

BACKGROUND INFORMATION

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

AGENCY: Consensus Revenue Estimating Group

DATE: August 28, 2019
UPDATED: August 29, 2019

PURPOSE OF HEARING:
General fund consensus revenue estimate

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EXPECTED OUTCOME:
Informational

August 2019 Consensus General Fund Recurring Revenue Outlook				
(in millions of dollars)				
	FY19	FY20	FY21	FY22
December 2018 Consensus*	\$7,590.5	\$7,433.1	\$7,686.8	\$7,954.9
August 2019 Adjustments	\$333.2	\$347.0	\$304.6	\$379.1
August 2019 Consensus	\$7,923.7	\$7,780.1	\$7,991.4	\$8,334.1
Annual amount change	\$1,107.2	-\$143.6	\$211.3	\$342.7
Annual percent change	16.2%	-1.8%	2.7%	4.3%

* December 2018 Consensus figure includes 2019 legislation adjustments based on fiscal impact report estimates. Note: General fund amounts above do not include oil and gas emergency school tax revenues in excess of the five-year average that are distributed to the tax stabilization reserve.

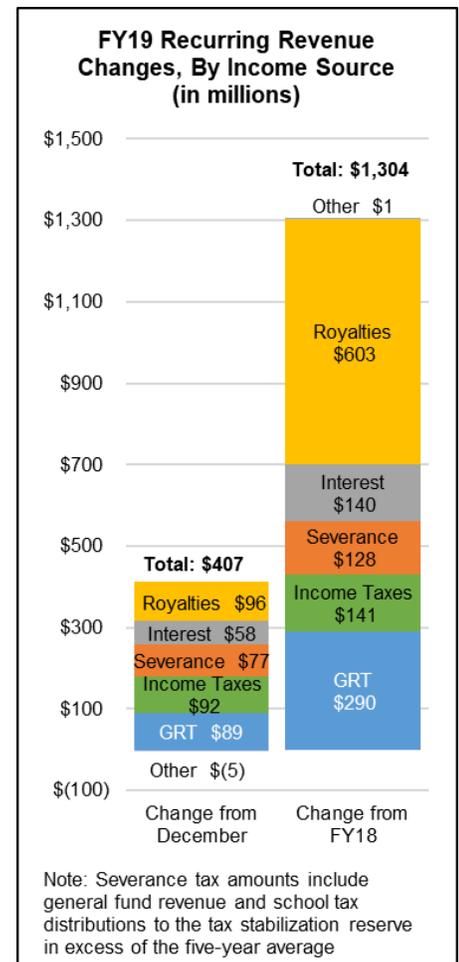
Summary

Upward Revisions. Recurring revenues for FY19 are estimated at \$7.92 billion, an increase of \$1.1 billion, or 16.2 percent, from FY18. Recurring revenues for FY20 are estimated at \$7.78 billion, a decline of \$143.6 million, or 1.8 percent, from FY19. Estimated ending balances for FY19 are \$1.71 billion, or 27 percent, and projected ending balances for FY20 are \$2.28 billion, or 32 percent.

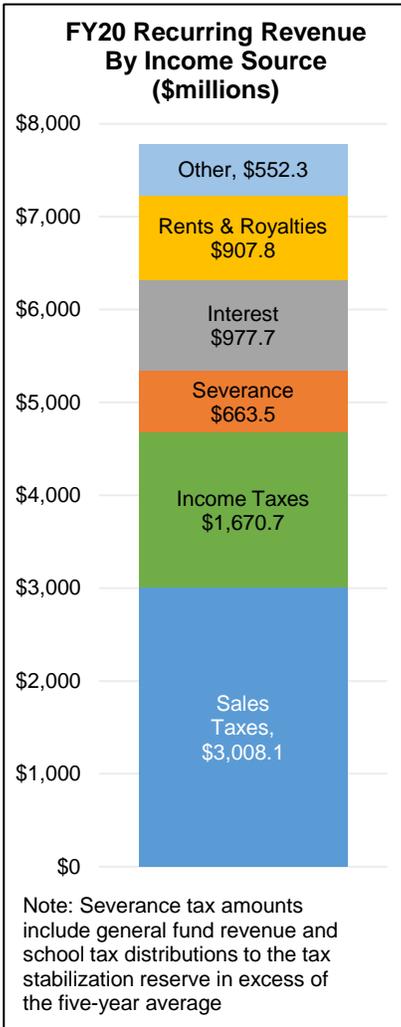
“New money,” defined as projected recurring revenues for the following fiscal year less current year recurring appropriations, is projected at \$907 million for FY21, or 12.8 percent growth from the FY20 recurring budget level.

The consensus revenue projections account for legislative changes made in the 2019 session, including changes to the gross receipts tax, personal income tax, and tobacco taxes in House Bill 6 (Laws 2019, Chapter 270), as well as the expansion of the film credit in Senate Bill 2 (Laws 2019, Chapter 87).

Oil and Natural Gas Production Driving Revenue Growth. The extractives industry continues to be the primary driver of revenue growth, with oil and gas related activity accounting for about 75 percent of the revenue growth from FY18 to FY19. Despite downward pressure on oil prices, New Mexico oil production in FY19 is estimated at about 300 million barrels, a 45.8 percent increase over FY18 production. This is up significantly from the December forecast, which projected a 22 percent growth rate in FY19 totaling 250 million barrels for the year. While industry analysts and other macroeconomic forecasts expect growth in Permian basin production to slow down, New Mexico oil production is still expected to grow roughly 20 percent in FY20 given current market conditions and another 12



percent growth in FY21, compared with previous projections of 8 percent and 5.6 percent, respectively.



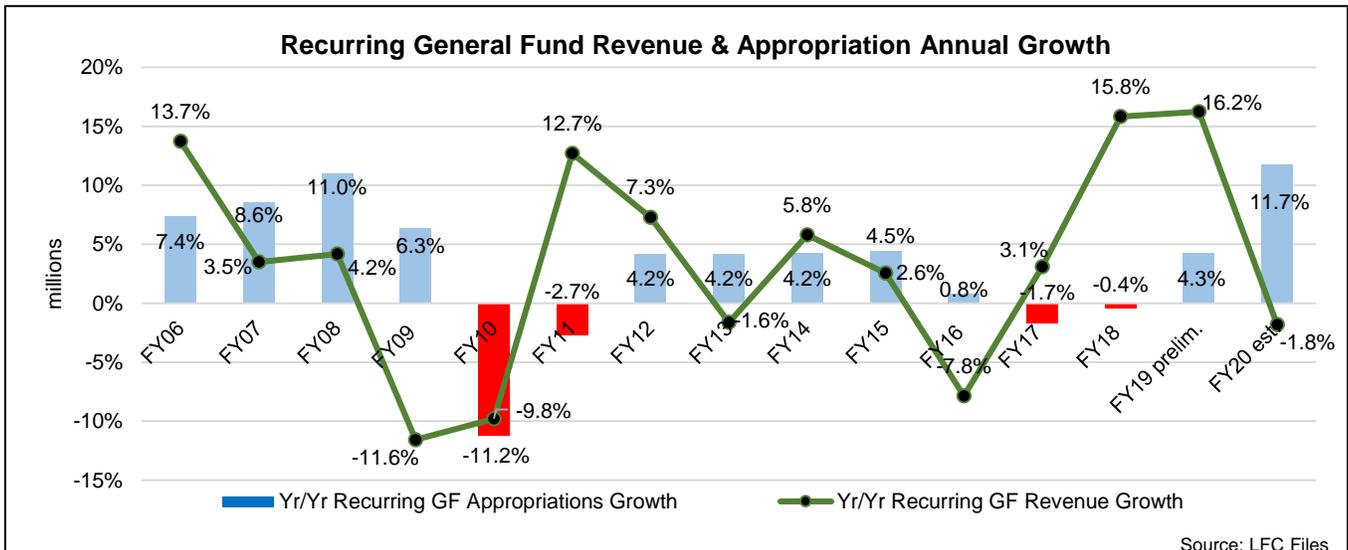
Sensitivity to Price and Volume Changes. New Mexico faces budgetary risks not only if the oil industry experiences significant negative shocks, but also if growth simply slows more than projected. A sensitivity analysis of the revenue estimates show FY21 energy revenues – including severance taxes, federal royalty payments, and gross receipts taxes from Eddy and Lea counties and out-of-state – could fall at least \$1.4 billion below current estimates if prices were to fall and active rig counts drop off.

Reserves Protect Against Risks. While the various forecast risks cannot be reasonably accounted for within the revenue estimates – including an energy industry crash (see *Stress Test* on page 5), recession, taxpayer protests, and local government lawsuits (see *Forecast Risks* on page 12) – the Legislature can prepare for these risks by maintaining adequate reserves. Combined with growing concerns about a possible impending recession (see *Recession Risk* on page 12), the state should proceed with caution in crafting a budget, and LFC economists recommend retaining a minimum of 20 percent reserves.

Revenue and Budget History

Heightened oil and natural gas production recently caused general fund revenues to surge, growing 15.8 percent in FY18 and another estimated 16.2 percent in FY19. The state experienced similar strong growth in FY05 when revenues increased by 14.6 percent, another year in which direct energy revenues and a few other revenue sources spiked. Very similar to this forecast for the next several years, FY05 was succeeded by another year of strong revenues but with a slightly lower growth rate and then by two years of modest growth between 3 percent and 4 percent. However, revenues dropped precipitously in FY09 and FY10, declining by 11.6 percent and 9.8 percent, respectively, as shown in the graph below.

Unfortunately, recurring budgets were built to incorporate a significant portion of this two-year spike in revenues, with general fund appropriation increases of 8.6 percent in FY07, 11 percent in FY08, and 6.3 percent in FY09. To maintain solvency, the state was forced to slash general fund budgets by 11.2 percent in FY10 and cut another 2.7 percent in FY11.



New Mexico’s oil and natural gas production values are at an all-time high, sending general fund recurring revenues well above trend (see Trend Analysis section on page 7). Revenues significantly above trend may not be sustainable over time, and the last time New Mexico saw state revenues this high above trend was just before the great recession (see Attachment 13). This parallel with historical patterns should be considered during discussion of appropriations in the 2020 legislative session as budgets are developed based on the new revenue estimate.

United States and New Mexico Economic Forecast

United States. Real gross domestic product (GDP) grew 2.6 percent in FY19. IHS Markit projects new fiscal stimulus from the Bipartisan Budget Act of 2019 to bolster GDP growth in the coming year and estimates real GDP growth of 2.2 percent in FY20 and 2.3 percent in FY21. Despite strong employment and income gains, favorable monetary policy, and high levels of consumer confidence, IHS projects a slowdown in domestic economic growth by mid-2021. Slowed growth in the global economy, decelerating stock markets, fading stimulus of tax cuts and spending increases, tariffs and U.S.-China trade war, slowing inventory accumulation, and labor capacity constraints all contribute to the U.S. macroeconomic outlook. Although IHS Markit and Moody’s Analytics do not consider a recession in their baseline forecast, current economics conditions add to increasing concerns of a recession in the near-term (see *Recession Risk* discussion on page 12).

New Mexico. The state’s unemployment rate was 4.9 percent in July 2019, according to the Department of Workforce Solutions. While the current employment statistics (CES) survey shows average 2019 employment growth at 1.4 percent, BBER’s expectations for growth in New Mexico’s non-agricultural employment for 2019 was revised up by 0.1 percent from the December estimate to 1.5 percent. The BBER outlook for employment is driven largely by expectations of near-term expansion in the oil & gas sector. BBER also expects that the principal driver in long-term employment growth will be spending by state government on public education and capital projects. Employment growth projections for 2020 are up slightly to 1.6 percent, with most growth expected in the mining, construction, transportation and warehousing, professional services, healthcare, and leisure and hospitality sectors.

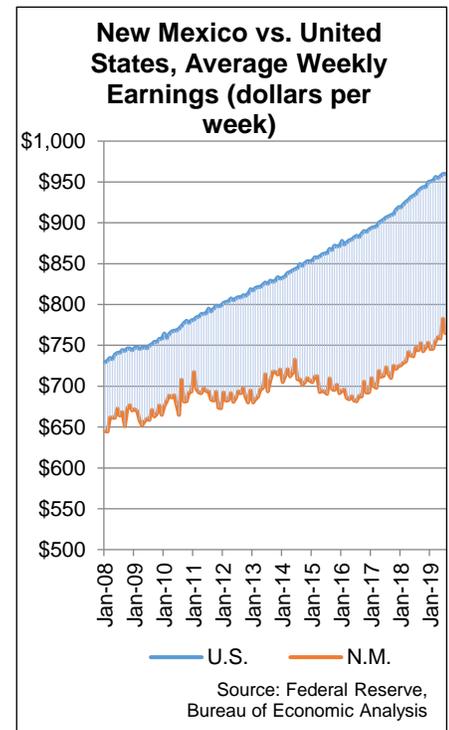
New Mexico’s average weekly earnings are growing at a pace similar to the United States overall, although weekly earnings remain well below the national average. Personal income in New Mexico is projected to grow 4.5 percent in FY20 and 4.3 percent in FY21, and total wages and salaries are projected to grow 5.1 percent in FY20 and 4.6 percent in FY21, according to BBER. However, forecasts from Moody’s Analytics are less optimistic, projecting 4.1 percent growth in total wages and salaries in FY20 and just 2 percent growth in FY21.

Oil and Gas Industry Impacts

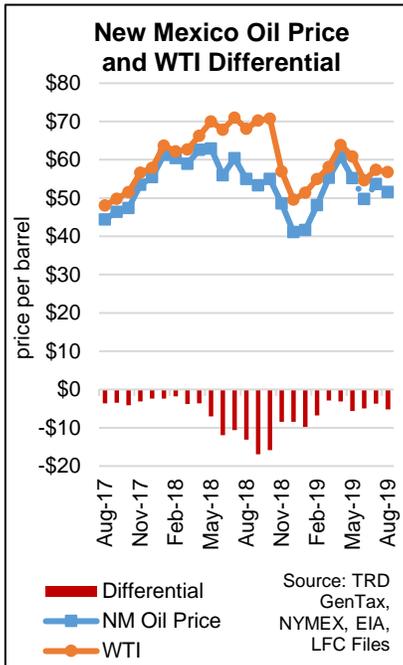
Record-Breaking Production. From 1980 to 2010, New Mexico’s annual oil production averaged 70 million barrels. Now, technological efficiencies and low breakeven costs of the Delaware basin put the state on track to produce over 350 million barrels of oil in FY20 and nearly 400 million barrels by FY21. Associated natural gas in the Permian basin – gas that flows from wells along with oil – is also surging, leading to an overall 15.7 percent increase in the state’s natural gas production in FY19 despite continued production declines in the northwest region of the state.

Forecasting Services

LFC economists use two different forecasting services in developing the economic assumptions on which the forecast is based, IHS Global Insight for national estimates and the University of New Mexico Bureau of Business and Economic Research (BBER) for state and local estimates. The BBER forecast also relies on the IHS national forecast. Selected economic indicators from these forecasts are presented in Attachment 6.

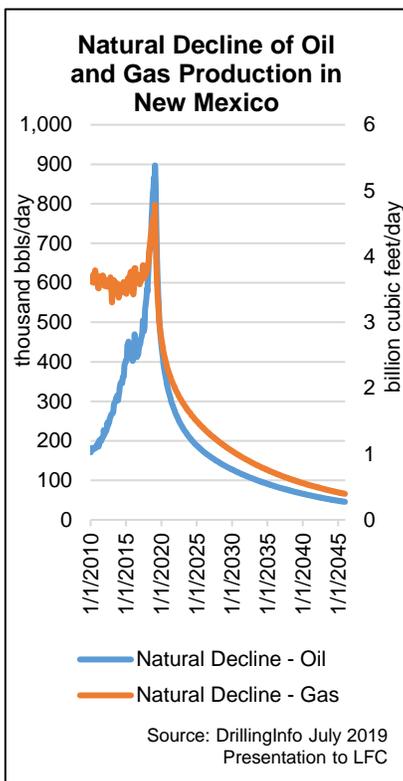


Forecast Assumes Continued Production Growth. Macroeconomic forecasts from IHS Markit and the U.S. Energy Information Administration project Permian Basin oil production will drive total U.S. oil growth over the next 10 years. In a presentation to the Legislative Finance Committee in July 2019, analysts from DrillingInfo – an energy data and analytics firm – stated the Delaware Basin in New Mexico has some of the best resources in the Permian Basin and one of the lowest breakeven costs at an average \$38 per barrel. New Mexico continues to be the fastest-growing oil producing state, with per-day production increasing 51 percent year-over-year in the last quarter of 2018 and 38 percent in May. Comparably, Texas per-day oil production grew 24 percent and 17 percent over those same periods, respectively.



FY	2019	2020	2021
	Prelim.	Forecast	Forecast
Oil Price (\$/bbl)	51.80	52.50	52.00
Oil Volume (MMbbls)	298	356	400
Natural Gas Price (\$/mcf)	3.05	2.00	2.25
Natural Gas Volume (bcf)	1,575	1,662	1,745

Narrowing Oil Price Differential. New Mexico’s average oil price for FY19 is estimated at \$51.80 per barrel (bbl) based on actuals through May and industry reports for June. The West Texas Intermediate (WTI) oil price averaged \$60.86 for the same period, resulting in an average oil price differential of \$9.06/bbl for the year. The average differential spiked to nearly \$17/bbl in September due to pipeline capacity constraints in the Permian basin. The differential now averages about \$5/bbl in August as expanded and newly constructed pipelines come online. This differential is projected to continue through the end of 2019 and then return to historical norms of about \$3.50 once additional pipeline capacity is available.



Downward Pressure on Natural Gas Prices. Natural gas prices also face downward pressure in the Permian basin due to the rise in associated gas production and lack of pipeline capacity. The Oil Conservation Division (OCD) reports venting and flaring of natural gas was up 113 percent in 2018 over the previous year, and the total amount flared in 2019 through April is up another 27 percent from the same period a year ago. Transportation deductions have increased as more companies rely on more expensive methods to get natural gas to market and some producers face negative prices – meaning they must pay to have the natural gas removed. Data from TRD’s GenTax system shows the average natural gas price in the Permian basin was \$1.88 per thousand cubic feet (mcf) in May 2019, compared with that month’s Henry Hub price of \$2.74. The consensus forecast incorporates expectations for increased deduction amounts and significant natural gas price differentials, estimating an average statewide price of \$2.00/mcf in FY20 and \$2.25/mcf in FY21.

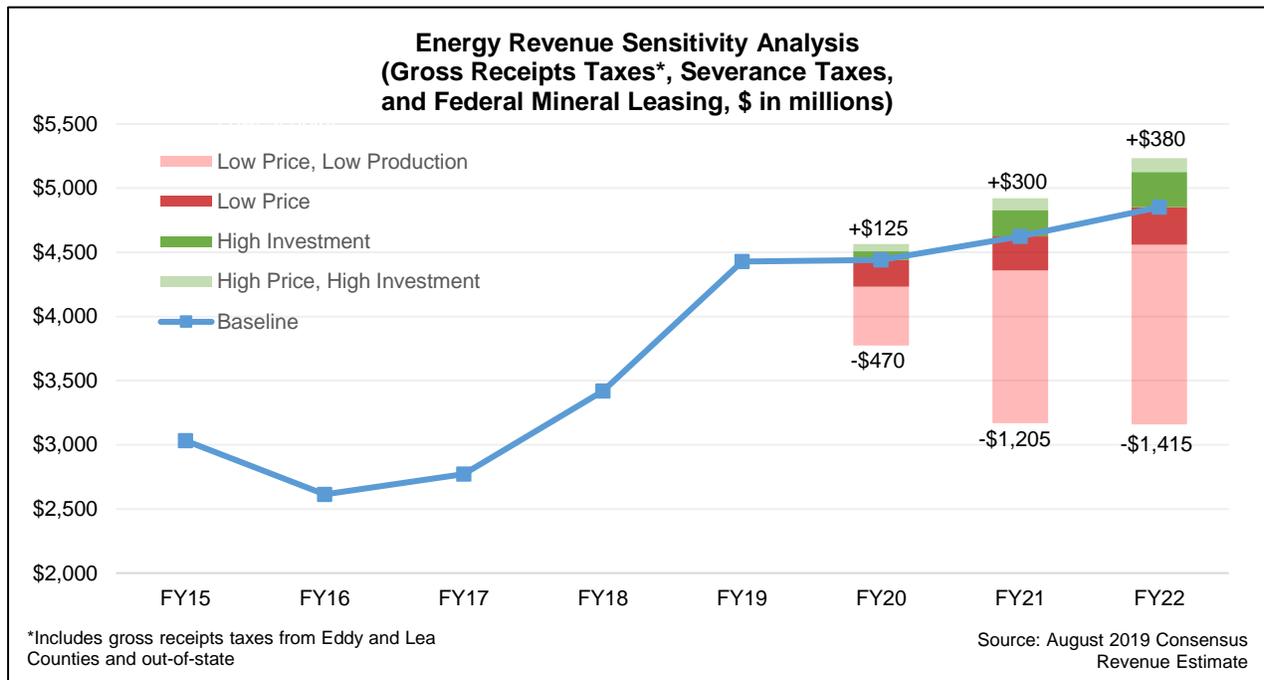
Forecast Dependent on Price and Volume Assumptions. The consensus estimates for oil volumes assume New Mexico oil prices in the low-\$50s over the forecast horizon. Should prices fall or rise substantially below or above those prices, the volume forecasts and associated revenues could significantly change (see *Stress Testing* on page 5). Low prices could lead to a pullback in drilling activity and declines in production. Analysis by DrillingInfo shows oil and gas production in the state would fall significantly without continued drilling due to the natural decline rate of well production.

Stress Testing the Revenue Estimates

Sensitivity Analysis

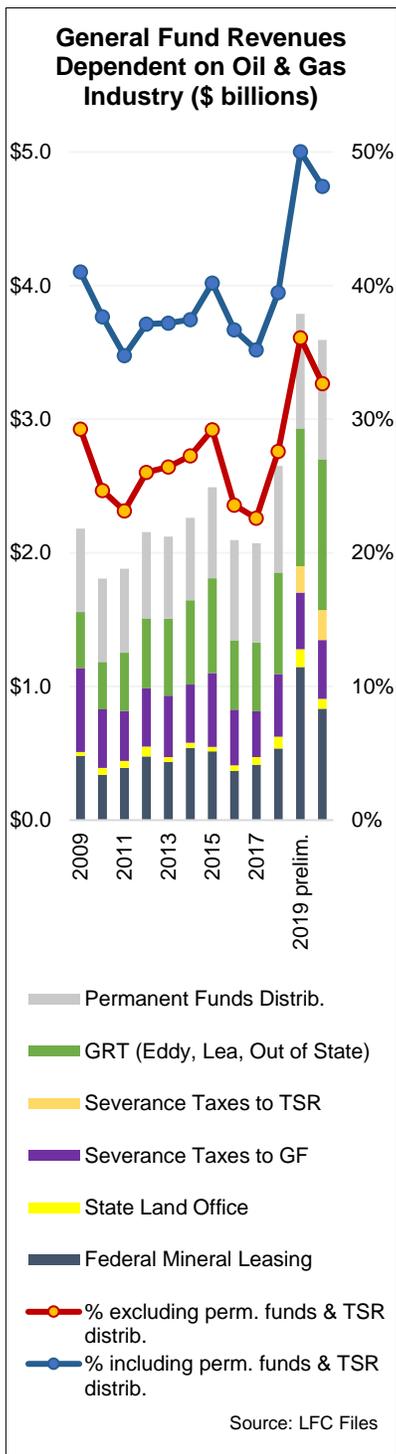
Growing Reliance on Highly Volatile Revenues Sources. The total recurring revenue estimate of \$7.78 billion in FY20 and the estimated \$907 million available in new money for FY21 are heavily dependent on the oil price and volume expectations in the forecast. About 75 percent of the revenue growth from FY18 to FY19 is tied to the energy industry through severance taxes, rents and royalties, and gross receipts taxes. Oil and gas industry-related activity accounted for 36 percent of general fund recurring revenue in FY19, up from a prior decade-long average of 26 percent. While growth in the industry is expected to slow, this forecast projects continued increases in oil and natural gas production, deepening the state’s reliance on this volatile industry and causing above-trend revenue spikes (see *Trend Analysis* on page 7).

Dependence on revenues from the highly volatile energy industry adds variance to the forecast. While the consensus estimate includes reasonable price and production expectations based on currently available data, the oil industry is prone to sudden shocks that significantly change market conditions with little notice. Therefore, the consensus group analyzed the impact on direct energy revenues if oil prices and production expectations were to differ from the forecast. The results indicate a sharp decline in oil prices and production activity could create a fiscal challenge far more severe than a moderate recession.



Scenario	FY20 (\$ millions)				FY21 (\$ millions)				FY22 (\$ millions)			
	Lower	Low	High	Higher	Lower	Low	High	Higher	Lower	Low	High	Higher
Severance Taxes	-\$165	-\$85	\$25	\$50	-\$315	-\$90	\$75	\$115	-\$385	-\$100	\$95	\$140
Federal Mineral Leasing	-\$130	-\$65	\$20	\$40	-\$315	-\$100	\$70	\$110	-\$430	-\$115	\$110	\$160
Gross Receipts Taxes	-\$175	-\$65	\$25	\$35	-\$575	-\$80	\$55	\$75	-\$600	-\$80	\$65	\$85
Total Difference from Baseline	-\$470	-\$215	\$70	\$125	-\$1,205	-\$270	\$200	\$300	-\$1,415	-\$295	\$270	\$385

High Price, High Investment. This scenario assumes (a) New Mexico average oil prices are slightly higher than expected at \$55/bbl, (b) active drilling rigs are 10



percent above the baseline, and (c) oil production increases 25 percent in FY20 and 19 percent in FY21 (compared with the respective 20 percent and 12 percent in the baseline forecast).

Since severance taxes and federal royalty payments are a function of oil and gas values, higher prices and volumes would increase revenues from these two sources. Additionally, it has been well demonstrated that gross receipts tax (GRT) revenue from Eddy and Lea counties and out-of-state GRT revenue rise significantly as rig counts increase. This scenario shows the gains that could be seen from these two counties and out-of-state receipts if active rig counts are higher than the baseline estimate.

In total, this scenario indicates slightly higher prices, volumes, and rig counts could add \$300 million to FY21 revenues. The Energy Information Administration places about a 35 percent chance of the oil price in this scenario occurring in FY21.

High Investment. This scenario uses baseline oil and natural gas prices but assumes the industry invests 10 percent more in drilling rigs than the baseline forecast. Higher production would increase severance taxes and royalty payments, and additional drilling rigs would add GRT revenues, resulting in an additional \$200 million in FY21.

Low Price. According to DrillingInfo, the economics of the Delaware basin are so good that the returns on investment are at least 15 percent as long as WTI remains above \$40/bbl. Therefore, it is possible for rig counts and production levels to remain high even at lower prices. This scenario considers the impact on general fund revenue if the average New Mexico oil price is \$45 while maintaining baseline production and rig count estimates. The analysis shows the state could lose \$215 million in FY20 and \$270 million in FY21 if prices fell to this level even if production and rig counts were maintained. The Energy Information Administration places about a 40 percent chance of the oil price in this scenario occurring in FY21.

Low Price, Low Production. On the low end, an unexpected drop in oil prices would send the state's energy revenues into a tailspin. The scenario assumes (a) New Mexico average oil prices fall to \$35/bbl, (b) the state's oil and natural gas production declines, and (c) GRT revenues from Eddy and Lea counties and out-of-state receipts plunge near the level seen at the depth of the oil industry crash in 2016.

The decline in oil and gas values could cause the state to lose \$295 million to \$630 million in severance taxes and federal royalty payments in the current and budget year. Gross receipts tax revenues in FY20 would be relatively insulated from the impact since changes in industry spending decisions lag price changes. However, a severe impact could cause a sharp decline as the fiscal year continues and then hit FY21 in its entirety, resulting in about a \$575 million decline in GRT revenues.

With each of these impacts combined, the state could lose about \$470 million in direct energy revenues in FY20 or about \$1.2 billion in FY21, in addition to likely losses in corporate and personal incomes taxes. The Energy Information Administration places about a 10 percent to 15 percent chance of the oil price in this scenario occurring in FY21.

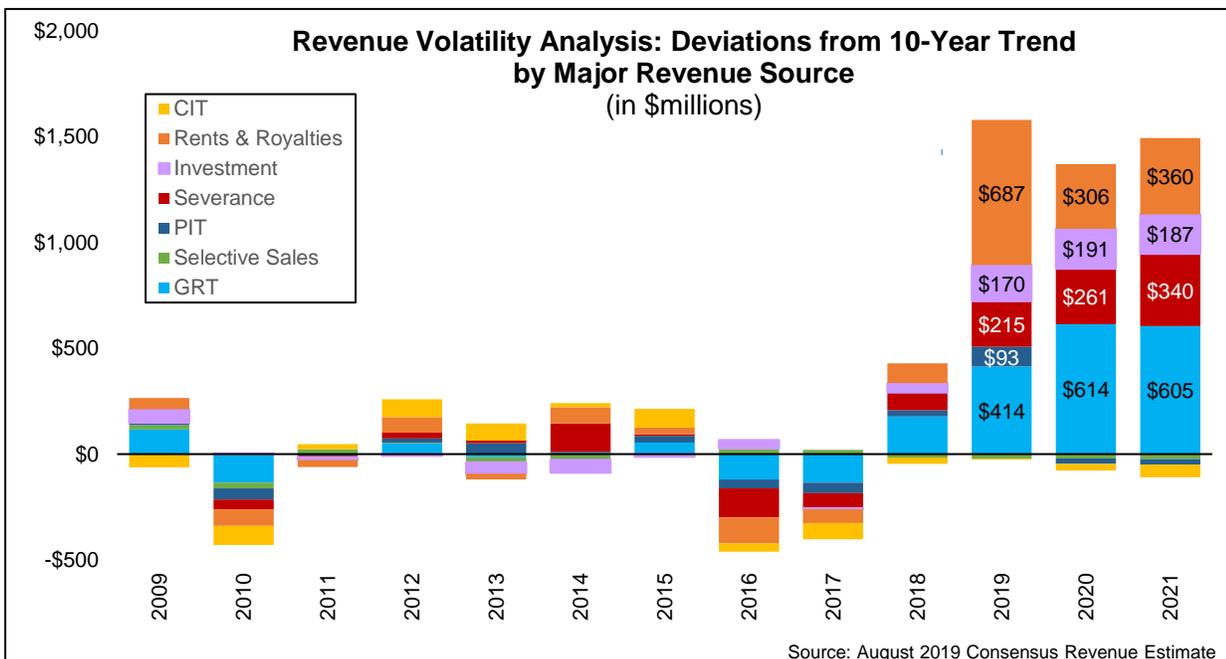
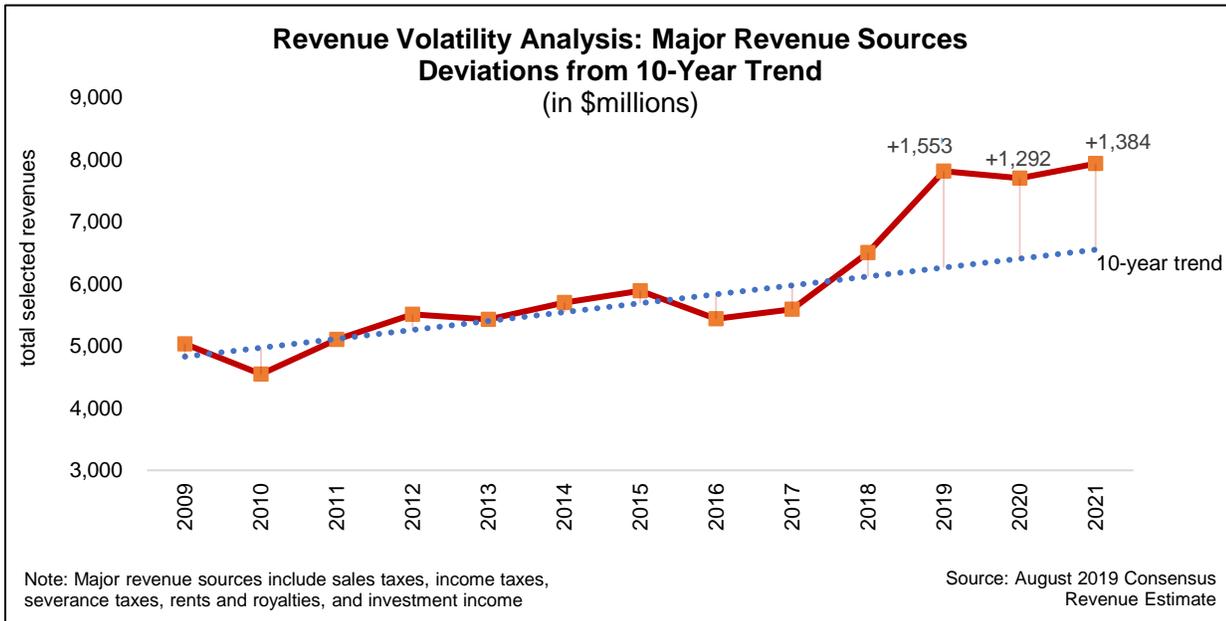
Trend Analysis

In addition to reviewing potential impacts from changes in highly volatile revenue sources, CREG economists calculated a 10-year trend for revenue collection by major tax type and then compared current revenue estimates with the trend to determine the sustainability of current growth rates.

Deviation from Trend. The trend analysis demonstrates the variation in New Mexico's major sources of revenue: sales taxes, income taxes, severance taxes, investment income, and rents and royalty payments. Using historical revenue data from these sources for FY09 to FY18, a 10-year trend line is carried forward through FY21 illustrating the above-trend nature of FY19, FY20, and FY21 revenues. The forecast period shows substantial deviation from trend, both as individual revenue sources and in total.

Linear Trend Models

Linear trend models are a simplistic forecasting technique that uses historical data to predict future outcomes. These models can identify cyclical variations, such as business cycles that consist of periods of prosperity followed by periods of recession and then recovery. Recessionary periods will fall below long-term trend lines, while periods of prosperity are above the long-term trend line.



The bar chart above represents the difference of each revenue source from the respective 10-year trend. For example, the light blue bars represents GRT revenue

which deviates as high as \$614 million above the 10-year trend. When taken in sum, as illustrated by the red line, FY19 revenues are projected to be about \$1.6 billion above trend. Projected revenues for FY20 and FY 21 are \$1.3 billion and \$1.4 billion above trend, respectively.

Revenues Significantly Above Trend May Not Be Sustainable Over Time. In a recent study of revenue volatility by Pew, considering long-term trends was identified as one of three recommendations for reducing the negative effects of volatile revenues. Attachment 13 illustrates how a similar 10-year trend analysis would have looked if performed in the years preceding the Great Recession. The chart shows revenues were considerably above trend from 2006 to 2008 but fell significantly below trend during the recession and remained below trend in the following years. As the analysis demonstrates, previous downturns have resulted in revenues falling below trend in deviations proportional to growth years. Increased volatility and persistent over-trend performance indicates policy makers should proceed with caution when allocating the current revenue surge to recurring expenditures.

General Fund Revenue Forecast

Severance Taxes

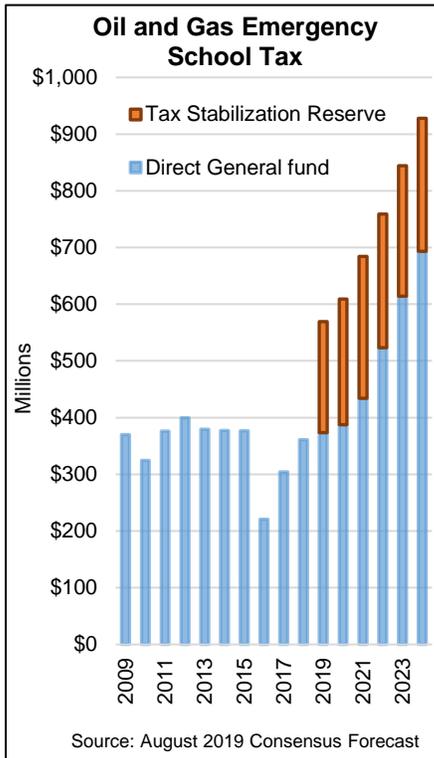
Oil production for FY19 is estimated at 298 million barrels, a 45.8 percent increase over FY18, based on actual data through May and projections for June. Preliminary data indicates New Mexico’s statewide average oil price for FY19 was \$51.80. Oil production is projected to grow to 356 million barrels in FY20 and to 400 million barrels in FY21. Taxable volumes of natural gas as reported by TRD is estimated at 1,575 billion cubic feet for FY19 at an average statewide price of \$3.05/mcf. Continued growth is expected as associated natural gas rises with increased oil production; however, the forecast assumes pipeline capacity constraints continue to depress prices.

Distributions to Rainy Day Fund Mitigates Negative Budget Effects. Severance taxes directed to the general fund – which include the oil and gas emergency school tax, oil conservation tax, resources excise tax, and natural gas processors tax – are estimated to reach \$621.4 million in FY20. Of this amount, \$196.8 million is expected to be distributed to the tax stabilization reserve as a function of 2017 legislation that sends all oil and gas emergency school tax revenue in excess of the five-year average to this “rainy day fund”. The distribution provides an inherent buffer to the consensus forecast, as impacts of oil and gas revenue declines will hit reserves first, mitigating negative budgetary effects on the general fund.

Rents and Royalties

Revenues for oil and gas bonuses on state lands and royalty payments for production on federal lands each came in about \$48 million higher than expected for FY19, resulting in upward revisions to these general fund revenue sources for the fiscal year. Total general fund rents and royalty revenue was nearly \$1.3 billion for FY19, an 89 percent increase over the prior year.

Much of the growth was due to a large federal land lease sale in September 2018 of over 50 thousand acres in Eddy and Lea counties that generated a record-breaking \$972 million, and nearly half of the bonus, or \$453.3 million, was distributed to the state in November. However, the December lease sale generated



Large Federal Lease Sale Distorts Year-Over-Year Revenue Growth Rate

Without the large September federal land lease sale, FY19 recurring revenues increased 10 percent from FY18, compared with the total 16.2 percent increase including the sale.

just \$16 million for the state, and two additional sales in March and June generated \$7 million and \$1.4 million, respectively. These additional lease sales remain under protest, delaying the distributions for New Mexico’s share, which is expected to occur in FY20.

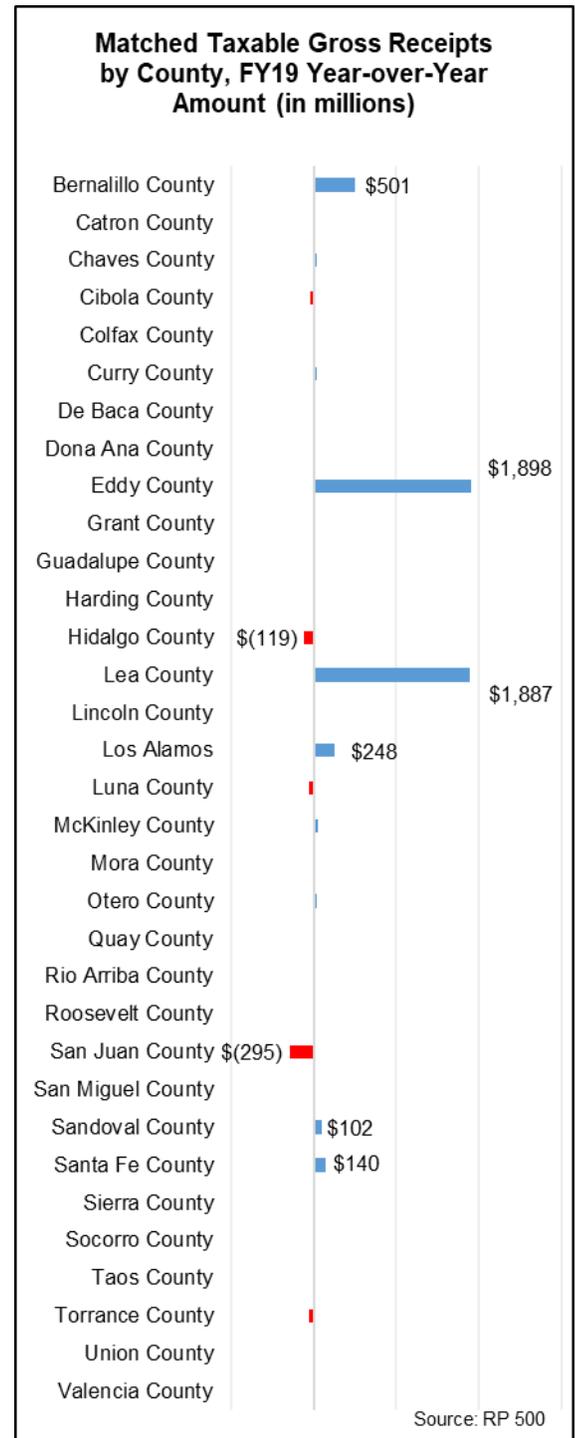
Large Federal Bonuses Unlikely to Continue. While federal lease sales for New Mexico land occur every year, the available acreage and associated revenues from these sales varies and is heavily dependent on market conditions at the time. As producers shift focus from land acquisition to production, bonus revenues will decline. Therefore, the large revenue gains in the September lease sale for FY19 appear unlikely to continue. The scheduled federal land lease sales for September 2019 and November 2019 cover under 12 thousand acres, only half of which are in the Permian basin. Federal leases are issued for a 10-year period, so once prime land has been leased it will not be available again for some time.

Gross Receipts Taxes

Growth Concentrated in Eddy and Lea Counties. The majority of the gross receipts tax (GRT) revenue increase in this forecast for FY19 and FY20 is attributed to oil and gas activity driving up receipts in Eddy and Lea counties and out-of-state receipts. The out-of-state figure is receipts for goods sold into New Mexico for which there is no local reporting location. Tax revenues from Amazon and select other online sellers fall into this category, but much of the revenue base, and increase, appears to be related to oil and gas drilling activities. Eddy and Lea Counties along with out-of-state receipts accounted for 90 percent of all growth in matched taxable gross receipts (MTGR) for FY19.

Shift in Drilling Rig Response to Price Changes. Eddy and Lea county MTGR grew 37 percent in FY19, and out-of-state MTGR grew 29 percent over the same period. This forecast increases GRT revenue for FY19 by \$88 million due primarily to stronger-than-expected growth in receipts from these areas. The December 2018 forecast anticipated a drop in drilling activity after sharp oil prices declines in October that dropped WTI prices by nearly 30 percent. However, New Mexico rig counts did not respond to the sharp price drop in ways consistent with past declines. Active rig counts actually increased in the months following the price drop and currently remain in the triple digits. Given the low breakeven prices of the New Mexico Delaware basin, rig counts are expected to remain elevated absent a large and significant price shock (see *Stress Test* on page 5).

Little Economic Growth Statewide. Most of the rest of New Mexico experienced little growth in FY19. Bernalillo county MTGR grew 2.8 percent, barely exceeding the rate of inflation, and MTGR in the other 30 counties combined increased only 0.7 percent from a year ago. Certain areas are demonstrating decent growth, such as Los Alamos, in which MTGR is up 17.8 percent in FY19 due to increased activity at the national lab. Santa Fe county MTGR is up 3.4 percent and Sandoval county MTGR is up 6.8 percent with growth occurring in most industries in these areas. However, growth in the rest of the state is lagging and 12 counties experienced declining MTGR in FY19.



The mining industry grew \$1.9 billion in MTGR in FY19 and accounted for 40 percent of all MTGR growth over the fiscal year. Administrative support and waste management MTGR grew \$948 million, largely in Los Alamos due to lab activity. Wholesale trade grew by \$706 million, retail trade by \$629 million, and manufacturing by \$415 million. Most of the wholesale trade and manufacturing growth occurred in Eddy and Lea counties, and while Bernalillo accounts for the largest portion of retail trade MTGR, most of the growth in retail trade was also concentrated in Eddy and Lea counties.

Matched Taxable Gross Receipts by Industry - July 2018 to June 2019			
Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$6,680,469,933	\$1,909,316,907	40.0%
Utilities	\$2,505,899,857	\$88,475,529	3.7%
Construction	\$7,576,958,560	\$225,875,847	3.1%
Manufacturing	\$2,036,111,949	\$414,921,356	25.6%
Wholesale Trade	\$3,406,058,151	\$705,769,167	26.1%
Retail Trade	\$13,686,008,143	\$629,387,909	4.8%
Transportation and Warehousing	\$1,031,392,800	\$222,370,028	27.5%
Information	\$2,580,423,018	\$49,824,280	2.0%
Real Estate and Rental and Leasing	\$1,712,774,731	\$332,396,410	24.1%
Professional, Scientific, and Technical Services	\$6,537,420,939	\$61,723,717	1.0%
Administrative/Support & Waste Management/Remediation	\$2,265,432,905	\$948,432,458	72.0%
Health Care and Social Assistance	\$3,264,013,523	\$135,457,374	4.3%
Leisure and Hospitality Services	\$5,075,997,067	\$347,696,250	13.7%
Other Industries	\$6,548,902,674	\$304,211,500	n/a
Total	\$64,907,864,249	\$6,375,858,732	13.7%

Source: RP500

GRT Change (\$ in millions)	FY20	FY21
HB6 – Add Nonprofit Hospitals to GRT base	\$93	\$93
HB6 – Remote Sales (new base)	\$43	\$43
HB6 – Remote Sales (local sharing)	(\$24)	(\$24)
SB106 – Short Term Occupancy Rentals	\$1	\$1
SB425 – Dept. of Defense Satellite Gross Receipts	(\$1)	(\$2)
HB165 – High Wage Jobs Tax Credit (expanded)	-	(\$3.3)
Internet Tax Freedom Act (federal)	-	(\$49)
TOTAL	\$112	\$64

Tax Changes. The GRT forecast incorporates several tax changes from the 2019 legislative session, including the addition of non-profit hospitals to the tax base, taxation of internet sales, the switch to destination-based sourcing and repeal of the municipal equivalent distribution in FY22, expansion of the high-wage jobs tax credit, and a federal provision that will no longer allow GRT to be applied to the provision of internet services beginning in FY21.

Adding non-profit hospitals to the GRT base is projected to increase FY20 revenue by \$93 million. Expanded taxation of internet sales is projected to increase FY20 GRT revenue by \$43 million, of which \$24 million will be distributed to local governments as a means to share in the new tax revenue until local increments can be applied to internet sales in FY22.

Investment Earnings

Permanent Funds. Distributions from the land grant permanent fund (LGPF) and severance tax permanent fund (STPF) are based on the five-year rolling average of the year-end balance. By the end of May 2019, the market value of the LGPF was \$18 billion and the value of the STPF was \$5.1 billion. For FY20, the consensus estimate expects the LGPF to distribute \$667.5 million to the general fund for public schools, up almost \$30 million from FY19. The STPF will distribute \$225.3

million in non-earmarked revenue to the general fund in FY20, up \$4.6 million from FY19. Out-year distributions from the STPF are expected to grow from previous estimates due to Legislation in the 2019 session allowing for general fund to be used in place of severance tax revenue for capital outlay expenditures. The additional severance tax revenue is estimated to increase the STPF by \$281.2 million over 10 years, which would in turn generate an additional \$35.1 million of general fund revenue over the same period.

State Treasurer’s Office. The revenue forecast for interest earnings on general fund balances held by the state treasurer rose significantly in the August forecast for FY19 and FY20, but is revised down in FY21 and FY22 before returning to higher levels. The upward revision is due to higher than projected increases in balances during FY19 and FY20, on which interest is earned. Following FY20, capital expenditures from the general fund are expected to reduce balances as the majority of disbursements are made during the first three years of authorization. General fund balances reached a new peak of \$4.1 billion at the end of FY19, up from \$2.8 billion at the end of FY18.

Insurance

Recurring insurance revenues fell in FY18 due to changes in required premium tax filing and refund procedures, but revenues for FY19 and later years are estimated to return to prior levels and then grow with the rate of inflation for insurance premiums.

In FY18, the general fund received \$42.9 million in nonrecurring insurance revenues as a result of the special audit and investigation conducted in coordination with the state auditor and attorney general. The state received a total of \$54.4 million in nonrecurring revenues from this effort, but \$3.7 million was paid to three Office of Superintendent of Insurance (OSI) employees who initiated the “qui tam” lawsuit to recover the underpayments, and an additional \$3.1 million was temporarily set aside due to ongoing litigation after those employees sued OSI, asserting they are also owed this additional revenue from the state. The remainder of the difference from what the general fund received was due to the existing statutory requirement to send a portion of the receipts to the law enforcement protection fund.

Income Taxes

Corporate income taxes (CIT). This revenue source generated \$106.6 million in FY18, and the FY19 estimate of \$124 million is up \$14 million from the prior forecast. Because film tax credit payouts are booked to CIT, actual CIT receipts are higher than the final amounts distributed to the general fund. Starting in FY20, film tax credits are expected to grow, reducing CIT revenue by an estimated \$70 million. Credits are expected to grow to \$165 million or higher in FY23 as additional productions qualify. Film tax credits are expected to quickly outpace CIT revenue growth in the forecast horizon, causing the revenue source to drop to \$1.9 million in FY23 (see film credit discussion in *Forecast Risks* on page 12).

Personal Income Tax (PIT). Strong growth in total wages and salaries in New Mexico combined with the effects of federal tax reform changes resulted in higher PIT Revenues for FY19 than expected. Preliminary PIT revenues in FY19 are \$78.5 million higher than the December forecast and \$123.8 million higher than FY18. Total PIT revenues are expected to continue to grow due to employment gains in mining and construction, government, and education.

Rainy Day Fund Interest Earnings

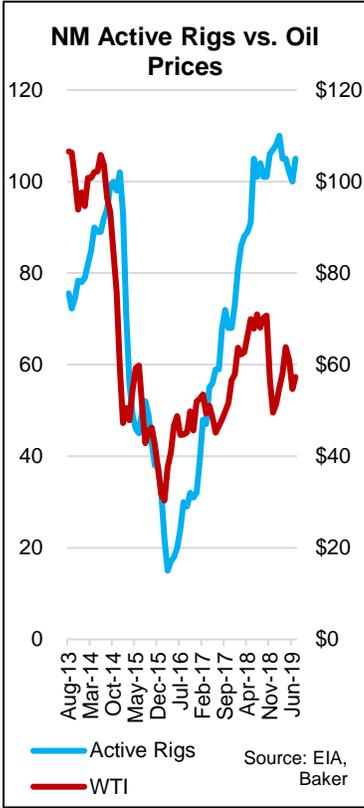
Laws 2019, Chapter 138 (House Bill 393) allowed interest earnings of the Tax Stabilization Reserve to be credited back to the fund. Prior to this legislation, interest on the rainy day fund was deposited into the general fund. Additionally, the bill transferred management of the fund to the State Investment Council to allow for premium returns on investment. The fund balance at the end of FY19 is estimated at \$968 million and is projected to generate \$42 million in interest earnings in FY20.

New Personal Income Tax (PIT) Bracket

Chapter 270, Laws 2019 (House Bill 6) created a new top rate of 5.9 percent in tax year 2021, up from the current 4.9 percent. The new rate is contingent upon FY20 revenues exceeding FY19 revenues by less than 5 percent.

The consensus revenue forecast estimates that FY20 revenues will miss the 5 percent target by \$539.8 million. Stress testing analysis indicates a low probability of the threshold being met, barring a large, unexpected revenue boost.

In FY20, total PIT revenues are expected to decrease by \$57.8 million, or 3.5 percent, due to Chapter 270, Laws 2019 (House Bill 6) increasing the working families tax credit and dependent deduction. The consensus group estimates that FY20 revenues will not exceed the 5 percent threshold set in House Bill 6, and will therefore trigger the implementation of a new top tax rate of 5.9 percent. The consensus estimate for FY21 PIT revenues includes the new rate and expects \$1.645 billion in revenues, a growth rate of 3.8 percent above FY20.



Personal Income Tax Impacts of HB 6 (included in forecast; in millions)					
	FY19	FY20	FY21	FY22	FY23
Add top rate of 5.9%*	-	-	\$20	\$40	\$41
Increase working families tax credit from 10% to 17%	-	(\$37)	(\$39)	(\$39)	(\$41)
Create dependent deduction (\$4k for each dependent beyond the first)	-	(\$26)	(\$27)	(\$28)	(\$28)
Change PIT deduction for capital gains from 50% to 40%	-	\$10	\$10	\$10	\$10
Total PIT Revenue Change	-	(\$53)	(\$36)	(\$17)	(\$18)

*Forecast assumes statutory contingency for new PIT rate bracket is met

Forecast Risks

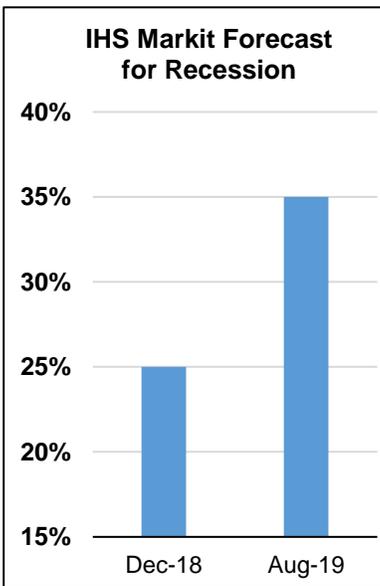
Oil and Natural Gas Price Volatility and Production Variance

New Mexico’s dependence on the energy sector makes oil market volatility one of the largest, most significant risks to the forecast – on the upside and the downside (see *Stress Test* on page 5). A significant portion of the state’s revenue is generated from the activities of the petroleum industry. This includes not only direct revenue from severance taxes, bonuses, rents, and royalties, but also includes income taxes from oil companies and industry workers, gross receipts taxes on drilling activities, and other worker spending. While low breakeven costs in New Mexico’s Delaware basin could insulate the state from serious production declines in the event of lower oil prices, the state would still face a drop in severance tax and royalty revenues due to declining product values.

Given the new oil industry dynamics playing out in the Permian Basin, there is considerable uncertainty on how significantly a price crash below \$40/bbl would cause a pullback in rig counts and production. However, what is certain is current revenue estimates are highly dependent on current prices, continued production growth, and elevated rig counts. If this changes, general fund revenues could drop substantially.

Recession

IHS’s and Moody’s economic forecast assumes less than a 50 percent chance of a recession with negative GDP growth in any given year and therefore do not include this risk in their baseline economic forecast. The baseline forecasts are the underpinning for the consensus revenue forecast, so that risk is similarly excluded from the revenue projections.



Recession Risks Continue to Grow. However, external forecasting agencies have recently increased their probability forecasts of a recession in 2020. The probability estimates range from 19 percent (Moody’s Analytics) to 45 percent (JP Morgan Chase). In an August 2019 survey by the National Association for Business Economics, 38 percent of economists expected a recession in 2020 and 72 percent of economists predicted a recession by 2021. Without a reasonable methodology to account for this risk and the discrepancies in the projections by different economist groups, there is no way to incorporate it into the forecast.

Despite this, it would be a phenomenal occurrence for the next recession not to occur within the forecast period given the US economy is currently in the longest expansion period in history. Globally, economic contractions for one quarter in the last year occurred in Germany, Britain, Italy, Brazil, Mexico, Hong Kong, and Singapore (a recession is defined as two consecutive quarters of contraction). A global economic slowdown, exacerbated by a U.S.-China trade war, could pull the U.S. into a recession. Labor constraints are also a concern, as domestic production could slow and strong wage growth could be coupled with inflationary pressures. Finally, a widening trade war and weakening growth abroad are weighing on equities, and financial markets have become increasingly sensitive following the inversion of the yield curve (see sidebar) and the Federal Funds Rate cut in July, which could lead to a downturn. The state’s insurance against recession risks remains high reserve levels, backfilling depleted funds, and restraining recurring budget growth to long-term trends (see *Trend Analysis* on page 7).

Film Tax Credits

Chapter 87, Laws 2019 (Senate Bill 2) amended the Film Production Tax Credit Act to pay off the film credit backlog, raise the annual rolling cap, increase credits in some cases, and create new incentive structures. The consensus revenue estimate includes \$100 million in backlog payments in FY19 and the triggering of a contingency that allows for up to \$125 million in backlog payments by the end of FY20. However, the consensus forecast does not include payment of the \$125 million in FY20, as analysis and estimates from the Economic Development Department (EDD) expect credit claims in FY20 to remain below the \$110 million recurring cap.

Senate Bill 2 changed the annual \$50 million “rolling” cash cap to a \$110 million cash cap and implemented a \$100 million “hard” cap for liabilities in excess of the cash cap. Yet, the bill also exempted production companies (referred to as “New Mexico film partners”) that purchase or sign a 10-year lease for a qualified production facility from both the hard and cash caps. The exemption to the caps threatens revenues projected in the forecast as credits are volatile and could grow rapidly with increased film production or new film partners. Based on analysis from EDD, total film credits are projected to reach \$110.7 million in FY21 and \$165 million by FY23, due to film partners’ claims and a \$10 million rollover from FY22 causing payouts to exceed the \$110 million cash cap. Film tax credits are expected to cause CIT revenue to drop to \$1.9 million in FY23 given currently announced film partners. Additional film partners would likely cause CIT revenue to become a negative revenue source to the state during the forecast period.

In addition to its growth, the film tax credit reduces fiscal stability due to its unpredictable nature and requirement to pay regardless of the state’s financial condition. Film tax credit claims paid in a given year can be the result of up to three years of prior activity. Coupled with irregular productions and scheduling, future year claims are volatile and difficult to predict. Furthermore, film tax credits

Yield Curve Inversions

On August 22, 2019, the spread between the 10-year Treasury yield and the 2-year yield inverted for the third time this month. Inverted yield curves have preceded every US recession in the modern era, and the most recent inversions are a cause for concern to the consensus revenue forecast.

A yield curve inversion is a rare occurrence that happens when long-term bond yields fall below short-term bond yields. Before August, inversions had not occurred since 2007, just before the Great Recession.

Consensus Film Tax Credit Forecast (in millions)



Local Governments Lawsuit Risk

Several local governments filed suit against TRD, claiming the agency incorrectly withheld portions of GRT distributions over several years.

Taxpayers often amend previous filings for various reasons, including correcting errors or taking deductions not previously taken, and these amendments can often result in impacts to local governments in addition to the state. However, there are statutory limitations for how TRD is allowed to claw back money from the distributions to local governments as part of correcting the issue to match the amended filings.

The local government plaintiffs claim TRD might have incorrectly clawed back more than \$10 million. Other local governments may also join the lawsuit, which could cause that estimate to rise significantly.

Oil and Gas Activity from Out-of-State Vendors

In June 2018, LFC requested a written response from TRD regarding whether out-of-state vendors supporting the oil and gas industry are properly reporting their personal income tax (PIT) liabilities. The concern was that improper reporting could lead to underpayment of New Mexico taxes and unfair competition with local vendors.

In November 2018, TRD submitted a letter addressing these concerns and noting an apparent problem with both in-state and out-of-state oil companies inappropriately reporting employees to workers compensation and the Workforce Solutions Department and with reported employees inappropriately filing PIT returns. TRD stated the department will continue to use data analysis to monitor the issue and will focus efforts on increasing compliance, reducing fraud, and increasing education and outreach for PIT compliance with oil and gas companies.

are a liability the state must pay regardless of the state's finances. Unlike other recurring spending that is difficult but possible to cut in the event of a downturn, film tax credits could not be cut in a current fiscal year to meet balanced budget requirements because of the legal duty to provide the promised credits for approved activity.

Tax Protests

While currently available tax refund claim protest data is insufficient to estimate the value or timing of risk, tax abatement and refund claim protests are a downside risk to the forecast. Protests decided in favor of the taxpayer could result in large general fund losses, exacerbating the significant risk from revenue volatility.

A recent significant protest issue was the oil and gas industry's attempted use of the chemical and reagent deduction for fracking sand, which posed a \$250 million risk to general fund revenues with potential for ongoing recurring costs. However, the Administrative Hearings Office (AHO) issued a decision and order in February 2019 rejecting the a claim to use the deduction for this purpose. The decision reduced many concerns on the risk to state revenues; however, the decision is expected to be appealed. There have also been attempts to claim this deduction for the sale of coal and natural gas to power plants for electricity generation, which was also denied by AHO and is expected to be appealed.

In April 2019, AHO issued a decision and order in favor of Sandia Corporation's GRT protest claims for receipts from its sales of certain services to various out-of-state buyers. The protest spanned a two-year period from December 2008 to September 2011 for a total of \$15 million, however the Taxation and Revenue Department is expected to file an appeal.

General Fund Financial Summary

The summary shown on Attachment 1 illustrates the impact of the August 2019 revenue estimates on reserve levels. Preliminary FY19 revenues exceed expenditures by \$259 million. The operating reserve cap – which transfers any amount in excess of 8 percent of the prior year's recurring appropriation – to the tax stabilization reserve is reached, resulting in an estimated \$256 million transfer to the tax stabilization reserve (i.e. "rainy day fund"). The estimated ending balance of the rainy day fund at the end of FY19 is \$968 million, or 15.5 percent of FY19 recurring appropriations. Additionally, a provision of 2019 General Appropriation Act provided for a \$14 million reversion to the state-support reserve fund, which will allow the Public Education Department to set the unit value less conservatively. Total FY19 ending balances are estimated at \$1.7 billion, or 27 percent of recurring appropriations.

Due to revenue volatility and risks, 20 percent or greater reserve levels would act as a resource for significant, unexpected revenue shortfalls. Prior to any additional spending, ending balances are projected to reach \$2.2 billion in FY20, or 32 percent of recurring appropriations. Revenues in FY20 are projected to exceed current expenditures by \$262 million. New money is estimated at \$907 million, or 14 percent, more than FY20 recurring appropriations.

**General Fund Financial Summary:
August 2019 Consensus Revenue Estimate**
(millions of dollars)

August 22, 2019

	Estimate FY2019	Estimate FY2020	Estimate FY2021
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
August 2019 Consensus Revenue Forecast	\$ 7,923.7	\$ 7,780.1	\$ 7,991.4
Total Recurring Revenue	\$ 7,923.7	\$ 7,780.1	\$ 7,991.4
Nonrecurring Revenue			
2019 Nonrecurring Revenue Legislation ¹	\$ (100.0)	\$ -	\$ -
Total Nonrecurring Revenue	\$ (100.0)	\$ -	
TOTAL REVENUE	\$ 7,823.7	\$ 7,780.1	\$ 7,991.4
APPROPRIATIONS			
Recurring Appropriations			FY21 New Money: \$907 million or 14%
2018 Session Legislation & Feed Bill ²	\$ 6,329.8	\$ -	
2019 Session Legislation & Feed Bill	\$ 10.0	\$ 7,084.4	
Total Recurring Appropriations	\$ 6,339.8	\$ 7,084.4	
Nonrecurring Appropriations			
2018 Session Nonrecurring Appropriations	\$ 47.8	\$ -	
2019 Session Nonrecurring Appropriations ³	\$ 1,177.0	\$ 433.2	
Total Nonrecurring Appropriations	\$ 1,224.8	\$ 433.2	\$ -
TOTAL APPROPRIATIONS	\$ 7,564.6	\$ 7,517.7	\$ -
Transfer to (from) Reserves	\$ 259.1	\$ 262.4	
GENERAL FUND RESERVES			
Beginning Balances	\$ 1,184.6	\$ 1,709.1	\$ 2,270.0
Transfers from (to) Appropriations Account	\$ 259.1	\$ 262.4	\$ -
Revenue and Reversions	\$ 272.9	\$ 333.9	\$ 374.2
Appropriations, Expenditures and Transfers Out	\$ (7.4)	\$ (35.5)	\$ (35.5)
Ending Balances	\$ 1,709.1	\$ 2,270.0	
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>27.0%</i>	<i>32.0%</i>	

Notes:

1) Laws 2019, Chapter 87 (SB2) included non-recurring revenue impact of negative -\$100 million in FY19 and negative -\$95 million in FY20 for film credit backlog payouts. The legislation also allowed for an additional \$30 million film credit payout in FY20 if revenues for FY19 exceeded the forecast. The FY19 payout for \$100 million was made in June 2019; however, the Economic Development Department does not expect FY20 film credit claims large enough to require the FY20 \$125 million tax expenditure (\$95 million plus \$30 million for the met contingency)

2) Less \$2.5 million in FY19 for undistributed compensation from HB2 section 8

3) Laws 2019, Chapter 271 (HB2) contained \$31 million in appropriations contingent on the consensus forecast amount presented in August 2019 for FY19 exceeding \$7.62 billion.

Contingent appropriations include up to \$15 million to the Economic Development Department for LEDA projects, up to \$11 million to the Department of Transportation for road projects, and up to \$5 million to the Higher Education Department to replenish the college affordability endowment fund.

* Note: totals may not foot due to rounding

**General Fund Financial Summary:
August 2019 Consensus Revenue Estimate
RESERVE DETAIL**
(millions of dollars)

August 22, 2019	Estimate FY2019	Estimate FY2020	Estimate FY2021
OPERATING RESERVE			
Beginning Balance ⁴	\$ 485.9	\$ 486.3	\$ 507.2
BOF Emergency Appropriations/Reversions	\$ (2.0)	\$ (2.0)	\$ (2.0)
Transfers from/to Appropriation Account	\$ 259.1	\$ 262.4	\$ -
Transfers to Tax Stabilization Reserve	\$ (244.6)	\$ (239.6)	\$ -
Disaster Allotments ²	\$ (12.1)	\$ -	\$ (4.8)
Transfer from (to) ACF/Other Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 486.3	\$ 507.2	\$ 500.4
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	\$ (0.0)
STATE SUPPORT FUND			
Beginning Balance	\$ 1.0	\$ 15.0	\$ 25.0
Revenues	\$ 14.0	\$ 10.0	\$ -
Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 15.0	\$ 25.0	\$ 25.0
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	\$ 158.7	\$ 228.5	\$ 260.9
Transfers In	\$ 36.0	\$ 35.0	\$ 35.0
Appropriation to Tobacco Settlement Program Fund	\$ (18.0)	\$ (17.5)	\$ (17.5)
Gains/Losses	\$ 11.9	\$ 14.9	\$ 17.0
Additional Transfers to/from TSPF ³	\$ 40.0	\$ -	\$ -
Transfer to General Fund Appropriation Account	\$ -	\$ -	\$ -
Ending Balance	\$ 228.5	\$ 260.9	\$ 295.3
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	\$ 526.8	\$ 968.1	\$ 1,473.8
Revenues ¹	\$ 196.8	\$ 224.3	\$ 252.8
Gains/Losses ³	\$ -	\$ 41.8	\$ 61.5
Transfers In (From Operating Reserve)	\$ 244.6	\$ 239.6	\$ -
Transfer Out to Operating Reserve	\$ -	\$ -	\$ -
Ending Balance	\$ 968.1	\$ 1,473.8	\$ 1,788.0
<i>Percent of Recurring Appropriations</i>	<i>15.3%</i>	<i>20.8%</i>	
EMERGENCY RESERVES: RAINY DAY FUND & TSPF ENDING BALANCES	\$ 1,196.6	\$ 1,734.6	
<i>Percent of Recurring Appropriations</i>	<i>18.9%</i>	<i>24.5%</i>	
OTHER RESERVE FUND ENDING BALANCES	\$ 512.5	\$ 535.3	
<i>Percent of Recurring Appropriations</i>	<i>8.1%</i>	<i>7.6%</i>	
TOTAL GENERAL FUND ENDING BALANCES	\$ 1,709.1	\$ 2,270.0	
<i>Percent of Recurring Appropriations</i>	<i>27.0%</i>	<i>32.0%</i>	

Notes:

- 1) Estimated transfer to tax stabilization reserve from excess oil and gas emergency school tax revenues above the five-year average
- 2) FY19 ending fund balance for appropriation contingency fund at \$0, therefore any disaster allotments would come from the operating reserve unless an appropriation is made to the appropriation contingency fund
- 3) Laws 2019, Chapter 138 (HB 393) moved investment earnings of the tax stabilization reserve from the general fund to credit back to the reserve and transferred management of the tax stabilization reserve to the State Investment Council
- 4) FY18 beginning balance updated to match general fund audit
- 5) Laws 2019, Chapter 271 (HB2) contained a \$40 million appropriation to the tobacco settlement permanent fund

* Note: totals may not foot due to rounding

General Fund Consensus Revenue Estimate August 2019

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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General Fund Consensus Revenue Estimate August 2019

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%	98.0
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
LGPFF 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
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FISCAL YEAR 2019 GENERAL FUND MONTHLY REVENUE TRACKING

(dollars in millions; italics indicate preliminary actual revenue; bold indicates actual revenue)

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	ESTIMATED REVENUE ACCRUALS												FY19	TRACKING CHANGE		
	July Actual	Aug Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Actual	June Estimate	Actual + Estimate	FY19 Dec. Forecast & Legislation	% Diff.	\$ Diff.
Gross Receipts Tax	216.8	229.4	209.1	228.1	222.3	242.1	216.8	214.0	229.0	243.6	237.3	176.7	2,665.2	2,582.7	3.2%	82.5
Compensating Tax	6.4	1.8	6.9	8.0	6.3	7.3	6.6	8.2	7.2	5.5	6.9	7.6	78.7	70.0	12.4%	8.7
TOTAL GENERAL SALES TAXES	223.3	231.3	216.0	236.0	228.6	249.4	223.4	222.2	236.2	249.1	244.3	184.3	2,743.9	2,652.7	3.4%	91.2
Tobacco Products & Cigarette Taxes	5.1	7.6	5.8	6.8	8.1	6.1	3.9	3.9	10.1	4.5	7.4	7.7	77.2	77.4	-0.3%	(0.2)
Liquor Excise Tax	2.0	3.0	1.1	3.2	2.3	2.2	1.0	1.8	2.0	2.1	2.3	2.6	25.6	25.6	-0.1%	(0.0)
Insurance Premiums Tax	0.7	0.9	0.0	67.7	1.2	0.6	52.1	1.3	0.7	58.2	0.8	0.6	184.8	209.7	-11.9%	(24.9)
Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	18.3	18.3	18.3	0.0%	-
Motor Vehicle Excise Tax	12.3	13.6	12.7	13.3	11.2	11.0	13.2	11.2	13.4	13.2	13.9	13.0	152.1	150.6	1.0%	1.5
Gaming Excise Tax	5.3	5.5	5.2	4.9	5.3	5.3	5.1	5.2	6.4	5.3	5.9	5.3	64.7	63.6	1.8%	1.1
Leased Vehicle Surcharge & Other	(0.3)	0.6	0.6	0.6	1.6	0.6	0.8	1.1	0.5	0.5	0.6	0.7	8.0	8.0	0.0%	0.0
TOTAL SELECTIVE SALES TAXES	25.1	31.3	25.5	96.6	29.6	25.8	76.0	24.5	33.0	83.9	31.0	48.3	530.7	553.2	-4.1%	(22.5)
Withholding	100.7	108.0	103.2	100.0	126.6	133.7	104.5	109.0	124.8	100.0	117.4	186.3	1,414.2	1,296.8	9.1%	117.4
Final Settlements	16.4	50.1	24.3	21.0	(1.9)	17.0	22.6	53.0	183.6	30.1	75.9	12.8	505.1	498.8	1.3%	6.3
Oil and Gas Withholding Tax	2.4	2.4	12.3	10.0	(2.8)	9.9	7.1	12.3	12.7	19.6	10.9	12.9	109.6	115.7	-5.3%	(6.1)
Fiduciary Tax	0.2	1.2	(0.6)	(0.2)	(0.7)	0.8	0.1	(1.2)	4.6	0.2	0.9	(0.3)	5.0	5.9	-16.3%	(1.0)
Gross Personal Income Tax	119.6	161.7	139.2	130.8	121.2	161.5	134.3	173.1	325.7	149.9	205.1	211.7	2,033.8	1,917.3	6.1%	116.6
Transfer to PIT Suspense	(4.3)	(7.4)	(8.1)	(5.8)	(17.7)	(86.0)	(90.8)	(65.9)	(48.8)	(14.4)	(11.2)	(11.4)	(371.7)	(330.1)	12.6%	(41.6)
Retiree Health Care	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(26.3)	(22.9)	14.9%	(3.4)
Less: Refunds, distributions to other funds	(6.5)	(9.6)	(10.3)	(7.9)	(19.9)	(88.2)	(93.0)	(68.1)	(51.0)	(16.6)	(13.4)	(13.5)	(398.0)	(352.9)	12.8%	(45.0)
NET PERSONAL INCOME TAX	113.1	152.1	128.9	122.9	101.3	73.3	41.3	104.9	274.8	133.3	191.7	198.2	1,635.8	1,564.3	4.6%	71.5
CORPORATE INCOME TAX	6.3	7.1	38.8	11.1	1.4	29.5	(8.8)	3.1	30.0	(13.8)	(17.5)	31.7	119.0	110.0	8.2%	9.0
TOTAL INCOME TAXES	119.4	159.3	167.7	134.0	102.8	102.8	32.5	108.0	304.7	119.5	174.2	229.9	1,754.8	1,674.3	4.8%	80.5
Oil and Gas School Tax	48.0	51.3	48.2	50.6	47.5	43.1	44.3	40.7	-	-	-	-	373.6	373.6	0.0%	(0.0)
Oil Conservation Tax	2.5	2.6	2.5	2.6	2.4	2.2	2.3	2.3	2.7	2.8	2.6	2.3	29.7	25.5	16.6%	4.2
Resources Excise Tax	0.6	0.7	0.8	0.7	0.6	0.5	0.7	0.6	0.5	0.4	0.8	0.7	7.7	7.5	2.8%	0.2
Natural Gas Processors Tax	1.3	1.2	1.2	1.2	1.1	1.2	1.2	1.1	1.3	1.2	1.6	1.3	14.9	15.3	-2.4%	(0.4)
TOTAL MINERAL PROD. TAXES	52.4	55.9	52.6	55.1	51.7	47.0	48.5	44.8	4.5	4.5	4.9	4.2	425.9	421.9	1.0%	4.0
LICENSE FEES	-	5.2	1.9	2.1	0.8	3.8	8.7	5.2	7.5	11.1	5.8	2.4	54.6	54.5	0.2%	0.1
Land Grant Perm. Fund Distributions	53.1	53.1	53.1	53.2	53.2	53.2	53.2	53.3	53.3	53.3	53.3	53.0	638.3	636.2	0.3%	2.1
State Treasurer's Earnings	1.6	4.7	0.3	3.0	6.4	12.5	7.2	3.8	13.1	5.2	16.3	12.7	86.8	28.5	204.6%	58.3
Severance Tax Perm. Fund Distributions	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	220.6	220.6	0.0%	0.0
TOTAL INVESTMENT EARNINGS	73.1	76.2	71.8	74.6	78.0	84.1	78.8	75.5	84.8	76.9	88.0	84.1	945.8	885.3	6.8%	60.4
Federal Mineral Leasing Royalties	67.8	55.8	45.6	100.0	497.3	53.5	53.4	57.6	47.9	50.3	56.9	60.5	1,146.5	1,098.0	4.4%	48.5
State Land Office Bonuses, Rents	17.4	10.7	7.2	6.1	18.6	10.5	7.7	32.5	8.4	6.1	2.2	5.1	132.5	84.4	56.9%	48.1
TOTAL RENTS & ROYALTIES	85.2	66.5	52.8	106.0	515.9	64.0	61.1	90.0	56.2	56.4	59.2	65.6	1,278.9	1,182.4	8.2%	96.5
TRIBAL REVENUE SHARING	-	-	18.7	-	0.9	0.2	18.4	0.0	0.3	17.2	2.6	18.3	76.6	74.8	2.5%	1.8
MISCELLANEOUS RECEIPTS	1.1	1.0	1.5	1.0	12.2	1.0	1.0	14.9	0.5	1.1	0.9	16.2	52.6	48.3	8.9%	4.3
REVERSIONS	-	2.5	0.1	0.1	0.5	(0.0)	0.4	(0.0)	0.0	0.0	2.5	35.2	41.3	42.5	-2.9%	(1.2)
TOTAL RECURRING REVENUE	579.4	629.1	608.6	705.6	1,021.0	578.1	548.9	585.1	727.8	619.8	613.3	688.6	7,905.2	7,590.0	4.2%	315.2
Non-Recurring	0.0	0.2	(0.0)	0.1	0.4	(0.1)	0.0	0.2	(0.2)	0.0	0.2	-	0.9	(100.0)	(100.0)	
Additional Transfers	-	-	-	-	-	-	-	-	-	-	(100.0)	-	(100.0)	(100.0)		
TOTAL NON-RECURRING REVENUE	0.0	0.2	(0.0)	0.1	0.4	(0.1)	0.0	0.2	(0.2)	0.0	(99.8)	-	(99.1)	(100.0)		0.9
GRAND TOTAL REVENUE	579.4	629.3	608.6	705.7	1,021.4	578.0	548.9	585.3	727.7	619.9	513.5	688.6	7,806.1	7,490.0	4.2%	316.1

Estimates are developed by LFC and based on the consensus revenue estimate and historical monthly patterns.

Oil and gas school tax distributions expected to divert to Tax Stabilization Reserve beginning in March 2019.

Non-recurring additional transfer in May reflects film credit payout per Chapter 87, Laws 2019 (SB2)



Legislative Finance Committee **FINANCE FACTS**

Understanding State Financial Policy

General Fund Reserves

Because the New Mexico Constitution requires a balanced budget, state government maintains general fund reserves to cover any shortfalls if revenues are unexpectedly low or expenses are unexpectedly high. The general fund reserves are measured as a percentage of recurring appropriations – planned ongoing spending. They are made up of several distinct accounts: the operating reserve, tax stabilization reserve, appropriation contingency fund, and state support reserve fund.

Operating Reserve

Revenues left at the end of the fiscal year are transferred to the operating reserve. If revenues come up short, the governor may transfer money from the operating reserve to cover authorized expenses. The amount the governor can transfer is capped by the Legislature each year in the General Appropriation Act. Once the operating reserve fund hits 8 percent of the prior budget year's recurring appropriations, the excess must be transferred to the tax stabilization reserve by law.

Tax Stabilization Reserve

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 of both the House and Senate vote for it.

Additional funds are deposited into the tax stabilization reserve from the oil and gas emergency tax if annual revenue exceeds the five-year average income. This allows the state to capture windfall revenue from the oil and gas industry and moderate the volatility of that revenue source. Other state revenue that also spikes when the energy industry booms – including federal mineral leasing payments, trust land distributions, and gross receipts tax collections – are not captured.

Until 2017, revenue in the tax stabilization reserve in excess of a specified threshold was transferred to another fund for possible distribution to taxpayers. However, several years of depleted reserves prompted lawmakers to transform the tax stabilization into a true “rainy day” fund.

Appropriation Contingency Fund

The Legislature authorizes revenue going in and out of the appropriation contingency fund. A limited amount of the rev-

enue in the fund can also be spent when the governor declares an emergency. The fund is mostly used to set aside money for use if certain circumstances come into play, such as the start-up of a new program moving faster than funded.

State Support Fund

On the first day of each fiscal year, any balance in the public school district general obligation bonds loan fund over \$1 million is transferred state support reserve fund and can only be used to augment certain appropriations to the public schools.

Tobacco Settlement Fund

The tobacco settlement permanent fund was created to hold payments to New Mexico from cigarette companies under the master settlement agreement of 1998. Under the enabling legislation, the settlement payments are split, with half going to the permanent fund and half spent directly on health and education programs. However, during economic hard times, the Legislature has temporarily suspended deposits into the permanent fund and put the entire amount into direct spending.

Money in the tobacco settlement permanent fund is invested by the State Investment Council and interest is credited to the fund. The Legislature may authorize spending from the fund for a budget shortfall only after balances in all other reserve accounts have been exhausted.

Excess revenue left in the general fund at the end of the year goes into the operating reserve.

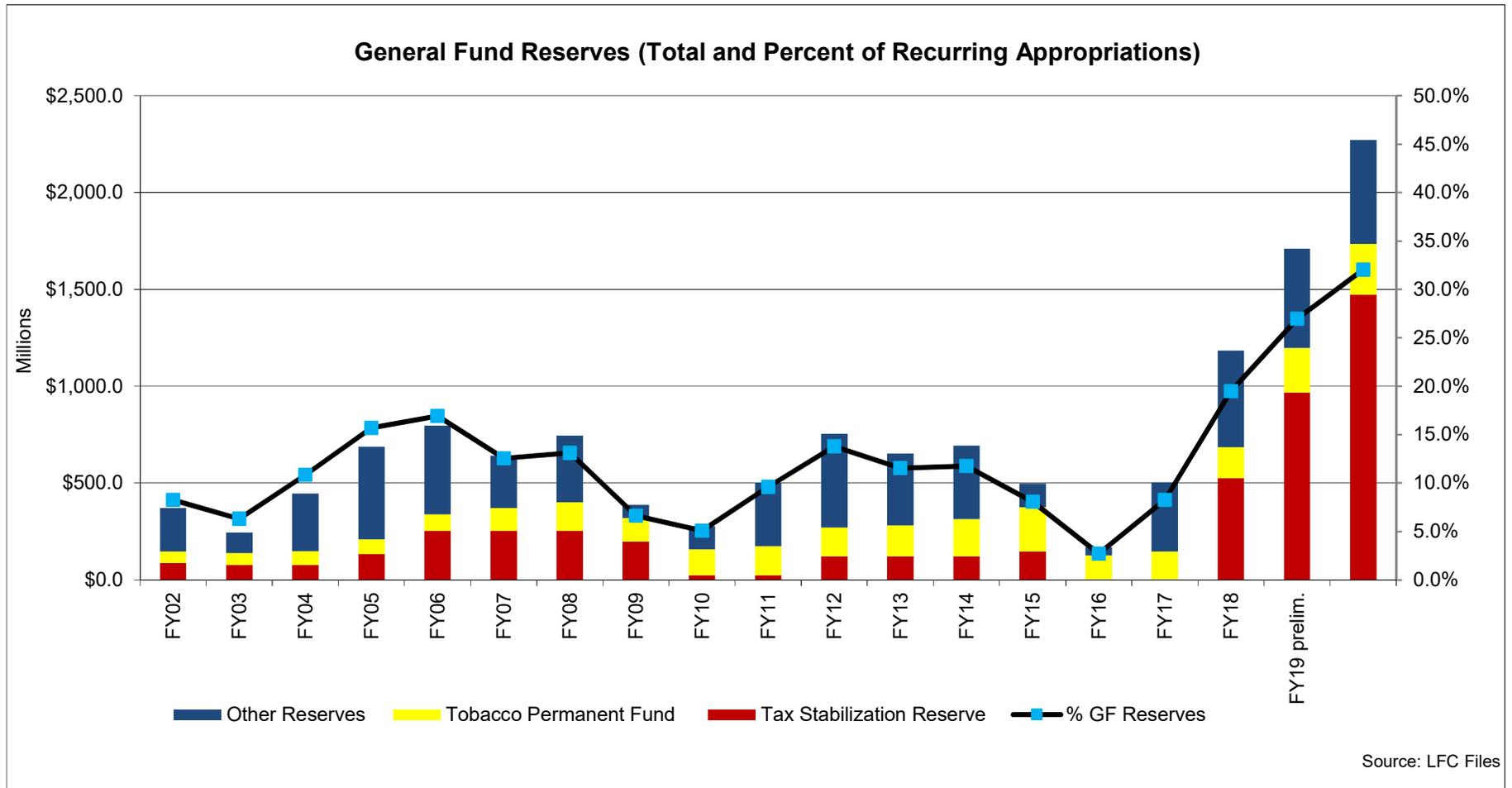


Operating reserves exceeding 8 percent of the ongoing appropriations are transferred to the tax stabilization reserve.

Oil and gas school tax revenues exceeding the five-year average are transferred to the tax stabilization reserve.

For More Information:

- The status of the New Mexico's reserve accounts can be found in the state's general fund financial summary, published on the State Board of Finance's website: http://nmdfa.state.nm.us/Board_of_Finance.aspx
- Statutes governing New Mexico's general fund reserves include 6-4-2.1, 6-4-2.2, 6-4-2.3, 6-4-4, 6-4-9, 7-1-6.61, 12-11-24, 22-8-31 NMSA 1978.



U.S. and New Mexico Economic Indicators

		FY19		FY20		FY21		FY22		FY23		FY24	
		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

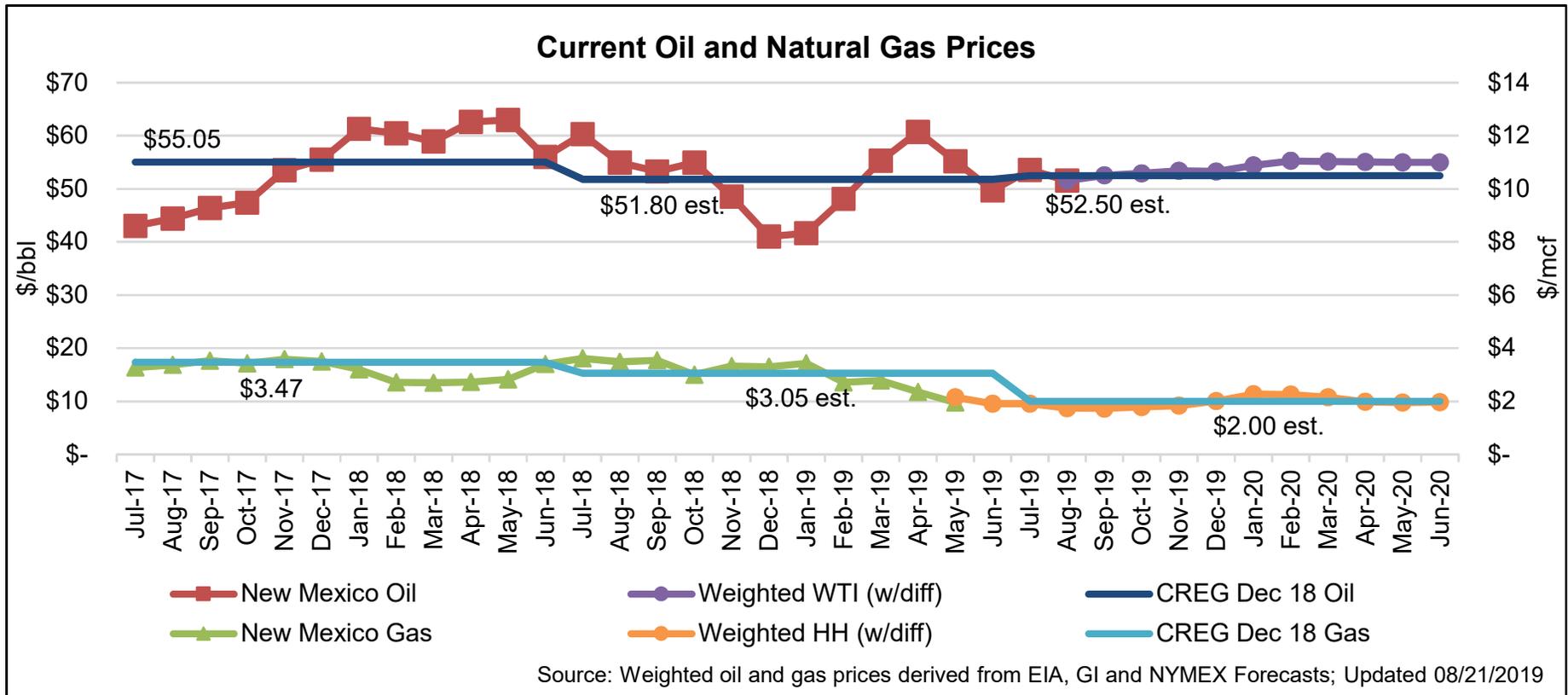
* Real GDP is BEA chained 2012 dollars, billions, annual rate

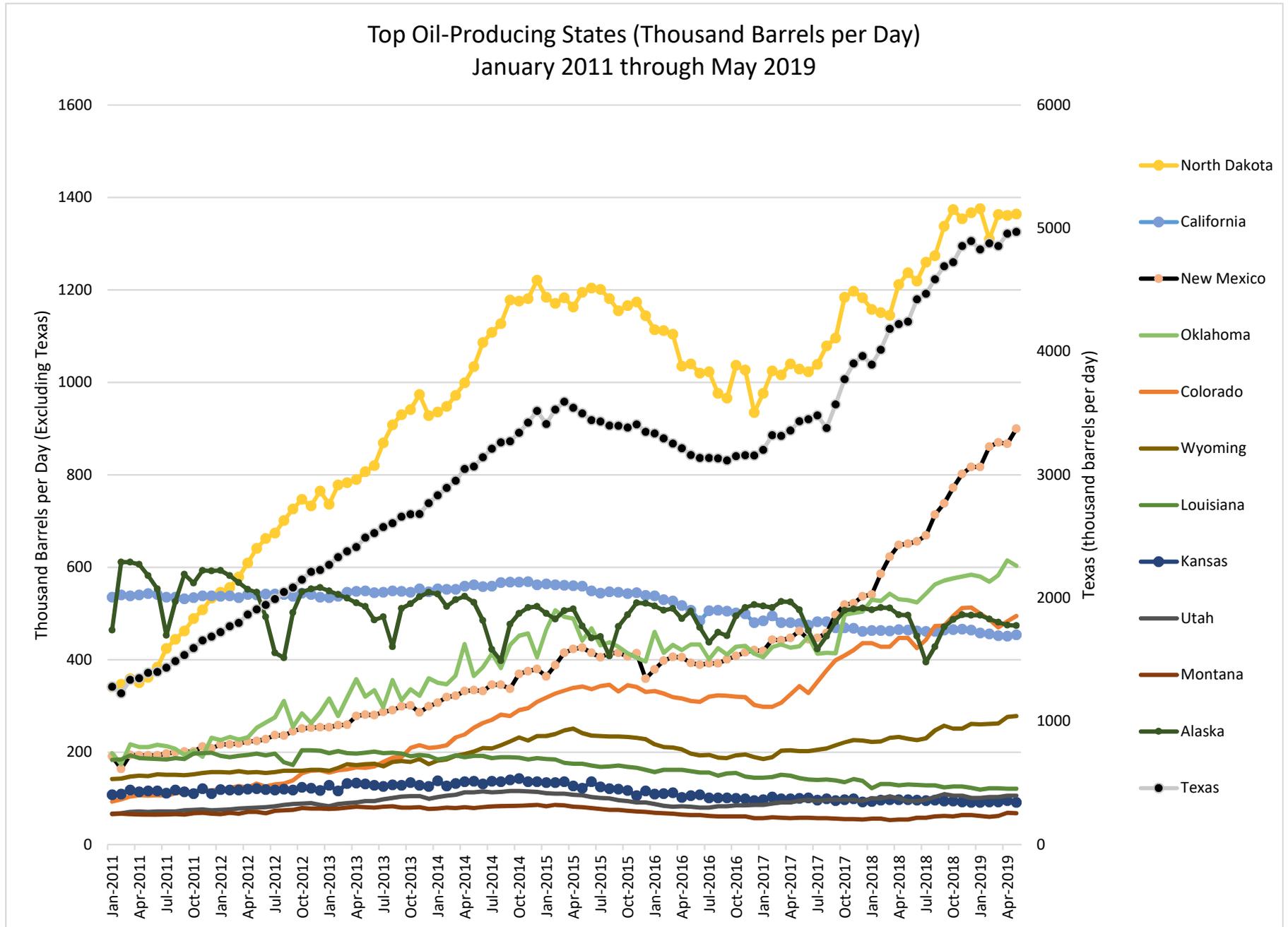
** CPI is all urban, BLS 1982-84=1.00 base.

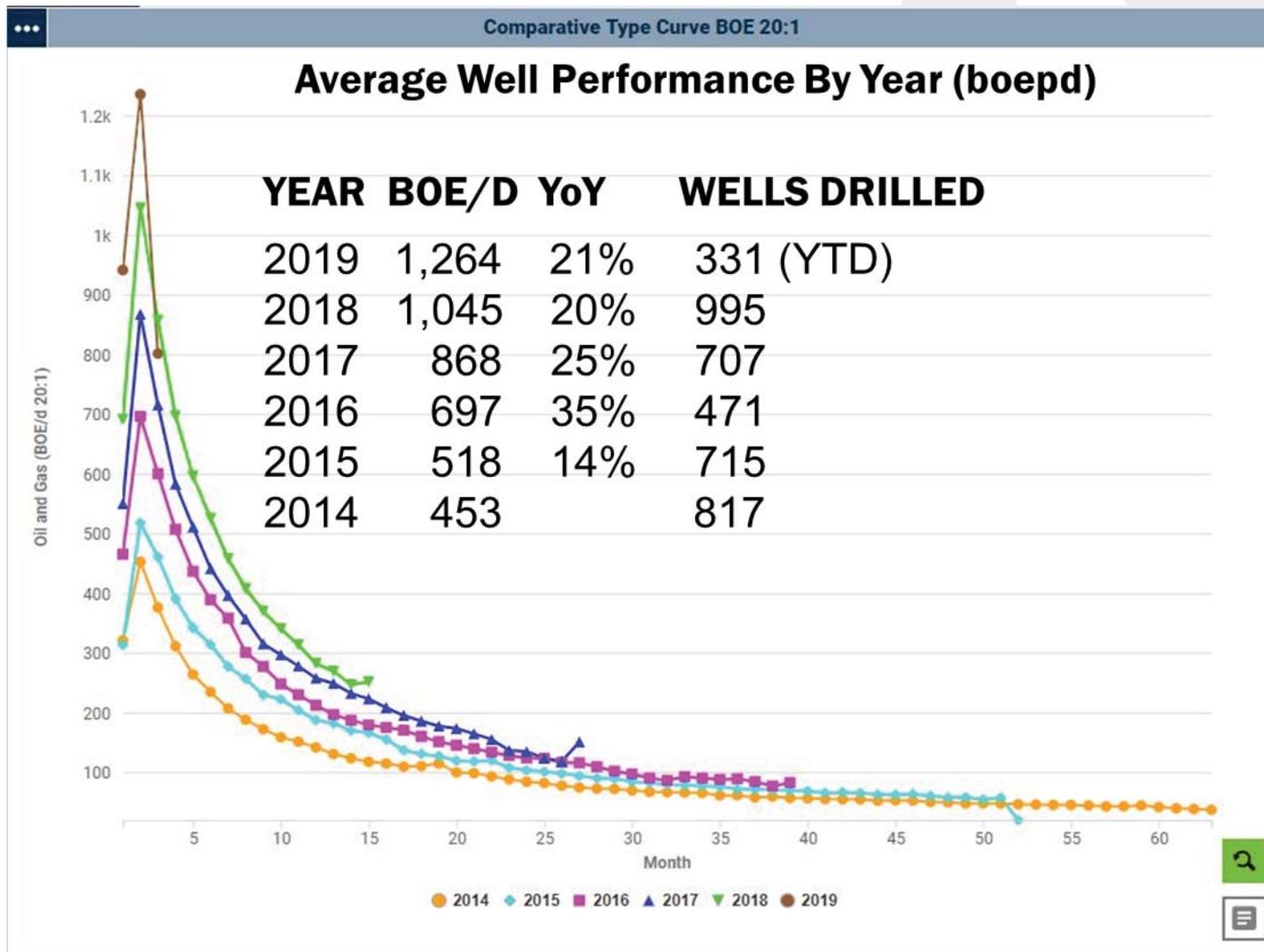
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins

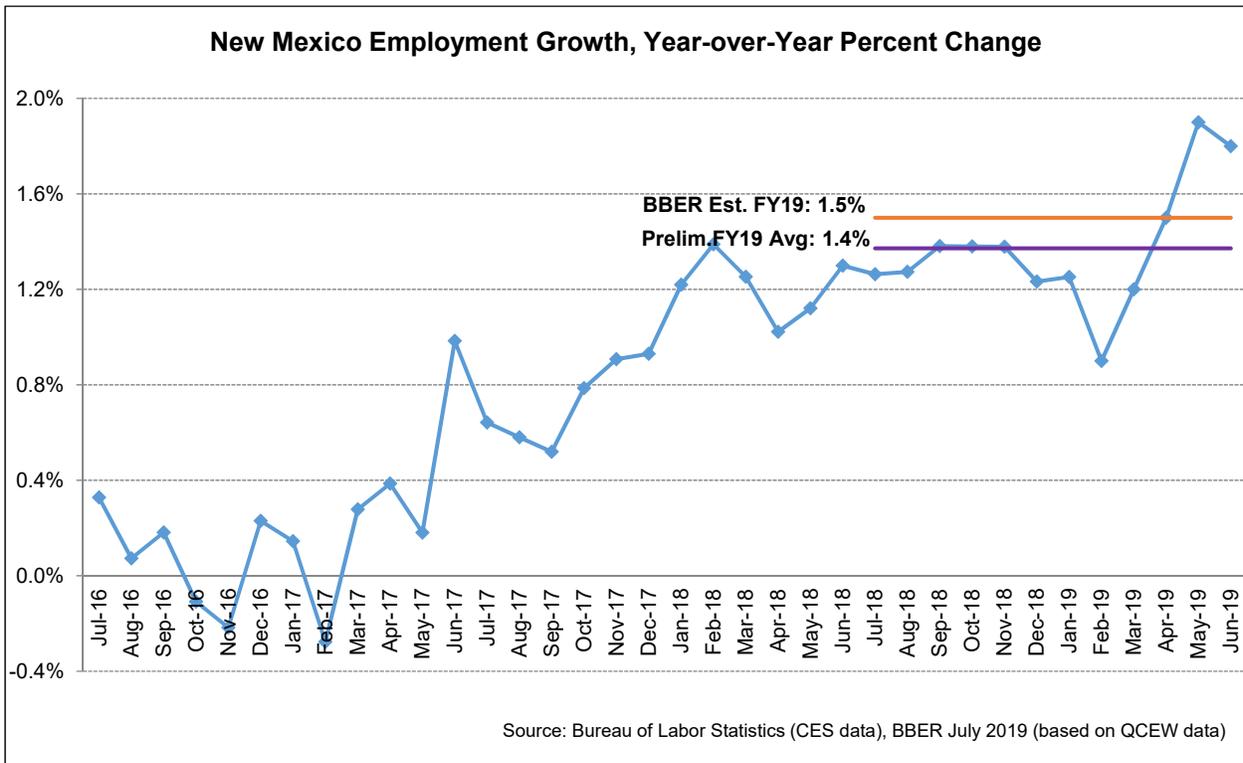
****The gas prices are estimated using a formula of NYMEX, EIA, and Moodys (June) future prices as well as a liquid premium based on oil price forecast

Sources: August 2019 Moody's economy.com baseline









Matched Taxable Gross Receipts by County July 2018 - May 2019					
Jurisdiction	Matched Taxable Gross Receipts	Year-over-Year Change	Jurisdiction	Matched Taxable Gross Receipts	Year-over-Year Change
Bernalillo County	\$18,425,466,979	2.8%	McKinley County	\$1,095,841,488	4.2%
Catron County	\$35,567,471	0.4%	Mora County	\$38,316,317	-6.2%
Chaves County	\$1,296,985,927	3.2%	Otero County	\$960,221,634	3.4%
Cibola County	\$346,319,625	-9.0%	Quay County	\$164,507,235	12.1%
Colfax County	\$275,796,391	-2.0%	Rio Arriba County	\$408,311,990	-1.1%
Curry County	\$969,117,313	3.9%	Roosevelt County	\$265,081,645	-6.5%
De Baca County	\$35,400,542	30.8%	San Juan County	\$2,846,168,076	-9.4%
Dona Ana County	\$3,729,376,444	0.6%	San Miguel County	\$372,254,735	-1.9%
Eddy County	\$7,083,194,146	36.6%	Sandoval County	\$1,597,015,655	6.8%
Grant County	\$494,424,439	2.9%	Santa Fe County	\$4,207,896,220	3.4%
Guadalupe County	\$90,779,173	-8.1%	Sierra County	\$176,343,223	7.5%
Harding County	\$20,492,678	26.7%	Socorro County	\$197,973,241	3.6%
Hidalgo County	\$73,641,307	-61.7%	Taos County	\$690,029,478	2.0%
Lea County	\$7,040,759,159	36.6%	Torrance County	\$158,112,945	-24.1%
Lincoln County	\$538,406,376	3.5%	Union County	\$110,984,188	4.0%
Los Alamos	\$1,639,415,590	17.8%	Valencia County	\$1,047,470,678	-0.5%
Luna County	\$351,420,008	-14.1%			

Source: RP500

