# Money Matters

Analysis by the LFC Economists

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE


## General Fund Consensus Revenue Estimate

| December 2023 Consensus General Fund Recurring Revenue Estimate (in millions) | | | |
|---|---|---|---|
| | **FY23** | **FY24** | **FY25** |
| August 2023 Consensus | $11,641.1 | $12,611.0 | $13,051.0 |
| December 2023 Adjustments | ($51.5) | $156.9 | ($3.2) |
| **December 2023 Consensus** | **$11,589.7** | **$12,767.8** | **$13,047.8** |
| Annual amount change | $1,914.4 | $1,178.1 | $280.0 |
| Annual percent change | 19.8% | 10.2% | 2.2% |

Note: Parentheses ( ) denotes a negative number; General fund amounts above do not include oil and gas emergency school tax revenues in excess of the five-year average distributed to the tax stabilization reserve, early childhood trust fund, or the severance tax permanent fund.

**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 recurring revenue update table presents a reconciliation of recurring revenues through the current revenue estimating cycle.**

## Summary

Estimated recurring revenues for FY24 are $12.768 billion, up $156.9 million from the August estimate. FY25 recurring revenues are nearly unchanged at $3.2 million less than the August estimate. Recurring revenues for FY25 are estimated at $13.048 billion while “new money,” or projected recurring revenue for FY25 less FY24 year recurring appropriations, is estimated at $3.479 billion, or 36.4 percent growth from the FY24 recurring budget.

Recurring revenues for FY23 are estimated at $11.59 billion, up $1.914 billion, or 19.8 percent, from FY22. The state’s historic revenues have been growing at a record pace propped up by booming oil and gas, durable consumer spending, inflation, strong demand for employment, and robust wage growth. Those factors contributed to nearly 20 percent revenue growth in FY22 and FY23, one record set after another. However, the pace of revenue growth is expected to slow to 10.2 percent growth in FY24, still double the average growth rate of the previous two-decades. As legislative changes to the tax code take effect, inflation returns to prepandemic norms, employment markets weaken, consumer savings are depleted, oil prices soften, and oil production slows, revenue growth is expected to shrink to 2.2 percent in FY25 before returning to more typical growth of over 3 percent in FY27 and beyond.

***General Fund Reserves and Transfers of Higher-Than-Expected Revenue.*** After distribution of personal income tax rebates at a cost of $695 million and nonrecurring legislative expenditures of $2.01 billion, FY23 total revenues are estimated to be $434 million more than FY23 appropriations. General fund revenues, outside of those from the federal American Rescue Plan Act, exceeded non-ARPA general fund appropriations by $829 million, which will be transferred to the operating reserve and the tax stabilization reserve fund. (The general fund financial summary detailed in Attachment 1 illustrates the impact of the December 2023 revenue estimates on reserve levels).

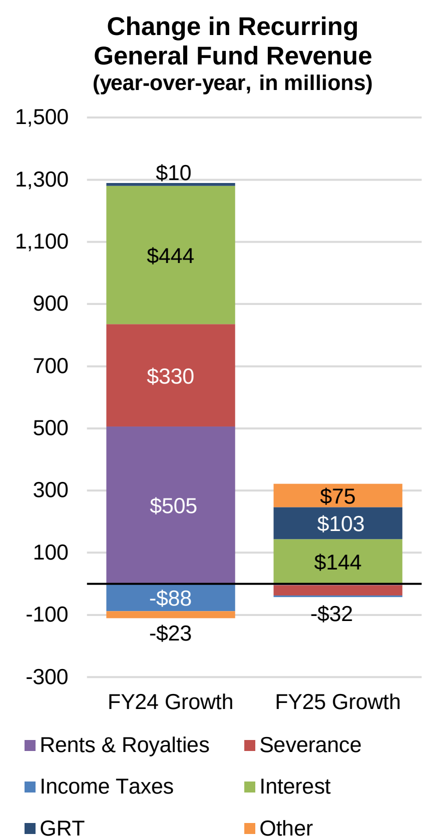
**Recurring Revenue Estimate**
**August vs December**


Source: December 2023 CREG

**Year-over-Year Recurring Revenue Increases**
**August 2023 vs December 2023 Estimates**

| Fiscal Year | Aug. | Dec. |
|---|---|---|
| FY23 | 20.3% | 19.8% |
| FY24 estimate | 8.3% | 10.2% |
| FY25 estimate | 3.5% | 2.2% |
| FY26 estimate | 2.9% | 2.0% |

Source: December 2023 CREG




*Severance tax and royalty amounts exclude distributions to the tax stabilization reserve and early childhood trust fund.

Source: December 2023 CREG

**General Fund Financial Summary**

(in millions)

| | FY23 Actual | FY24 Est. |
|---|---|---|
| Recurring Revenue | $11,589.7 | $12,767.8 |
| Nonrecurring Revenue* | ($699.6) | ($19.4) |
| Total General Fund Revenue | $10,890.1 | $12,748.4 |
| Recurring Appropriations | $8,424.0 | $9,568.7 |
| Nonrecurring Appropriations* | $2,012.5 | $1,845.4 |
| Undistrib. Appropriations and Audit Adj. | $19.6 | $428.5 |
| Total General Fund Appropriations | $10,456.1 | $11,842.6 |
| Transfer to (from) Reserves | $434.0 | $905.8 |
| Ending Reserve Balance | $4,042.8 | $5,095.6 |
| Percent of Recurring Appropriations | 48.0% | 53.3% |

*Includes federal stimulus funds and offsets

Source: LFC Files

Ending reserve balances for FY23 are estimated at $4.04 billion, or 48 percent of recurring appropriations. Because total reserve balances exceed 25 percent of recurring appropriations, the excess of the five-year average of oil and gas school tax—$1.15 billion—will go to the early childhood education and care trust fund (ECTF) instead of the tax stabilization reserve.

Ending reserve balances for FY24 are estimated at $5.1 billion, or 53.3 percent of FY24 recurring spending, prior to legislative action in the 2024 session. Again, because reserves are expected to exceed 25 percent of recurring appropriations in FY24, excess oil and gas school tax collections, estimated at about $672.4 million, will flow into the early childhood trust fund. Excess federal oil and gas royalty payments above the five-year average, estimated at about $1.02 billion in FY24, will also flow into the early childhood trust fund (see Attachment 5).

## Economic Forecast

The economic forecast has improved with respect to slowing inflation and rising interest rates. However, economic growth is slowing with wages and employment growth returning to prepandemic trends. Further, falling oil prices and slowing oil production contribute to a flattening of the revenue forecast. LFC and TRD economists use national data from S&P Global and local data from the University of New Mexico Bureau of Business and Economic Research (BBER) to develop the forecast. DFA economists use forecasts from Moody's Analytics. Selected economic indicators from forecasts are shown in attachment 3.

### U.S. Outlook

The U.S. economy defied recession fears in 2023 and made substantial progress. Real gross domestic product (GDP), the inflation-adjusted value of all goods and services, increased 5.2 percent at an annualized rate in the third quarter of 2023, according to the Bureau of Economic Analysis. This was up from 2.1 percent in the second quarter and was the strongest quarter for economic growth since 2021. Other strong economic indicators, such as job growth, low unemployment, and slowing inflation, suggest the Federal Reserve, despite implementing sharp increases in interest rates, may be on track to achieve a "soft landing," where inflation continues to cool without the economy tipping into recession. S&P Global is expecting GDP growth of 2.4 percent through FY24 and 2.1 percent in FY25 as inflation moderates slightly above 2 percent and interest rates remain higher than in the previous decade.

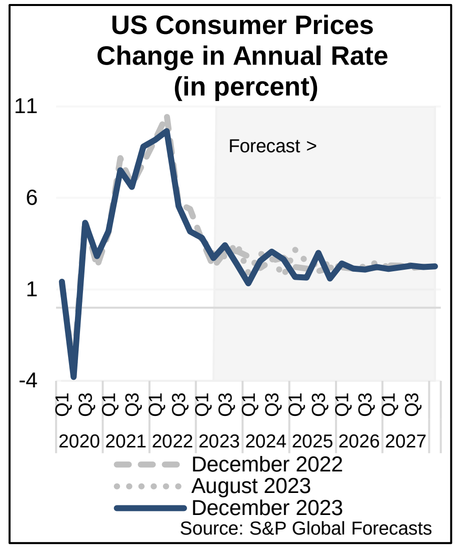
U.S. employment remains strong. Peaking at 14.7 percent at the start of the pandemic, the unemployment rate was 3.9 percent in October 2023, slightly above the prepandemic level (3.5 percent) and the postpandemic low (3.4 percent in April 2023). It is expected to rise to 4.7 percent by 2026 as the labor market continues to cool. Labor force participation, the share of the working age population with jobs, has yet to recover fully from pandemic lows and is stable at around

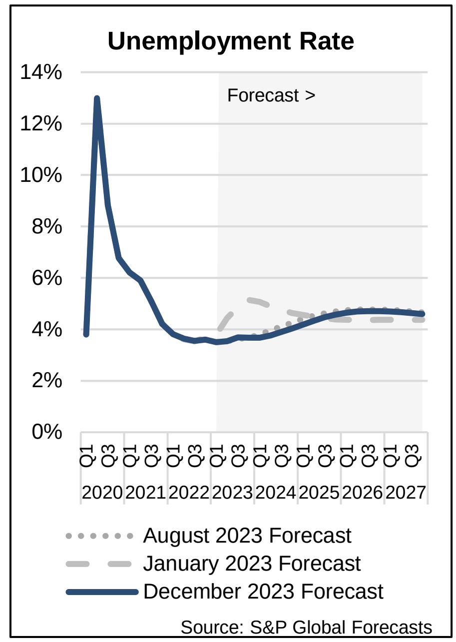
62.7 percent, still depressed from the prepandemic level of 63.3 percent.

In 2021, inflation surged worldwide as demand recovered faster than the supply of commodities and production was suppressed, first by labor disrupted by the pandemic, then by the war in Ukraine and China's lockdown measures. Since, supply chain pressures have eased, and the labor market has shown signs of rebalancing. S&P Global expects tight monetary policy will suppress demand in the U.S. labor market and in investment activity, reversing the direction of inflation. Forecasters predict interest rates will peak at 5.6 percent in mid-2024 and fall to a sustained 2.6 percent by the end of 2026.

Significant uncertainty in the economic outlook remains (see "Forecast Risks"). Monetary policy from the Federal Reserve could significantly slow economic growth as high interest rates dampen economic demand. On the other hand, a failure to slow inflation could discourage consumer sentiment and erode real purchasing power, leading to a downturn.

Neither S&P Global nor Moody's Analytics include a recession in their baseline forecast. Both S&P Global and Moody's forecasts include the impact of the federal Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act. Both estimators assume a continued tightening of monetary policy by the Federal Reserve as they attempt to slow the economy and inflation.



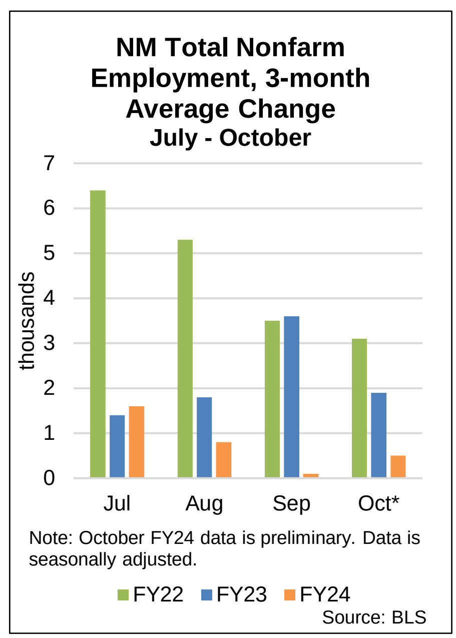



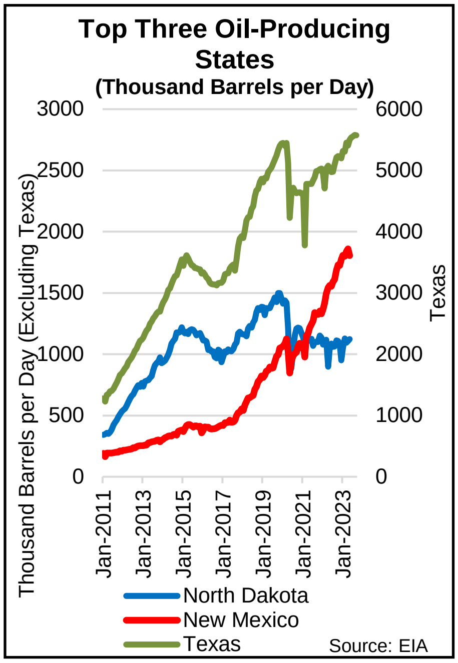

## New Mexico Outlook

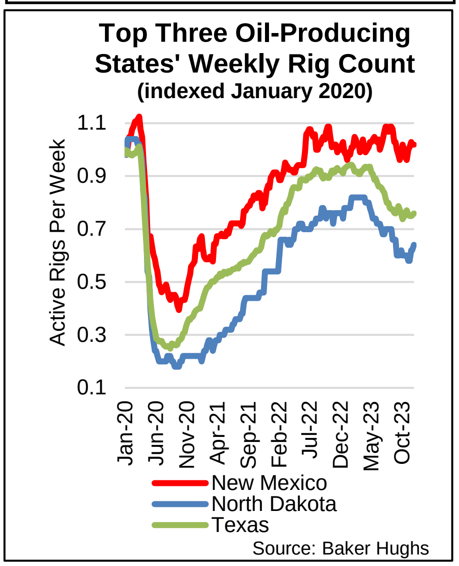
The estimates used in the consensus revenue forecast expect the New Mexico economy will grow at a slower rate than that of the United States in 2023 but will grow at a rate slightly faster than the that of the United States beginning in 2024. Like the national outlook, the state's economic outlook is tied to inflation, monetary policy, and other broader economic mechanisms.

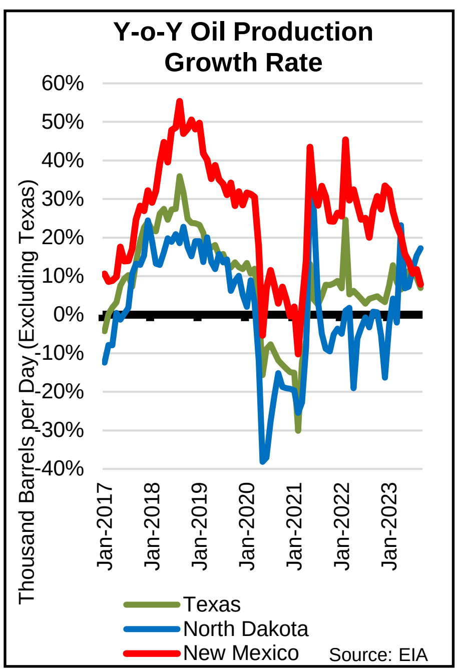
***Employment.*** After reaching the last employment peak in January 2020, employment contracted by 12.2 percent because of the pandemic. In that period, the leisure and hospitality sector experienced the largest losses of any industry, losing over 38 percent of jobs. The sector is now 1.2 percent above the prepandemic level, according to the Bureau of Labor Statistics. Retail and wholesale trade, other hard-hit industries, are experiencing divergent recoveries. Retail trade has regained more than all its lost jobs, while wholesale trade is still 7.0 percent below prior levels. Jobs in the financial activities industry are still 5 percent below prepandemic levels. Jobs in the mining industry reached within one percent of prepandemic levels for the first time in September 2023. September 2023 data from the Bureau of Labor Statistics indicates total nonfarm employment is up 7.7 thousand jobs, or 0.9 percent, from the prepandemic peak. BBER expects slow employment growth, nearing stagnancy, beginning in 2024. In total, New Mexico employment regained all jobs lost during the pandemic by March 2023 and is expected to grow by 19.4 thousand jobs, or 2.1 percent, by the end of the forecast period.

Currently, New Mexico's labor force participation rate is 57.2 percent, significantly lower than the national rate and still 1.5 percentage points below prepandemic levels. Labor force participation is projected to grow by 0.6 percent in 2024, 0.4 percent in 2024, and then at an average rate of 0.36 percent per year in the following years.






***Wages and Salaries.*** While employment had a longer road to recovery, total wages and salaries in New Mexico reached prepandemic levels in the last quarter of 2020. Wages and salaries experienced 10 percent growth in FY22 and 8.4 percent growth in FY23. BBER expects to see average growth of 3.8 percent in FY25 through FY27 after an expected 5.5 percent growth in FY24.

Total personal income growth in New Mexico reached record heights during the pandemic. Driven by inflationary pressures and a competitive labor market, personal income expanded in 2022 by 7.5 percent and by 2.1 percent in 2023. Growth in personal income in 2024 is expected to be 4.3 percent and rise to 4.6 percent starting in 2025.

## Oil and Gas

After the pandemic, global oil consumption surged, the Russian invasion of Ukraine disrupted global oil supply, and OPEC constraints boosted prices and supported New Mexico's oil expansion. Now, global economic activity is cooling and larger supply increases from non-OPEC countries have combined to increase downward pressure on prices.

Despite this, New Mexico's production continued to reach record levels each month until May 2023. Over the last year, the industry has undergone significant consolidation and has continued to practice capital discipline leading to lower growth expectations as profits are passed on to shareholders instead of being reinvested in new production. Furthermore, producers may be prioritizing less productive land to extend the life of production on current land holdings so that more productive land could be used during lower price environments. Because each well has a steep oil production decline curve, New Mexico's minimum rigs needed to maintain current production levels may already be nearing 100 active rigs a week leading to a slowdown in production growth.

With cooling prices and slowing production, forecasts for severance tax and federal royalty payments have been reduced but continue to contribute a significant portion of the general fund's growth for FY24. New Mexico's oil prices averaged $80.65 per barrel (bbl) in FY23 and are estimated to average $79.50/bbl in FY24. Prices are expected to stay lower than previously forecasted because of moderating economic recovery and lower demand combined with strong supply. S&P Global and the U.S. Energy Information Administration project West Texas Intermediate (WTI) prices to average

| **Fiscal Year** | ***2023*** | ***2024*** | ***2025*** |
|---|---|---|---|
| | ***Forecast*** | ***Forecast*** | ***Forecast*** |
| **Gross Oil Price** ($/bbl) | $80.65 | $79.50 | $75.00 |
| **Oil Volume** (MMbbls) | 658 | 685 | 710 |
| **Oil Volume** (MMbbls/day) | 1.8 | 1.9 | 1.9 |
| **Gross Natural Gas Price** ($/mcf) | $5.40 | $3.45 | $3.80 |
| **Net Natural Gas Price** ($/mcf)* | $4.03 | $2.36 | $2.64 |
| **Natural Gas Volume** (bcf) | 3,234 | 3,275 | 3,320 |
| **Natural Gas Volume** (bcf/day) | 8.86 | 8.97 | 9.10 |

* Net prices are based on the taxable value of the product after deductions for transportation, processing, and royalties.

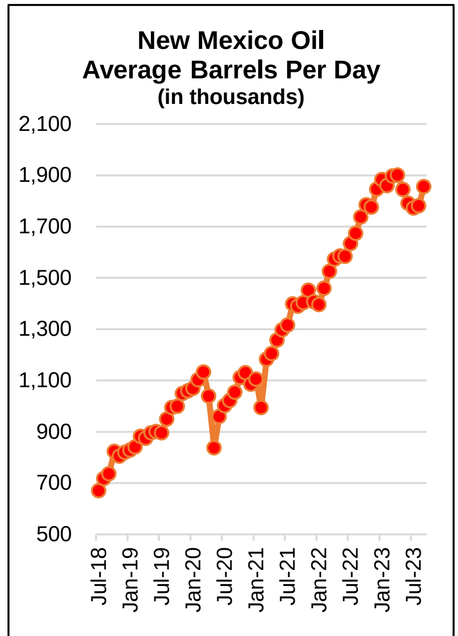
between $74/bbl and $85/bbl over FY24 and FY25. The differential of New Mexico oil prices below WTI is estimated at about $0.80/bbl.

Drilling and completion activity in the Permian Basin picked up in early 2021, grew through the first half of 2022, and stabilized above 100 active rigs on average though FY23. Analysis by Rystad Energy, an energy analytics firm, suggested a rig count of 90 average active rigs was sufficient to maintain current levels of production in New Mexico, in July 2023. However, declining well productivity and flat production at near 100 rigs could suggest that the estimate may now be closer to 100 to maintain production levels.

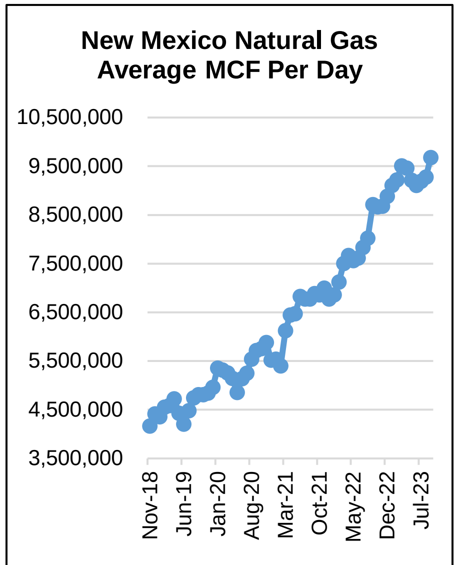
The state produced 657.76 million barrels of oil in FY23, a 23.7 percent increase from total FY22 production but a slowdown from 30 percent growth in FY22. At current levels of daily oil production, the state would produce 672.6 million barrels of oil in FY24. In FY24, the consensus estimate expects oil production will grow 1.8 percent from current levels, resulting in 685 million barrels, lower growth than the 690 million barrels estimated in August.

New Mexico's natural gas production has hit a speed bump as well. In March 2023, the state produced a record of 9.5 billion cubic feet (bcf) of natural gas per day, but production slowed to 9.1 bcf per day until September. New Mexico produced 3.24 trillion cubic feet of natural gas in FY23, an increase of 24 percent from FY22. The consensus forecast estimates natural gas production will average 8.97 bcf/day in FY24 and 9.1 bcf/day in FY25, a nearly 6 percent decrease from the August estimate. The reduced estimate reflects the volatile nature of associated gas production and limited pipeline capacity for the removal and delivery of gas produced in the Permian Basin.

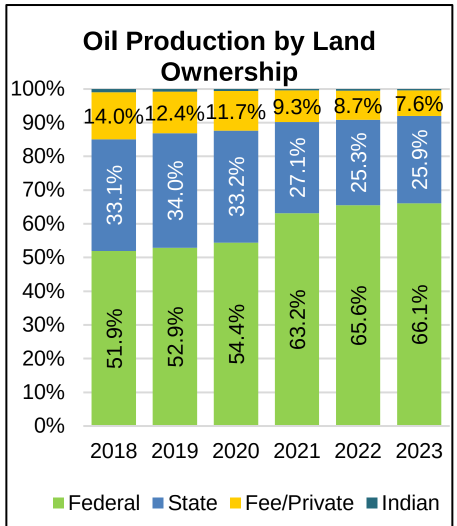
Natural gas prices are also lower than in the previous estimate, averaging $5.40 per thousand cubic feet (mcf) in FY23, $3.45/mcf in FY24, and $3.80/mcf in FY25, all about 15 cents lower than August. S&P Global and the Energy Information Administration project Henry Hub prices to remain below $4.40/mcf through 2025 and as low as $2.81/mcf as higher inventories, warm winters, and high production weigh on prices in the short-term. New Mexico's natural gas prices averaged $2.73/mcf higher than Henry Hub prices in FY22, but the differential shrunk to $0.64/mcf in FY23 and is expected to further fall as pipeline capacity constraints weigh on prices.




Source: TRD's GenTax Reports




Source: TRD's GenTax Reports




Source: Gentax

## General Fund Revenue Forecast

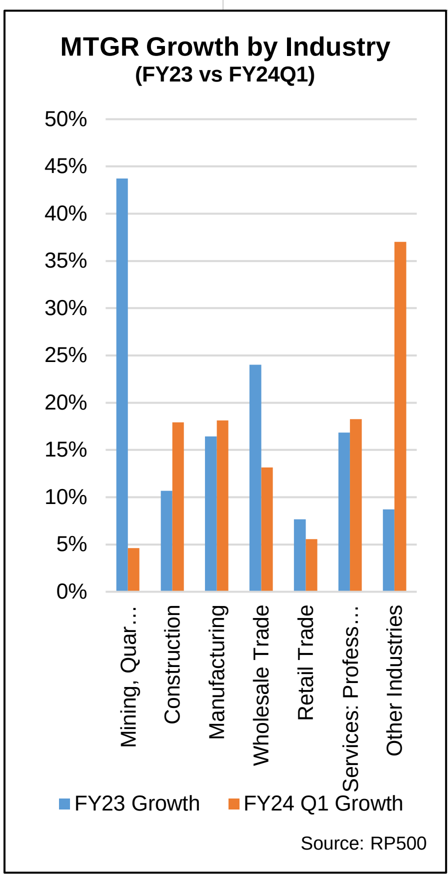
### Gross Receipts Taxes

Data from TRD shows matched taxable gross receipts (MTGR)—a better indicator of overall economic activity in the state than other tax data because it matches taxable gross receipts to tax payments—were up 9.1 percent in the first quarter of FY24, a marked slowdown compared with 14.6 percent in FY23, and 21.7 percent growth in FY22. Strong collections have been the result of higher spending in the mining sector, record public investments in construction, high consumer savings, strong wage and consumption growth, and relatively high inflation. However, falling inflation, slower mining activity, and depleted consumer savings are beginning to translate into lower expectations for revenue collection growth.

The largest source of FY24 MTGR growth is construction activity followed by growing spending in professional, scientific, and technical services, a reversal from FY23's growth derived from mining and retail trade.

| Matched Taxable Gross Receipts by Industry - FY24 vs FY23 | | | |
|---|---|---|---|
| Industry | Matched Taxable Gross Receipts | Year-over-Year Growth | Year-over-Year Change |
| Mining, Quarrying, and Oil and Gas Extraction | $2,959,851,192 | $130,301,222 | 4.6% |
| Utilities | $869,337,914 | $4,814,794 | 0.6% |
| Construction | $3,192,223,479 | $485,423,833 | 17.9% |
| Manufacturing | $962,032,328 | $147,672,108 | 18.1% |
| Wholesale Trade | $1,399,808,642 | $162,776,569 | 13.2% |
| Retail Trade | $5,197,977,194 | $274,958,922 | 5.6% |
| Transportation and Warehousing | $409,590,285 | $5,004,352 | 1.2% |
| Information | $638,070,081 | $56,288,023 | 9.7% |
| Real Estate and Rental and Leasing | $692,355,888 | $44,093,617 | 6.8% |
| Professional, Scientific, and Technical Services | $2,460,232,925 | $380,239,837 | 18.3% |
| Administrative/Support & Waste Management/Remediation | $1,367,900,442 | $129,844,096 | 10.5% |
| Health Care and Social Assistance | $1,130,923,681 | $29,177,072 | 2.6% |
| Leisure and Hospitality Services | $1,807,530,685 | $141,495,848 | 8.5% |
| Other Industries | $2,458,974,753 | $137,899,238 | 37.0% |
| **Total** | **$25,546,809,489** | **$2,129,989,529** | **9.1%** |

Source: RP500

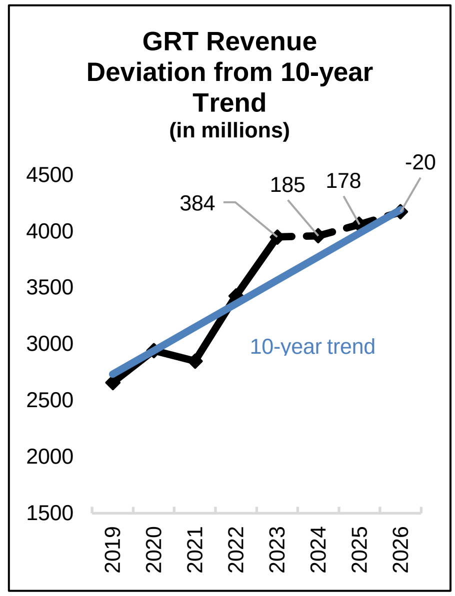



Collections growth is driven almost equally in Eddy and Bernalillo counties, a reflection of the changing MTGR landscape. Similarly, Lea County is now followed by Los Alamos and Sandoval Counties, as construction and services growth there approaches growth seen in mining in Lea.

Of the total MTGR activity in the state, however, over one third is oil and gas related. Driven by activity in the Permian Basin, GRT revenue is growing increasingly volatile, with more than a billion dollars in general fund GRT revenue related to the industry. As GRT revenue grows from the industry, the risk of losses that would result from an oil and gas industry bust grows as well.

Gross receipts tax revenue is expected to remain flat in FY24 because of legislative changes and slowing activity. The largest reduction in tax revenue is from a one-eighth reduction in the statewide gross receipts tax rate estimated to result in a loss of about $122.3 million. The total loss of the quarter percent reduction fully implemented in FY24 is about $244.6 million. Another change causing FY24 revenues to decline is the creation of the medical provider GRT deduction for co-pays and deductibles. Without legislative changes, GRT was significantly above trend, however, with changes it has returned to trend.

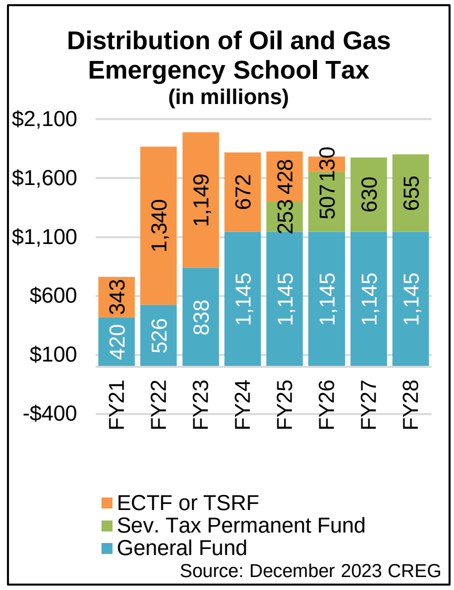
***Destination Sourcing.*** While the consensus forecast estimates the state-level impact of destination-based sourcing of GRT collections—an approach that bases the tax on the rates of the location where the good or service is used rather than on the rates of the location of its source— the impact of the portion sourced to municipalities or county areas outside of municipalities is significantly uncertain. The final effects of the change are still unclear because significant out-of-state reporting remains even for industries where no out-of-state receipts are expected. Those taxes still reporting as out-of-state indicate poor taxpayer understanding and compliance. Should sourcing differ from the estimate, it would be a risk to the GRT forecast. In the first quarter of FY24, MTGR fell almost $300 million over FY23, in what could be the beginning of greater taxpayer compliance and headwinds for the general fund.




### Severance Taxes and Federal Royalties

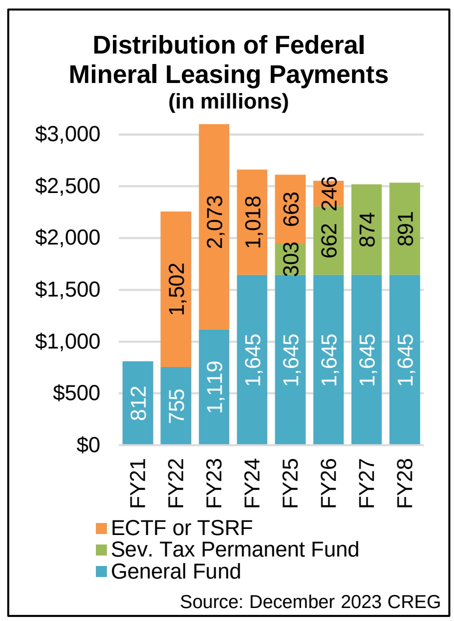
Severance tax collections—which include the oil and gas emergency school tax, oil conservation tax, resources excise tax, and natural gas processors tax—totaled an estimated $2.142 billion in FY23. Oil and gas emergency school tax revenue greater than the five-year average is sent to the tax stabilization reserve, or, if general fund reserves exceed 25 percent of recurring appropriations, to the early childhood education and care trust fund (ECTF). Because FY23 reserves are above 25 percent, the excess school tax revenue of $1.15 billion will be deposited into the early childhood trust fund.

Levels of production are expected to remain high but moderate in growth in FY24 while prices decline. Severance tax collections are projected to be $1.99 billion in FY24, of which $672.4 million will be distributed to the early childhood trust fund if general fund reserves continue to be at least 25 percent of recurring appropriations. The sidebar chart shows the projected distribution of oil and gas school tax collections.




Federal mineral leasing payments—the royalties for oil and gas production on federal lands and bonus payments for federal land leases—is the most volatile revenue source following severance taxes and is similarly subject to a five-year average cap with payments in excess reaching the early childhood trust fund. Of the estimated $3.192 billion in federal royalty revenue in FY23, an estimated $2.073 billion will be distributed to the ECTF.

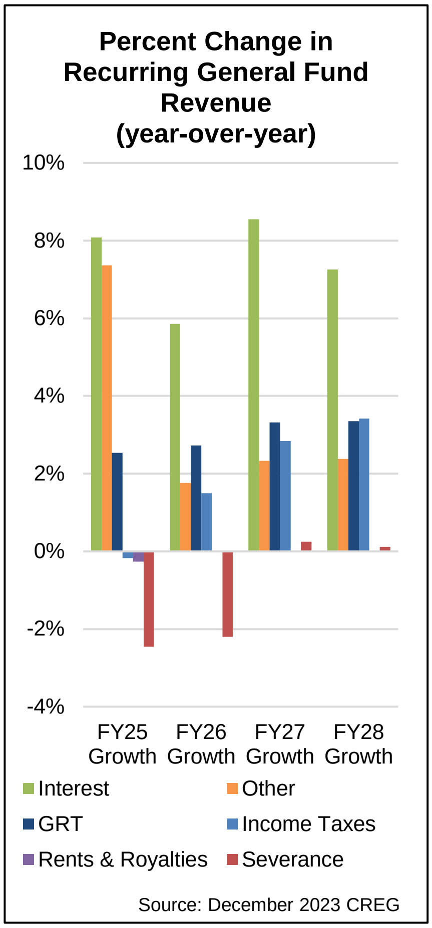
Together, school tax and federal royalty distributions to the early childhood trust fund are estimated to total $1.69 billion in FY24. From FY24 to FY28, an additional $1.928 billion of federal royalties and $1.231 billion of severance taxes are estimated to reach the early childhood trust fund because of the stabilization mechanism (see Attachment 5).




Production in New Mexico grew significantly in FY22 and FY23, but slowing production and lower prices are expected to generate significantly less federal mineral leasing and severance tax revenues in FY24 and slightly decreasing or flat revenues in FY25 and beyond. However, record high FY23 revenues are causing the five-year average mechanisms to lose efficacy and result in shrinking distributions to the early childhood trust fund.

To address these issues, the Legislature passed and the governor signed Senate Bill 26 (Laws 2023, Chapter 22), which caps the amount of oil- and gas-related revenues reaching the general fund from the oil and gas emergency school tax and federal mineral leasing payments, the two largest sources of oil and gas revenues. Revenues collected above the cap but below the five-year moving average will be distributed to the severance tax permanent fund (STPF) beginning in FY25.

Because of this new mechanism, an estimated $2.04 billion in school tax and $2.73 billion in federal royalty distributions is estimated to reach the severance tax permanent fund from FY25 to FY28. Because the new distributions to the permanent fund are only those revenues below the five-year average, the early childhood trust fund is not affected and will also continue to grow. These distributions are an inherent buffer for the consensus forecast because declines in severance tax and federal royalty revenue collections first reduce transfers to reserves or the trust fund, then reduce transfers to the severance tax permanent fund before any reductions are made to the general fund.

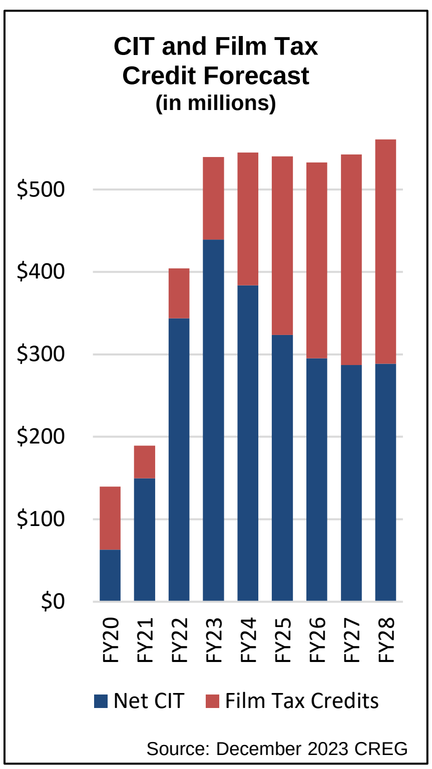



## Investment Earnings

The record strength of oil and gas production and high prices resulted in contributions of $2.8 billion to the land grant permanent funds (LGPF) in FY23, which receives royalty payments for oil and gas production on state lands. Combined with strong interest earnings, the value of the LGPF was over $27.8 billion at the end of FY23. The severance tax permanent fund also grew from large severance tax contributions of over $1.368 billion from the severance tax bonding fund and reached an ending balance of $7.9 billion in FY23.

Although the permanent funds receive income from oil and gas production, distributions to the general fund are set as a percentage of the five-year average ending balance of the fund, mitigating the effects of energy market booms and busts. Distributions to the general fund from both the LGPF and the STPF will grow by an average of $116.2 million a year and $35.4 million a year, respectively. From FY24 to FY28, the estimated growth in the general fund for these sources is 12.7 percent, well over the long-term historical general fund growth of about 4.5 percent. These distributions are the most stable revenue source in the general fund and are growing at the fastest rate of all major general fund revenues, powering general fund growth through the forecast period.

In the 2022 general election, voters approved a constitutional amendment to increase the distribution from the permanent school fund—the largest component of the LGPF—from 5 percent of the five-year average to 6.25 percent. The additional distribution will flow to the general fund, earmarked at 60 percent for early childhood education and 40 percent for public school initiatives and teacher salaries. The additional distribution is estimated at $240.3 million in FY24, $265.2 million in FY25, and $289.6 million in FY26.




Investment revenue from the State Treasurer's Office (STO) resulted in general fund transfers totaling an estimated $181.4 million for FY23, a record high after posting a $118.3 million loss to the general fund in FY22. Fund balances have reached record levels due to higher-than-expected state revenues and a lag in transferring excess oil and gas money to the early childhood trust fund. These high balances are invested at high interest rates, making up for negative mark-to-market adjustments. The fund expects to see positive returns from mark-to-market adjustments caused by sinking interest rates beginning in FY24. When interest rates decrease, the market value of existing fixed-rate bond holdings increases. Given the higher expected interest rates, falling interest rates predicted through FY25 and FY26, and continued high balances, STO interest earnings are estimated to increase to $291.4 million in FY24 and $272.3 million in FY25.

## Income Taxes

***Corporate Income Taxes (CIT).*** Gross CIT generated $539.3 million in FY23, up 33.4 percent from FY22, as companies continue to see strong profits.

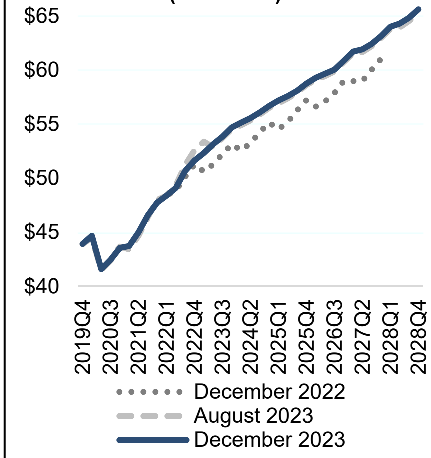
Because film tax credit payouts are deducted from CIT, net CIT distributed to the general fund are lower than total receipts. Due to the pandemic-related shutdowns in 2020, film tax credits were lower in FY21 and FY22 but recovered sharply in FY23. Film tax credits were $100.2 million in FY23 and are expected to grow to $160.9 million in FY24 and $216.6 million in FY25 as current film partners (those with facilities that are purchased or leased long term) reach production spending goals, non-partners near cap levels, the number of productions in the state grows, and new incentives enacted in 2023 come into effect.

The now-resolved labor dispute between film studios and striking writers and actors is not estimated to have an impact on film tax credits in this forecast. This relies on the assumption that pent-up demand will quickly ramp up production and result in net equal film tax credit activity. Production and employment data not yet available will paint a better picture of the conflict's revenue impact. The lingering impact of the dispute remains an upside risk to the forecast, as some production demand may have been destroyed. In general, film tax credits are a risk to the CIT forecast, particularly if the state attracts new film partners not subject to the cap, resulting in new, large payouts from the general fund.

***Personal Income Tax (PIT).*** Personal income tax collections continue to grow year-over-year but are lagging prior expectations. Preliminary data show personal income tax revenues grew at an annual rate of 8 percent in FY23 to $2.51 billion, $187.1 million above FY22 but $138.8 million below the August estimate. While the cause of some of the year-over-year growth in income tax collections is unclear, some growth is attributable to inflation, stimulus and other relief, strong capital gains, and labor-market-fueled spikes in wages and salaries, especially in high-wage jobs. Of the increase from FY22, about 36 percent is attributable to increased receipts associated with oil and gas and pass-through entity withholdings, which are both volatile and influenced by oil and gas activity. Roughly $25 million of the difference from the August forecast can be attributed to year-end accounting adjustments between FY23 and FY24. An additional $66 million was accrued to FY23 for refunds expected to occur in FY24 that was not anticipated in the August forecast. Additionally, the impact on withholding and final payments of the new passthrough entity tax exemption is unknown, creating uncertainty in the forecast. Fortunately, the 2022 exemption is converting to a credit for tax year 2023 which will allow for better analysis and data on tax filer behavior.

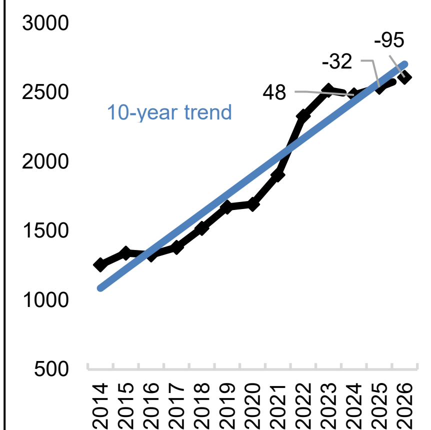
Underlying PIT revenues are expected to continue to grow along with wages and salaries, albeit from a lower FY23 level than in the August forecast. In the 2019 through 2023 legislative sessions, significant changes were made to the personal income tax, primarily through targeted credits, deductions, and exemptions, contributing to an expected year-over-year decrease of 1.3 percent in FY24 even though underlying economic activity is positive. The most recent recurring tax change to PIT is expanding the child tax credit, resulting in an estimated revenue decrease of over $100 million in FY24 and beyond (see Attachment 9 for all tax changes). PIT revenues in FY24 and FY25 are projected at $2.48 billion and $2.54 billion, respectively. Due in part to a slowing wage outlook and also to expanding PIT tax expenditures, PIT revenues fall below the ten-year trend, and growth returns to historical rates between two and four percent.

**New Mexico Total Wages & Salaries Forecast**
**(in billions)**

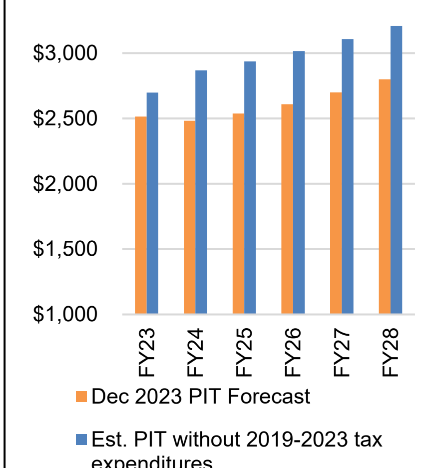



Source: BBER

**PIT Revenue Deviation from 10-year Trend**
**(in millions)**




**Impact of Tax Expenditures on PIT**
**(in millions)**




Source: LFC Analysis

**Effect of Changes in Oil and Gas Prices and Volumes**

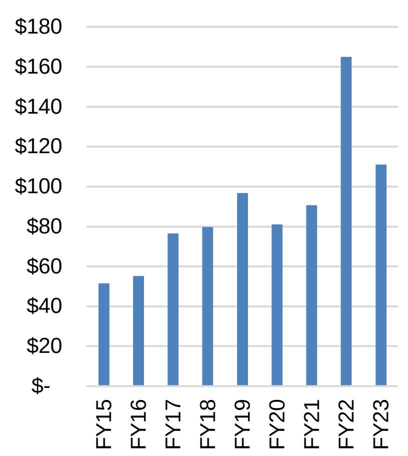
Based on projected FY24 direct oil and gas revenues (severance taxes and federal royalties):

- A $1 change in the annual average NM price of oil has about a $59.8 million impact;
- A 10-cent change in the annual average New Mexico price of natural gas has about a $45.7 million impact;
- Each additional million barrels of oil generates about $6.9 million in severance taxes and federal royalties; and
- Each additional 10 billion cubic feet of natural gas generates about $4.8 million in severance taxes and federal royalties.

Because the consensus forecast projects large transfers to the early childhood trust fund in FY24, the impact of price and production changes would first affect those transfers before affecting the general fund.

These general rules do not consider indirect impacts of prices and production changes on the general fund, such as gross receipts tax revenue from drilling activity or income taxes from production employment.

**Non-Federal General Fund Reversions**
**(in millions)**




Source: LFC Files

### Nonrecurring Revenue

The Legislature passed a series of bills during the last three legislative sessions that resulted in an estimated nonrecurring revenue loss of $776.1 million in FY23 and $19.4 million in FY24. Most of this impact is from the tax rebates included in the 2023 omnibus tax package, costing an estimated $694.6 million in FY23 and $12.9 million in FY24, an upward revision from the initial estimate. In FY23, an estimated $53 million of revenue loss is composed of late filer payments of tax rebates passed during the 2022 special session, and the remaining $27.9 million revenue loss is from the 2022 tax package, including some late payments of another one-time rebate and a one-time nurses' credit (see Attachment 9 for details on tax changes). Late payments of the 2022 and 2023 rebates and the nurses credit continue into FY24, amounting to $19.4 million in total.

FY23 general fund reversions from unspent agency budgets were $110.5 million. An additional $76.5 million generated from expiring elevated Federal Medicaid Assistance Percentage (FMAP) revenue, was also reverted to the general fund. This was lower than the recording-breaking FY22 reversions when $310.4 million total was sent back to the general fund, but it is higher than historical levels which hovered around $50 million. In FY22, unspent FMAP revenue made up about $144 million of reversions, and $165 million in reversions was from unspent general fund appropriations made to agencies for general operations.

## Forecast Risks

### Oil and Natural Gas Market Dynamics

New Mexico's dependence on the energy sector (see Attachment 4) makes oil market volatility the largest, most significant downside risk to the general fund forecast. Strong oil and gas prices and increased production necessitate an upward revision to the consensus revenue estimate for transfers to the early childhood trust fund and the severance tax permanent fund. A significant downside remains not only in falling severance and royalty revenues, but also through gross receipts tax and income taxes. Forecasters note higher input prices have driven breakeven prices significantly higher from an average oil price of $29.60/bbl to $37.60/bbl. The growing breakeven price increases the risk of production declines as oil prices need not fall as far before generating production declines.

### Recession Risks

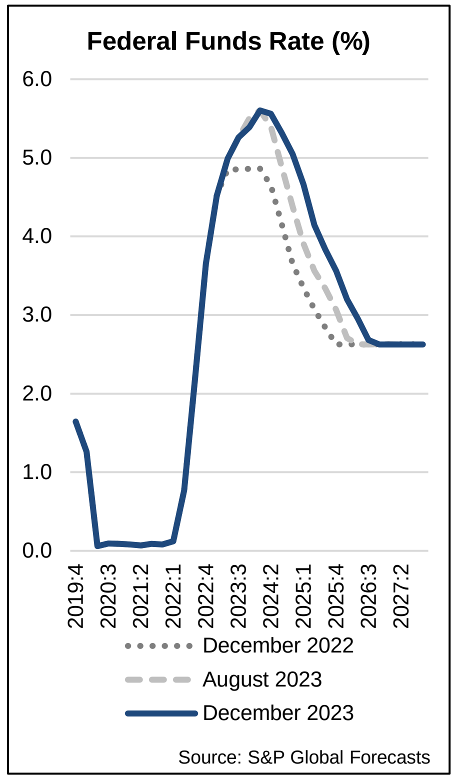
Fresh economic data has reinforced optimism the federal reserve can achieve a soft landing, where inflation eases without the United States suffering a recession. Gross domestic product increased 5.2 percent at an annualized rate in the third quarter of 2023, according to the Bureau of Economic Analysis. The personal-consumption expenditures price index, the federal reserve's preferred inflation measure, rose 3.4 percent in September from a year earlier, staying level with the two months prior. Combined, the economic indicators offer the clearest sign yet of a long-anticipated slowdown in price pressures while the economy maintains growth.

Neither Moody's nor S&P Global's baseline economic forecast include a recession within the forecast period. Because the baseline forecasts are the underpinnings for the consensus revenue forecast, the risk is similarly excluded from the revenue projections.

However, the risk of a recession remains. Economists now estimate the risk of a recession at 48 percent, according to the most recent survey of business and academic economists polled by the *Wall Street Journal* in October 2023. This is lower than in recent surveys but is still high by historical comparison.

The pessimistic scenario used in the sensitivity analysis includes a U.S. recession and a slower recovery due to a prolonged Russian invasion of Ukraine, heightened tensions between China and Taiwan, oil and gas shortages, and continued inflation. Under these scenarios, the recovery would be longer than the post-pandemic recovery, with full employment in the United States postponed until 2026. A recession would dampen wages and salaries and consumer spending, posing serious downside risks to both income tax and GRT collections.

## Inflation and Federal Policies




The path of inflation and federal policies aimed at bringing it to lower, sustainable levels will greatly affect the forecast. In FY23, inflation remained much higher than forecasted expectations from Moody's and S&P Global and has resulted in higher PIT and GRT collections than was previously estimated. In the current forecast, inflation is expected to stabilize but remain above 2 percent for most of the forecast period. If inflation remains more stubborn than currently reflected in the forecast, revenues could continue to beat expectations. Conversely, success in taming inflation more quickly could lower revenues below current expectations. As the Federal Reserve maintains a tight monetary policy to reign in prices, the likelihood that policy will be tightened past the optimal point, triggering a recession, has decreased but has not disappeared.

Continued inflation also poses a risk to the forecast in real terms. If prices rise, costs will rise alongside them, dampening consumer spending and reducing real revenue growth. While revenues could rise, the effective use of those revenues will be diminished, and long-term collections could be lower due to inferior real economic activity.

Federal tax policy can also impact New Mexico revenues. New Mexico "piggy-backs" on federal income taxes and uses individuals' federal adjusted gross income as the base for the state income tax. Therefore, when the federal income tax base changes, so does New Mexico's. Several federal tax exemptions, deductions, credits, and rate cuts passed in the 2017 Tax Cuts and Jobs Act (TCJA) are due to expire or sunset at the end of tax year 2025. While national forecasts underlying the state revenue forecast all assume the TCJA income tax cuts will be extended beyond 2026, congressional action is still in question. If the provisions within the TCJA are not extended, New Mexico personal income tax revenue will likely be higher than presented in this forecast as more income will be included in the income tax base.

***Other Forecast Risks.*** Additional forecast risks include an uncapped growth in film tax credit payments to New Mexico film partners, uncertainty in insurance tax receipts reporting and distributions, higher than expected municipal distributions due to destination-based sourcing of GRT, indeterminate general fund reversions, state and federal regulatory changes for oil and gas, environmental regulation enforcement actions, taxpayer compliance, and TRD enforcement.

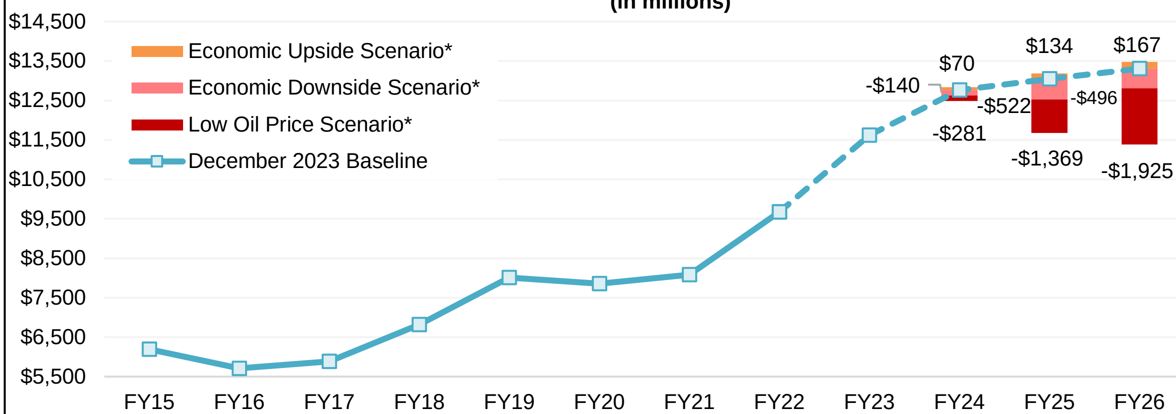
## Stress Testing the Revenue Estimate

While the revenue forecast inherently faces upside and downside risk, stress testing helps the Legislature prepare for these risks by looking at a range of alternative outcomes and contextualizing the current estimate with historical trends. These sensitivity and trend analyses can help determine target reserve levels and inform the recurring budget process.

### Sensitivity Analysis

The sensitivity analysis uses alternative macroeconomic scenarios from Moody's Analytics—an economic upside (S1), economic downside (S3), and low-oil price scenario (S8). The CREG used these scenarios to determine the sensitivity of the state's largest revenue sources—including severance taxes, federal mineral leasing payments, personal income taxes, and gross receipts taxes—to the scenarios' changes in the forecast's underlying assumptions.

**General Fund Revenue Sensitivity Analysis**
**(in millions)**



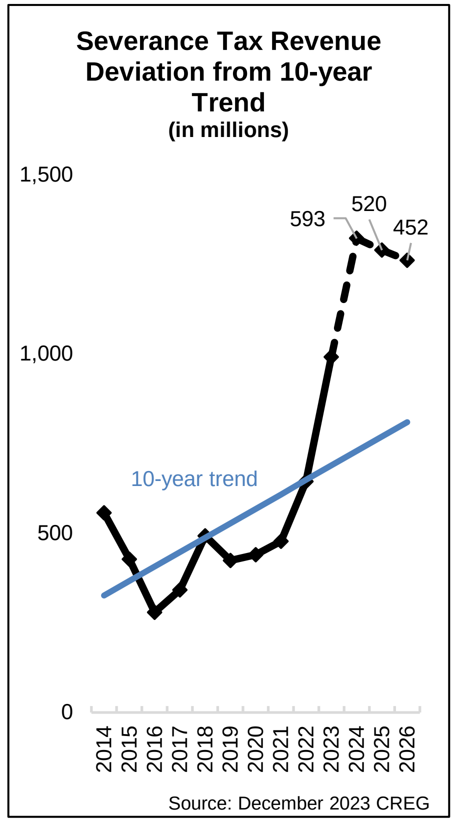

*Scenarios are informed by Moody's Analytics' alternative scenarios published November 2023. The upside scenario is designed so that there is a 10% probability that the economy will perform better and a 90% probability that it will perform worse. The downside scenario is designed so that there is a 90% probability that the economy will perform better and a 10% probability that it will perform worse. The low oil price scenario is designed to reflect the impact on the economy under the assumption of lower oil prices. More discussion on assumptions can be found in attachment 12.

Source: CREG December 2023

| | | S8: Low Oil Price | | | S3: Economic Downside | | | S1: Economic Upside | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Scenario** | **FY24** | **FY25** | **FY26** | **FY24** | **FY25** | **FY26** | **FY24** | **FY25** | **FY26** | |
| 1 | Severance Taxes to GF | -$36 | -$437 | -$480 | -$8 | -$42 | -$25 | $2 | $4 | $5 | 1 |
| 2 | Federal Mineral Leasing to GF | $0 | -$217 | -$545 | $0 | $0 | $0 | $0 | $0 | $0 | 2 |
| 3 | Gross Receipts Taxes | -$182 | -$555 | -$712 | -$97 | -$322 | -$319 | $60 | $98 | $116 | 3 |
| 4 | Personal Income Taxes | -$62 | -$160 | -$188 | -$34 | -$158 | -$151 | $8 | $32 | $46 | 4 |
| 5 | General Fund Difference from Baseline | -$281 | -$1,369 | -$1,925 | -$140 | -$522 | -$496 | $70 | $134 | $167 | 5 |
| 6 | *General Fund Percent of Total Impact* | *25%* | *45%* | *55%* | *45%* | *31%* | *30%* | *35%* | *40%* | *38%* | 6 |
| 7 | Severance Taxes to TSR or ECE | -$499 | -$428 | -$130 | -$131 | -$428 | -$130 | $34 | $76 | $82 | 7 |
| 8 | Severance Taxes to STPF | 0 | -$252 | -$507 | 0 | -$116 | -$257 | 0 | $7 | $23 | 8 |
| 9 | Federal Mineral Leasing to ECE | -$345 | -$708 | -$284 | -$37 | -$636 | -$284 | $94 | $100 | $124 | 9 |
| 10 | Federal Mineral Leasing to STPF | $0 | -$293 | -$659 | $0 | -$7 | -$459 | $0 | $19 | $42 | 10 |
| 11 | TSR/ECE Transfers Diff. from Baseline | -$844 | -$1,681 | -$1,580 | -$168 | -$1,187 | -$1,130 | $128 | $201 | $272 | 11 |
| 12 | *TSR/ECE/STPF Transfers Percent of Total Impact* | *75%* | *55%* | *45%* | *55%* | *69%* | *70%* | *65%* | *60%* | *62%* | 12 |
| 13 | Total Difference from Baseline | -$1,125 | -$3,050 | -$3,505 | -$308 | -$1,709 | -$1,626 | $198 | $336 | $439 | 13 |

Note: in millions

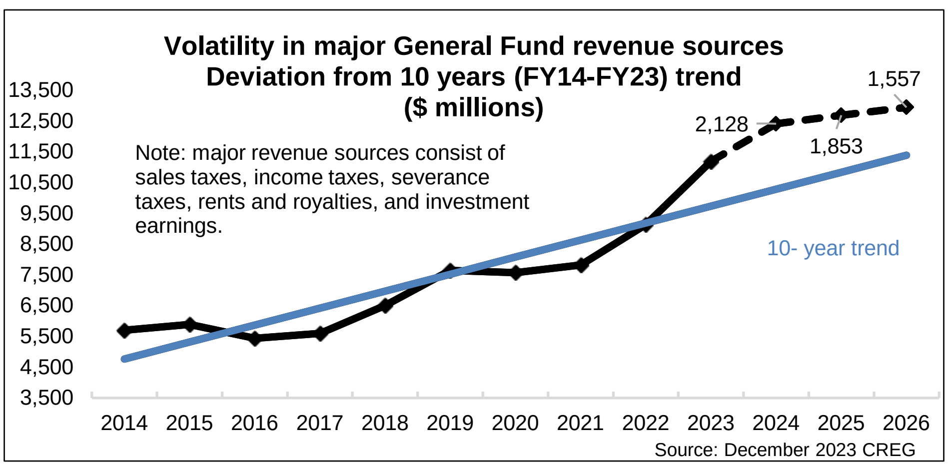
***Distributions of Excess Oil and Gas Revenue Mitigates Initial Effects of an Oil Market Decline.*** In the low oil price scenario, Moody's assumes West Texas Intermediate prices would fall to the low $40s/bbl in FY24, then to the high-$30s/bbl in FY24 and FY25. Low prices would result in oil and gas production declines, losses in drilling-related GRT receipts, and related employment losses. Should this occur, severance tax and federal royalty collections would fall substantially below the baseline forecast; however, most of the loss in these revenues would be first absorbed through reduced distributions to the early childhood trust fund and severance tax permanent fund. The general fund would primarily experience losses in GRT on oil and gas drilling and completion activity and reduced income taxes from related jobs losses and oil and gas pass-through withholding.

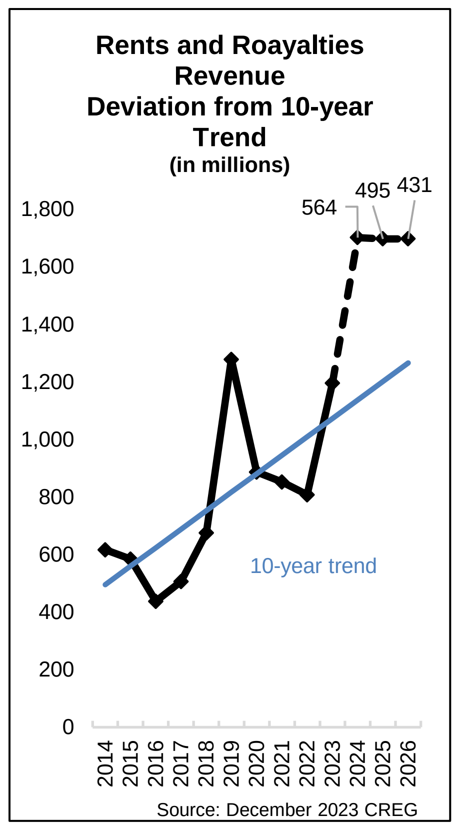



Although the low oil price scenario results in tax collections that are $1.125 billion below the consensus forecast for FY24, about 75 percent of that impact would be to the early childhood trust fund and severance tax distributions. Still, the scenario results in general fund revenues that would be about $281 million below the consensus forecast in FY24 and $1.4 billion below the consensus forecast in FY25. In this scenario, the state would need $3.58 billion in reserves to avoid spending cuts through FY26.

## Trend Analysis and Long-Term Outlook

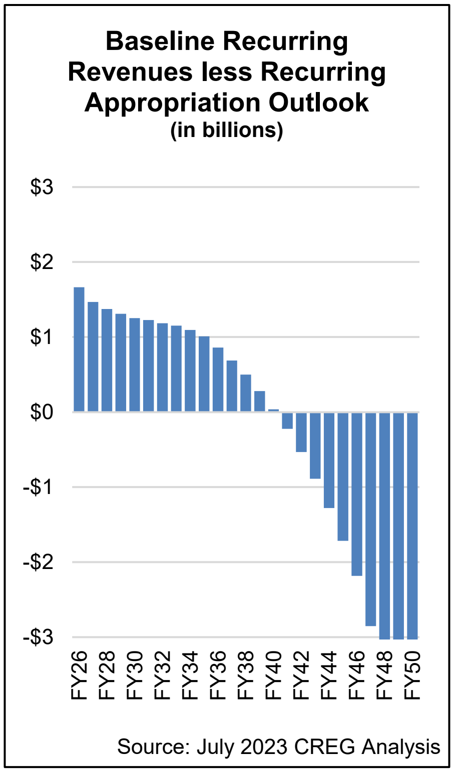
In addition to the sensitivity analysis, the CREG calculated a 10-year trend for major revenues by source and compared current revenue estimates against that trend, to identify outlier revenues and years. The trend analysis demonstrates the variation in New Mexico's major sources of revenue: gross receipts taxes, income taxes, severance taxes, investment income, and rents and royalty payments. Using historical data from these sources for FY14 to FY23, a 10-year trend line is carried forward through FY26.

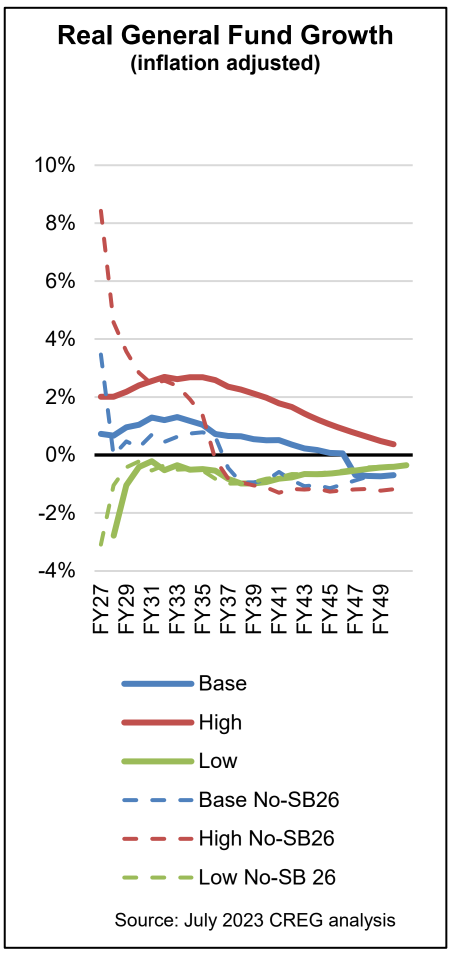



***Above-Trend Revenue Forecast.*** Because the trend analysis shows variation in general fund revenues, the analysis excludes estimated distributions of excess oil and gas school tax and federal royalty payments to the early childhood trust fund or the severance tax permanent fund. The trend analysis shows the general fund revenue forecasts are significantly above the 10-year trend for the next three fiscal years, including in FY24 by $2.128 billion, FY25 by $1.853 billion, and FY26 by $1.557 billion.

Despite the distribution of excess severance taxes and federal royalty payments to other funds, those revenues are the largest contributors to the above-trend

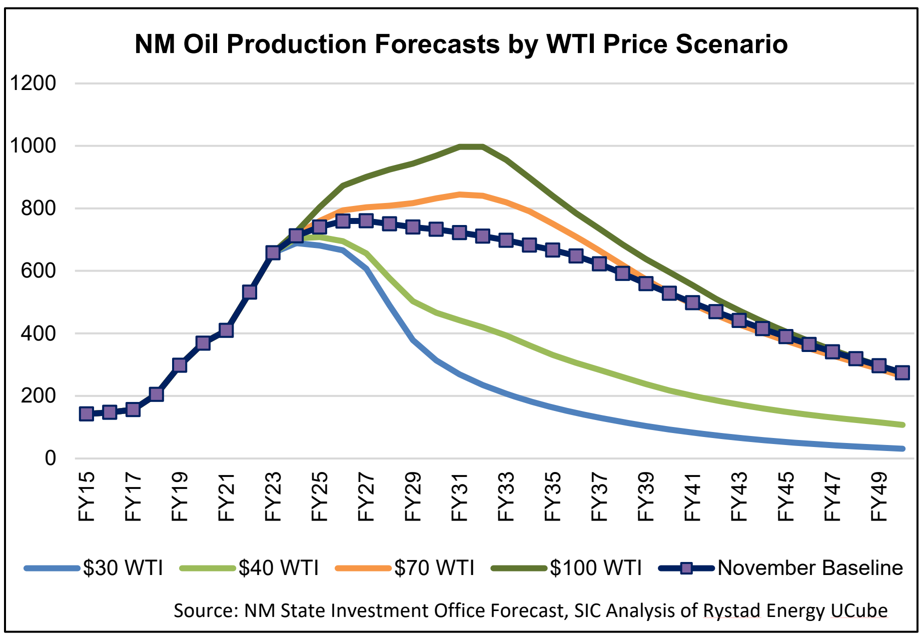



general fund revenue forecast. The current oil and gas production boom has resulted in a large increase in tax distributed to the general fund. Despite new distributions to the severance tax permanent fund capping general fund revenues from these sources, the capped rate remains far above the trend. If excess collections were not distributed to the rainy-day fund, early childhood trust fund, or severance tax permanent fund, the general fund revenue estimates would exceed the trend by even more.

The current above-trend forecast and the escalation of budgetary dependence on volatile revenues indicates that policymakers should proceed cautiously when apportioning the current revenue surge to recurring expenditures. Budget best practices recommended by Pew, the Volcker Alliance, and others include budget mechanisms like Virginia, Utah, and Louisiana, which use above-trend revenue only for nonrecurring uses to prevent volatility in budget-making.

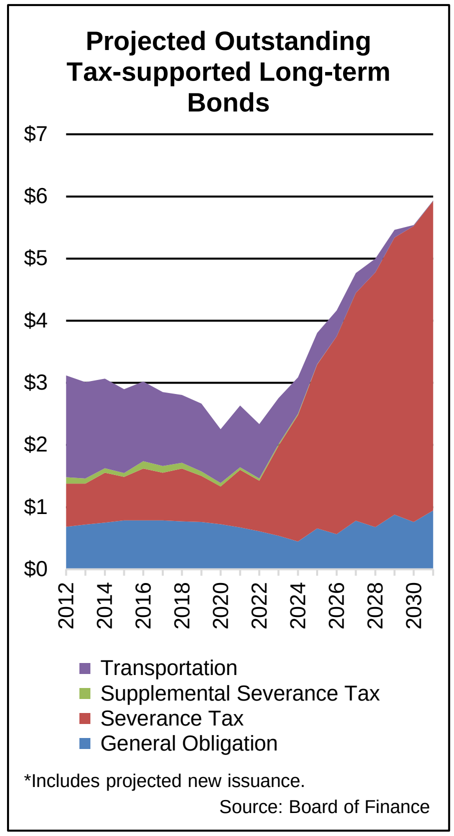
***Short-Term Surpluses and Long-Term Deficits.*** As the state experiences a short- to medium-term revenue surge, the Legislature has initiated long-term revenue and budget planning in accordance with national best practices. In July 2023, the consensus revenue estimating group found long-term revenues would be sufficient to keep up with the current budgetary trends depending on the rate of recurring spending in the near-term. The estimate highlights oil and gas strength as driving current revenues while later becoming a drag on revenue growth as global demand wanes.




The resulting long-term forecast underlines the importance of using current revenue strength to bolster the state's long-term financial stability by looking for opportunities to turn the excess of current revenue into future revenue. The state can do so through investments in the economy that generate long-term tax benefits and by using permanent funds, trust funds, and endowments.

Of the financial mechanisms, the highest return and benefit to the state's future revenue stability is through increased distributions or one-time payments into the state's permanent funds, which grow the general fund faster and reduce New Mexicans' tax liability. Investments made in the 2023 legislative session, including the legislation that sends excess revenue from the oil and gas emergency school tax and federal mineral leasing payments to the severance tax permanent fund, are the largest contributors towards stabilizing the state's future revenues and delaying future recurring deficits.

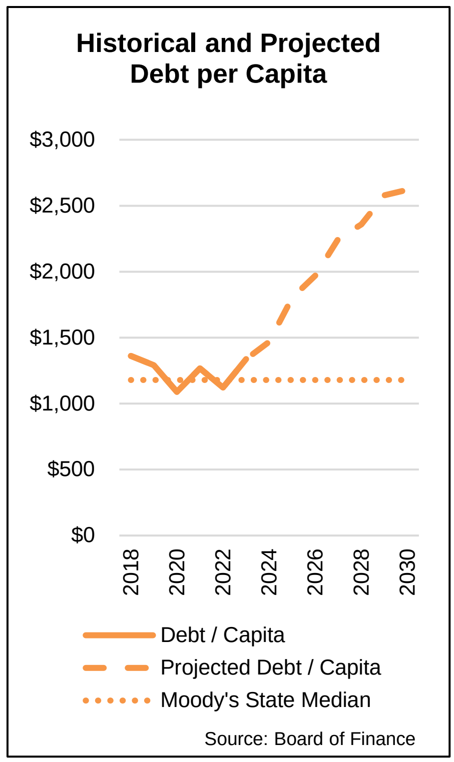
***Challenges in Capital Outlay Funding.*** Surging state revenues and time-limited federal dollars present a historic opportunity to meet New Mexico's infrastructure needs. However, recent increases in revenue dedicated to capital projects are likely to be temporary as the July 2023 long-term estimates indicate, and the state has no plan for a replacement source. Estimated debt for New Mexico is expected to soar with volatile oil and gas revenues which could negatively impact the state's bond ratings. The state could reduce debt capacity by adhering to national debt ratios to demonstrate prudent fiscal management, instill investor confidence, and reduce the risk of default from an excess of debt repayment per person. Savings could be used to support emergency debt coverage, cash finance projects that should not use long-term debt, and provide an eventual replacement revenue source or supplement to severance taxes for capital programs. This would reduce long-term pressure on the general fund by preventing capital needs from weighing on the operating budget when general fund revenues face similar headwinds from declining oil and gas production.




## General Fund Financial Summary

Used as a guide for policymakers, the financial summary conveys complex audit reports into a high-level overview of the state's general fund transactions. The summary is also useful to investors interested in the state's financial health and presents an accurate picture of the revenues, spending, and reserves.

Currently, five accounts are in the state's reserves: the operating reserve, the appropriation contingency fund, the state support fund, the tobacco settlement permanent fund, and the tax stabilization reserve. As reserves are intended to be liquid and ready to cover shortfalls in revenues, these accounts earn inferior investment returns compared to other investments made by the state and are often identified and used for nonrecurring spending. Only two funds, the operating reserve and the tax stabilization reserve, are true reserve funds in that their purpose is to backfill general fund revenues during downturns.




By including ancillary funds, the state's reserve position is inflated by the funds not intended to be available for general fund revenue replacement. Furthermore, the tobacco settlement permanent fund, which is about 4 percent of reserves in FY24, has been unable to provide increasing distributions to tobacco use treatment, cessation, and prevention efforts due to low returns from its reserve fund status. In the 2023 regular session, the Legislature passed legislation removing the tobacco settlement permanent fund from reserves, but the bill was pocket vetoed.

Finally, undistributed appropriations continue to result in unintended consequences for the state's general fund. When appropriating nonrecurring funds, agencies must first request disbursement from the Department of Finance and Administration before funds are removed from reserves. In FY22 and FY23, over $876.5 million of appropriations were not requested by agencies in the year they became available, resulting in automatic transfers of the same amount to the tax stabilization reserve over those two years. Appropriators may choose to require appropriation disbursement to avoid unintended spillovers into more restrictive accounts in the future.

# General Fund Consensus Revenue Estimate - December 2023

| Revenue Source | FY23 | | | | | FY24 | | | | | FY25 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Aug 23 Est. | Dec 23 Prelim. | Change from Prior (Aug 23) | % Change from FY22 | $ Change from FY22 | Aug 23 Est. | Dec 23 Est. | Change from Prior (Aug 23) | % Change from FY23 | $ Change from FY23 | Aug 23 Est. | Dec 23 Est. | Change from Prior (Aug 23) | % Change from FY24 | $ Change from FY24 |
| *Base Gross Receipts Tax* | 4,016.9 | 4,062.5 | 45.6 | 14.9% | 526.2 | 3,978.1 | 4,064.2 | 86.1 | 0.0% | 1.7 | 4,130.9 | 4,155.8 | 24.9 | 2.3% | 91.6 |
| *F&M Hold Harmless Payments* | (111.5) | (111.3) | 0.2 | 2.6% | (2.8) | (103.7) | (103.5) | 0.2 | -7.0% | 7.8 | (94.9) | (94.3) | 0.6 | -8.9% | 9.2 |
| NET Gross Receipts Tax | 3,905.4 | 3,951.2 | 45.8 | 15.3% | 523.3 | 3,874.4 | 3,960.7 | 86.3 | 0.2% | 9.5 | 4,036.0 | 4,061.5 | 25.5 | 2.5% | 100.8 |
| Compensating Tax | 94.2 | 94.0 | (0.3) | 48.8% | 30.8 | 93.3 | 94.0 | 0.7 | 0.0% | 0.0 | 96.9 | 96.1 | (0.8) | 2.3% | 2.1 |
| TOTAL GENERAL SALES | 3,999.6 | 4,045.2 | 45.6 | 15.9% | 554.1 | 3,967.7 | 4,054.7 | 87.0 | 0.2% | 9.5 | 4,132.9 | 4,157.6 | 24.7 | 2.5% | 102.9 |
| Tobacco Products and Cigarette Taxes | 80.7 | 81.1 | 0.4 | -2.0% | (1.7) | 80.0 | 78.1 | (1.9) | -3.7% | (3.0) | 78.7 | 76.8 | (1.9) | -1.7% | (1.3) |
| Liquor Excise | 24.5 | 24.5 | (0.0) | -2.1% | (0.5) | 24.9 | 24.9 | (0.1) | 1.5% | 0.4 | 25.1 | 25.0 | (0.1) | 0.8% | 0.2 |
| Cannabis Excise | 24.5 | 24.5 | 0.0 | 383.3% | 19.5 | 26.5 | 34.0 | 7.5 | 38.6% | 9.5 | 28.5 | 33.6 | 5.1 | -1.2% | (0.4) |
| Insurance Taxes | 388.7 | 390.9 | 2.2 | 21.8% | 70.0 | 411.4 | 410.3 | (1.1) | 5.0% | 19.4 | 496.2 | 484.8 | (11.4) | 18.2% | 74.5 |
| Motor Vehicle Excise | 163.2 | 164.7 | 1.5 | 6.1% | 9.5 | 164.7 | 165.5 | 0.8 | 0.5% | 0.8 | 163.9 | 166.4 | 2.5 | 0.6% | 0.9 |
| Gaming Excise | 72.5 | 72.1 | (0.4) | 5.4% | 3.7 | 65.3 | 66.0 | 0.7 | -8.4% | (6.1) | 65.9 | 66.1 | 0.2 | 0.2% | 0.1 |
| Leased Vehicle & Other | 4.1 | 3.7 | (0.4) | -49.3% | (3.6) | 4.2 | 4.0 | (0.2) | 8.3% | 0.3 | 4.5 | 4.4 | (0.1) | 10.4% | 0.4 |
| TOTAL SELECTIVE SALES | 758.2 | 763.8 | 5.6 | 14.9% | 99.1 | 777.0 | 782.8 | 5.7 | 2.5% | 18.9 | 862.8 | 857.2 | (5.7) | 9.5% | 74.4 |
| Personal Income Tax | 2,653.5 | 2,514.7 | (138.8) | 8.0% | 187.1 | 2,499.2 | 2,482.1 | (17.1) | -1.3% | (32.6) | 2,592.4 | 2,537.1 | (55.3) | 2.2% | 55.0 |
| *Gross Corporate Income Tax* | 534.4 | 539.3 | 4.9 | 33.4% | 134.9 | 521.6 | 544.7 | 23.1 | 1.0% | 5.4 | 521.9 | 540.3 | 18.4 | -0.8% | (4.4) |
| *CIT Refundable Credits* | (87.1) | (100.2) | (13.1) | 65.6% | (39.7) | (160.9) | (160.9) | (0.0) | 60.6% | (60.7) | (216.6) | (216.6) | (0.0) | 34.6% | (55.7) |
| NET Corporate Income Tax | 447.3 | 439.1 | (8.2) | 27.7% | 95.2 | 360.7 | 383.8 | 23.1 | -12.6% | (55.3) | 305.3 | 323.7 | 18.4 | -15.7% | (60.1) |
| TOTAL INCOME TAXES | 3,100.8 | 2,953.8 | (147.0) | 10.6% | 282.4 | 2,859.9 | 2,865.9 | 6.0 | -3.0% | (87.9) | 2,897.7 | 2,860.8 | (36.9) | -0.2% | (5.1) |
| *Gross Oil and Gas School Tax* | 2,019.0 | 1,987.8 | (31.2) | 6.5% | 122.0 | 1,774.0 | 1,817.7 | 43.7 | -8.6% | (170.1) | 1,862.0 | 1,826.0 | (36.0) | 0.5% | 8.3 |
| *Excess to TSR or Early Childhood Trust Fund* | (1,181.0) | (1,149.8) | 31.2 | -14.2% | 190.3 | (622.4) | (672.4) | (50.0) | -41.5% | 477.4 | (466.7) | (428.1) | 38.6 | -36.3% | 244.3 |
| *Excess to STPF* | - | - | - | - | - | - | - | - | - | - | (243.7) | (252.5) | (8.8) | - | (252.5) |
| NET Oil & Gas School Tax | 838.0 | 838.0 | 0.0 | 59.4% | 312.3 | 1,151.5 | 1,145.3 | (6.2) | 36.7% | 307.3 | 1,151.5 | 1,145.4 | (6.1) | 0.0% | 0.1 |
| Oil Conservation Tax | 111.2 | 110.0 | (1.2) | 10.3% | 10.3 | 101.1 | 114.8 | 13.7 | 4.4% | 4.8 | 105.2 | 112.2 | 7.0 | -2.3% | (2.6) |
| Resources Excise Tax | 8.1 | 9.2 | 1.1 | 5.6% | 0.5 | 8.5 | 7.9 | (0.6) | -14.1% | (1.3) | 8.9 | 7.9 | (1.0) | 0.0% | - |
| Natural Gas Processors Tax | 34.8 | 35.1 | 0.3 | 244.5% | 24.9 | 56.7 | 54.3 | (2.4) | 54.7% | 19.2 | 28.3 | 24.4 | (3.9) | -55.2% | (30.0) |
| TOTAL SEVERANCE TAXES | 992.1 | 992.3 | 0.2 | 54.0% | 348.0 | 1,317.8 | 1,322.3 | 4.5 | 33.3% | 330.1 | 1,293.9 | 1,289.9 | (4.1) | -2.5% | (32.5) |
| LICENSE FEES | 60.1 | 63.7 | 3.6 | 12.3% | 7.0 | 58.4 | 61.8 | 3.5 | -3.0% | (1.9) | 58.6 | 60.8 | 2.3 | -1.6% | (1.0) |
| LGPF Interest | 887.1 | 891.4 | 4.3 | 13.1% | 103.6 | 1,196.2 | 1,201.6 | 5.4 | 34.8% | 310.2 | 1,313.6 | 1,326.1 | 12.5 | 10.4% | 124.5 |
| STO Interest | 180.9 | 181.4 | 0.5 | -253.3% | 299.7 | 247.9 | 291.4 | 43.5 | 60.7% | 110.0 | 271.5 | 272.3 | 0.8 | -6.6% | (19.1) |
| STPF Interest | 265.8 | 265.8 | (0.0) | 7.9% | 19.4 | 289.6 | 289.6 | - | 9.0% | 23.8 | 326.3 | 328.2 | 1.9 | 13.3% | 38.6 |
| TOTAL INTEREST | 1,333.8 | 1,338.6 | 4.8 | 46.1% | 422.6 | 1,733.7 | 1,782.6 | 48.9 | 33.2% | 444.0 | 1,911.4 | 1,926.6 | 15.2 | 8.1% | 144.0 |
| *Gross Federal Mineral Leasing* | 3,192.3 | 3,192.3 | - | 41.5% | 935.6 | 2,644.0 | 2,663.0 | 19.0 | -16.6% | (529.4) | 2,591.8 | 2,611.2 | 19.4 | -1.9% | (51.7) |
| *Excess to Early Childhood Trust Fund* | (2,073.1) | (2,073.0) | 0.1 | 38.1% | (571.4) | (999.0) | (1,018.1) | (19.1) | -50.9% | 1,054.9 | (647.5) | (663.1) | (15.6) | -34.9% | 355.0 |
| *Excess to STPF* | - | - | - | - | - | - | - | - | - | - | (299.3) | (303.2) | (3.9) | - | (303.2) |
| NET Federal Mineral Leasing | 1,119.3 | 1,119.4 | 0.1 | 48.2% | 364.2 | 1,645.0 | 1,644.9 | (0.1) | 46.9% | 525.5 | 1,645.0 | 1,644.9 | (0.1) | 0.0% | (0.0) |
| State Land Office | 82.4 | 77.5 | (4.9) | 46.4% | 24.6 | 57.5 | 57.5 | - | -25.8% | (20.0) | 52.9 | 52.9 | - | -8.0% | (4.6) |
| TOTAL RENTS & ROYALTIES | 1,201.7 | 1,196.9 | (4.8) | 48.1% | 388.8 | 1,702.5 | 1,702.4 | (0.1) | 42.2% | 505.5 | 1,697.9 | 1,697.8 | (0.1) | -0.3% | (4.6) |
| TRIBAL REVENUE SHARING | 80.2 | 78.2 | (2.0) | 9.4% | 6.7 | 79.3 | 80.7 | 1.4 | 3.2% | 2.5 | 80.6 | 81.9 | 1.3 | 1.5% | 1.2 |
| MISCELLANEOUS RECEIPTS | 39.6 | 46.7 | 7.1 | 13.3% | 5.5 | 39.7 | 39.7 | - | -15.1% | (7.1) | 40.2 | 40.2 | - | 1.4% | 0.6 |
| REVERSIONS | 75.0 | 110.5 | 35.5 | -64.4% | (199.9) | 75.0 | 75.0 | - | -32.1% | (35.5) | 75.0 | 75.0 | - | 0.0% | - |
| TOTAL RECURRING | 11,641.1 | 11,589.7 | (51.5) | 19.8% | 1,914.4 | 12,611.0 | 12,767.8 | 156.9 | 10.2% | 1,178.1 | 13,051.0 | 13,047.8 | (3.2) | 2.2% | 280.0 |
| *2023 Nonrecurring Legislation* | (695.2) | (694.6) | 0.6 | - | - | (9.3) | (12.7) | (3.4) | -98.2% | 681.9 | - | - | - | - | 12.7 |
| *2022 Nonrecurring Legislation* | (86.8) | (80.9) | 5.9 | -91.0% | 816.7 | - | (6.7) | - | -91.8% | 74.2 | - | - | - | - | 6.7 |
| *2021 Nonrecurring Legislation* | (0.6) | (0.6) | - | -88.5% | 4.6 | - | - | - | -100.0% | 0.6 | - | - | - | - | - |
| *Other Nonrecurring* | - | 76.5 | - | - | 76.5 | - | - | - | - | - | - | - | - | - | - |
| TOTAL NONRECURRING | (782.6) | (699.6) | 83.0 | -22.5% | 203.3 | (9.3) | (19.4) | (10.1) | -97.2% | 680.3 | - | - | - | - | 19.4 |
| **GRAND TOTAL General Fund** | 10,858.5 | 10,890.1 | 31.5 | 24.1% | 2,117.6 | 12,601.7 | 12,748.5 | 146.8 | 17.1% | 1,858.4 | 13,051.0 | 13,047.8 | (3.2) | 2.3% | 299.3 |

# General Fund Consensus Revenue Estimate - December 2023

| Revenue Source | FY26 Aug 23 Est. | FY26 Dec 23 Est. | FY26 Change from Prior (Aug 23) | FY26 % Change from FY25 | FY26 $ Change from FY25 | FY27 Aug 23 Est. | FY27 Dec 23 Est. | FY27 Change from Prior (Aug 23) | FY27 % Change from FY26 | FY27 $ Change from FY26 | FY28 Aug 23 Est. | FY28 Dec 23 Est. | FY28 Change from Prior (Aug 23) | FY28 % Change from FY27 | FY28 $ Change from FY27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Base Gross Receipts Tax* | 4,269.2 | 4,257.5 | (11.7) | 2.4% | 101.7 | 4,405.0 | 4,387.8 | (17.2) | 3.1% | 130.3 | 4,615.6 | 4,523.7 | (91.9) | 3.1% | 135.9 |
| *F&M Hold Harmless Payments* | (86.6) | (85.2) | 1.4 | -9.7% | 9.1 | (79.1) | (76.9) | 2.2 | -9.7% | 8.3 | (70.9) | (68.1) | 2.8 | -11.4% | 8.8 |
| NET Gross Receipts Tax | 4,182.6 | 4,172.3 | (10.3) | 2.7% | 110.8 | 4,325.9 | 4,310.9 | (15.0) | 3.3% | 138.6 | 4,544.7 | 4,455.6 | (89.1) | 3.4% | 144.7 |
| Compensating Tax | 100.2 | 98.5 | (1.7) | 2.4% | 2.4 | 103.3 | 101.5 | (1.9) | 3.1% | 3.0 | 108.3 | 104.6 | (3.7) | 3.1% | 3.1 |
| TOTAL GENERAL SALES | 4,282.8 | 4,270.8 | (12.0) | 2.7% | 113.2 | 4,429.2 | 4,412.4 | (16.9) | 3.3% | 141.6 | 4,653.0 | 4,560.2 | (92.8) | 3.4% | 147.8 |
| Tobacco Products and Cigarette Taxes | 77.8 | 76.0 | (1.8) | -1.0% | (0.8) | 77.8 | 76.1 | (1.7) | 0.1% | 0.1 | 79.0 | 77.6 | (1.4) | 2.0% | 1.5 |
| Liquor Excise | 25.3 | 25.2 | (0.1) | 0.8% | 0.2 | 25.5 | 25.5 | (0.1) | 0.8% | 0.2 | 25.8 | 25.7 | (0.1) | 0.8% | 0.2 |
| Cannabis Excise | 32.5 | 36.4 | 3.9 | 8.3% | 2.8 | 34.9 | 39.1 | 4.2 | 7.4% | 2.7 | 37.8 | 41.8 | 4.0 | 6.9% | 2.7 |
| Insurance Taxes | 514.8 | 494.9 | (19.9) | 2.1% | 10.1 | 535.7 | 508.4 | (27.3) | 2.7% | 13.5 | 559.5 | 524.2 | (35.3) | 3.1% | 15.8 |
| Motor Vehicle Excise | 168.8 | 171.2 | 2.3 | 2.9% | 4.8 | 176.0 | 176.9 | 0.9 | 3.4% | 5.8 | 182.5 | 182.7 | 0.2 | 3.3% | 5.8 |
| Gaming Excise | 65.8 | 66.0 | 0.2 | -0.2% | (0.1) | 68.3 | 68.7 | 0.4 | 4.1% | 2.7 | 68.6 | 69.2 | 0.6 | 0.7% | 0.5 |
| Leased Vehicle & Other | 4.6 | 4.7 | 0.0 | 5.3% | 0.2 | 4.7 | 4.9 | 0.1 | 4.0% | 0.2 | 4.3 | 5.0 | 0.6 | 2.1% | 0.1 |
| TOTAL SELECTIVE SALES | 889.7 | 874.4 | (15.3) | 2.0% | 17.2 | 923.0 | 899.6 | (23.4) | 2.9% | 25.2 | 957.5 | 926.2 | (31.3) | 3.0% | 26.6 |
| Personal Income Tax | 2,695.4 | 2,608.4 | (87.0) | 2.8% | 71.3 | 2,802.5 | 2,698.9 | (103.6) | 3.5% | 90.5 | 2,913.8 | 2,799.7 | (114.1) | 3.7% | 100.8 |
| *Gross Corporate Income Tax* | 531.5 | 532.6 | 1.1 | -1.4% | (7.7) | 546.1 | 542.4 | (3.7) | 1.8% | 9.8 | 562.7 | 560.6 | (2.1) | 3.4% | 18.2 |
| *CIT Refundable Credits* | (237.3) | (237.3) | - | 9.6% | (20.7) | (255.1) | (255.1) | (0.0) | 7.5% | (17.8) | (272.1) | (272.1) | (0.0) | 6.7% | (17.0) |
| NET Corporate Income Tax | 294.2 | 295.3 | 1.1 | -8.8% | (28.4) | 291.0 | 287.3 | (3.7) | -2.7% | (8.0) | 290.6 | 288.5 | (2.1) | 0.4% | 1.2 |
| TOTAL INCOME TAXES | 2,989.6 | 2,903.7 | (85.9) | 1.5% | 42.9 | 3,093.5 | 2,986.2 | (107.3) | 2.8% | 82.5 | 3,204.4 | 3,088.2 | (116.2) | 3.4% | 102.0 |
| *Gross Oil and Gas School Tax* | 1,922.9 | 1,782.3 | (140.6) | -2.4% | (43.7) | 1,947.6 | 1,775.2 | (172.4) | -0.4% | (7.1) | 1,982.4 | 1,800.4 | (182.0) | 1.4% | 25.2 |
| *Excess to TSR or Early Childhood Trust Fund* | (266.2) | (130.2) | 136.0 | -69.6% | 297.9 | (59.0) | - | 59.0 | -100.0% | 130.2 | (77.4) | - | 77.4 | - | - |
| *Excess to STPF* | (505.2) | (506.7) | (1.5) | 100.7% | (254.2) | (737.1) | (629.8) | 107.3 | 24.3% | (123.1) | (753.5) | (655.0) | 98.5 | 4.0% | (25.2) |
| NET Oil & Gas School Tax | 1,151.5 | 1,145.4 | (6.1) | 0.0% | - | 1,151.5 | 1,145.4 | (6.1) | 0.0% | - | 1,151.5 | 1,145.4 | (6.1) | 0.0% | - |
| Oil Conservation Tax | 108.2 | 84.1 | (24.1) | -25.0% | (28.1) | 100.5 | 84.6 | (15.9) | 0.6% | 0.5 | 102.2 | 85.8 | (16.4) | 1.4% | 1.2 |
| Resources Excise Tax | 9.3 | 7.9 | (1.4) | 0.0% | - | 9.8 | 7.9 | (1.9) | 0.0% | - | 10.2 | 7.9 | (2.3) | 0.0% | - |
| Natural Gas Processors Tax | 27.3 | 24.1 | (3.2) | -1.1% | (0.3) | 30.1 | 26.7 | (3.4) | 10.8% | 2.6 | 31.6 | 26.9 | (4.7) | 0.9% | 0.2 |
| TOTAL SEVERANCE TAXES | 1,296.3 | 1,261.5 | (34.8) | -2.2% | (28.4) | 1,291.9 | 1,264.6 | (27.4) | 0.2% | 3.1 | 1,295.5 | 1,266.0 | (29.5) | 0.1% | 1.4 |
| LICENSE FEES | 59.4 | 62.0 | 2.6 | 1.9% | 1.2 | 59.9 | 62.1 | 2.3 | 0.2% | 0.2 | 60.1 | 62.6 | 2.6 | 0.8% | 0.5 |
| LGPF Interest | 1,427.9 | 1,448.1 | 20.2 | 9.2% | 122.0 | 1,547.7 | 1,575.6 | 27.9 | 8.8% | 127.5 | 1,647.7 | 1,683.2 | 35.5 | 6.8% | 107.6 |
| STO Interest | 223.7 | 225.2 | 1.5 | -17.3% | (47.1) | 219.3 | 228.5 | 9.2 | 1.5% | 3.3 | 228.1 | 232.6 | 4.5 | 1.8% | 4.1 |
| STPF Interest | 361.1 | 366.2 | 5.1 | 11.6% | 38.0 | 401.1 | 409.8 | 8.7 | 11.9% | 43.6 | 445.9 | 458.7 | 12.8 | 11.9% | 48.9 |
| TOTAL INTEREST | 2,012.7 | 2,039.5 | 26.8 | 5.9% | 112.9 | 2,168.1 | 2,213.9 | 45.8 | 8.6% | 174.4 | 2,321.7 | 2,374.5 | 52.8 | 7.3% | 160.6 |
| *Gross Federal Mineral Leasing* | 2,680.5 | 2,553.4 | (127.0) | -2.2% | (57.8) | 2,724.6 | 2,518.6 | (206.0) | -1.4% | (34.8) | 2,762.1 | 2,535.6 | (226.5) | 0.7% | 17.0 |
| *Excess to Early Childhood Trust Fund* | (381.2) | (246.5) | 134.7 | -62.8% | 416.6 | (51.5) | - | 51.5 | -100.0% | 246.5 | - | - | - | - | - |
| *Excess to STPF* | (654.3) | (662.1) | (7.8) | 118.3% | (358.8) | (1,028.1) | (873.7) | 154.3 | 32.0% | (211.7) | (1,117.1) | (890.7) | 226.4 | 1.9% | (17.0) |
| NET Federal Mineral Leasing | 1,645.0 | 1,644.9 | (0.1) | 0.0% | - | 1,645.0 | 1,644.9 | (0.1) | 0.0% | - | 1,645.0 | 1,644.9 | (0.1) | 0.0% | - |
| State Land Office | 53.0 | 53.0 | - | 0.2% | 0.1 | 53.2 | 53.2 | - | 0.3% | 0.2 | 53.3 | 53.3 | - | 0.3% | 0.1 |
| TOTAL RENTS & ROYALTIES | 1,698.0 | 1,697.9 | (0.1) | 0.0% | 0.1 | 1,698.2 | 1,698.1 | (0.1) | 0.0% | 0.2 | 1,698.3 | 1,698.2 | (0.1) | 0.0% | 0.1 |
| TRIBAL REVENUE SHARING | 81.7 | 83.0 | 1.3 | 1.3% | 1.1 | 82.8 | 84.2 | 1.4 | 1.4% | 1.2 | 83.6 | 85.1 | 1.5 | 1.1% | 0.9 |
| MISCELLANEOUS RECEIPTS | 40.4 | 40.4 | - | 0.4% | 0.2 | 40.3 | 40.3 | - | -0.2% | (0.1) | 39.9 | 39.9 | - | -0.9% | (0.4) |
| REVERSIONS | 75.0 | 75.0 | - | 0.0% | - | 75.0 | 75.0 | - | 0.0% | - | 75.0 | 75.0 | - | 0.0% | - |
| TOTAL RECURRING | 13,425.5 | 13,308.1 | (117.4) | 2.0% | 260.3 | 13,861.9 | 13,736.3 | (125.6) | 3.2% | 428.2 | 14,389.0 | 14,176.0 | (213.1) | 3.2% | 439.6 |
| *2023 Nonrecurring Legislation* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *2022 Nonrecurring Legislation* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *2021 Nonrecurring Legislation* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Other Nonrecurring* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| TOTAL NONRECURRING | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **GRAND TOTAL General Fund** | 13,425.5 | 13,308.1 | (117.4) | 2.0% | 260.3 | 13,861.9 | 13,736.3 | (125.6) | 3.2% | 428.2 | 14,389.0 | 14,176.0 | (213.1) | 3.2% | 439.6 |

# General Fund Financial Summary
# Consensus Revenue Estimate, December 2023

(millions of dollars)

**December 6, 2023**
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| | Prelim. FY2023 | Estimate FY2024 | Estimate FY2025 |
|---|---|---|---|
| **APPROPRIATION ACCOUNT** | | | |
| **REVENUE** | | | |
| Recurring Revenue | | | |
| August 2023 Consensus Revenue Estimate | $ 11,641.1 | $ 12,611.0 | $ 13,051.0 |
| December 2023 Consensus Revenue Update | $ (51.5) | $ 156.9 | $ (3.2) |
| Total Recurring Revenue | $ 11,589.7 | $ 12,767.8 | $ 13,047.8 |
| *Percent Change in Recurring Revenue* | *19.8%* | *10.2%* | *2.2%* |
| Nonrecurring Revenue | | | |
| Nonrecurring Reversions from the Federal CRF/CARES | $ - | $ - | $ - |
| 2021/2022 Nonrecurring Revenue Legislation | $ (87.4) | $ - | $ - |
| 2023 Legislative Session Nonrecurring Revenue Legislation | $ (695.2) | $ (9.3) | $ - |
| December 2023 Consensus Revenue Update | $ 83.0 | $ (10.1) | |
| Total Nonrecurring Revenue | $ (699.6) | $ (19.4) | $ - |
| **TOTAL REVENUE** | **$ 10,890.1** | **$ 12,748.4** | **$ 13,047.8** |
| **APPROPRIATIONS** | | | |
| Recurring Appropriations | | | |
| 2022 Regular Session Recurring Legislation & Feed Bill | $ 8,404.3 | $ - | |
| 2023 Regular Session Recurring Legislation & Feed Bill | $ 19.7 | $ 9,568.7 | |
| 2024 Regular Session Recurring Legislation & Feed Bill | | | FY25 New Money: $3.479 billion or 36.4% |
| Total Operating Budget | $ 8,424.0 | $ 9,568.7 | |
| Nonrecurring Appropriations | | | |
| 2022 Regular Session ARPA Related Nonrecurring | $ 309.5 | $ - | |
| 2022 Regular Session Nonrecurring | $ 100.0 | $ - | |
| 2023 Regular Session ARPA Related Nonrecurring[2] | $ 85.5 | $ - | |
| 2023 Regular Session Nonrecurring | $ 1,517.5 | $ 1,845.4 | |
| 2024 Regular Session Nonrecurring Legislation | | | |
| | $ 2,012.5 | $ 1,845.4 | |
| Subtotal Recurring and Nonrecurring Appropriations | $ 10,436.5 | $ 11,414.1 | |
| Audit Adjustments | | | |
| Estimated 2023 GAA Undistributed Nonrecurring Appropriations[1] | $ (428.5) | $ 428.5 | |
| 2022 GAA Undistributed Nonrecurring Appropriations[1] | $ 448.1 | | |
| **TOTAL APPROPRIATIONS** | **$ 10,456.1** | **$ 11,842.6** | |
| Transfer to (from) Operating Reserves | $ 829.0 | $ 905.8 | |
| Transfer to (from) Appropriation Contingency Fund (ARPA Funds) | $ (395.0) | $ - | |
| TOTAL REVENUE LESS TOTAL APPROPRIATIONS | $ 434.0 | $ 905.8 | |
| **GENERAL FUND RESERVES** | | | |
| Beginning Balances | $ 3,679.6 | $ 4,042.8 | |
| Transfers from (to) Appropriations Account | $ 829.0 | $ 905.8 | |
| Revenue and Reversions | $ 1,216.8 | $ 905.7 | |
| Appropriations, Expenditures and Transfers Out | $ (1,682.6) | $ (758.7) | |
| **Ending Balances** | **$ 4,042.8** | **$ 5,095.6** | |
| *Reserves as a Percent of Recurring Appropriations* | *48.0%* | *53.3%* | |

**Notes:**

1) Many nonrecurring appropriations, including specials and supplementals in the GAA, had authorization to spend in multiple fiscal years - amounts that were not distributed in the first year become encumbrances for the next year.

2) HB2 included $227.5 million of spending from ARPA funds in FY23 and $95 million of swaps of previous ARPA appropriations to general fund sources for a net spending of $132.5 million of ARPA. The governor vetoed language sourcing $23 million of appropriations to ARPA funds for GSD. Legal authority is unclear for those funds to then be general fund. This report assumes the $23 million appropriation is vetoed with language veto.

* Note: totals may not foot due to rounding

## General Fund Financial Summary
## Consensus Revenue Estimate, December 2023
### RESERVE DETAIL
(millions of dollars)

**December 6, 2023**
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| | Estimate FY2023 | Estimate FY2024 | Estimate FY2025 |
|---|---|---|---|
| **OPERATING RESERVE** | | | |
| Beginning Balance | $ 565.8 | $ 596.6 | $ 673.9 |
| Transfers from tax stabilization reserve to restore balance to 1 percent [4] | $ - | $ - | $ - |
| BOF Emergency Appropriations/Reversions | $ (2.5) | $ (4.0) | $ (4.0) |
| Transfers from (to) Appropriation Account[9] | $ 829.0 | $ 905.8 | $ - |
| Transfers to Tax Stabilization Reserve | $ (723.9) | $ (774.5) | $ - |
| Disaster Allotments [1] | $ (71.9) | $ - | $ - |
| Transfer from (to) ACF/Other Appropriations | $ - | $ (50.0) | $ - |
| Revenues and Reversions | $ - | $ - | $ - |
| Transfers from tax stabilization reserve[5] | $ - | $ - | $ - |
| Ending Balance | $ 596.6 | $ 673.9 | $ 669.9 |
| **APPROPRIATION CONTINGENCY FUND** | | | |
| Beginning Balance | $ 460.7 | $ 54.5 | $ 96.5 |
| Disaster Allotments | $ (12.8) | $ (16.0) | $ (16.0) |
| ARPA Appropriation from 2021 Second Special Session | $ - | $ - | $ - |
| Other ARPA Appropriations (including 2022, 2023 Regular Sessions) | $ (395.0) | $ - | $ - |
| Transfers In [9] | $ - | $ 50.0 | $ - |
| Revenue and Reversions | $ 1.6 | $ 8.0 | $ 8.0 |
| Audit and Pre-Audit Adjustments | | | |
| Ending Balance | $ 54.5 | $ 96.5 | $ 88.5 |
| **STATE SUPPORT FUND** | | | |
| Beginning Balance | $ 49.5 | $ 10.4 | $ 10.4 |
| Revenues [2] | $ - | $ - | $ - |
| Appropriations to State Support Reserve Fund [6] | $ - | $ - | $ - |
| Impact Aid Liability FY20 | $ (39.1) | | |
| Impact Aid Liability FY21 | $ - | $ - | $ - |
| Audit Adjustments | $ - | $ - | $ - |
| Ending Balance | $ 10.4 | $ 10.4 | $ 10.4 |
| **TOBACCO SETTLEMENT PERMANENT FUND (TSPF)[8]** | | | |
| Beginning Balance | $ 300.2 | $ 330.8 | $ 365.2 |
| Transfers In [3] | $ 23.6 | $ 32.5 | $ 32.5 |
| Appropriation to Tobacco Settlement Program Fund [3] | $ (11.5) | $ (16.3) | $ (16.3) |
| Gains(Losses) | $ 18.5 | $ 18.2 | $ 20.1 |
| Additional Transfers from (to) TSPF | $ - | $ - | $ - |
| Ending Balance | $ 330.8 | $ 365.2 | $ 401.6 |
| **TAX STABILIZATION RESERVE (RAINY DAY FUND)** | | | |
| Beginning Balance | $ 2,303.4 | $ 3,050.5 | $ 3,949.6 |
| Revenues from Excess Oil and Gas Emergency School Tax | $ 1,149.8 | $ 672.4 | $ 428.1 |
| Gains(Losses) | $ 23.3 | $ 124.6 | $ 158.0 |
| Transfers In (From Operating Reserve) | $ 723.9 | $ 774.5 | $ - |
| Transfer Out to Operating Reserve [4,5] | $ - | $ - | $ - |
| Transfer Out to Early Childhood Trust Fund [7] | $ (1,149.8) | $ (672.4) | $ (428.1) |
| Ending Balance | $ 3,050.5 | $ 3,949.6 | $ 4,107.6 |
| *Percent of Recurring Appropriations* | *36.2%* | *41.3%* | |
| **TOTAL GENERAL FUND ENDING BALANCES** | **$ 4,042.8** | **$ 5,095.6** | |
| *Percent of Recurring Appropriations* | *48.0%* | *53.3%* | |

**Notes:**

1) DFA using operating reserve to cover disaster allotments due to low balance in the appropriation contingency fund. FY20 includes $35.5 million for COVID-19 related responses.

2) Laws 2021, Chapter 137 (HB2, Section 10-11) includes a $15.5 million transfer from the repealed K-3 Plus Program Fund to the state support reserve.

3) Laws 2021, Chapter 60 (SB 187) allows use of 100% of revenue for tobacco program fund in FY22.

4) Laws 2020, Chapter 34 (House Bill 341) transfers from the tax stabilization reserve to the operating reserve if operating reserve balances are below one percent of appropriations, up to an amount necessary for the operating reserve to be one percent of total appropriations. Transfer shown here in future year as the transfer occurs after all appropriations and revenues during the audit and cannot be used for spending in the current year.

5) 2022 GAA authorized a transfer of up to $120 million from the TSR in FY23 to cover shortfalls.

6) Laws 2022, Chapter 54 (HB2, Section 5-112) includes a $30 million appropriation to the state support reserve fund.

7) Laws 2020, Chapter 3 (HB83, Section 4) provides that oil and gas school tax revenue in excess of the five-year average be transferred to the Early Childhood Trust Fund instead of the tax stabilization reserves if reserve balances exceed 25 percent of recurring appropriations.

8) The LFC recommendation includes removal of the Tobacco Settlement Permanent Fund from reserve calculations.

9) Laws 2022, Chapter 54 includes authority of up to $120 million from the operating reserve to the appropriation account to cover expenses. SB192 of the 2023 regular session includes authority for an additional $430 million.

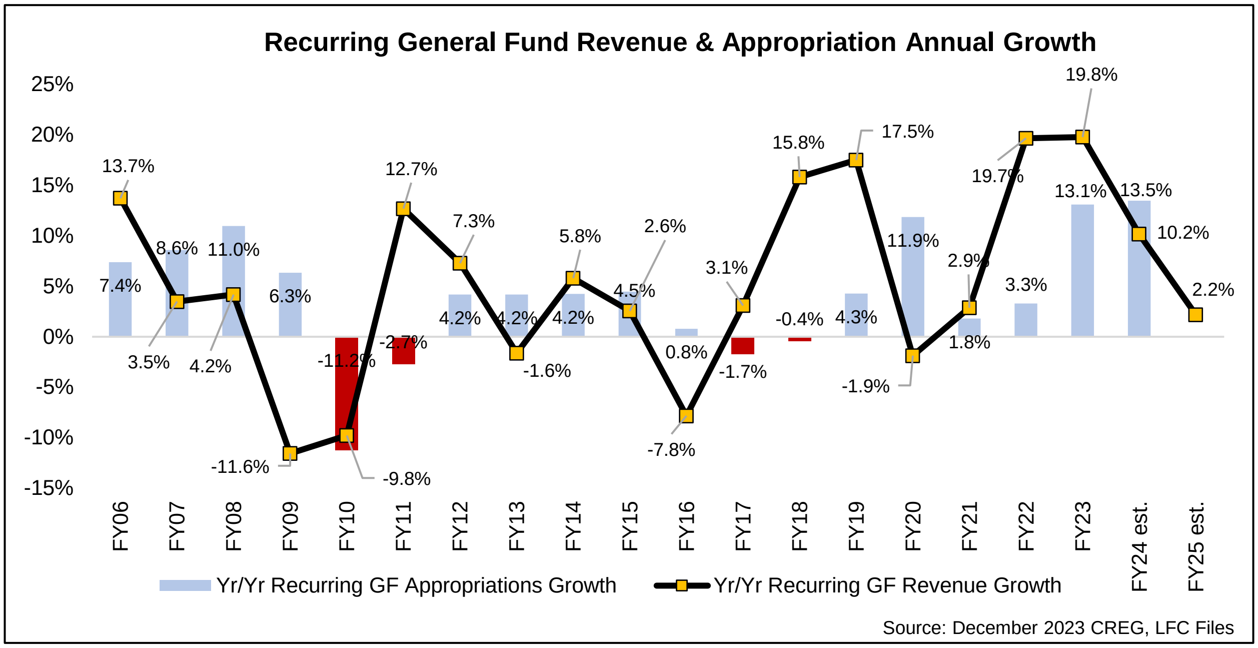
* Note: totals may not foot due to rounding

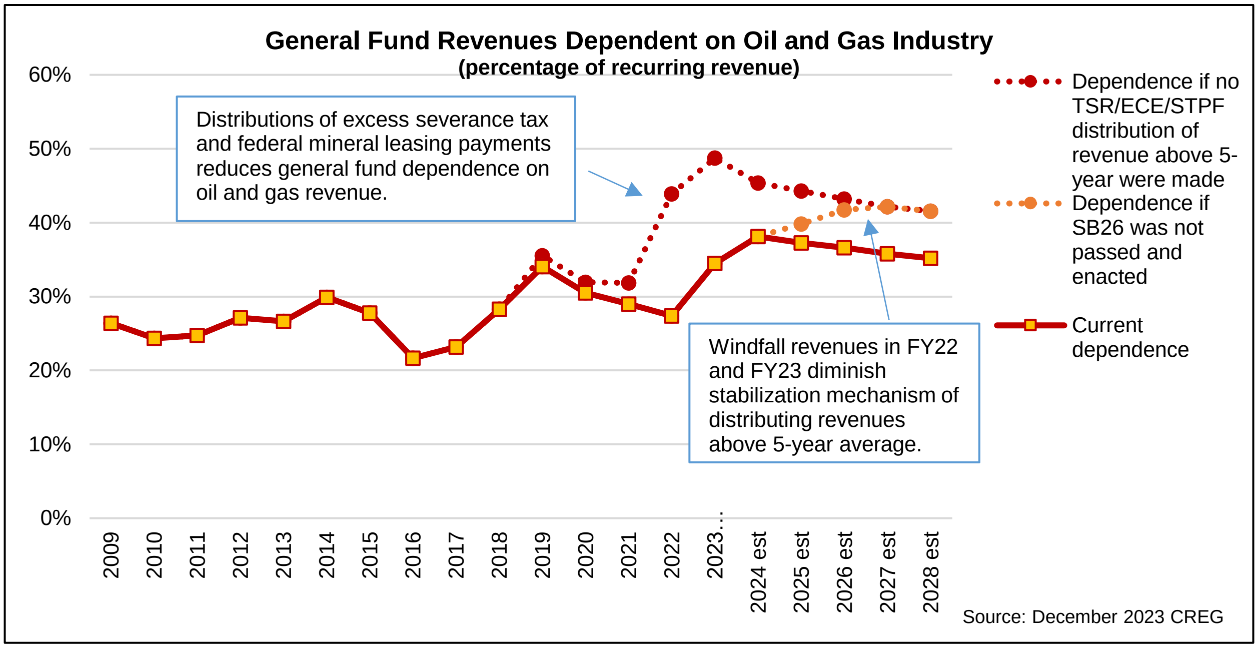
## U.S. and New Mexico Economic Indicators

| | | FY23 | | FY24 | | FY25 | | FY26 | | FY27 | | FY28 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Aug 23 Forecast | Dec 23 Forecast | Aug 23 Forecast | Dec 23 Forecast | Aug 23 Forecast | Dec 23 Forecast | Aug 23 Forecast | Dec 23 Forecast | Aug 23 Forecast | Dec 23 Forecast | Aug 23 Forecast | Dec 23 Forecast |
| | **National Economic Indicators** | | | | | | | | | | | | |
| S&P Global | US Real GDP Growth (annual avg.,% YOY)* | 2.3 | 2.4 | 1.1 | 2.4 | 1.5 | 2.1 | 1.7 | 1.2 | 1.8 | 1.5 | 1.8 | 1.8 |
| Moody's | US Real GDP Growth (annual avg. ,% YOY)* | 1.7 | 1.6 | 1.1 | 2.4 | 1.8 | 1.4 | 2.7 | 2.0 | 2.7 | 2.3 | 2.6 | 2.4 |
| S&P Global | US Inflation Rate (CPI-U, annual avg., % YOY)** | 4.1 | 4.1 | 2.8 | 2.4 | 2.5 | 2.3 | 2.3 | 2.3 | 2.3 | 2.1 | 2.2 | 2.2 |
| Moody's | US Inflation Rate (CPI-U, annual avg., % YOY)** | 6.3 | 6.3 | 3.1 | 3.2 | 2.3 | 2.4 | 2.0 | 2.2 | 2.0 | 2.2 | 2.0 | 2.2 |
| S&P Global | Federal Funds Rate (%) | 5.0 | 3.8 | 5.4 | 5.5 | 3.6 | 4.8 | 2.6 | 3.4 | 2.6 | 2.7 | 2.6 | 2.6 |
| Moody's | Federal Funds Rate (%) | 3.8 | 3.8 | 5.3 | 5.3 | 3.9 | 4.7 | 2.7 | 3.7 | 2.5 | 3.0 | 2.5 | 2.9 |
| | **New Mexico Labor Market and Income Data** | | | | | | | | | | | | |
| BBER | NM Non-Agricultural Employment Growth (%) | 2.8 | 3.0 | 1.0 | 1.0 | 0.1 | 0.2 | 0.3 | 0.3 | 0.5 | 0.5 | 0.6 | 0.5 |
| Moody's | NM Non-Agricultural Employment Growth (%) | 2.8 | 2.8 | 1.5 | 1.6 | 0.5 | 0.5 | 0.5 | 0.3 | 0.2 | 0.1 | 0.2 | 0.1 |
| BBER | NM Nominal Personal Income Growth (%)*** | 2.5 | 2.1 | 5.4 | 4.3 | 4.5 | 4.6 | 4.4 | 4.8 | 4.3 | 4.5 | 4.5 | 4.4 |
| Moody's | NM Nominal Personal Income Growth (%)*** | 2.5 | 1.9 | 6.4 | 4.2 | 4.6 | 4.3 | 4.0 | 4.2 | 4.2 | 4.3 | 4.1 | 4.3 |
| BBER | NM Total Wages & Salaries Growth (%) | 9.3 | 8.4 | 4.0 | 5.5 | 3.8 | 3.8 | 3.7 | 3.6 | 3.7 | 3.7 | 3.7 | 3.8 |
| Moody's | NM Total Wages & Salaries Growth (%) | 10.1 | 8.3 | 6.1 | 5.8 | 4.4 | 4.6 | 3.9 | 4.1 | 3.5 | 3.7 | 3.4 | 3.7 |
| BBER | NM Private Wages & Salaries Growth (%) | 9.3 | 8.4 | 4.4 | 6.0 | 3.7 | 3.7 | 3.7 | 3.6 | 3.7 | 3.7 | 3.7 | 3.9 |
| BBER | NM Real Gross State Product (% YOY) | 1.7 | 1.8 | 1.2 | 1.6 | 1.9 | 1.7 | 1.6 | 1.2 | 1.7 | 1.6 | 1.7 | 1.9 |
| Moody's | NM Real Gross State Product (% YOY) | 1.9 | 2.0 | 1.2 | 2.1 | 1.4 | 1.0 | 2.5 | 1.7 | 2.4 | 1.9 | 2.3 | 1.9 |
| CREG | NM Gross Oil Price ($/barrel) | $80.50 | $80.65 | $74.50 | $79.50 | $73.00 | $75.00 | $71.00 | $69.50 | $70.00 | $69.00 | $70.00 | $69.00 |
| CREG | NM Net Oil Price ($/barrel)***** | $70.52 | $70.65 | $65.41 | $69.80 | $64.09 | $65.85 | $62.34 | $61.02 | $61.46 | $60.58 | $61.46 | $60.58 |
| BBER | Oil Volumes (million barrels) | 656 | 656 | 652 | 652 | 648 | 648 | 648 | 648 | 653 | 652 | 659 | 655 |
| CREG | NM Taxable Oil Volumes (million barrels) | 659 | 658 | 695 | 685 | 725 | 710 | 760 | 725 | 775 | 735 | 785 | 745 |
| | NM Taxable Oil Volumes (%YOY growth) | 24.0% | 23.7% | 5.5% | 4.2% | 4.3% | 3.6% | 4.8% | 2.1% | 2.0% | 1.4% | 1.3% | 1.4% |
| CREG | NM Gross Gas Price ($ per thousand cubic feet)**** | $5.65 | $5.40 | $3.60 | $3.45 | $3.95 | $3.80 | $4.20 | $4.10 | $4.30 | $3.95 | $4.40 | $4.00 |
| CREG | NM Net Gas Price ($ per thousand cubic feet)***** | $4.28 | $4.03 | $2.49 | $2.36 | $2.78 | $2.64 | $2.99 | $2.89 | $3.08 | $2.77 | $3.17 | $2.81 |
| BBER | Gas Volumes (billion cubic feet) | 3,187 | 3,232 | 3,094 | 3,227 | 3,042 | 3,156 | 3,048 | 3,168 | 3,082 | 3,193 | 3,141 | 3,232 |
| CREG | NM Taxable Gas Volumes (billion cubic feet) | 3,230 | 3,234 | 3,410 | 3,275 | 3,555 | 3,320 | 3,580 | 3,340 | 3,615 | 3,345 | 3,635 | 3,350 |
| | NM Taxable Gas Volumes (%YOY growth) | 24.4% | 24.6% | 5.6% | 1.3% | 4.3% | 1.4% | 0.7% | 0.6% | 1.0% | 0.1% | 0.6% | 0.1% |

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 gross gas prices are estimated using a formula of NYMEX, EIA, and S&P Global future prices
*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
Sources: BBER - July 2023 FOR-UNM baseline. S&P Global Insight - July 2023 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 gross gas prices are estimated using a formula of NYMEX, EIA, and Moodys January future prices
*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
Sources: Moody's baseline


Recurring General Fund Revenue & Appropriation Annual Growth
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
13.7%
7.4%
8.6%
3.5%
11.0%
4.2%
6.3%
-11.6%
-11.2%
-9.8%
12.7%
-2.7%
7.3%
4.2%
4.2%
-1.6%
5.8%
4.2%
2.6%
4.5%
0.8%
-7.8%
3.1%
-1.7%
15.8%
-0.4%
17.5%
4.3%
-1.9%
11.9%
2.9%
1.8%
19.7%
3.3%
19.8%
13.1%
13.5%
10.2%
2.2%
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23
FY24 est.
FY25 est.
Yr/Yr Recurring GF Appropriations Growth
Yr/Yr Recurring GF Revenue Growth
Source: December 2023 CREG, LFC Files


General Fund Revenues Dependent on Oil and Gas Industry
(percentage of recurring revenue)
60%
50%
40%
30%
20%
10%
0%
Distributions of excess severance tax and federal mineral leasing payments reduces general fund dependence on oil and gas revenue.
Windfall revenues in FY22 and FY23 diminish stabilization mechanism of distributing revenues above 5-year average.
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024 est
2025 est
2026 est
2027 est
2028 est
Dependence if no TSR/ECE/STPF distribution of revenue above 5-year were made
Dependence if SB26 was not passed and enacted
Current dependence
Source: December 2023 CREG

**Early Childhood Trust Fund Forecast - December 2023**

(in millions)

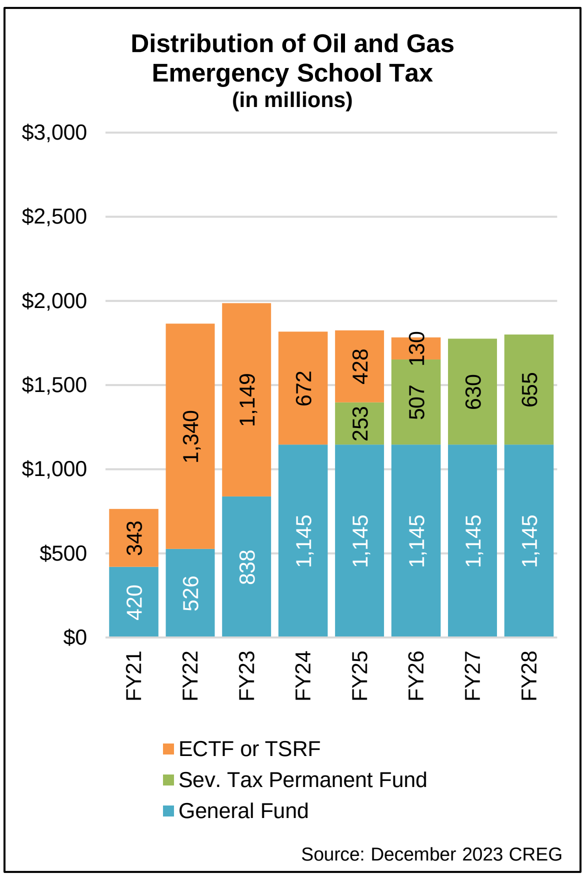
| Calendar Year | 2020 | 2021 | 2022 | *2023* | *2024* | *2025* | *2026* | *2027* | *2028* |
|---|---|---|---|---|---|---|---|---|---|
| | Actual | Actual | Actual | *Estimated* | *Estimated* | *Estimated* | *Estimated* | *Estimated* | *Estimated* |
| Beginning Balance | $300.0 | $300.0 | $314.1 | *$3,462.0* | *$5,508.2* | *$7,741.7* | *$9,108.4* | *$9,774.7* | *$9,852.1* |
| Gains & Losses | $6.1 | $34.1 | *($6.4)* | *$123.2* | *$220.3* | *$309.7* | *$364.3* | *$391.0* | *$394.1* |
| Excess Federal Mineral Leasing | $0.0 | $0.0 | $1,501.5 | *$2,073.0* | *$1,018.1* | *$663.1* | *$246.5* | *$0.0* | *$0.0* |
| Excess OGAS School Tax* | $0.0 | $0.0 | $1,682.8 | *$0.0* | *$1,149.8* | *$672.4* | *$428.1* | *$130.2* | *$0.0* |
| Distribution to ECE Program Fund | $0.0 | ($20.0) | ($30.0) | *($150.0)* | *($154.7)* | *($278.5)* | *($372.6)* | *($443.7)* | *($478.9)* |
| **Ending Balance** | **$306.1** | **$314.1** | ***$3,462.0*** | ***$5,508.2*** | ***$7,741.7*** | ***$9,108.4*** | ***$9,774.7*** | ***$9,852.1*** | ***$9,767.3*** |

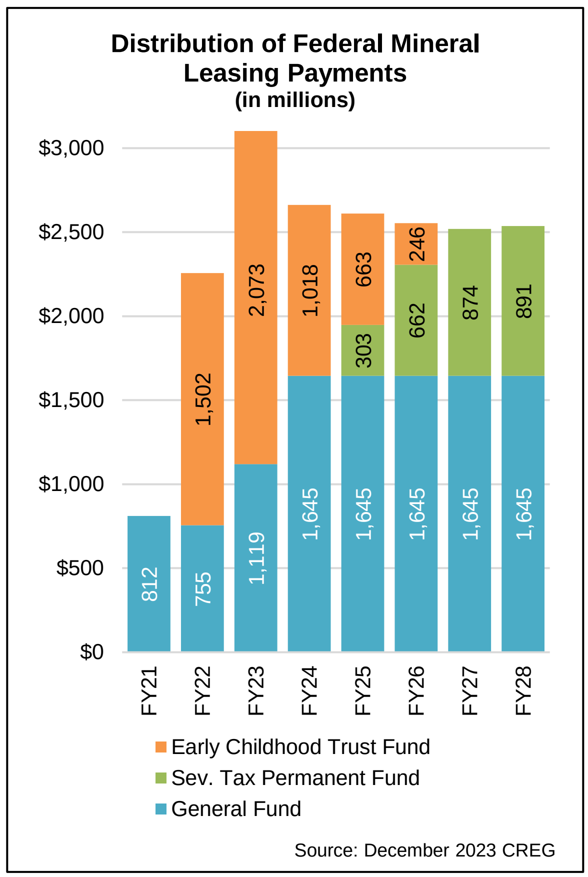
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.

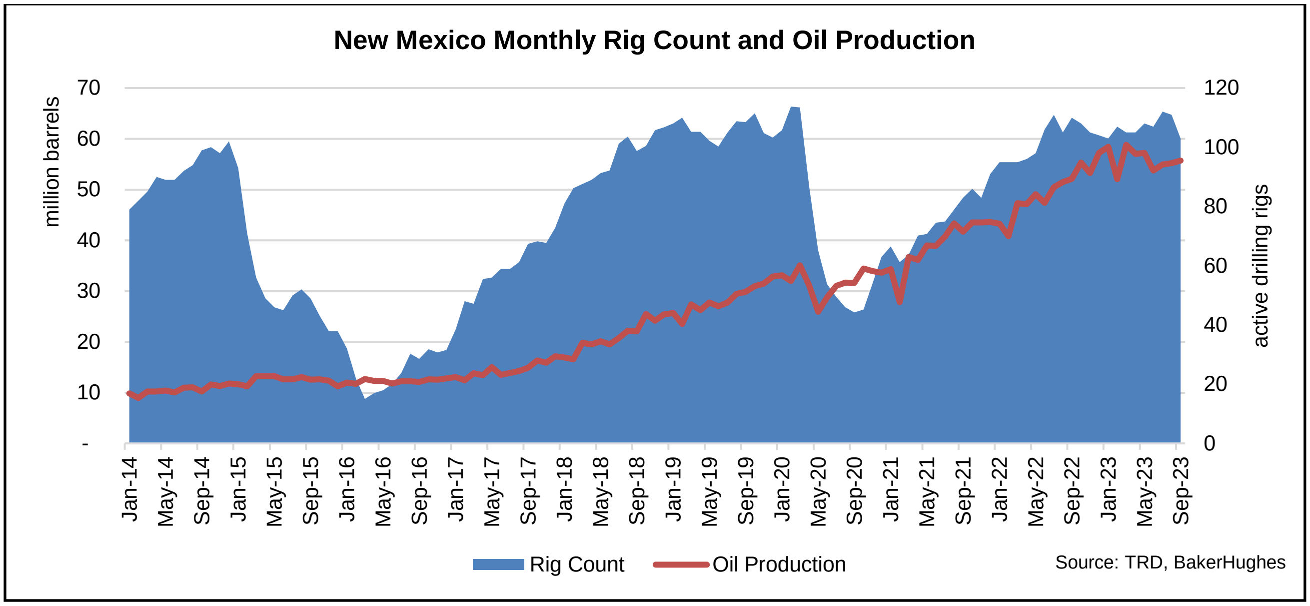
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.

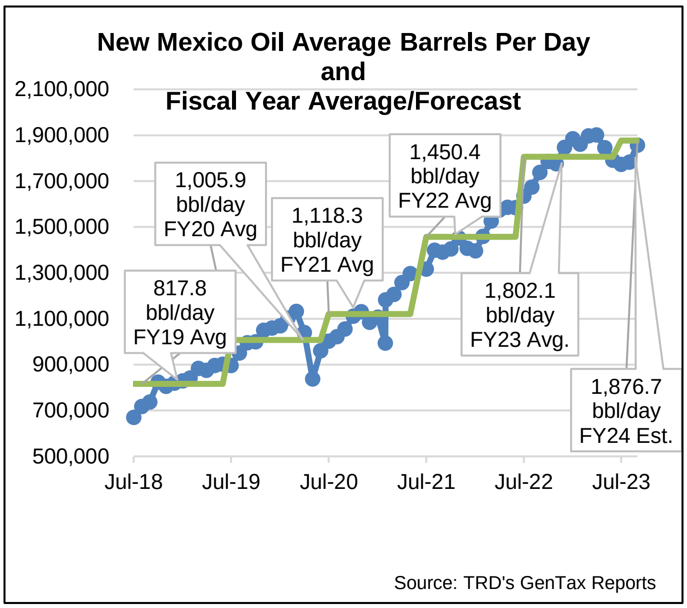
| | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 |
|---|---|---|---|---|---|---|---|---|
| Distribution to ECE Program Fund | $0.00 | $20.00 | $30.00 | $150.00 | $154.74 | $278.53 | $372.64 | $443.75 |

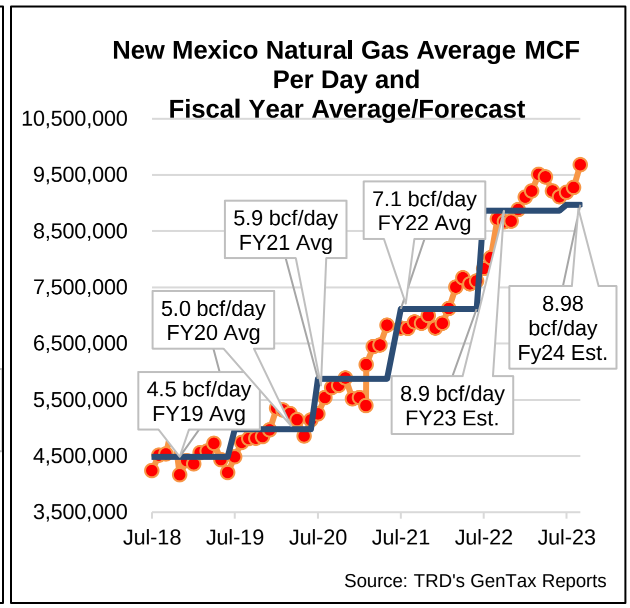
Source: December 2023 Consensus Revenue Forecast

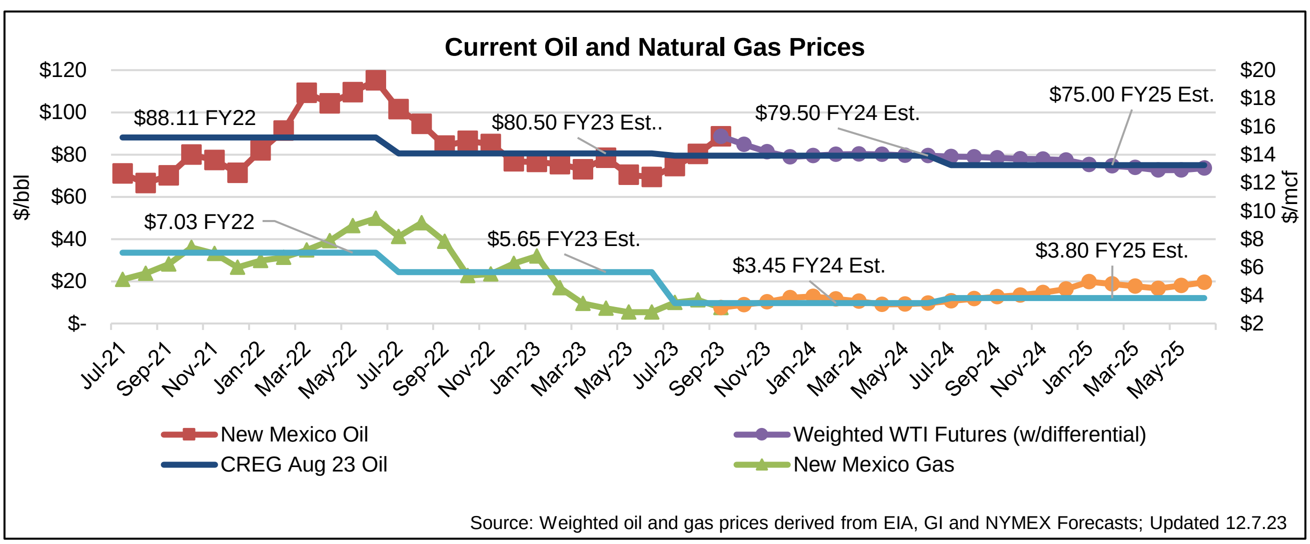


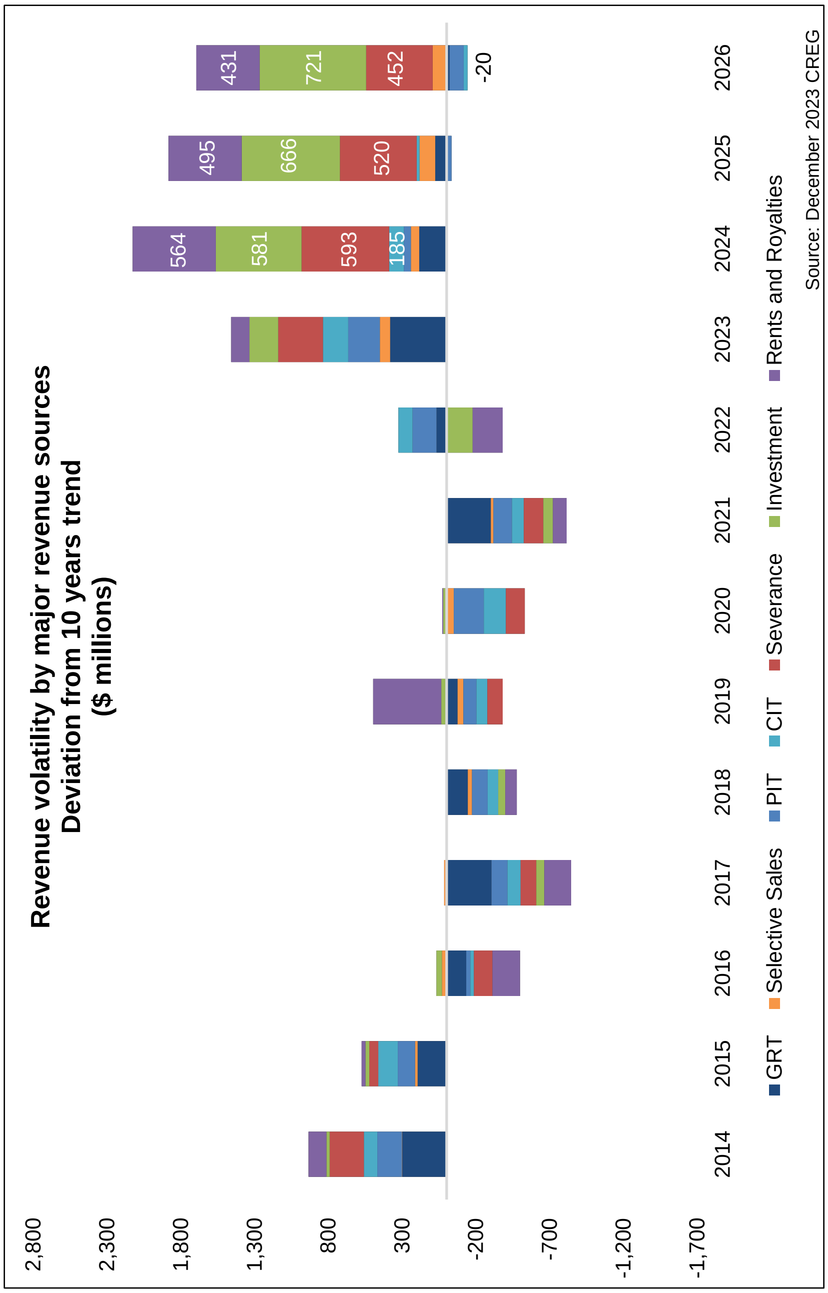



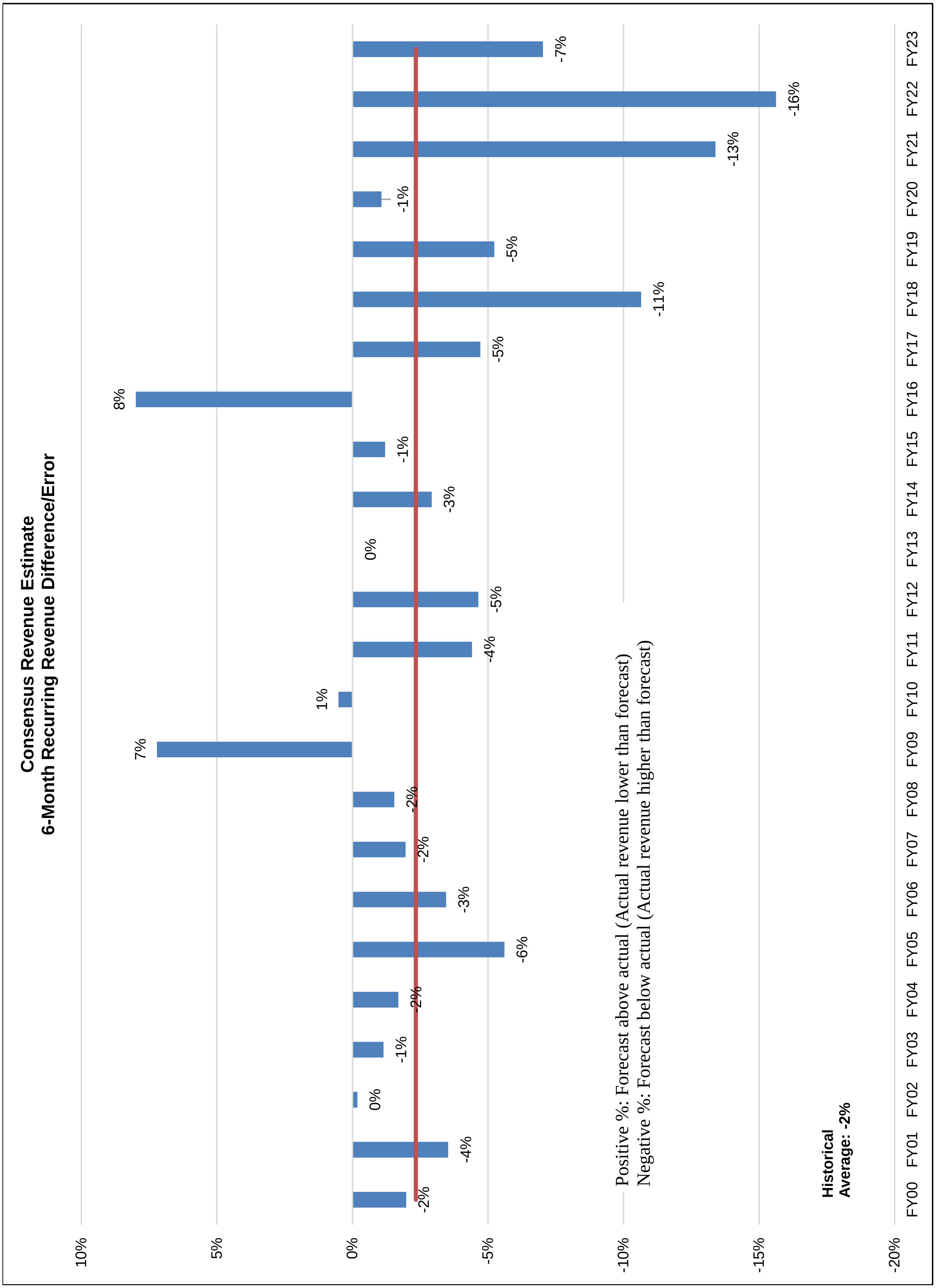

New Mexico Monthly Rig Count and Oil Production
million barrels
active drilling rigs
Rig Count
Oil Production
Source: TRD, BakerHughes


New Mexico Oil Average Barrels Per Day and Fiscal Year Average/Forecast
817.8 bbl/day FY19 Avg
1,005.9 bbl/day FY20 Avg
1,118.3 bbl/day FY21 Avg
1,450.4 bbl/day FY22 Avg
1,802.1 bbl/day FY23 Avg.
1,876.7 bbl/day FY24 Est.
Source: TRD's GenTax Reports


New Mexico Natural Gas Average MCF Per Day and Fiscal Year Average/Forecast
4.5 bcf/day FY19 Avg
5.0 bcf/day FY20 Avg
5.9 bcf/day FY21 Avg
7.1 bcf/day FY22 Avg
8.9 bcf/day FY23 Est.
8.98 bcf/day Fy24 Est.
Source: TRD's GenTax Reports


Current Oil and Natural Gas Prices
$/bbl
$/mcf
$88.11 FY22
$80.50 FY23 Est..
$79.50 FY24 Est.
$75.00 FY25 Est.
$7.03 FY22
$5.65 FY23 Est.
$3.45 FY24 Est.
$3.80 FY25 Est.
New Mexico Oil
CREG Aug 23 Oil
Weighted WTI Futures (w/differential)
New Mexico Gas
Source: Weighted oil and gas prices derived from EIA, GI and NYMEX Forecasts; Updated 12.7.23


Revenue volatility by major revenue sources
Deviation from 10 years trend
($ millions)
2,800
2,300
1,800
1,300
800
300
-200
-700
-1,200
-1,700
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
564
581
593
185
495
666
520
431
721
452
-20
GRT
Selective Sales
PIT
CIT
Severance
Investment
Rents and Royalties
Source: December 2023 CREG


Consensus Revenue Estimate
6-Month Recurring Revenue Difference/Error
10%
5%
0%
-5%
-10%
-15%
-20%
FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23
-2%
-4%
0%
-1%
-2%
-6%
-3%
-2%
-2%
7%
1%
-4%
-5%
0%
-3%
-1%
8%
-5%
-11%
-5%
-1%
-13%
-16%
-7%
Positive %: Forecast above actual (Actual revenue lower than forecast)
Negative %: Forecast below actual (Actual revenue higher than forecast)
Historical Average: -2%

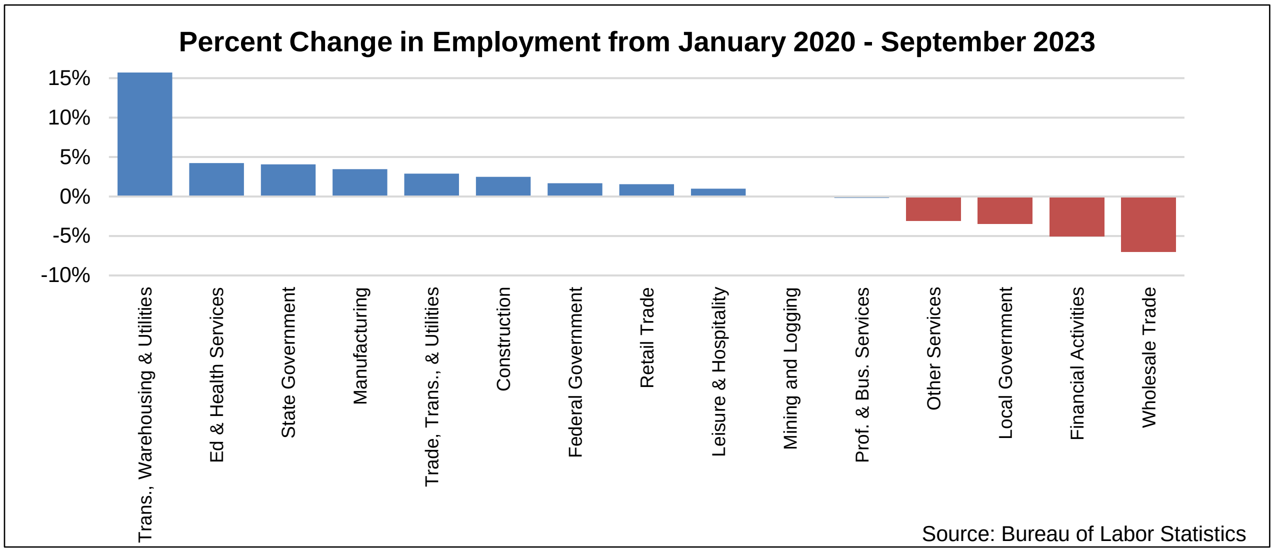
## Tax Changes Over $5 Million: Legislative Sessions 2019-2023

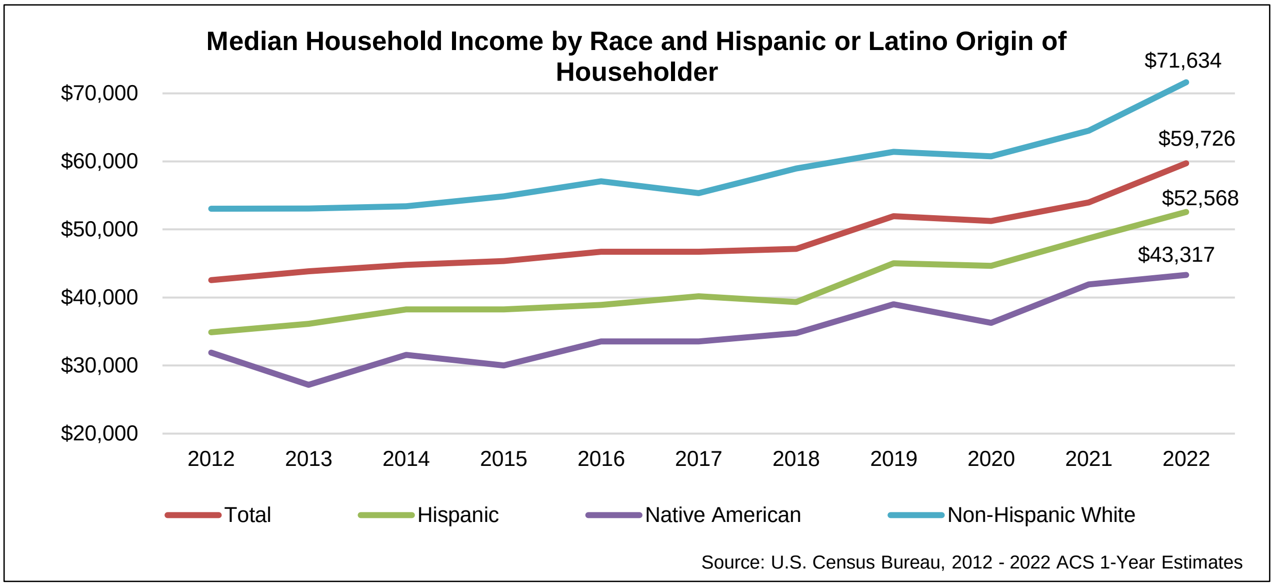
(in millions of dollars)

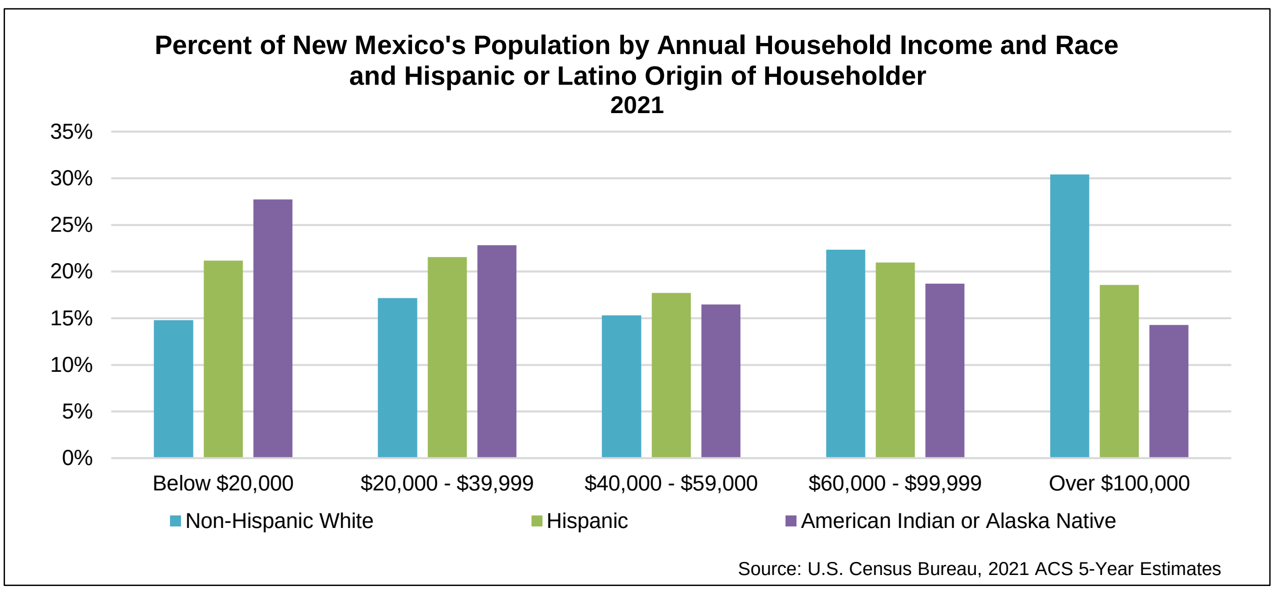
| Category | Item | FY23 Recurring | FY23 Non-Recurring | FY24 Recurring | FY24 Non-Recurring | FY25 Recurring | FY25 Non-Recurring | FY26 Recurring | FY26 Non-Recurring | FY27 Recurring | FY27 Non-Recurring |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross Receipts and Compensating Tax | **2023 Regular Session** | | | | | | | | | | |
| | HB 353 South Campus TIDD | | | $ (5.5) | | $ (5.5) | | $ (5.5) | | $ (5.5) | |
| | HB 547 Omnibus Tax Package | | | | | | | | | | |
| | Healthcare Practitioner Copay/Deductible Deducti | | | $ (39.3) | | $ (38.9) | | $ (38.6) | | $ (38.5) | |
| | **2022 Regular Session** | | | | | | | | | | |
| | HB 163 Tax Changes | | | | | | | | | | |
| | GRT Rate Cut | $ (94.1) | | $ (244.6) | | $ (199.9) | | $ (206.2) | | $ (206.2) | |
| | B to B Manufacturers | $ (5.6) | | $ (5.8) | | $ (6.0) | | $ (6.2) | | $ (6.2) | |
| | **2021 First Special Session** | | | | | | | | | | |
| | HB 2 Cannabis Regulation Act | | | | | | | | | | |
| | Medical Cannabis GRT Deduction | $ (11.6) | | $ (13.9) | | $ (13.9) | | $ (13.9) | | $ (13.9) | |
| | GRT Revenue | $ 10.8 | | $ 15.4 | | $ 15.4 | | $ 15.4 | | $ 15.4 | |
| | **2019 Regular Session** | | | | | | | | | | |
| | HB6 Tax Changes | | | | | | | | | | |
| | Hospital Tax Reform | $ 100.0 | | $ 100.0 | | $ 100.0 | | $ 100.0 | | $ 100.0 | |
| | Remote Sales | $ 46.0 | | $ 46.0 | | $ 46.0 | | $ 46.0 | | $ 46.0 | |
| | Remote Sales: State loss from local sharing | $ (22.0) | | $ (22.0) | | $ (22.0) | | $ (22.0) | | $ (22.0) | |
| | Remote sales: State loss from DBS out-of-state | $ (42.0) | | $ (42.0) | | $ (42.0) | | $ (42.0) | | $ (42.0) | |
| | HB 165 Modifying High Wage Jobs Tax Credit | $ (10.0) | | $ (10.0) | | $ (10.0) | | $ (10.0) | | $ (10.0) | |
| | **TOTAL GRT** | **$ (44.7)** | **$ -** | **$ (247.2)** | **$ -** | **$ (206.4)** | **$ -** | **$ (214.4)** | **$ -** | **$ (214.5)** | **$ -** |
| Personal and Corporate Income Tax | **2023 Regular Session** | | | | | | | | | | |
| | HB 547 Omnibus Tax Package | | | | | | | | | | |
| | 2021 Income Tax Rebates | | $ (694.6) | | $ (12.7) | | | | | | |
| | Child Income Tax Credit | | | $ (102.6) | | $ (106.6) | | $ (108.9) | | $ (111.1) | |
| | Film Tax Credits | | | | | $ (61.5) | | $ (75.9) | | $ (87.3) | |
| | **2022 Third Special Session** | | | | | | | | | | |
| | HB 2 Tax Rebates | | $ (53.1) | | | | | | | | |
| | **2022 Regular Session** | | | | | | | | | | |
| | HB 163 Tax Changes | | | | | | | | | | |
| | Child Credit | | | $ (74.0) | | $ (74.7) | | $ (75.4) | | $ (75.4) | |
| | Military Pension Exemption | $ (4.8) | | $ (8.8) | | $ (11.6) | | $ (12.1) | | $ (12.1) | |
| | Social Security Exemption | $ (71.5) | | $ (76.0) | | $ (80.2) | | $ (84.6) | | $ (84.6) | |
| | Nurses Credit | | $ (6.0) | | | | | | | | |
| | 2021 Rebate | | $ (21.9) | | | | | | | | |
| | HB 291 Tax Changes | $ (44.6) | | $ (62.5) | | $ (63.2) | | $ (63.2) | | $ (63.2) | |
| | Low Income Comprehensive Tax Rebate | | | | | | | | | | |
| | Working Families Tax Credit | | | | | | | | | | |
| | **2019 Regular Session** | | | | | | | | | | |
| | SB 2 Film Tax Credit Changes | $ (95.9) | | $ (95.9) | | $ (95.9) | | $ (95.9) | | $ (95.9) | |
| | HB6 Tax Changes | | | | | | | | | | |
| | New PIT Brackets | $ 42.9 | | $ 42.9 | | $ 42.9 | | $ 42.9 | | $ 42.9 | |
| | Increase WFTC to 17% | $ (41.0) | | $ (41.0) | | $ (41.0) | | $ (41.0) | | $ (41.0) | |
| | Dependent Deduction | $ (28.0) | | $ (28.0) | | $ (28.0) | | $ (28.0) | | $ (28.0) | |
| | Change PIT Deduction for Capital Gains | $ 10.0 | | $ 10.0 | | $ 10.0 | | $ 10.0 | | $ 10.0 | |
| | **TOTAL PIT/CIT** | **$ (245.2)** | **$ (776.1)** | **$ (448.1)** | **$ (19.4)** | **$ (522.5)** | **$ -** | **$ (545.1)** | **$ -** | **$ (558.7)** | **$ -** |
| Other Taxes | **2023 Regular Session** | | | | | | | | | | |
| | SB 26 Excess Oil & Gas Funds to Severance Tax Fund | | | | | $ (587.6) | | $ (1,204.0) | | $ (1,681.7) | |
| | SB 491 Health Premium Tax for Law Enforcement | | | $ (22.5) | | $ (21.8) | | $ (22.2) | | $ (22.6) | |
| | **2021 Regular Session** | | | | | | | | | | |
| | SB 3 Small Business Recovery Act | $ (5.0) | | $ (10.4) | | $ (16.1) | | $ (22.2) | | $ (22.2) | |
| | **2021 First Special Session** | | | | | | | | | | |
| | HB 2 Cannabis Regulation Act | | | | | $ 3.0 | | $ 3.0 | | $ 3.0 | |
| | Cannabis Excise | $ 20.0 | | $ 28.6 | | $ 28.6 | | $ 28.6 | | $ 28.6 | |
| | **2020 Regular Session** | | | | | | | | | | |
| | HB 83 Early Childhood Education and Care Fund | $ (32.8) | | $ (7.6) | | | | | | | |
| | SB3 Small Business Recovery Loan Act | $ (8.6) | | $ (13.2) | | $ (17.8) | | $ (22.6) | | $ (22.6) | |
| | **2019 Regular Session** | | | | | | | | | | |
| | HB6 Tax Changes | | | | | | | | | | |
| | MVEX GF Distribution | $ (28.0) | | $ (28.0) | | $ (28.0) | | $ (28.0) | | $ (28.0) | |
| | Tax E-Cigs and Increase Cig tax | $ 14.0 | | $ 14.0 | | $ 14.0 | | $ 14.0 | | $ 14.0 | |
| | **TOTAL OTHER** | **$ (43.9)** | **$ -** | **$ (44.8)** | **$ -** | **$ (631.4)** | **$ -** | **$ (1,259.0)** | **$ -** | **$ (1,734.1)** | **$ -** |
| **TOTAL CHANGES** | | **$ (333.8)** | **$ (776.1)** | **$ (740.0)** | **$ (19.4)** | **$ (1,360.3)** | **$ -** | **$ (2,728.0)** | **$ -** | **$ (3,230.4)** | **$ -** |

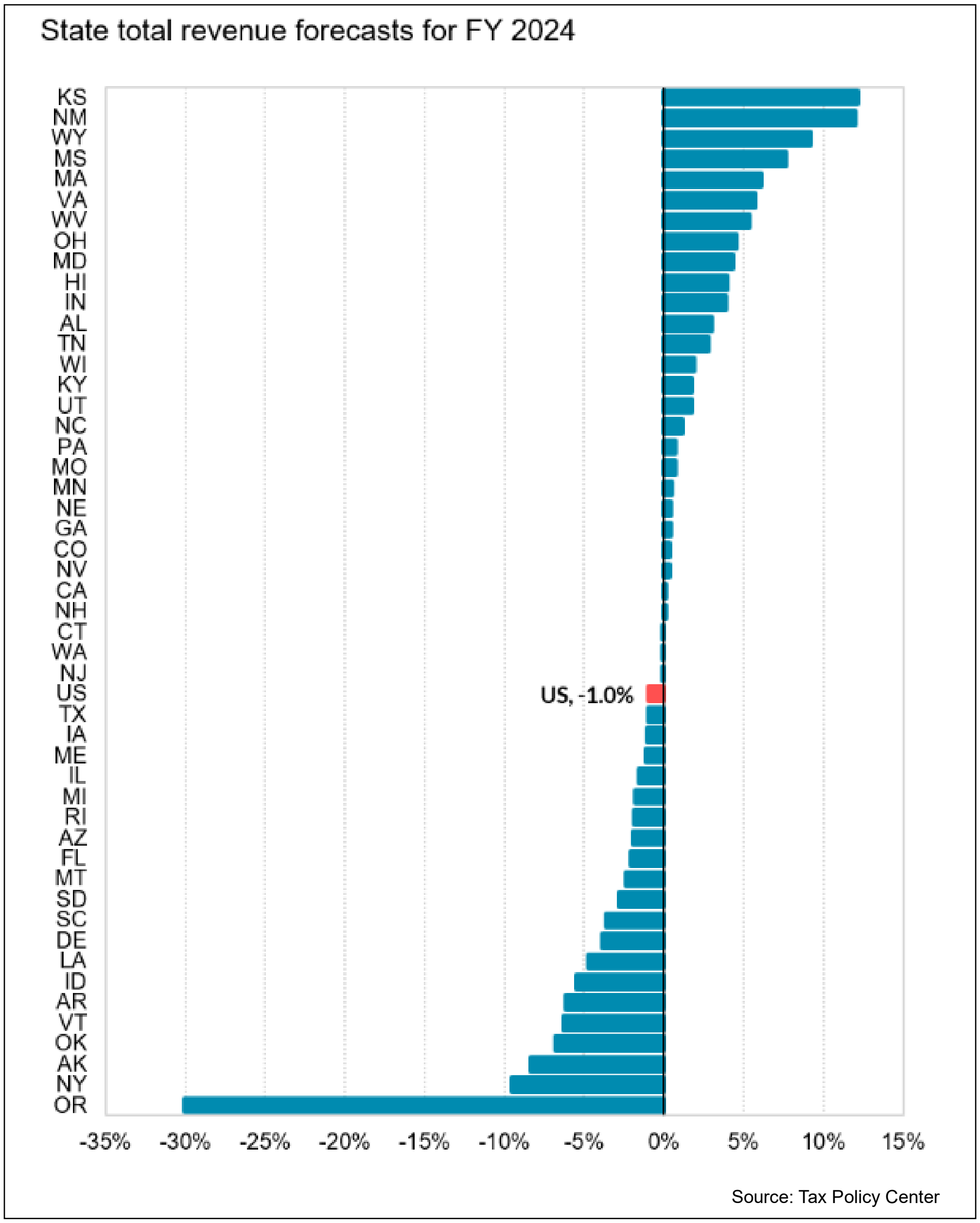
*House bill 6 (HB 6) of the 1st special session of 2020 implements temporary provisions to waive penalties and interest for tax liabilities related to (1) personal and corporate income taxes, (2) withholding taxes, (3) oil and gas proceeds and pass-through entity withholding taxes, (4) gross receipts and compensating taxes, and (5) managed audits.

Note: This list represents tax revenue changes of greater than $5 million. All tax changes, including those less than $5 million, are included in totals.


Percent Change in Employment from January 2020 - September 2023
15%
10%
5%
0%
-5%
-10%
Trans., Warehousing & Utilities
Ed & Health Services
State Government
Manufacturing
Trade, Trans., & Utilities
Construction
Federal Government
Retail Trade
Leisure & Hospitality
Mining and Logging
Prof. & Bus. Services
Other Services
Local Government
Financial Activities
Wholesale Trade
Source: Bureau of Labor Statistics


Median Household Income by Race and Hispanic or Latino Origin of Householder
$71,634
$59,726
$52,568
$43,317
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Total
Hispanic
Native American
Non-Hispanic White
Source: U.S. Census Bureau, 2012 - 2022 ACS 1-Year Estimates


Percent of New Mexico's Population by Annual Household Income and Race and Hispanic or Latino Origin of Householder
2021
35%
30%
25%
20%
15%
10%
5%
0%
Below $20,000
$20,000 - $39,999
$40,000 - $59,000
$60,000 - $99,999
Over $100,000
Non-Hispanic White
Hispanic
American Indian or Alaska Native
Source: U.S. Census Bureau, 2021 ACS 5-Year Estimates


State total revenue forecasts for FY 2024
KS
NM
WY
MS
MA
VA
WV
OH
MD
HI
IN
AL
TN
WI
KY
UT
NC
PA
MO
MN
NE
GA
CO
NV
CA
NH
CT
WA
NJ
US
TX
IA
ME
IL
MI
RI
AZ
FL
MT
SD
SC
DE
LA
ID
AR
VT
OK
AK
NY
OR
US, -1.0%
-35%
-30%
-25%
-20%
-15%
-10%
-5%
0%
5%
10%
15%
Source: Tax Policy Center

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

Attachment 12

## DECEMBER 2023 Estimate

| Sources of Funds | FY24 | FY25 | FY26 | FY27 | FY28 | 5-Year |
|---|---|---|---|---|---|---|
| **General Obligation Bonds** | **$297.4** | | **$297.4** | | **$297.4** | **$892.2** |
| **Senior STBs** | **$1,384.7** | **$1,390.3** | **$1,300.3** | **$1,237.8** | **$1,174.2** | **$6,487.2** |
| Severance Tax Bonds | $666.5 | $666.5 | $666.5 | $666.5 | $666.5 | $3,332.5 |
| Severance Tax Notes | $718.2 | $723.8 | $633.8 | $571.3 | $507.7 | $3,154.7 |
| **Supplemental STBs** | **$757.0** | **$756.7** | **$733.1** | **$740.5** | **$740.5** | **$3,727.8** |
| Supplemental Severance Tax Bonds | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Supplemental Severance Tax Notes | $757.0 | $756.7 | $733.1 | $740.5 | $740.5 | $3,727.8 |
| **TOTAL Sources of Funds** | **$2,439.1** | **$2,146.9** | **$2,330.8** | **$1,978.3** | **$2,212.1** | **$11,107.2** |

| Uses of Funds | FY24 | FY25 | FY26 | FY27 | FY28 | 5-Year |
|---|---|---|---|---|---|---|
| **GOB Projects Approved by Referendum** | **$297.4** | | **$297.4** | | **$297.4** | **$892.2** |
| Authorized but Unissued STB Projects | $7.7 | $0.0 | $0.0 | $0.0 | $0.0 | $7.7 |
| 9.0% of Senior STB for Water Projects | $124.6 | $125.1 | $117.0 | $111.4 | $105.7 | $583.8 |
| 4.5% of Senior STB for Colonias Projects | $62.3 | $62.6 | $58.5 | $55.7 | $52.8 | $291.9 |
| 4.5% of Senior STB for Tribal Projects | $62.3 | $62.6 | $58.5 | $55.7 | $52.8 | $291.9 |
| 2.5% Housing Trust Fund Projects | $34.6 | $34.8 | $32.5 | $30.9 | $29.4 | $162.2 |
| **New Senior STB Statewide Capital Projects** | **$1,093.1** | **$1,105.3** | **$1,033.7** | **$984.0** | **$933.5** | **$5,149.6** |
| **PSCOC Public School Capital** | **$757.0** | **$756.7** | **$733.1** | **$740.5** | **$740.5** | **$3,727.8** |
| **TOTAL Uses of Funds** | **$2,439.1** | **$2,146.9** | **$2,330.8** | **$1,978.3** | **$2,212.1** | **$11,107.2** |

## Estimated Transfer to Severance Tax Permanent Fund

| | FY24 | FY25 | FY26 | FY27 | FY28 | 5-Year |
|---|---|---|---|---|---|---|
| **Severance Tax Permanent Fund Transfer** | **$713.0** | **$327.9** | **$329.2** | **$316.3** | **$344.1** | **$2,030.5** |

*Note: The estimated annual permanent fund transfer includes the mandatory annual transfer of $23.69 million for FY24 through FY28, pursuant to the Laws of 2019, Section 2, Chapter 273 and $92.0 million for FY24 through FY33, pursuant to the Laws of 2023, Section 2, Chapter 124. The authorized but unissued project amount for FY24 is an estimate and will be finalized prior to January 15, 2024.*

# General Fund Consensus Revenue Estimate - December 2023

**FY23 - FY28**

*Prepared by LFC Economists*

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

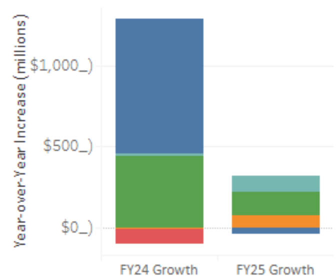
**FY25 estimated new money:** $3.479 billion

*New money is projected recurring revenue for FY25 less FY24 recurring appropriations.*

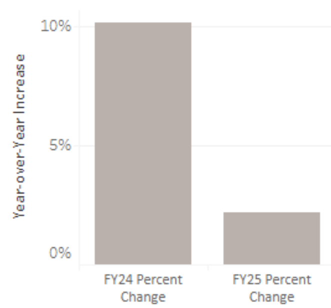
**Estimate Overview**
(in millions of dollars)

| | Grand Total | Annual increase | Percent Increase (%) |
|---|---|---|---|
| Fiscal Year 23 | 11,589.7 | 1,914.4 | 19.8 |
| Fiscal Year 24 | 12,767.8 | 1,178.1 | 10.2 |
| Fiscal Year 25 | 13,047.8 | 280.0 | 2.2 |

**General Fund Change in Recurring Revenue - Amount**

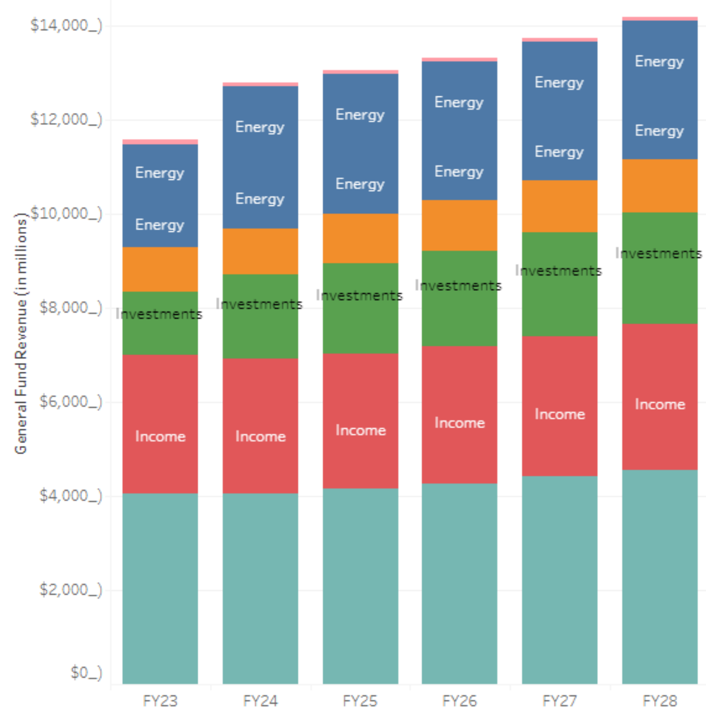



**General Fund Change in Recurring Revenue - Percent**




Total Recurring

**Recurring General Fund Revenue by Type - FY23 to FY28**




Reversions
Energy
Sales, Excise & Other
Investments
Income
GRT & Compensating

Revenue Type Drilldown
- All
- Income
- Sales, Excise & Other
- GRT & Compensating
- Investments
- Energy
- Reversions

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 a consensus on the revenue estimates presented in this dashboard.

LFC General Fund Consensus Dashboard – Link