



NEW MEXICO  
LEGISLATIVE  
FINANCE  
COMMITTEE

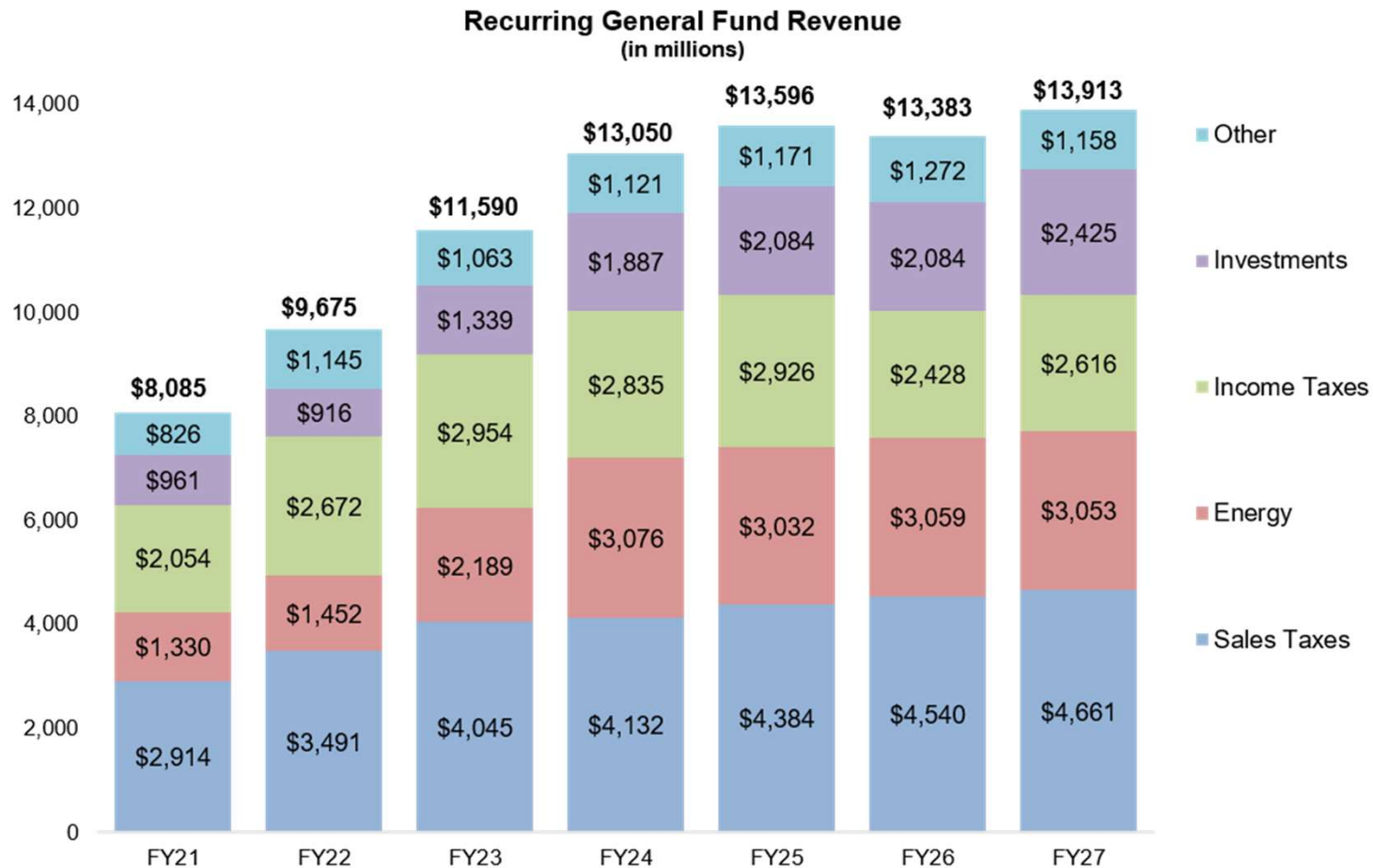
# Post-Session & Outlook

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# Oil production and wage growth led to record-high revenue increases since FY21, but forecasts have significantly slowed.



Source: December 2025 CREG Estimate, pre-session



Lawmakers increased recurring budgets by 3.1 percent to \$11.2 billion. The 2026 session also included over \$2.7 billion of nonrecurring appropriations.

<b>FY27 General Fund Recurring Appropriation Growth</b> (in millions)		
	Amount	Y-o-Y Growth
Legislative	\$1.1	2.1%
Judicial	\$17.4	3.6%
General Control	\$15.8	7.2%
Commerce, Industry	\$4.8	4.3%
Agriculture, Energy and Natural Resources	\$9.4	6.9%
Medicaid	(\$6.8)	(0.3%)
Other Health, Hospitals and Human Services	\$48.8	5.1%
Public Safety	\$25.5	4.4%
Other Education	(\$1.2)	(1.3%)
Higher Education	\$76.1	5.3%
Public School Support	\$115.6	2.5%
Recurring Compensation (excl. public education)	\$26.0	-
<b>Total Recurring</b>	<b>\$332.4</b>	<b>3.1%</b>

Source: LFC Files



Revenue and tax legislation passed during the session reduced recurring general fund revenue by \$200 million by FY29. Additionally, SB 151 appropriated almost \$63 million for 1% cost of living pay adjustment for state employees.

**Appropriation Account Detail: 2026 Regular Session**  
(in millions of dollars)

	FY27		FY28		FY29	
	Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring
<b>REVENUE</b>						
<u>2026 Regular Session:</u>						
Bill No.						
HB 4 Health Care Affordability Fund Distributions			\$ (91.5)		\$ (162.2)	
HB 9 Immigrant Safety Act	\$ (0.6)		\$ (0.5)		\$ (0.5)	
HB 70 PRC Support Agency			\$ (19.5)		\$ (19.7)	
HB 80 Oil and Gas Conservation Tax Act Changes			\$ (46.5)		\$ (76.5)	
HB 291 Tax Changes	\$ (0.2)		\$ (0.2)		\$ (0.2)	
SB 151 Corporate Income Tax Changes (Tax Package)	\$ 50.7		\$ 60.4		\$ 59.5	
<b>TOTAL REVENUE</b>	<b>\$ 49.9</b>	<b>\$ -</b>	<b>\$ (97.9)</b>	<b>\$ -</b>	<b>\$ (199.6)</b>	<b>\$ -</b>
<b>APPROPRIATIONS</b>						
<u>2026 Regular Session:</u>						
SB 151 Corporate Income Tax Changes (Tax Package)	\$ (62.7)		\$ (62.7)		\$ (62.7)	
<b>TOTAL 2026 SESSION APPROPRIATIONS</b>	<b>\$ (62.7)</b>	<b>\$ -</b>	<b>\$ (62.7)</b>	<b>\$ -</b>	<b>\$ (62.7)</b>	<b>\$ -</b>
<b>NET 2026 SESSION APPROPRIATIONS AND REVENUE CHANGES</b>	<b>\$ (12.8)</b>		<b>\$ (160.6)</b>		<b>\$ (262.3)</b>	

Source: LFC Files



The tax package (SB151) decoupled NM's corporate income tax from some federal changes and provided for an assortment of special industry and economic development tax policies, as well as a state employee COLA.

## Senate Bill 151

### General Fund Tax Changes



**\$111.5 million – \$121.5 million**

raised in corporate income taxes from federal decoupling

#### Use of General Fund Revenue

	1% cost of living adjustment for state employees	<b>\$62.7 million</b>
	News and journalist tax credits <i>Local journalist tax credits and local news printer tax credits</i>	<b>\$5.0 million</b> (\$4.0M + \$1.0M)
	Affordable housing construction GRT deductions	<b>\$6.4 million</b>
	Physician tax credits	<b>\$35.3 million</b>
	High wage jobs tax credits	<b>\$5.9 million</b>

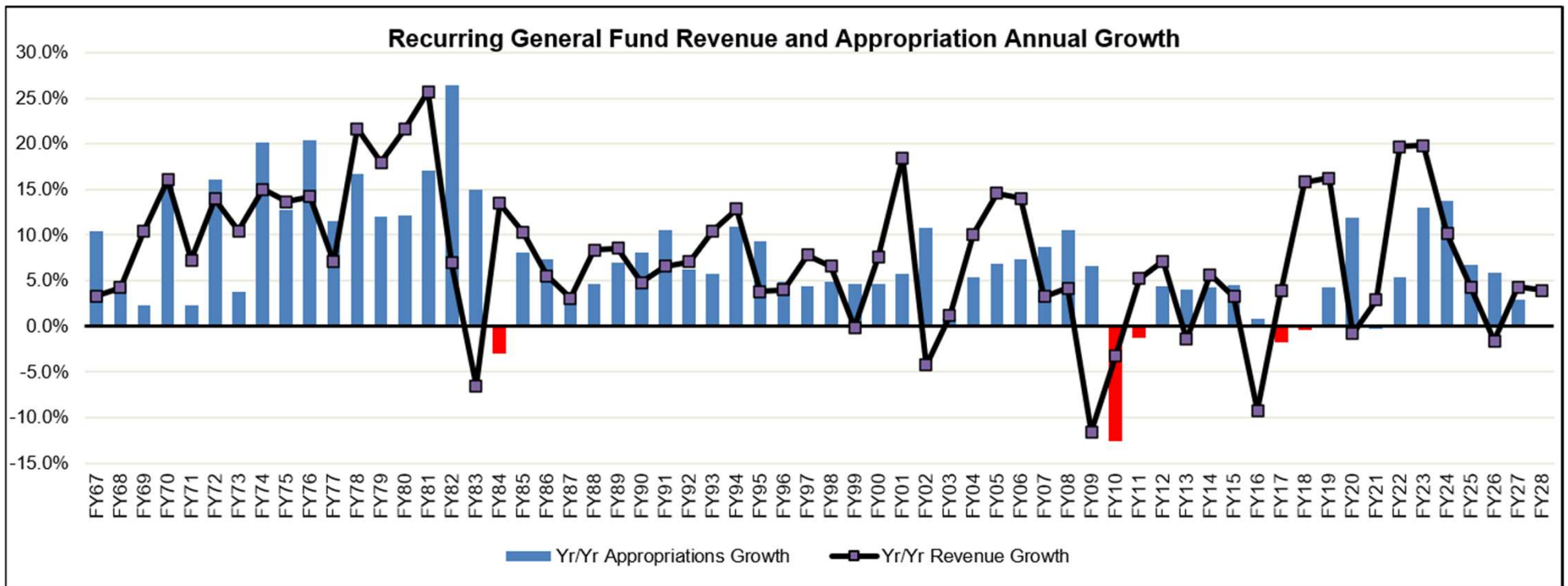


Revenue changes passed since 2019 will reduce recurring revenues by \$1.2 billion next fiscal year.

**Tax and Revenue Changes by Fiscal Year and Session Passed**  
(in millions)



Significant volatility in revenues hampers consistent investments, challenging the state's ability to plan and execute stable budgeting.



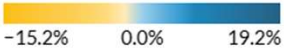
# STATE FINANCIAL OUTLOOK



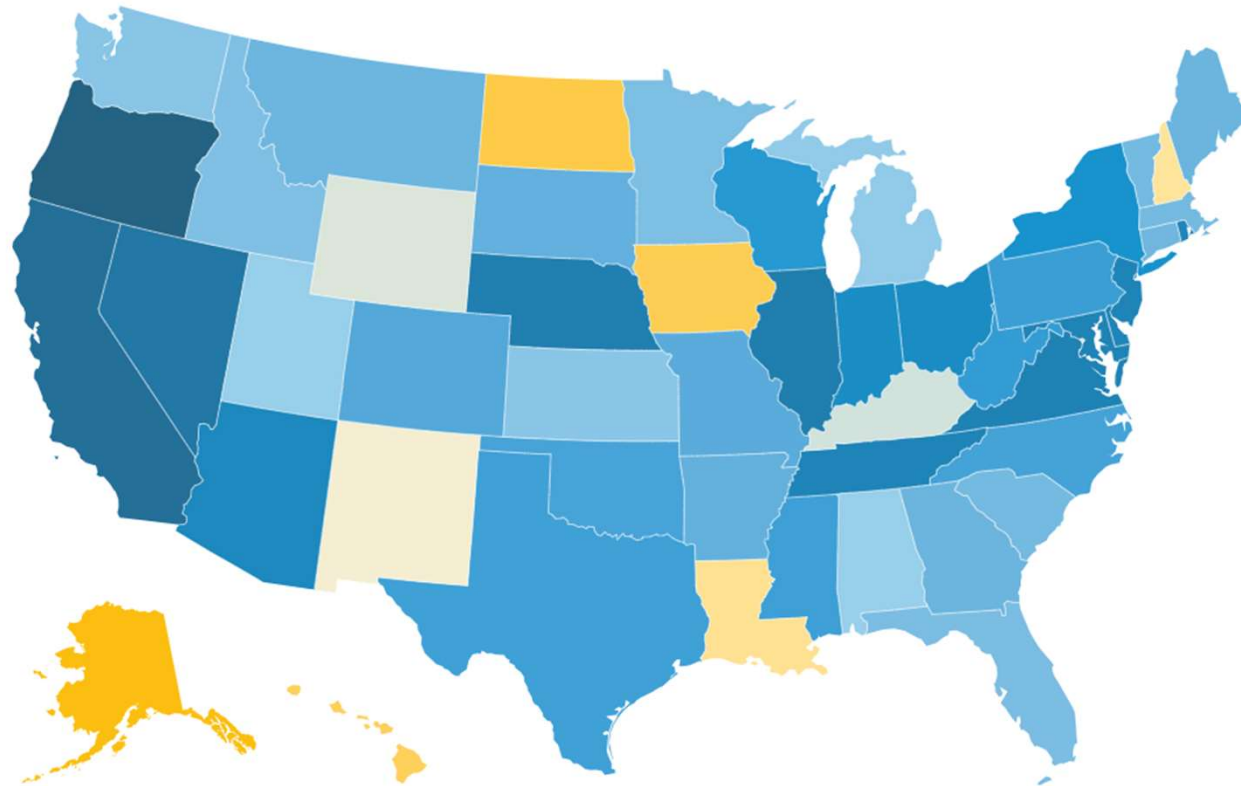
# Ending 2025, New Mexico revenues were weakening, below even the modest growth expectations of under 4%.

## Uneven State Tax Revenue Growth in the First Half of Fiscal Year 2026

Nominal percentage change,  
Fiscal YTD 2026 vs. 2025



-15.2% 0.0% 19.2%

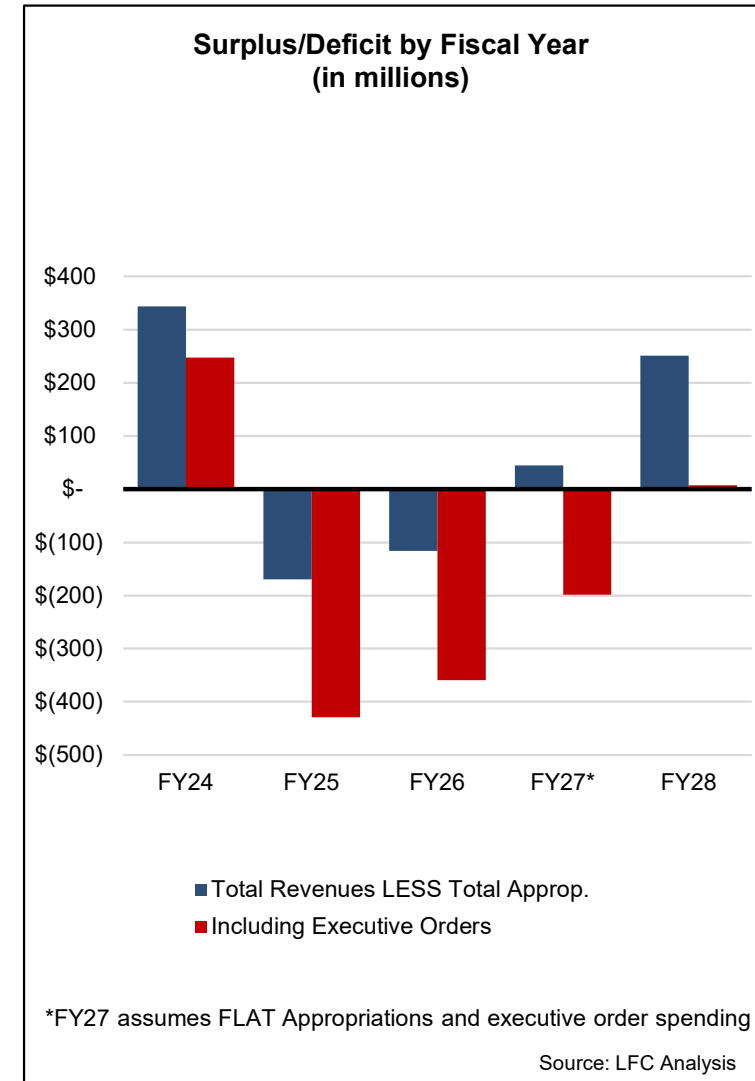
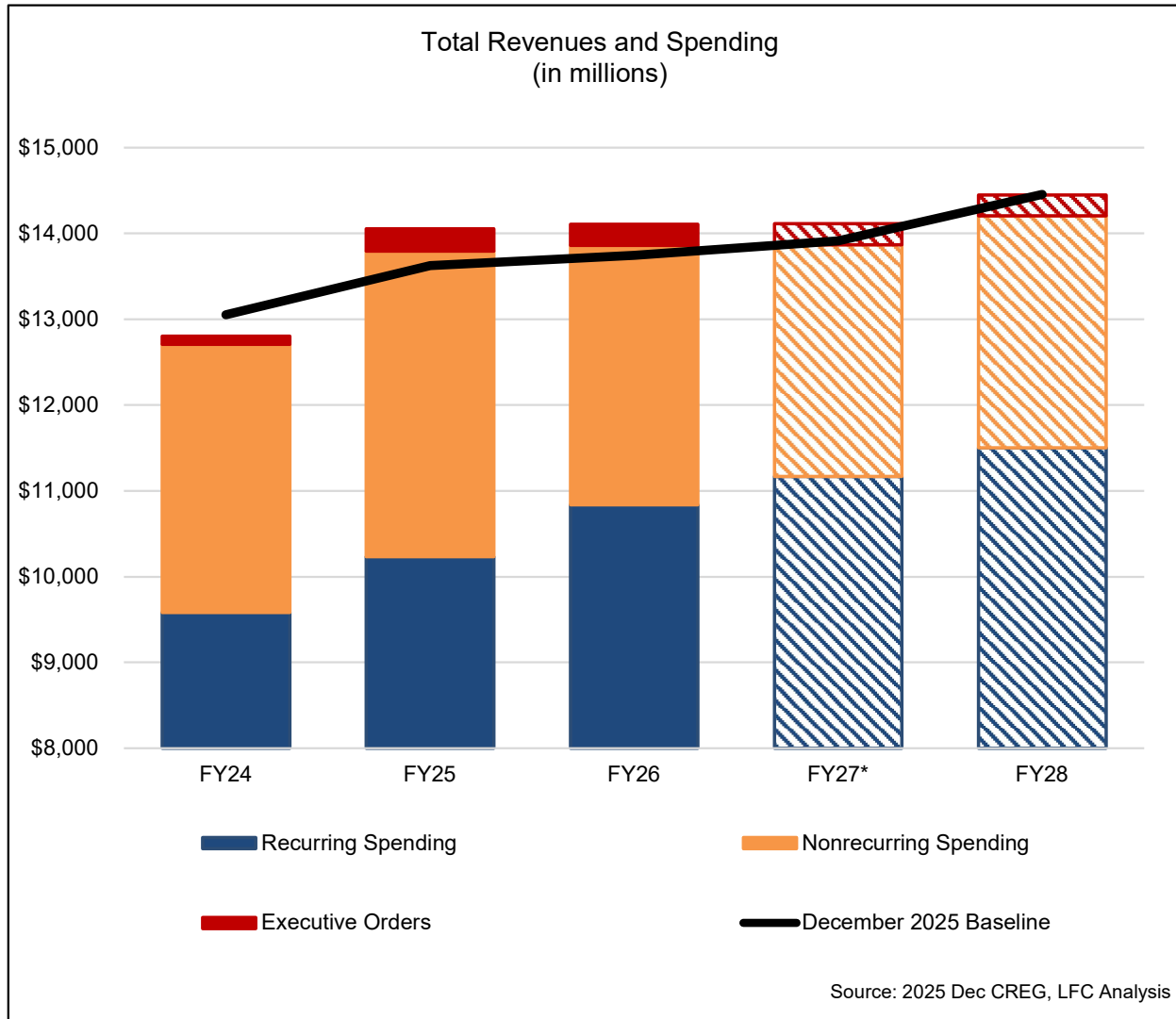


URBAN INSTITUTE

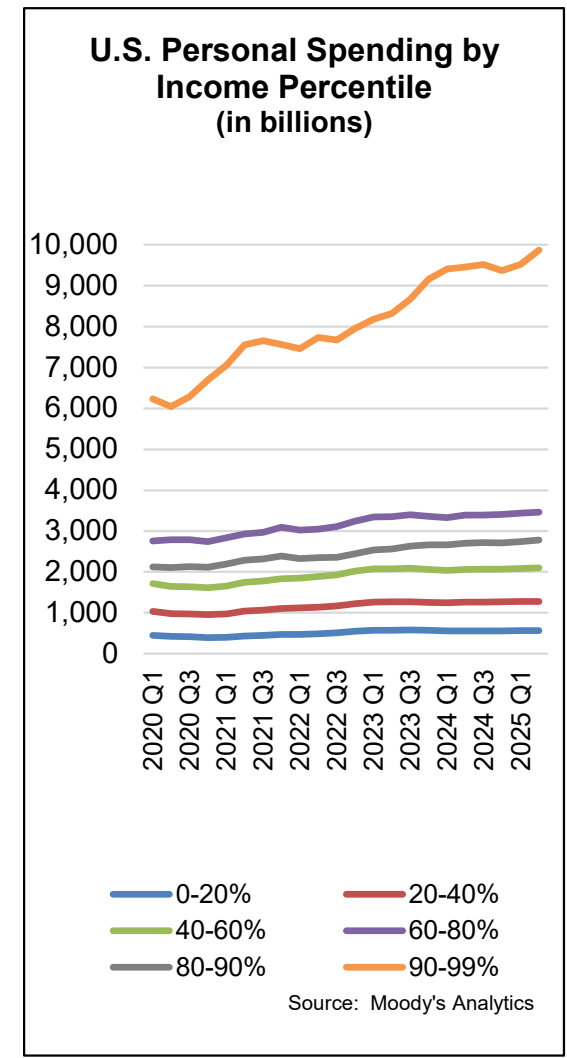
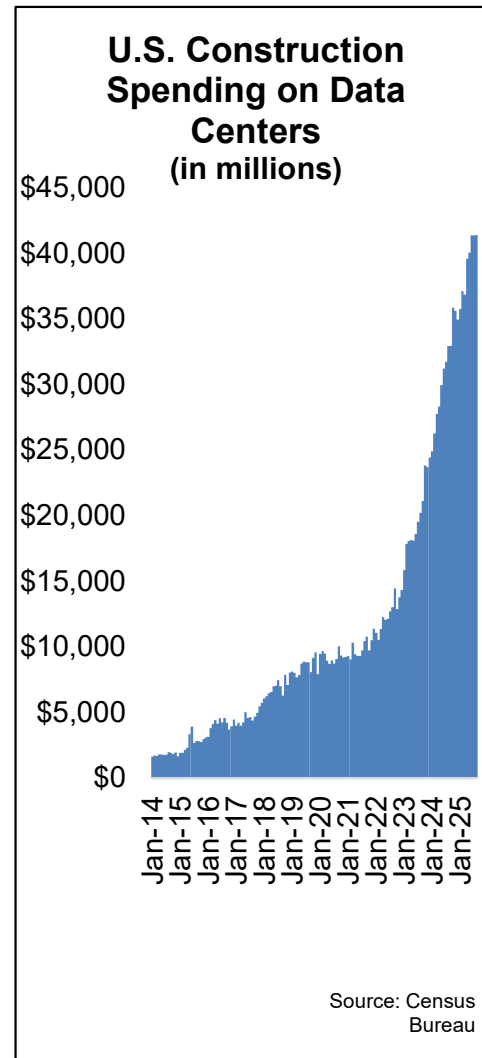
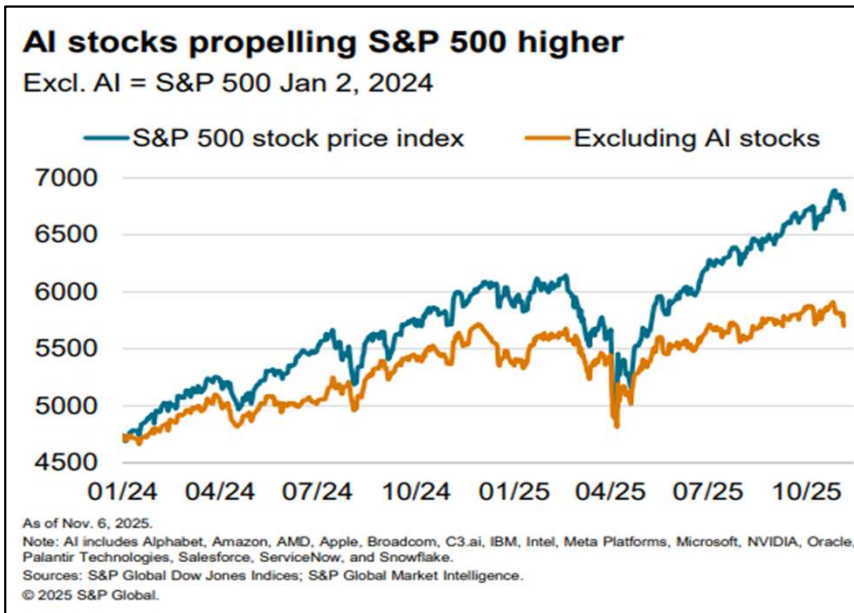


Source: Urban Institute

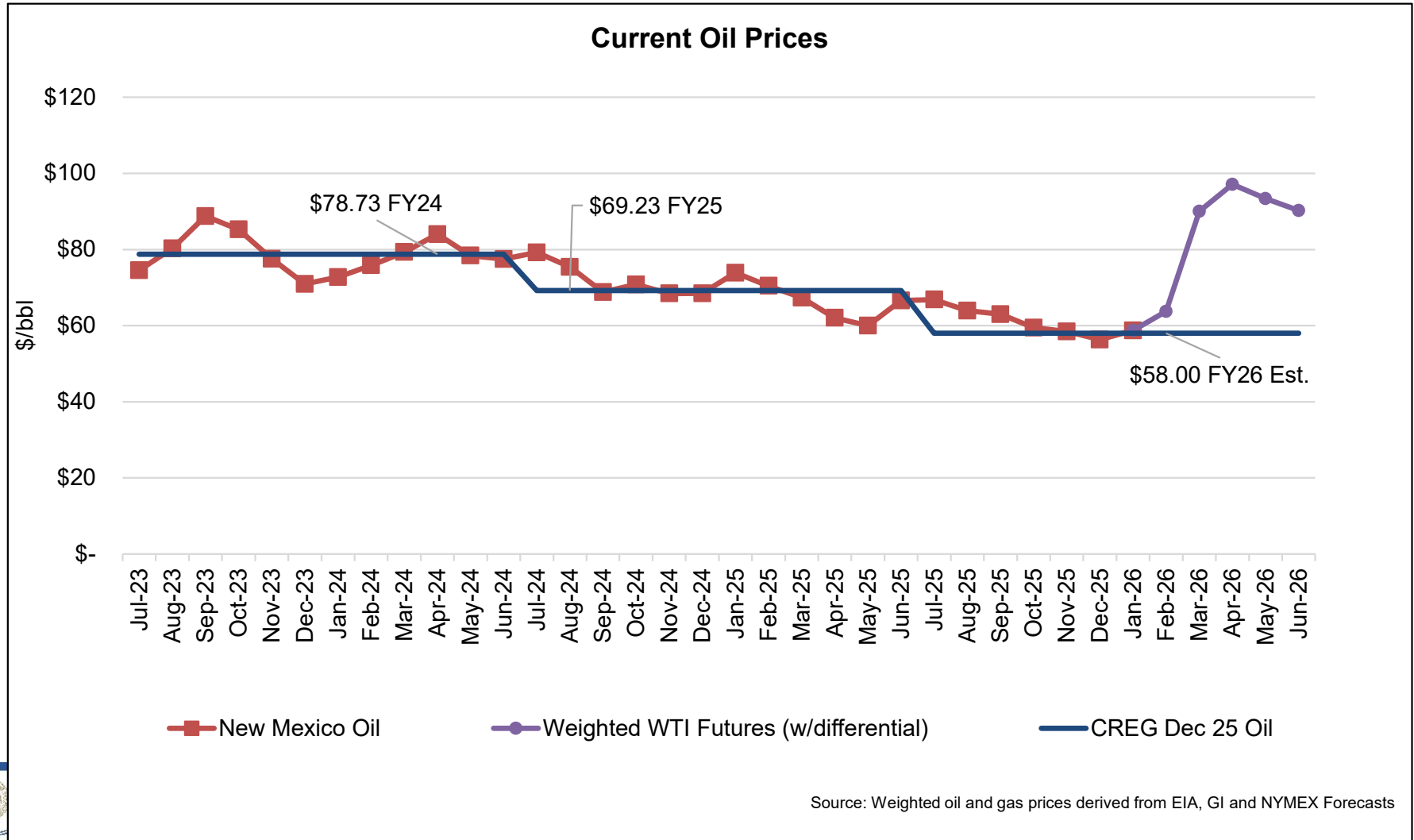
# Total spending is constrained by and exceeding the less than 4% revenue growth.



# U.S. “soft landing” is looking increasingly difficult as economic success becomes dependent on concentrated groups (high income, AI).



# State revenues are benefitting from higher oil prices.



# What do changes in production and prices mean for New Mexico's direct revenues?

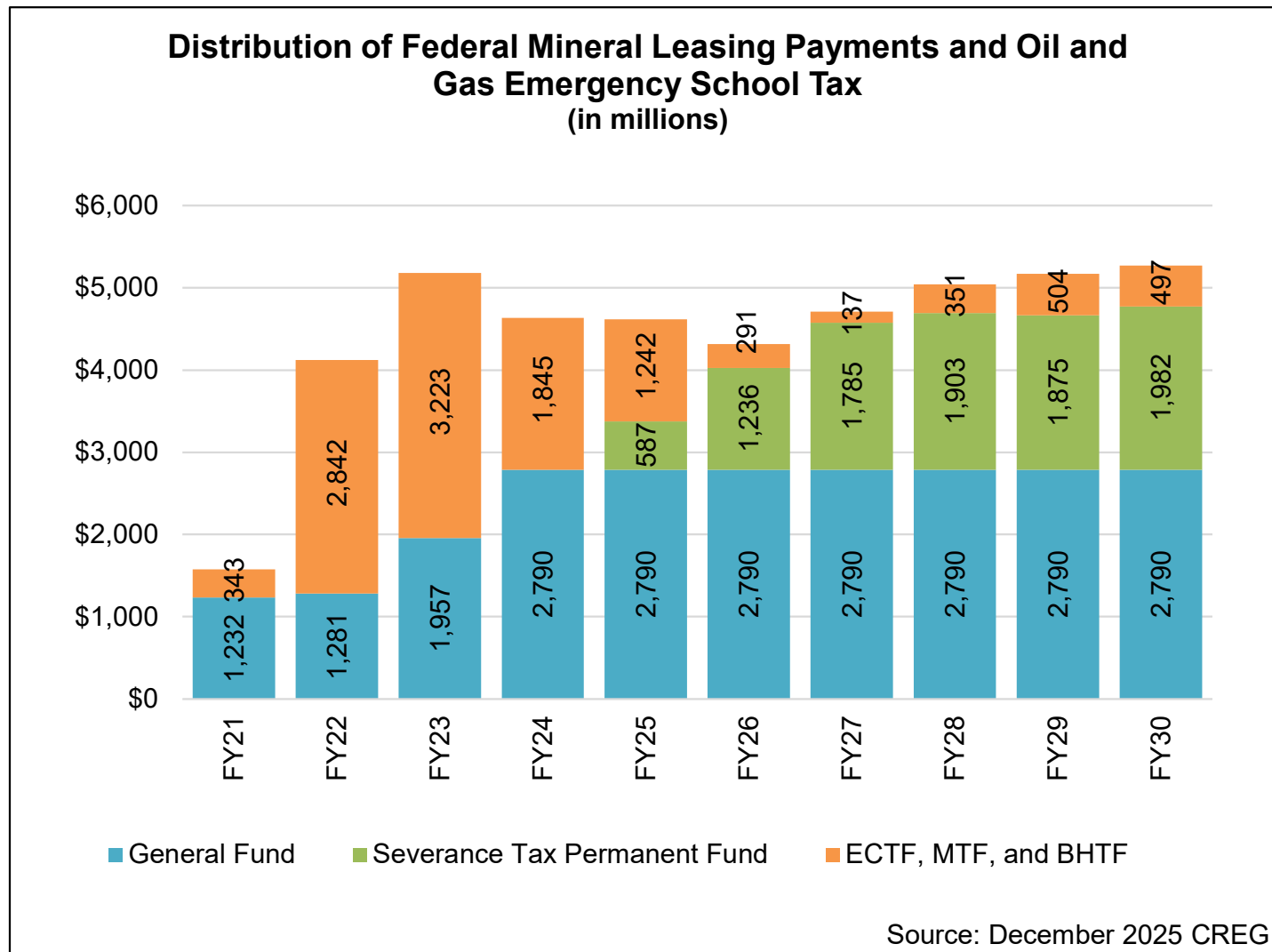
Based on December 2025 estimate for direct oil and gas revenues (production taxes and federal royalties),

- A \$1 change in the annual average NM price of oil has about a \$57.3 million impact on revenues.
- A 10 cent change in the annual average NM price of natural gas has about a \$27.7 million impact.
- Each additional million barrels of oil generates about \$4 million in severance taxes and federal royalties.
- Each additional 10 billion cubic feet of natural gas generates about \$2.4 million in severance taxes and federal royalties.

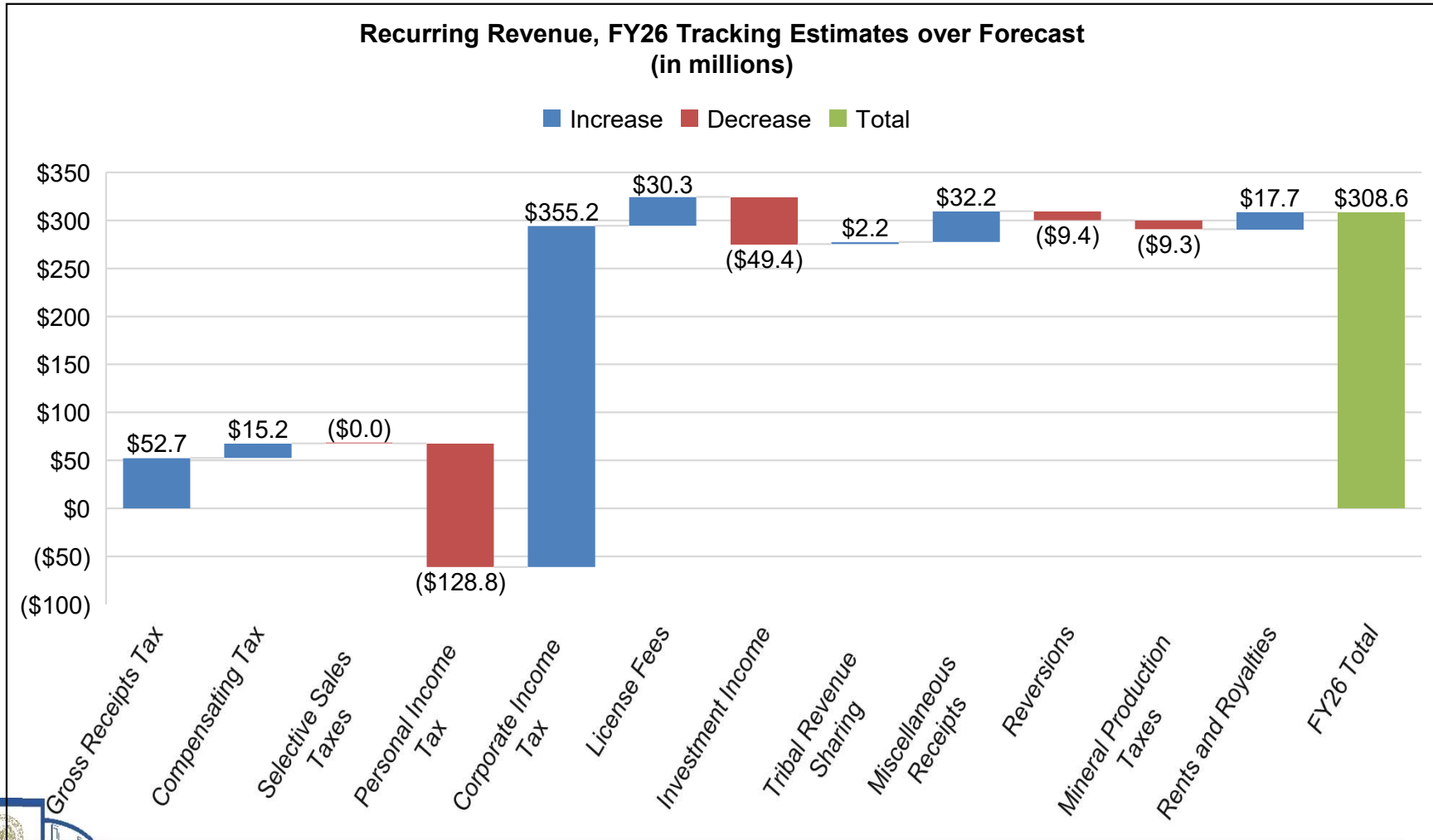


Note: general fund impacts include effects on the tax stabilization reserve

# Upside from oil prices helps, but how much?



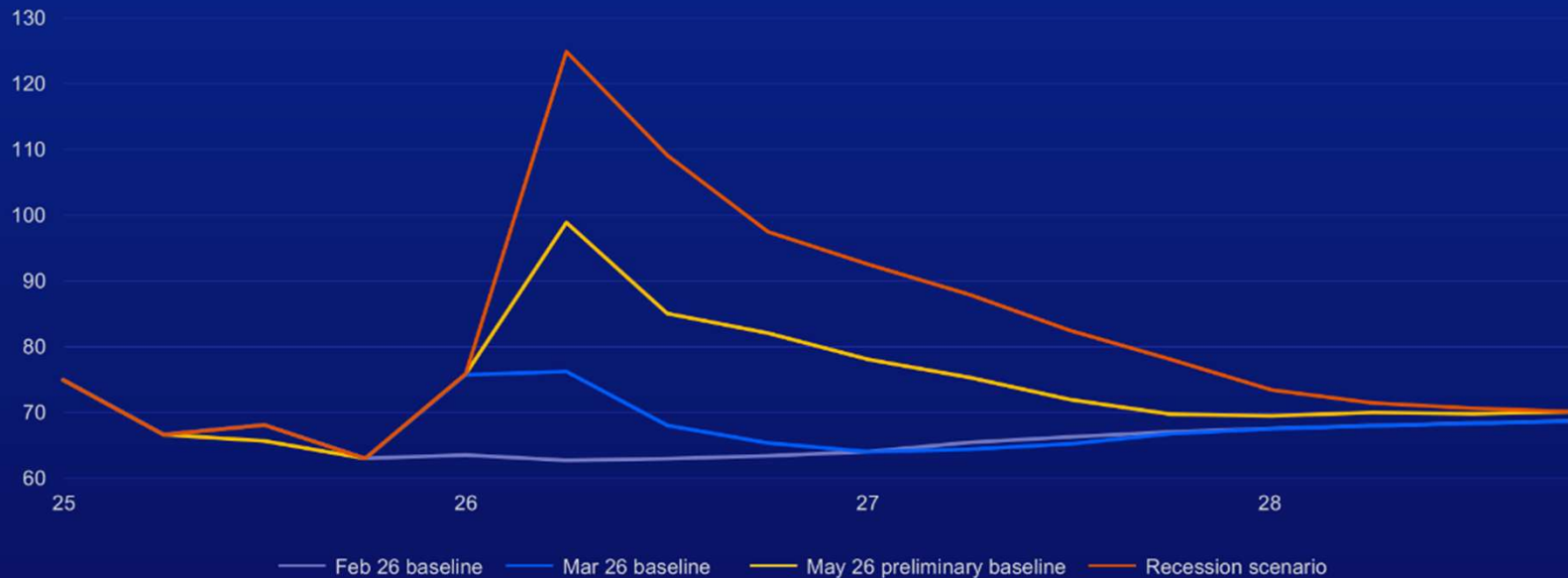
Revenues are currently tracking \$308.6 million above the consensus December estimate.



High oil prices are a drag on economic growth, with higher prices increasing the likelihood of recession.

### Iran war does economic damage...

Brent crude price, \$/bbl

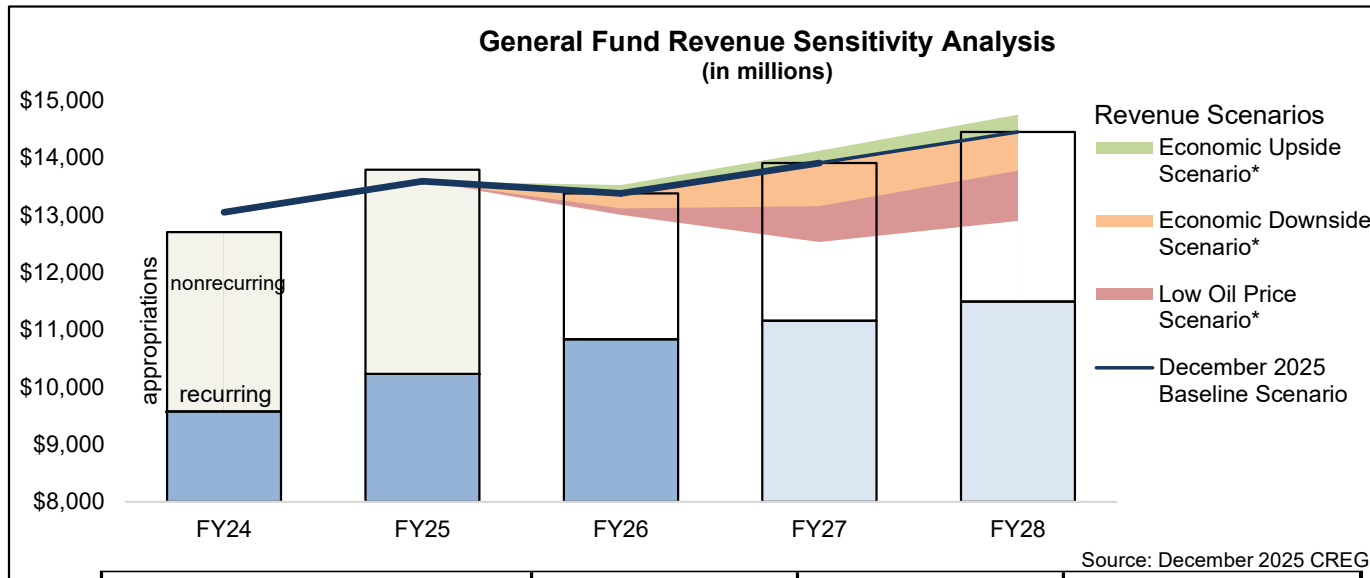


MOODY'S ANALYTICS

Source: Moody's Analytics



# Total reserves are sufficient for a short-term downturn.



Scenario	S8: Low Oil Price			S3: Economic Downside			S1: Economic Upside		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
1 Severance Taxes to GF	-\$28	-\$322	-\$258	-\$16	-\$37	-\$27	\$2	\$7	\$5
2 Federal Mineral Leasing to GF	\$0	-\$270	-\$276	\$0	\$0	\$0	\$0	\$0	\$0
3 Gross Receipts Taxes	-\$210	-\$532	-\$691	-\$145	-\$459	-\$442	\$17	\$131	\$198
4 Corporate Income Taxes	-\$50	-\$103	-\$126	-\$29	-\$119	-\$104	\$103	\$23	\$40
5 Personal Income Taxes	-\$84	-\$151	-\$202	-\$70	-\$136	-\$102	\$20	\$48	\$56
6									
7 General Fund Difference from Baseline	-\$372	-\$1,377	-\$1,553	-\$261	-\$751	-\$675	\$143	\$209	\$299
8 General Fund Percent of Total Impact	23%	42%	41%	24%	31%	35%	66%	38%	55%
9									
10 Severance Taxes to TSR or ECE	-\$122	-\$85	-\$216	-\$122	-\$85	-\$216	\$39	\$135	\$56
11 Severance Taxes to STPF	-\$506	-\$709	-\$723	-\$192	-\$632	-\$320	1	\$9	\$37
12 Federal Mineral Leasing to ECE	-\$203	-\$51	-\$143	-\$203	-\$51	-\$143	\$34	\$194	\$103
13 Federal Mineral Leasing to STPF	-\$411	-\$1,083	-\$1,187	-\$315	-\$874	-\$593	\$0	\$7	\$47
14 TSR/ECE Transfers Diff. from Baseline	-\$1,242	-\$1,928	-\$2,269	-\$831	-\$1,642	-\$1,273	\$74	\$345	\$244
15 TSR/ECE/STPF Transfers Percent of Total Impact	77%	58%	59%	76%	69%	65%	34%	62%	45%
16 Total Difference from Baseline	-\$1,614	-\$3,305	-\$3,822	-\$1,092	-\$2,394	-\$1,948	\$216	\$554	\$543

Note: in millions



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**QUESTIONS?**

