

Consensus General Fund Revenue Outlook



New Mexico Department of Finance and Administration: August 22, 2018

Overview

- FY18 revenue appears on track to exceed the mid-Session forecast by almost \$500 million, largely due to severance, federal mineral leasing, and gross receipts tax receipts related to increased production of, and exploration for oil in NM.
- In FY19 and FY20: total recurring General Fund revenues are expected to grow by 8% percent and 3.0 percent, respectively, resulting in total FY19 and FY20 revenue of \$7.3 billion and \$7.5 billion.
- The resulting “new money,” or FY20 recurring revenue above FY19 recurring appropriations, is forecast at \$1.17 billion.
- Moderate macroeconomic growth is expected to continue nationally and in NM.
 - A near term US recession is not forecast in the baseline scenario, but expectations continue to grow that the next recession is more likely in the medium term.
- Moody’s Analytics and UNM BBER expectations for future NM growth remain near one another and are not significantly changed from January.
 - NM employment is expected to grow around 1% in both of the next two years
 - Details provided in attached Appendix 2.
- Due to the volatility of revenues and the range and current magnitude of risks, NM should target at least 20% reserves.



Major Forecast Revisions vs. January

- Gross Receipts Tax (GRT):
 - Higher diversified growth in the Rio Grande corridor and significantly higher growth in Eddy and Lea Counties and in the out-of-state sourced revenue, have led to and upward revision for FY18 of \$247 million and FY19 of \$425 million.
- Oil and Gas:
 - Higher prices and significantly higher volume expectations
 - BLM identified a much larger September Federal Mineral Lease auction with significant acreage in locations that have seen very high prices per acre.
 - Forecast oil and gas revenues from severance taxes and rents and royalties have increased by \$149 million FY18 and \$443 million FY19
 - Includes the first Oil and Gas School Tax distribution to the Tax Stabilization Reserve Fund now estimated at \$135 million in FY19
- Personal Income Tax (PIT):
 - The Federal Tax Cuts and Jobs Act (TCJA) is expected to increase state personal income tax revenue by \$54 million annually with a partial impact in FY18 and the full impact in FY19 and going forward. This along with stronger recent PIT collections overall has led to FY18 PIT expectations to be revised up by \$111 million and FY19 to be revised up by \$149 million

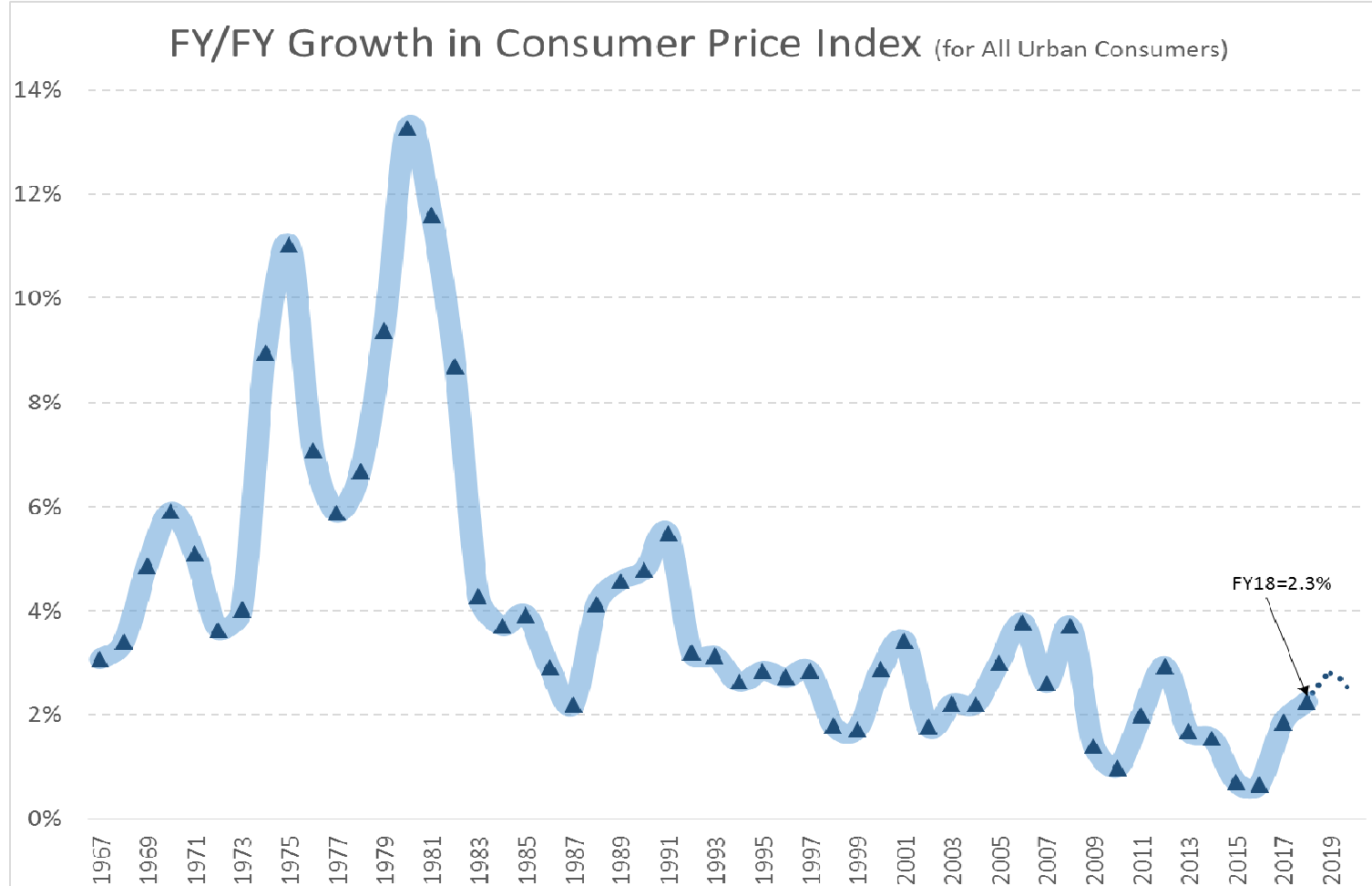


US/Global Outlook

- Overall US Real GDP is expected to grow around 3% in FY19 and between 1% and 2% over the following two years
- With a direct link to most revenues, inflation returned to longer-term averages faster than expected. Future expectations are now also slightly higher – between 2% and 3% in FY19 and FY20.
- The federal TCJA lowered the top US corporate income tax rate to 21% and changed how business's foreign income is taxed. It also lowered individual income tax rates and broadened the base of income subject to tax through 2025.
 - The Congressional Budget Office estimates it will have appreciable effects on the U.S. Economy with increased output, and increased near-term demand, partially offset by larger deficits created by the tax act.



End of Historically Low Inflation = Higher Nominal Revenue Growth



- *Inflation had been relatively stable for decades 1995-2014 average =2.4%*
- *FY15 and FY16: endured lowest inflation in 60 years, at only 0.7%*
- *FY17: began to normalize at 1.9% and FY18 normalized at 2.3%*
- *FY19 and FY20: inflation alone expected to add 2.4%-2.8% growth to majority of nominal General Fund revenues*



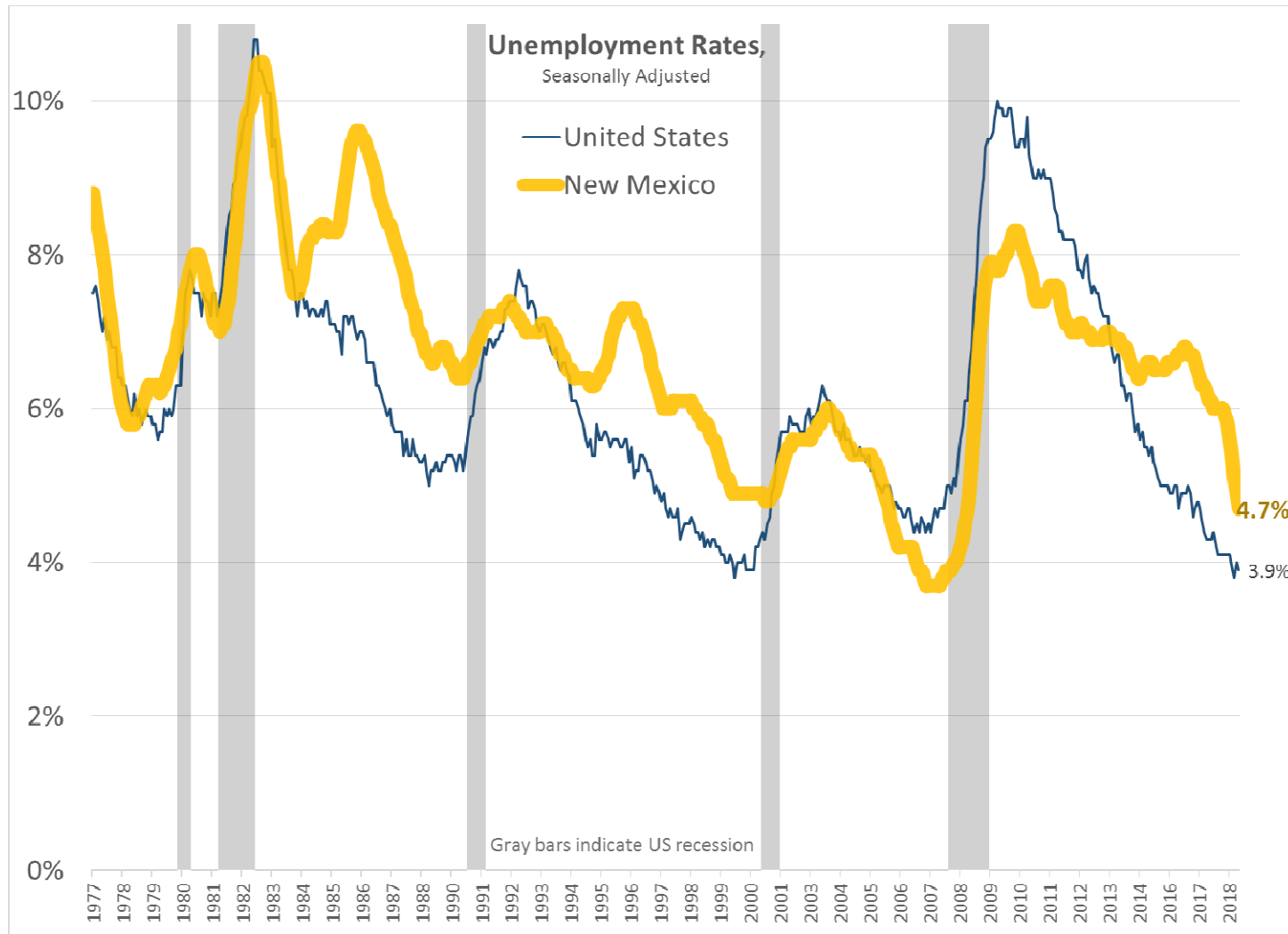
New Mexico Outlook

- Moody's expects New Mexico employment growth to show 1.0% in FY18, 1.4% in FY19, and 0.8% in FY20.
- Tax receipts from the Rio Grande Corridor grew twice as much in FY18 after growing slightly in FY17.
 - Due largely to diversification
- Southeast NM has rebounded sharply and reached new record levels.
- A dashboard of current economic indicators for New Mexico can be found at: <https://research.stlouisfed.org/dashboard/9235>



NM Outlook: Unemployment improvement

- The unemployment rate has significantly improved over the past few months, reaching 4.7% in July – the lowest level in almost a decade.



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 Y/Y General Fund GRT \$millions

San Juan 6.5	Rio Arriba 0.3	Taos -1.2	Colfax 0.2	Union 0.0	
McKinley -0.7	Sandoval 2.3	Los Alamos -2.6	Mora 0.1	Harding -0.2	Quay 0.1
Cibola 2.6	Bernalillo 35.0	Santa Fe 11.7	San Miguel 1.9	Curry -5.6	
Catron -0.1	Valencia 8.1	Torrance -2.2	Guadalupe -0.2	De Baca -0.1	Roosevelt 0.9
Grant 1.9	Sierra -1.1	Socorro -0.6	Lincoln 1.9	Lea 71.5	
Luna 1.9	Doña Ana 7.9	Otero 0.6	Chaves 4.5	Eddy 89.6	
Hidalgo 4.4	Out-of-State: 66.9				

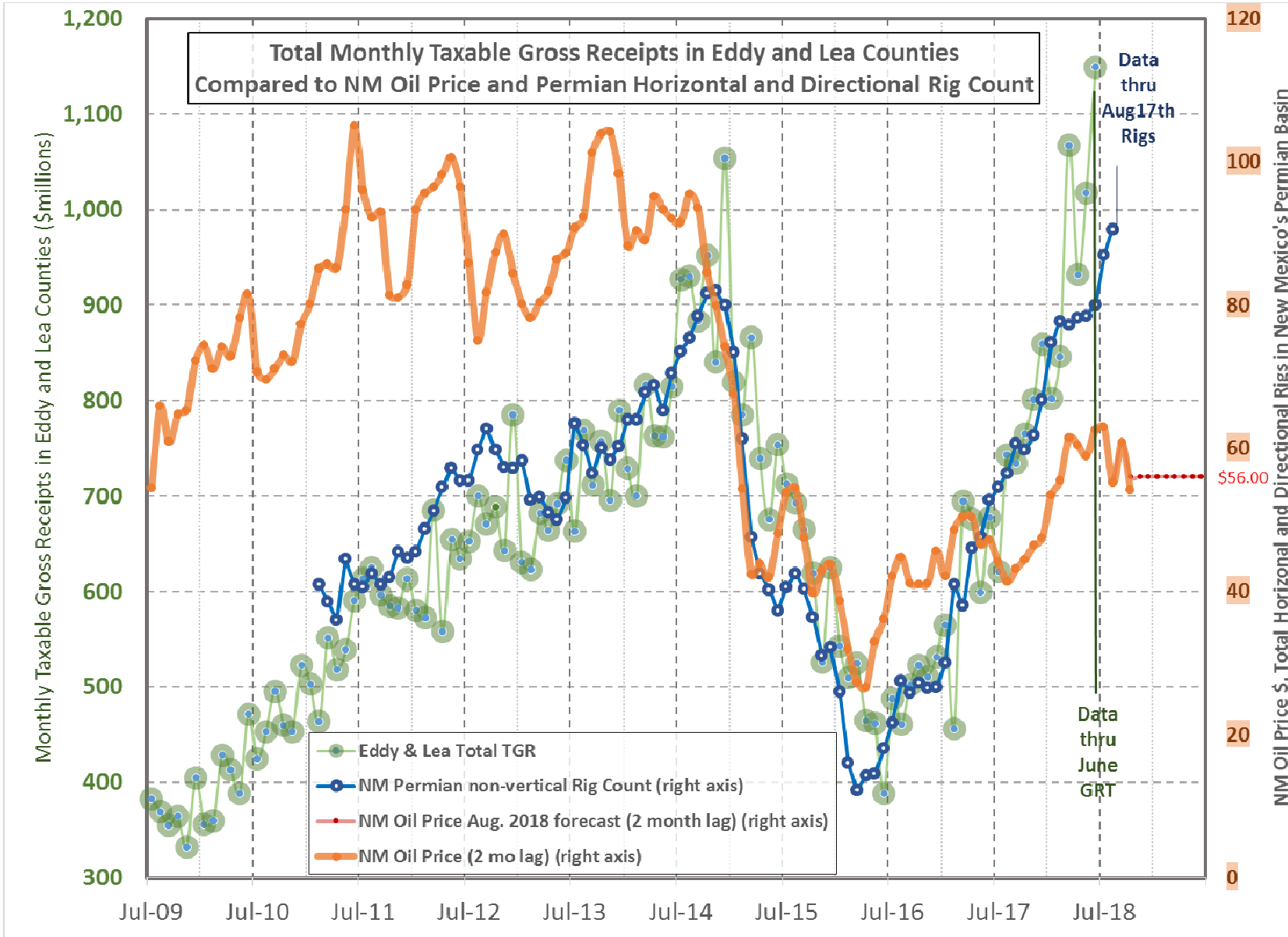
FY17: Further declines in the Northwest. Southwest & Out-of-State were near level FY-over-FY; continued moderate growth in Santa Fe-ABQ-Las Cruces corridor.

Note: See Appendix 4 for calculation and additional detail

FY18: The decline in San Juan reversed. Diversified growth in core Rio Grande corridor more than doubled. Eddy, Lea, and Out-of-State grew substantially due to increased oil activity. Online sales also grew Out-of-State sourced sales. Rural NM continues to lag.



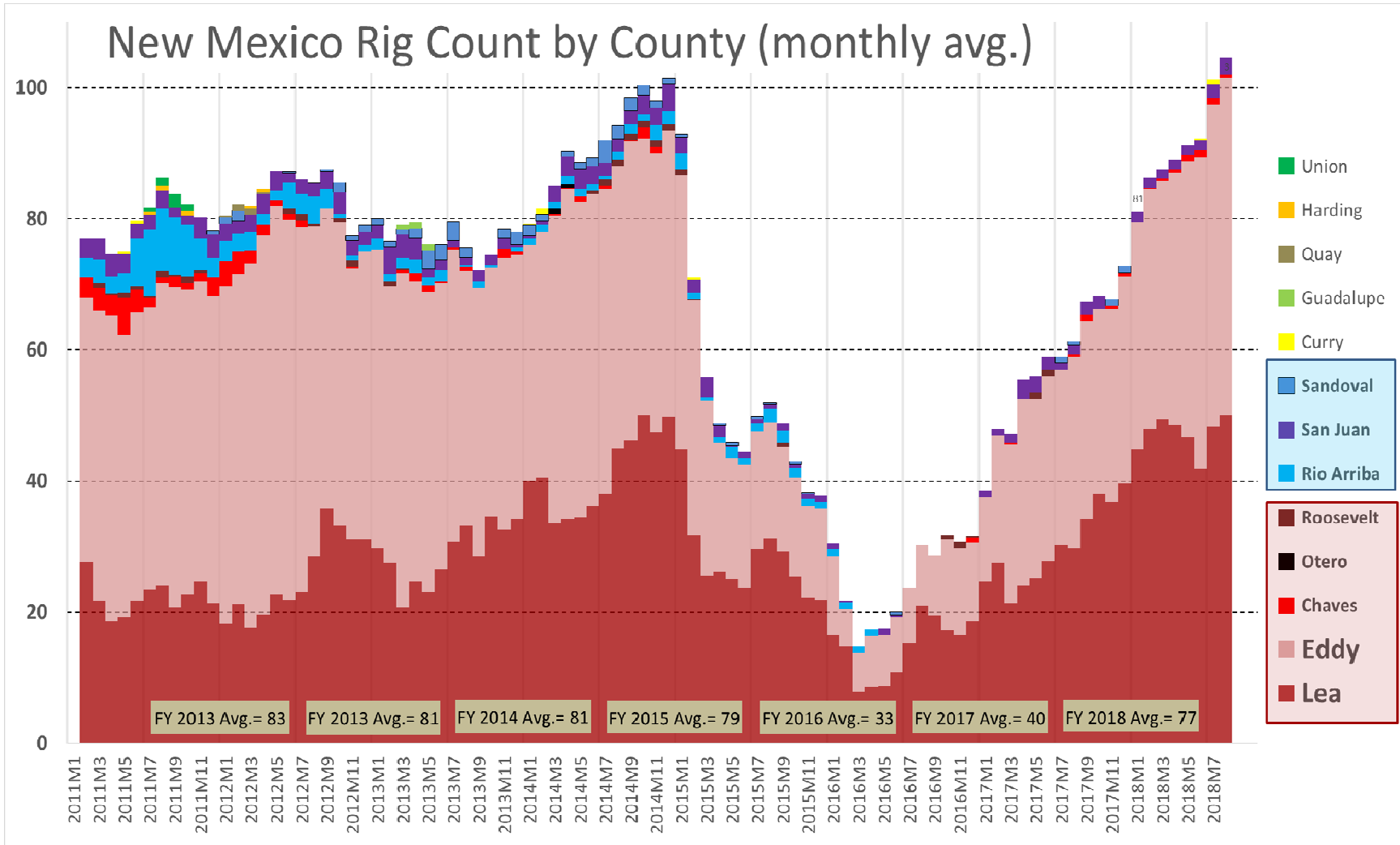
Oil Price Volatility → Rig Count and TGR Volatility



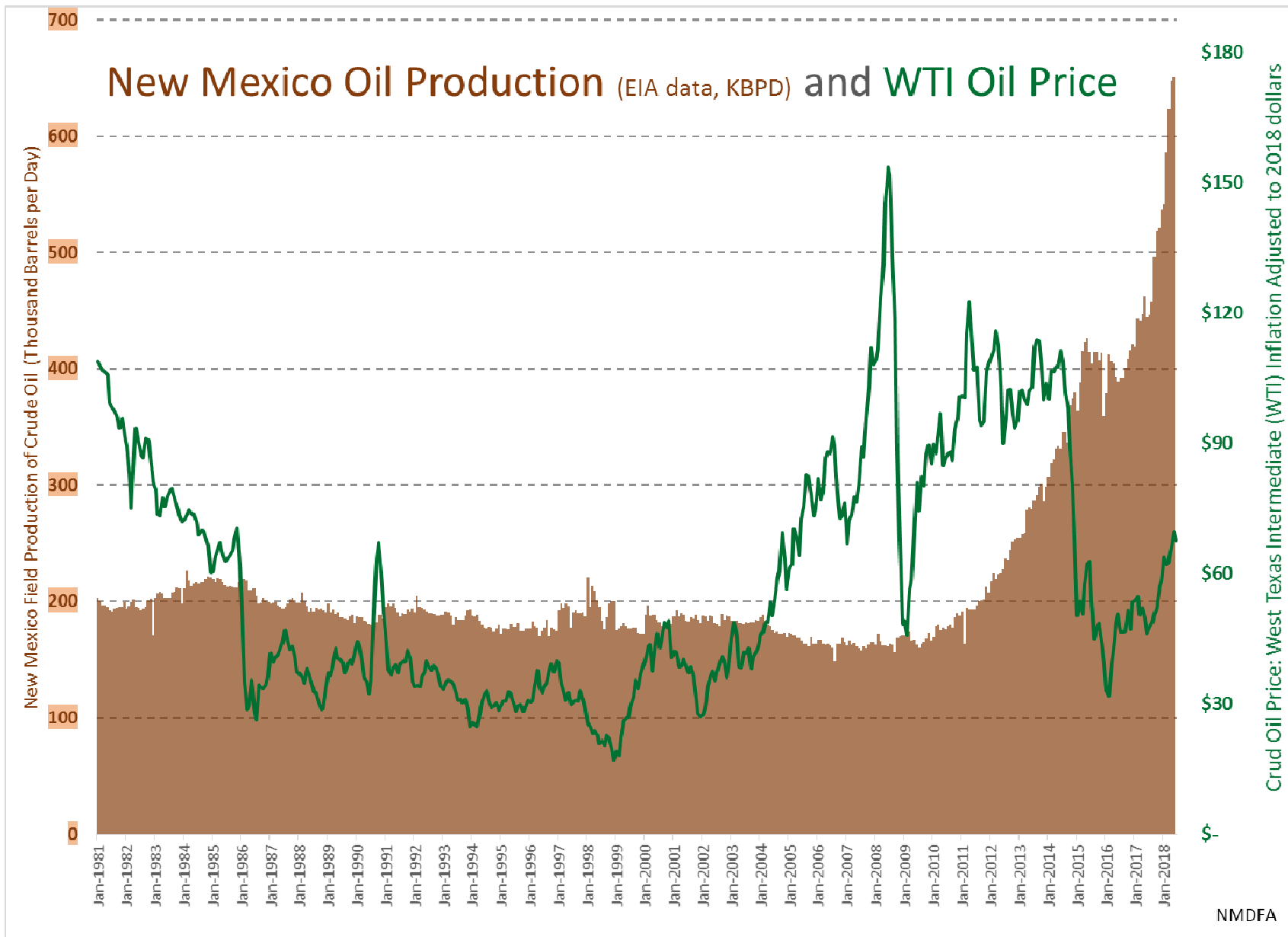
Rebounding Exploration:

FY16: averaged 33 rigs & FY17: averaged 40 rigs

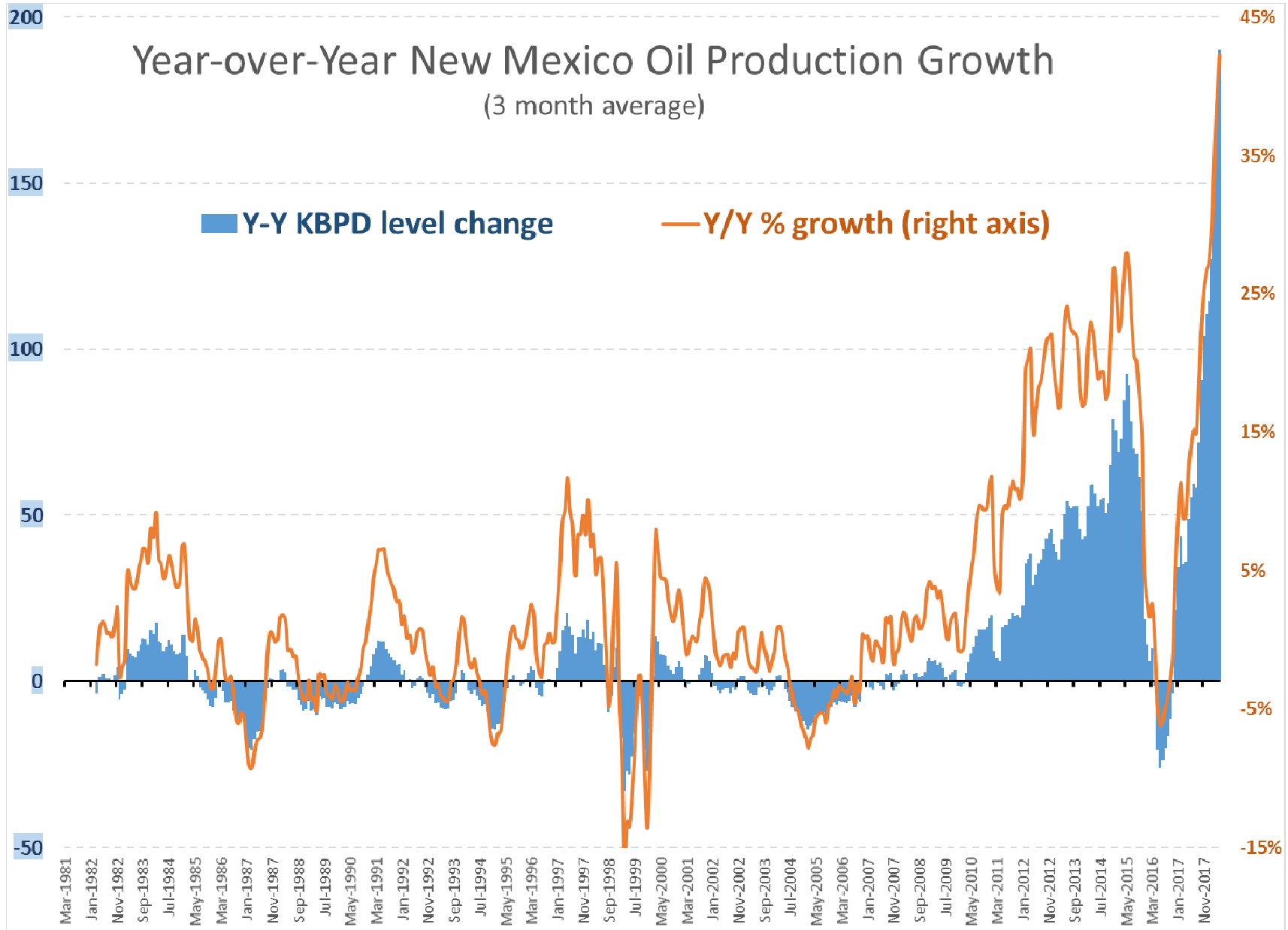
FY18: averaged 77 rigs (of higher productivity), FY19 on track for similar Y/Y increase (over 100 in August)



Rebound and New Heights for NM Oil Production



Rebound in Oil Production Growth



New Mexico Oil & Gas Outlook

	FY17	FY18	FY19	FY20
<u>Crude Oil:</u>				
Price (\$/barrel)	\$44.75	\$54.39	\$56.00	\$57.00
Production (mill. barrels)	156	202	245	270
<i>Oil Volume Growth</i>	6%	30%	21%	10%
<u>Natural Gas:</u>				
Price (\$/1,000 cu. ft.)	\$3.24	\$3.25	\$3.10	\$2.95
Production (Bill. cu. ft.)	1,236	1,300	1,381	1,415
<i>Gas Volume Growth</i>	5%	5%	6%	3%

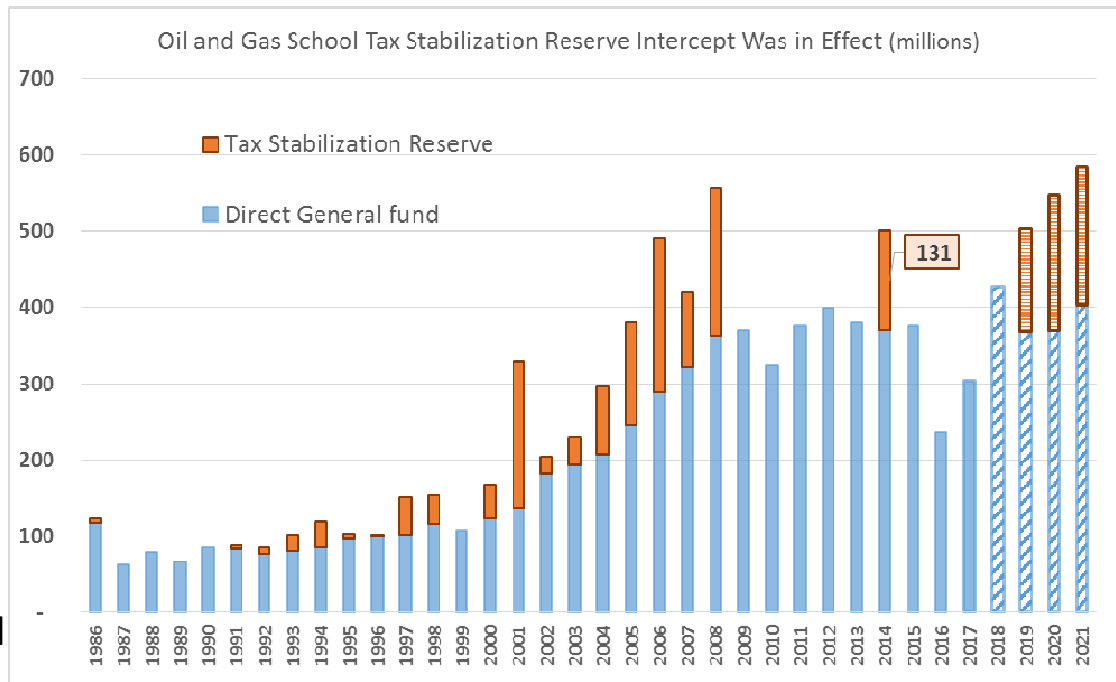
Source: ONGARD; Consensus Revenue Estimating Group

- *Oil prices revised up \$3-\$4 in FY18 & FY19 vs January, while volume growth revised from around 10% in FY18 and 5% FY19 to a record breaking 30% in FY18 and then 21% in FY19.*
- *Natural gas volume growth also increased, driven by Permian production associated with oil directed drilling offsetting continued San Juan declines.*

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

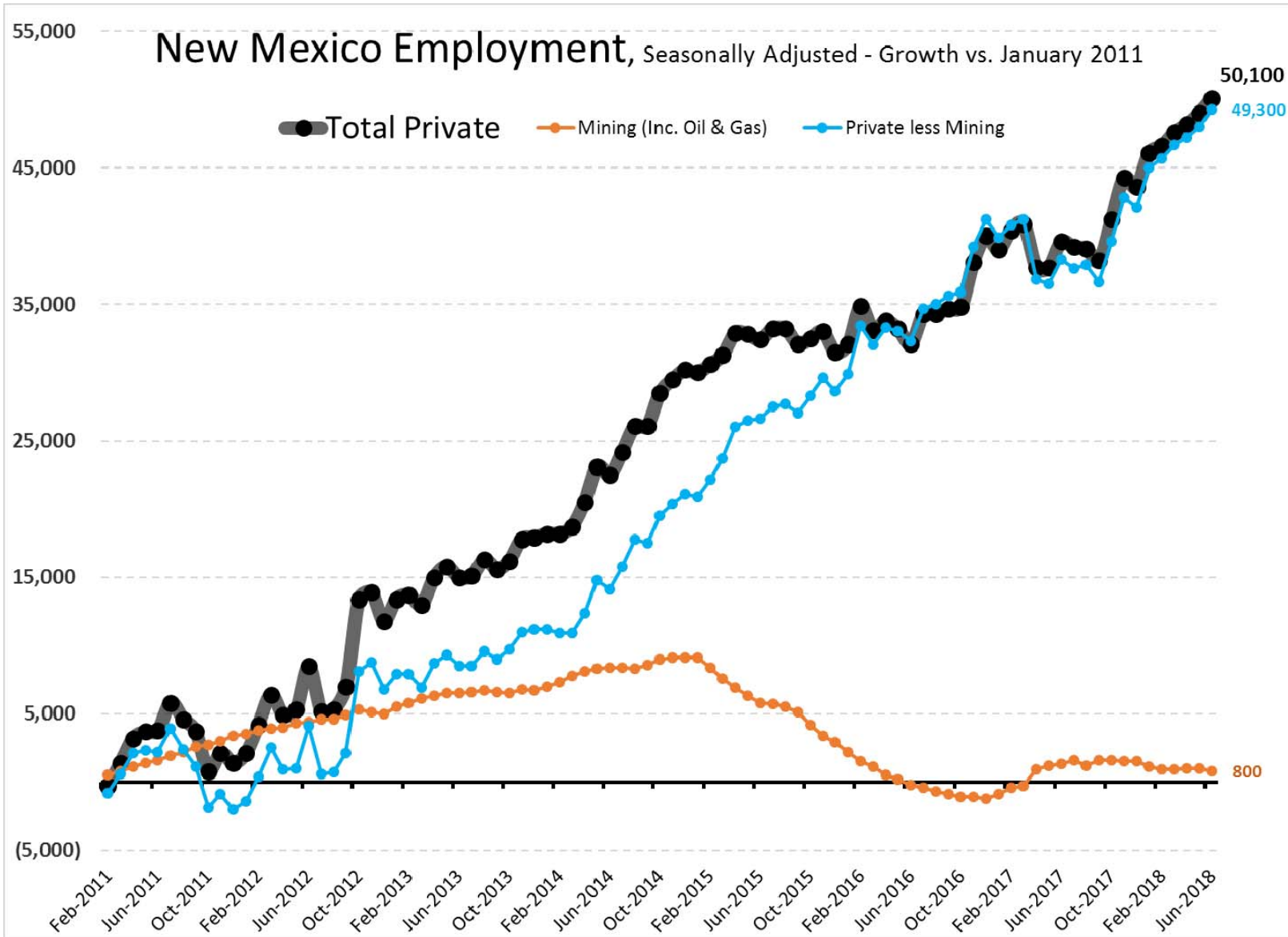
- This legislation removed a portion of the volatility in the oil and natural gas revenues into New Mexico's General Fund.
- Beginning in FY19, oil and gas emergency school tax revenue in excess of its prior five fiscal year annual average will be directed to the tax stabilization reserve fund.
- The 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 \$135 in FY19,
- \$177 million in FY20 , and \$182 million in FY21.

Private Employment Growth



A Sampling of New NM Companies

Company	County	Industry	Jobs
Stampede Meat	Dona Ana	Manufacturing (Food)	1,295
Facebook	Valencia	Tech	100
Safelite AutoGlass	Sandoval	Insurance	900
Solaro	Socorro	Green Energy	25
Carenet Health Services	Bernalillo	Customer Support Center	244
Corrugated Synergies International	Dona Ana	Industrial	120
Keter Plastics	Valencia	Manufacturing	175
FedEx	Dona Ana	Shipping/Transportation	200

Examples of Business Retention & Expansion

Company	County	Industry	Jobs
Lavu	Bernalillo	Tech	46
Agmechtronix, LLC	Grant	Manufacturing	23
Vitality Works	Bernalillo	Manufacturing	80
Ideum	Sandoval	Tech	73
Amfab/Phat Steel	Sandoval	Manufacturing	86
Descartes Labs	Santa Fe	Tech	50
UbiQD	Los Alamos	Tech	20
Skorpios	Bernalillo	Tech	300
Southwest Cheese	Curry	Value Added Manufacturing	400
Compass	Luna	Manufacturing	142
PESCO	San Juan	Manufacturing	170

- Positive impact of JTIP, LEDA, etc.



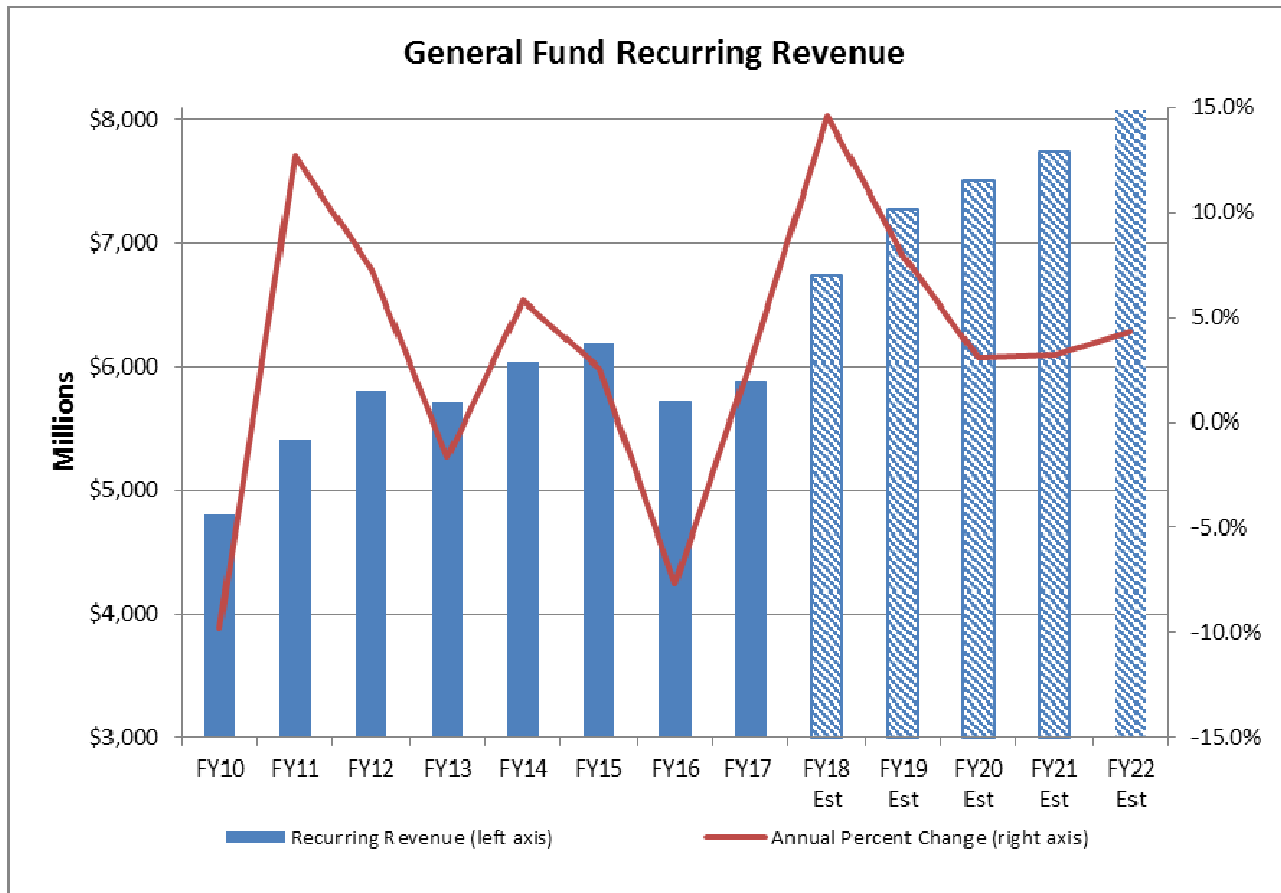
General Fund Forecast Summary

August 2018 Consensus General Fund Forecast						
	FY18		FY19		FY20	
	\$ Millions	% Change	\$ Millions	% Change	\$ Millions	% Change
General Sales	\$2,442	18.4%	\$2,652	8.6%	\$2,778	4.7%
Selective Sales	\$547	0.6%	\$560	2.5%	\$579	3.3%
Income Taxes	\$1,602	10.4%	\$1,667	4.1%	\$1,720	3.2%
O&G Revenue	\$1,144	34.8%	\$1,294	13.1%	\$1,232	-4.8%
Investment Income	\$801	8.4%	\$889	10.9%	\$974	9.6%
Other	\$207	-14.5%	\$217	5.0%	\$218	0.3%
<u>Total Recurring Revenue</u>	<u>\$6,743</u>	<u>14.6%</u>	<u>\$7,279</u>	<u>8.0%</u>	<u>\$7,501</u>	<u>3.0%</u>

- Beyond trend General Sales growth in FY18 and FY19 driven by oil exploration then closer to long run average growth rates in FY20.
- Personal Income Tax has \$54 million per year boost from TCJA
- Oil and gas related revenue growth.
- Only revision down was Insurance Premiums Tax
- Details in Appendix 1 and Appendix 3.

General Fund Revenue Outlook

- Recurring revenue reached record high in FY15; will be exceeded in FY18
- FY18 total growth estimated at 14.6%.
- FY19 total growth estimated to be 8.0%.
- FY20 total growth estimated to be 3.0%



General Fund Financial Summary

(\$ in millions)

	FY18	FY19	FY20
Beginning Balance	\$505	\$1,112	\$2,164
Total Revenue	\$6,809	\$7,279	\$7,501
Spending	(\$6,201)	(\$6,380)	“New Money” \$1,169
Reserve Transfers, etc.	0	\$153	
Ending Balance	\$1,112	\$2,164	
Percent of Appropriations	18.3%	34.2%	

Risks to the Forecast

- Direct sensitivity to oil and gas price: severance, GRT, and income taxes.
 - More than ever before, NM severance revenues are driven predominately by the volatile global price of oil instead of a mix of commodities previously dominated by local natural gas prices.
 - A localized natural gas supply glut and significant regional price collapse remains possible without natural gas infrastructure and demand growth if Permian oil production surges resulting in a spike of associated natural gas production.
 - While the timing of new infrastructure to accommodate growing production is narrow, continued progress and announcements on major oil and natural gas pipelines from the Permian to the Gulf could indicate higher volume growth and GRT revenue than forecast.
- Substantial tax protest claims remain to be decided by pending hearings and/or litigation and may possibly be a major impact (beyond trend negative not incorporated into in this baseline forecast).
- International trade uncertainty impacts both direct NM trade and overall global economic stability.
- Caution for US recession (currently approaching longest gap between recessions).
 - Predicting when and how severe is impossible but preparation is the same.
- Minimum 20% reserve target to help mitigate risks
 - A reserve of almost 17% in 2006 proved inadequate for NM with a major US recession. Then in FY2014 a reserved of 12% proved inadequate with an oil bust softened by continued overall US economic growth (without any US recession).
 - Adequate reserves will help increase the state's bond ratings where Moody's Investors Service has indicated past NM revenue volatility necessitates a 17% reserve.

General Fund Consensus Revenue Estimate August 2018

Revenue Source	FY17	FY18					FY19					FY20				
	Dec 2017 Actual	2018 Session Update Adj. for Legis.	Aug 2018 Prelim. Actual	Change from Prior	% Change from FY17	\$ Change from FY17	2018 Session Update Adj. for Legis.	Aug 2018 Est.	Change from Prior	% Change from FY18	\$ Change from FY18	2018 Session Update Adj. for Legis.	Aug 2018 Est.	Change from Prior	% Change from FY19	\$ Change from FY19
Base Gross Receipts Tax	2,169.2	2,317.0	2,557.7	240.7	17.9%	388.5	2,331.6	2,751.1	419.5	7.6%	193.4	2,403.4	2,873.1	469.7	4.4%	121.9
60-Day Money & Other Credits	(33.0)	(53.9)	(53.9)	-	63.3%	(20.9)	(53.9)	(53.9)	-	0.0%	-	(53.9)	(53.9)	-	0.0%	-
F&M Hold Harmless Payments	(122.7)	(125.2)	(118.8)	6.4	-3.2%	3.9	(120.3)	(115.0)	5.3	-3.2%	3.8	(115.5)	(111.4)	4.1	-3.1%	3.6
NET Gross Receipts Tax	2,013.5	2,137.9	2,385.0	247.1	18.4%	371.5	2,157.4	2,582.2	424.8	8.3%	197.2	2,234.0	2,707.8	473.8	4.9%	125.5
Compensating Tax	48.5	53.5	57.0	3.5	17.5%	8.5	57.8	70.0	12.2	22.8%	13.0	61.3	70.0	8.7	0.0%	-
TOTAL GENERAL SALES	2,062.1	2,191.4	2,442.0	250.6	18.4%	379.9	2,215.2	2,652.2	437.0	8.6%	210.2	2,295.3	2,777.8	482.5	4.7%	125.5
Tobacco Taxes	77.9	79.4	79.3	(0.2)	1.7%	1.4	77.8	77.6	(0.2)	-2.1%	(1.7)	76.4	76.2	(0.2)	-1.8%	(1.4)
Liquor Excise	7.4	23.5	23.9	0.4	223.8%	16.5	24.2	25.2	1.0	5.4%	1.3	21.5	23.0	1.5	-8.7%	(2.2)
Insurance Taxes	227.5	232.4	201.0	(31.4)	-11.6%	(26.5)	242.3	217.7	(24.6)	8.3%	16.7	253.2	234.6	(18.6)	7.8%	16.9
Fire Protection Fund Reversion	18.7	17.8	17.8	-	-4.7%	(0.9)	18.3	18.3	-	2.8%	0.5	18.9	18.9	-	3.0%	0.6
Motor Vehicle Excise	145.2	150.3	154.0	3.7	6.0%	8.8	148.7	151.7	3.0	-1.5%	(2.3)	152.4	154.9	2.5	2.1%	3.2
Gaming Excise	59.5	59.6	61.5	1.9	3.3%	2.0	58.6	61.8	3.2	0.4%	0.3	59.2	63.1	3.9	2.2%	1.4
Leased Vehicle & Other	7.3	7.6	9.0	1.4	24.1%	1.8	7.7	8.0	0.3	-11.1%	(1.0)	7.7	8.0	0.3	0.0%	-
TOTAL SELECTIVE SALES	543.4	570.6	546.5	(24.2)	0.6%	3.0	577.6	560.2	(17.4)	2.5%	13.8	589.3	578.7	(10.6)	3.3%	18.4
Personal Income Tax	1,380.7	1,381.1	1,492.0	110.9	8.1%	111.3	1,408.7	1,557.4	148.7	4.4%	65.4	1,434.6	1,604.4	169.9	3.0%	47.1
Corporate Income Tax	70.2	105.0	110.0	5.0	56.8%	39.8	110.0	110.0	-	0.0%	-	115.0	115.5	0.5	5.0%	5.5
TOTAL INCOME TAXES	1,450.8	1,486.1	1,602.0	115.9	10.4%	151.2	1,518.7	1,667.4	148.7	4.1%	65.4	1,549.6	1,719.9	170.4	3.2%	52.6
Oil and Gas School Tax	304.3	352.7	426.6	73.9	40.2%	122.3	354.6	368.6	14.0	-13.6%	(58.0)	331.1	369.0	37.9	0.1%	0.4
Oil Conservation Tax	17.4	18.3	22.2	3.9	27.8%	4.8	19.2	26.3	7.1	18.5%	4.1	19.8	28.6	8.8	8.7%	2.3
Resources Excise Tax	9.6	9.3	8.5	(0.8)	-11.9%	(1.1)	9.0	7.3	(1.7)	-14.1%	(1.2)	9.0	7.1	(1.9)	-2.7%	(0.2)
Natural Gas Processors Tax	10.3	10.2	10.8	0.6	5.0%	0.5	12.6	14.4	1.8	33.2%	3.6	12.2	14.0	1.8	-3.3%	(0.5)
TOTAL SEVERANCE TAXES	341.6	390.5	468.1	77.6	37.0%	126.5	395.4	416.6	21.2	-11.0%	(51.5)	372.1	418.7	46.6	0.5%	2.0
LICENSE FEES	53.3	54.2	62.2	8.0	16.6%	8.9	55.4	55.1	(0.3)	-11.4%	(7.1)	56.7	55.7	(1.0)	1.1%	0.6
LGPF Interest	541.6	584.9	584.9	-	8.0%	43.4	633.6	632.6	(1.0)	8.2%	47.7	675.6	678.6	3.0	7.3%	46.0
STO Interest	(3.2)	-	5.8	5.8	-279.6%	9.0	8.4	35.5	27.1	512.1%	29.7	29.2	66.5	37.3	87.3%	31.0
STPF Interest	200.4	210.4	210.4	-	5.0%	10.0	220.6	220.6	(0.0)	4.8%	10.2	228.0	229.0	1.0	3.8%	8.4
TOTAL INTEREST	738.8	795.3	801.1	5.8	8.4%	62.3	862.6	888.7	26.1	10.9%	87.6	932.9	974.1	41.2	9.6%	85.4
Federal Mineral Leasing	435.7	510.0	564.1	54.1	29.5%	128.4	520.0	815.0	295.0	44.5%	250.9	537.8	750.0	212.2	-8.0%	(65.0)
State Land Office	71.5	95.0	111.8	16.8	56.4%	40.3	55.0	62.7	7.7	-43.9%	(49.1)	55.0	62.9	7.9	0.3%	0.2
TOTAL RENTS & ROYALTIES	507.2	605.0	675.9	70.9	33.3%	168.7	575.0	877.7	302.7	29.9%	201.8	592.8	812.9	220.1	-7.4%	(64.8)
TRIBAL REVENUE SHARING	62.7	64.8	65.0	0.2	3.6%	2.3	73.1	74.0	0.9	13.8%	9.0	74.7	74.8	0.1	1.1%	0.8
MISCELLANEOUS RECEIPTS	49.5	50.7	43.4	(7.3)	-12.3%	(6.1)	52.1	47.4	(4.7)	9.2%	4.0	56.3	48.8	(7.5)	3.0%	1.4
REVERSIONS	76.5	40.0	37.0	(3.0)	-51.6%	(39.5)	40.0	40.0	-	8.1%	3.0	40.0	40.0	-	0.0%	-
TOTAL RECURRING	5,885.9	6,248.6	6,743.2	494.6	14.6%	857.3	6,365.1	7,279.4	914.3	8.0%	536.2	6,559.6	7,501.3	941.7	3.0%	221.9
TOTAL NONRECURRING	575.7	65.5	65.5	-	-88.6%	(510.2)	-	-	-	-100.0%	(65.5)	-	-	-	n/a	-
GRAND TOTAL	6,461.6	6,314.1	6,808.7	494.6	5.4%	347.1	6,365.1	7,279.4	914.3	6.9%	470.7	6,559.6	7,501.3	941.7	3.0%	221.9

Note: Columns in blue show difference between August 2018 Consensus Revenue Estimate and January 2018 Consensus Revenue Estimate
 Note: Columns in red show year-over-year growth expected in the August 2018 Consensus Revenue Estimate

Oil & Gas School Tax to Tax Stab. Res.	15.5	134.5	119.0	n/a	134.5	52.3	177.2	124.9	31.7%	42.7
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General Fund Consensus Revenue Estimate August 2018

Revenue Source	FY21					FY22					FY23		
	2018 Session Update Adj. for Legis.	Aug 2018 Est.	Change from Prior	% Change from FY20	\$ Change from FY20	2018 Session Update Adj. for Legis.	Aug 2018 Est.	Change from Prior	% Change from FY21	\$ Change from FY21	Aug 2018 Est.	% Change from FY22	\$ Change from FY22
Base Gross Receipts Tax	2,512.3	2,923.2	410.9	1.7%	50.1	2,598.6	3,023.7	425.1	3.4%	100.5	3,128.6	3.5%	105.0
60-Day Money & Other Credits	(53.9)	(53.9)	-	0.0%	-	(53.9)	(53.9)	-	0.0%	-	53.9	-200.0%	107.8
F&M Hold Harmless Payments	(100.7)	(107.8)	(7.1)	-3.2%	3.6	(93.7)	(104.4)	(10.7)	-3.2%	3.4	(101.1)	-3.2%	3.3
NET Gross Receipts Tax	2,357.7	2,761.5	403.8	2.0%	53.7	2,451.0	2,865.4	414.4	3.8%	103.9	3,081.4	7.5%	216.1
Compensating Tax	63.7	70.0	6.3	0.0%	-	65.0	70.0	5.0	0.0%	-	70.0	0.0%	-
TOTAL GENERAL SALES	2,421.4	2,831.5	410.1	1.9%	53.7	2,516.0	2,935.4	419.4	3.7%	103.9	3,151.4	7.4%	216.1
Tobacco Taxes	75.1	74.7	(0.4)	-1.9%	(1.5)	73.8	72.9	(0.9)	-2.4%	(1.8)	71.2	-2.4%	(1.8)
Liquor Excise	21.4	23.1	1.7	0.4%	0.1	21.2	23.2	2.0	0.4%	0.1	23.3	0.4%	0.1
Insurance Taxes	263.9	243.1	(20.8)	3.6%	8.5	275.5	252.1	(23.4)	3.7%	9.0	260.9	3.5%	8.8
Fire Protection Fund Reversion	19.4	19.4	-	2.7%	0.5	19.9	19.9	-	2.8%	0.5	20.4	2.5%	0.5
Motor Vehicle Excise	155.1	158.0	2.9	2.0%	3.1	158.1	160.6	2.5	1.6%	2.6	163.5	1.8%	2.9
Gaming Excise	60.2	65.1	4.9	3.1%	1.9	60.6	65.4	4.8	0.5%	0.3	65.6	0.4%	0.2
Leased Vehicle & Other	7.7	8.0	0.3	0.0%	-	7.7	8.0	0.3	0.0%	-	8.0	0.0%	-
TOTAL SELECTIVE SALES	602.8	591.3	(11.4)	2.2%	12.7	616.8	602.1	(14.7)	1.8%	10.7	612.9	1.8%	10.8
Personal Income Tax	1,462.6	1,648.3	185.7	2.7%	43.9	1,484.6	1,695.6	211.1	2.9%	47.4	1,744.4	2.9%	48.8
Corporate Income Tax	120.0	121.3	1.3	5.0%	5.8	125.0	127.3	2.3	5.0%	6.1	133.7	5.0%	6.4
TOTAL INCOME TAXES	1,582.6	1,769.6	187.0	2.9%	49.7	1,609.6	1,823.0	213.4	3.0%	53.4	1,878.1	3.0%	55.1
Oil and Gas School Tax	328.1	403.2	75.1	9.3%	34.2	360.4	472.8	112.4	17.3%	69.6	534.9	13.1%	62.1
Oil Conservation Tax	19.6	30.7	11.1	7.3%	2.1	19.6	32.3	12.7	5.2%	1.6	33.8	4.6%	1.5
Resources Excise Tax	9.0	6.9	(2.1)	-2.8%	(0.2)	9.0	6.7	(2.3)	-2.9%	(0.2)	6.5	-3.0%	(0.2)
Natural Gas Processors Tax	12.0	13.3	1.3	-4.9%	(0.7)	11.8	13.0	1.2	-2.0%	(0.3)	13.3	2.0%	0.3
TOTAL SEVERANCE TAXES	368.7	454.1	85.4	8.5%	35.4	400.8	524.8	124.0	15.6%	70.7	588.5	12.1%	63.7
LICENSE FEES	58.2	56.3	(1.9)	1.1%	0.6	60.0	57.1	(2.9)	1.4%	0.8	57.9	1.4%	0.8
LGPF Interest	715.3	721.5	6.2	6.3%	42.9	764.2	773.7	9.6	7.2%	52.2	827.9	7.0%	54.2
STO Interest	41.3	74.6	33.3	12.2%	8.1	50.1	81.1	31.0	8.7%	6.5	81.1	0.0%	-
STPF Interest	234.6	236.6	2.0	3.3%	7.6	244.0	247.2	3.2	4.5%	10.6	257.8	4.3%	10.6
TOTAL INTEREST	991.2	1,032.7	41.5	6.0%	58.6	1,058.3	1,102.0	43.7	6.7%	69.3	1,166.8	5.9%	64.8
Federal Mineral Leasing	535.3	775.0	239.7	3.3%	25.0	533.9	800.0	266.1	3.2%	25.0	825.0	3.1%	25.0
State Land Office	55.0	63.2	8.2	0.5%	0.3	55.0	63.6	8.6	0.6%	0.4	63.8	0.3%	0.2
TOTAL RENTS & ROYALTIES	590.3	838.2	247.9	3.1%	25.3	588.9	863.6	274.7	3.0%	25.4	888.8	2.9%	25.2
TRIBAL REVENUE SHARING	76.3	76.1	(0.2)	1.7%	1.3	78.0	77.6	(0.4)	2.0%	1.5	79.2	2.1%	1.6
MISCELLANEOUS RECEIPTS	59.3	50.3	(9.0)	3.1%	1.5	60.6	51.7	(8.9)	2.8%	1.4	53.5	3.5%	1.8
REVERSIONS	40.0	40.0	-	0.0%	-	40.0	40.0	-	0.0%	-	40.0	0.0%	-
TOTAL RECURRING	6,790.7	7,740.0	949.3	3.2%	238.7	7,028.9	8,077.2	1,048.3	4.4%	337.2	8,517.1	5.4%	439.8
TOTAL NONRECURRING	-	-	-	n/a	-	-	-	-	n/a	-	-	n/a	-
GRAND TOTAL	6,790.7	7,740.0	949.3	3.2%	238.7	7,028.9	8,077.2	1,048.3	4.4%	337.2	8,517.1	5.4%	439.8

Oil & Gas School Tax to Tax Stab. Res.	51.3	181.7	130.4	2.5%	4.5	18.4	142.0	123.6	-21.8%	(39.7)	110.1	-22.5%	(31.9)
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U.S. and New Mexico Economic Indicators	FY17		FY18		FY19		FY20		FY21		FY22		FY23	
	Prior Jan 18 Forecast	Current Aug 18 Forecast	Prior Jan 18 Forecast	Current Aug 18 Forecast	Prior Jan 18 Forecast	Current Aug 18 Forecast	Prior Jan 18 Forecast	Current Aug 18 Forecast	Prior Jan 18 Forecast	Current Aug 18 Forecast	Prior Jan 18 Forecast	Current Aug 18 Forecast	Prior Jan 18 Forecast	Current Aug 18 Forecast
National Economic Indicators														
GI US Real GDP Growth (annual avg., % YOY)*	1.9	1.9	2.6	2.7	2.6	3.0	2.3	2.1	1.8	1.5	1.9	1.5	n/a	1.8
Moody's US Real GDP Growth (annual avg., % YOY)*	1.9	1.9	2.7	2.7	2.8	3.1	1.3	1.4	1.7	1.4	3.1	3.0	n/a	1.8
GI US Inflation Rate (CPI-U, annual avg., % YOY)**	1.9	1.9	1.9	2.3	1.6	2.4	2.5	2.2	2.8	2.2	2.4	2.2	n/a	2.3
Moody's US Inflation Rate (CPI-U, annual avg., % YOY)**	1.9	1.9	2.1	2.3	2.6	2.8	2.7	2.4	2.4	2.2	2.2	2.2	n/a	1.7
GI Federal Funds Rate (%)	0.6	0.6	1.4	1.4	2.2	2.3	2.8	3.2	3.3	3.4	3.4	3.4	n/a	3.4
Moody's Federal Funds Rate (%)	0.6	0.6	1.4	1.4	2.6	2.6	3.8	3.8	3.5	3.5	3.1	3.1	n/a	2.8
New Mexico Labor Market and Income Data														
BBER NM Non-Agricultural Employment Growth (%)	0.1	0.1	0.9	0.8	1.2	1.4	1.2	1.4	1.1	1.3	1.0	1.2	n/a	1.0
Moody's NM Non-Agricultural Employment Growth (%)	0.6	0.1	1.3	1.0	1.3	1.4	0.4	0.8	0.2	-0.2	1.1	0.6	n/a	0.8
BBER NM Nominal Personal Income Growth (%)***	1.4	1.4	1.2	1.6	2.7	2.8	3.7	4.0	4.2	3.9	4.6	4.6	n/a	4.6
Moody's NM Nominal Personal Income Growth (%)***	1.4	1.4	1.3	1.6	2.4	2.6	3.2	3.4	3.3	3.1	3.7	3.4	n/a	4.1
BBER NM Total Wages & Salaries Growth (%)	0.6	0.6	1.7	2.6	4.0	3.8	4.2	4.5	4.0	4.7	3.7	4.5	n/a	4.2
Moody's NM Total Wages & Salaries Growth (%)	1.0	0.6	1.5	2.5	3.5	3.1	2.2	3.9	2.2	1.7	3.1	2.4	n/a	2.3
BBER NM Private Wages & Salaries Growth (%)	0.4	0.3	2.5	3.2	4.4	4.4	4.5	4.9	4.4	5.2	4.1	4.8	n/a	4.6
BBER NM Real Gross State Product (% YOY)	1.0	-0.1	3.2	2.1	1.6	2.5	2.0	2.2	1.9	1.8	1.7	1.6	n/a	1.6
Moody's NM Real Gross State Product (% YOY)	0.4	-0.1	1.7	1.7	1.9	1.7	1.5	0.8	1.5	1.1	3.0	3.0	n/a	1.8
New Mexico Energy Prices & Volumes														
CREG NM Oil Price (\$/barrel)	\$45.00	\$44.75	\$51.00	\$54.39	\$52.00	\$56.00	\$54.00	\$57.00	\$54.00	\$59.00	\$54.00	\$59.00	n/a	\$59.00
BBER Oil Volumes (million barrels)	152.5	156.0	163.1	199.8	168.9	238.3	174.7	262.1	179.7	282.6	184.4	297.0	n/a	311.0
CREG NM Taxable Oil Volumes (million barrels)	153.0	156.0	167.5	202.0	175.0	245.0	175.0	270.0	175.0	285.0	175.0	300.0	n/a	315.0
NM Taxable Oil Volumes (%YOY growth)	4.3%	6.3%	9.5%	29.5%	4.5%	21.3%	0.0%	10.2%	0.0%	5.6%	0.0%	5.3%	n/a	5.0%
CREG NM Gas Price (\$ per thousand cubic feet)****	\$3.26	\$3.24	\$3.25	\$3.25	\$3.25	\$3.10	\$3.25	\$2.95	\$3.20	\$2.90	\$3.20	\$3.00	n/a	\$3.10
BBER Gas Volumes (billion cubic feet)	1,219	1,253	1,239	1,343	1,231	1,378	1,216	1,352	1,173	1,323	1,146	1,334	n/a	1,338
CREG NM Taxable Gas Volumes (billion cubic feet)	1,220	1,236	1,244	1,300	1,265	1,381	1,275	1,415	1,269	1,429	1,262	1,455	n/a	1,464
NM Taxable Gas Volumes (%YOY growth)	3.8%	5.2%	2.0%	5.2%	1.7%	6.2%	0.8%	2.5%	-0.5%	1.0%	-0.6%	1.8%	n/a	0.6%

* Real GDP is BEA chained 2005 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, and Moodys (July) future prices as well as a liquid premium based on oil price forecast

Sources: July 2018 Moody's economy.com baseline

**General Fund Financial Summary:
August 2018 Consensus Revenue Forecast**
(millions of dollars)

	Prelim. FY2018	Estimate FY2019	Estimate FY2020
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APPROPRIATION ACCOUNT

REVENUE

Recurring Revenue			
2018 August Consensus Revenue Forecast - Recurring Revenue	\$ 6,743.2	\$ 7,279.4	\$ 7,501.3
Total Recurring Revenue	<u>\$ 6,743.2</u>	<u>\$ 7,279.4</u>	<u>\$ 7,501.3</u>
Nonrecurring Revenue			
2016 & 2017 Regular & Special Sessions Nonrecurring Revenue Legislation ^{1,2}	\$ 18.7		
2018 Mid-Session Update - Nonrecurring Revenue	\$ 31.0		
2018 Regular Session Nonrecurring Revenue Legislation	\$ (2.8)	-	-
Other Nonrecurring Revenue	\$ 18.5		
Total Nonrecurring Revenue	<u>\$ 65.5</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL REVENUE	<u>\$ 6,808.6</u>	<u>\$ 7,279.4</u>	<u>\$ 7,501.3</u>

APPROPRIATIONS

Recurring Appropriations				
2017 Regular & Special Session Legislation & Feed Bill ³	\$ 6,073.3			
2018 Session Legislation & Feed Bill	\$ 5.6	\$ 6,332.3		
Total Recurring Appropriations	<u>\$ 6,078.8</u>	<u>\$ 6,332.3</u>		
Nonrecurring Appropriations				
2017 Regular & Special Session Nonrecurring Appropriations ³	\$ 9.0			
2018 Session Nonrecurring Appropriations	\$ 113.1	\$ 47.8		
Total Nonrecurring Appropriations	<u>\$ 122.1</u>	<u>\$ 47.8</u>		
TOTAL APPROPRIATIONS	<u>\$ 6,200.9</u>	<u>\$ 6,380.1</u>		
Transfer to (from) Reserves	\$ 607.7	\$ 899.2		

FY20
"New
Money"
\$1,169
or
18%

GENERAL FUND RESERVES

Beginning Balances	\$ 505.1	\$ 1,112.3	\$ -
Transfers from (to) Appropriations Account	\$ 607.7	\$ 899.2	\$ -
Revenue and Reversions	\$ 56.5	\$ 188.7	\$ 233.2
Appropriations, Expenditures and Transfers Out	\$ (57.0)	\$ (36.0)	\$ (36.0)
Ending Balances	<u>\$ 1,112.3</u>	<u>\$ 2,164.2</u>	
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>18.3%</i>	<i>34.2%</i>	

Notes:

- 1) FY17 reflects actual amounts received from solvency legislation per LFC/DFA sweeps tracking - includes Laws 2016, Chapter 12 (HB311, \$75 million fund sweeps); Laws 2016, Second Special Session, Chapter 4 (SB2, \$93 million general fund sweeps and transfers), Chapter 5 (SB8, \$103.2 million capital outlay sweeps); and Chapter 6 (SB9, \$27.9 million PED appropriation reductions); Laws 2017, Chapter 1 (HB4, \$89 million adjusted reversion date for fire protection fund and law enforcement protection fund), Chapter 2 (SB113, \$55.2 million general fund sweeps), and Chapter 3 (SB114, \$40.8 million school cash balances); Laws 2017, First Special Session, Chapter 1 (SB1, \$82.1 million public school capital outlay swap and general fund sweeps)
- 2) FY18 reflects remaining solvency transfers per Laws 2017, Chapter 1 (HB4, \$10.7 million fire protection fund adjusted reversion) and Laws 2017, First Special Session, Chapter 1 (SB1, \$8 million from NMFA public project revoking fund)
- 3) \$9 million was moved from FY18 recurring appropriations to nonrecurring appropriations to reflect DFA accounting for \$7 million LEDA special and \$2 million NMCD special

**General Fund Financial Summary:
August 2018 Consensus Revenue Forecast
RESERVE DETAIL**

(millions of dollars)

January 0, 1900

	Prelim. FY2018	Estimate FY2019	Estimate FY2020
OPERATING RESERVE			
Beginning Balance	\$ 331.5	\$ 488.3	\$ 486.3
BOF Emergency Appropriations/Reversions	\$ (2.0)	\$ (2.0)	\$ (2.0)
Transfers from/to Appropriation Account	\$ 607.7	\$ 899.2	\$ -
Transfers to Tax Stabilization Reserve	\$ (448.9)	\$ (899.2)	\$ -
Transfer from (to) ACF/Other Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 488.3	\$ 486.3	\$ 484.3
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	\$ 25.7	\$ 17.7	\$ 9.7
Disaster Allotments	\$ (16.0)	\$ (16.0)	\$ (16.0)
Other Appropriations	\$ -	\$ -	\$ -
Transfers In	\$ -	\$ -	\$ -
Revenue and Reversions	\$ 8.0	\$ 8.0	\$ 8.0
Ending Balance	\$ 17.7	\$ 9.7	\$ 1.7
STATE SUPPORT FUND			
Beginning Balance	\$ 1.0	\$ 1.0	\$ 1.0
Revenues	\$ -	\$ -	\$ -
Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 1.0	\$ 1.0	\$ 1.0
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	\$ 146.8	\$ 156.4	\$ 184.5
Transfers In	\$ 39.0	\$ 36.0	\$ 36.0
Appropriation to Tobacco Settlement Program Fund	\$ (19.5)	\$ (18.0)	\$ (18.0)
Gains/Losses	\$ 9.5	\$ 10.2	\$ 12.0
Additional Transfers from TSPF	\$ (19.5)	\$ -	\$ -
Transfer to General Fund Appropriation Account	\$ -	\$ -	\$ -
Ending Balance	\$ 156.4	\$ 184.5	\$ 214.5
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	\$ -	\$ 448.9	\$ 1,482.7
Transfers In ¹	\$ -	\$ 134.5	\$ 177.2
Transfers In (From Operating Reserve)	\$ 448.9	\$ 899.2	\$ -
Transfer Out to Operating Reserve	\$ -	\$ -	\$ -
Ending Balance	\$ 448.9	\$ 1,482.7	\$ 1,659.9
	<i>7.4%</i>	<i>23.4%</i>	
EMERGENCY RESERVES: RAINY DAY FUND & TSPF ENDING BALANCES			
	\$ 605.3	\$ 1,667.2	
	<i>10.0%</i>	<i>26.3%</i>	
OTHER RESERVE FUND ENDING BALANCES			
	\$ 507.0	\$ 497.0	
	<i>8.3%</i>	<i>7.8%</i>	
TOTAL GENERAL FUND ENDING BALANCES			
	\$ 1,112.3	\$ 2,164.2	
	<i>18.3%</i>	<i>34.2%</i>	

Notes:

1) Estimated transfer to tax stabilization reserve from excess oil and gas emergency school tax revenues above the five-year average

County Level Detail on Divergent Gross Receipts Tax Trends

Appendix 4

	a	b	c	d	e	g	h	i	j	k	l	m	n	o	p
	FY2016	FY 2017				FY 2018				Approx. Effective Rate into General Fund Before Earmarks, HH Dist. Etc.	Current Census est. for Population as of July 1, 2017	Population % of NM	FY18 TGR % of NM	% of CY17 NM Gas Vol.	% of CY17 NM Oil Volume
	FY16 TGR \$millions	FY17 TGR \$millions	TGR % Change from FY16	TGR level Change from FY16 \$millions	FY17 Y/Y General Fund GRT \$millions	FY18 TGR	TGR % Change from FY17 Q1	TGR \$ Change from FY17 Q1 \$millions	FY18 Y/Y General Fund GRT \$millions		Population as of July 1, 2017	Population % of NM	FY18 TGR % of NM	% of CY17 NM Gas Vol.	% of CY17 NM Oil Volume
Bernalillo	16,736	17,049	1.9%	313	12.5	17,924	5.1%	875.1	35.0	4.0%	676,773	32.4%	30.6%		
Catron	48	39	-18.9%	-9	-0.4	35	-9.1%	-3.5	-0.1	4.0%	3,587	0.2%	0.1%		
Chaves	1,046	1,145	9.5%	99	4.0	1,257	9.8%	112.1	4.5	4.0%	64,866	3.1%	2.1%	1%	1%
Cibola	357	315	-11.9%	-43	-1.7	381	21.0%	66.0	2.6	4.0%	26,853	1.3%	0.7%	0%	
Colfax	252	276	9.6%	24	1.0	281	1.8%	5.1	0.2	4.0%	12,174	0.6%	0.5%	1%	
Curry	994	1,072	7.8%	78	3.1	932	-13.0%	-139.3	-5.6	4.0%	49,812	2.4%	1.6%		
De Baca	37	29	-21.5%	-8	-0.3	27	-6.9%	-2.0	-0.1	4.0%	1,829	0.1%	0.0%		
Doña Ana	3,328	3,508	5.4%	180	7.2	3,706	5.7%	198.6	7.9	4.0%	215,579	10.3%	6.3%		
Eddy	3,139	3,194	1.7%	54	2.5	5,185	62.3%	1,991.3	89.6	4.5%	56,997	2.7%	8.9%	29%	40%
Grant	446	433	-2.8%	-12	-0.5	481	10.9%	47.3	1.9	4.0%	27,687	1.3%	0.8%		
Guadalupe	87	103	18.6%	16	0.6	99	-4.1%	-4.2	-0.2	4.0%	4,429	0.2%	0.2%		
Harding	18	20	12.4%	2	0.1	16	-19.1%	-3.8	-0.2	4.0%	692	0.0%	0.0%		
Hidalgo	74	82	10.7%	8	0.3	192	134.0%	110.2	4.4	4.0%	4,305	0.2%	0.3%		
Lea	3,589	3,490	-2.8%	-99	-4.2	5,153	47.7%	1,663.4	71.5	4.3%	68,759	3.3%	8.8%	25%	55%
Lincoln	494	473	-4.3%	-21	-0.8	520	9.9%	47.0	1.9	4.0%	19,395	0.9%	0.9%		
Los Alamos	1,314	1,457	10.9%	143	5.6	1,392	-4.5%	-65.4	-2.6	3.9%	18,738	0.9%	2.4%		
Luna	296	362	22.2%	66	2.6	409	13.1%	47.4	1.9	4.0%	24,078	1.2%	0.7%		
McKinley	1,139	1,069	-6.1%	-70	-2.8	1,052	-1.6%	-17.4	-0.7	4.0%	72,564	3.5%	1.8%	0%	0%
Mora	31	38	21.0%	7	0.3	41	8.2%	3.1	0.1	4.0%	4,551	0.2%	0.1%		
Otero	972	913	-6.1%	-59	-2.4	928	1.7%	15.2	0.6	4.0%	65,817	3.2%	1.6%		
Quay	133	145	9.1%	12	0.5	147	1.0%	1.5	0.1	4.0%	8,306	0.4%	0.3%		
Rio Arriba	452	406	-10.0%	-45	-1.8	413	1.6%	6.6	0.3	4.0%	39,159	1.9%	0.7%	18%	1%
Roosevelt	305	261	-14.3%	-44	-1.7	284	8.5%	22.2	0.9	4.0%	18,847	0.9%	0.5%	0%	0%
San Juan	3,358	2,977	-11.3%	-381	-15.2	3,141	5.5%	163.5	6.5	4.0%	126,926	6.1%	5.4%	25%	3%
San Miguel	323	331	2.6%	8	0.3	379	14.5%	48.0	1.9	4.0%	27,748	1.3%	0.6%		
Sandoval	1,453	1,437	-1.1%	-16	-0.6	1,495	4.1%	58.6	2.3	4.0%	142,507	6.8%	2.6%	1%	1%
Santa Fe	3,716	3,776	1.6%	59	2.4	4,068	7.7%	292.4	11.7	4.0%	148,750	7.1%	6.9%		
Sierra	191	191	0.1%	0	0.0	164	-14.0%	-26.7	-1.1	4.0%	11,116	0.5%	0.3%		
Socorro	190	206	8.3%	16	0.6	191	-7.1%	-14.6	-0.6	4.0%	16,798	0.8%	0.3%		
Taos	756	705	-6.7%	-50	-2.0	676	-4.1%	-29.2	-1.2	4.0%	32,795	1.6%	1.2%		
Torrance	179	264	47.4%	85	3.4	208	-21.0%	-55.3	-2.2	4.0%	15,506	0.7%	0.4%		
Union	102	106	4.6%	5	0.2	107	0.5%	0.5	0.0	4.0%	4,187	0.2%	0.2%		
Valencia	735	850	15.6%	115	4.6	1,053	23.9%	202.9	8.1	4.0%	75,940	3.6%	1.8%		
Out of State	4,668	4,713	1.0%	45	2.3	6,193	31.4%	1,479.9	75.8	5.125%			10.6%		
	50,958	51,435	0.9%	478	19.8	58,532	13.8%	7,096.6	294.6	4.2%	2,088,070	100%	100%	100%	100%
			(b-a)/a	b-a	(b-a)*k		(g-b)/b	g-b	(g-b)*k						

*Sources and Uses of Bonding Capacity Available for Authorization
and Severance Tax Permanent Fund Transfer (in millions)
August 2018 Estimate*

Sources of Funds	FY19	FY20	FY21	FY22	FY23	5-Year
General Obligation Bonds		171.5	-	171.5		\$ 343.0
Severance Tax Bonds	216.3	216.3	216.3	216.3	216.3	\$ 1,081.5
Severance Tax Notes	77.2	117.8	133.7	133.5	127.8	\$ 590.0
Subtotal Senior STBs	293.5	334.1	350.0	349.8	344.1	\$ 1,671.5
Supplemental Severance Tax Bonds	-	-	-	-	-	\$ -
Supplemental Severance Tax Notes	181.8	213.9	230.8	241.7	249.8	\$ 1,117.9
Subtotal Supplemental STBs	181.8	213.9	230.8	241.7	249.8	\$ 1,117.9
Total Sources of Funds	\$475.4	\$719.4	\$580.8	\$763.0	\$593.9	\$3,132.4
Uses of Funds	FY19	FY20	FY21	FY22	FY23	5-Year
GOB Projects Approved by Referendum		171.5	-	171.5		\$ 343.0
Authorized but Unissued STB Projects*	18.3	-	-	-	-	\$ 18.3
Reassigned STB Projects**	0.9	-	-	-	-	\$ 0.9
9% of Senior STB for Water Projects	26.4	30.1	31.5	31.5	31.0	\$ 150.4
4.5% of Senior STB for Colonias Projects	13.2	15.0	15.8	15.7	15.5	\$ 75.2
4.5% of Senior STB for Tribal Projects	13.2	15.0	15.8	15.7	15.5	\$ 75.2
New Senior STB Statewide Capital Projects	221.5	273.9	287.0	286.9	282.1	\$ 1,351.5
PSCOC Public School Capital	174.8	206.9	223.8	234.7	242.8	\$ 1,082.9
PEID Instructional Materials/Transportation	7.0	7.0	7.0	7.0	7.0	\$ 35.0
Total Uses of Funds	\$475.4	\$719.4	\$580.8	\$763.0	\$593.9	\$ 3,132.4

*Includes projects authorized in Laws 2016 (one project) & 2018 that have not yet met requirements for project funding.

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

Estimated Transfer to Severance Tax Permanent Fund

	FY19	FY20	FY21	FY22	FY23	5-Year
Severance Tax Permanent Fund Transfer	179.5	108.5	99.8	95.4	79.1	\$ 562.3