21	-0.8	135	146	7.7%	10.4	0.4	4.0%	19,429	0.9%	1.0%			
Los Alamos	1,314	1,457	10.9%	143	5.6	452	466	3.0%	13.4	0.5	3.9%	18,147	0.9%	3.3%			
Luna	296	362	22.2%	66	2.6	85	105	22.6%	19.3	0.8	4.0%	24,450	1.2%	0.7%			
McKinley	1,139	1,069	-6.1%	-70	-2.8	273	261	-4.4%	-12.0	-0.5	4.0%	74,923	3.6%	1.8%	0%	0%	
Mora	31	38	21.0%	7	0.3	9	13	45.1%	3.9	0.2	4.0%	4,504	0.2%	0.1%			
Otero	972	913	-6.1%	-59	-2.4	239	233	-2.5%	-6.0	-0.2	4.0%	65,410	3.1%	1.6%			
Quay	133	145	9.1%	12	0.5	41	37	-12.0%	-5.0	-0.2	4.0%	8,365	0.4%	0.3%			
Rio Arriba	452	406	-10.0%	-45	-1.8	102	115	12.0%	12.3	0.5	4.0%	40,040	1.9%	0.8%	22%	2%	
Roosevelt	305	261	-14.3%	-44	-1.7	65	73	12.6%	8.2	0.3	4.0%	19,082	0.9%	0.5%	0%	0%	
San Juan	3,358	2,977	-11.3%	-381	-15.2	729	810	11.0%	80.5	3.2	4.0%	115,079	5.5%	5.7%	30%	3%	
San Miguel	323	331	2.6%	8	0.3	84	94	10.7%	9.0	0.4	4.0%	27,760	1.3%	0.7%			
Sandoval	1,453	1,437	-1.1%	-16	-0.6	379	370	-2.4%	-8.9	-0.4	4.0%	142,025	6.8%	2.6%	1%	1%	
Santa Fe	3,716	3,776	1.6%	59	2.4	989	1,029	4.0%	40.0	1.6	4.0%	148,651	7.1%	7.3%			
Sierra	191	191	0.1%	0	0.0	62	40	-35.5%	-22.2	-0.9	4.0%	11,191	0.5%	0.3%			
Socorro	190	206	8.3%	16	0.6	53	47	-10.3%	-5.4	-0.2	4.0%	17,027	0.8%	0.3%			
Taos	756	705	-6.7%	-50	-2.0	188	180	-4.2%	-7.8	-0.3	4.0%	33,065	1.6%	1.3%			
Torrance	179	264	47.4%	85	3.4	55	79	43.2%	23.8	1.0	4.0%	15,302	0.7%	0.6%			
Union	102	106	4.6%	5	0.2	30	30	-0.2%	-0.1	0.0	4.0%	4,183	0.2%	0.2%			
Valencia	735	850	15.6%	115	4.6	181	265	46.8%	84.5	3.4	4.0%	75,626	3.6%	1.9%			
Out of State	4,668	4,713	1.0%	45	2.3	996	1,323	32.8%	326.5	16.7	5.125%			9.3%			
	50,958	51,435	0.9%	478	19.8	12,744	14,155	11.1%	1,411.1	58.6	4.2%	2,081,015	100%	100%	100%	100%	
			(b-a)/a	b-a	(b-a)*k			(g-f)/f	g-f	(g-f)*k							