



General Fund Reserves Overview

Presentation to the Investments and Pensions
Oversight Committee

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Reserves are critical for supporting the state.

- Primary purpose is to backfill general fund revenues during downturns.
- Also acts as an overflow for nonrecurring revenues and catches surpluses.
 - Not intended to make up long-term, or multi-year structural deficits.
- Bond rating agencies look at state reserves as an indicator of a state's financial health.



General Fund Financial Summary
August 2025 Consensus Revenue Estimate

RESERVE DETAIL
(millions of dollars)

August 13, 2025
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	Estimate FY2025	Estimate FY2026	Estimate FY2027
OPERATING RESERVE			
Beginning Balance	\$ 606.6	\$ 507.4	\$ 584.4
BOF Emergency Appropriations/Reversions	\$ (4.0)	\$ (4.0)	\$ (4.0)
Transfers from (to) Appropriation Account	\$ (93.3)	\$ 80.9	\$ -
Transfers to Tax Stabilization Reserve or Gov. Results and Opportunity Fund	\$ -	\$ -	\$ -
Disaster Allotments	\$ (1.8)	\$ -	\$ -
Transfers from tax stabilization reserve to restore balance to 1 percent	\$ -	\$ -	\$ -
Transfer from (to) ACF/Other Appropriations	\$ -	\$ -	\$ -
Audit and Pre-Audit Adjustments	\$ (0.1)	\$ -	\$ -
Ending Balance	\$ 507.4	\$ 584.4	\$ 580.4
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	\$ 9.1	\$ 126.1	\$ 68.1
Disaster Allotments	\$ (16.0)	\$ (16.0)	\$ (16.0)
ARPA Appropriation from 2021 Second Special Session, 2024 Regular Session)	\$ -	\$ -	\$ -
Other ARPA Appropriations (including 2022, 2023, 2024 Regular Sessions)	\$ -	\$ -	\$ -
Transfers In/(Out)	\$ 150.0	\$ (50.0)	\$ -
Appropriations Out	\$ (25.0)	\$ -	\$ -
Revenues and Reversions	\$ 8.0	\$ 8.0	\$ 8.0
Audit and Pre-Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 126.1	\$ 68.1	\$ 60.1
STATE SUPPORT FUND			
Beginning Balance	\$ 0.4	\$ 0.4	\$ 0.4
Revenues	\$ 40.0	\$ -	\$ -
Appropriations	\$ (40.0)	\$ -	\$ -
Impact Aid Liability FY20	\$ -	\$ -	\$ -
Impact Aid Liability FY21	\$ -	\$ -	\$ -
Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 0.4	\$ 0.4	\$ 0.4
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO)			
Beginning Balance	\$ 512.2	\$ 522.4	\$ -
Revenues/Gains	\$ 10.2	\$ 10.4	\$ -
Transfers from the Operating Reserve	\$ -	\$ -	\$ -
Appropriations to the Government Accountability Expendable Trust	\$ -	\$ 265.3	\$ -
Expenditures	\$ -	\$ (130.6)	\$ -
Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 522.4	\$ 667.6	\$ -
BEHAVIORAL HEALTH TRUST FUND			
Beginning Balance	\$ -	\$ -	\$ 213.2
Revenues/Gains	\$ 115.2	\$ 63.1	\$ -
Appropriations to (from) BHTF	\$ 100.0	\$ -	\$ -
Expenditures	\$ -	\$ -	\$ (10.3)
Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 215.2	\$ 267.3	\$ -
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	\$ 2,179.0	\$ 2,317.2	\$ 2,409.9
Revenues from Excess Oil and Gas Emergency School Tax	\$ 412.2	\$ 109.0	\$ 54.5
Gains(Losses)	\$ 138.2	\$ 92.7	\$ 96.4
Transfers In (From Operating Reserve)	\$ -	\$ -	\$ -
Transfer Out to Operating Reserve	\$ -	\$ -	\$ -
Transfer Out to Higher Education Endowment Fund	\$ -	\$ -	\$ -
Transfer Out to Early Childhood Trust Fund	\$ (412.2)	\$ (109.0)	\$ (54.5)
Ending Balance	\$ 2,317.2	\$ 2,409.9	\$ 2,506.2
Percent of Recurring Appropriations	22.6%	22.2%	
TOTAL GENERAL FUND ENDING BALANCES	\$ 3,473.5	\$ 3,945.5	
Percent of Recurring Appropriations	33.9%	36.4%	

General fund reserves are necessary because of the constitutional requirement for a balanced budget.



The operating reserve is the first line of defense and most comparable to a checking account.



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Transfers from tax stabilization reserve to restore balance to 1 percent	\$ -	\$ -	\$ -
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Audit and Pre-Audit Adjustments	\$ (0.1)	\$ -	\$ -
Ending Balance	\$ 507.4	\$ 584.4	\$ 580.4



The Appropriation Contingency Fund (ACF) and State Support Fund are ancillary reserve funds.

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APPROPRIATION CONTINGENCY FUND			
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ARPA Appropriation from 2021 Second Special Session, 2024 Regular Session)	\$ -	\$ -	
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Transfers In/(Out)	\$ 150.0	\$ (50.0)	\$ -
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Revenue and Reversions	\$ 8.0	\$ 8.0	\$ 8.0
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Ending Balance	\$ 126.1	\$ 68.1	\$ 60.1
STATE SUPPORT FUND			
Beginning Balance	\$ 0.4	\$ 0.4	\$ 0.4
Revenues	\$ 40.0	\$ -	\$ -
Appropriations	\$ (40.0)	\$ -	\$ -
Impact Aid Liability FY20			
Impact Aid Liability FY21	\$ -	\$ -	\$ -
Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 0.4	\$ 0.4	\$ 0.4



With small balances, the Appropriation Contingency Fund and State Support Fund have little to no impact on reserves.

- The State Support Fund was created as a reserve for public school funds.
 - Balances over \$1 million in the public school district general obligation bonds loan fund are transferred here.
 - Balances are used to augment public schools' appropriations.
- The Appropriation Contingency Fund was created for disasters, emergencies, and other temporary holdings like one-time federal revenues.
 - The Legislature authorizes funds into and out of the fund.
 - The fund is also used by the Governor for emergency declaration spending.



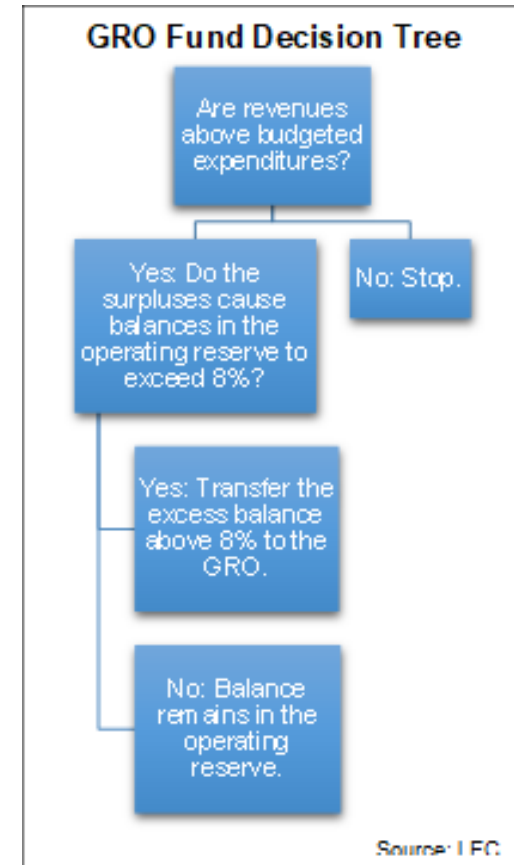
The Behavioral Health Trust Fund (BHTF) and Government Recurring Opportunity Fund (GRO) are temporary reserves as they are not true reserves in purpose.

	Estimate FY2025	Estimate FY2026	Estimate FY2027
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO)			
Beginning Balance	\$ 512.2	\$ 522.4	\$ -
Revenues/Gains	\$ 10.2	\$ 10.4	\$ -
Transfers from the Operating Reserve	\$ -	\$ -	\$ -
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Expenditures	\$ -	\$ (130.6)	\$ -
Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 522.4	\$ 667.6	\$ -
BEHAVIORAL HEALTH TRUST FUND			
Beginning Balance		\$ -	\$ 215.2
Revenues/Gains		\$ 115.2	\$ 63.1
Appropriations to (from) BHTF		\$ 100.0	\$ -
Expenditures		\$ -	\$ (10.8)
Audit Adjustments		\$ -	\$ -
Ending Balance		\$ 215.2	\$ 267.5



The Behavioral Health Trust Fund was added as a reserve for FY26 and FY27. The Government Recurring Opportunity (GRO) fund will not be counted in reserves starting in FY27.

- The GRO was created so one-time surpluses could be used over several years and as an opportunity for unproven pilot programs receive funds and demonstrate effectiveness.
 - The GRO earns revenue from excess balances in general fund operating reserve. And each year, 25 percent is available for appropriation.
- The Behavioral Health Trust Fund was created to provide permanent support for behavioral health services.
 - The BHTF earns a temporary share of severance tax revenue that would otherwise go to the early childhood trust fund.

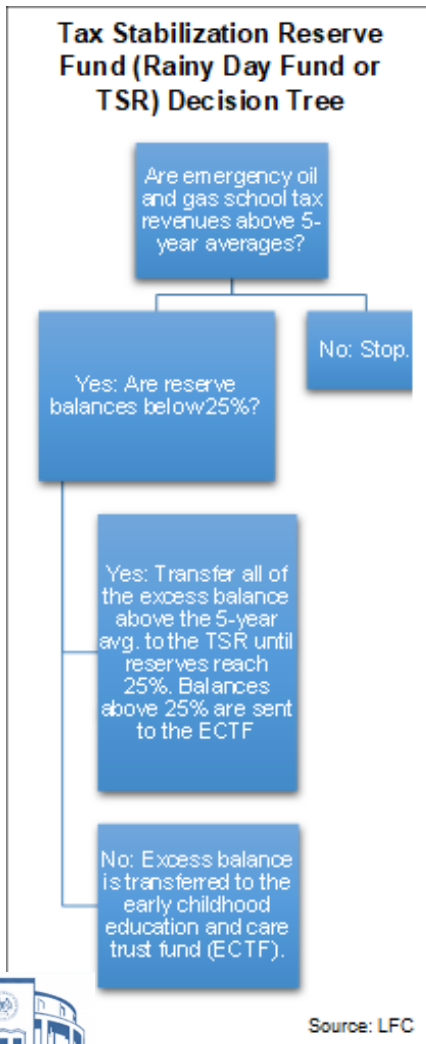


The Tax Stabilization Reserve operates as the state’s “rainy day fund” and is most like an emergencies savings account.

TAX STABILIZATION RESERVE (RAINY DAY FUND)	Estimate FY2025	Estimate FY2026	Estimate FY2027
Beginning Balance	\$ 2,179.0	\$ 2,317.2	\$ 2,409.9
Revenues from Excess Oil and Gas Emergency School Tax	\$ 412.2	\$ 109.0	\$ 54.5
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Transfers In (From Operating Reserve)	\$ -	\$ -	\$ -
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Transfer Out to Higher Education Endowment Fund	\$ -	\$ -	\$ -
<u>Transfer Out to Early Childhood Trust Fund</u>	<u>\$ (412.2)</u>	<u>\$ (109.0)</u>	<u>\$ (54.5)</u>
Ending Balance	\$ 2,317.2	\$ 2,409.9	\$ 2,506.2
<i>Percent of Recurring Appropriations</i>	<i>22.6%</i>	<i>22.2%</i>	



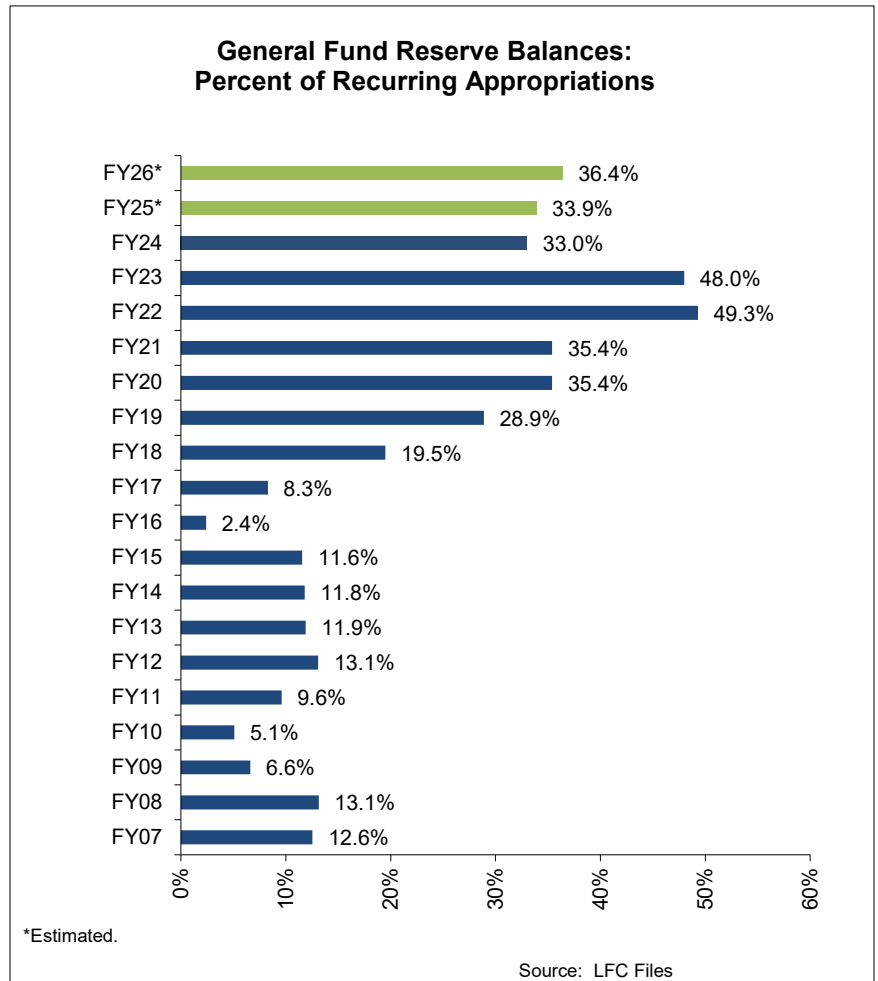
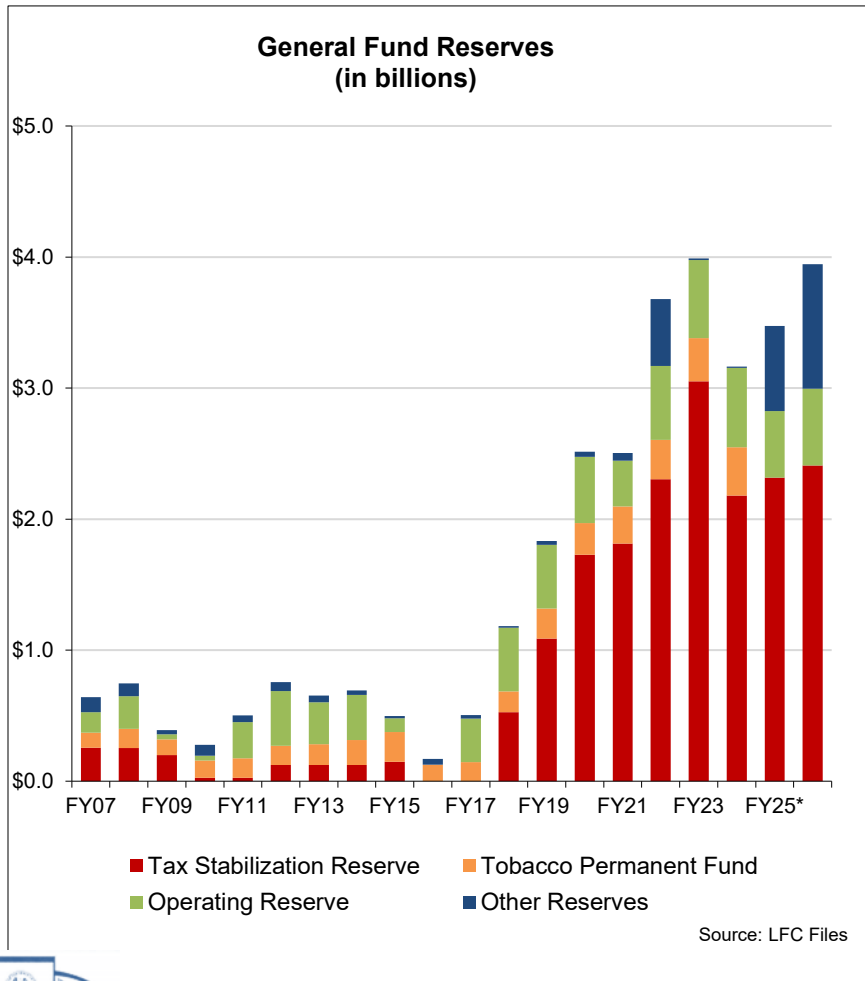
Tax Stabilization Reserve- Funding Mechanisms and Decision Tree



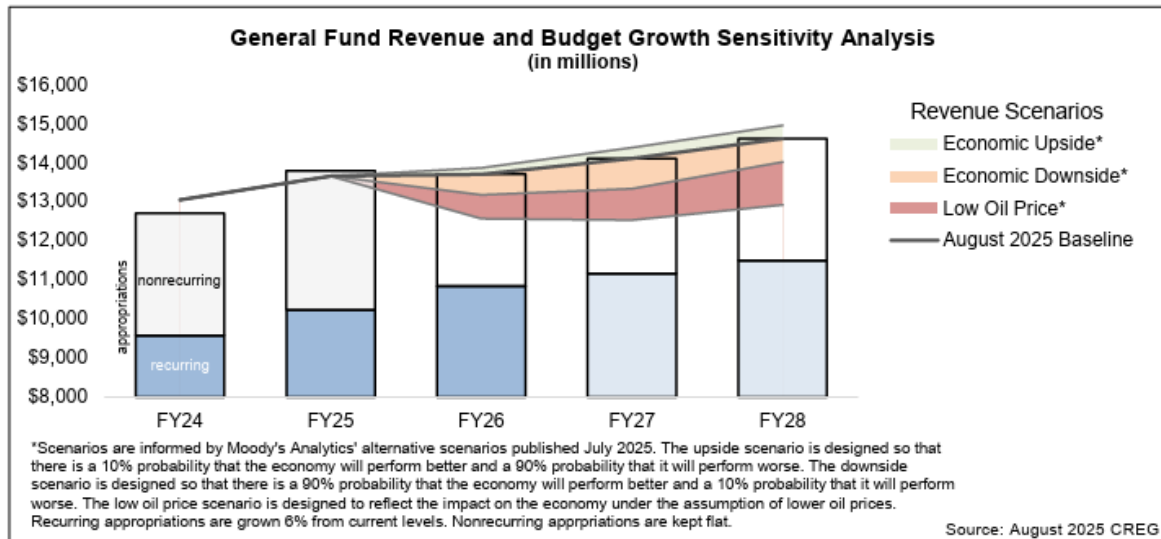
- Funds are deposited into the tax stabilization reserve from the oil and gas emergency tax if (a) annual revenue exceeds the five-year average AND (b) total reserves are LESS than 25% of the recurring budget.
- Money in the tax stabilization reserve may only be appropriated if (1) the governor declares it necessary because of a shortfall and the House and Senate approve it with a simple majority vote, or (2) two-thirds vote of both the House and Senate.
- The fund grows with oil and gas transfers and investment earnings.



Reserves have grown, though higher balances are needed for larger budgets and increasingly volatile revenues.



New Mexico's revenue volatility and reliance on oil and gas revenues informs the need for reserves.



- New Mexico's revenues are the 6th most volatile in the nation.
- Stress-testing of the general fund revenues informs reserve needs.
- Other national best practice guidelines for the average state recommend three-months revenues for a baseline reserve target.

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	-\$289	-\$303	-\$272	-\$29	-\$33	-\$21	\$6	\$7	\$3
2 Federal Mineral Leasing to GF	-\$170	-\$338	-\$301	\$0	\$0	\$0	\$0	\$0	\$0
3 Gross Receipts Taxes	-\$407	-\$580	-\$699	-\$273	-\$434	-\$387	\$117	\$205	\$257
4 Corporate Income Taxes	-\$140	-\$186	-\$195	-\$98	-\$149	-\$85	\$20	\$27	\$36
5 Personal Income Taxes	-\$129	-\$171	-\$231	-\$126	-\$157	-\$105	\$17	\$38	\$43
6									
7 General Fund Difference from Baseline	-\$1,135	-\$1,578	-\$1,698	-\$526	-\$773	-\$598	\$160	\$277	\$339
8 General Fund Percent of Total Impact	40%	44%	43%	30%	33%	36%	39%	46%	64%
9									
10 Severance Taxes to TSR or ECE	-\$219	-\$109	-\$190	-\$219	-\$109	-\$164	\$108	\$105	\$17
11 Severance Taxes to STPF	-\$502	-\$723	-\$745	-\$331	-\$537	-\$247	3	\$25	\$51
12 Federal Mineral Leasing to ECE	-\$287	-\$90	-\$130	-\$287	-\$90	-\$130	\$142	\$172	\$51
13 Federal Mineral Leasing to STPF	-\$729	-\$1,099	-\$1,215	-\$388	-\$808	-\$509	\$0	\$29	\$68
14 TSR/ECE Transfers Diff. from Baseline	-\$1,737	-\$2,021	-\$2,280	-\$1,225	-\$1,544	-\$1,050	\$253	\$331	\$187
15 TSR/ECE/STPF Transfers Percent of Total Impact	60%	56%	57%	70%	67%	64%	61%	54%	36%
16 Total Difference from Baseline	-\$2,872	-\$3,599	-\$3,978	-\$1,751	-\$2,317	-\$1,648	\$413	\$608	\$526

Note: in millions

Investing the Reserve Funds

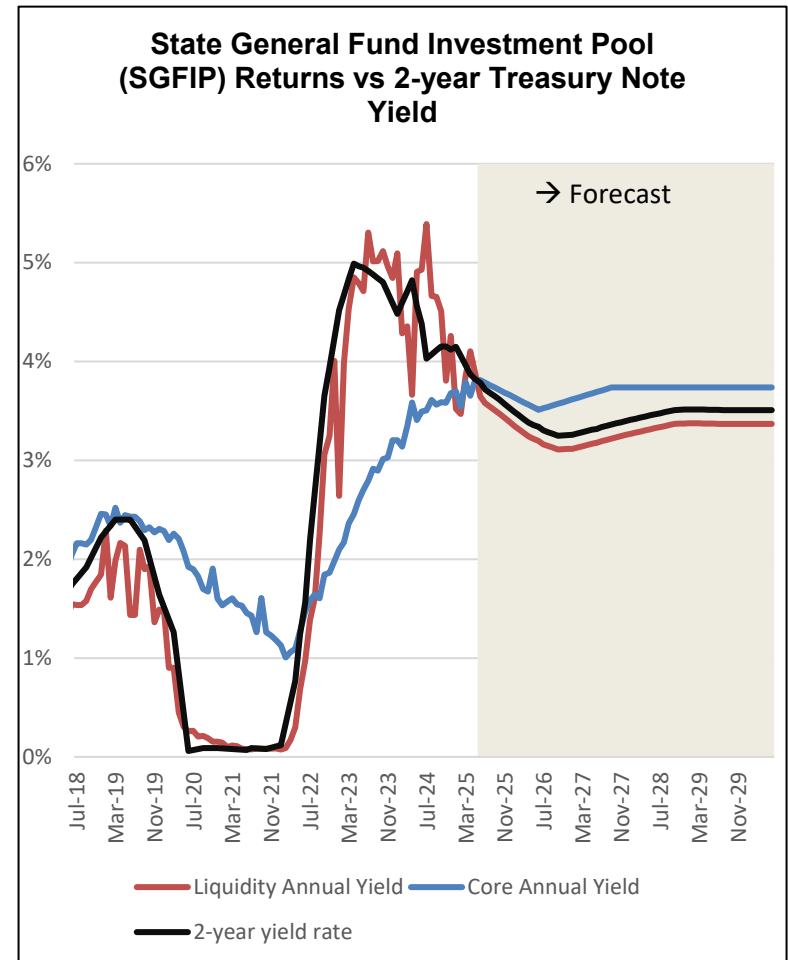


Reserves, permanent funds, and endowments.

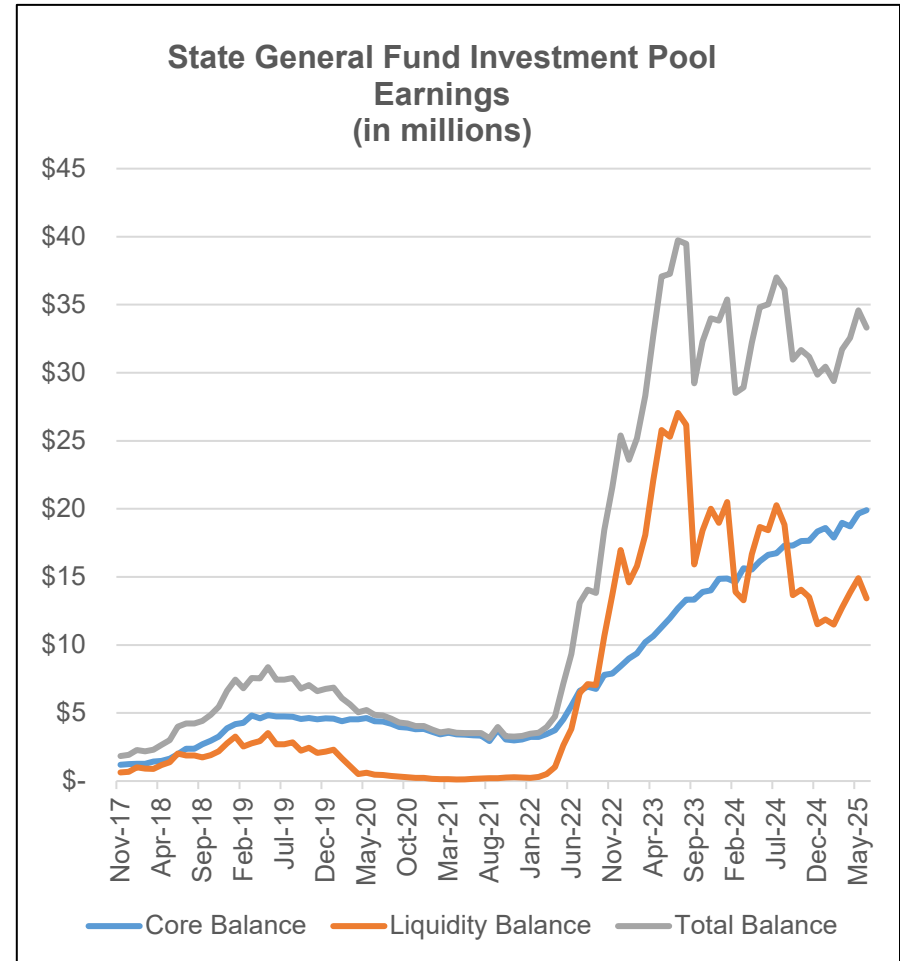
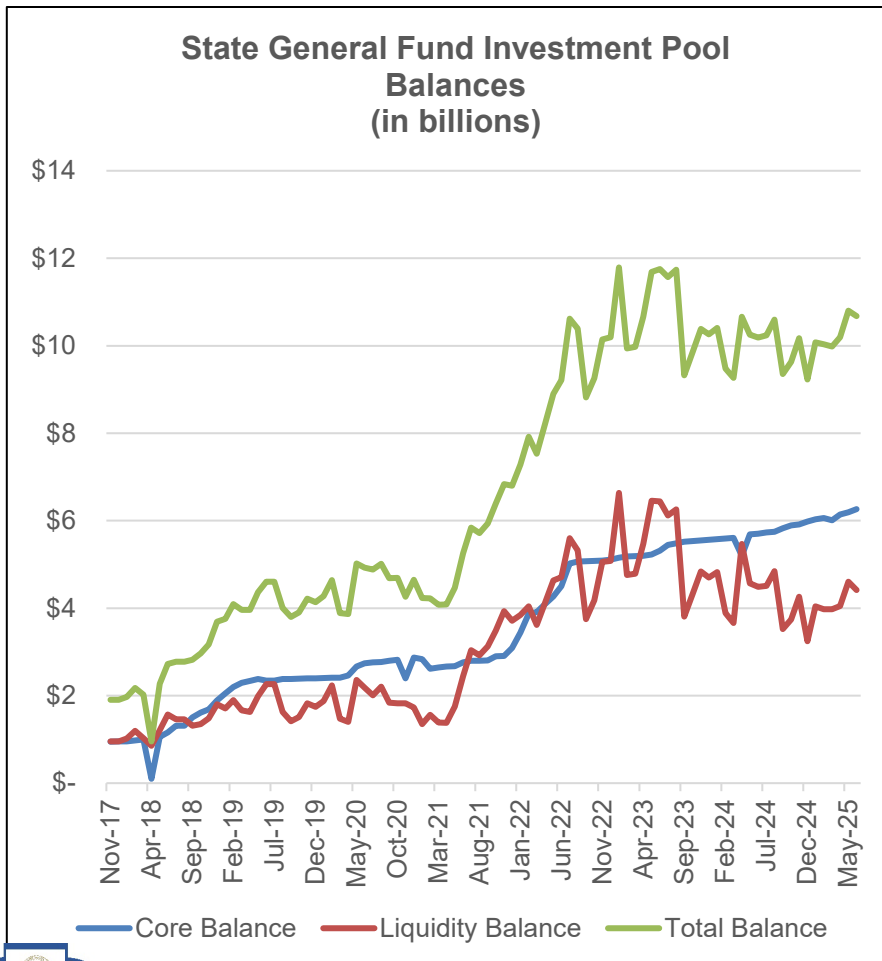
	Long-term or Short-term Solution	Generate Revenue to Support Mission	Distribution Mechanism	Duration
Reserves	Short-Term	No	Nonrecurring appropriation	One to three years
Permanent Funds	Long-term	Yes	A percentage of the balance below its return target	Infinite – perpetual benefits
Endowments	Short-, medium-, or long-term	Maybe	A percentage of the balance which may be above or below return target	Sometimes perpetual, often insolvent or expiring
Trust Funds	Short-, medium-, or long-term	Maybe	A percentage of the balance which may be above or below return target	Sometimes perpetual, often insolvent or expiring



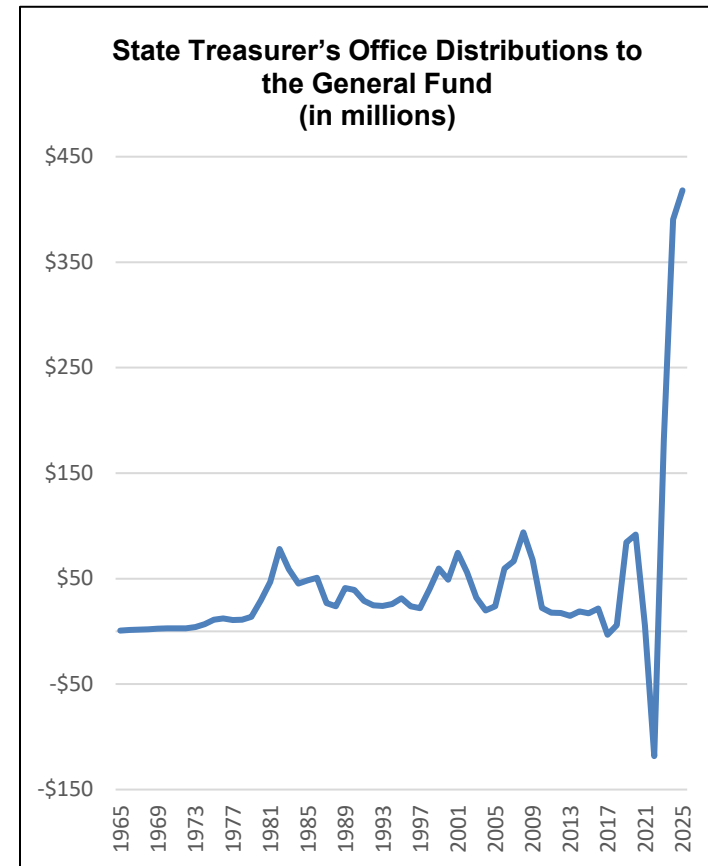
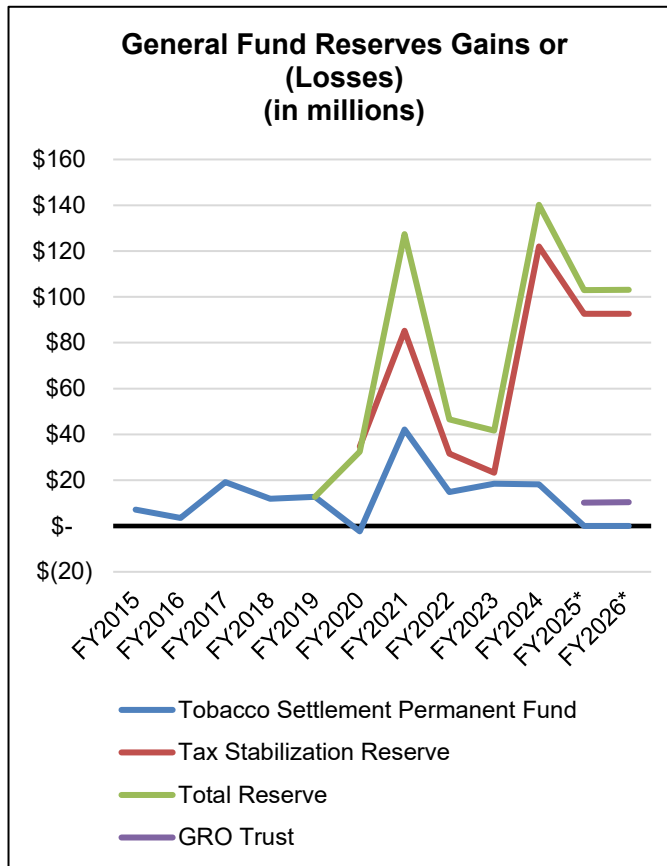
Returns for different funds vary based on how they are used and should be considered when creating funds.



Reserves are invested in the state general fund investment pool (SGFIP), which earn higher returns with higher interest rates and balances.



Some reserve funds grow from their own investment earnings. Other reserve funds contribute to general fund earnings, though most general fund earnings are from other sources.



Thank you!

For more information or questions:

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