

Consensus General Fund Revenue Outlook

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Legislative Education Study Committee
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Department of Finance and Administration

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New Mexico Department of
Finance & Administration

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Revenue Forecast Update Topics

- Consensus Revenue Estimating Group Overview
- US/Global Macroeconomic Outlook
- New Mexico Macroeconomic Outlook
- Oil and Natural Gas
- Consensus Revenue Summary
- General Fund Gross Receipts
- Tax Stabilization Reserve
- General Fund Financial Summary
- Risk to the Forecast
- Stress Testing the Forecast
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Consensus Revenue Estimating Group

Participating Agencies

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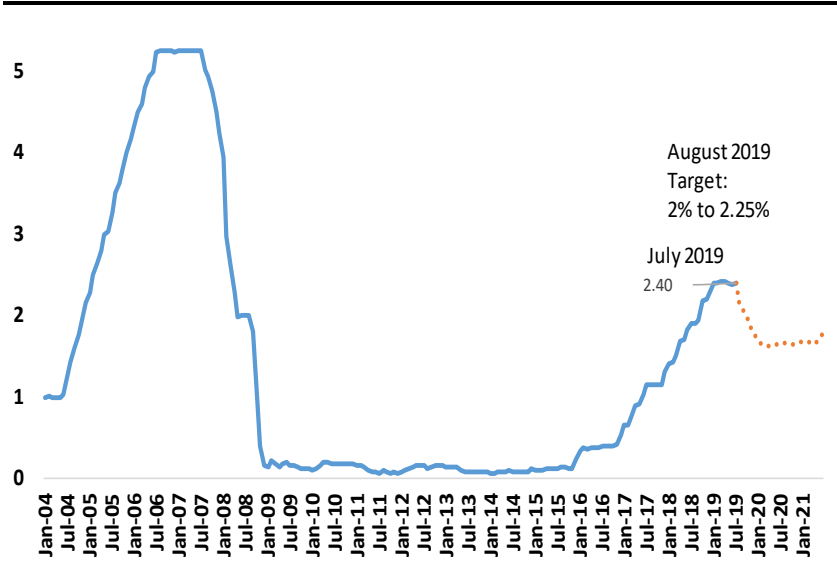
US/Global Macroeconomic Outlook

- National economic growth has been and is expected to remain modest
 - US Real GDP grew 2.6 percent in FY2019
 - FY2020 US Real GDP growth revised down from 2.4% to 2.2% from December 2018 forecast
 - FY2021 US Real GDP growth revised up from 1.8% to 2.3% from December 2018 forecast
- US inflation rate was 2.1% in FY2019, inflation expected to continue modest growth: 2.2% in FY2020, 1.9% in FY2021
- The probability of a national recession has recently increased for CY 20 and CY 21 (see “Risks to the Forecast” for probability estimates)
- Rising trade tensions and a slowdown in global economic growth add uncertainty to many aspects of the forecast (GRT, PIT, interest earnings)
- In July 2019, the Federal Reserve announced the first rate cut since 2008 in an effort to mitigate risks to the national economic outlook

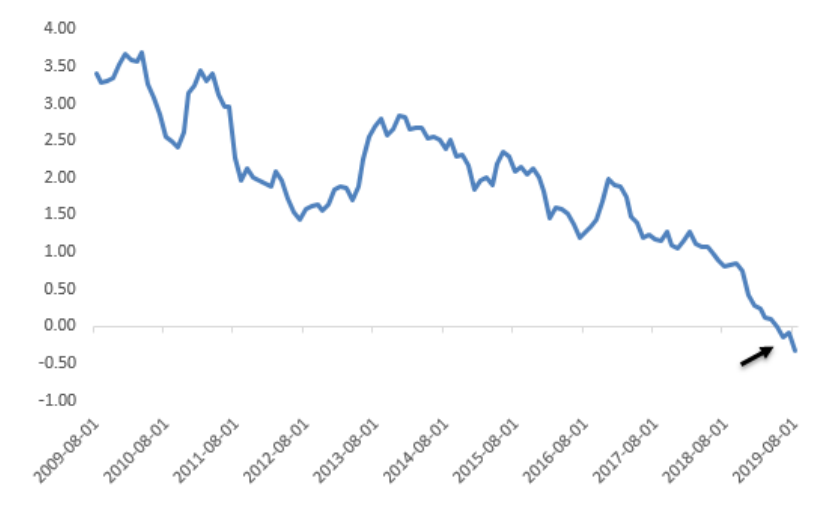
US Macroeconomic Outlook

- Federal Reserve cut rates in July 2019 for the first time since 2008 level (the rate cut was 25 basis points with a target rate of 2% to 2.25% for August 2019)
- Federal Reserve stated the US economy remains favorable
- Federal reserve: “labor market remains strong and that economic activity has been rising at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low.” July 31, 2019
- The rate cut is an insurance policy against speed bumps
 - Weak Global Economic Growth & US-China trade war

Effective Federal Funds Rate: Actual to July 2019, Moody's Forecast



10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity Inverted Yield Curve

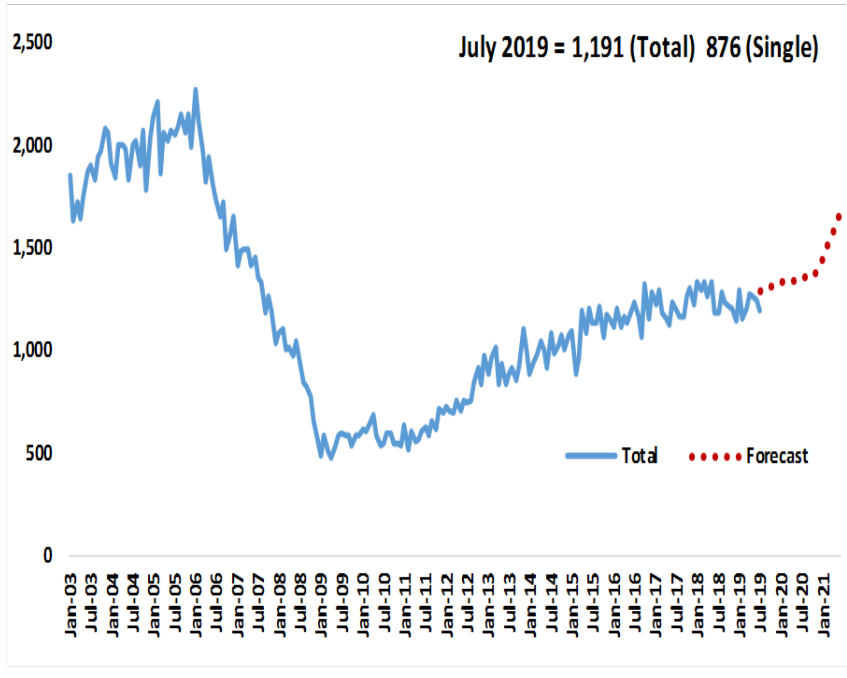


Source: St. Louis Federal Reserve Bank, FRED

US Economic Outlook

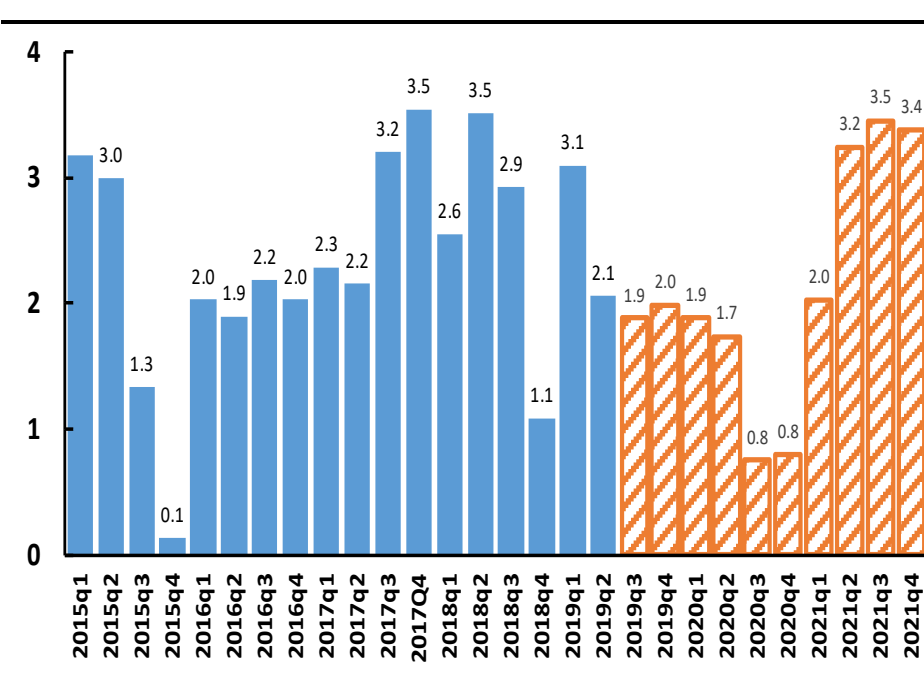
- US Housing Starts have gradually increased since 2009, reaching a 10-year high in early 2018 and remaining steady since
- Housing growth remains positive but housing has not returned to pre-Great Recession levels
- US Real GDP grew 2.1 percent from 2019Q1 from 2019Q2
- The US has been experiencing the longest economic expansion in history

Housing Starts (1,000s of units Seasonally Adjusted at Annual Rates)



Source: Census Bureau, New Construction Reports

Percent Change in US Real GDP: Actual: 2015Q1 - 2019Q2, Forecast 2019Q3 - 2021Q4



Source: bea.gov Seasonally Adjusted at annual rates, Moody's Aug. 2019 forecast

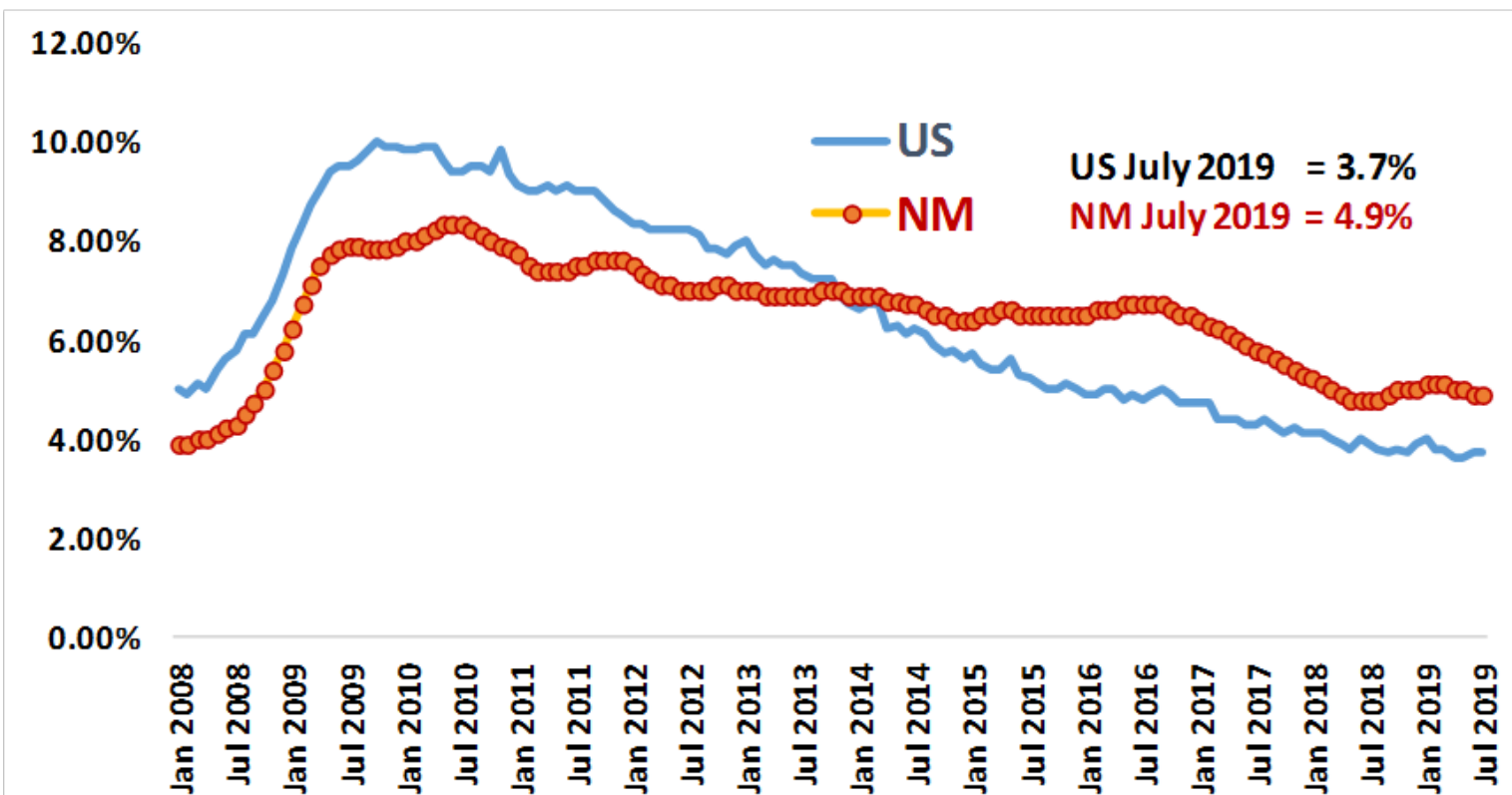
New Mexico Economic Outlook

- New Mexico non-farm jobs have grown 2.4% from July 2018 to July 2019
 - This represents a growth of 19,800 jobs in New Mexico
- Southeastern New Mexico has continued massive oil production growth setting new record levels for rig counts, production, oil generated revenues
- New Mexico GDP increased by 4.6 percent from 2018Q4 to 2019Q1, third highest in the country
- New Mexico construction employment at highest levels in over a decade, mostly concentrated in Southeastern quadrant of the State
- Leisure and Hospitality (6% growth) and Professional and Business Services (2.9% growth) sectors performed well in positive year over year job growth in July 2019
- CREG revenue forecast does not incorporate a near term US recession but the probability of a recession in FY2020/FY2021 has increased and is a concern

New Mexico - Unemployment

- US unemployment at 50 year low
- New Mexico has ticked down below 5 percent
- In combination with slight increases in wages, this moves NM closer towards full-employment

US and NM Unemployment Rate (percent) : January 2008 to July 2019

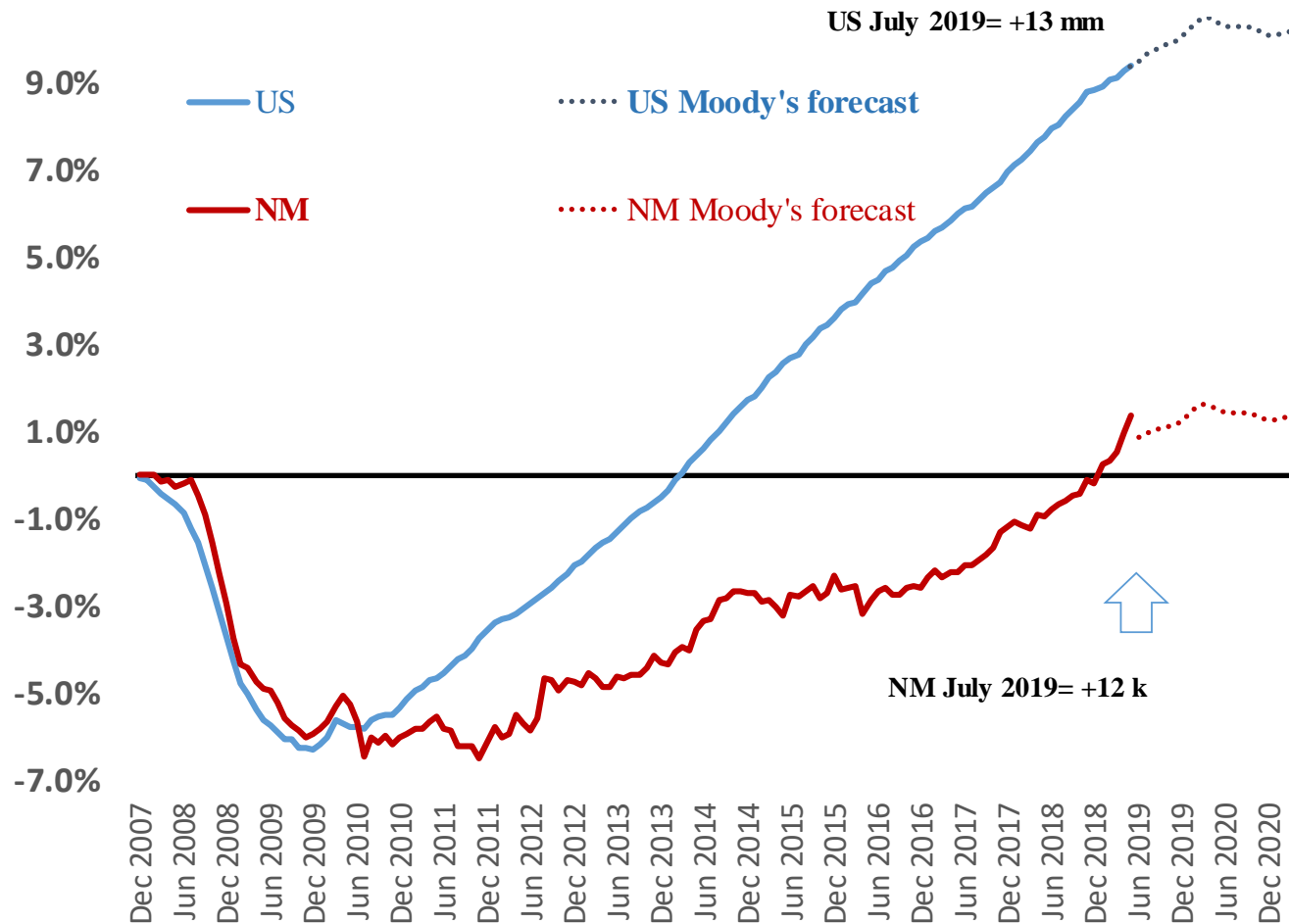


Source: bls.gov, seasonally adjusted

New Mexico - Jobs

- New Mexico employment has surpassed pre-Great Recession levels
- Employment grew 2.4 percent from July 2018 to July 2019

Percent change in Non-Farm Employment in the US and NM vs. Dec. 2007

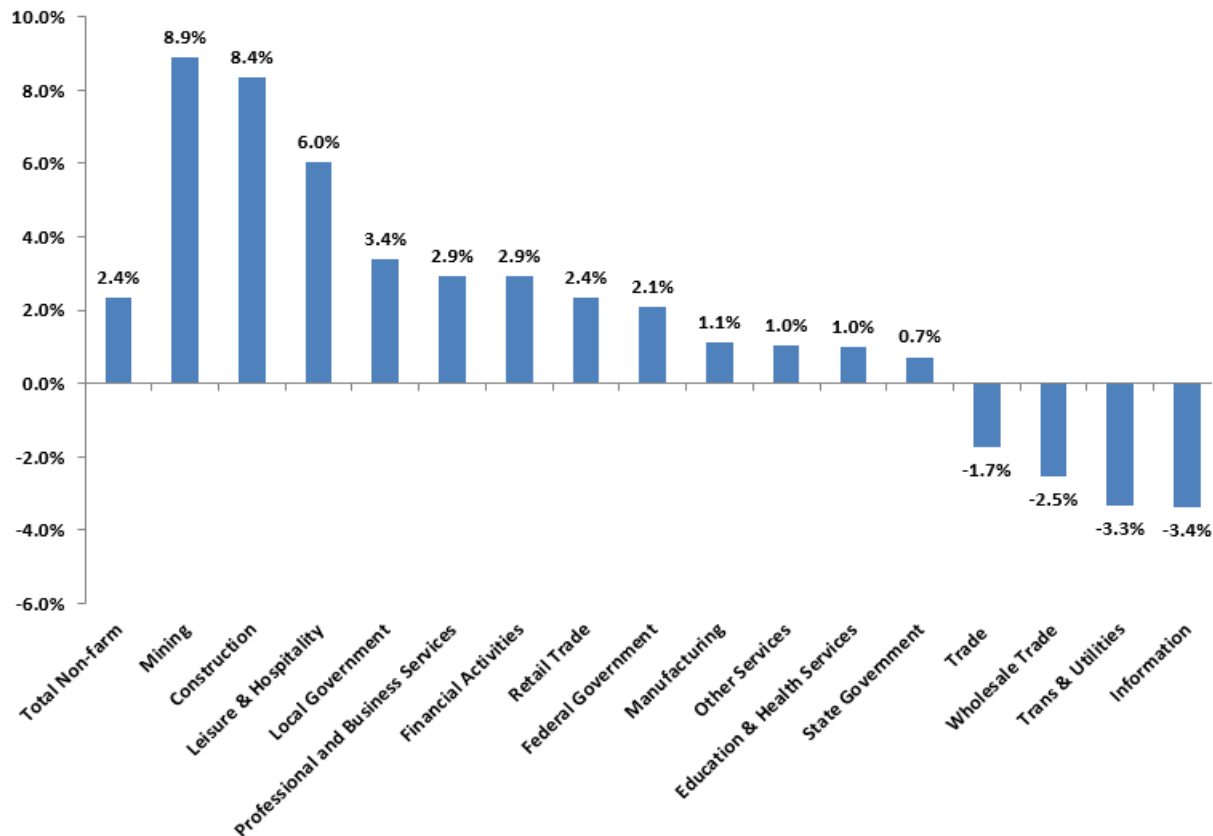


Source: bls.gov, seasonally adjusted, Moody's Aug. 2019 Forecast

New Mexico Job Growth by Sector

- 12 sectors are showing year-over-year growth while four sectors declined
- Strongest growth in Mining, Construction, Leisure & Hospitality

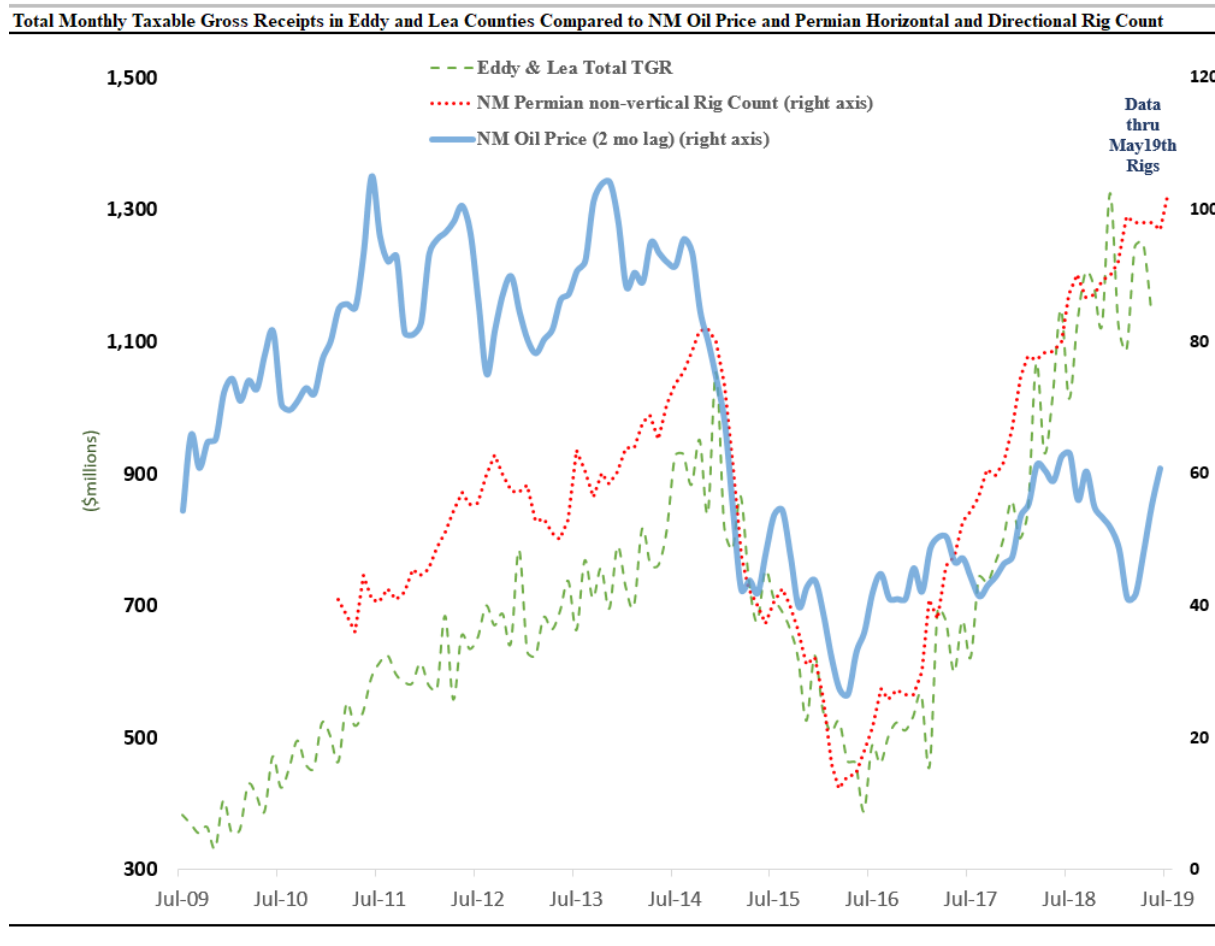
Percent Change in Non-Farm Employment in New Mexico by Sector
July 2018 to July 2019



Source: bls.gov, CES seasonally adjusted

Rig Counts Are a Leading Indicator of GRT

- Oil price changes affect rig counts about two months later
- Permian Rig counts are a leading indicator of Lea and Eddy County GRT

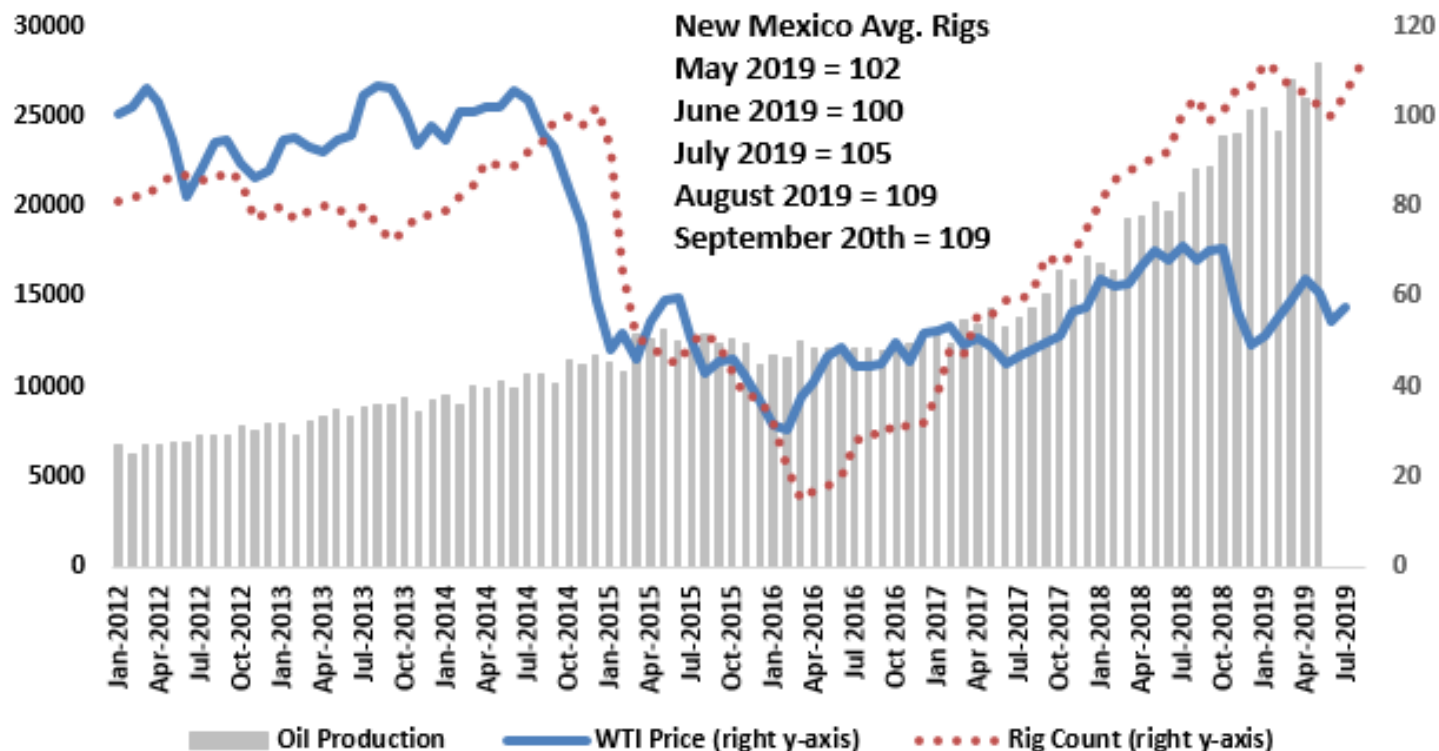


Record Levels of Oil Production

- Record oil production in FY2019 despite lower average oil prices
- New Mexico rigs consistently above 100 since January 2019
- Consensus Forecast expects average oil prices near \$52.00 from FY2019 through FY2022
- Consensus Forecast expects oil volumes of 298 million barrels in FY2019, 356 million barrels in FY2020, and 400 million barrels in FY2021

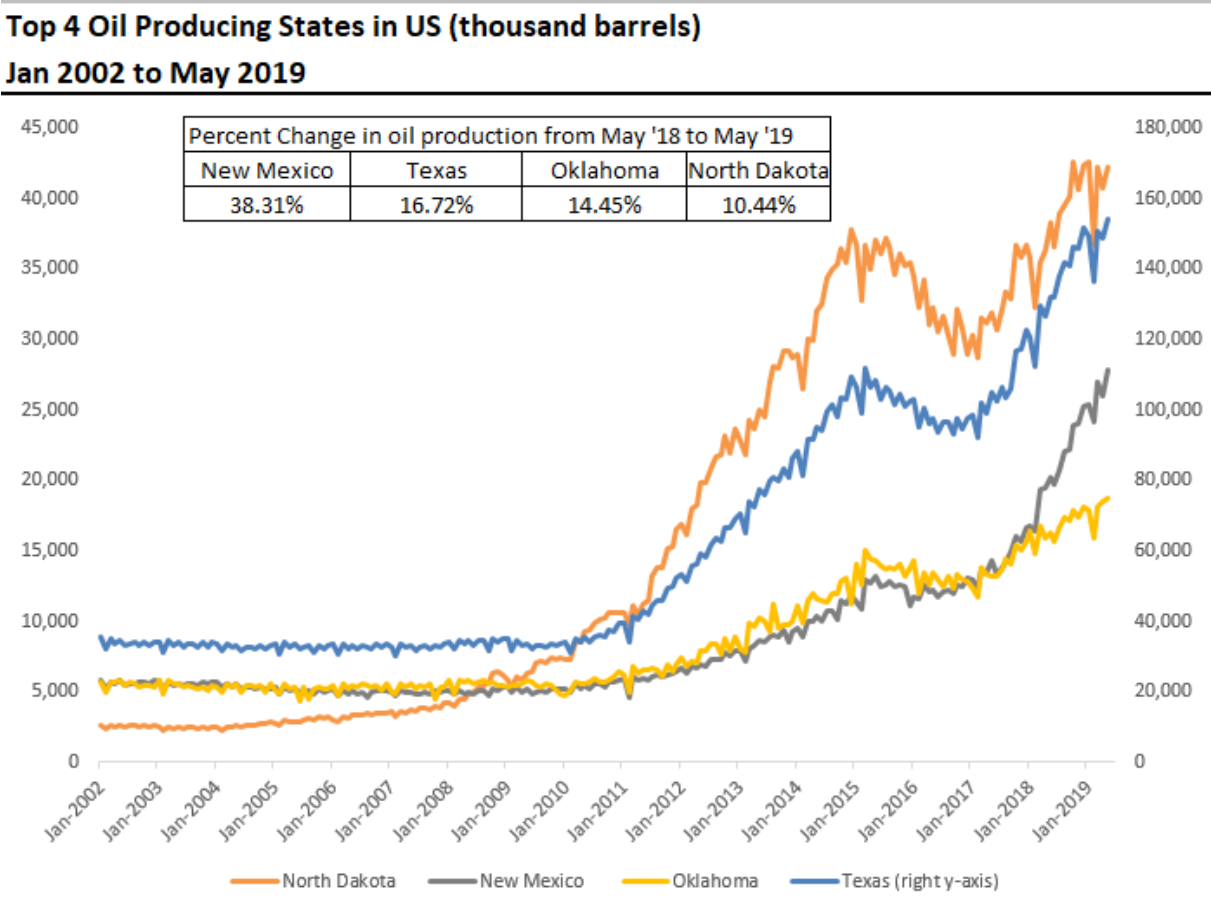
NM Oil Production (1000 barrels), WTI Price (\$ per barrel), & NM Rig Count (number)

January 2012 to September 2019



Oil and Natural Gas: Top 4 Oil Producing States

- New Mexico largest percentage production growth among top 4 producing states
- New Mexico share of national production at 7.4% in May 2019 versus 6.2 % in May 2018 (largest percentage share increase among top 4 states and Gulf of Mexico production May over May)



Sources: eia.gov

General Fund Overview

FY19

- FY19 GF Revenue is forecasted to grow by 14 percent over FY18
- Aug. 19 forecast increased GF revenue by 4.4 percent over Dec. 18 forecast
- FY19 GF Reserves estimated at \$1,707 million, 26.9% of recurring appropriations

FY20

- FY20 GF Revenue is estimated to decline by 0.6 percent vs. FY19
- Aug. 19 forecast increased 6.5 percent over Dec. 18 forecast for FY20 GF Revenue
- FY20 GF Reserves estimated at \$2,269 million, 32% of recurring appropriations

FY21

- FY21 GF Revenue is forecasted to grow by 2.7 percent vs. FY20
- “New Money” for FY21 is forecasted to be \$907 million

Consensus Revenue Summary

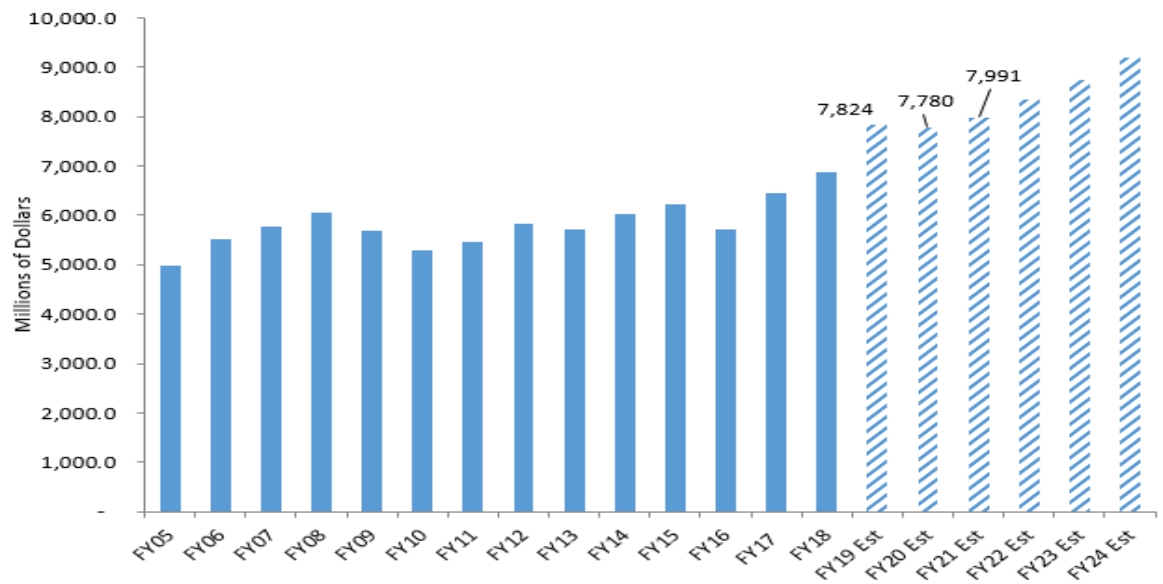
Table 1

August 2019 Consensus General Fund Total Revenue Outlook

(Millions of Dollars)

Fiscal Year	December 2018 Estimate (Adj. for 2019 Legislation)	August 2019 Consensus	August 2019 Revisions	Percent Change v. Prior Year	Change from Prior Year
FY19	\$7,490	\$7,824	\$333	13.7%	\$942
FY20	\$7,308	\$7,780	\$472	-0.6%	-\$44
FY21	\$7,687	\$7,991	\$305	2.7%	\$211
FY22	\$7,955	\$8,334	\$379	4.3%	\$343
FY23	\$8,294	\$8,753	\$459	5.0%	\$419

Total General Fund Revenue by Fiscal Year (FY05-estFY24)



Source: DFA, CREG, Author's calculation

Consensus Revenue Summary

Table 2
August 2019 Revisions (Change from Dec. 2018 Estimate w/Legislative Adj.)
 (Millions of Dollars)

Fiscal Year	Gross receipts tax	Selective sales taxes	Personal income tax	Corporate income tax	Energy-related revenues	Investment/Interest earnings	Other revenues	Total Recurring Revenue
FY19	\$97	(\$17)	\$78	\$14	\$99	\$58	\$3	\$333
FY20	\$179	(\$19)	\$33	\$30	\$103	\$21	\$124	\$472
FY21	\$153	(\$18)	\$28	(\$14)	\$192	(\$34)	(\$3)	\$305
FY22	\$127	(\$17)	\$28	(\$11)	\$297	(\$42)	(\$4)	\$379
FY23	\$110	(\$14)	\$30	(\$36)	\$414	(\$41)	(\$6)	\$459

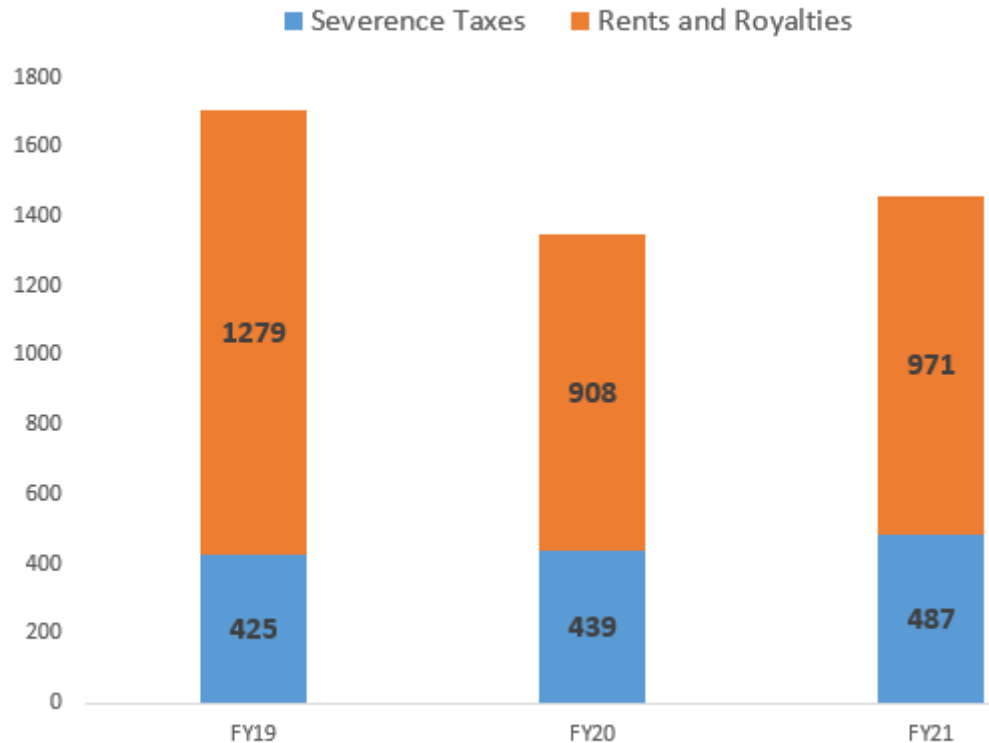
* Excludes O&G School Tax to Tax Stabilization Reserve

- Gross Receipts Tax revenue showed continued strength from Eddy and Lea counties and Out-of-State associated with oil and natural gas production
- Personal Income Tax upward revisions reflect stronger wage and salary growth in the state for FY19 and FY20
- Selective Sales came down due to revisions in insurance taxes
- Largest gains seen in energy related revenues driven by oil and natural gas production; Forecast is showing record level production over the forecast period despite lower prices

Energy Related Revenues

- After a one time large Federal Mineral Leasing payment in FY19, FML is expected to return to trend beginning in FY20. Moving forward the largest gains in energy related revenues are coming from FML.

Estimated Energy Related Revenues for FY19, FY20, and FY21 (\$ millions)



General Fund Gross Receipts Taxes

- Represents the change in Gross Receipts Tax Revenue by County from FY18 to FY19, \$ and %
- New Mexico Base Gross Receipts increased by 11.5% from FY18 to FY19
- GRT growth excluding Eddy and Lea counties was 5.6%
- Strong growth coming from Bernalillo, Lea, Eddy, and Out-of-State
- As a share of total, Bernalillo has decreased from 31.9 % to 28.4% from FY11 to FY19
- Eddy and Lea county share of total has increased from 12.8% to 21.6% FY11 to FY19

FY 19 Y/Y Gross Receipts Taxes (\$millions)

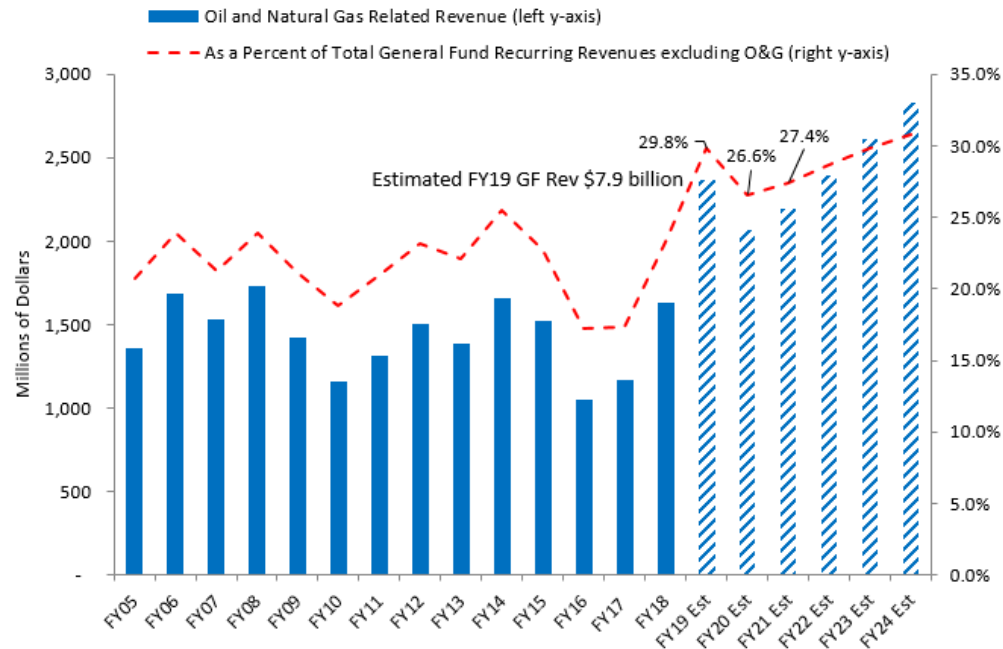
FY 2019 Y/Y % Change

San Juan -12.3	Rio Arriba -0.2	Taos 0.6	Colfax -1.2	Union 0.2
McKinley 1.8	Sandoval 4.2	Los Alamos 10.3	Mora -0.1	Harding 0.2
Cibola -1.4	Bernalillo 20.9	Santa Fe 5.8	San Miguel -0.3	Curry 1.5
Catron 0.0	Valencia -0.4	Torrance -2.1	Guadalupe -0.3	De Baca 0.3
Grant 0.6	Sierra 0.5	Socorro 0.3	Lincoln 0.8	Lea 78.7
Luna -2.4	Doña Ana 1.0	Otero 1.3	Chaves -2.6	Eddy 75.1
Hidalgo -5.0	Out-of-State: 90.0			

San Juan -9.4%	Rio Arriba -1.1%	Taos 2.0%	Colfax -9.8%	Union 4.0%
McKinley 4.2%	Sandoval 6.8%	Los Alamos 17.8%	Mora -6.2%	Harding 26.7%
Cibola -9.0%	Bernalillo 2.8%	Santa Fe 3.4%	San -1.9%	Curry 3.9%
Catron 0.4%	Valencia -1.0%	Torrance -24.1%	Guadalupe -8.1%	De Baca 30.8%
Grant 2.9%	Sierra 7.5%	Socorro 3.6%	Lincoln 3.5%	Lea 36.6%
Luna -14.1%	Doña Ana 0.6%	Otero 3.4%	Chaves -5.0%	Eddy 34.7%
Hidalgo -61.7%	Out-of-State: 35.9%			

General Fund Oil and Natural Gas Related Revenues

General Fund Recurring Revenue from Severance Taxes, Rents and Royalties & Oil and Natural Gas Related GRT

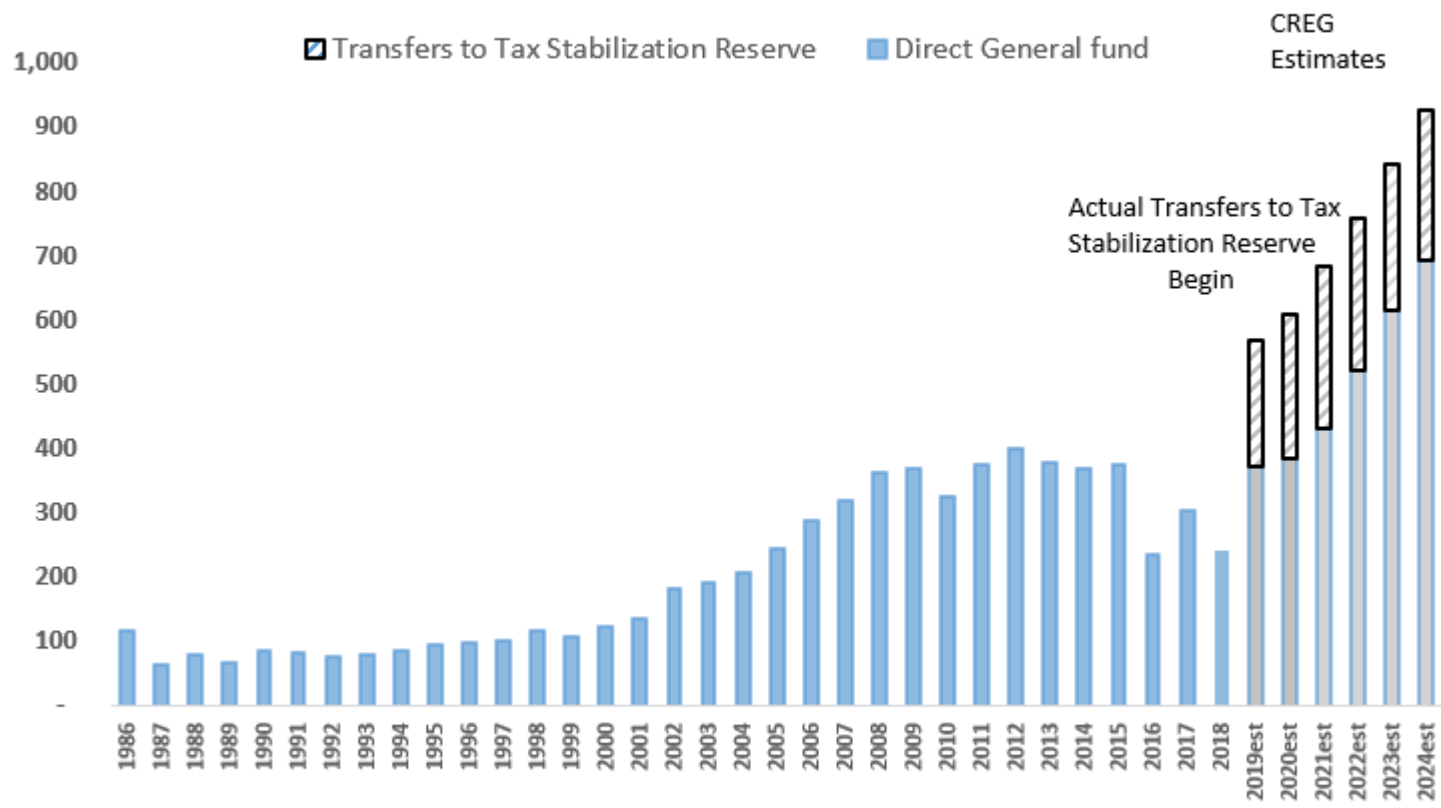


Source: DFA, CREG, Author's calculation

- FY19 total General Fund growth is estimated to be 16.2%.
- FY19 illustrates higher than normal bonus payment (\$497 million)
- Driven by energy sector
 - Severance taxes grew 25.9 percent from FY18 to FY19 when adjusting for the transfer to the Tax Stabilization Reserve
 - FML grew by 15.6 percent from FY18 to FY19 when adjusting for the larger than normal bonus payment
- Energy related revenues as a percent of total previously hovered around 15% to 20%, but are now forecasted to exceed 30% of the total by FY23

Oil & Gas School Tax to Stabilization Reserve

Oil and Gas School Tax Stabilization Reserve Intercept Effect (millions)



**Note: Transfers to the Tax Stabilization Reserve began to take effect in FY19
 Until FY19, all Oil and Gas School Tax Revenues were sent to the GF**

- Going forward, the Tax Stabilization Reserve hedges against the volatility of the Oil & Natural Gas Sector
- FY19 estimated transfer to TSR \$197 million

General Fund Financial Summary

(\$ in millions)

	FY19	FY20	FY21
Beginning Balance (General Fund Reserves)	\$1,184.7	\$1,706.9	\$2,269.5
Total Revenue (Recurring Revenue)	\$7,923.7	\$7,780.1	\$7,991.4
Spending (Recurring Appropriations)	(\$6,339.8)	(\$7,083.9)	“New Money” \$907 million
Reserve Transfers, etc.	\$258.3	\$264.2	
Ending Balance (General Fund Reserves)	\$1,706.9	\$2,269.5	
General Fund Reserves as a Percent of Recurring Appropriations	26.9%	32%	

Risks to the Forecast

Negative Risks

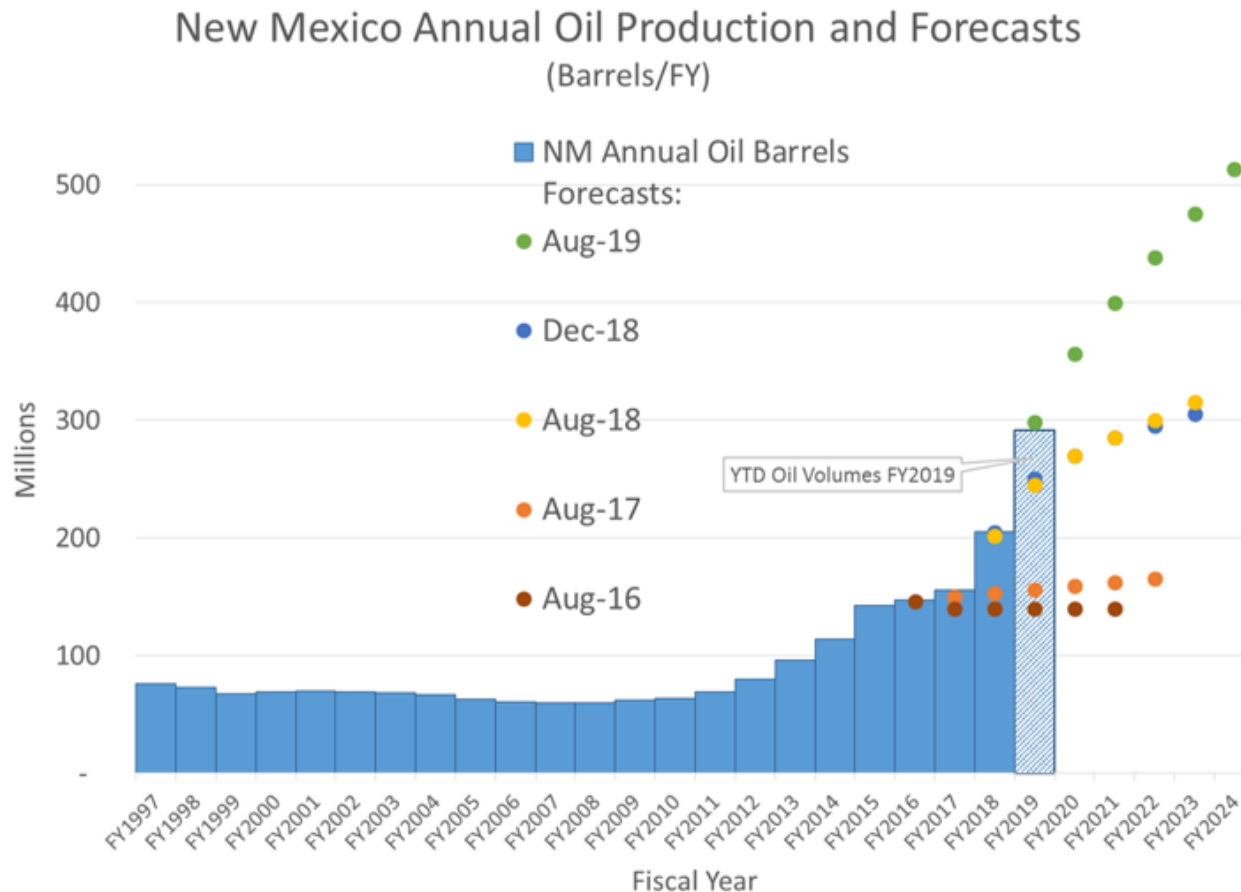
- Risk of oil price or production volume declining
- Natural gas constraints create uncertainty
- Unexpected changes in international oil market
- International trade war creates uncertainty: US trade war with China
- Risk of a US recession on the horizon
 - Moody's Analytics has probability of US entering a recession in 2020 at 19%
 - Bank of America has probability at 20%
 - Global Insight has probability at 35%
 - JP Morgan Chase (40% to 45%)
 - National Association for Business Economics Survey results
 - 38% of economists believe US will enter recession in 2020
 - 34% of economists believe US will enter recession in 2021
 - Predicting when a recession will occur and how severe is impossible but taking preemptive measures is a must

Positive Risks

- Oil production volume continues to exceed forecasts
- Oil industry shifting focus to investment value rather than high production
- Pipeline constraints addressed
- Increased federal expenditures in the areas of national security

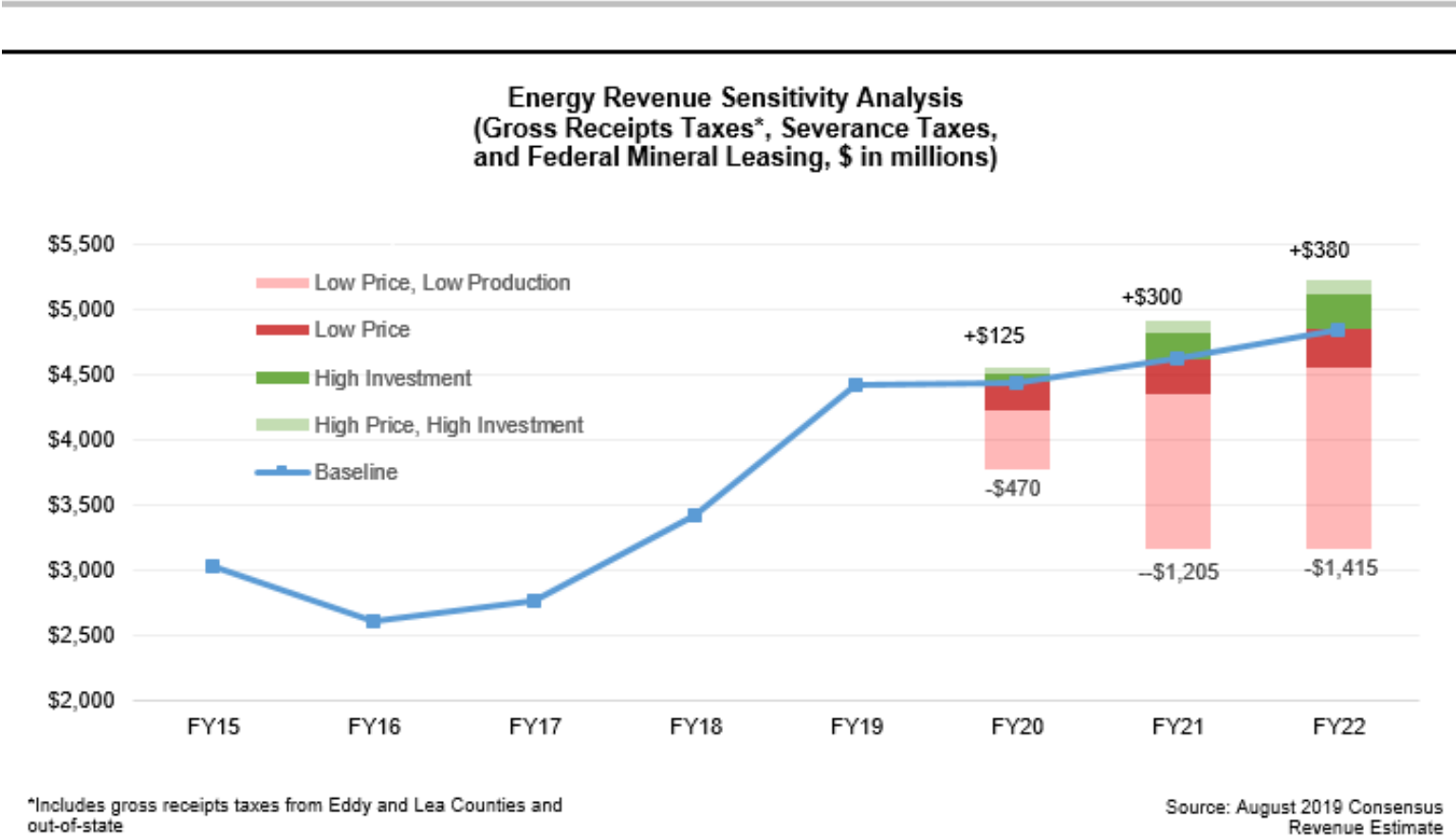
NM Oil Production and Historical Forecasts

- New Level of NM Oil Production challenges the forecasts
- Greater exposure to downside risks



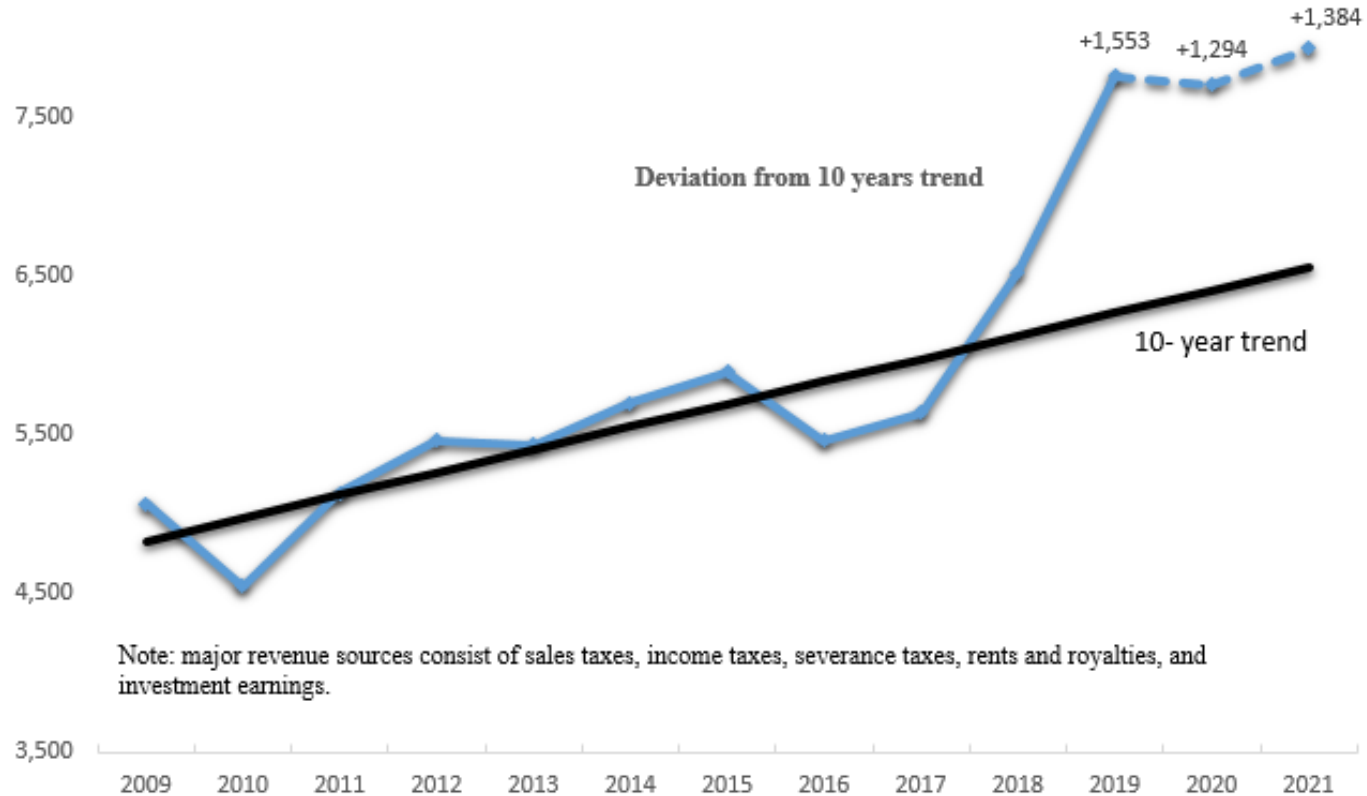
Stress Testing the Forecast

- Downside includes severe drop of rigs and assumes severe drop in GRT, Severance, FML (similar to 2016)
- According to EIA low prices are more likely than higher prices



Linear Trend Analysis

Volatility in Major General Fund Revenue Sources (\$ millions)



Source: August 2019 Consensus Revenue Estimate

➤ Illustrates how far revenues are deviating from the 10 year trend

Appendix 1a

Revenue Source	FY19					FY20					FY21				
	Dec 2018 Est. Adjusted for 2019 Legislation	Aug 2019 Prelim.	Change from Prior (Dec. adjusted)	% Change from FY18	\$ Change from FY18	Dec 2018 Est. Adjusted for 2019 Legislation	Aug 2019 Est.	Change from Prior (Dec. adjusted)	% Change from FY19	\$ Change from FY19	Dec 2018 Est. Adjusted for 2019 Legislation	Aug 2019 Est.	Change from Prior (Dec)	% Change from FY20	\$ Change from FY20
Base Gross Receipts Tax	2,696.2	2,791.8	95.6	10.5%	265.9	2,866.8	3,039.8	173.0	8.9%	248.0	2,933.3	3,077.0	143.7	1.2%	37.3
F&M Hold Harmless Payments	(113.5)	(120.4)	(6.9)	-2.7%	3.4	(108.0)	(114.6)	(6.6)	-4.8%	5.8	(99.7)	(106.2)	(6.5)	-7.3%	8.4
NET Gross Receipts Tax	2,582.7	2,671.4	88.7	12.2%	290.3	2,758.8	2,925.2	166.4	9.5%	253.8	2,833.6	2,970.8	137.2	1.6%	45.7
Compensating Tax	70.0	78.7	8.7	40.3%	22.6	70.0	82.9	12.9	5.4%	4.2	70.0	85.4	15.4	3.0%	2.5
TOTAL GENERAL SALES	2,652.7	2,750.1	97.4	12.8%	312.9	2,828.8	3,008.1	179.3	9.4%	258.0	2,903.6	3,056.3	152.7	1.6%	48.1
Tobacco Taxes	77.4	77.6	0.2	-1.0%	(0.8)	90.0	89.4	(0.6)	15.2%	11.8	88.5	89.0	0.5	-0.4%	(0.4)
Liquor Excise	25.6	25.4	(0.2)	6.6%	1.6	22.6	22.3	(0.3)	-12.2%	(3.1)	22.7	22.3	(0.4)	0.0%	0.0
Insurance Taxes	209.7	184.8	(24.9)	2.9%	5.3	216.4	198.7	(17.7)	7.5%	13.9	224.9	206.5	(18.4)	3.9%	7.8
Fire Protection Fund Reversion	18.3	22.6	4.3	13.0%	2.6	18.9	16.9	(1.9)	-24.9%	(5.6)	19.4	17.4	(1.9)	3.0%	0.5
Motor Vehicle Excise	150.6	152.6	2.0	-0.9%	(1.4)	155.5	153.8	(1.7)	0.8%	1.2	159.2	158.2	(1.0)	2.8%	4.4
Gaming Excise	63.6	64.8	1.2	4.4%	2.7	63.7	66.7	3.0	2.9%	1.9	66.1	69.3	3.2	3.9%	2.6
Leased Vehicle & Other	8.0	8.7	0.7	6.1%	0.5	8.0	8.1	0.1	-6.9%	(0.6)	8.0	8.1	0.1	0.0%	-
TOTAL SELECTIVE SALES	553.2	536.4	(16.8)	2.0%	10.5	575.1	555.9	(19.1)	3.6%	19.5	588.8	570.8	(18.0)	2.7%	14.9
Personal Income Tax	1,564.3	1,642.8	78.5	8.2%	123.8	1,551.7	1,585.0	33.3	-3.5%	(57.8)	1,616.9	1,645.0	28.2	3.8%	60.1
Corporate Income Tax	110.0	124.0	14.0	16.3%	17.4	55.5	85.8	30.3	-30.8%	(38.2)	62.3	48.7	(13.6)	-43.2%	(37.1)
TOTAL INCOME TAXES	1,674.3	1,766.8	92.5	8.7%	141.2	1,607.2	1,670.7	63.5	-5.4%	(96.1)	1,679.1	1,693.7	14.6	1.4%	23.0
Oil and Gas School Tax	373.6	372.5	(1.1)	-17.4%	(78.3)	372.7	384.8	12.1	3.3%	12.3	401.5	431.2	29.7	12.1%	46.4
Oil Conservation Tax	25.5	29.6	4.1	29.3%	6.7	27.1	32.4	5.3	9.5%	2.8	28.8	36.1	7.3	11.4%	3.7
Resources Excise Tax	7.5	7.6	0.1	-11.3%	(1.0)	7.4	7.7	0.3	1.3%	0.1	7.3	7.7	0.4	0.0%	-
Natural Gas Processors Tax	15.3	14.9	(0.4)	37.4%	4.1	16.6	14.3	(2.3)	-4.0%	(0.6)	15.5	11.7	(3.8)	-18.2%	(2.6)
TOTAL SEVERANCE TAXES	421.9	424.6	2.7	-13.9%	(68.5)	423.8	439.2	15.4	3.4%	14.6	453.1	486.7	33.6	10.8%	47.5
LICENSE FEES	54.5	51.7	(2.8)	-15.3%	(9.3)	55.1	52.8	(2.3)	2.1%	1.1	55.7	53.3	(2.4)	0.9%	0.5
LGPF Interest	636.2	638.0	1.8	8.8%	51.4	682.1	667.5	(14.6)	4.6%	29.5	725.9	701.4	(24.6)	5.1%	33.9
STO Interest	28.5	84.5	56.0	1321.4%	78.6	44.8	85.0	40.2	0.6%	0.5	57.9	56.3	(1.6)	-33.8%	(28.7)
STPF Interest	220.6	220.6	-	4.9%	10.2	229.8	225.3	(4.6)	2.1%	4.6	239.2	231.5	(7.8)	2.7%	6.2
TOTAL INTEREST	885.3	943.1	57.8	17.5%	140.2	956.7	977.7	21.0	3.7%	34.6	1,023.0	989.1	(33.9)	1.2%	11.4
Federal Mineral Leasing	1,098.0	1,146.3	48.3	103.2%	582.1	758.5	833.8	75.2	-27.3%	(312.6)	752.3	897.4	145.1	7.6%	63.7
State Land Office	84.4	132.5	48.1	18.4%	20.6	61.5	74.0	12.5	-44.1%	(58.5)	61.5	74.5	13.0	0.7%	0.5
TOTAL RENTS & ROYALTIES	1,182.4	1,278.8	96.3	89.1%	602.7	820.0	907.8	87.7	-29.0%	(371.0)	813.8	971.9	158.1	7.1%	64.2
TRIBAL REVENUE SHARING	74.8	76.9	2.1	13.0%	8.8	76.2	78.5	2.3	2.1%	1.6	77.8	80.4	2.6	2.4%	1.9
MISCELLANEOUS RECEIPTS	48.3	52.3	4.0	11.4%	5.4	50.2	49.4	(0.8)	-5.5%	(2.9)	51.9	49.2	(2.7)	-0.4%	(0.2)
REVERSIONS	43.0	43.0	-	-46.1%	(36.8)	40.0	40.0	-	-7.0%	(3.0)	40.0	40.0	-	0.0%	-
TOTAL RECURRING	7,590.5	7,923.7	333.2	16.2%	1,107.2	7,433.1	7,780.1	347.0	-1.8%	(143.6)	7,686.8	7,991.4	304.6	2.7%	211.3
TOTAL NONRECURRING	(100.0)	(100.0)	-	-254.3%	(164.8)	(125.0)	-	125.0	-100.0%	100.0	-	-	-	n/a	-
GRAND TOTAL	7,490.5	7,823.7	333.2	13.7%	942.4	7,308.1	7,780.1	472.0	-0.6%	(43.6)	7,686.8	7,991.4	304.6	2.7%	211.3

Note: Light purple indicates items with legislative adjustments
 Note: Columns in blue show difference between August 2019 Consensus Revenue Estimate and December 2018 Consensus Revenue Estimate adjusted for 2019 legislation
 Note: Columns in red show year-over-year growth expected in the August 2019 Consensus Revenue Estimate

Oil & Gas School Tax to Tax Stab. Res.	122.6	196.8	74.2	n/a	196.8	146.6	224.3	77.7	14.0%	27.5	149.7	252.8	103.1	12.7%	28.5
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Appendix 1b

Revenue Source	FY22					FY23					FY24		
	Dec 2018 Est. Adjusted for 2019 Legislation	Aug 2019 Est.	Change from Prior	% Change from FY21	\$ Change from FY21	Dec 2018 Est. Adjusted for 2019 Legislation	Aug 2019 Est.	Change from Prior	% Change from FY22	\$ Change from FY22	Aug 2019 Est.	% Change from FY23	\$ Change from FY23
	Base Gross Receipts Tax	3,033.3	3,135.2	101.9	1.9%	58.2	3,151.9	3,227.5	75.6	2.9%	92.3	3,325.5	3.0%
F&M Hold Harmless Payments	(104.4)	(96.9)	7.5	-8.8%	9.3	(101.1)	(87.0)	14.1	-10.2%	9.9	(76.8)	-11.7%	10.2
NET Gross Receipts Tax	2,928.9	3,038.3	109.4	2.3%	67.5	3,050.8	3,140.5	89.7	3.4%	102.2	3,248.7	3.4%	108.2
Compensating Tax	70.0	88.0	18.0	3.0%	2.6	70.0	90.6	20.6	3.0%	2.6	93.4	3.0%	2.7
TOTAL GENERAL SALES	2,998.9	3,126.3	127.4	2.3%	70.0	3,120.8	3,231.1	110.3	3.4%	104.8	3,342.0	3.4%	110.9
Tobacco Taxes	86.7	88.2	1.5	-0.9%	(0.8)	84.8	87.4	2.6	-0.9%	(0.8)	86.6	-0.9%	(0.8)
Liquor Excise	22.7	22.3	(0.4)	-0.1%	(0.0)	22.7	22.2	(0.5)	-0.1%	(0.0)	22.1	-0.4%	(0.1)
Insurance Taxes	233.7	214.6	(19.1)	3.9%	8.1	242.4	222.6	(19.8)	3.7%	8.0	230.9	3.7%	8.3
Fire Protection Fund Reversion	19.9	18.0	(1.9)	3.0%	0.5	20.4	18.5	(1.9)	3.0%	0.5	19.1	3.0%	0.6
Motor Vehicle Excise	135.5	134.3	(1.2)	-15.1%	(23.8)	137.6	138.2	0.6	2.9%	3.9	142.1	2.8%	3.9
Gaming Excise	67.2	71.4	4.2	3.0%	2.1	68.2	73.2	5.0	2.5%	1.8	74.5	1.8%	1.3
Leased Vehicle & Other	8.0	8.1	0.1	0.0%	-	8.0	8.1	0.1	0.0%	-	8.0	-1.2%	(0.1)
TOTAL SELECTIVE SALES	573.7	556.9	(16.8)	-2.4%	(13.9)	584.1	570.2	(13.9)	2.4%	13.4	583.3	2.3%	13.1
Personal Income Tax	1,685.5	1,713.8	28.4	4.2%	68.8	1,735.5	1,765.7	30.2	3.0%	51.9	1,818.4	3.0%	52.6
Corporate Income Tax	28.7	18.1	(10.6)	-62.8%	(30.6)	37.8	1.9	(35.9)	-89.4%	(16.2)	15.8	722.7%	13.9
TOTAL INCOME TAXES	1,714.2	1,731.9	17.7	2.3%	38.2	1,773.3	1,767.7	(5.7)	2.1%	35.7	1,834.1	3.8%	66.5
Oil and Gas School Tax	464.3	523.9	59.6	21.5%	92.7	518.6	614.8	96.2	17.4%	90.9	693.1	12.7%	78.3
Oil Conservation Tax	30.0	39.9	9.9	10.5%	3.8	31.0	44.4	13.4	11.3%	4.5	48.7	9.7%	4.3
Resources Excise Tax	6.9	7.4	0.5	-3.9%	(0.3)	6.4	7.1	0.7	-4.1%	(0.3)	7.1	0.0%	-
Natural Gas Processors Tax	14.4	9.8	(4.6)	-16.2%	(1.9)	14.5	12.1	(2.4)	23.5%	2.3	13.4	10.7%	1.3
TOTAL SEVERANCE TAXES	515.6	581.0	65.4	19.4%	94.3	570.5	678.4	107.9	16.8%	97.4	762.3	12.4%	83.9
LICENSE FEES	56.4	54.0	(2.4)	1.3%	0.7	57.2	54.7	(2.5)	1.3%	0.7	55.4	1.3%	0.7
LGPF Interest	776.3	746.0	(30.3)	6.4%	44.6	825.5	794.6	(30.9)	6.5%	48.6	836.2	5.2%	41.6
STO Interest	66.4	65.7	(0.7)	16.7%	9.4	67.2	71.9	4.7	9.4%	6.2	71.9	0.0%	-
STPF Interest	251.9	240.8	(11.1)	4.0%	9.3	264.9	250.4	(14.5)	4.0%	9.7	257.5	2.8%	7.1
TOTAL INTEREST	1,094.5	1,052.5	(42.1)	6.4%	63.4	1,157.6	1,116.9	(40.7)	6.1%	64.5	1,165.6	4.4%	48.7
Federal Mineral Leasing	766.7	985.2	218.5	9.8%	87.8	792.7	1,086.3	293.6	10.3%	101.1	1,193.9	9.9%	107.6
State Land Office	62.0	74.7	12.7	0.2%	0.2	62.0	75.0	13.0	0.4%	0.3	75.5	0.6%	0.5
TOTAL RENTS & ROYALTIES	828.7	1,059.9	231.2	9.0%	88.0	854.7	1,161.3	306.6	9.6%	101.4	1,269.3	9.3%	108.1
TRIBAL REVENUE SHARING	79.7	82.2	2.5	2.2%	1.8	80.9	83.1	2.2	1.1%	0.9	85.8	3.2%	2.7
MISCELLANEOUS RECEIPTS	53.2	49.4	(3.8)	0.5%	0.2	55.1	49.4	(5.7)	0.0%	0.0	49.9	1.0%	0.5
REVERSIONS	40.0	40.0	-	0.0%	-	40.0	40.0	-	0.0%	-	40.0	0.0%	-
TOTAL RECURRING	7,954.9	8,334.1	379.1	4.3%	342.7	8,294.3	8,752.8	458.5	5.0%	418.7	9,187.8	5.0%	435.0
TOTAL NONRECURRING	-	-	-	n/a	-	-	-	-	n/a	-	-	n/a	-
GRAND TOTAL	7,954.9	8,334.1	379.1	4.3%	342.7	8,294.3	8,752.8	458.5	5.0%	418.7	9,187.8	5.0%	435.0
Oil & Gas School Tax to Tax Stab. Res.	111.1	235.3	124.2	-6.9%	(17.5)	77.3	229.2	151.9	-2.6%	(6.1)	234.7	2.4%	5.5

Appendix 2

U.S. and New Mexico Economic Indicators													
		FY19		FY20		FY21		FY22		FY23		FY24	
		Dec 18 Forecast	Aug 19 Forecast	Dec 18 Forecast	Aug 19 Forecast	Dec 18 Forecast	Aug 19 Forecast	Dec 18 Forecast	Aug 19 Forecast	Dec 18 Forecast	Aug 19 Forecast	Dec 18 Forecast	Aug 19 Forecast
National Economic Indicators													
GI	US Real GDP Growth (annual avg., % YOY)*	3.0	2.6	2.4	2.2	1.8	2.3	1.5	1.9	1.5	1.7	n/a	1.6
Moody's	US Real GDP Growth (annual avg., % YOY)*		2.6		2.0		1.5		2.9		2.3		2.2
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.5	2.1	2.3	2.2	1.9	1.9	2.3	2.3	2.3	2.4	n/a	2.5
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**		2.1		2.1		2.1		2.4		2.3		2.3
GI	Federal Funds Rate (%)	2.3	2.2	3.2	2.2	3.4	2.3	3.4	2.4	3.4	2.5	n/a	2.6
Moody's	Federal Funds Rate (%)		2.2		1.8		1.7		2.3		2.9		3.0
New Mexico Labor Market and Income Data													
BBER	NM Non-Agricultural Employment Growth (%)	1.4	1.5	1.5	1.6	1.3	1.2	1.2	1.1	1.0	0.9	n/a	0.9
Moody's	NM Non-Agricultural Employment Growth (%)		1.4		1.4		0.2		0.4		0.8		0.6
BBER	NM Nominal Personal Income Growth (%)***	3.4	3.8	4.3	4.8	4.1	4.0	4.6	4.6	4.5	4.4	n/a	4.4
Moody's	NM Nominal Personal Income Growth (%)***		4.6		4.4		3.1		3.6		4.0		3.7
BBER	NM Total Wages & Salaries Growth (%)	4.1	4.8	4.8	5.1	4.7	4.6	4.5	4.2	4.2	3.7	n/a	3.6
Moody's	NM Total Wages & Salaries Growth (%)		4.9		4.1		2.0		1.7		2.8		2.8
BBER	NM Private Wages & Salaries Growth (%)	4.8	5.5	5.1	5.2	5.3	5.0	5.0	4.4	4.7	4.0	n/a	3.9
BBER	NM Real Gross State Product (% YOY)	2.8	2.4	2.3	1.6	1.9	1.4	1.7	1.2	1.6	1.1	n/a	1.1
Moody's	NM Real Gross State Product (% YOY)		3.7		3.2		1.9		2.6		2.1		2.3
CREG	NM Oil Price (\$/barrel)	\$49.50	\$51.80	\$52.00	\$52.50	\$53.00	\$52.00	\$54.00	\$52.00	\$54.50	\$54.00	n/a	\$55.50
BBER	Oil Volumes (million barrels)	247.9	302.7	284.5	361.8	307.2	389.5	320.9	404.2	336.4	416.9	n/a	428.0
CREG	NM Taxable Oil Volumes (million barrels)	250.0	298.0	270.0	356.3	285.0	399.6	295.0	438.3	305.0	475.0	n/a	512.8
	NM Taxable Oil Volumes (%YOY growth)	22.3%	45.8%	8.0%	19.6%	5.6%	12.2%	3.5%	9.7%	3.4%	8.4%	n/a	8.0%
CREG	NM Gas Price (\$ per thousand cubic feet)****	\$3.55	\$3.05	\$3.00	\$2.00	\$3.00	\$2.25	\$3.00	\$2.50	\$3.00	\$2.50	n/a	\$2.50
BBER	Gas Volumes (billion cubic feet)	1,409	1,602	1,443	1,679	1,443	1,718	1,443	1,748	1,465	1,749	n/a	1,714
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,470	1,575	1,515	1,662	1,545	1,745	1,560	1,832	1,575	1,914	n/a	2,001
	NM Taxable Gas Volumes (%YOY growth)	8.0%	15.7%	3.1%	5.5%	2.0%	5.0%	1.0%	5.0%	1.0%	4.5%	n/a	4.5%

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 gas prices are estimated using a formula of NYMEX, EIA, and Moodys (June) future prices as well as a liquid premium based on oil price forecast
 Sources: BBER - July 2019 FOR-UNM baseline. IHS Global Insight - August 2019 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 gas prices are estimated using a formula of NYMEX, EIA, and Moodys (June) future prices as well as a liquid premium based on oil price forecast
 Sources: August 2019 Moody's economy.com baseline

Appendix 3a

GENERAL FUND FINANCIAL SUMMARY			
(in millions of dollars)			
	Est.	Est.	Est.
	FY19	FY20	FY21
APPROPRIATION ACCOUNT			
Revenue:			
Recurring Revenue:			
Consensus Revenue Estimating Group August 2019 Estimate	7,923.7	7,780.1	7,991.4
CREG Mid-Sessin Update			
2019 Legislative Session (Net Revenue Changes)		-	-
Subtotal Recurring Revenue	7,923.7	7,780.1	7,991.4
Nonrecurring Revenue:			
Consensus Revenue Estimating Group December 2018 Estimate	-	-	-
CREG Mid-Sessin Update			
2019 Legislative Session	(100.0)	-	-
Subtotal Nonrecurring Revenue	(100.0)	-	-
Total Revenue	7,823.7	7,780.1	7,991.4
Appropriations:			
Recurring Appropriations:			
Prior Legislative Sessions	6,329.8		New Money \$906.7 million
2019 Legislative Session and Feed Bill	10.0	7,083.9	
	-	-	
Subtotal Recurring Appropriations	6,339.8	7,083.9	-
Nonrecurring:			
Prior Legislative Sessions	47.8*		
Audit Adjustments			
2019 Legislative Session	1,177.8	431.9	-
	-	-	-
Subtotal Nonrecurring Appropriations	1,225.6	431.9	-
Total Appropriations	7,565.4	7,515.9	-
Transfers to/(from Reserves)	258.3	264.2	
	69.0		
GENERAL FUND RESERVES			
Beginning Balances	1,184.7	1,706.9	2,269.5
Transfers from/(to) Appropriation Account	258.3	264.2	-
Revenue and Reversions	299.2	333.9	375.1
Appropriations, Expenditures & Transfers Out	(35.3)	(35.5)	(31.5)
Ending Balances	1,706.9	2,269.5	
Reserves as a % of Recurring Appropriations	26.9%	32.0%	
Amount Required for 20% Reserves	1,268.0	1,416.8	
Balance Available for Nonrecurring Spending	438.9	852.8	

Appendix 3b

RESERVE ACCOUNTS			
	FY19	FY20	FY21
OPERATING RESERVE			
Beginning Balance	485.9	485.5	508.2
BOF Emergency Appropriations/Reversions	(2.0)	(2.0)	(1.0)
Disaster Allotments	(12.1)		(4.8)
Transfers from/to Appropriation Account	258.3	264.2	-
Transfers to Tax Stabilization Reserve	(244.6)	(239.6)	
Transfers from (to) ACf/Other Appropriations	-	-	1.0
Ending Balance	485.5	508.2	503.4
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	12.3	11.2	3.2
Disaster Allotments	(15.3)	(16.0)	(11.2)
Other Appropriations	-		
Transfers In	-		
Revenue and Reversions	14.2	8.0	8.0
Ending Balance	11.2	3.2	-
STATE SUPPORT RESERVE			
Beginning Balance	1.0	15.0	25.0
Revenues/Transfers	14.0	10.0	-
Appropriations	-	-	1.0
Ending Balance	15.0	25.0	26.0
TOBACCO SETTLEMENT PERMANENT FUND			
Beginning Balance	158.7	227.0	259.3
Transfers In	76.0	35.0	36.0
Appropriation to Tobacco Settlement Program Fund	(18.0)	(17.5)	(16.5)
Gains/Losses	10.3	14.8	15.8
Additional Transfers from TSPF	-	-	1.0
Transfer to General Fund Appropriation Account	-	-	1.0
Ending Balance	227.0	259.3	296.6
TAX STABILIZATION RESERVE			
Beginning Balance	526.8	968.2	1,473.8
Revenues In	196.8	224.3	252.8
Transfers In (from Operating Reserve)	244.6	239.6	-
Transfer Out to Operating Reserve)	-	-	-
Gains/Losses		41.8	61.5
Other appropriations	-	-	-
Ending Balance	968.2	1,473.8	1,788.1
Emergency Reserves: Rainy Day Fund and TSPF Ending Balances	1,195.2	1,733.1	
Percent of Recurring Appropriations	18.9%	24.5%	
Other Reserve Fund Ending Balances	511.7	536.4	
Percent of Recurring Appropriations	8.1%	7.6%	
Total General Fund Ending Balances	1,706.9	2,269.5	
Percent of Recurring Appropriations	26.9%	32.0%	
*These are appropriations from Legislative Session 2019			

Appendix 4

County Level Detail: Gross Receipts Tax Growth Impact on General Fund

	a	b	c	d	e	f					
	FY 2018	FY 2019				Approx Effective Rate into General Fund Before Earmarks, Credits, HH Dist. Etc.	Current Census est. for Population as of July 1, 2018	Population % of NM	FY19 TGR % of NM	% of FY18 NM Oil Vol.	% of FY18 NM Natural Gas Vol.
	FY18 TGR \$ millions	Final FY19 TGR \$ millions	TGR Level Change from FY19 over FY18	TGR % Change from FY19 over FY18	FY19 General Fund GRT \$ millions						
Bernalillo	17,924	18,425	501	2.8%	20.0	4.0%	678,701	32.4%	28.4%		
Catron	35	36	0	0.4%	0.0	4.0%	3,578	0.2%	0.1%		
Chaves	1,257	1,194	(63)	-5.0%	-2.5	4.0%	64,689	3.1%	1.8%	0.5%	
Cibola	381	346	(34)	-9.0%	-1.4	4.0%	26,746	1.3%	0.5%		
Colfax	281	254	(28)	-9.8%	-1.1	4.0%	12,110	0.6%	0.4%	0.0%	
Curry	932	969	37	3.9%	1.5	4.0%	49,437	2.4%	1.5%		
De Baca	27	35	8	30.8%	0.3	4.0%	1,781	0.1%	0.1%		
Dona Ana	3,706	3,729	23	0.6%	0.9	4.0%	217,522	10.4%	5.7%		
Eddy	5,185	6,986	1,800	34.7%	82.8	4.6%	57,900	2.8%	10.8%	41.2%	
Grant	481	494	14	2.9%	0.6	4.0%	27,346	1.3%	0.8%		
Guadalupe	99	91	(8)	-8.1%	-0.3	4.0%	4,341	0.2%	0.1%		
Harding	16	20	4	26.7%	0.2	4.0%	655	0.0%	0.0%		
Hidalgo	192	74	(119)	-61.7%	-4.8	4.0%	4,240	0.2%	0.1%		
Lea	5,153	7,041	1,887	36.6%	85.9	4.6%	69,611	3.3%	10.8%	56.0%	
Lincoln	520	538	18	3.5%	0.7	4.0%	19,556	0.9%	0.8%		
Los Alamos	1,392	1,639	248	17.8%	9.7	3.9%	19,101	0.9%	2.5%		
Luna	409	351	(58)	-14.1%	-2.3	4.0%	23,963	1.1%	0.5%		
Mckinley	1,052	1,096	44	4.2%	1.8	4.0%	72,290	3.4%	1.7%		
Mora	41	38	(3)	-6.2%	-0.1	4.0%	4,506	0.2%	0.1%		
Otero	928	960	32	3.4%	1.3	4.0%	66,781	3.2%	1.5%		
Quay	147	165	18	12.1%	0.7	4.0%	8,253	0.4%	0.3%		
Rio Arriba	413	408	(5)	-1.1%	-0.2	4.0%	39,006	1.9%	0.6%	0.7%	
Roosevelt	284	265	(18)	-6.5%	-0.7	4.0%	18,743	0.9%	0.4%	0.1%	
San Juan	3,141	2,846	(295)	-9.4%	-11.8	4.0%	125,043	6.0%	4.4%	0.7%	
San Miguel	379	372	(7)	-1.9%	-0.3	4.0%	27,591	1.3%	0.6%		
Sandoval	1,495	1,597	102	6.8%	4.1	4.0%	145,179	6.9%	2.5%	0.7%	
Santa Fe	4,068	4,208	140	3.4%	5.6	4.0%	150,056	7.2%	6.5%		
Sierra	164	176	12	7.5%	0.5	4.0%	10,968	0.5%	0.3%		
Socorro	191	198	7	3.6%	0.3	4.0%	16,735	0.8%	0.3%		
Taos	676	690	14	2.0%	0.5	4.0%	32,835	1.6%	1.1%		
Torrance	208	158	(50)	-24.1%	-2.0	4.0%	15,591	0.7%	0.2%		
Union	107	111	4	4.0%	0.2	4.0%	4,118	0.2%	0.2%		
Valencia	1,053	1,043	(10)	-1.0%	-0.4	4.0%	76,456	3.6%	1.6%		
Out of State	6,193	8,352	2,159	34.9%	110.7	5.125%			12.9%		
	58,532	64,908	6,376	10.9%	300.3	4.2%	2,095,428	100.0%	100.0%	100%	

b-a

(b-a)/a

c*f

Appendix 5

Sources and Uses of Bonding Capacity Available for Authorization and Severance Tax Permanent Fund Transfer (in millions) AUGUST 2019 Estimate

Sources of Funds	FY20	FY21	FY22	FY23	FY24	5-Year
General Obligation Bonds	\$199.2		\$199.2		\$199.2	\$597.6
Senior STBs	\$448.8	\$454.7	\$440.7	\$425.9	\$416.8	\$2,186.9
Severance Tax Bonds	\$335.7	\$335.7	\$335.7	\$335.7	\$335.7	\$1,678.5
Severance Tax Notes	\$113.1	\$119.0	\$105.0	\$90.2	\$81.1	\$508.4
Supplemental STBs	\$206.9	\$199.0	\$211.0	\$222.8	\$236.9	\$1,076.7
Supplemental Severance Tax Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Supplemental Severance Tax Notes	\$206.9	\$199.0	\$211.0	\$222.8	\$236.9	\$1,076.7
TOTAL Sources of Funds	\$854.9	\$653.7	\$850.9	\$648.8	\$853.0	\$3,861.2
Uses of Funds	FY20	FY21	FY22	FY23	FY24	5-Year
GOB Projects Approved by Referendum	\$199.2		\$199.2		\$199.2	\$597.6
Authorized but Unissued STB Projects*	\$0.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.08
Reassigned STB Projects**	\$0.22	\$0.00	\$0.00	\$0.00	\$0.00	\$0.22
9% of Senior STB for Water Projects	\$40.39	\$40.92	\$39.66	\$38.33	\$37.52	\$196.82
4.5% of Senior STB for Colonias Projects	\$20.19	\$20.46	\$19.83	\$19.17	\$18.76	\$98.41
4.5% of Senior STB for Tribal Projects	\$20.19	\$20.46	\$19.83	\$19.17	\$18.76	\$98.41
New Senior STB Statewide Capital Projects	\$367.7	\$372.8	\$361.4	\$349.3	\$341.8	\$1,793.0
PSCOC Public School Capital	\$181.94	\$174.03	\$211.02	\$222.83	\$236.91	\$1,026.73
PED Instructional Materials/Transportation	\$25.00	\$25.00	\$0.00	\$0.00	\$0.00	\$50.00
TOTAL Uses of Funds	\$854.9	\$653.7	\$850.9	\$648.8	\$853.0	\$3,861.2
<i>*Includes projects authorized in Laws 2018 that have not yet met requirements for project funding.</i>						
<i>**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.</i>						
Estimated Transfer to Severance Tax Permanent Fund						
	FY20	FY21	FY22	FY23	FY24	5-Year
Severance Tax Permanent Fund Transfer	\$129.0	\$76.1	\$79.4	\$92.3	\$114.6	\$491.4

Appendix 6

Table 1: NM Oil Volumes & Prices

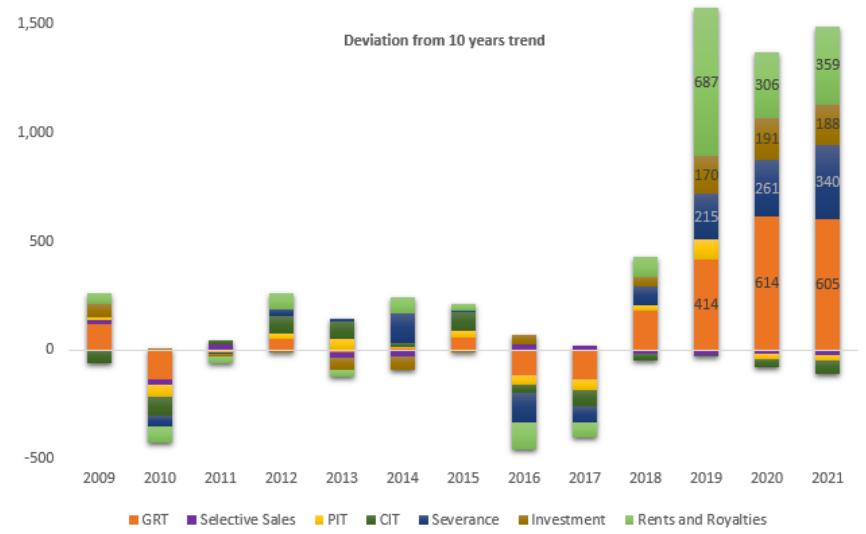
FY	Vol. (million barrels)	% Growth	NM \$/barrel
FY18	204	34%	\$55.1
FY19	298	46%	\$51.8
FY20	356	20%	\$52.5
FY21	400	12%	\$52.0
FY22	438	10%	\$52.0
FY23	475	8%	\$54.0
FY24	513	8%	\$55.5

Table 2: NM Natural Gas Volumes & Prices

FY	Vol. (bcf)	% Growth	NM \$/mcf
FY18	1,361	10%	\$3.51
FY19	1,575	16%	\$3.05
FY20	1,662	6%	\$2.00
FY21	1,745	5%	\$2.25
FY22	1,832	5%	\$2.50
FY23	1,914	5%	\$2.50
FY24	2,001	5%	\$2.50

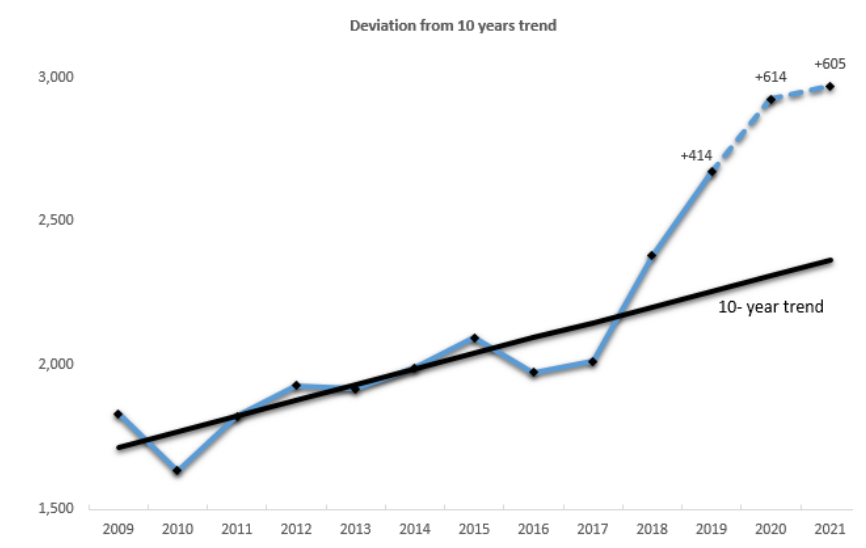
Appendix 7

Revenue Volatility by major revenue sources (\$ millions)



Source: August 2019 Consensus Revenue Estimate

Volatility in Gross Receipts Tax Revenue (\$ millions)



Source: August 2019 Consensus Revenue Estimate