

# Consensus General Fund Revenue Estimates

Prepared by

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**SUMMARY:**

- FY10 recurring revenue is down by \$5 million but non-recurring revenue is up by \$27 million compared with the July 2010 consensus estimate.
- FY11 recurring revenue is down by \$40 million from the July forecast.
- After authorized reserve transfers and \$151 million of allotment reductions already implemented, FY11 revenue is \$17.3 million less than appropriations.
- FY12 revenue was revised down by \$81.4 million. The shortfall between FY12 revenue and the cost of current services is \$257.6 million, even when a continuation of current cost-saving measures is assumed.

**Table 1**

**October 2010 Consensus General Fund Recurring Revenue Outlook**

(Dollar amounts in millions)

	<u><b>FY10</b></u>	<u><b>FY11</b></u>	<u><b>FY12</b></u>	<u><b>FY13</b></u>	<u><b>FY14</b></u>	<u><b>FY15</b></u>
Post-session estimate	\$4,831	\$5,307	\$5,591	\$5,790	\$5,988	\$6,228
July 2010 revisions	-\$32	-\$159	-\$161	-\$95	-\$64	-\$38
October 2010 revisions	-\$5	-\$40	-\$81	-\$101	-\$109	-\$154
<b>October 2010 consensus</b>	<b>\$4,794</b>	<b>\$5,109</b>	<b>\$5,348</b>	<b>\$5,594</b>	<b>\$5,816</b>	<b>\$6,036</b>
Annual amount change	-\$525	\$314	\$240	\$246	\$222	\$221
Annual percent change	-9.9%	6.6%	4.7%	4.6%	4.0%	3.8%

Recurring revenue growth is forecast at 6.6 percent in FY11 and 4.7 percent in FY12. Most of the FY11 increase is due to revenue enhancement legislation passed in the 2010 sessions. Absent this legislation, FY11 growth would have been 2.9 percent.

**FORECAST REVISIONS BY REVENUE: (Table 2 and Table 3)**

Details of the consensus forecast are contained in Attachment 1. A summary is presented in Tables 2 and 3.

- Gross receipts tax (“GRT”) was revised downward in response to a lower forecast of wages and salaries. This effect compounds over time, resulting in a larger revenue loss in out years.
- Selective sales taxes were reduced due to lower fire protection fund reversions, a lower growth rate of motor vehicle excise taxes and lower cigarette taxes.
- Personal income tax was revised down based on a weaker forecast of personal income.
- Corporate income tax was revised up due to larger-than-expected tax payments in the first quarter of FY11 and strong income reports from major revenue contributing industries.
- Energy-related revenues were reduced due to a sharp drop in natural gas prices. Oil prices have risen slightly.

**Table 2**  
**October 2010 Forecast Revisions by Revenue**  
(million dollars)

	<b><u>FY10</u></b>	<b><u>FY11</u></b>	<b><u>FY12</u></b>	<b><u>FY13</u></b>	<b><u>FY14</u></b>	<b><u>FY15</u></b>
Gross receipts tax	(10.5)	(19.4)	(56.4)	(66.4)	(78.2)	(98.7)
Selective sales taxes	(21.2)	(5.5)	(10.7)	(11.4)	(12.8)	(14.6)
Personal income tax	30.9	(12.0)	(20.0)	(27.0)	(36.0)	(40.0)
Corporate income tax	5.1	44.3	29.8	10.5	19.9	(0.1)
Energy-related revenues	(12.6)	(44.8)	(21.6)	(5.7)	(5.5)	(1.4)
Investment earnings	2.4	1.1	-	-	5.9	3.3
Other revenues	1.3	(3.6)	(2.5)	(1.5)	(2.0)	(2.6)
<b>Total Recurring Revenue</b>	<b>(4.6)</b>	<b>(39.8)</b>	<b>(81.4)</b>	<b>(101.4)</b>	<b>(108.7)</b>	<b>(154.1)</b>

**Table 3**  
**October 2010 Annual Growth Rates by Revenue**  
(million dollars)

	<b><u>FY10</u></b>	<b><u>FY11</u></b>	<b><u>FY12</u></b>	<b><u>FY13</u></b>	<b><u>FY14</u></b>	<b><u>FY15</u></b>
Gross receipts tax	-11.3%	5.2%	4.0%	5.9%	5.1%	4.2%
Selective sales taxes	-8.1%	16.7%	2.9%	3.1%	1.9%	2.2%
Personal income tax	1.8%	9.3%	3.8%	3.7%	3.7%	3.9%
Corporate income tax	-23.0%	75.9%	18.2%	15.4%	13.3%	2.9%
Energy-related revenues	-18.4%	-4.6%	7.8%	6.0%	2.1%	1.8%
Investment earnings	-6.7%	0.4%	0.8%	-2.6%	0.5%	6.8%
Other revenues	14.3%	6.7%	4.8%	5.1%	4.0%	3.5%
<b>Total Recurring Revenue</b>	<b>-9.9%</b>	<b>6.6%</b>	<b>4.7%</b>	<b>4.6%</b>	<b>4.0%</b>	<b>3.8%</b>

**GENERAL FUND FINANCIAL SUMMARY (Attachment 2 and Table 4):**

- FY10 appropriations are \$5.45 billion, \$172 million greater than revised revenue.
- A total of \$247 million of reserve transfers was authorized to cover revenue shortfalls in FY10 and FY11.
- Revised FY11 revenue is \$5.11 billion. After allotment reductions already implemented, FY11 appropriations exceed revised revenue plus authorized transfers by \$17.3 million.

**Table 4**  
**Reconciliation of Reserve Transfers & Allotment Reductions: October 2010**  
**Revenue Estimate**  
**(Dollars in Millions)**

	<u><b>FY10</b></u>	<u><b>FY11</b></u>
<b>REVENUE:</b>		
December 2009 consensus estimate	\$4,823.3	\$5,120.8
Revenue enhancements - 2010 sessions	\$8.0	\$186.2
July 2010 consensus forecast update	(\$32.5)	(\$158.8)
<i>October 2010 consensus forecast update</i>	<i>(\$4.6)</i>	<i>(\$39.8)</i>
Total recurring revenue	\$4,794.2	\$5,108.5
July 2010 consensus non-recurring estimate	\$458.9	\$2.1
<i>October consensus non-recurring revision</i>	<i>\$27.1</i>	<i>\$0.0</i>
Total revenue	\$5,280.2	\$5,110.6
<b>APPROPRIATIONS:</b>		
Total recurring appropriations	\$5,357.9	\$5,353.9
Total nonrecurring appropriations	\$94.4	\$0.0
Total appropriations	\$5,452.3	\$5,353.9
<b>TRANSFER TO(FROM) RESERVES:</b>	(\$172.0)	(\$243.3)
Authorized transfers	\$172.0	\$75.0
Allotment reductions -- July forecast		\$151.0
<b>Additional allotment reductions -- October forecast</b>		<b>\$17.3</b>

**FY12 CURRENT SERVICES FUNDING SCENARIO:**

Table 5 presents a comparison of the revised FY12 revenue forecast with the cost of maintaining current services at a level that reflects the sanding of allotments already enacted and also reflects added federal stimulus funds approved late in the summer. Over \$350 million will be needed to replace temporary federal funds, primarily for Medicaid. \$33 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 current services appropriations in FY12 in this scenario is \$257.6 million.

**Table 5**  
**FY12 Budget Outlook**  
(dollars in millions)

<b>Revenue:</b>	
July Consensus forecast	\$5,429.5
<u>October revisions</u>	<u>-\$81.4</u>
<b>Total revenue</b>	<b>\$5,348.1</b>
<b>Appropriations:</b>	
Flat budget FY11 general fund	\$5,204.0
Replace Medicaid	\$279.8
Replace Public Schools federal funds	\$88.9
Replace TANF balances	\$33.0
<b>Total needed for current services</b>	<b>\$5,605.7</b>
<b>Surplus/deficit</b>	<b>-\$257.6</b>
% of approp's	-4.9%
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

**GENERAL FUND APPROPRIATIONS WITH SUPPLANTING FUNDS:**

Attachments 3 and 4 illustrate the recent trends in General Fund appropriations, highlighting the role played by temporary funding sources. While general fund recurring revenue fell by over 20% from FY08 to FY10, total spending actually increased between FY08 and FY10 post-solvency. From a peak of over \$6 billion in FY09, total spending fell by 3.4 percent in FY10 and by a cumulative total of 7.2 percent in FY10 and FY11 after allotment reductions. If general fund spending is raised to the level of projected FY12 revenue, total spending would be 11.3 percent below the FY09 peak.

**ECONOMIC OUTLOOK (Attachment 5):**

New Mexico's labor markets have deteriorated since the December consensus estimate. Rather than growing by 1 percent – or about 8,000 jobs – payrolls are now expected to shrink by 0.3 percent in FY11. Wages and salaries are expected to grow by only 1.3 percent. Some improvement is seen occurring in FY12, with employment rising 1 percent and wages and salaries rising 3.2 percent. Inflation in the U.S. is expected to remain subdued, averaging about 1.5 percent per year over the next two years. New Mexico will not regain the previous peak level of employment until 2013, approximately five years after first reaching that level.

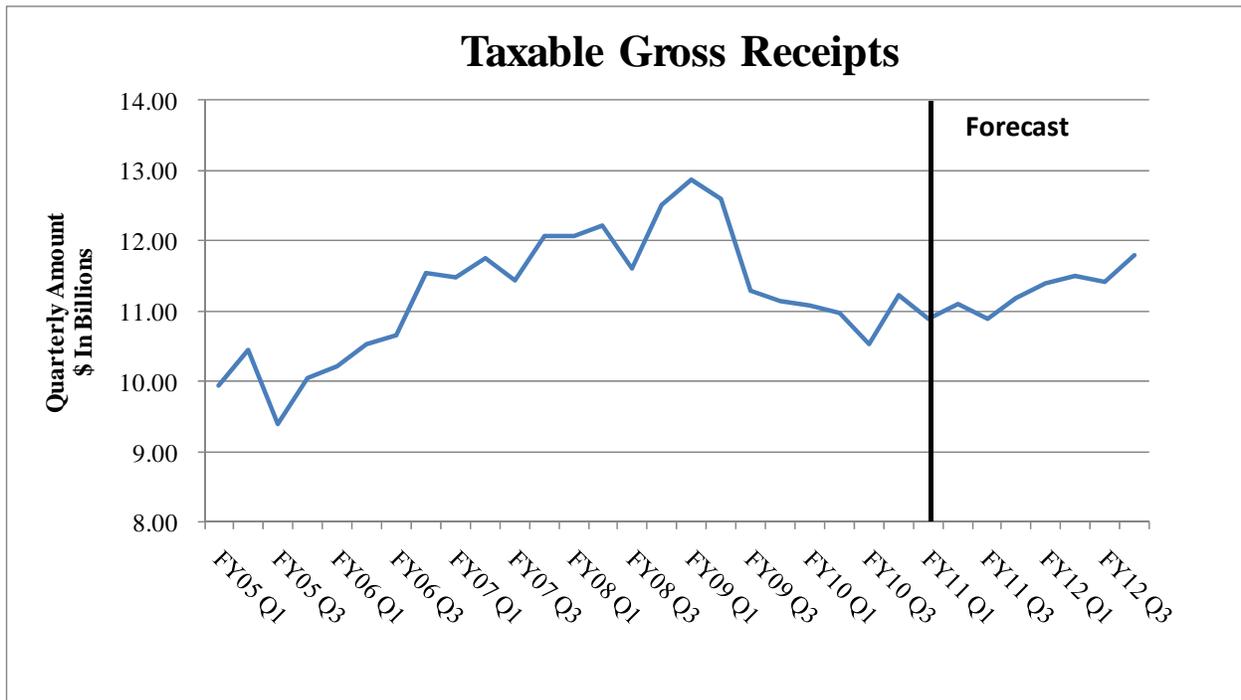
**ENERGY MARKETS (Attachment 6):**

Spot prices for natural gas have fallen about 20 percent since the July forecast update. Lack of serious hurricane activity, supply increases from shale gas and weak demand due to the sluggish economy are putting downward pressure on prices. Natural gas liquids are adding about 41.00 per thousand cubic feet to the average value of total gas production. Natural gas volumes – expressed in thousands of cubic feet equivalent – fell by 7.5 percent in FY10 and are projected to

fall by 4 percent in FY11. Oil prices are expected to remain around \$75 to \$80 per barrel in the near term. Longer term increases are based on forecasts showing increased demand in emerging economies as well as a return to growth – and the potential for inflation -- in advanced economies.

**GROSS RECEIPTS TAX TRENDS:**

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. In response to a weaker outlook for New Mexico’s economy, the taxable gross receipts base is now expected to grow by 3 percent in FY11. Stronger growth of 4 percent is expected in FY12.



**RISKS TO THE FORECAST:**

- Although the revenue outlook has been revised down significantly, the vulnerability of the economic recovery is still a risk to the forecast, since broad-based revenues like GRT and PIT will not recover until employment growth gains steam.
- Although the national labor market has returned to positive growth, New Mexico was still losing jobs in the latest monthly reports.
- 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. Although prices for natural gas liquids have benefited from recent improvements in oil prices, they are vulnerable to downward pressure as the industry shifts operations to maximize liquids production.

**FORECAST ERROR (Attachment 7):**

Attachment 7 displays forecast errors in the consensus general fund revenue estimates over the last 10 years. After a series of revenue underestimates from FY04 to FY08, forecasts have been too high in each of the last three fiscal years. So far the cumulative overestimate for the current fiscal year is just short of 4 percent, or \$200 million.

General Fund  
Consensus Revenue Estimate  
October 2010

**FY10**

**FY11**

**FY12**

	Jul. 10 Est.	Prelim. Actual DFA	Change from Prior	% Change from FY09	Jul. 10 Est.	Oct. 10 Est.	Change from Prior	% Change from FY10	Jul. 10 Est.	Oct. 10 Est.	Change from Prior	% Change from FY11
Gross Receipts Tax	1,636.0	1,625.5	(10.5)	-11.3%	1,729.4	1,710.0	(19.4)	5.2%	1,834.8	1,778.4	(56.4)	4.0%
Compensating Tax	51.2	50.9	(0.3)	-27.2%	65.4	63.9	(1.5)	25.5%	69.0	67.7	(1.3)	5.9%
<b>TOTAL GENERAL SALES</b>	<b>1,687.2</b>	<b>1,676.4</b>	<b>(10.8)</b>	<b>-11.9%</b>	<b>1,794.8</b>	<b>1,773.9</b>	<b>(20.9)</b>	<b>5.8%</b>	<b>1,903.8</b>	<b>1,846.1</b>	<b>(57.7)</b>	<b>4.1%</b>
Tobacco Taxes	45.1	45.7	0.6	-7.8%	78.9	79.2	0.3	73.3%	79.0	77.5	(1.5)	-2.1%
Liquor Excise	25.8	25.6	(0.2)	-0.9%	26.7	26.3	(0.4)	2.7%	27.0	26.5	(0.5)	0.8%
Insurance Taxes	133.9	129.6	(4.3)	6.3%	137.3	137.3	-	5.9%	142.2	142.2	-	3.6%
Fire Protection Fund Reversion	21.7	5.0	(16.7)	-83.8%	24.1	18.3	(5.8)	266.0%	22.7	17.4	(5.3)	-4.9%
Motor Vehicle Excise	91.8	92.2	0.4	-8.3%	99.0	99.4	0.4	7.8%	112.0	108.6	(3.4)	9.3%
Gaming Excise	66.5	65.1	(1.4)	-5.9%	64.9	64.9	-	-0.3%	66.0	66.0	-	1.7%
Leased Vehicle Surcharge	5.6	5.7	0.1	16.3%	5.8	5.8	(0.0)	1.8%	5.6	5.6	(0.0)	-3.4%
Other	2.9	3.2	0.3	38.9%	3.0	3.0	0.0	-6.0%	3.0	3.0	(0.0)	0.0%
<b>TOTAL SELECTIVE SALES</b>	<b>393.3</b>	<b>372.1</b>	<b>(21.2)</b>	<b>-8.1%</b>	<b>439.7</b>	<b>434.2</b>	<b>(5.5)</b>	<b>16.7%</b>	<b>457.5</b>	<b>446.8</b>	<b>(10.7)</b>	<b>2.9%</b>
Personal Income Tax	945.0	975.9	30.9	1.8%	1,079.0	1,067.0	(12.0)	9.3%	1,128.0	1,108.0	(20.0)	3.8%
Corporate Income Tax	120.0	125.1	5.1	-23.0%	175.7	220.0	44.3	75.9%	230.2	260.0	29.8	18.2%
<b>TOTAL INCOME TAXES</b>	<b>1,065.0</b>	<b>1,101.0</b>	<b>36.0</b>	<b>-1.8%</b>	<b>1,254.7</b>	<b>1,287.0</b>	<b>32.3</b>	<b>16.9%</b>	<b>1,358.2</b>	<b>1,368.0</b>	<b>9.8</b>	<b>6.3%</b>
Oil and Gas School Tax	328.0	314.6	(13.4)	-15.1%	340.0	325.3	(14.7)	3.4%	355.4	359.8	4.4	10.6%
Oil Conservation Tax	15.4	15.9	0.5	-12.9%	16.2	16.8	0.6	5.7%	18.0	18.5	0.5	10.1%
Resources Excise Tax	10.0	9.4	(0.6)	-16.3%	10.0	10.0	-	6.4%	10.0	10.0	-	0.0%
Natural Gas Processors Tax	40.9	40.4	(0.5)	0.1%	17.9	17.9	-	-55.7%	23.1	22.4	(0.7)	25.1%
<b>TOTAL SEVERANCE TAXES</b>	<b>394.3</b>	<b>380.3</b>	<b>(14.0)</b>	<b>-13.6%</b>	<b>384.1</b>	<b>370.0</b>	<b>(14.1)</b>	<b>-2.7%</b>	<b>406.5</b>	<b>410.7</b>	<b>4.2</b>	<b>11.0%</b>
<b>LICENSE FEES</b>	<b>52.0</b>	<b>50.3</b>	<b>(1.7)</b>	<b>0.4%</b>	<b>54.6</b>	<b>52.0</b>	<b>(2.6)</b>	<b>3.4%</b>	<b>55.4</b>	<b>53.9</b>	<b>(1.5)</b>	<b>3.7%</b>
LGPFI Interest	436.5	437.1	0.6	0.8%	445.2	445.2	-	1.9%	451.6	451.6	-	1.4%
STO Interest	20.3	22.1	1.8	-67.4%	17.9	19.0	1.1	-14.0%	21.5	21.5	-	13.2%
STPF Interest	187.1	187.1	-	-2.2%	184.6	184.6	-	-1.3%	180.9	180.9	-	-2.0%
<b>TOTAL INTEREST</b>	<b>643.9</b>	<b>646.3</b>	<b>2.4</b>	<b>-6.7%</b>	<b>647.7</b>	<b>648.8</b>	<b>1.1</b>	<b>0.4%</b>	<b>654.0</b>	<b>654.0</b>	<b>-</b>	<b>0.8%</b>
Federal Mineral Leasing	353.9	355.3	1.4	-30.0%	378.0	347.3	(30.7)	-2.3%	397.0	371.2	(25.8)	6.9%
State Land Office	67.7	67.7	-	85.8%	48.7	48.7	-	-28.1%	43.9	43.9	-	-9.9%
<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>421.6</b>	<b>423.0</b>	<b>1.4</b>	<b>-22.2%</b>	<b>426.7</b>	<b>396.0</b>	<b>(30.7)</b>	<b>-6.4%</b>	<b>440.9</b>	<b>415.1</b>	<b>(25.8)</b>	<b>4.8%</b>
TRIBAL REVENUE SHARING	63.1	64.1	1.0	-2.0%	63.0	65.4	2.4	2.0%	64.9	67.2	2.3	2.8%
MISCELLANEOUS RECEIPTS	42.5	44.9	2.4	5.1%	49.2	47.2	(2.0)	5.1%	45.9	43.9	(2.0)	-7.0%
<b>REVERSIONS</b>	<b>36.0</b>	<b>35.9</b>	<b>(0.1)</b>	<b>-37.2%</b>	<b>34.0</b>	<b>34.0</b>	<b>-</b>	<b>-5.3%</b>	<b>42.4</b>	<b>42.4</b>	<b>-</b>	<b>24.7%</b>
<b>TOTAL RECURRING</b>	<b>4,798.9</b>	<b>4,794.3</b>	<b>(4.6)</b>	<b>-9.9%</b>	<b>5,148.3</b>	<b>5,108.5</b>	<b>(39.8)</b>	<b>6.6%</b>	<b>5,429.5</b>	<b>5,348.1</b>	<b>(81.4)</b>	<b>4.7%</b>
<b>TOTAL NON-RECURRING</b>	<b>458.9</b>	<b>486.0</b>	<b>27.1</b>	<b>1520.0%</b>	<b>2.1</b>	<b>2.1</b>	<b>-</b>	<b>-99.6%</b>	<b>6.9</b>	<b>6.9</b>	<b>0.0</b>	<b>228.6%</b>
<b>GRAND TOTAL</b>	<b>5,257.8</b>	<b>5,280.3</b>	<b>22.5</b>	<b>-1.3%</b>	<b>5,150.5</b>	<b>5,110.6</b>	<b>(39.9)</b>	<b>-3.2%</b>	<b>5,436.3</b>	<b>5,355.0</b>	<b>(81.3)</b>	<b>4.8%</b>

General Fund  
Consensus Revenue Estimate  
October 2010

	FY13			FY14			FY15		
	Jul. 10 Est.	Oct. 10 Est.	% Change from Prior	Jul. 10 Est.	Oct. 10 Est.	% Change from Prior	Jul. 10 Est.	Oct. 10 Est.	% Change from Prior
Gross Receipts Tax	1,949.8	1,883.4	(66.4)	2,058.2	1,980.0	(78.2)	2,161.5	2,062.8	(98.7)
Compensating Tax	72.4	71.2	(1.2)	75.1	73.8	(1.3)	77.6	76.6	(1.0)
<b>TOTAL GENERAL SALES</b>	<b>2,022.2</b>	<b>1,954.6</b>	<b>(67.6)</b>	<b>2,133.3</b>	<b>2,053.8</b>	<b>(79.5)</b>	<b>2,239.1</b>	<b>2,139.4</b>	<b>(99.7)</b>
Tobacco Taxes	78.9	76.6	(2.3)	79.0	75.6	(3.4)	78.7	74.6	(4.1)
Liquor Excise	27.3	26.8	(0.5)	27.6	26.9	(0.7)	28.1	27.0	(1.1)
Insurance Taxes	147.3	147.3	(0.0)	152.6	152.6	(0.0)	158.1	158.1	(0.0)
Fire Protection Fund Reversion	21.4	16.3	(5.1)	20.1	15.2	(4.9)	18.9	14.1	(4.8)
Motor Vehicle Excise	120.9	117.4	(3.5)	125.4	121.6	(3.8)	131.6	127.0	(4.6)
Gaming Excise	67.2	67.2	-	68.4	68.4	-	69.6	69.6	-
Leased Vehicle Surcharge	5.7	5.7	0.0	5.6	5.6	(0.0)	5.5	5.5	-
Other	3.2	3.2	0.0	3.3	3.3	-	3.4	3.4	-
<b>TOTAL SELECTIVE SALES</b>	<b>471.9</b>	<b>460.5</b>	<b>(11.4)</b>	<b>482.0</b>	<b>469.2</b>	<b>(12.8)</b>	<b>493.9</b>	<b>479.3</b>	<b>(14.6)</b>
Personal Income Tax	1,176.0	1,149.0	(27.0)	1,228.0	1,192.0	(36.0)	1,279.0	1,239.0	(40.0)
Corporate Income Tax	289.5	300.0	10.5	320.1	340.0	19.9	350.1	350.0	(0.1)
<b>TOTAL INCOME TAXES</b>	<b>1,465.5</b>	<b>1,449.0</b>	<b>(16.5)</b>	<b>1,548.1</b>	<b>1,532.0</b>	<b>(16.1)</b>	<b>1,629.1</b>	<b>1,589.0</b>	<b>(40.1)</b>
Oil and Gas School Tax	368.6	380.3	11.7	375.7	389.7	14.0	382.0	398.5	16.5
Oil Conservation Tax	18.6	19.4	0.8	18.9	19.9	1.0	19.3	20.4	1.1
Resources Excise Tax	10.0	10.0	-	10.0	10.0	-	10.0	10.0	-
Natural Gas Processors Tax	23.0	21.0	(2.0)	22.3	20.3	(2.0)	25.2	24.6	(0.6)
<b>TOTAL SEVERANCE TAXES</b>	<b>420.2</b>	<b>430.7</b>	<b>10.5</b>	<b>426.9</b>	<b>439.9</b>	<b>13.0</b>	<b>436.5</b>	<b>453.5</b>	<b>17.0</b>
LICENSE FEES	58.8	57.3	(1.5)	61.4	59.9	(1.5)	63.4	61.9	(1.5)
LGPFF Interest	429.8	429.8	-	429.3	429.3	-	460.3	460.3	-
STO Interest	33.1	33.1	-	39.1	45.0	5.9	46.7	50.0	3.3
STPF Interest	174.0	174.0	-	166.1	166.1	-	173.6	173.6	-
<b>TOTAL INTEREST</b>	<b>636.9</b>	<b>636.9</b>	<b>-</b>	<b>634.5</b>	<b>640.4</b>	<b>5.9</b>	<b>680.6</b>	<b>683.9</b>	<b>3.3</b>
Federal Mineral Leasing	418.0	401.8	(16.2)	427.0	408.5	(18.5)	431.0	412.6	(18.4)
State Land Office	42.8	42.8	-	45.2	45.2	-	44.0	44.0	0.0
<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>460.8</b>	<b>444.6</b>	<b>(16.2)</b>	<b>472.2</b>	<b>453.7</b>	<b>(18.5)</b>	<b>475.0</b>	<b>456.6</b>	<b>(18.4)</b>
TRIBAL REVENUE SHARING	66.9	70.1	3.2	70.2	73.0	2.8	73.8	75.7	1.9
MISCELLANEOUS RECEIPTS	48.7	46.7	(2.0)	50.8	48.8	(2.0)	52.5	50.5	(2.0)
REVERSIONS	43.7	43.7	-	45.1	45.1	-	46.5	46.5	-
<b>TOTAL RECURRING</b>	<b>5,695.5</b>	<b>5,594.1</b>	<b>(101.4)</b>	<b>5,924.5</b>	<b>5,815.8</b>	<b>(108.7)</b>	<b>6,190.4</b>	<b>6,036.3</b>	<b>(154.1)</b>
<b>TOTAL NON-RECURRING</b>	<b>(3.3)</b>	<b>(3.3)</b>	<b>0.0</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>
<b>GRAND TOTAL</b>	<b>5,692.2</b>	<b>5,590.8</b>	<b>(101.4)</b>	<b>5,923.6</b>	<b>5,814.9</b>	<b>(108.7)</b>	<b>6,190.4</b>	<b>6,036.3</b>	<b>(154.1)</b>

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

APPROPRIATION ACCOUNT	Preliminary FY2010	Estimated FY2011	Estimated FY2012
<b>REVENUE</b>			
Recurring Revenue			
December 2009 Consensus Estimate	\$ 4,823.3	\$ 5,120.8	\$ 5,425.8
<i>Revenue Enhancements - 2010 Regular &amp; Special Sessions</i>	8.0	186.2	164.7
<i>July 2010 forecast update</i>	(32.5)	(158.8)	(161.1)
<i>October 2010 forecast update</i>	(4.6)	(39.8)	(81.4)
<b>Total Recurring Revenue</b>	<b>\$ 4,794.2</b>	<b>\$ 5,108.5</b>	<b>\$ 5,348.1</b>
Nonrecurring Revenue			
December 2009 consensus estimate	\$ -	\$ -	\$ -
<i>2009 Special &amp; 2010 Regular &amp; Special Sessions</i>	458.8	2.1	6.9
<i>October forecast revision</i>	27.2		
<b>Total Non-Recurring Revenue</b>	<b>\$ 486.0</b>	<b>\$ 2.1</b>	<b>\$ 6.9</b>
<b>TOTAL REVENUE</b>	<b>\$ 5,280.2</b>	<b>\$ 5,110.6</b>	<b>\$ 5,355.0</b>
<b>APPROPRIATIONS</b>			
Recurring Appropriations			
Recurring Appropriations - General	\$ 5,487.6	\$ 5,338.9	
Recurring Appropriations - Feed Bill	4.9	15.0	
<i>Recurring Solvency Savings</i>	(134.6)	-	
<i>Section 14 GAA sanding implemented (2)</i>		(151.0)	
<i>Additional Section 14 GAA sanding required (2)</i>	-	(17.3)	
<b>Total Recurring Appropriations</b>	<b>\$ 5,357.9</b>	<b>\$ 5,185.6</b>	
Nonrecurring Appropriations			
2009 Fund Transfers	\$ 5.7	\$ -	\$ -
<i>Nonrecurring Solvency Savings</i>	100.0	-	-
<i>2010 Regular &amp; Special Session appropriations</i>	(18.4)	-	-
<i>2010 Regular &amp; Special Session appropriations</i>	7.1	-	-
<b>Total Nonrecurring Appropriations</b>	<b>\$ 94.4</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 5,452.3</b>	<b>\$ 5,185.6</b>	<b>\$ -</b>
Transfer to(from) Reserves	\$ (172.0)	\$ (75.0)	
<b>GENERAL FUND RESERVES</b>			
Beginning Balances	\$ 392.6	\$ 281.6	
Transfers from (to) Appropriations Account	(172.0)	(75.0)	
Revenue and Reversions	120.0	50.8	
Appropriations, expenditures and transfers out	(58.9)	(61.0)	
<b>Ending Balances</b>	<b>\$ 281.6</b>	<b>\$ 196.4</b>	
<i>Reserves as a Percent of Recurring Appropriations</i>	5.3%	3.8%	

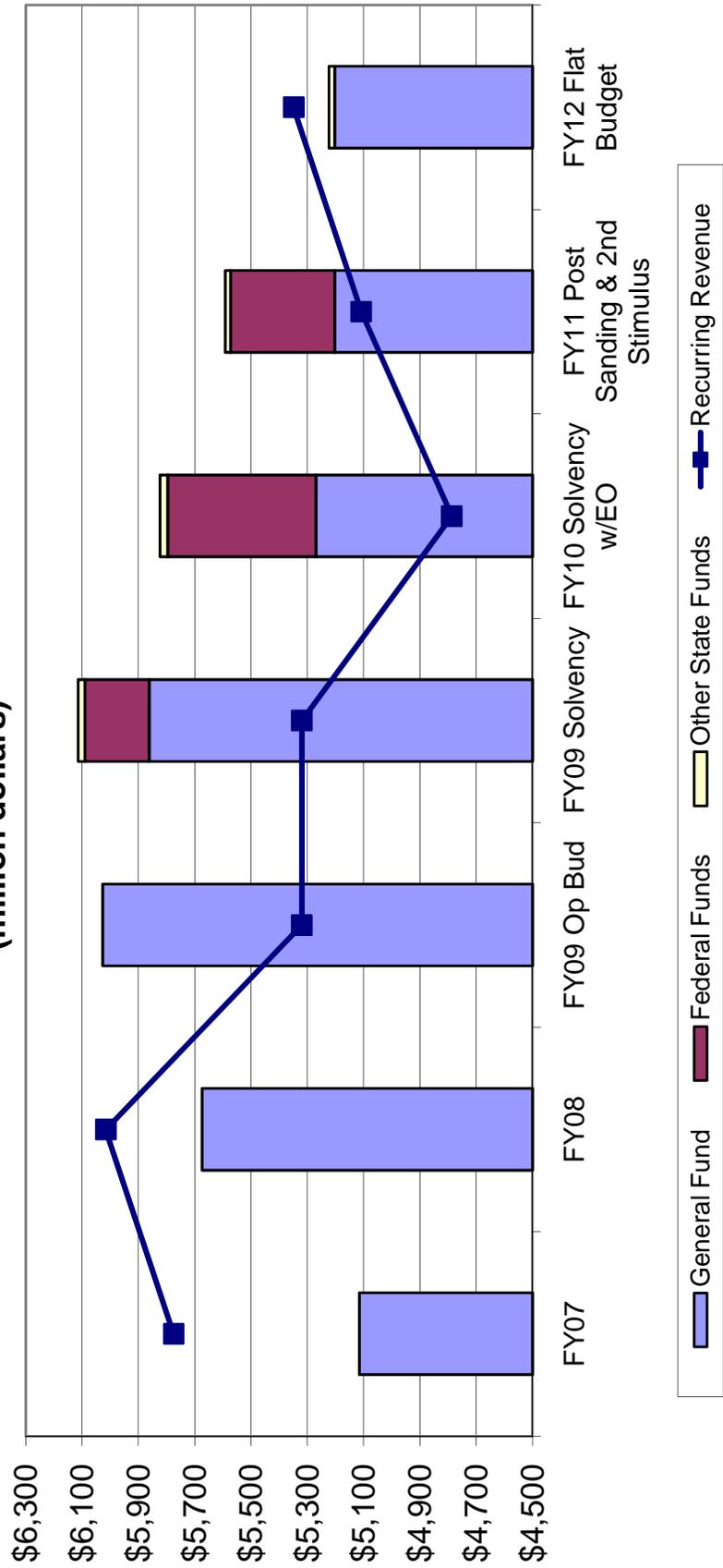
(1) FY10: SB 182 savings were reduced \$11.1 million due to projects that met contingencies; \$20.0 million of ARRA discretionary funds substituted for General Fund Appropriations to the Corrections Department.

(2) Amount needed to hold reserve transfers to authorized amount of \$132 million in FY10 and FY11.

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

	<b>Preliminary FY2010</b>	<b>Estimated FY2011</b>	<b>Estimated FY2012</b>
<b>OPERATING RESERVE</b>			
Beginning balance	\$ 37.4	\$ 35.1	
BOF Emergency Appropriations	(2.3)	-	
Transfers from/to appropriation account	-	-	
Ending balance	\$ 35.1	\$ 35.1	
<i>Percent of previous fiscal year's recurring appropriations</i>	<i>0.6%</i>	<i>0.7%</i>	
<b>APPROPRIATION CONTINGENCY FUND</b>			
Beginning balance	\$ 11.5	\$ 27.7	
Disaster allotments	(10.4)	(11.0)	
Other appropriations	(1.4)	-	
Transfers in	25.0	-	
Revenue and reversions	3.0	-	
Ending Balance	\$ 27.7	\$ 16.7	
<b>Education Lock Box</b>			
Beginning balance	\$ 23.0	\$ 59.1	
Appropriations (Section 5 2010 GAA)	(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	
<b>STATE SUPPORT FUND</b>			
Beginning balance	\$ 1.0	\$ 1.0	
Revenues	\$ -	\$ -	
Appropriations	\$ -	\$ -	
Ending balance	\$ 1.0	\$ 1.0	
<b>TOBACCO PERMANENT FUND</b>			
Beginning balance	\$ 121.0	\$ 132.0	
Transfers in	40.9	40.0	
Appropriation to tobacco settlement program fund	(20.5)	(20.0)	
Gains/Losses	11.1	10.8	
Laws 2009, Ch. 3 (SB79)/2010 Session change	(20.5)	(20.0)	
Ending balance	\$ 132.0	\$ 142.9	
<b>TAX STABILIZATION RESERVE</b>			
Beginning balance	\$ 198.7	\$ 26.6	
Transfers in	-	-	
Laws 2009, Ch. 3 (SB79)	-	-	
Chapter 3, Laws 2009 - SS (HB6)	(115.0)	-	
2010 Special Session -- HB 2	(57.0)	(26.0)	
Ending balance	\$ 26.6	\$ 0.7	
<i>Percent of previous fiscal year's recurring appropriations</i>	<i>0.4%</i>	<i>0.0%</i>	
<b>GENERAL FUND ENDING BALANCES</b>	<b>\$ 281.6</b>	<b>\$ 196.4</b>	
<i>Percent of Recurring Appropriations</i>	<i>5.3%</i>	<i>3.8%</i>	

**Figure 1:  
General Fund Approp's and One-Time Funds Supplanting General Fund  
(million dollars)**



**General Fund Approps. And Other State Funds & Federal Funds Supplanting General Fund:  
FY09-FY11  
(dollars in millions)**

	FY09 Op Bud				FY09 Solvency			
	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total
Public Schools	\$2,608.1			\$2,608.1	\$2,588.7			\$2,588.7
Higher Education	\$884.8			\$884.8	\$862.8			\$862.8
Medicaid*	\$885.5			\$885.5	\$717.6	\$227.7	\$24.5	\$969.8
Other	\$1,648.4			\$1,648.4	\$1,693.5			\$1,693.5
<b>TOTAL</b>	<b>\$6,026.8</b>			<b>\$6,026.8</b>	<b>\$5,862.6</b>	<b>\$227.7</b>	<b>\$24.5</b>	<b>\$6,114.8</b>

	FY10 Post Solvency w/EO**			
	General Fund	Federal Funds	Other State Funds	Total
Public Schools	\$2,276.1	\$210.2		\$2,486.3
Higher Education	\$812.9	\$15.5		\$828.4
Medicaid*	\$639.5	\$300.9	\$28.1	\$968.5
Other	\$1,541.1			\$1,541.1
<b>TOTAL</b>	<b>\$5,269.6</b>	<b>\$526.6</b>	<b>\$28.1</b>	<b>\$5,824.3</b>

	FY11 Post-Sanding and 2nd Stimulus			
	General Fund	Federal Funds	Other State Funds	Total
Public Schools	\$2,339.6	\$88.8	\$0.0	\$2,428.4
Higher Education	\$762.4	\$0.0	\$0.0	\$762.4
Medicaid*	\$664.1	\$279.8	\$20.0	\$963.9
Other	\$1,437.4	\$0.0	\$0.0	\$1,437.4
<b>TOTAL</b>	<b>\$5,203.5</b>	<b>\$368.6</b>	<b>\$20.0</b>	<b>\$5,592.1</b>

	FY11 Post-Sanding and 2nd Stimulus			
	Change From FY10 Post-Solvency		Change From FY09 Post-Solvency	
	\$ Change	% Change	\$ Change	% Change
Public Schools	(57.9)	-2.3%	(\$160.3)	-6.2%
Higher Education	(66.0)	-8.0%	(\$100.4)	-11.6%
Medicaid*	(4.6)	-0.5%	(\$5.8)	-0.6%
Other	(103.7)	-6.7%	(\$256.1)	-15.1%
<b>Total</b>	<b>(232.2)</b>	<b>-4.0%</b>	<b>(\$522.7)</b>	<b>-8.5%</b>

\*Includes general fund appropriations to HSD & DOH for the Developmentally Disabled Medicaid waiver program.

\*\*The general fund total of \$5,269.6 includes \$87.2 million of executive orders and furloughs.

## U.S. AND NEW MEXICO ECONOMIC INDICATORS

	FY2010		FY2011		FY2012		FY2013		FY2014		FY2015	
	Jul10 Prelim	Oct10 Prelim	Jul10 Estimate	Oct10 Estimate								
<b>NATIONAL ECONOMIC INDICATORS</b>												
US Real GDP Growth (level annual avg. % yoy)*	0.8	0.7	3.0	2.2	2.9	2.7	3.0	2.9	2.7	2.7	3.0	3.3
US Inflation Rate (CPI, annual avg. % yoy)**	1.0	1.0	1.1	1.3	1.8	1.8	2.1	2.0	2.1	2.1	2.1	2.1
Federal Funds Rate (%)	0.15	0.15	0.16	0.14	0.87	0.3	3.3	2.7	3.6	4.7	4.7	4.2
<b>NEW MEXICO LABOR MARKET &amp; INCOME DATA</b>												
NM Non-Agricultural Employment Growth (%)	(3.2)	(3.3)	1.0	-0.3	2.0	1.0	2.0	1.6	1.7	1.4	1.4	1.1
NM Personal Income Growth (%)***	(0.1)	2.0	3.3	2.0	4.3	2.8	4.5	3.6	4.8	5.5	5.5	5.1
NM Private Wages & Salaries Growth (%)	(3.2)	(2.3)	3.1	1.3	4.6	3.2	4.6	4.0	4.4	4.2	4.2	3.5
<b>CRUDE OIL AND NATURAL GAS OUTLOOK</b>												
NM Oil Price (\$/barrel)	\$71.35	\$71.29	\$74.25	\$76.50	\$80.00	\$83.00	\$83.00	\$86.00	\$86.00	\$89.00	\$90.00	\$92.00
NM Taxable Oil Sales (million barrels)	61.8	62.7	61.1	63.3	60.4	64.0	59.8	64.6	59.1	65.2	58.4	65.9
NM Gas Price (\$ per thousand cubic feet)****	\$5.12	\$5.18	\$5.60	\$5.00	\$6.00	\$5.75	\$6.45	\$6.30	\$6.75	\$6.55	\$7.00	\$6.80
NM Taxable Gas Sales (billion cubic feet)	1,285	1,285	1,234	1,234	1,197	1,197	1,161	1,161	1,126	1,126	1,092	1,092

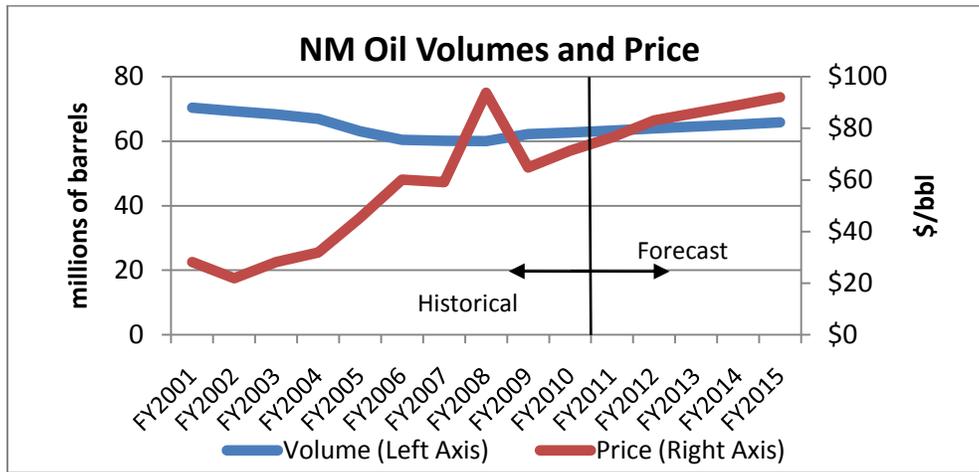
\*Real GDP is BEA chained 2005 dollars, billions, annual rate.

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

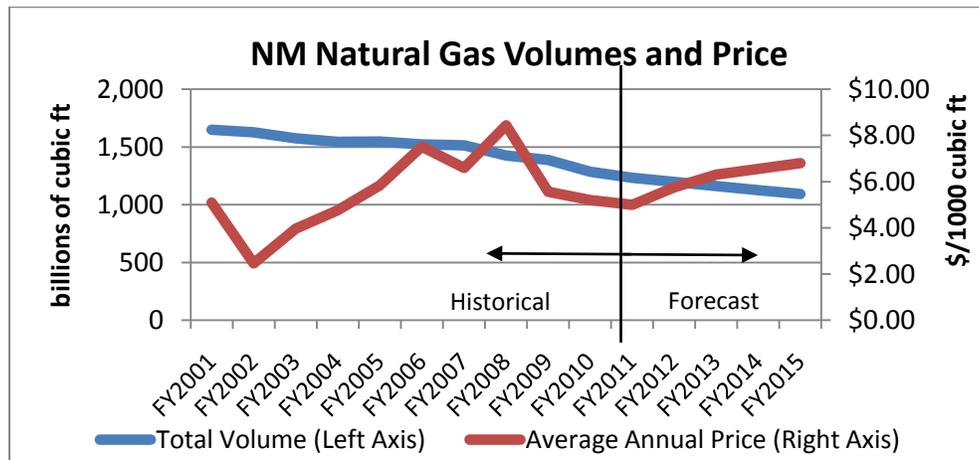
\*\*\*Personal Income growth rates are for the calendar year in which each fiscal year begins.

\*\*\*\*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.

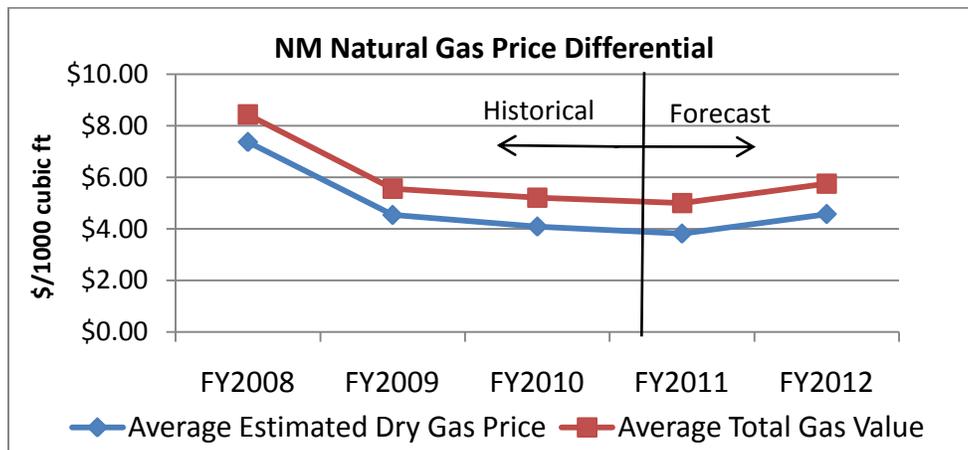
Sources: *October Global Insight, September PIRA and October FOR-*



Source: ONGARD database / Consensus revenue estimating group

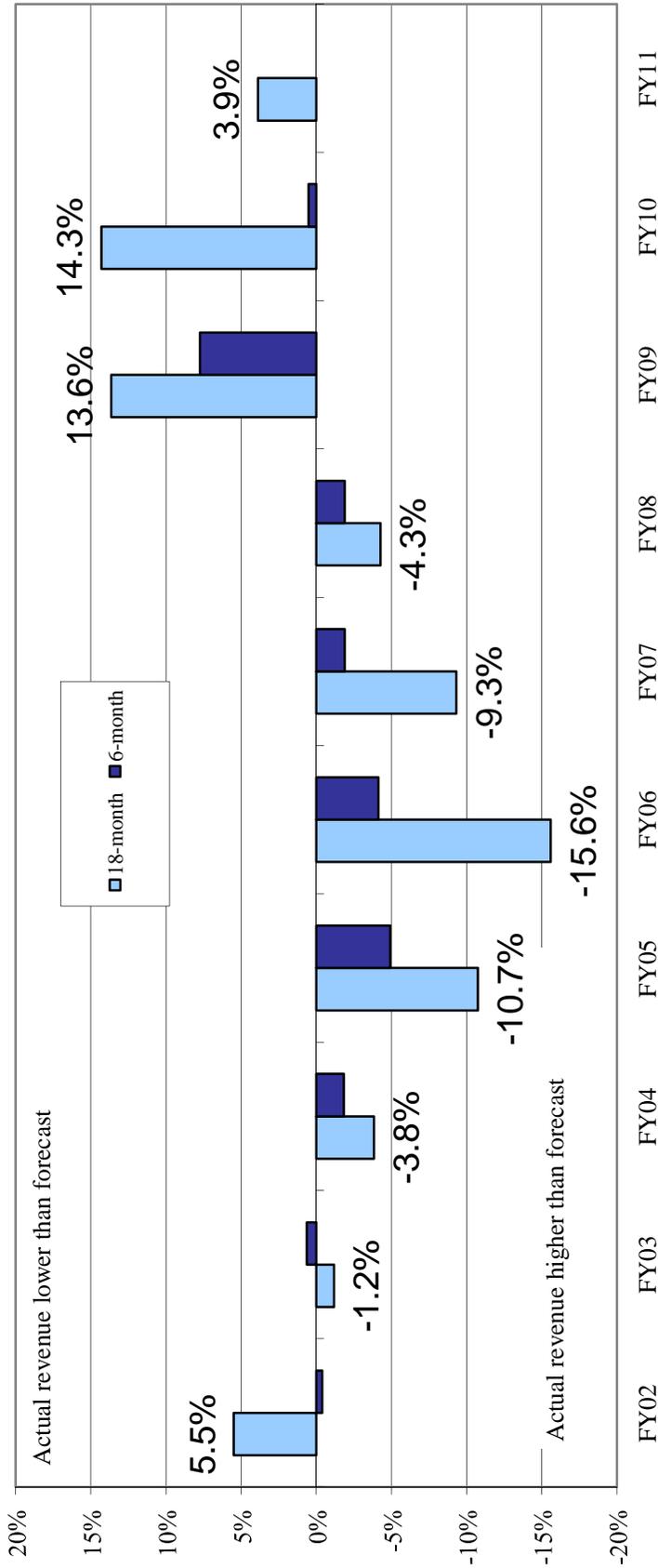


Source: ONGARD database/ Consensus revenue estimating group



Source: Average NM dry gas price estimated from NYMEX spot price. Historical data of total gas value obtained from ONGARD database. Forecast by consensus revenue estimating group.

**Consensus Revenue Estimate Estimating Error**



Source: LFC files