REVENUE

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ISSUES FOR HEARING

Updated Consensus Revenue Estimates

SUMMARY:

- FY10 recurring revenue is down by $32.5 million and FY11 by $159.3 million compared with the December 2009 consensus estimate.
- After solvency initiatives, FY10 appropriations exceeded revenue by $214.7 million.
- FY11 revenue is $203.5 million less than appropriations prior to the reductions required by section 14 of the general appropriation act.
- After transfers authorized by the Legislature, FY11 revenue falls $151.1 million short of the amount needed to cover appropriations.
- Section 14 of the General Appropriation Act requires the Governor with Board of Finance approval to reduce FY11 allotments if revenues and authorized transfers are insufficient to meet appropriations. Under the July revenue outlook, the required allotment reductions would be $151.1 million or 3.2% of appropriations to the affected agencies.

Table 1

July 2010 Consensus General Fund Recurring Revenue Outlook

(million dollars)

	FY10	FY11	FY12	FY13	FY14	FY15
December 2009 Revenue Estimates	4,823.3	5,120.8	5,425.8	5,618.1	5,808.5	NA
December 2009 Estimate w/Leg. Changes	4,831.3	5,307.7	5,592.4	5,789.5	5,988.2	NA
July 2010 Revisions	(32.5)	(159.3)	(162.9)	(94.0)	(63.7)	NA
Total Recurring Revenue	**4,798.9**	**5,148.3**	**5,429.5**	**5,695.5**	**5,924.5**	**6,190.4**
Annual amount change	**(520.8)**	**349.5**	**281.2**	**266.0**	**229.0**	**265.9**
Annual percent change	-9.8%	7.3%	5.5%	4.9%	4.0%	4.5%

FORECAST REVISIONS BY REVENUE: (Table 2)

Details of the consensus forecast are contained in Attachment 1.

- Gross receipts tax (“GRT”) was revised downward in response to a sharp drop in FY10 collections and a lower forecast of employment, wages and salaries.
- Selective sales taxes were reduced due to lower tobacco, motor vehicle and gaming tax collections.
- Personal and corporate income taxes both came in well below forecast in FY10. Though a recovery in both taxes is expected, weakness is assumed to persist for several years.
- Energy-related revenues rose sharply in FY10 due to higher oil and gas prices. Revenues are slightly higher in FY11 and after due to higher natural gas prices. State Land Office bonus revenue is up more than 85% compared with FY09.

- "Other" revenues are lower in FY12 primarily due to exclusion of estate tax revenue.

Table 2
July 2010 Forecast Revisions by Revenue
(million dollars)

	FY10	FY11	FY12	FY13	FY14
Gross receipts tax	(66.0)	(79.8)	(74.8)	(50.2)	(30.0)
Selective sales taxes	(1.2)	(17.2)	(15.1)	(11.5)	(14.3)
Personal income tax	(52.5)	(43.9)	(32.2)	(33.0)	(30.0)
Corporate income tax	(40.0)	(39.9)	(29.6)	(10.0)	(10.0)
Energy-related revenues	124.0	18.1	22.7	39.7	39.0
Investment earnings	(1.2)	(1.7)	3.7	19.1	33.1
Other revenues	4.4	5.2	(37.6)	(48.1)	(51.5)
Total Recurring Revenue	**(32.5)**	**(159.3)**	**(162.9)**	**(94.0)**	**(63.7)**
Nonrecurring revenue	(11.1)	-	-	-	-
Total Revenue	**(43.6)**	**(159.3)**	**(162.9)**	**(94.0)**	**(63.7)**

FY11 GROWTH DUE TO NEW LEGISLATION: (Table 3)

More than half the 7.3% growth in FY11 recurring revenue is attributable to new legislation as illustrated in Table 3. Excluding this amount, total recurring revenue is forecast to increase by 3.4%. An additional $50 million of revenue increases were approved by the legislature but were vetoed by the Governor.

Table 3
FY11 Revenue Growth with and without Impacts of Legislative Changes

	FY10	FY11	FY11 Change vs Prior Year	Change Due to New Legislation	Underlying Change Excluding Legislative Changes	
Gross Receipts Tax	$1,636.0	$1,729.4	$93.4	$53.2	$40.2	2.5%
Compensating Tax	$51.2	$65.4	$14.2	$13.6	$0.6	1.2%
Cigarette/Tobacco Tax	$45.1	$78.9	$33.8	$35.9	($2.1)	-4.6%
Personal Income Tax	$945.0	$1,079.0	$134.0	$65.9	$68.1	7.2%
Corporate Income Tax	$120.0	$175.7	$55.7	$15.6	$40.1	33.4%
Mineral Taxes	$394.3	$384.1	($10.2)	$0.5	($10.7)	-2.7%
Investment Income	$643.9	$647.7	$3.8	$0.0	$3.8	0.6%
Mineral Royalties & Bonuses	$421.6	$426.7	$5.1	$0.0	$5.1	1.2%
Other	$541.8	$561.5	$19.7	$0.0	$19.7	3.6%
Total Recurring	**$4,798.9**	**$5,148.3**	**$349.5**	**$184.7**	**$164.8**	**3.4%**

GENERAL FUND FINANCIAL SUMMARY (Attachment 2):

- FY10 appropriations are $5.45 billion, $214.7 million greater than revised revenue. The FY11 budget authorizes $132 million of reserve transfers to cover revenue shortfalls. $79.7 million of this amount will be needed to close FY10. Remaining reserve transfer authority after FY10 is $52.3 million. This forecast assumes the Governor will allocate $20 million of discretionary ARRA funds to supplant General Fund appropriations.
- FY11 revenue is $5.150 billion, $204 million below currently-approved FY11 appropriations of $5.354 billion.
- The FY11 shortfall of revenue plus authorized transfers is $151.1 million. Under Section 14 of House Bill 2, the executive is directed to reduce general fund allotments proportionately to all agencies except Medicaid and the Developmentally Disabled programs by this amount.
- After sanding, FY11 ending reserve balances are $193.4 million or 3.7% of reduced appropriations.

FY12 CURRENT SERVICES FUNDING SCENARIO: (Attachment 3)

Attachment 3 presents estimates of FY12 current services funding under the assumption that FY11 appropriations are “sanded” as required in HB2. Over $350 million will be needed to replace temporary federal funds, primarily $320 million for Medicaid. $42 million is needed to restoring temporary savings in the FY11 budget, but this amount assumes the 2011 Legislature acts to extend temporary savings measures such as the shift of retirement contributions to employees. The resulting shortfall of revenue to appropriations in FY12 in this scenario is $171.3 million.

GENERAL FUND APPROPRIATIONS WITH SUPPLANTING FUNDS: (Attachment 4)

Attachment 4 illustrates the recent trends in General Fund appropriations, highlighting the role played by temporary funding sources. While recurring revenue fell by over 20% from FY08 to FY10, spending was cut by less than 6% in FY10 and by a total of less than 9% if the sanding provisions in the FY11 budget are enacted. The state faces major challenges in FY11 if temporary federal Medicaid funding is not maintained.

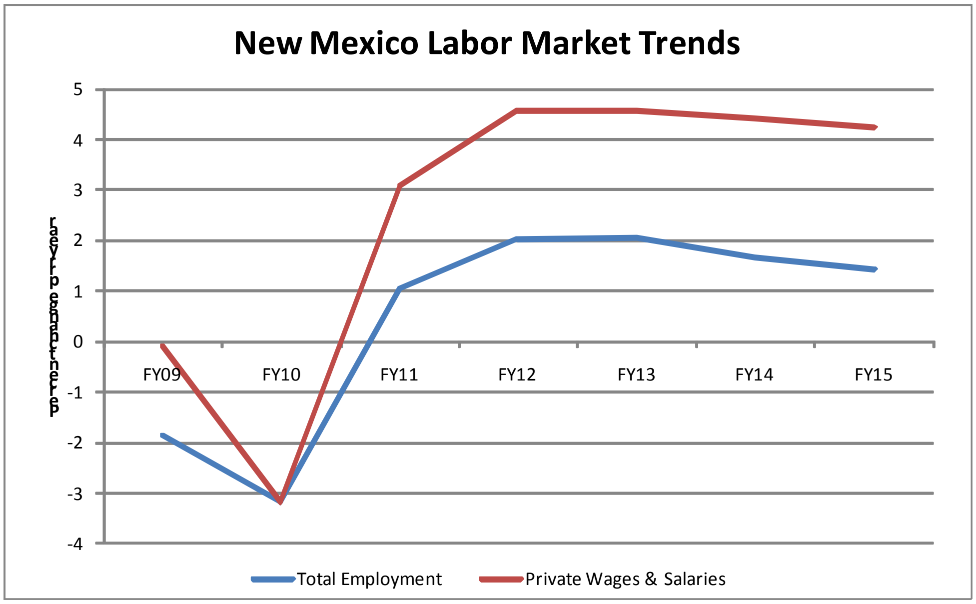
FY10 REVENUE TRACKING: (Attachment 5)

LFC’s revenue tracking has been updated for all final information currently available and also to reflect some preliminary information. Final FY10 results will not be available until September. The tracking report uses formulas based on the old estimate to generate monthly estimates. Although the monthly estimate of revenue variance has fluctuated, the report has consistently indicated a shortfall relative to the December forecast.

ECONOMIC OUTLOOK (Attachment 6):

The near term outlook for New Mexico’s labor markets has deteriorated since the December consensus estimate. After falling sharply in FY10, employment and payrolls are expected to grow at rates slightly below their long-term average in FY11. New Mexico will not regain the previous peak level of employment until 2013, one year later than the previous estimate.

Inflation at the national level is forecast to remain very subdued at only 1.1% in FY11. This reduces the growth rate of broad-based revenues like the GRT.



Source: FOR-UNM economic forecasting service.

ENERGY MARKETS: (Attachment 7)

- Natural gas taxable value continues to benefit from much higher values for natural gas liquids. Gas prices were revised up in acknowledgement of the additional value contributed by liquids. Future price trends reflect a consensus of economic forecasting services.
- Natural gas volumes – expressed in thousands of cubic feet equivalent – have fallen faster than expected. This is due in part to losses incurred during the processing of gas to extract liquids.
- Oil prices are expected to remain around $75 per barrel in the near term. Longer term increases are based on the consensus of economic forecasting services.
- Gas volumes decreased significantly in response to recent trends.

GROSS RECEIPTS TAX TRENDS (Attachment 8):

General Fund gross receipts tax distributions fell by more than 10% in FY10. Trends in monthly tax base reports appear to have hit bottom in recent months. Construction remains down by more than 20%. Other services are also down sharply.

RISKS TO THE FORECAST:

- The vulnerability of the economic recovery is the main risk to the forecast, since broad-based revenues like GRT and PIT will not recover until employment growth gains steam.
- Both national and New Mexico job markets are still worsening at this time.
- Housing and commercial real estate markets are still deteriorating.
- Natural gas prices could fall if expected improvements in demand do not materialize. Recent supply increases from shale formations are likely to hold down prices for the indefinite future.

MEDICIAD FUNDING OUTLOOK: (Attachment 9)

General Fund
Consensus Revenue Estimate
July 2010

	FY10					**FY11**					**FY12**				
	Dec. 09	Dec. 09 Adj. for Leg.	Jul. 10	Change from Prior	% Change from FY09	Dec. 09	Dec. 09 Adj. for Leg.	Jul. 10	Change from Prior	% Change from FY10	Dec. 09	Dec. 09 Adj. for Leg.	Jul. 10	Change from Prior	% Change from FY11
Gross Receipts Tax	1,702.0	1,702.0	1,636.0	(66.0)	-10.7%	1,756.0	1,809.2	1,729.4	(79.8)	5.7%	1,853.0	1,909.6	1,834.8	(74.8)	6.1%
Compensating Tax	58.0	58.0	51.2	(6.8)	-26.8%	59.3	72.9	65.4	(7.5)	27.7%	62.6	76.9	69.0	(7.9)	5.5%
TOTAL GENERAL SALES	1,760.0	1,760.0	1,687.2	(72.8)	-11.3%	1,815.3	1,882.1	1,794.8	(87.3)	6.4%	1,915.6	1,986.5	1,903.8	(82.7)	6.1%
Tobacco Taxes	47.2	47.2	45.1	(2.1)	-9.0%	47.5	83.4	78.9	(4.5)	74.9%	47.7	83.5	79.0	(4.5)	0.1%
Liquor Excise	26.5	26.5	25.8	(0.7)	-0.1%	26.9	26.9	26.7	(0.2)	3.5%	27.4	27.4	27.0	(0.4)	1.1%
Insurance Taxes	133.9	133.9	133.9	(0.0)	9.9%	137.3	137.3	137.3	(0.0)	2.5%	142.2	142.2	142.2	0.0	3.6%
Fire Protection Fund Reversion	21.7	21.7	21.7	0.0	-29.6%	21.9	24.1	24.1	0.0	11.1%	20.6	22.7	22.7	0.0	-5.8%
Motor Vehicle Excise	92.5	92.5	91.8	(0.7)	-8.7%	103.0	103.0	99.0	(4.0)	7.8%	113.0	113.0	112.0	(1.0)	13.1%
Gaming Excise	65.3	65.3	66.5	1.2	-3.9%	74.4	74.4	64.9	(9.5)	-2.4%	75.9	75.9	66.0	(9.9)	1.7%
Leased Vehicle Surcharge	5.5	5.5	5.6	0.1	13.5%	5.4	5.4	5.8	0.4	4.5%	5.4	5.4	5.6	0.2	-3.4%
Other	1.9	1.9	2.9	1.0	25.8%	2.4	2.4	3.0	0.5	2.4%	2.6	2.6	3.0	0.5	1.7%
TOTAL SELECTIVE SALES	394.5	394.5	393.3	(1.2)	-2.9%	418.9	456.9	439.7	(17.2)	11.8%	434.7	472.6	457.5	(15.1)	4.1%
Personal Income Tax	989.5	997.5	945.0	(52.5)	-1.4%	1,057.0	1,122.9	1,079.0	(43.9)	14.2%	1,114.0	1,160.2	1,128.0	(32.2)	4.5%
Corporate Income Tax	160.0	160.0	120.0	(40.0)	-26.1%	200.0	215.6	175.7	(39.9)	46.4%	250.0	259.8	230.2	(29.6)	31.0%
Estate Tax	-	-	-	-		-	-	-	-		32.5	32.5	-	(32.5)	
TOTAL INCOME TAXES	1,149.5	1,157.5	1,065.0	(92.5)	-5.0%	1,257.0	1,338.5	1,254.7	(83.8)	17.8%	1,396.5	1,452.5	1,358.2	(94.3)	8.2%
Oil and Gas School Tax	290.8	290.8	328.0	37.2	-11.4%	341.0	341.0	340.0	(1.0)	3.7%	349.4	349.4	355.4	6.0	4.5%
Oil Conservation Tax	15.3	15.3	15.4	0.1	-15.7%	17.2	17.1	16.2	(0.9)	5.2%	17.6	17.6	18.0	0.4	11.1%
Resources Excise Tax	10.0	10.0	10.0	-	-11.0%	10.0	10.0	10.0	-	0.0%	10.0	10.0	10.0	-	0.0%
Natural Gas Processors Tax	41.0	41.0	40.9	(0.1)	1.4%	17.2	17.2	17.9	0.7	-56.2%	20.9	20.9	23.1	2.2	29.1%
TOTAL SEVERANCE TAXES	357.1	357.1	394.3	37.2	-10.4%	385.4	385.3	384.1	(1.2)	-2.6%	397.9	397.9	406.5	8.6	5.8%
LICENSE FEES	47.5	47.5	52.0	4.6	3.9%	48.8	48.8	54.6	5.8	4.8%	50.8	50.8	55.4	4.6	1.6%
LGPF Interest	436.5	436.5	436.5	-	0.7%	437.8	437.8	445.2	7.4	2.0%	438.2	438.2	451.6	13.4	1.4%
STO Interest	21.5	21.5	20.3	(1.2)	-70.0%	30.0	30.0	17.9	(12.1)	-11.8%	36.0	36.0	21.5	(14.5)	20.1%
STPF Interest	187.1	187.1	187.1	-	-2.2%	181.6	181.6	184.6	3.0	-1.3%	176.1	176.1	180.9	4.8	-2.0%
TOTAL INTEREST	645.1	645.1	643.9	(1.2)	-7.0%	649.4	649.4	647.7	(1.7)	0.6%	650.3	650.3	654.0	3.7	1.0%
Federal Mineral Leasing	301.0	301.0	353.9	52.9	-30.2%	370.0	370.0	378.0	8.0	6.8%	388.0	388.0	397.0	9.0	5.0%
State Land Office	33.8	33.8	67.7	33.9	85.8%	36.8	36.8	48.7	11.9	-28.1%	37.0	37.0	43.9	6.9	-9.9%
TOTAL RENTS & ROYALTIES	334.8	334.8	421.6	86.8	-22.5%	406.8	406.8	426.7	19.9	1.2%	425.0	425.0	440.9	15.9	3.3%
TRIBAL REVENUE SHARING	63.1	63.1	63.1	0.0	-3.5%	64.1	64.1	63.0	(1.1)	-0.2%	66.1	66.1	64.9	(1.2)	3.0%
MISCELLANEOUS RECEIPTS	41.8	41.8	42.5	0.7	-0.6%	44.2	44.2	49.2	5.0	15.7%	46.5	46.5	45.9	(0.6)	-6.7%
REVERSIONS	30.0	30.0	36.0	6.0	-37.0%	31.0	31.0	34.0	3.0	-5.6%	42.4	42.4	42.4	-	24.7%
TOTAL RECURRING	4,823.3	4,831.3	4,798.9	(32.5)	-9.8%	5,120.8	5,307.1	5,148.3	(158.8)	7.3%	5,425.8	5,590.6	5,429.5	(161.1)	5.5%
TOTAL NON-RECURRING	-	450.0	438.9	(11.1)		-	2.1	2.1	-		-	6.9	6.9	-	220.9%
GRAND TOTAL	4,823.3	5,281.3	5,237.7	(43.6)	-2.1%	5,120.8	5,309.2	5,150.5	(158.8)	-1.7%	5,425.8	5,597.4	5,436.3	(161.1)	5.6%

ATTACHMENT 1

General Fund
Consensus Revenue Estimate
July 2010

	FY13					FY14					FY15	
	Dec. 09	Dec. 09 Adj. for Leg.	Jul. 10	Change from Prior	% Change from FY12	Dec. 09	Dec. 09 Adj. for Leg.	Jul. 10	Change from Prior	% Change from FY13	Jul. 10	% Change from FY14
Gross Receipts Tax	1,940.0	2,000.0	1,949.8	(50.2)	6.3%	2,025.0	2,088.2	2,058.2	(30.0)	5.6%	2,161.5	5.0%
Compensating Tax	65.9	80.9	72.4	(8.5)	4.9%	68.8	84.6	75.1	(9.5)	3.7%	77.6	3.4%
TOTAL GENERAL SALES	2,005.9	2,080.9	2,022.2	(58.7)	6.2%	2,093.8	2,172.8	2,133.3	(39.5)	5.5%	2,239.1	5.0%
Tobacco Taxes	48.0	83.8	78.9	(4.9)	-0.1%	48.2	84.0	79.0	(5.0)	0.1%	78.7	-0.4%
Liquor Excise	27.9	27.9	27.3	(0.6)	1.1%	28.4	28.4	27.6	(0.8)	1.1%	28.1	1.8%
Insurance Taxes	148.3	148.3	147.3	(1.0)	3.6%	155.6	155.6	152.6	(2.9)	3.6%	158.1	3.6%
Fire Protection Fund Reversion	19.4	21.4	21.4	0.0	-5.7%	18.2	20.1	20.1	(0.0)	-6.1%	18.9	-6.0%
Motor Vehicle Excise	117.0	117.0	120.9	3.9	7.9%	122.0	122.0	125.4	3.4	3.7%	131.6	4.9%
Gaming Excise	77.0	77.0	67.2	(9.8)	1.8%	78.1	78.1	68.4	(9.7)	1.8%	69.6	1.8%
Leased Vehicle Surcharge	5.3	5.3	5.7	0.3	0.9%	5.3	5.3	5.6	0.3	-0.9%	5.5	-2.0%
Other	2.7	2.7	3.2	0.5	5.3%	2.8	2.8	3.3	0.6	4.1%	3.4	3.0%
TOTAL SELECTIVE SALES	445.5	483.4	471.9	(11.5)	3.1%	458.5	496.3	482.0	(14.3)	2.2%	493.9	2.5%
Personal Income Tax	1,159.0	1,209.0	1,176.0	(33.0)	4.3%	1,205.0	1,258.0	1,228.0	(30.0)	4.4%	1,279.0	4.2%
Corporate Income Tax	290.0	299.5	289.5	(10.0)	25.8%	320.0	330.1	320.1	(10.0)	10.6%	350.1	9.4%
Estate Tax	45.2	45.2	-	(45.2)		47.3	47.3	-	(47.3)		-	
TOTAL INCOME TAXES	1,494.2	1,553.7	1,465.5	(88.2)	7.9%	1,572.3	1,635.4	1,548.1	(87.3)	5.6%	1,629.1	5.2%
Oil and Gas School Tax	357.7	357.7	368.6	10.9	3.7%	363.6	363.6	375.7	12.1	1.9%	382.0	1.7%
Oil Conservation Tax	18.0	18.0	18.6	0.6	3.3%	18.3	18.3	18.9	0.6	1.6%	19.3	2.1%
Resources Excise Tax	10.0	10.0	10.0	-	0.0%	10.0	10.0	10.0	-	0.0%	10.0	0.0%
Natural Gas Processors Tax	22.6	22.6	23.0	0.4	-0.4%	22.0	22.0	22.3	0.3	-3.0%	25.2	13.0%
TOTAL SEVERANCE TAXES	408.3	408.3	420.2	11.9	3.4%	413.9	413.9	426.9	13.0	1.6%	436.5	2.2%
LICENSE FEES	50.8	50.8	58.8	8.0	6.2%	53.6	53.6	61.4	7.8	4.3%	63.4	3.3%
				-					-			
LGPF Interest	409.6	409.6	429.8	20.2	-4.8%	401.1	401.1	429.3	28.2	-0.1%	460.3	7.2%
STO Interest	41.0	41.0	33.1	(7.9)	54.0%	43.0	43.0	39.1	(3.9)	18.1%	46.7	19.4%
STPF Interest	167.2	167.2	174.0	6.8	-3.8%	157.3	157.3	166.1	8.8	-4.5%	173.6	4.5%
TOTAL INTEREST	617.8	617.8	636.9	19.1	-2.6%	601.4	601.4	634.5	33.1	-0.4%	680.6	7.3%
Federal Mineral Leasing	396.0	396.0	418.0	22.0	5.3%	408.0	408.0	427.0	19.0	2.2%	431.0	0.9%
State Land Office	37.9	37.9	42.8	4.9	-2.5%	38.4	38.4	45.2	6.8	5.6%	44.0	-2.7%
TOTAL RENTS & ROYALTIES	433.9	433.9	460.8	26.9	4.5%	446.4	446.4	472.2	25.8	2.5%	475.0	0.6%
TRIBAL REVENUE SHARING	69.4	69.4	66.9	(2.5)	3.0%	72.9	72.9	70.2	(2.7)	5.0%	73.8	5.0%
MISCELLANEOUS RECEIPTS	48.6	48.6	48.7	0.1	6.1%	50.6	50.6	50.8	0.2	4.3%	52.5	3.3%
REVERSIONS	43.7	43.7	43.7	-	3.1%	45.1	45.1	45.1	-	3.2%	46.5	3.1%
TOTAL RECURRING	5,618.1	5,790.4	5,695.5	(94.9)	4.9%	5,808.5	5,988.4	5,924.5	(63.9)	4.0%	6,190.4	4.5%
TOTAL NON-RECURRING	-	(3.3)	(3.3)	-	-148.7%	-	(0.9)	(0.9)	-	-72.9%	-	
GRAND TOTAL	5,618.1	5,787.1	5,692.2	(94.9)	4.7%	5,808.5	5,987.5	5,923.6	(63.9)	4.1%	6,190.4	4.5%

ATTACHMENT 1

GENERAL FUND FINANCIAL SUMMARY - July 2010 Revenue Estimate
(Dollars in Millions)

	Preliminary FY2010	Estimated FY2011	Estimated FY2012
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2009 Consensus Estimate	$ 4,823.3	$ 5,120.8	$ 5,425.8
Revenue Enhancements - 2010 Session	-	*12.9*	*6.4*
Revenue Enhancements - 2010 Special Session	*8.0*	*173.3*	*158.3*
July 2010 revenue update	*(32.5)*	*(158.8)*	*(161.1)*
Total Recurring Revenue	$ 4,798.8	$ 5,148.3	$ 5,429.5
Nonrecurring Revenue			
December 2009 consensus estimate	$ -	$ -	$ -
2009 Special Session Including Executive Orders & Furloughs	*308.9*	-	-
2010 Session Capital Outlay Voids/Swaps	*141.1*	-	-
2010 Special Session reserve transfers	-	-	-
2010 Special Session revenue enhancements	-	2.1	6.9
July 2010 revenue update (1)	*8.8*	-	-
Total Non-Recurring Revenue	$ 458.8	$ 2.1	$ 6.9
TOTAL REVENUE	**$ 5,257.6**	**$ 5,150.4**	**$ 5,436.4**
APPROPRIATIONS			
Recurring Appropriations			
Recurring Appropriations - General	$ 5,487.6	$ 5,338.9	$ 5,338.9
Recurring Appropriations - Other	-	-	-
Recurring Appropriations - Feed Bill	4.9	15.0	15.0
Recurring Solvency Savings	(134.6)	-	-
Section 14 GAA sanding required (2)	-	(151.1)	-
Total Recurring Appropriations	$ 5,357.9	$ 5,202.8	$ 5,353.9
Nonrecurring Appropriations	$ 5.7	$ -	$ -
2009 Fund Transfers	100.0	-	-
Nonrecurring Solvency Savings	*(18.4)*	-	-
2010 Session appropriations	*6.6*	-	-
2010 Special Session appropriations	*0.5*	-	-
Total Nonrecurring Appropriations	$ 94.4	$ -	$ -
TOTAL APPROPRIATIONS	**$ 5,452.3**	**$ 5,202.8**	**$ 5,353.9**
Transfer to(from) Reserves	$ (194.7)	$ (52.3)	$ 82.5
GENERAL FUND RESERVES			
Beginning Balances	$ 392.6	$ 255.9	$ 193.4
Transfers from (to) Appropriations Account	(194.7)	(52.3)	82.5
Revenue and Reversions	117.0	50.8	51.3
Appropriations, expenditures and transfers out	(58.9)	(61.0)	(30.8)
Ending Balances	**$ 255.9**	**$ 193.4**	**$ 296.4**
Reserves as a Percent of Recurring Appropriations	*4.8%*	*3.7%*	*5.5%*

(1) FY10: SB 182 savings were reduced $11.1 million due to projects that met contingencies; $20.0 million of ARRA discretionary funds substituted for General Fund Appropriations to the Corrections Department.
(2) Amount needed to hold reserve transfers to authorized amount of $132 million in FY10 and FY11.

GENERAL FUND FINANCIAL SUMMARY - July 2010 Revenue Estimate
RESERVE DETAIL
(Dollars in Millions)

	Preliminary FY2010	Estimated FY2011	Estimated FY2012
OPERATING RESERVE			
Beginning balance	$ 37.4	$ 35.1	$ 35.1
BOF Emergency Appropriations	(2.3)	-	-
Transfers from/to appropriation account	-	-	-
Ending balance	$ 35.1	$ 35.1	$ 35.1
Percent of previous fiscal year's recurring appropriations	*0.6%*	*0.7%*	*0.7%*
APPROPRIATION CONTINGENCY FUND			
Beginning balance	$ 11.5	$ 24.7	$ 13.7
Disaster allotments	(10.4)	(11.0)	(11.0)
Other appropriations	(1.4)	-	-
Transfers in	25.0	-	-
Revenue and reversions	-	-	-
Ending Balance	$ 24.7	$ 13.7	$ 2.7
Education Lock Box			
Beginning balance	$ 23.0	$ 59.1	$ 0.1
Appropriations	(3.9)	(10.0)	-
Transfers in(out)	40.0	-	-
Laws 2009, Ch. 3 (SB79)	-	-	-
2010 Special Session--HB2	-	*(49.0)*	-
Ending balance	$ 59.1	$ 0.1	$ 0.1
STATE SUPPORT FUND			
Beginning balance	$ 1.0	$ 1.0	$ 1.0
Revenues	$ -	$ -	$ -
Appropriations	$ -	$ -	$ -
Ending balance	$ 1.0	$ 1.0	$ 1.0
TOBACCO PERMANENT FUND			
Beginning balance	$ 121.0	$ 132.0	$ 142.9
Transfers in	40.9	40.0	39.6
Appropriation to tobacco settlement program fund	(20.5)	(20.0)	(19.8)
Gains/Losses	11.1	10.8	11.7
Laws 2009, Ch. 3 (SB79)/2010 Session change	*(20.5)*	*(20.0)*	-
Ending balance	$ 132.0	$ 142.9	$ 174.4
TAX STABILIZATION RESERVE			
Beginning balance	$ 198.7	$ 4.0	$ 0.7
Transfers in	-	-	-
Laws 2009, Ch. 3 (SB79)	-	-	-
Chapter 3, Laws 2009 - SS (HB6)	*(115.0)*	-	-
2010 Special Session -- HB 2	*(79.7)*	*(3.3)*	-
Ending balance	$ 4.0	$ 0.7	$ 0.7
Percent of previous fiscal year's recurring appropriations	*0.1%*	*0.0%*	*0.0%*
GENERAL FUND ENDING BALANCES	**$ 255.9**	**$ 193.4**	**$ 213.9**
Percent of Recurring Appropriations	*4.8%*	*3.7%*	*4.0%*

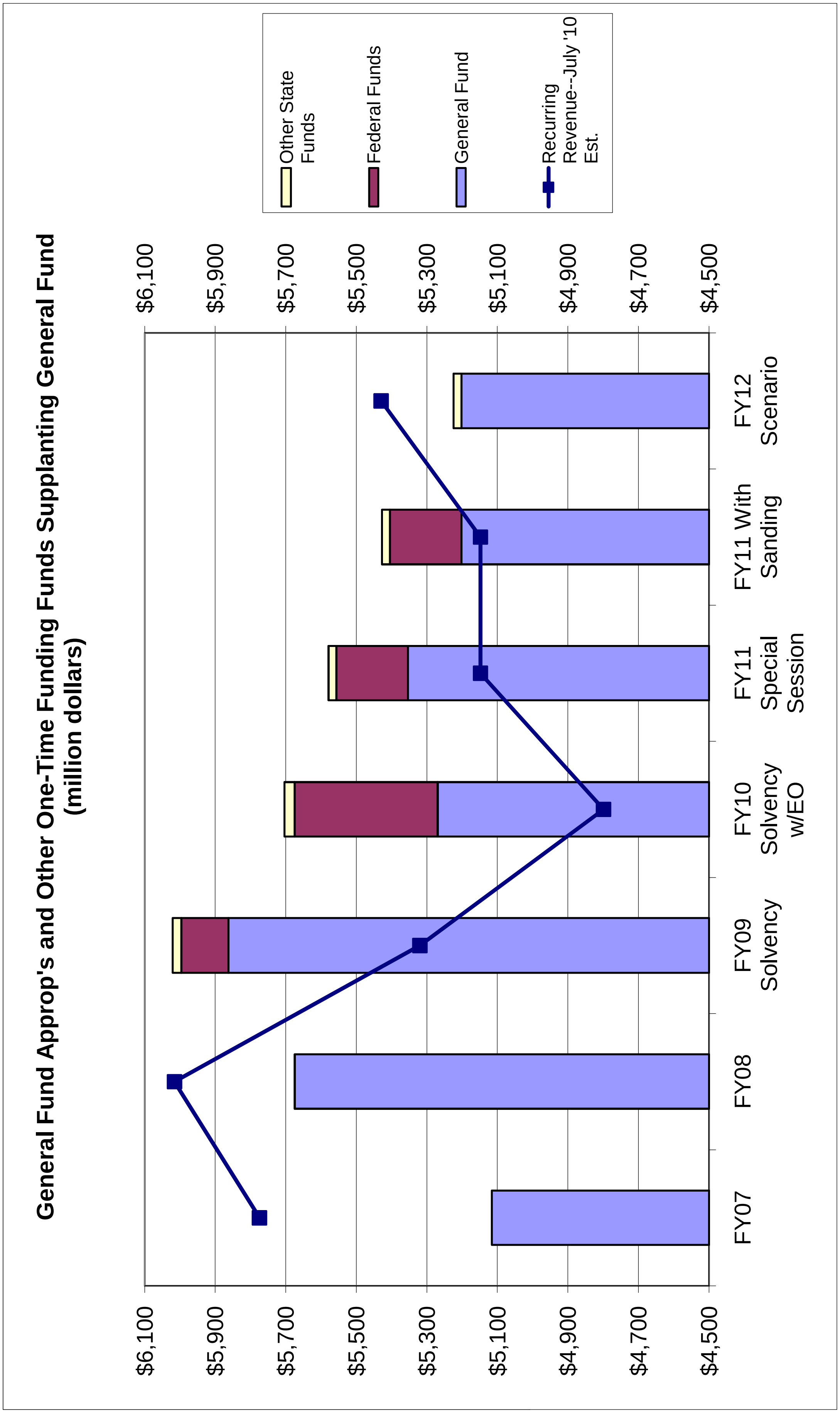
GENERAL FUND CURRENT SERVICES FUNDING SCENARIO
July 2010 Revenue Estimate with Estimted Sanding of FY11 Appropriations
($ in Millions)

	FY11 Original	FY 11 After Sanding (3)	FY12
	Dec '09 Estimate	**July '10 Estimate**	**July '10 Estimate**
REVENUES:			
Consensus revenue estimate	5,120.8	4,963.6	5,429.5
Revenue Adjustments (1)	186.2	184.7	-
Subtotal recurring revenue	**5,307.0**	**5,148.3**	**5,429.5**
Subtotal nonrecurring revenues (2)	**2.1**	**2.1**	**6.9**
TOTAL REVENUE	**5,309.1**	**5,150.4**	**5,436.4**
	Original Budget	**After Sanding**	**Assume 0% growth**
APPROPRIATIONS:			
Public School Support	2,403.3	2,326.9	2,326.9
Higher Education	787.8	762.8	762.8
Medicaid	601.1	601.1	601.1
Other Human Services	107.8	104.4	104.4
Department of Corrections	271.6	263.0	263.0
Developmentally Disabled programs	99.8	99.8	99.8
Other Department of Health	165.5	160.3	160.3
Department of Public Safety	91.0	88.1	88.1
DFA	14.6	14.2	14.2
DFA Specials	10.2	9.9	9.9
Children, Youth & Families Dept.	189.7	183.7	183.7
General Services Department	14.7	14.2	14.2
Energy, Minerals & Natural Res. Dept.	22.4	21.7	21.7
Environment Department	14.7	14.3	14.3
State Engineer	18.1	17.5	17.5
Tourism	9.4	9.1	9.1
TRD	63.6	61.6	61.6
Workforce Solutions Dept	4.9	4.8	4.8
Aging & Long-Term Care Dept.	46.3	44.9	44.9
Courts	142.7	138.2	138.2
PD	41.0	39.7	39.7
DAs	58.3	56.5	56.5
All Other Agencies	160.0	154.9	154.9
Feed Bill	13.0	12.7	12.7
Agency Total	**5,351.9**	**5,204.0**	**5,204.0**
Replace Federal Funds			
Public Schools	-	-	23.9
Higher Education	-	-	10.9
Medicaid (HSD & DOH)	-	-	320.0
Subtotal	**-**	**-**	**354.8**
Restore one-time savings and start-ups (4)			
Instructional materials	-	-	5.0
Los Lunas substance abuse treatment center	-	-	4.0
TANF carry-forward	-	-	33.0
Subtotal	**-**	**-**	**42.0**
Subtotal Recurring Appropriations	**5,351.9**	**5,204.0**	**5,600.8**
Subtotal Nonrecurring Appropriations	**-**	**-**	**-**
TOTAL APPROPRIATIONS	**5,351.9**	**5,204.0**	**5,600.8**
SURPLUS/DEFICIT: (5)	**(44.9)**	**(55.7)**	**(171.3)**

(1) Includes partial vetoes from HB3 and SB10, 2010 Special Session.
(2) FY10 reflects $20.0 million of ARRA discretionary funds substituted for General Fund to Corrections.
(3) FY11 sanding percentage needed to reduce appropriations $151.1 million 3.2%
(4) Assumes legislation to continue the current treatment of the following programs:

-- ERB (sixth year 0.75% increase)	20.0
-- Increase employee contribution to retiree health care	11.5
-- Increase employee share of ERB/PERA contribution	42.2
-- Use 50% of tobacco settlement revenue for Medicaid	19.8

(5) Recurring revenue less recurring appropriations.



General Fund Approp's and Other One-Time Funding Funds Supplanting General Fund
(million dollars)
$6,100
$5,900
$5,700
$5,500
$5,300
$5,100
$4,900
$4,700
$4,500
FY07
FY08
FY09 Solvency
FY10 Solvency w/EO
FY11 Special Session
FY11 With Sanding
FY12 Scenario
Other State Funds
Federal Funds
General Fund
Recurring Revenue--July '10 Est.

FISCAL YEAR 2010 GENERAL FUND MONTHLY REVENUE TRACKING

(dollars in millions; blue font indicates actual revenue, italics indicate preliminary actual revenue)

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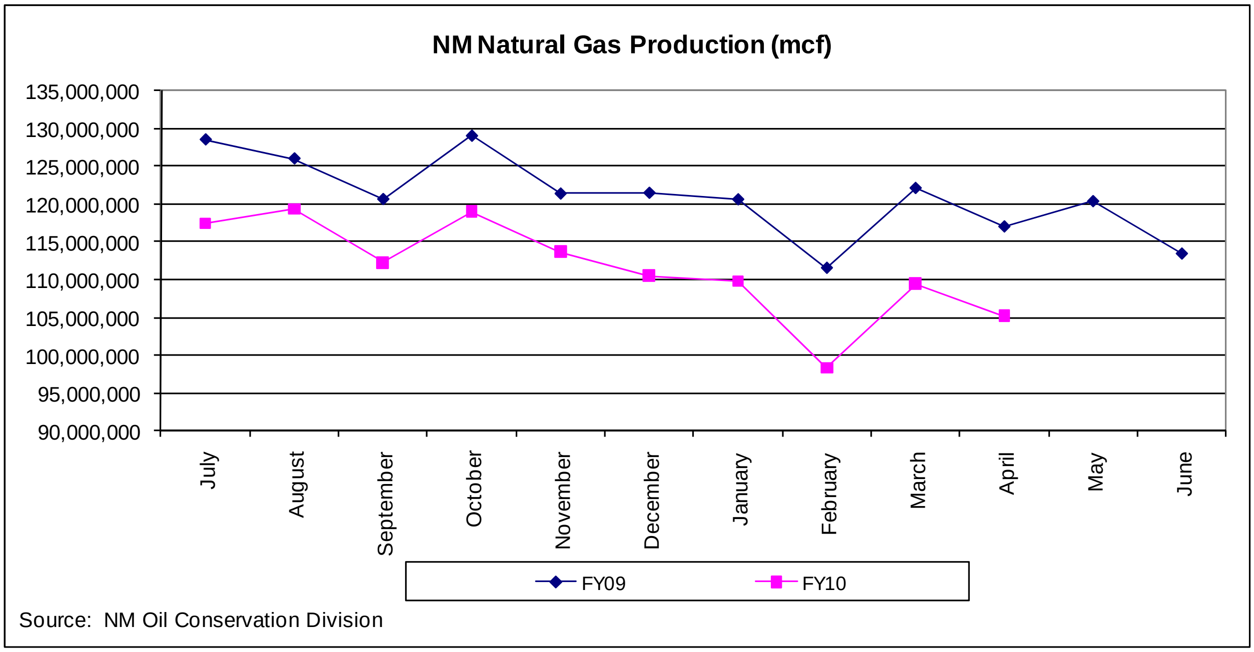
Row #		July Act.	Aug Act.	Sept Act.	Oct Act.	Nov Act.	Dec Act.	Jan Act.	Feb Act.	Mar Act.	Apr Act.	May Est.	June Est.	FY10 Actual + Forecast	% Chng FY09	FY 10 Dec. 09 Adj	YTD % Error	YTD $ Error	FY09 Actual	Row #
		ACTUAL REVENUE ACCRUALS										FORECAST		FY10		TRACKING ERROR				
1	Gross Receipts Tax	127.6	140.6	132.7	133.6	137.7	156.4	133.3	129.0	103.2	148.1	*122.8*	168.7	1,633.7	-10.8%	1,702.0	-4.0%	(68.3)	1,831.9	1
2	Compensating Tax	4.0	3.9	4.6	4.0	4.4	5.0	2.8	3.7	5.8	3.9	*3.6*	5.6	51.2	-26.8%	58.0	-11.7%	(6.8)	69.9	2
3	**TOTAL GENERAL SALES TAXES**	131.5	144.5	137.3	137.6	142.0	161.4	136.1	132.7	109.0	152.0	126.4	174.3	1,684.9	-11.4%	1,760.0	-4.3%	(75.1)	1,901.9	3
4	Tobacco Products & Cigarette Taxes	3.2	3.5	4.6	4.1	3.3	3.1	4.1	2.8	3.9	4.2	4.6	4.4	45.8	-7.6%	47.2	-3.0%	(1.4)	49.6	4
5	Liquor Excise Tax	2.1	2.2	2.2	2.2	2.1	2.6	1.5	1.8	2.1	2.1	1.7	2.9	25.5	-1.2%	26.5	-3.6%	(0.9)	25.8	5
6	Insurance Premiums Tax	1.4	34.3	0.3	3.8	31.6	0.4	1.0	*29.3*	*-1.9*	*1.1*	35.5	0.2	137.1	12.5%	133.9	2.3%	3.1	121.9	6
7	Fire Protection Fund Reversion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.7	21.7	-29.6%	21.7	0.0%	0.0	30.8	7
8	Motor Vehicle Excise Tax	8.2	8.1	9.2	7.3	5.9	6.4	6.9	6.9	8.5	8.0	7.7	8.1	91.1	-9.3%	92.5	-1.5%	(1.4)	100.5	8
9	Gaming Excise Tax	5.4	5.1	5.0	5.2	4.9	5.1	5.5	5.8	6.0	5.9	*5.9*	5.4	65.3	-5.6%	65.3	0.1%	0.0	69.2	9
10	Leased Vehicle Surcharge	1.0	0.5	0.7	0.4	0.4	0.3	0.3	0.3	0.4	0.4	*0.4*	0.6	5.8	17.9%	5.5	5.4%	0.3	4.9	10
11	Other	0.4	0.1	0.2	0.1	0.1	0.0	0.8	0.3	0.2	0.2	0.0	0.2	2.7	313.2%	1.9	44.1%	0.8	0.7	11
12	**TOTAL SELECTIVE SALES TAXES**	$21.8	$53.8	$22.2	$23.1	$48.3	$18.0	$20.1	$47.2	$19.1	$21.9	$55.9	$43.6	395.2	-2.0%	394.5	0.2%	0.7	403.4	12
13	Withholding	87.6	68.6	79.9	80.5	68.1	105.5	70.7	70.7	141.9	77.3	*69.3*	83.0	1,003.1	4.8%	950.2	5.6%	52.9	956.9	13
14	Final Settlements & Estimated Payments	24.3	12.0	36.1	13.5	8.2	13.0	43.7	8.0	18.3	64.3	*28.7*	*46.6*	316.6	-14.7%	393.0	-19.4%	(76.4)	371.1	14
15	Oil and Gas Withholding Tax	0.3	-0.1	1.1	6.4	0.0	0.4	5.7	0.5	0.4	7.1	*0.8*	*0.5*	23.2	-10.4%	30.0	-22.7%	(6.8)	25.9	15
16	Fiduciary Tax	0.0	0.3	-0.1	-3.0	-0.6	0.9	0.0	0.0	0.6	-0.4	*0.8*	0.1	(1.5)	-110.9%	5.0	-129.8%	(6.5)	13.7	16
17	**GROSS PERSONAL INCOME TAX**	112.3	80.9	117.0	97.4	75.6	119.8	120.1	79.2	161.2	148.2	99.6	130.2	1,341.5	-1.9%	1,378.2	-2.7%	(36.7)	1,367.2	17
18	Less: Refunds, distributions to other funds	8.4	7.7	12.7	23.6	8.1	102.2	79.2	56.4	47.9	24.0	*18.7*	9.4	398.2	-2.6%	380.7	4.6%	17.5	408.7	18
19	**NET PERSONAL INCOME TAX**	103.8	73.2	104.3	73.9	67.5	17.7	40.8	22.8	113.2	124.3	80.9	120.8	943.2	-1.6%	997.5	-5.4%	(54.3)	958.5	19
20	**NET CORPORATE INCOME TAX**	-2.7	1.0	-1.4	32.6	-9.0	-8.4	12.6	5.3	11.9	11.7	*16.6*	50.2	120.5	-25.8%	160.0	-24.7%	(39.5)	162.5	20
22	Oil and Gas School Tax	22.6	25.0	21.3	26.4	28.3	29.7	34.7	28.3	31.7	*27.8*	24.3	24.1	324.3	-12.4%	290.8	11.5%	33.5	370.4	22
23	Oil Conservation Tax	1.1	1.3	1.1	1.3	1.4	1.5	1.7	1.4	1.6	*1.5*	1.3	1.3	16.5	-9.4%	15.3	8.4%	1.3	18.3	23
24	Resources Excise Tax	0.6	0.3	1.3	0.8	0.7	1.2	0.8	0.7	0.8	0.8	1.1	0.9	10.0	-11.2%	10.0	-0.2%	(0.0)	11.2	24
25	Natural Gas Processors Tax	3.5	2.9	4.2	3.7	3.5	3.3	3.2	3.0	3.3	3.3	3.8	3.2	40.9	1.4%	41.0	-0.3%	(0.1)	40.3	25
26	**TOTAL MINERAL PROD. TAXES**	27.9	29.5	27.9	32.3	33.9	35.7	40.4	33.4	37.4	33.4	30.4	29.5	391.8	-11.0%	357.1	9.7%	34.7	440.2	26
27	**LICENSE FEES**	2.2	1.9	1.9	1.8	1.9	7.5	1.9	4.1	7.7	13.9	2.9	2.8	50.5	0.7%	47.5	6.2%	3.0	50.1	27
28	Land Grant Perm. Fund Distributions	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.3	436.9	0.8%	436.5	0.1%	0.4	433.5	28
29	State Treasurer's Earnings	3.5	1.8	1.6	1.0	1.4	5.4	0.1	1.2	3.5	0.3	3.4	-4.1	18.8	-72.2%	21.5	-12.5%	(2.7)	67.8	29
30	Severance Tax Perm. Fund Distributions	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	187.1	-2.2%	187.1	0.0%	(0.0)	191.3	30
31	**TOTAL INVESTMENT EARNINGS**	55.5	53.8	53.6	53.0	53.4	57.4	52.1	53.2	55.5	52.3	55.3	47.7	642.8	-7.2%	645.1	-0.4%	(2.3)	692.5	31
32	Federal Mineral Leasing Royalties	22.8	22.5	23.8	27.2	27.5	19.9	34.6	34.7	35.5	37.3	*34.4*	*33.6*	353.9	-30.2%	301.0	17.6%	52.9	507.2	32
33	State Land Office Bonuses, Rents	1.6	6.0	9.5	4.7	5.9	4.7	6.4	4.8	6.8	2.3	*6.0*	*8.7*	67.7	85.8%	33.8	100.3%	33.9	36.4	33
34	**TOTAL RENTS & ROYALTIES**	24.4	28.5	33.3	32.0	33.5	24.7	41.1	39.5	42.3	39.6	40.4	42.4	421.6	-22.5%	334.8	25.9%	86.8	543.7	34
35	**TRIBAL REVENUE SHARING**	0.1	0.0	16.2	0.1	0.0	15.6	0.2	0.0	15.4	0.0	6.2	10.0	63.7	-2.7%	63.1	0.9%	0.6	65.4	35
36	**MISCELLANEOUS RECEIPTS**	1.4	1.1	1.4	2.0	1.4	1.5	3.1	1.3	2.5	1.4	2.5	19.1	38.8	-12.6%	41.8	-7.3%	(3.0)	44.3	36
37	**REVERSIONS**	0.0	0.0	0.0	1.0	3.7	1.7	0.7	5.2	0.2	0.3	*1.6*	*21.7*	36.1	-36.9%	30.0	20.4%	6.1	57.3	37
38	**TOTAL RECURRING REVENUE**	365.9	387.4	396.7	389.3	376.8	332.8	349.1	344.7	414.3	450.8	419.1	562.0	4,789.0	-10.0%	4,831.3	-0.9%	(42.4)	5,319.8	38
39	HB3 - Laws 2009 SS, Chapter 2	0.0	0.0	0.0	0.0	0.0	33.3	5.0	0.1	1.2	0.0	0.0	68.2	107.8	NA	107.8	NA	0.0	0.0	39
40	HB16 - Laws 2009 SS, Chapter 4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.7	NA	0.7	NA	0.0	0.0	40
41	HB17 - Laws 2009 SS, Chapter 5	0.0	0.0	0.0	0.0	0.0	0.0	3.7	0.0	0.0	0.0	0.0	0.0	3.7	NA	3.7	NA	0.0	0.0	41
42	SB29 - Laws 2009 SS, Chapter 7	0.0	0.0	0.0	0.0	0.0	103.3	6.0	0.0	0.0	0.0	0.0	0.0	109.3	NA	109.0	NA	0.2	0.0	42
43	SB182 - Laws 2010, Chapter 105	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.2	0.0	114.2	127.4	NA	141.1	NA	-13.7	0.0	43
44	Executive Orders & Furloughs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	87.6	87.6	NA	87.6	NA	0.0	0.0	44
45	2009 SS Reserve Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	115.0	115.0	NA	115.0	NA	0.0	0.0	45
46	Non-Recurring	0.0	0.0	0.1	0.3	0.5	0.4	0.4	0.0	0.0	0.0	0.0	0.0	1.8	NA	0.0	NA	1.8	425.6	46
47	**TOTAL NON-RECURRING REVENUE**	0.0	0.0	0.1	0.3	0.5	137.0	15.1	0.7	1.2	13.2	0.0	385.1	553.3	NA	565.0	NA	(11.7)	425.6	47
48	**GRAND TOTAL REVENUE**	365.9	387.4	396.8	389.6	377.3	469.8	364.2	345.4	415.4	464.0	419.1	947.1	5,342.2	-7.0%	5,396.3	-1.0%	(54.1)	5,745.4	48

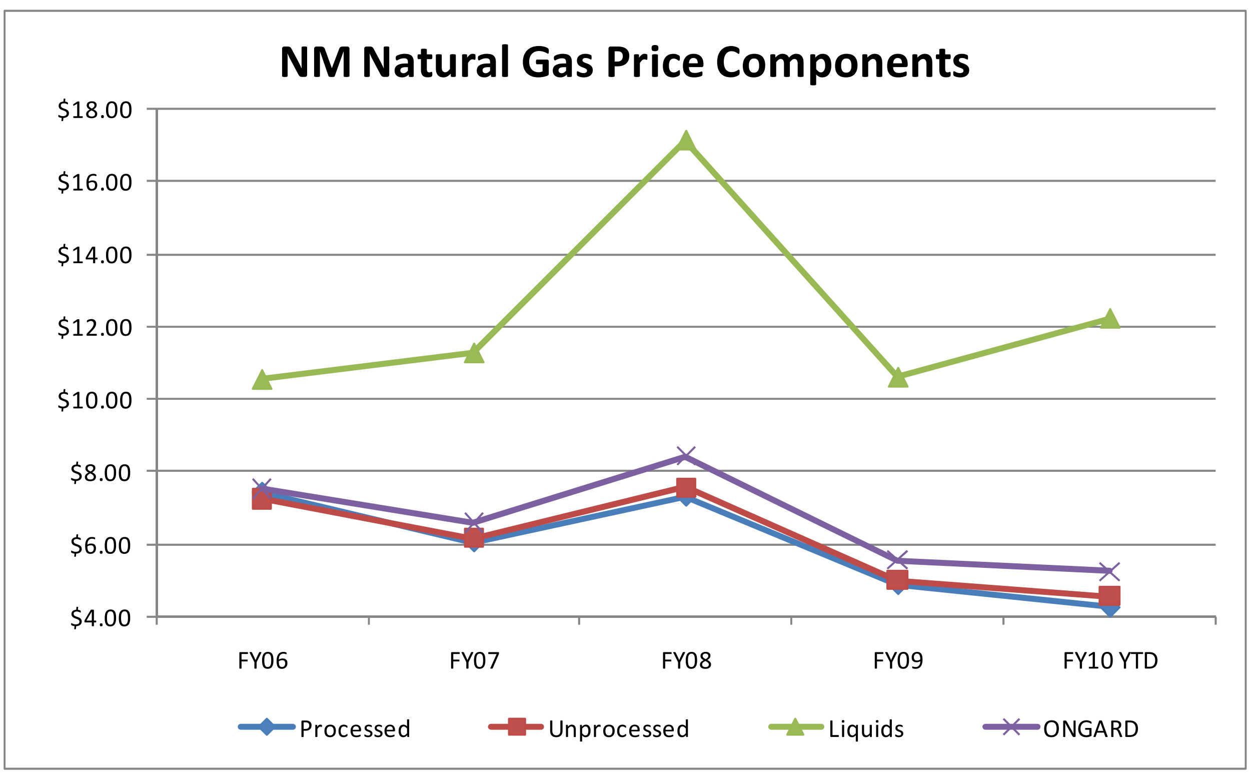
ATTACHMENT 5

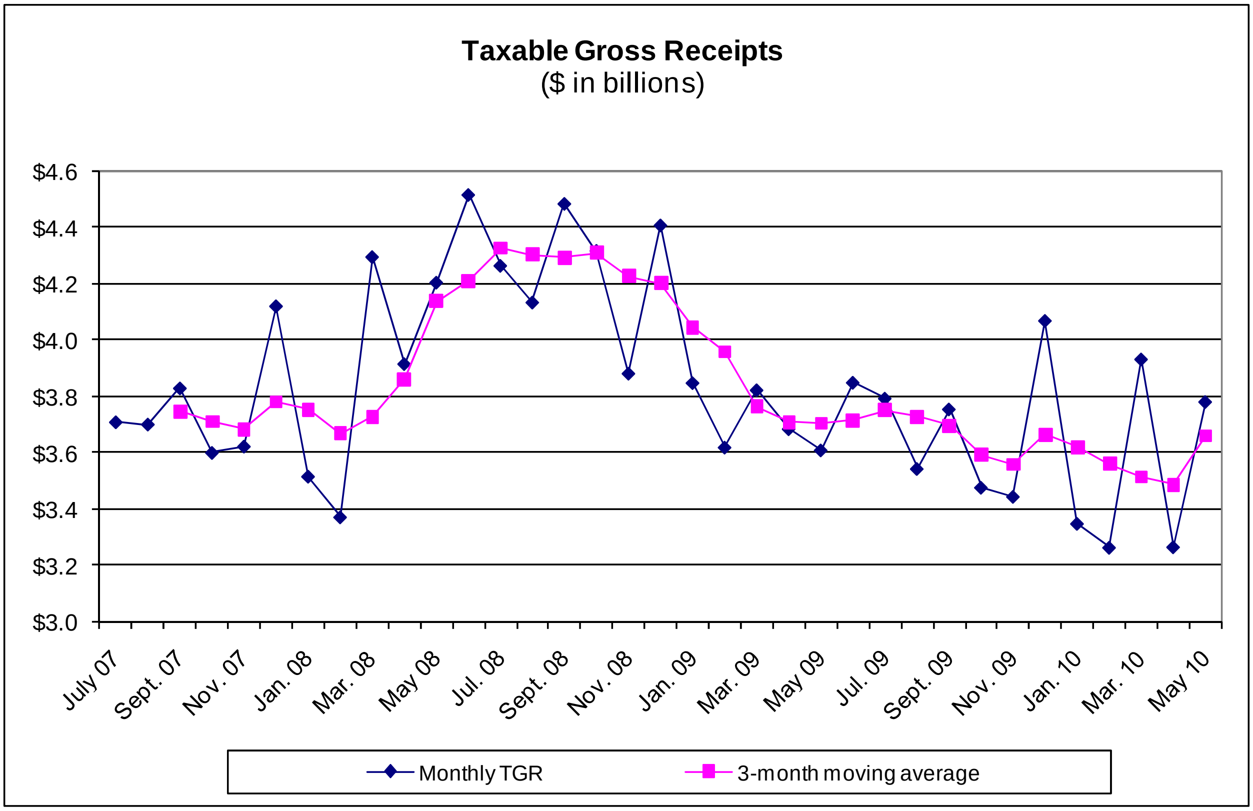
U.S. AND NEW MEXICO ECONOMIC INDICATORS

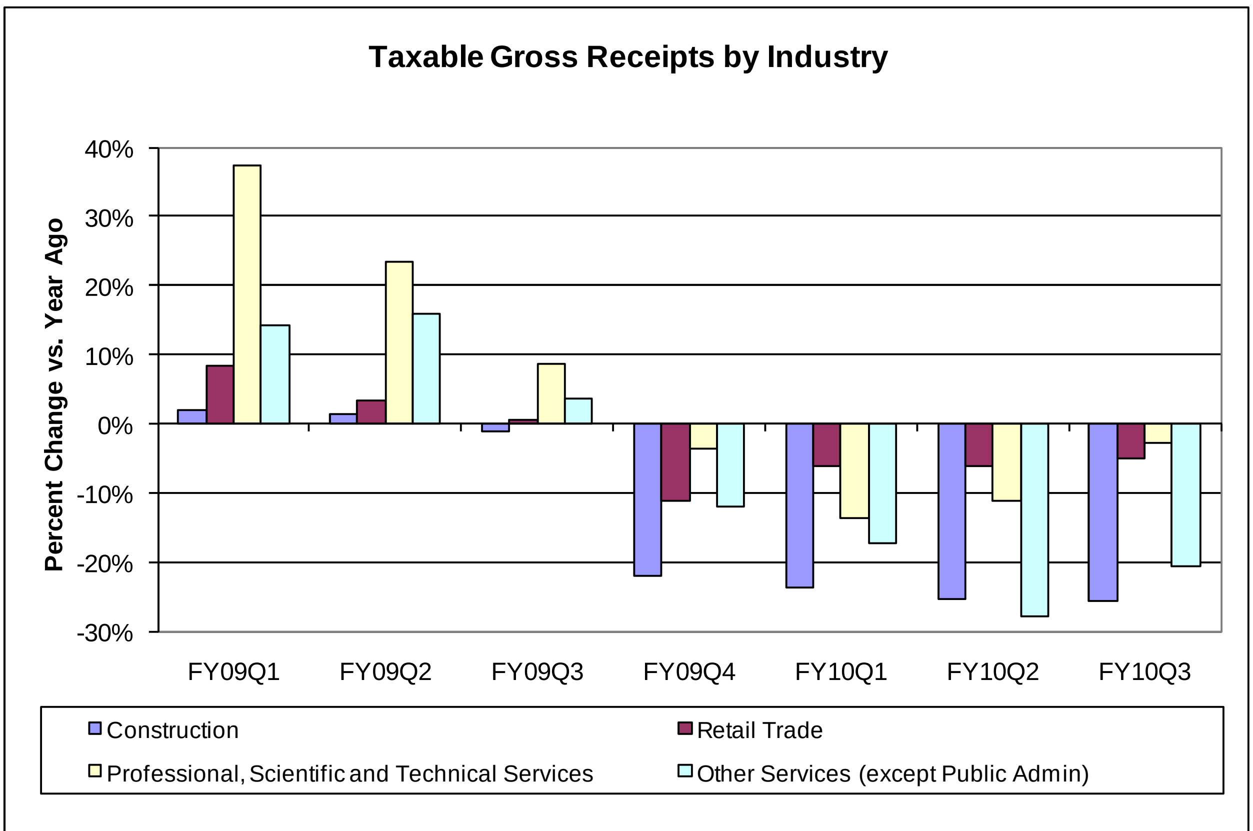
	FY2010		FY2011		FY2012		FY2013		FY2014		FY2015
	Dec 09 Estimate	Jul10 Prelim	Dec 09 Estimate	Jul10 Estimate	Dec 09 Estimate	Jul10 Estimate	Dec 09 Estimate	Jul10 Estimate	Dec 09 Estimate	Jul10 Estimate	Jul10 Estimate
NATIONAL ECONOMIC INDICATORS											
US Real GDP Growth (level annual avg, % yoy)*	0.4	0.8	2.4	3.0	3.5	2.9	3.4	3.0	2.6	2.7	3.0
US Inflation Rate (CPI, annual avg, % yoy)**	0.9	1.0	1.5	1.1	2.1	1.8	1.9	2.1	1.8	2.1	2.1
Federal Funds Rate (%)	0.13	0.15	0.78	0.16	2.69	0.87	3.50	3.31	4.02	3.59	4.67
NEW MEXICO LABOR MARKET AND INCOME DATA											
New Mexico											
NM Non-Agricultural Employment Growth (%)	(3.5)	(3.2)	1.6	1.0	2.0	2.0	1.8	2.0	1.5	1.7	1.4
NM Personal Income Growth (%)***	(0.5)	(0.1)	3.2	3.3	4.5	4.3	4.4	4.5	4.3	4.8	5.5
NM Private Wages & Salaries Growth (%)	(3.1)	(3.2)	3.8	3.1	4.1	4.6	4.2	4.6	4.3	4.4	4.2
CRUDE OIL AND NATURAL GAS OUTLOOK											
NM Oil Price ($/barrel)	$ 70.00	$ 71.35	$ 75.00	$ 74.25	$ 79.00	$ 80.00	$ 83.00	$ 83.00	$ 87.00	$ 86.00	$ 90.00
NM Taxable Oil Sales (million barrels)	61.3	61.8	60.2	61.1	59.1	60.4	58.0	59.8	57.0	59.1	58.4
NM Gas Price ($ per thousand cubic feet)****	$ 4.30	$ 5.12	$ 5.40	$ 5.60	$ 5.65	$ 6.00	$ 5.90	$ 6.45	$ 6.10	$ 6.75	$ 7.00
NM Taxable Gas Sales (billion cubic feet)	1,325	1,285	1,270	1,234	1,220	1,197	1,190	1,161	1,160	1,126	1,092

*Real GDP is BEA chained 2005 dollars, billions, annual rate.
**CPI is all urban, BLS 1982-84=1.00 base.
***Personal Income growth rates are for the calendar year in which each fiscal year begins
****The gas prices are estimated using a formula of NYMEX, PIRA and Global Insight future prices as well as a liquid premium based on oil prices
Sources: July Global Insight, June PIRA and May FOR-UNM BBER


NM Natural Gas Production (mcf)
135,000,000
130,000,000
125,000,000
120,000,000
115,000,000
110,000,000
105,000,000
100,000,000
95,000,000
90,000,000
July
August
September
October
November
December
January
February
March
April
May
June
FY09
FY10
Source: NM Oil Conservation Division


NM Natural Gas Price Components
$18.00
$16.00
$14.00
$12.00
$10.00
$8.00
$6.00
$4.00
FY06
FY07
FY08
FY09
FY10 YTD
Processed
Unprocessed
Liquids
ONGARD





NOTE: These four sectors made up 61% of total taxable gross receipts in FY09.

Medicaid and FMAP Extension Update

FY11 OUTLOOK AND OPTIONS TO ADDRESS SHORTFALL

- Congress has not extended the enhanced federal matching rate, or FMAP, as assumed in the FY11 budget. A full extension is unlikely, but Congress may act on a step-down proposal.
- The enhanced FMAP step-down represents the best case scenario for New Mexico, and it would leave the Medicaid program with an additional $47.2 million general fund shortfall. Without new state money, the program would have to cut expenditures by $220.5 million.
- Without any extension – the worst case scenario – the additional general fund shortfall grows to $180.2 million or expenditure cuts grow to $721.5 million.
- To address such a shortfall HSD must undertake significant cost containment efforts but the state could also consider some re-appropriation options:
    - Sand all other agencies and re-appropriate to Medicaid. A 1 percent reduction of all non-Medicaid appropriations, including schools, would be about $47 million. This sanding would be on top of any reductions already necessary due to revenue weakness.
    - Transfer any surplus funds to Medicaid.
    - Deauthorize capital outlay projects and re-appropriate to Medicaid. However, given several sessions devoted to solvency, limited general fund capital outlay balances remain.

COST CONTAINMENT

- The LFC recommendation assumed lower enrollment growth, reduced provider rates, new premium charges in the SCI program, adjustments or a cap in the personal care option program, and lower rates in CoLTS and SALUD programs.
- The department has taken on cost containment around "tightening up" utilization and benefits, reduced provider rates, and adjusted hospital payment methodology, among others. HSD not yet made major changes to the PCO program, SCI or significant CoLTS changes. Enrollment is still projected higher than the LFC assumed.
- The FY11 cost containment list includes several of the items included in the original LFC recommendation (e.g. charging higher premiums in SCI program, tightening PCO benefit) and others such as new copays for emergency room use and school districts paying the Medicaid match for school based health clinics.
- Given the magnitude of expenditures reductions for FY11 and FY12, the state would be faced with eliminating whole programs (e.g., SCI) or sets of benefits (e.g. personal care option). In addition, a provision of the health care reform law allows states to request a federal exemption based on the budget crisis to change eligibility for its programs, thereby significantly reducing enrollment. The state would have to consider this option.

Medicaid and FMAP Extension Update

FY12 OUTLOOK

- Even if Congress extends the enhanced matching rate for a full six months, the state faces a large funding cliff to begin FY12. If extended through FY11, the FMAP rate in FY12 will drop more than 10 percent, from 80.49 to 69.03 percent. This change will require the state to appropriate more than $320 million in new general fund to keep total program spending flat.
- Immediate action in FY11 will reduce this need. The department is discussing restructuring options for the program to address spending in FY12.

BACKGROUND

- The attached table compares the FY11 LFC recommendation with the FY11 appropriation, the FY11 Medicaid Projection and scenarios if the enhanced FMAP rate is not extended or partially extended.
- Medicaid currently projects spending about $3.98 billion—$130 million more than budgeted—resulting in a general fund shortfall of about $23 million. HSD projects pushing $75 million of FY10 expenditures into the FY11 budget.
- HSD has proposed a set of cost containment items to address the $23 million shortfall. Failure to extend the enhanced FMAP adds to this shortfall.
- Medicaid spending is up 28 percent from FY08 to FY11 (projected). FY11 projected spending is 9 percent more than the FY10 operating budget. Reducing spending to the FY10 operating budget level would significantly reduce the general fund shortfall.
- Medicaid enrollment grew 21.2 percent from FY08 to FY10.

ATTACHMENT 9

#		FY08 Actual	FY09 Est Actual	FY10 OpBud	FY10 HSD Projection (1)	FY11 Rec Revised/ OpBud*	Change from LFC Rec $/#	Change from LFC Rec %	FY11 Projection (1)	Change from Budget $	FY11 Budget w/o FMAP Extension	FY11 Budget w/ step down extension	
1	**Revenue** ($ in thousands)												
2	**General Fund**	**711,226**	**628,821**	**590,165**	**573,764**	**591,261.9**	(77,438)	-13.5%	**614,709.0**	23,447.1	**591,261.9**	**591,261.9**	(2)
3	Federal Disallowance (-)/ New Revenue +	2,350	403	-	(16,000)	(16,531.0)	(18,231)		(19,651.0)	(3,120.0)	(16,531.0)	(16,531.0)	
4	Other Transfers (DOH-DD, Tobacco, etc)	113,052	134,845	137,093	126,496	128,076.1	(5,509)	-4.4%	127,696.0	(380.1)	128,076.1	128,076.1	
5	Other State Funds (Other revenue)	58,565	56,499	63,701	58,758	67,094.0	(9,531)	-16.2%	63,775.0	(3,319.0)	80,094.0	75,094.0	(3)
6	Federal Funds	2,236,268	2,672,427	2,887,920	3,003,847	3,085,704.0	381,496	12.7%	3,200,039.0	114,335.0	2,351,210.3	2,857,150.4	
7	Total	3,121,461	3,492,995	3,678,879	3,746,865	3,855,605.0	270,786	7.2%	3,986,568.0	130,963.0	**3,134,111.3**	**3,635,051.4**	
8							-						
9	**FMAP (Blended Rate)**	71.7%	76.5%	78.5%	80.2%	80.1%		0.0%	**80.3%**	0.2%	**75.0%**	**78.6%**	(4)
10							-						
11	**Average Monthly Enrollment (All Programs)**	450,185	497,116	522,600	545,826	553,770	-	0.0%	566,439	12,669	553,770	553,770	
12	Medicaid	427102	455,445	471,870	485,454	502,070	-	0.0%	510,510	8,440	502,070	502,070	
13	SCI	14,617	32,142	41,230	50,230	41,000	-	0.0%	45,396	4,396	41,000	41,000	
14	Other	8,466	9,529	9,500	10,142	10,700	-	0.0%	10,533	-167	10,700	10,700	
15							-						
16	**Expenses** ($ in thousands)						-						
17	Physical Health Managed Care (Salud)	1,139,195	1,151,756	1,163,613	1,138,130	1,182,841.0	-	0.0%	1,128,696.0	(54,145.0)	1,182,841.0	1,182,841.0	
18	State Coverage Insurance	94,602	250,130	202,458	407,259	233,700.0	-	0.0%	330,022.0	96,322.0	233,700.0	233,700.0	
19	Premium Assistance	1,756	2,600	1,600	2,600	-	-	0.0%	2,600.0	2,600.0	-	-	
20	Medicaid Behavioral Health	289,239	281,337	290,374	280,933	307,200.8	34,000	12.1%	307,286.0	85.2	307,200.8	307,200.8	
21	Coordination of Long Term Care	-	449,345	700,522	789,595	772,200.0	-	0.0%	823,771.0	51,571.0	772,200.0	772,200.0	
22	Developmentally Disabled, AIDS, MF	269,282	284,234	317,826	298,754	302,273.0	22,323	7.5%	311,619.0	9,346.0	302,273.0	302,273.0	
23	Mi Via Waiver	11,361	24,841	25,496	31,049	28,000.0	-	0.0%	33,844.0	5,844.0	28,000.0	28,000.0	
24	Inpatient Hospital	122,504	112,056	95,485	106,292	107,746.0	-	0.0%	108,106.0	360.0	107,746.0	107,746.0	
25	Outpatient Hospital	68,932	70,523	55,862	64,736	63,989.0	-	0.0%	64,736.0	747.0	63,989.0	63,989.0	
26	Medicare Parts A, B, and D	85,760	92,644	99,103	92,950	108,524.0	-	0.0%	101,418.0	(7,106.0)	108,524.0	108,524.0	
27	Prior Year Expenses					-	-		74,839.0	74,839.0	-	-	
28	Current year charged to next year				(74,839)								
29	Other Fee for Service	1,036,999	773,526	719,056	609,406	674,668.0	-	0.0%	699,946.0	25,278.0	674,668.0	674,668.0	
30	Unspecified Growth (Enrollment or Other)					74,463.2	74,463			(74,463.2)	74,463.2	74,463.2	
31	Cost Containment						140,000			-	**(721,493.7)**	**(220,553.6)**	(5)
32													
33	**Total**	**3,119,630**	**3,492,992**	**3,671,395**	**3,746,865**	**3,855,605.0**	270,786	7.2%	**3,986,883.0**	131,278.0	**3,134,111.3**	**3,635,051.4**	

	FY11 Budget w/o FMAP Extension	FY11 Budget w/ step down extension
General Fund Share of Shortfall (includes DD)	**(180,229.1)**	**(47,198.5)**

Notes:
(1) April 7, 2010, Projection
* Assumed FMAP extension
(2) assuming no general fund change
(3) estimate with increase Sole Community Provider Contributions
(4) Average yearly FMAP
(5) Expenditure cuts required to meet available revenue

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