REVENUE

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ISSUES FOR HEARING

August 2012 Consensus Revenue Estimate

Prepared by the Legislative Finance Committee
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Summary.

- Total FY12 preliminary recurring revenue is now $5,746.3 million. Table 1 presents a reconciliation of recurring revenues through the revenue estimating cycle.
- Attachment 1 (page 7) shows general fund revenue revisions from December 2011 to August 2012. FY12 revenue was revised upward from the December (adjusted for legislation) forecast by $217 million. The FY13 revenue estimate was revised upward a mere $18 million from the December forecast. The FY14 revenue estimate was revised upward by $120 million from the December forecast.
- Attachment 2 (page 9) shows the general fund financial summary. Preliminary ending balances are $706 million, or 12.9 percent of recurring appropriations at the end of FY12. The projected FY13 ending balance is $736 million, or 13 percent of recurring appropriations. Once the operating reserve fund hits 8 percent of the prior budget year's recurring appropriations, the excess must be transferred to the tax stabilization reserve by law. The financial summary shows a transfer of $44 million to the tax stabilization reserve for FY12 and projects a $14 million transfer in FY13.
- "New Money" in FY14, which is defined as FY14 projected revenue less FY13 recurring appropriations, is projected to be $272 million or 4.8 percent of FY13 appropriations. However, chapter 127, Laws 2009 requires state employees to contribute an additional 1.5 percent to retirement plans until FY14. There is also an ERB 0.75 percent employer contribution until FY14. LFC also includes replacing 50 percent of the tobacco settlement funds with general fund. These scheduled appropriations would cost the state $74 million in FY14. This will reduce the "new money" to $198 million.

Table 1
August 2012 Consensus General Fund Recurring Revenue Outlook
(Millions of Dollars)

	FY12	FY13	FY14	FY15
October 2011 revisions	$5,512	$5,680	$5,860	$6,039
December 2011 revisions	$22	$9	-$18	-$2
2012 Leg. Revisions	-$4	-$18	-$40	-$54
August 2012 revisions	$217	$18	$120	$199
August 2012 Consensus	$5,746	$5,688	$5,922	$6,182
Annual amount change	$344	-$58	$234	$260
Annual percent change	6.4%	-1.0%	4.1%	4.4%

The Economic Forecast. Revenue estimators have traditionally relied on NM forecasts produced by UNM's Bureau of Business and Economic Research (BBER). They, in turn, have relied on a national forecast produced by Global Insight. Selected economic indicators from these forecasts are presented in Attachment 3 (page 11). Households face too many negatives to allow robust consumer spending recovery—high debt burdens, low house prices, modest employment growth, and a lack of confidence in the government's ability to make things better.

New Mexico's July unemployment rate was 6.6 percent, compared to 6.5 percent last month and 7.5 percent a year ago. The Bureau of Labor Statistics reported that New Mexico non-farm employment (seasonally adjusted) increased 0.1 percent or 500 jobs over the month to 800.6 thousand, from June to July. Year-over-year employment decreased 0.3 percent or 2.6 thousand.

Looking forward, the New Mexico Bureau of Business and Economic Research forecasting service anticipates job growth of only 1.2 percent in FY13. New Mexico is not projected to regain the previous peak number of payroll jobs, about 830 thousand, until 2016, eight years after that level was first achieved. Private wages and salaries, a critical driver of gross receipts taxes, are expected to grow by 4.2 percent in FY13 and 3.8 percent in FY14. The FY13 growth for real gross domestic product (GDP) is expected to grow slightly to 2.0 percent and then increase to 2.1 percent in FY14. Inflation in the U.S. is expected to remain subdued, averaging 2.3 percent over the next two years.

Energy Markets. Oil prices have risen since the December forecast. The high oil prices are due to positive economic news from foreign nations, improvements in GDP and an increase in demand as oil was transported to oil refineries. However, continued economic uncertainty in the U.S. and Europe threaten ongoing price growth.

Attachment 4 (page 12) shows that oil prices are expected to remain around \$85 per barrel (bbl) in FY13, with moderate growth in out years consistent with slower economic recovery and ongoing uncertainty in the oil markets. Oil volumes increased by 9.8 percent in FY11, with preliminary actuals showing a 13.2 percent increase in FY12. Recent activity in the Permian basin suggests continued growth in oil volumes in the next few years with decreasing production expected in later years associated with well decline. Industry analysts suggest that pipeline and trucking capacity constraints in the Permian basin may decrease prices. In fact, the New Mexico price differential to WTI appears to have increased to \$4.65/bbl from \$4/bbl in previous years. Each additional \$1/bbl change in price sustained over one year is equivalent to a \$4.5 million change in general fund revenue.

Natural gas prices continue to remain low, largely in response to supply increases resulting from technological improvements in production and ongoing strength in shale-based liquids. Lower demand from a mild winter has been partially offset by heat wave conditions that have increased electric generation usage up in the summer. New Mexico natural gas prices continue to see gains above Henry Hub due to high prices paid for natural gas liquids, which trend with oil prices. In FY11, the total gas prices averaged \$5.50 and the processed or dry gas prices averaged \$4.03. The premium above the dry gas price for natural gas liquids averaged \$1.47 per thousand cubic feet (mcf) in FY11, while preliminary FY12 prices show the natural gas liquids premium at \$1.90/mcf.

The FY13 natural gas price forecast is \$4.90/mcf for the year, down \$0.70/mcf from the December forecast. Natural gas prices were revised down through the forecast period with expectations of national production growth and slow economic recovery. Natural gas volumes – expressed in thousands of cubic feet equivalent – fell by 2.9 percent in FY11 and preliminary actuals show a 1.2 percent decrease in FY12. Volumes are expected to continue to decline as production moves to richer plays, such as, in Texas and Pennsylvania. Although natural gas volumes are falling, higher prices and volumes for natural gas liquids help to offset the decline in total production. The liquids premium is expected to average

$1.70/mcf in FY13. Each $0.10 change in natural gas price is equivalent to an $8.5 million change in general fund revenue.

Other Revenue Highlights. The consensus revenues estimating group engaged in a spirited debate about the underlying growth of taxable gross receipts over the forecast horizon. One group was influenced by the divergence between forecasts of private (non-government) and total wages and salaries, arguing that the much higher private wage and salary growth rates were likely to overstate retail consumption because of the relatively depressed state of government payrolls. Other analysts believed that the current 3.8 percent FY12 forecast error and historical trends argued for higher growth. Despite differing opinions on receipts during the forecast horizon, all analysts compromised and supported growth rates of 3.4 percent and 3 percent for FY13 and FY14, respectively. The net revenue generated from taxable gross receipts is reduced by $18 million in FY13 – the estimated increased cost of the high wage jobs tax credit attributable to the gross receipts tax; this credit can also be claimed against withholding or compensating tax liabilities. In total, high wage tax credit claims are estimated at $50 million annually in FY13 and FY14.

Receipts are then reduced an additional $16 million in FY13 and $32 million in FY14 to account for the impact of the manufacturing and construction tax credit. The Committee has heard testimony that the impact of this credit was underestimated during the 2012 legislative session. The current FY13 and FY14 estimate is roughly double and triple the amounts estimated in the final session fiscal impact report for the two fiscal years, respectively. There is a risk that this estimate could more than double if oil and gas drilling is also included as manufacturing.

As noted in the monthly revenue reports, corporate income tax (CIT) receipts have lagged the FY12 estimate by 25 percent. However, analysts believe that this gap will close by the time DFA "closes the FY12 books" August 29th. For FY13, gross CIT revenues are estimated to increase by almost 19 percent due to the expiration of a federal provision that allowed businesses to immediately deduct from taxable income the cost of capital equipment. FY14 gross revenue growth is 16 percent and in part reflects recovery in the national economy. The net growth rates shown in Attachment 1 (page 7) reflect the effect of the film production tax credit increasing from $10 million in FY12 to $50 million in FY13 and FY14, respectively.

A major downside risk to this forecast is $70 million in carry-forwards from the renewable energy production tax credit. To simplify, the credit may be claimed by entities that hold title to or lease a qualified energy generator and the tax must be used to reduce tax liability; excess amounts are carried forward for five years. Given an economic expansion, taxpayers should presumably draw down the carry-forwards and therefore reduce their payments and future CIT revenue.

Every taxpayer understands the relationship between their paycheck withholding and final tax returns; the return filed April 15th is simply a "truing up" of liability to taxes prepaid the previous calendar year. Unfortunately revenue estimators are unable to directly observe underlying liability. Analysts only see a series of monthly cash flows that are especially large during April and October (when income tax extensions expire). TRD does reconstruct calendar year liabilities by using complex computer programs but this data is two years old and is crudely projected into the future by using the rate of growth in New Mexico personal income. This estimating methodology is a major source of personal income tax (PIT) forecast error and the major interim task for revenue estimators.

Calendar year PIT liability is expected to increase 3.3, 3.4, and 4.4 percent in 2012, 2013, and 2014, respectively. Strength in oil and gas withholding and capital gains is additive to the growth in base liability. The net revenue generated is then reduced by $9 million – the estimated increased cost of the high wage jobs tax credit attributable to PIT.

Energy-related revenues have been underestimated in the past – FY12 federal mineral leasing revenues were underestimated by 20 percent. The August 2012 revenue estimate assumes continued strength in oil prices and production volumes, as well as continued bonus revenues from Bureau of Land Management lease sales, and as a result the revenue estimate is strengthened in comparison to December 2011.

Revenue estimators were concerned that the midwinter crash in natural gas prices would outweigh strength in oil prices. In fact, high oil prices and volumes outweighed weakness in natural gas prices in FY12. As mentioned earlier, growth in oil production surged to 13 percent in FY12 compared to the forecast growth of 1 percent in December 2011. Further, oil production increases are concentrated on federal lands with FY12 production reaching almost 50 percent of the total compared to 43 percent five years ago.

Revenues associated with the permanent funds are not growing significantly. Distributions are based on a rolling average of the last 5 calendar years' market value for the respective funds, and distributions for FY13 and FY14 are based in part on low market values in fiscal years 2010 and 2011 resulting from the economic recession.

Accounting issues and the onset of the Affordable Care Act (ACA) overwhelm other factors in the insurance premium tax estimate. Data provided by the insurance division shows significant weakness in FY12 receipts that analysts have discounted and have added back to the FY13 estimate as a recurring factor.

The ACA mandates that almost everyone above 133 percent of federal poverty guidelines have a basic health insurance plan by January 2014. These premiums will be subject to state tax. The consensus estimate of the FY14 impact of current federal law is approximately $11 million and increases to over $25 million annually outside of the forecast horizon. These numbers do not assume Medicaid expansion; using the low range of the Human Services Department's May 2012 estimates for Medicaid expansion yields a full year, gross total of around $25 million in FY14 alone. The act also affects the credits attributable to the New Mexico Medical Insurance Pool; analysts have assumed a 5 percent reduction in claims due to attrition and clients being switched to other programs.

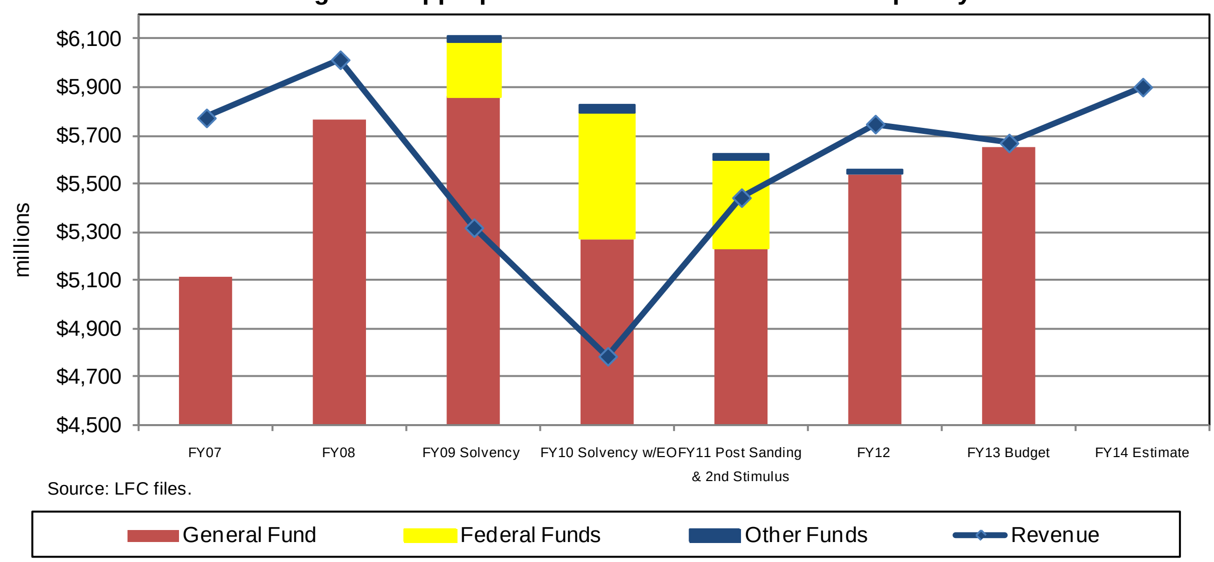
General Fund Financial Summary. The general fund financial summary shown in Attachment 2 (page 9), including estimated 2012 deficiencies, supplementals, specials, and the feed bill, shows that FY12 revenues will exceed appropriations by $186.8 million. Under that scenario, reserves reach a total of $706.6 million or 12.9 percent of recurring appropriations in FY12, and $736.4 million, or 13 percent, in FY13. National rating agencies such as Moodys and Standard & Poors, traditionally have considered balances of five percent or above as sufficient.

As mentioned in the summary once the operating reserve fund hits 8 percent of the prior budget year's recurring appropriations, the excess must be transferred to the tax stabilization reserve by law. The financial summary shows a transfer of $44.4 million to the tax stabilization reserve for FY12 and projects a $13.8 million transfer in FY13. FY14 "New Money" is projected to be $272 million or 4.8 percent of FY13 revenue.

Chapter 127, Laws 2009 requires state employees to contribute an additional 1.5 percent to retirement plans until FY14. This appropriation will cost the state $36 million in FY14. The 1.75 percent retirement swap expired at the end of FY12.

General Fund Appropriations and Temporary Funds. Figure 1 illustrates recent trends in general fund appropriations, highlighting the role played by temporary funding sources. While general fund recurring revenue fell by over 20 percent 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 4.8 percent in FY10 and by 8.5 percent in FY11 after allotment reductions. If general fund spending is raised to the level of projected FY14 revenue, total spending would be 3.5 percent below the FY09 peak but 4.5 percent above FY13 appropriations.

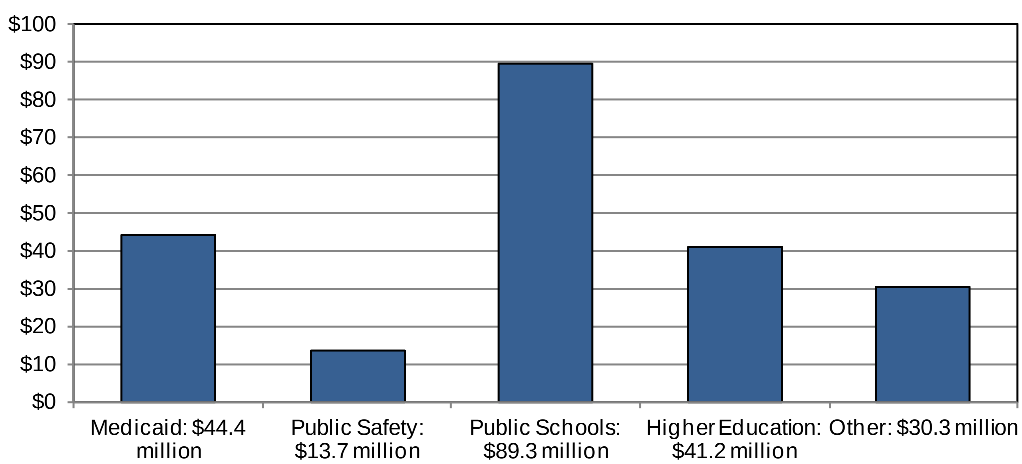
Figure 1. Appropriations: General Fund and Temporary Funds



Source: LFC files.

Figure 2 illustrates the change in total appropriations by major budget category for FY13. Total spending is up 4 percent from the FY12 operating budget. For public schools the increase is 3.8 percent; for higher education, 5.7 percent. Medicaid spending will increase 4.2 percent, and other state agencies will increase by 3.2 percent. These expansions total about $219 million.

Figure 2. FY13 General Fund Expenditure Changes: $219 million



Sourc: LFC Files, GAA

Risks to the Forecast.

- New Mexico relies heavily on federal government spending through the national laboratories, military institutions, and transfer payments. Any reductions in their funding could have a negative impact on the New Mexico economy.
- The increasing cost of tax credits is a risk to the state revenues. Some of these tax credits include the high wage jobs, manufacturing/construction, renewable energy production, and film.
- The ACA could generate additional revenues with premiums being subject to state tax. State economists continue to work on this forecast.
- Economic recovery is still positive but has lost momentum. It remains vulnerable to weakness in consumer sentiment, personal income, the housing market, currency volatility, financial sector weakness and federal fiscal imbalance. Although consumer spending has increased slightly in recent months, high debt loads will likely limit momentum consumers are able to create for the near future.
- Energy markets are inherently volatile. Natural gas prices have stabilized in the last few months but remain vulnerable to increased supplies from productivity improvements. Oil prices have declined from their high in early 2012 and continue to remain vulnerable to economic uncertainty. Environmental regulation on issues such as horizontal drilling, and endangered animals create uncertainty in future oil and natural gas production.
- Financial weakness in the European Union and China remains a serious threat to the world economy.
- Expectations are that the Federal Reserve will announce another round of quantitative easing in September which may have a positive effect on revenues.
- The expiration of the Bush-era tax cuts will increase income tax revenues for the state but have a negative impact on spending. One of these is the inheritance tax or the “death tax.” When the tax cuts expire the estate tax rate is one of the taxes slated to rise next January. If the tax cuts are not extended additional revenues could be generated in New Mexico. Early indications are that Congress may sign a 6-month continuing resolution (CR). Expectations are that they will include temporary extensions of tax cuts in the CR. This CR will leave the decision to the new Congress and president to produce a package of spending cuts and tax increases, mostly sparing discretionary spending since the cuts there are already aggressive.
- In July, the Committee heard testimony about federal efforts to create a framework for regulating state taxing authority for in-state activities. The Digital Goods and Services Tax Fairness Act (H.R. 1860 and S. 971,112th Congress, 2nd Session) lays out a comprehensive framework of taxing goods and services provided over the internet but with significant limitations on states taxing such goods and services. The Marketplace Equity Act and the Marketplace Fairness Act a (H.R. 3179 & S. 1832, 112th Congress, 2nd Session) would grant states authority to impose taxes on remote internet retailers who compete with local retailers but currently do not have to collect and remit sales or gross receipts taxes to a purchaser’s home state. The imposition of New Mexico tax on remote sellers represents an upside risk to the forecast.
- As was reported before, the Attorney General disclosed that New Mexico is now facing a second legal challenge from those cigarette manufacturers (PMs) participating in the tobacco master settlement agreement. The PMs claim that New Mexico no longer has a valid qualifying statute as required by the settlement due to recent legislative changes, including a 2006 change that established tax exempt stamps for tribal sales. The AG believes that up to $38.5 million in tobacco settlement payments expected in FY13 are at risk unless new legislation is passed that clearly establishes that the state will collect tobacco escrow payments from all manufacturers that are not party to the master settlement.

General Fund Consensus Revenue Estimate: August 2012 (Millions of Dollars)

	FY12				FY13				FY14			
	Dec 2011 Adj for Legis	"Preliminary Actual"	Change from Prior	% Change from FY11	Dec 2011 Adj for Legis	Aug 2012 Est.	Change from Prior	% Change from FY12	Dec 2011 Adj for Legis	Aug 2012 Est.	Change from Prior	% Change from FY13
Gross Receipts Tax	1,865.0	1,935.0	70.0	6.2%	1,919.3	1,967.0	47.7	1.7%	1,973.1	2,012.0	38.9	2.3%
Compensating Tax	69.5	62.0	(7.5)	-10.4%	73.1	65.0	(8.1)	4.8%	75.9	61.5	(14.4)	-5.4%
TOTAL GENERAL SALES	1,934.5	1,997.0	62.5	5.6%	1,992.4	2,032.0	39.6	1.8%	2,049.0	2,073.5	24.5	2.0%
Tobacco Taxes	86.4	85.2	(1.2)	-3.4%	84.7	84.3	(0.4)	-1.1%	83.1	83.2	0.1	-1.3%
Liquor Excise	25.9	26.0	0.1	1.2%	26.1	26.5	0.4	1.9%	26.7	27.0	0.3	1.9%
Insurance Taxes	129.3	130.0	0.7	-2.0%	134.7	125.0	(9.7)	-3.8%	137.9	135.0	(2.9)	8.0%
Fire Protection Fund Reversion	15.9	11.9	(4.0)	-32.4%	15.2	10.6	(4.6)	-10.9%	14.4	9.5	(4.9)	-10.4%
Motor Vehicle Excise	110.2	114.7	4.5	10.6%	114.3	123.0	8.7	7.2%	121.6	126.0	4.4	2.4%
Gaming Excise	66.6	65.5	(1.1)	-0.4%	66.7	64.8	(1.9)	-1.1%	67.3	65.8	(1.5)	1.5%
Leased Vehicle Surcharge	5.2	5.3	0.1	5.4%	5.3	5.3	0.1	0.9%	5.3	5.4	0.1	1.1%
Other	2.8	6.0	3.2	140.0%	3.0	-	(3.0)	-100.0%	3.2	3.2	0.0	na
TOTAL SELECTIVE SALES	442.3	444.6	2.3	0.8%	449.9	439.5	(10.4)	-1.1%	459.4	455.1	(4.3)	3.5%
Personal Income Tax	1,090.0	1,120.0	30.0	2.1%	1,114.9	1,155.0	40.2	3.1%	1,149.7	1,205.0	55.3	4.3%
Corporate Income Tax	310.0	283.0	(27.0)	23.2%	373.3	300.0	(73.3)	6.0%	408.6	355.0	(53.6)	18.3%
TOTAL INCOME TAXES	1,400.0	1,403.0	3.0	5.8%	1,488.1	1,455.0	(33.1)	3.7%	1,558.3	1,560.0	1.7	7.2%
Oil and Gas School Tax	358.6	390.7	32.1	3.9%	376.0	371.6	(4.4)	-4.9%	365.7	398.0	32.3	7.1%
Oil Conservation Tax	18.5	20.4	1.9	5.2%	19.3	19.6	0.3	-3.9%	18.8	20.9	2.1	6.6%
Resources Excise Tax	10.0	10.6	0.6	5.0%	10.0	10.0	-	-5.7%	10.0	10.0	-	0.0%
Natural Gas Processors Tax	22.0	23.0	1.0	26.4%	23.6	23.9	0.3	3.9%	22.6	19.6	(3.0)	-18.0%
TOTAL SEVERANCE TAXES	409.1	444.7	35.6	4.9%	428.9	425.1	(3.8)	-4.4%	417.1	448.5	31.4	5.5%
LICENSE FEES	51.5	50.1	(1.4)	0.7%	53.7	50.4	(3.2)	0.6%	55.9	51.6	(4.3)	2.2%
LGPF Interest	459.7	459.8	0.1	3.0%	433.0	437.7	4.7	-4.8%	427.6	437.7	10.1	0.0%
STO Interest	17.3	14.1	(3.2)	-19.8%	23.4	16.0	(7.3)	13.4%	39.3	29.2	(10.1)	82.6%
STPF Interest	183.4	183.4	-	-0.7%	172.5	176.2	3.7	-3.9%	160.1	168.5	8.4	-4.4%
TOTAL INTEREST	660.4	657.3	(3.1)	1.4%	628.9	629.9	1.1	-4.2%	627.0	635.4	8.4	0.9%
Federal Mineral Leasing	420.0	502.4	82.4	22.0%	419.0	440.0	21.0	-12.4%	423.7	480.0	56.3	9.1%
State Land Office	54.6	92.5	37.9	41.0%	47.4	58.8	11.4	-36.4%	46.2	61.3	15.1	4.2%
TOTAL RENTS & ROYALTIES	474.6	594.9	120.3	24.6%	466.4	498.8	32.4	-16.2%	469.9	541.3	71.4	8.5%
TRIBAL REVENUE SHARING	70.4	68.0	(2.4)	3.2%	75.4	72.0	(3.4)	5.9%	78.2	73.0	(5.2)	1.4%
MISCELLANEOUS RECEIPTS	46.0	46.7	0.7	-10.6%	46.2	44.7	(1.5)	-4.3%	47.1	43.7	(3.4)	-2.1%
REVERSIONS	40.0	40.0	-	-40.6%	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%
TOTAL RECURRING	5,528.8	5,746.3	217.5	5.6%	5,669.8	5,687.5	17.6	-1.0%	5,801.8	5,922.1	120.3	4.1%
TOTAL NON-RECURRING	18.3	18.3	-	-72.6%	(3.3)	(3.3)	-	-118.0%	(0.9)	(0.9)	-	na
GRAND TOTAL	5,547.1	5,764.6	217.5	4.6%	5,666.5	5,684.2	17.6	-1.4%	5,800.9	5,921.2	120.3	4.2%

Attachment 1

8/20/2012

General Fund Consensus Revenue Estimate: August 2012 (Millions of Dollars)

	FY15				FY16				FY17	
	Dec 2011 Adj for Legis	Aug 2012 Est.	Change from Prior	% Change from FY14	Dec 2011 Adj for Legis	Aug 2012 Est.	Change from Prior	% Change from FY15	Aug 2012 Est.	% Change from FY16
Gross Receipts Tax	2,043.4	2,070.0	26.6	2.9%	2,097.4	2,149.0	51.6	3.8%	2,236.0	4.0%
Compensating Tax	77.2	64.0	(13.2)	4.1%	77.9	66.5	(11.4)	3.9%	68.0	2.3%
TOTAL GENERAL SALES	2,120.6	2,134.0	13.4	2.9%	2,175.3	2,215.5	40.2	3.8%	2,304.0	4.0%
Tobacco Taxes	81.4	82.2	0.8	-1.2%	79.9	81.2	1.3	-1.2%	80.3	-1.1%
Liquor Excise	27.2	27.4	0.2	1.5%	27.8	27.9	0.1	1.8%	28.4	1.8%
Insurance Taxes	143.9	160.0	16.1	18.5%	151.2	170.0	18.8	6.3%	185.0	8.8%
Fire Protection Fund Reversion	13.2	8.9	(4.3)	-6.3%	12.3	8.3	(4.0)	-6.7%	7.7	-7.2%
Motor Vehicle Excise	126.6	131.0	4.4	4.0%	131.8	136.0	4.2	3.8%	141.0	3.7%
Gaming Excise	68.0	66.9	(1.1)	1.7%	68.9	68.1	(0.8)	1.8%	69.5	2.1%
Leased Vehicle Surcharge	5.4	5.4	0.1	0.9%	5.4	5.5	0.1	0.9%	5.5	1.1%
Other	3.3	3.3	-	3.1%	3.3	3.3	(0.0)	0.0%	3.3	0.0%
TOTAL SELECTIVE SALES	469.0	485.1	16.1	6.6%	480.6	500.3	19.7	3.1%	520.7	4.1%
Personal Income Tax	1,189.7	1,257.0	67.3	4.3%	1,229.7	1,310.0	80.3	4.2%	1,360.0	3.8%
Corporate Income Tax	423.9	385.0	(38.9)	8.5%	398.9	385.0	(13.9)	0.0%	385.0	0.0%
TOTAL INCOME TAXES	1,613.6	1,642.0	28.4	5.3%	1,628.5	1,695.0	66.5	3.2%	1,745.0	2.9%
Oil and Gas School Tax	362.7	409.2	46.5	2.8%	358.0	407.3	49.3	-0.5%	400.0	-1.8%
Oil Conservation Tax	18.7	21.4	2.7	2.4%	18.5	21.3	2.8	-0.5%	21.0	-1.4%
Resources Excise Tax	10.0	10.0	-	0.0%	10.0	10.0	-	0.0%	10.0	0.0%
Natural Gas Processors Tax	22.4	19.7	(2.7)	0.5%	22.2	21.1	(1.1)	7.1%	21.5	1.9%
TOTAL SEVERANCE TAXES	413.8	460.3	46.5	2.6%	408.7	459.7	51.0	-0.1%	452.5	-1.6%
LICENSE FEES	58.3	51.9	(6.4)	0.6%	59.4	52.9	(6.5)	2.0%	53.8	1.7%
LGPF Interest	453.9	470.0	16.1	7.4%	475.1	498.0	22.9	6.0%	475.2	-4.6%
STO Interest	52.0	44.0	(8.0)	50.5%	58.5	75.6	17.1	71.7%	92.7	22.6%
STPF Interest	162.6	175.7	13.1	4.3%	162.6	180.8	18.2	2.9%	185.1	2.4%
TOTAL INTEREST	668.5	689.7	21.2	8.5%	696.2	754.4	58.2	9.4%	753.0	-0.2%
Federal Mineral Leasing	423.8	495.0	71.2	3.1%	417.5	500.0	82.5	1.0%	485.0	-3.0%
State Land Office	46.2	62.3	16.1	1.6%	45.8	62.6	16.8	0.5%	61.7	-1.4%
TOTAL RENTS & ROYALTIES	470.0	557.3	87.3	3.0%	463.3	562.6	99.3	0.9%	546.7	-2.8%
TRIBAL REVENUE SHARING	81.2	76.0	(5.2)	4.1%	83.8	80.0	(3.8)	5.3%	84.0	5.0%
MISCELLANEOUS RECEIPTS	48.1	45.4	(2.6)	3.8%	49.0	47.0	(2.1)	3.4%	46.8	-0.3%
REVERSIONS	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%	40.0	0.0%
TOTAL RECURRING	5,983.0	6,181.7	198.8	4.4%	6,084.8	6,407.3	322.5	3.6%	6,546.5	2.2%
TOTAL NON-RECURRING	-	-	-	na	-	-	-	na	-	na
GRAND TOTAL	5,983.0	6,181.7	198.8	4.4%	6,084.8	6,407.3	322.5	3.6%	6,546.5	2.2%

8/20/2012

Attachment 2

General Fund Financial Summary - August 2012 Consensus Revenue Estimate

(in millions of dollars)

	Estimated FY2012	Estimated FY2013	Estimated FY2014
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2011 Consensus Forecast	$ 5,532.8	$ 5,688.2	$ 5,841.8
Adjusted for Legislation	*$ (4.0)*	*$ (18.5)*	*$ (40.0)*
August 2012 forecast update	*$ 217.5*	*$ 17.6*	*$ 120.3*
Total Recurring Revenue	$ 5,746.3	$ 5,687.4	$ 5,922.1
Nonrecurring Revenue			
December Consensus Forecast	$ 18.3	$ (3.3)	$ (0.9)
Adjusted for Legislation	*$ (40.0)*	*$ -*	*$ -*
Total Non-Recurring Revenue (1)	$ (21.7)	$ (3.3)	$ (0.9)
TOTAL REVENUE	**$ 5,724.6**	**$ 5,684.1**	**$ 5,921.2**
APPROPRIATIONS			
Recurring Appropriations			
General Appropriation	$ 5,431.3	$ 5,649.6	
Special/New Initiatives Appropriations	$ 40.9		
2012 Regular Session - Legislation	$ -	$ -	
Total Recurring Appropriations	$ 5,472.2	$ 5,649.6	
Nonrecurring Appropriations			New Money in FY14 is $272M
2011 Regular & Special Sessions	$ 5.8		
2012 Deficiencies, Supplementals, Specials and IT	$ 59.9	$ -	
Total Nonrecurring Appropriations	$ 65.7	$ -	
TOTAL APPROPRIATIONS	**$ 5,537.9**	**$ 5,649.6**	
Transfer to(from) Reserves (2)	$ 186.8	$ 34.5	
GENERAL FUND RESERVES			
Beginning Balances	$ 503.3	$ 706.6	
Transfers from (to) Appropriations Account	$ 186.8	$ 34.5	
Revenue and Reversions	$ 126.5	$ 63.7	
Appropriations, expenditures and transfers out	$ (110.0)	$ (68.4)	
Ending Balances	**$ 706.6**	**$ 736.4**	
Reserves as a Percent of Recurring Appropriations	*12.9%*	*13.0%*	

Notes:

(1) FY12 includes $18.3 in nonrecurring revenue: $11.4 million fund transfer for solvency, and $6.9 million for tax amnesty. The nonrecurring revenue reductions in FY13 and FY14 reflect accelerated revenue collections due to the tax amnesty program.

(2) Pursuant to Section 10, $40 million was transferred from the Appropriation Account to the Appropriation Contingency Fund in FY12.

General Fund Financial Summary - August 2012 Consensus Revenue Estimate
RESERVE DETAIL
(in millions of dollars)

	Estimated FY2012	Estimated FY2013
OPERATING RESERVE		
Beginning balance	$ 275.9	$ 417.0
BOF Emergency Appropriations/Reversions	$ (1.3)	$ -
Transfer out (1)		$ -
Transfers from/to appropriation account (1)	$ 186.8	$ 34.5
Transfer to tax stabilization reserve	$ (44.4)	$ (13.8)
Ending balance	$ 417.0	$ 437.8
APPROPRIATION CONTINGENCY FUND		
Beginning balance	$ 5.2	$ 29.2
Disaster allotments	$ (16.0)	$ (16.0)
Other appropriations	$ -	$ -
Transfers in (1)	$ 40.0	$ -
Revenue and reversions		$ -
Ending Balance	$ 29.2	$ 13.2
Education Lock Box		
Beginning balance	$ 47.1	$ 38.1
Appropriations (GAA Section 5&6) (2)	$ (9.0)	$ -
Transfers in (out)	$ -	$ -
Ending balance	$ 38.1	$ 38.1
Total of Appropriation Contingency Fund	$ 67.3	$ 51.3
STATE SUPPORT FUND		
Beginning balance	$ 1.0	$ 1.0
Revenues	$ -	$ -
Appropriations	$ -	$ -
Ending balance	$ 1.0	$ 1.0
TOBACCO PERMANENT FUND		
Beginning balance	$ 148.0	$ 150.8
Transfers in	$ 39.3	$ 38.6
Appropriation to tobacco settlement program fund	$ (19.7)	$ (19.3)
Gains/Losses	$ 2.8	$ 11.3
Additional transfers to Program Fund	*$ (19.7)*	*$ (19.3)*
Ending balance	$ 150.8	$ 162.1
TAX STABILIZATION RESERVE		
Beginning balance	$ 26.1	$ 70.5
Transfers in	$ 44.4	$ 13.8
Ending balance	$ 70.5	$ 84.3
GENERAL FUND ENDING BALANCES	**$ 706.6**	**$ 736.4**
Percent of Recurring Appropriations	*12.9%*	*13.0%*

Notes:

(1) Transfer from FY12 appropriation account to replenish the Appropriation Contingency Fund.

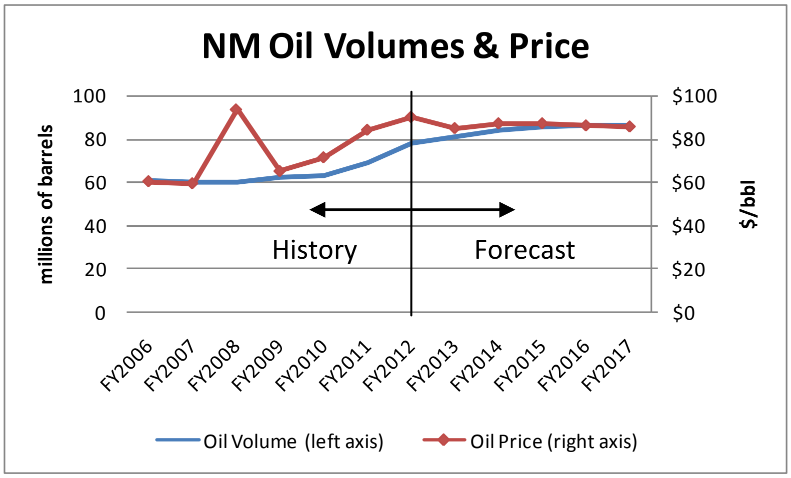
(2) DFA scores this appropriation as $8 million in FY12

U.S. and New Mexico Economic Indicators

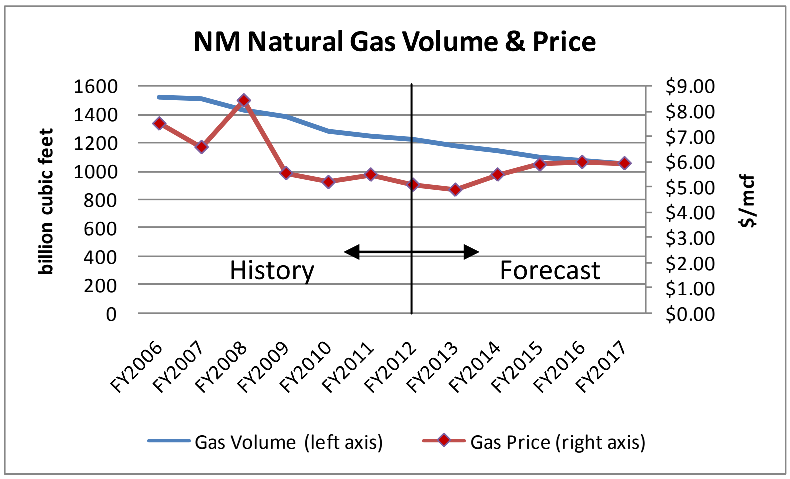
	FY11	FY12		FY13		FY14		FY15		FY16		FY17
	Aug12 Actual	**Dec11 Forecast**	**Aug12 Forecast**	**Dec11 Forecast**	**Aug12 Forecast**	**Dec11 Forecast**	**Aug12 Forecast**	**Dec11 Forecast**	**Aug12 Forecast**	**Dec11 Forecast**	**Aug12 Forecast**	**Aug12 Forecast**
National Economic Indicators												
US Real GDP Growth (annual avg. ,% YOY)*	2.6	1.7	1.8	1.8	2.0	3.2	2.1	3.6	3.3	3.0	3.1	3.0
US Inflation Rate (CPI-U, annual avg., % YOY)**	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.5
Federal Funds Rate (%)	0.16	0.09	0.10	0.10	0.16	0.42	0.16	2.27	0.82	3.87	2.85	3.99
New Mexico Labor Market and Income Data												
NM Non-Agricultural Employment Growth (%)	-0.4	0.7	0.2	1.0	1.2	1.2	1.2	1.4	1.5	1.5	1.6	1.6
NM Personal Income Growth (%)***	4.4	4.2	4.4	3.1	3.3	3.0	3.4	4.4	4.4	4.9	5.0	5.1
NM Private Wages & Salaries Growth (%)	2.6	2.6	3.8	2.8	4.2	3.4	3.8	3.6	4.5	3.8	4.5	4.7
NM Total Wages & Salaries Growth (%)	1.7		2.8		3.0		2.9		3.7		4.0	4.3
Crude Oil and Natural Gas Outlook												
NM Oil Price ($/barrel)	$84.60	$86.75	$90.25	$87.75	$85.00	$88.50	$87.25	$89.50	$87.25	$89.75	$86.25	$85.75
NM Taxable Oil Volumes (million barrels)	69	70	78	69	81	68	84	68	85	67	86	86
NM Gas Price ($ per thousand cubic feet)****	$5.50	$5.20	$5.10	$5.60	$4.90	$5.90	$5.50	$6.05	$5.90	$6.15	$6.00	$5.95
NM Taxable Gas Volumes (billion cubic feet)	1,239	1,173	1,225	1,188	1,175	1,069	1,137	1,020	1,100	991	1,073	1,048

* 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, EIA, and Global Insight future prices as well as a liquid premium based on oil prices.

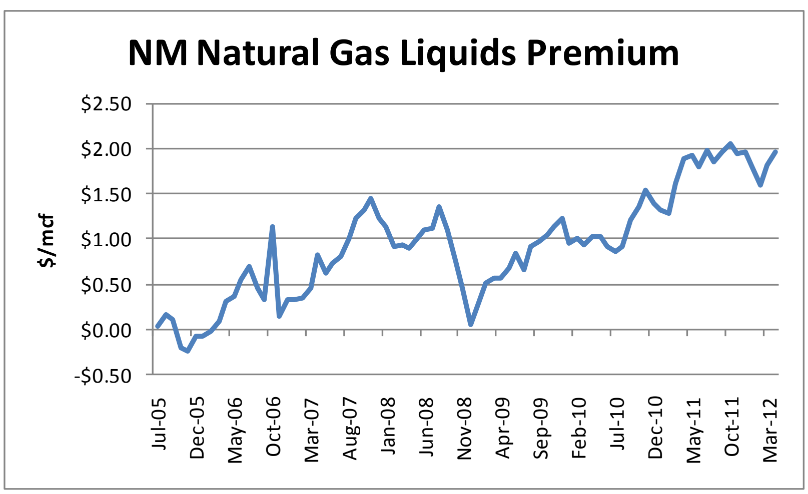
Sources: July IHS Global Insight corrected, BBER FOR-UNM revised



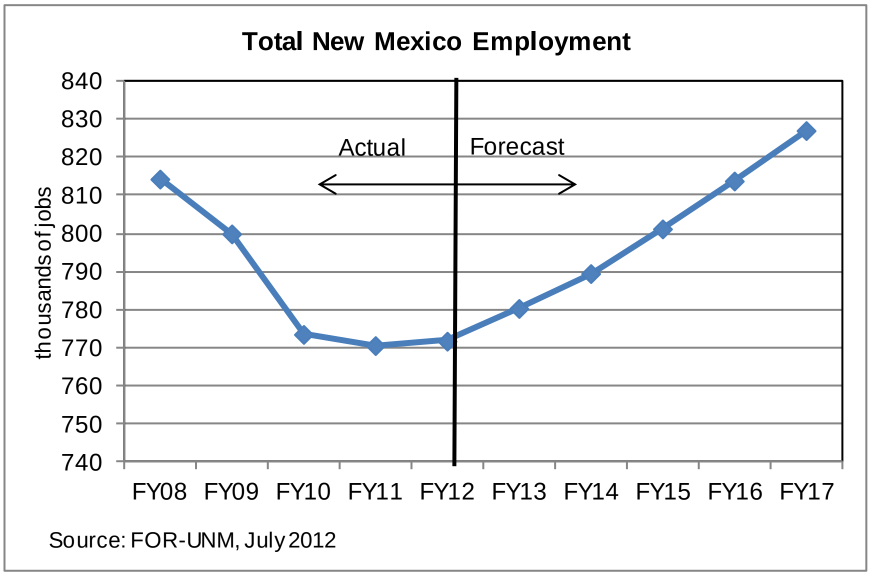
Source: ONGARD database / Consensus revenue estimating group



Source: ONGARD database/ Consensus revenue estimating group



Source: ONGARD database


Total New Mexico Employment
thousands of jobs
840
830
820
810
800
790
780
770
760
750
740
Actual
Forecast
FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17
Source: FOR-UNM, July 2012


New Mexico Private Wage and Salary
thousands of jobs
34
32
30
28
26
24
22
20
Actual
Forecast
FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17
Source: FOR-UNM, July 2012