REVENUE

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ISSUES FOR HEARING

December 2013 Consensus Revenue Estimate

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Summary.

- The consensus revenue estimating group (Legislative Finance Committee, Department of Finance and Administration, Taxation and Revenue Department, and Department of Transportation) met and reached consensus on the revenue estimates presented in this brief.
- Preliminary actual FY13 recurring revenue is now $5.71 billion. Table 1 presents a reconciliation of recurring revenues through the revenue estimating cycle.
- Attachment 1 (page 9) shows general fund revenue revisions from August 2013 to December 2013. Compared with the August 2013 forecast, the FY14 recurring revenue estimate was revised upward by $84 million to $5.86 billion, and the FY15 revenue estimate was revised downward by $3 million to $6.19 billion.
- Attachment 2 (page 11) shows the general fund financial summary. Unaudited FY13 ending balances are $618 million, or 10.9 percent of recurring appropriations. The projected FY14 ending balance is $583 million, or 9.9 percent of recurring appropriations.
- "New Money" in FY15, defined as FY15 projected recurring revenue less FY14 recurring appropriations, is projected to be $292 million or 5 percent of FY14 appropriations.

Table 1

December 2013 Consensus General Fund Recurring Revenue Outlook

(Millions of Dollars)

	FY13	FY14	FY15	FY16
August 2013 Revenue Estimate	$5,611.1	$5,779.7	$6,189.1	$6,361.4
December 2013 Revisions	$96.7	$84	-$3.1	$26.2
December 2013 Consensus	$5,708	$5,864	$6,186	$6,388
Annual amount change	-$94	$156	$322	$202
Annual percent change	-1.6%	2.7%	5.5%	3.3%

The Economic Forecast. The consensus revenue estimating group uses two different forecasting services in developing the economic assumptions on which the forecast is based. The LFC, TRD, and DOT continue to rely on New Mexico forecasts produced by UNM's Bureau of Business and Economic Research (BBER). BBER, in turn, has relied on a national forecast produced by IHS Global Insight. The Department of Finance and Administration elected to use Moody's Analytics for its national and state forecasts. Selected economic indicators from these forecasts are presented in Attachment 3 (page 13).

The BBER forecast notes the economy continues to frustrate as positive news is often accompanied with negative news, resulting in an economy that is moving in a positive direction but at a subdued rate. Continued gridlock in Washington, DC has not helped the cause, hurting consumer confidence and altering their spending behavior. Compared to the July forecast, IHS Global Insight now anticipates slower growth over the next couple of years, in part because the national data have been relatively softer of late, but also because of the seemingly unavoidable gridlock in Washington, DC.

New Mexico's economy continues to lag behind the national economy. Employment growth in the state is slow in the private sector and flat in the government sector. Slow growth in wage and salary disbursements, caused by slow employment growth and because the 2 percent payroll tax holiday was not extended, contributes to a slowdown in personal income growth. Expecting a slowdown in the previously growing mining employment, BBER's outlook for the New Mexico economy through 2014 is less optimistic than in the July forecast.

BBER forecasts the New Mexico economy will add jobs at an average of 1.4 percent per year through the end of the 2018 forecast period. Nearly 92 percent of the new jobs are forecasted to be in the private sector, growing at an average rate of 1.7 percent per year. The balance is expected to be in the government sector, growing at an average rate of 0.5 percent per year. BBER projects private wage & salary disbursements, a critical driver of gross receipts, to grow 2.0 percent in 2013, and total wage and salaries to grow 1.3 percent. Total wage & salary disbursements will grow more quickly in the following years, at an average of about 4.5 percent per year through 2018. Although weaker than the July forecast, BBER still forecasts strength in the housing market, projecting total permits in 2013 at 5,574, before reaching over 7,000 in 2014, and nearly 9,000 in 2015.

In the fall of 2012 BBER prepared an estimate of the impact to NM of a full sequester. BBER estimated that New Mexico could lose about 20 thousand full- and part-time jobs because of the direct, indirect and induced impacts of cuts in federal spending. These cuts would be greatest in the national laboratories, health care, and government, including military. Other sectors will experience wage and salary reductions.

The compromise to end the shutdown of the federal government and associated furlough of federal employees and buys some time, but the difficult decisions have yet to be made, and sequester remains in place. The world, which has relied on the dollar as the reserve currency, and foreign trading partners, which hold a significant portfolio of US assets, awaits a resolution. The budget standoff has contributed to uncertainty that is affecting consumers and businesses. The US budget deficit is shrinking as a percentage of GDP. While monetary policy remains highly accommodative, fiscal policy has tightened substantially. Consumers and producers are feeling the effects of new tax policies as well as the federal government cuts due to sequester. However, the European situation seems to have stabilized, with economies there gaining strength, and real GDP growth in Japan is estimated at 2.0 percent last year and continuing in 2013.

<u>Energy Markets</u>. Oil prices averaged $85.80 in FY13. The first quarter of FY14 saw crude prices approach $110/bbl because of turmoil in the Middle East, but that spike should be transitory. US oil production continues to grow, especially in Texas and North Dakota. Oil prices should retreat on new supplies, and then firm a bit after 2015. Recent reports that the lower leg of the Keystone Pipeline would begin carrying crude from Cushing, Oklahoma to the gulf coast raised US oil prices and may result in increased New Mexico oil production revenues.

Attachment 4 (page 14) shows that oil prices are expected to remain around $93 per barrel (bbl) in FY14 driven up by high prices in the first quarter of the fiscal year, with moderate declines in out years consistent with slower economic recovery and ongoing uncertainty in the oil markets. Oil volumes increased by 16 percent in FY12 and 17 percent in FY13 (see Attachment 5, page 15). The forecast assumes positive growth of about 5.1 percent in FY14 and 4.0 percent in FY15. Activity in the Permian basin suggests continued growth in oil volumes in the forecast years with decreasing production associated with well decline expected in later years. The New Mexico price differential to WTI is around $5/bbl. 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 remained low in FY13, largely in response to supply increases resulting from technological improvements in production and ongoing strength in shale-based liquids. 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 FY12, the total gas price averaged $5.00/mcf and processed or dry gas price averaged $3.19/mcf. The premium above the dry gas price for natural gas liquids averaged $1.82/mcf in FY12. The natural gas price averaged $4.50/mcf in FY13, with a natural gas liquids premium of $0.92/mcf.

Natural gas prices were kept lower through the forecast period due to expectations of national production growth and slow economic recovery. Natural gas volumes – expressed in thousands of cubic feet equivalent – fell by 1.6 percent in FY12, and 4.2 percent in FY13. 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 part of the decline in total production. The liquids premium is expected to average $1.00/mcf in FY14 and FY15. 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 revenue estimating group made minor changes to the already strong gross receipts forecast due to strength in this revenue source, in particular from the oil and gas industry. Analysts reached consensus on growth rates of 3.1 percent for FY14 and 5.9 percent for FY15, after making adjustments for projected tax credits. The estimate for FY14 high-wage-jobs tax credit claims was reduced from $100 million to $65 million for FY14. Claims in FY15 and onward are estimated at $15 million annually.

The higher impact of the manufacturing tax deduction was previously incorporated into the consensus revenue estimate and legislative changes are incorporated in this estimate. Gross receipts were reduced $8 million in FY14 and $14 million in FY15 to account for the impact of the manufacturing and construction tax deduction. The impact of the advanced energy tax credit also reduced GRT by $10 million annually.

Federal income tax increases for 2013 encouraged wealthy people to shift their income into 2012, for example by realizing capital gains, boosting state and federal tax revenues for the last two quarters of FY13, and likely also in the first quarter of FY14. Due to this acceleration in FY13 personal income tax (PIT) collections, the FY14 estimate shows a 2.4 percent reduction compared with FY13. PIT liability is expected to increase 5.7 percent in FY15. Strength in oil and gas withholding and capital gains is additive to the growth in base liability.

FY13 corporate income tax (CIT) receipts were 4.9 percent lower than FY12. The consensus revenue estimating group applied a downward adjustment to reflect the impact of recently enacted legislation that lowers the tax rate and permits single-sales-factor income apportioning for some corporations. For FY14 and FY15, projected CIT revenues were revised downward to $279 and 289 million, respectively. The net CIT estimates account for the effect of the film production tax credit, which is estimated to total $50 million in FY14, FY15, and out years.

As mentioned in past reports, a major downside risk to this forecast is $70 million in carry-forwards from the renewable energy production tax credit. 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 can be 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. However, because the credit is not refundable, it is unclear when qualified generators will become profitable and apply the credits against their tax liabilities.

FY13 severance tax revenues fell 4.0 percent below their FY12 peak. Projected FY14 oil price strength contributes to 9 percent growth in severance taxes, before this revenue source declines in out years. Federal mineral leasing (FML) revenues in FY13 would have exceeded the February estimate, had the distributions not been subject to $18.8 million in sequestration reductions pursuant to the federal Budget Control Act. Amounts sequestered in federal fiscal year 13 (FFY13) were transferred to the state in FY14; however, FFY14 FML payments are subject to an 8 percent sequester as well. The December 2013 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 assumes that federal sequestration continues through FFY14, after which sequestered amounts are transferred to the state. Further, the potential for continued sequestration of FML revenues in future fiscal years represents a downside risk to this revenue source.

High oil prices and volumes outweighed weakness in natural gas prices in FY13. As mentioned earlier, oil production surged 16 percent in FY12 and 17 percent in FY13. Further, oil production increases are concentrated on federal lands with FY13 production reaching over 50 percent of the total compared to 43 percent in FY08. Revenue estimators expect continued growth in oil production in the near future.

Revenues associated with the permanent funds will see some growth in FY14. Distributions are based on a rolling average of the last 5 calendar years' market value for the respective funds, and the distribution is projected to increase as low market values dating from recession years drop out of the calculation of the five-year average market value and replaced with high recent market values resulting from large contributions and investment earnings. However, the rate of distribution from the Land Grant Permanent Fund to beneficiaries decreased from 5.8 percent of the fund's market value in FY12 to 5.5 percent in fiscal years 13 through 16. Pursuant to the Constitution of New Mexico, the distribution is scheduled to decline to 5.0 percent beginning in FY17.

The FY14 insurance premium tax estimate contains the first fiscal impacts from the Affordable Care Act (ACA). Note that premiums taxed are paid quarterly and the impacts will only be reflected in the last quarterly payment for FY14; much larger impacts are anticipated for subsequent fiscal years.

The ACA is expected to increase revenues by three avenues. The first is the "woodwork effect". The Hunan Services Department (HSD) expects 11,000 Medicaid eligible persons to enroll so that they avoid federal penalties in their 2014 taxes. Secondly, analysts expect some 12,000 thousand enrollees on the new health care exchange. Lastly, significant amounts of premium tax are diverted to the New Mexico Medical Insurance Pool (NMMIP), which provides access to health insurance coverage to residents of New Mexico who are denied health insurance and considered uninsurable. For FY13, NMMIP has assessed health insurance companies $123 million to substantially fund the pool. Insurance carriers in turn are allowed a roughly 55 percent credit on assessments which are claimed against premium tax liability. As NMMIP members transition to the exchange or to Medicaid, these assessments, and subsequently the credit against the general fund, are expected to diminish.

FY14 reversions include a conservative assumption for Medicaid reversions due to a surplus reported by HSD. The reversion amount is less than the reported surplus as uncertainty remains regarding the timing of any reversion and whether part of the surplus will be used to fund some other deficiency.

Tax Credits. A major aspect of the revenue discussions was effect on major revenue sources of certain tax credits. In recent years, several tax expenditures for economic development have had a larger fiscal impact than initially estimated. The table below highlights the significant impact of one tax expenditure in particular, the high-wage jobs tax credit, whose impact was estimated to be $100m in FY14 in August. Based on claims data and TRD's approval rate, analysts revised this estimate downward to $65 million. However, protests from filers could result in additional claims, representing a downside risk. The statute governing the credit was amended in 2013 to tighten the eligibility requirements for both employers and employees. This same legislation also changed the manufacturing tax credit to tighten the qualifying standards for businesses claiming this deduction.

Tax-Policy-Related Revenue Adjustments Assumed in Consensus Revenue Forecast
(in millions of dollars)

	FY 2014			FY 2015		
	Aug 13	**Dec 13**	**Change**	**Aug 13**	**Dec 13**	**Change**
Manufacturing	-$7.9	-$7.9	$0.0	-$13.6	-$13.6	$0.0
Film	-$50.0	-$50.0	$0.0	-$50.0	-$50.0	$0.0
HWJTC	-$100.0	-$65.0	$35.0	-$15.0	-$15.0	$0.0
Advanced Energy	-$10.0	-$10.0	$0.0	-$10.0	-$10.0	$0.0
TOTAL	**-$167.9**	**-$132.9**	**$35.0**	**-$88.6**	**-$88.6**	**$0.0**

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures. The timing of tax credit claims can also complicate estimates of a credit's impact. In some cases, a credit can be carried forward for years, and it remains difficult to predict when it will be claimed.

General Fund Financial Summary. The general fund financial summary shown in Attachment 2 (page 11), shows that (unaudited) FY13 revenues fell short of appropriations by $39.7 million, resulting in a reduction of FY13 reserves to $618 million, or 10.9 percent, of recurring appropriations. Final FY13 figures will be available upon the completion of the general fund audit, likely before the start of the legislative session. The December revenue estimate for FY14 is projected to fall short of appropriations by $30 million, resulting in an estimated FY14-ending reserve balance of $583 million, or 9.9 percent. Due in part to New Mexico's heavy reliance on volatile energy-related revenues, the LFC considers a reserve balance of 10 percent to be favorable.

The general fund financial summary includes an additional $31.7 million contingent liability consistent with a $101 million contingent liability the DFA booked against the general fund reserve in the state's FY12 unaudited comprehensive annual financial report (CAFR) released August 2013. While the conservative approach to book the liability is appreciated, it is critical DFA make publicly available its work papers linking a methodology with the $101.7 million estimate. Further, DFA is now reporting that to settle on a stable and true liability estimate, it essential to complete the work of unraveling historical unreconciled balances spanning from the implementation of SHARE in 2006; DFA requested a $2 million special appropriation in FY15 for the effort. Until the work is complete there will continue to be uncertainty regarding the amount of the actual liability.

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 with the addition of one-time federal funds. 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. FY14 general fund spending is 3.6 percent below the FY09 peak but 3.8 percent above FY13 appropriations. FY15 revenue is expected to return to the FY08 pre-recession high-water mark for the first time. FY 15 "New Money," defined as projected recurring revenue less FY14 recurring appropriations, is projected at $292 million, or 5 percent of FY14 appropriations.

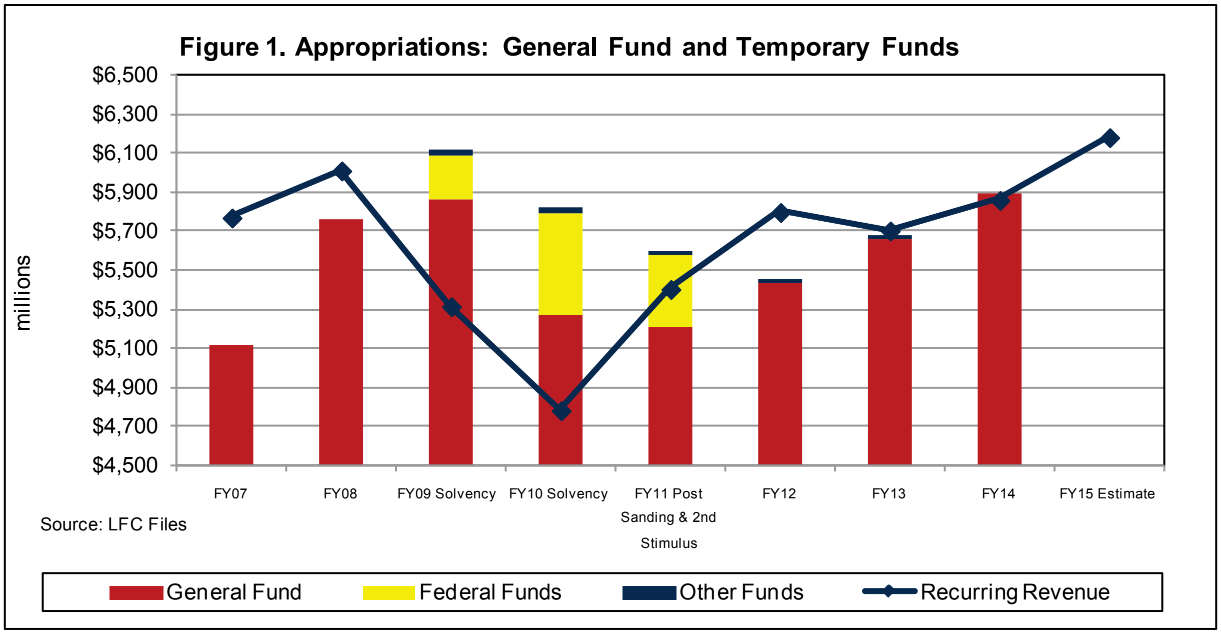
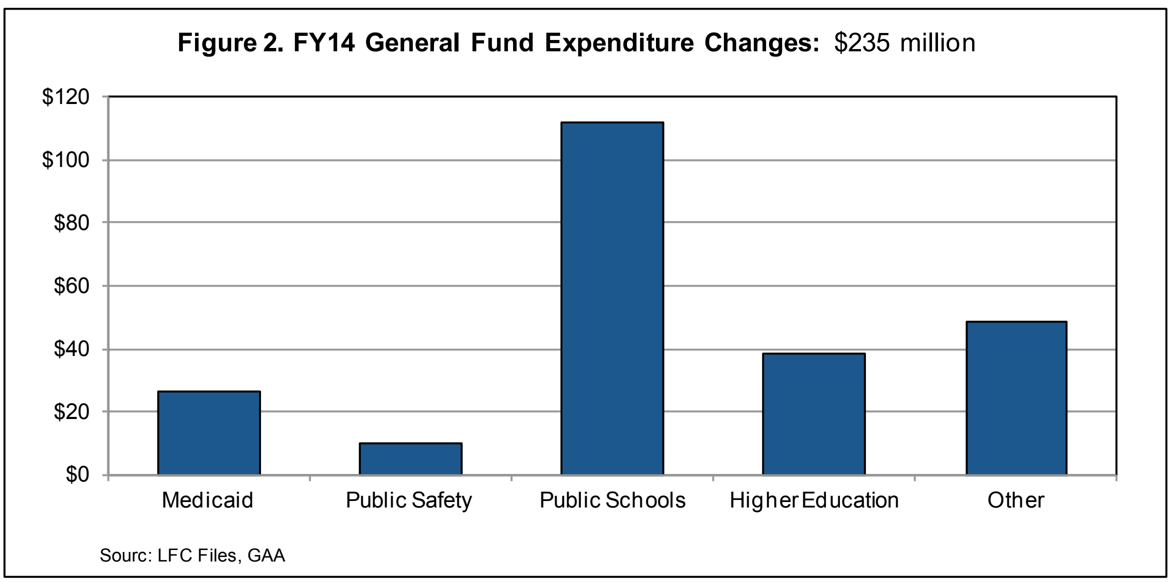


Figure 2 illustrates the change in total appropriations by major budget category for FY14. Total spending increased 4.2 percent from the FY13 operating budget. The $112 million increase for public schools represented a 4.6 percent increase, while higher education spending increased 4.3 percent. Medicaid spending increased 2.9 percent, and public safety funding increased 2.6 percent.



<u>Upside/Downside Risks to the Forecast</u>.

- State and local government budget conditions are gradually improving as state tax revenues continue rising; however, the continuing sequester contributes to smaller federal grants. New Mexico relies heavily on federal government spending through the national laboratories, military institutions, and transfer payments (including Medicaid). Any reductions in federal funding could have a negative impact on the New Mexico economy. BBER estimated that New Mexico could lose about 20 thousand full and part time jobs because of the direct, indirect and induced impacts of cuts in federal spending. On the upside, Medicaid expansion with federal share in the range of 90 percent to 100 percent will boost state economic activity and revenue.

- The economic recovery continues, but remains vulnerable to weakness in consumer sentiment, personal income, the housing market, currency volatility, financial sector weakness, and federal fiscal imbalance. The continued impasse at the federal level has contributed to uncertainty that is affecting consumers and businesses. Consumer expenditures grew 1.8 percent in the second quarter, down from 2.3 percent in the first quarter. The continuing federal spending sequester will continue to subdue economic growth.
- The Federal Reserve (Fed) is continuing its purchases of long-term Treasuries and mortgage-backed securities at $45 billion and $40 billion per month, respectively. The Fed has signaled its intention to increase or decrease its purchases depending on the outlook for the labor market. The IHS forecast assumes the Fed will begin tapering these purchases in December 2013 and end quantitative easing 2014.
- Energy markets are inherently volatile. Natural gas prices were declining slightly each month until the fall of 2012 when prices stabilized but remain vulnerable to increased supplies from productivity improvements. Though oil prices declined from their high in early 2012, they have increased in the past few months to over $100/bbl but continue to remain vulnerable to economic uncertainty. Oil production remains strong due to horizontal drilling and expanded exploration. Environmental regulation on issues such as horizontal drilling and endangered species create uncertainty in future oil and natural gas production.
- The Affordable Care Act will generate additional revenues with premiums being subject to state tax. State economists have estimated the impact based on existing federal law and Medicaid expansion.
- As became evident during the 2013 legislative session, the increasing cost of tax credits is a risk to state revenues. Credits with potentially high general fund revenue impacts include the high wage jobs tax credit, the manufacturing/construction GRT credits, the renewable energy production credit, and the film production tax credit.
- Last year, the committee heard testimony about federal efforts to create a framework for regulating state taxing authority for in-state activities. The Marketplace Equity Act and the Marketplace Fairness Act 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. Although the Marketplace Fairness Act passed the Senate, it faces a tougher road in the House, where it has not yet been heard in committee. The imposition of New Mexico tax on remote sellers represents an upside risk to the forecast, although the positive risk is limited as major online retailers are already collecting and remitting sales tax.
- The Attorney General reported during the summer that an arbitration panel decision found New Mexico did not diligently enforce its qualifying tobacco settlement statute in calendar year 2003. Pending a potential appeal of the judgment, as well as final calculations, the potential liability to the FY14 tobacco distribution is estimated between $12 and $24 million (the LFC assumes a $20 million reduction in FY14). The tobacco companies are now pursuing nationwide arbitration for the states' enforcement efforts in calendar year 2004. Although to date New Mexico has not agreed to such arbitration, this represents a downside risk to future MSA payments to New Mexico. The Attorney General believes New Mexico's performance in enforcement generally improves over time which increases the state's chances of a favorable outcome in the future arbitrations.
- New Mexico may be faced with reduced federal special education allocations if the Public Education Department (PED) does not prevail in their maintenance of effort (MOE) waiver request. Current PED and US Department of Education estimates range between $10.9 million and $35.2 million for FY11 and $17.8 million and $27.9 million for FY12. If federal funds are reduced, policymakers may be faced with increasing general fund allocations to schools to make up the shortfall. Any state funds made available for special education are included in the calculation of MOE and the backfill of lost federal funds with state revenues may increase the state's MOE requirements for future years.
- DFA has indicated it will reduce the operating reserves by $20 million for a contingent liability related to state efforts to meet federal special education spending requirements. Provisions in House Bill 2 and House Bill 628 were enacted to ensure state met its federal special education maintenance of effort (MOE) requirements for FY13. The lack of a federal decision on how to calculate the MOE requirement necessitated a multi-level approach to make available the necessary amounts to meet MOE for school districts. First, HB2 appropriated $20 million for FY13 for the Public Education Department to distribute to public schools should the funding formula produce an amount for special education less than needed based on the state's position for how the target amount should be calculated. Only $16 million was needed to meet the MOE target set by

the PED. Another provision in HB2 authorized transferring up to $20 million in funding from the funding formula to a special education MOE fund for distribution to public schools should the original appropriation be deemed insufficient. HB 628 authorized another $20 million to be transferred from the operating reserves if the first two provisions contained in HB2 failed to meet the MOE requirement. Those provisions have not failed to achieve their purpose, nor have they been determined to fail by the federal Department of Education. However, DFA has indicated it will book the HB 628 funds as a contingent liability and reduce the amount available in the state's operating reserves by that amount.

- A further risk to the general fund forecast is the possible need for a Medicaid deficiency appropriation to cover a prior-year overstated receivable for the Human Services Department (HSD) of approximately $65 million, dependent on conclusion of its FY13 audit. This shortfall is in addition to the $103 million shortfall addressed in part by a deficiency appropriation of $35 million in FY12. It may turn out that some of is covered by the $101.7 million allowance for potential loss account of the general fund operating reserve, but DFA is uncertain of this pending completion of its proposed cash reconciliation project.

Bonding. The net senior severance tax bonding (STB) capacity is estimated to reach $241.5 million in FY15. The 2014 long-term issuance is $199.2 million and reflects the planned closing of an 11-month note (Series 2013S-C) in the amount of roughly $5 million in July. This note may be repaid with the proceeds of Series 2014A, resulting in Series 2014A being sized about $5 million larger than the flat issuance level of future years. In setting bonding capacity, the DFA chose to use slightly lower oil volumes than those in the consensus forecast estimates. Considering authorized unissued projects totaling approximately $38 million and set-asides for the water project, tribal infrastructure, and colonias infrastructure project funds, the total STB capital capacity is estimated at $360 million.

The preliminary flat-mill general obligation capacity is estimated to be $167 million. The question of whether to issue general obligation bonds would be put to voters in the 2014 general election.

Attachment 1 - General Fund Consensus Revenue Estimate: December 2013 (Millions of Dollars)

	FY13		FY14				FY15			
	Unaudited Actual	% Change from FY12	Aug 2013 Est.	Dec 2013 Est.	Change from Prior	% Change from FY13	Aug 2013 Est.	Dec 2013 Est.	Change from Prior	% Change from FY14
Gross Receipts Tax	1,917.7	-0.6%	1,947.3	1,976.2	29.0	3.1%	2,105.0	2,093.0	(12.0)	5.9%
Compensating Tax	50.9	-18.0%	41.5	50.4	8.9	-1.0%	53.3	52.1	(1.2)	3.4%
TOTAL GENERAL SALES	1,968.6	-1.1%	1,988.8	2,026.6	37.9	2.9%	2,158.3	2,145.1	(13.2)	5.8%
Tobacco Taxes	86.1	0.8%	83.2	83.6	0.4	-2.9%	82.3	82.5	0.2	-1.3%
Liquor Excise	26.2	0.4%	26.7	27.3	0.6	4.0%	26.9	27.5	0.6	0.7%
Insurance Taxes	107.5	-5.7%	142.9	126.7	(16.2)	17.8%	160.9	182.0	21.1	43.6%
Fire Protection Fund Reversion	18.3	-2.6%	16.6	17.4	0.8	-5.1%	15.7	16.5	0.8	-5.2%
Motor Vehicle Excise	125.5	9.4%	133.1	133.2	0.1	6.1%	136.6	137.5	0.9	3.2%
Gaming Excise	63.1	-3.7%	63.8	64.4	0.6	2.1%	64.6	65.5	0.9	1.7%
Leased Vehicle Surcharge	5.0	-7.4%	5.5	5.5	-	10.1%	5.5	5.5	-	1.0%
Other	(2.5)	-133.3%	2.4	2.4	-	-195.9%	2.4	2.4	-	0.0%
TOTAL SELECTIVE SALES	429.2	-1.9%	474.2	460.5		7.3%	494.9	519.4	24.5	12.8%
Personal Income Tax	1,240.9	7.9%	1,190.6	1,211.5	21.0	-2.4%	1,270.0	1,280.0	10.0	5.7%
Corporate Income Tax	267.2	-4.9%	277.8	279.0	1.2	4.4%	337.7	289.0	(48.7)	3.6%
TOTAL INCOME TAXES	1,508.1	5.4%	1,468.3	1,490.5	22.2	-1.2%	1,607.7	1,569.0	(38.7)	5.3%
Oil and Gas School Tax	379.9	-4.9%	413.7	427.1	13.4	12.4%	417.2	421.2	4.0	-1.4%
Oil Conservation Tax	20.8	-3.2%	22.3	23.3	1.0	12.2%	22.5	22.9	0.4	-1.7%
Resources Excise Tax	13.5	12.2%	11.5	11.5	-	-14.7%	11.5	11.5	-	0.0%
Natural Gas Processors Tax	24.2	3.7%	15.5	15.8	0.3	-34.7%	18.6	17.8	(0.8)	12.7%
TOTAL SEVERANCE TAXES	438.4	-4.0%	463.0	477.7	14.7	9.0%	469.8	473.4	3.6	-0.9%
LICENSE FEES	50.0	0.8%	51.6	49.9	(1.7)	-0.2%	52.8	50.6	(2.2)	1.4%
LGPF Interest	440.9	-4.5%	445.0	445.3	0.3	1.0%	486.0	489.4	3.4	9.9%
STO Interest	14.7	-15.4%	16.0	12.1	(3.9)	-17.9%	17.0	13.5	(3.5)	11.6%
STPF Interest	176.2	-4.0%	170.5	170.4	(0.1)	-3.3%	179.4	179.4	-	5.3%
TOTAL INTEREST	631.8	-4.6%	631.5	627.8	(3.7)	-0.6%	682.4	682.3	(0.1)	8.7%
Federal Mineral Leasing	459.6	-8.5%	483.8	490.0	6.2	6.6%	495.0	520.0	25.0	6.1%
State Land Office	44.6	-51.8%	48.6	47.6	(1.0)	6.7%	48.7	47.6	(1.1)	0.0%
TOTAL RENTS & ROYALTIES	504.3	-15.3%	532.4	537.6	5.2	6.6%	543.7	567.6	23.9	5.6%
TRIBAL REVENUE SHARING	70.7	3.7%	69.8	72.5	2.7	2.5%	70.9	74.4	3.5	2.6%
MISCELLANEOUS RECEIPTS	41.3	-8.5%	52.9	49.2	(3.7)	19.3%	53.5	51.2	(2.3)	4.0%
REVERSIONS	65.8	-0.2%	47.3	71.4	24.1	8.6%	55.0	53.0	(2.0)	-25.8%
TOTAL RECURRING	5,708.0	-1.6%	5,779.7	5,863.7	84.0	2.7%	6,189.1	6,186.0	(3.1)	5.5%
TOTAL NON-RECURRING *	0.6	-96%	(0.9)	-	0.9	-100.0%	-	-	-	
GRAND TOTAL	5,708.6	-1.9%	5,778.8	5,863.7	84.9	2.7%	6,189.1	6,186.0	(3.1)	5.5%

* Revenue estimate totals reflect the impact of Laws 2013, Ch. 160, estimated to reduce general fund revenue thru FY17, and growing as CIT rate reductions and otional single-sales factor apportioning are phased in.

12/9/2013

Attachment 1 - General Fund Consensus Revenue Estimate: December 2013 (Millions of Dollars)

	FY16				FY17				FY18			
	Aug 2013 Est.	Dec 2013 Est.	Change from Prior	% Change from FY15	Aug 2013 Est.	Dec 2013 Est.	Change from Prior	% Change from FY16	Aug 2013 Est.	Dec 2013 Est.	Change from Prior	% Change from FY17
Gross Receipts Tax	2,208.0	2,196.0	(12.0)	4.9%	2,312.0	2,312.0	-	5.3%	2,418.0	2,409.0	(9.0)	4.2%
Compensating Tax	53.3	51.2	(2.1)	-1.7%	53.3	51.3	(2.0)	0.2%	53.3	50.4	(2.9)	-1.8%
TOTAL GENERAL SALES	2,261.3	2,247.2	(14.1)	4.8%	2,365.3	2,363.3	(2.0)	5.2%	2,471.3	2,459.4	(11.9)	4.1%
Tobacco Taxes	81.5	81.6	0.1	-1.1%	80.7	80.6	(0.1)	-1.2%	80.0	79.7	(0.3)	-1.1%
Liquor Excise	27.2	27.7	0.5	0.7%	27.6	28.2	0.6	1.8%	28.0	28.6	0.6	1.4%
Insurance Taxes	172.3	210.7	38.4	15.8%	183.2	235.5	52.3	11.8%	193.8	255.7	61.9	8.6%
Fire Protection Fund Reversion	14.8	15.5	0.7	-6.1%	13.7	14.3	0.6	-7.3%	12.0	12.6	0.6	-11.9%
Motor Vehicle Excise	140.8	142.8	2.0	3.9%	145.8	146.7	0.9	2.7%	149.2	149.8	0.6	2.1%
Gaming Excise	65.2	66.7	1.5	1.8%	66.0	68.1	2.1	2.1%	67.0	67.0	-	-1.6%
Leased Vehicle Surcharge	5.6	5.6	-	1.0%	5.6	5.6	-	1.0%	5.7	5.7	-	1.1%
Other	2.4	2.4	-	0.0%	2.4	2.4	-	0.0%	2.4	2.4	-	0.0%
TOTAL SELECTIVE SALES	509.8	553.0	43.2	6.5%	525.0	581.5	56.4	5.2%	538.1	601.5	63.4	3.4%
Personal Income Tax	1,325.0	1,335.0	10.0	4.3%	1,380.0	1,400.0	20.0	4.9%	1,435.0	1,465.0	30.0	4.6%
Corporate Income Tax	298.2	276.0	(22.2)	-4.5%	278.4	244.0	(34.4)	-11.6%	258.5	206.0	(52.5)	-15.6%
TOTAL INCOME TAXES	1,623.2	1,611.0	(12.2)	2.7%	1,658.4	1,644.0	(14.4)	2.0%	1,693.5	1,671.0	(22.5)	1.6%
Oil and Gas School Tax	414.1	419.5	5.4	-0.4%	408.6	417.9	9.3	-0.4%	404.2	415.3	11.1	-0.6%
Oil Conservation Tax	22.4	22.9	0.5	0.0%	22.1	22.8	0.7	-0.4%	22.0	22.8	0.8	0.0%
Resources Excise Tax	11.5	11.5	-	0.0%	11.5	11.5	-	0.0%	11.5	11.5	-	0.0%
Natural Gas Processors Tax	18.9	18.1	(0.8)	1.7%	18.9	18.0	(0.9)	-0.6%	18.3	17.6	(0.7)	-2.2%
TOTAL SEVERANCE TAXES	466.9	472.0	5.1	-0.3%	461.1	470.2	9.1	-0.4%	456.0	467.2	11.2	-0.6%
LICENSE FEES	54.1	51.2	(2.9)	1.2%	55.2	52.1	(3.1)	1.8%	56.6	53.3	(3.3)	2.3%
LGPF Interest	521.0	529.9	8.9	8.3%	503.0	516.0	13.0	-2.6%	541.0	559.2	18.2	8.4%
STO Interest	28.0	28.0	-	107.4%	47.0	57.0	10.0	103.6%	50.0	67.0	17.0	17.5%
STPF Interest	185.5	186.1	0.6	3.7%	190.1	191.4	1.3	2.8%	197.3	199.4	2.1	4.2%
TOTAL INTEREST	734.5	744.0	9.5	9.0%	740.1	764.4	24.3	2.7%	788.3	825.6	37.3	8.0%
Federal Mineral Leasing	495.0	490.0	(5.0)	-5.8%	490.0	485.0	(5.0)	-1.0%	485.0	480.0	(5.0)	-1.0%
State Land Office	49.0	46.7	(2.3)	-1.9%	48.8	46.7	(2.1)	0.0%	48.8	46.7	(2.1)	0.0%
TOTAL RENTS & ROYALTIES	544.0	536.7	(7.3)	-5.4%	538.8	531.7	(7.1)	-0.9%	533.8	526.7	(7.1)	-0.9%
TRIBAL REVENUE SHARING	73.4	77.7	4.3	4.4%	74.5	79.7	5.2	2.6%	75.7	81.7	6.0	2.5%
MISCELLANEOUS RECEIPTS	54.2	54.9	0.7	7.2%	55.5	56.2	0.7	2.5%	56.8	57.5	0.7	2.2%
REVERSIONS	40.0	40.0	-	-24.5%	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%
TOTAL RECURRING	6,361.4	6,387.6	26.2	3.3%	6,513.9	6,583.1	69.2	3.1%	6,710.1	6,783.9	73.8	3.1%
TOTAL NON-RECURRING *	-	-	-		-	-	-		-	-	-	
GRAND TOTAL	6,361.4	6,387.6	26.2	3.3%	6,513.9	6,583.1	69.2	3.1%	6,710.1	6,783.9	73.8	3.1%

* Revenue estimate totals reflect the impact of Laws 2013, Ch. 160, estimated to reduce general fund revenue thru FY17, and growing as CIT rate reductions and otional single-sales factor apportioning are phased in.
* In FY17 the Land Grant Permanent Fund distribution decreases from 5.5% to 5% of the 5-year avg. fund value.

12/9/2013

Attachment 2 - General Fund Financial Summary: December 2013 Consensus Revenue Estimate

(in millions of dollars)

	Preliminary FY2013	Estimated FY2014	Estimated FY2015
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
August 2013 Consensus Forecast	$ 5,611.1	$ 5,779.7	$ 6,189.1
December 2013 Consensus Forecast.	$ 96.8	$ 84.0	$ (3.1)
Total Recurring Revenue	$ 5,708.0	$ 5,863.7	$ 6,186.0
Nonrecurring Revenue			
August 2013 Consensus Forecast	$ 39.9	$ (85.9)	
December 2013 Consensus Forecast.	$ (39.3)	$ 85.9	
Total Non-Recurring Revenue	$ 0.6	$ -	$ -
TOTAL REVENUE	**$ 5,708.6**	**$ 5,863.7**	**$ 6,186.0**
APPROPRIATIONS			
Recurring Appropriations			
General Appropriation	$ 5,649.6	$ 5,879.3	
Legislative Session Costs - Feed Bill	$ 9.2	$ 14.4	
Total Recurring Appropriations	$ 5,658.8	$ 5,893.7	
Nonrecurring Appropriations			New Money in FY15 is $292M (5.0%)
Prior-Year Appropriations	$ 89.5	$	
2014 IT Project Funding		$	
2014 Deficiencies, Supplementals, Specials		$	
Total Nonrecurring Appropriations	$ 89.5	$ -	
TOTAL APPROPRIATIONS	**$ 5,748.3**	**$ 5,893.7**	
	$ (39.7)	$ (30.0)	
GENERAL FUND RESERVES			
Beginning Balances	$ 712.9	$ 618.0	
Transfers from (to) Appropriations Account	$ (39.7)	$ (30.0)	
Revenue and Reversions	$ 75.9	$ 49.3	
Appropriations, expenditures and transfers out	$ (131.1)	$ (54.5)	
Ending Balances	**$ 618.0**	**$ 582.8**	
Reserves as a Percent of Recurring Appropriations	*10.9%*	*9.9%*	

Attachment 2 - General Fund Financial Summary: December 2013 Consensus Revenue Estimate
RESERVE DETAIL
(in millions of dollars)

	Preliminary FY2013	Estimated FY2014	Estimated FY2015
OPERATING RESERVE			
Beginning balance	$ 346.8	$ 273.7	$ 224.8
BOF Emergency Appropriations/Reversions	$ (1.7)	$ (2.0)	
Contingent Liability - Cash Management (1)	$ (31.7)	$ -	$ -
Transfers from/to Appropriation Account	$ (39.7)	$ (30.0)	
Transfer to ACF/Other Appropriations (2)	$ -	$ (17.0)	$ -
Ending balance	$ 273.7	$ 224.8	$ 224.8
APPROPRIATION CONTINGENCY FUND			
Beginning balance	$ 29.5	$ 16.4	$ 17.4
Disaster allotments	$ (28.4)	$ (16.0)	$ (16.0)
Other appropriations	$ -	$ -	$ -
Transfers in (3)	$ -	$ 17.0	$ -
Revenue and reversions	$ 15.3	$ -	$ -
Ending Balance	$ 16.4	$ 17.4	$ 1.4
Education Lock Box			
Beginning balance	$ 39.1	$ 9.1	$ 9.1
Appropriations (GAA Section 5&6) (4)	$ (30.0)	$ -	$ -
Transfers in (out)	$ -	$ -	$ -
Ending balance	$ 9.1	$ 9.1	$ 9.1
Total of Appropriation Contingency Fund	$ 25.5	$ 26.5	$ 10.5
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	$ 149.0	$ 170.3	$ 183.1
Transfers in	$ 39.3	$ 19.5	$ 20.0
Appropriation to tobacco settlement program fund (5)	$ (19.7)	$ (9.8)	$ (10.0)
Gains/Losses	$ 21.3	$ 12.8	$ 13.7
Additional transfers to from TSPF	$ (19.7)	$ (9.8)	$ -
Ending balance	$ 170.3	$ 183.1	$ 206.8
TAX STABILIZATION RESERVE			
Beginning balance	$ 147.5	$ 147.5	$ 147.5
Transfers in	$ -	$ -	$ -
Ending balance	$ 147.5	$ 147.5	$ 147.5
GENERAL FUND ENDING BALANCES	**$ 618.0**	**$ 582.8**	
Percent of Recurring Appropriations	*10.9%*	*9.9%*	

Notes:

(1) SHARE reconciliation to the cash account includes a $31.7 contingent liability in FY13 (in addition to the previously identified $70 million contingent liability in FY12) which is a reduction from the ACF.

(2) A transfer of up to $36 million from the operating reserve to PED is contingent on appropriation in the GAAs of 2012 and 2013 being insufficient to meet IDEA MOE requirements.

(3) Transfer from appropriation account to replenish the appropriation contingency fund.

(4) FY13 includes $15.4 million of funding that is contingent on the state not meeting federal Individuals with Disabilities Education Act (IDEA) maintenance of effort (MOE) for FY14 and $14.6 million in other education-related appropriations.

(5) Assumes reduction in FY14 Tobacco MSA payment is $20 million. This reduction is an estimate pending final determination of the MSA payment reduction, projected to be $12-$24 million.

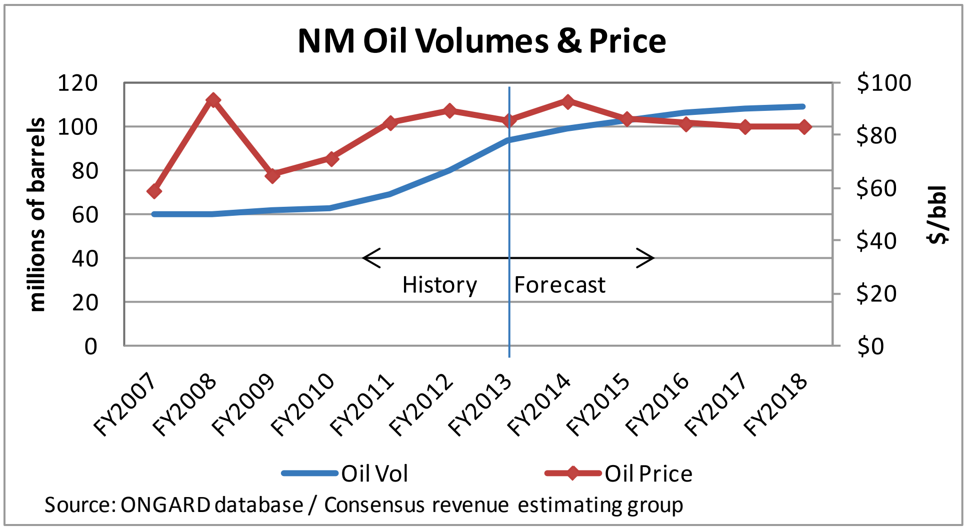
Attachment 3 - U.S. and New Mexico Economic Indicators

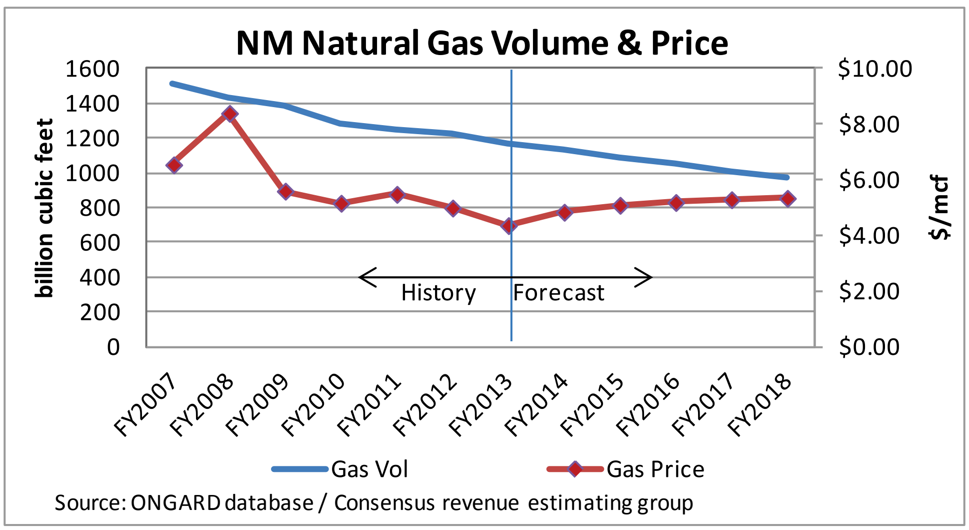
		FY13		FY14		FY15		FY16		FY17		FY18	
		Aug13 Forecast	Dec13 Forecast	Aug13 Forecast	Dec13 Forecast	Aug13 Forecast	Dec13 Forecast	Aug13 Forecast	Dec13 Forecast	Aug13 Forecast	Dec13 Forecast	Aug13 Forecast	Dec13 Forecast
	National Economic Indicators												
GI	US Real GDP Growth (annual avg. ,% YOY)*	1.9	2.0	2.0	1.9	3.2	3.0	3.4	3.2	3.0	3.2	2.8	3.0
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	1.9	2.0	2.4	2.1	4.0	4.0	3.7	3.5	3.0	2.7	2.3	2.1
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.7	1.7	1.2	1.5	1.7	1.7	1.8	1.8	1.9	1.9	1.8	1.9
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.7	1.7	1.8	1.5	2.3	2.0	2.5	2.3	2.5	2.5	2.4	2.4
GI	Federal Funds Rate (%)	0.14	0.14	0.14	0.13	0.16	0.16	0.67	1.10	3.17	3.17	4.00	4.00
Moody's	Federal Funds Rate (%)	0.13	0.14	0.09	0.08	0.40	0.11	2.49	1.17	4.10	3.26	4.20	4.02
	New Mexico Labor Market and Income Data												
BBER	NM Non-Agricultural Employment Growth	1.1	1.0	1.6	1.2	1.7	1.6	1.7	1.6	1.6	1.6	1.3	1.3
Moody's	NM Non-Agricultural Employment Growth	0.3	0.4	1.0	1.0	1.9	1.8	2.6	2.3	2.5	1.7	2.1	1.1
BBER	NM Nominal Personal Income Growth (%)***	2.9	2.9	2.3	1.8	5.0	4.3	4.7	4.7	5.1	5.1	4.9	5.1
Moody's	NM Nominal Personal Income Growth (%)***	2.9	2.9	2.5	1.6	2.6	2.6	3.9	4.1	4.4	4.1	3.8	3.4
BBER	NM Total Wages & Salaries Growth (%)	0.8	1.0	3.9	2.9	4.1	3.9	4.2	4.1	4.3	4.4	4.1	4.3
Moody's	NM Total Wages & Salaries Growth (%)	0.4	1.0	2.5	1.8	4.6	5.5	5.5	5.7	5.9	5.0	5.5	4.6
BBER	NM Private Wages & Salaries Growth (%)	1.3	1.9	5.0	3.6	4.9	4.5	5.0	4.8	5.1	4.9	4.7	4.5
BBER	NM Real Gross State Product (% YOY)	0.9	3.3	1.4	-1.0	2.8	2.8	3.5	3.5	3.0	3.0	2.9	2.9
Moody's	NM Real Gross State Product (% YOY)	-0.2	-0.5	2.7	2.4	3.9	3.8	3.7	3.6	3.5	2.3	2.5	1.6
CREG	NM Oil Price ($/barrel)	$87.00	$85.82	$94.00	$93.00	$87.50	$86.50	$85.00	$84.50	$84.00	$83.50	$84.00	$83.50
CREG	NM Taxable Oil Volumes (million barrels)	90.0	94.2	93.0	99.0	97.0	103.0	100.0	106.0	101.0	108.0	102.0	109.0
	NM Taxable Oil Volumes (%YOY growth)	12.3%	17.6%	3.3%	5.1%	4.3%	4.0%	3.1%	2.9%	1.0%	1.9%	1.0%	0.9%
CREG	NM Gas Price ($ per thousand cubic feet)*****	$4.50	$4.40	$5.00	$4.85	$5.40	$5.10	$5.50	$5.20	$5.50	$5.30	$5.50	$5.35
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,165	1,175	1,110	1,130	1,070	1,090	1,030	1,050	1,000	1,010	960	970
	NM Taxable Gas Volumes (%YOY growth)	-5.0%	-4.2%	-4.7%	-3.8%	-3.6%	-3.5%	-3.7%	-3.7%	-2.9%	-3.8%	-4.0%	-4.0%

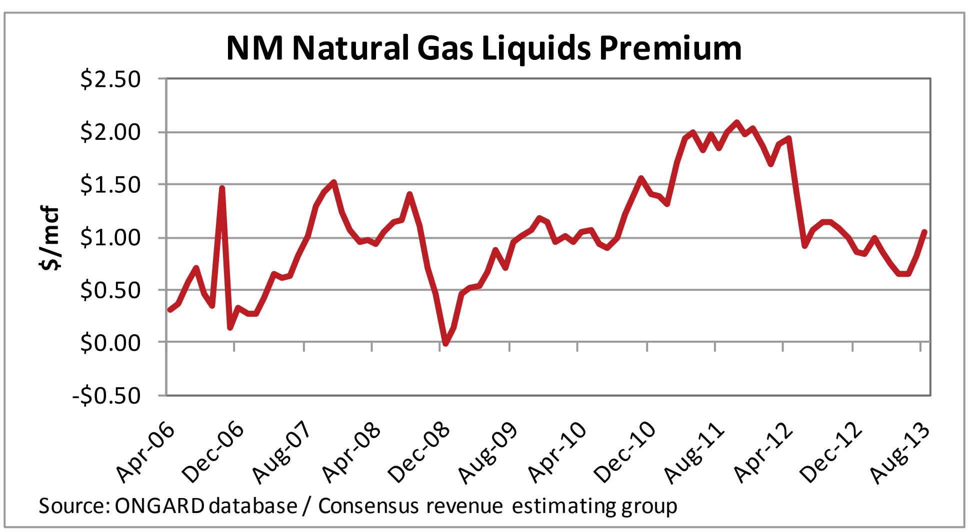
TRD Notes
* Real GDP is BEA chained 2009 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base.
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
Sources: BBER - October 2013 FOR-UNM baseline. Global Insight - October 2013.

DFA Notes
*****The gas prices are estimated using a formula of NYMEX, EIA, and Moodys (November) future prices as well as a liquid premium based on oil price forecast
Sources: November Moodys economy.com baseline.

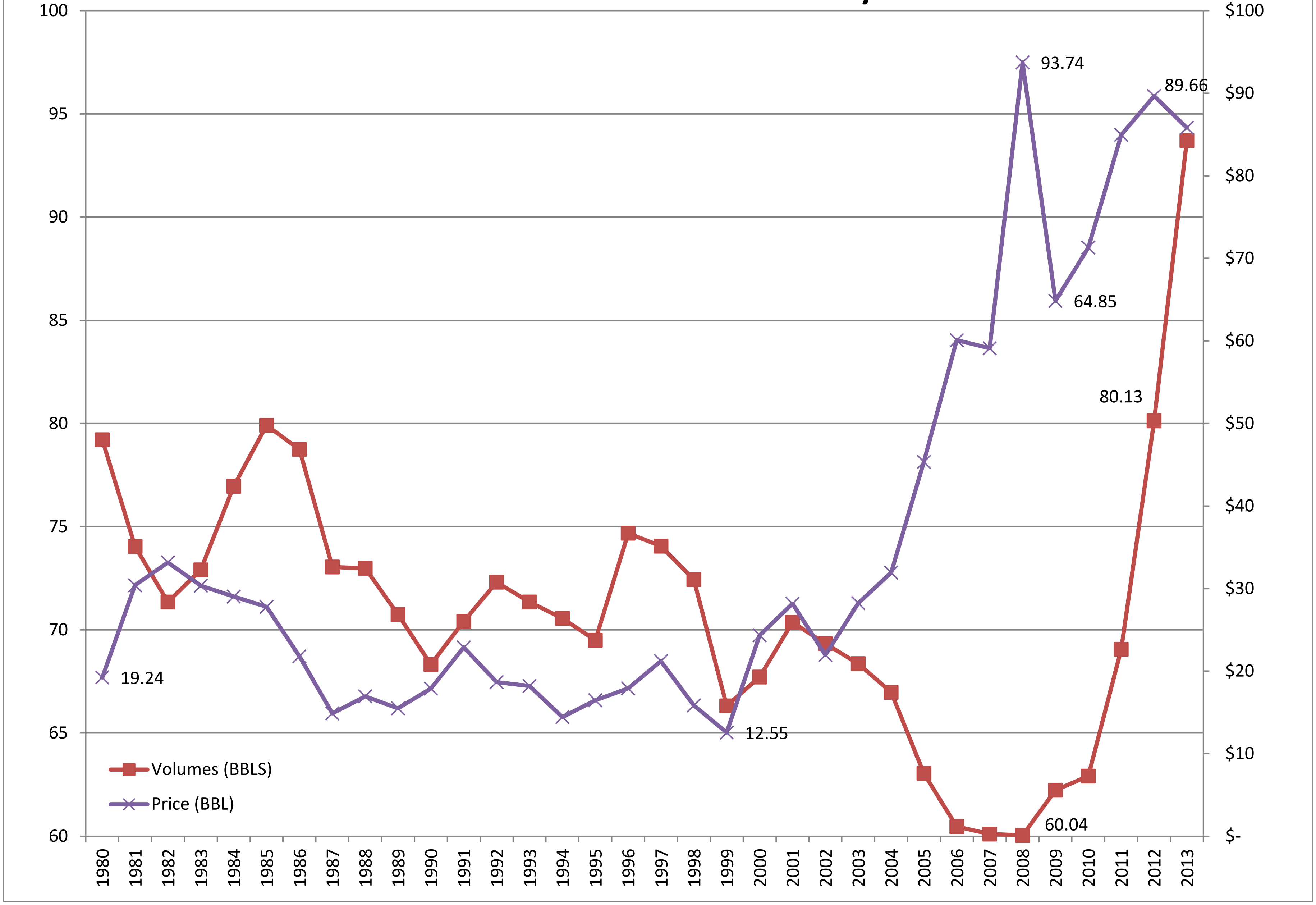
Attachment 4



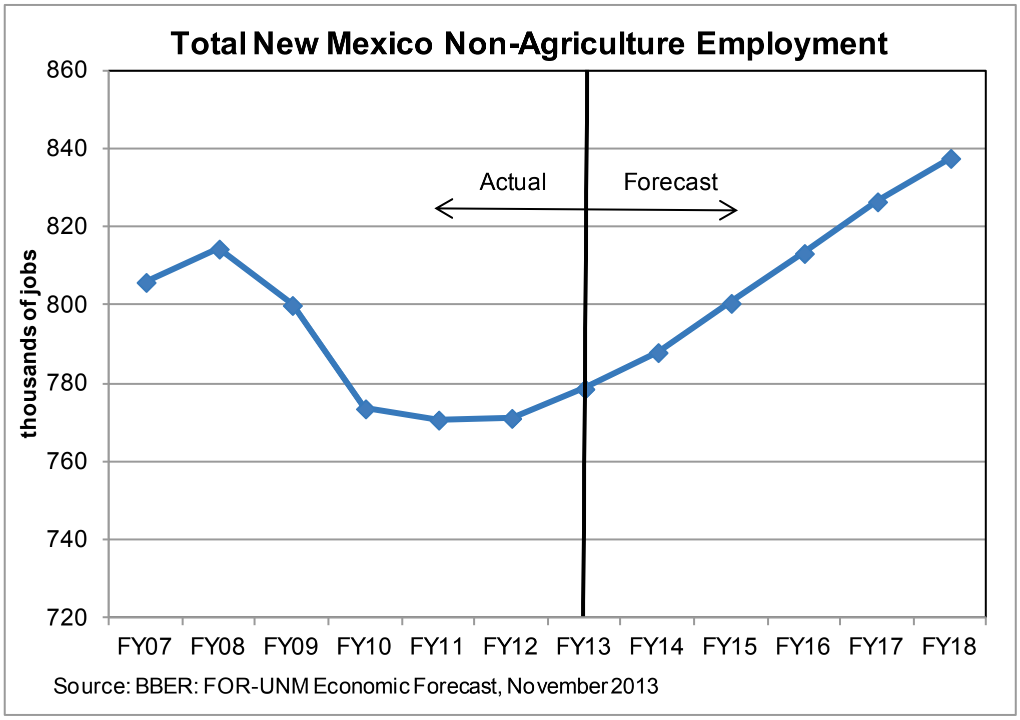


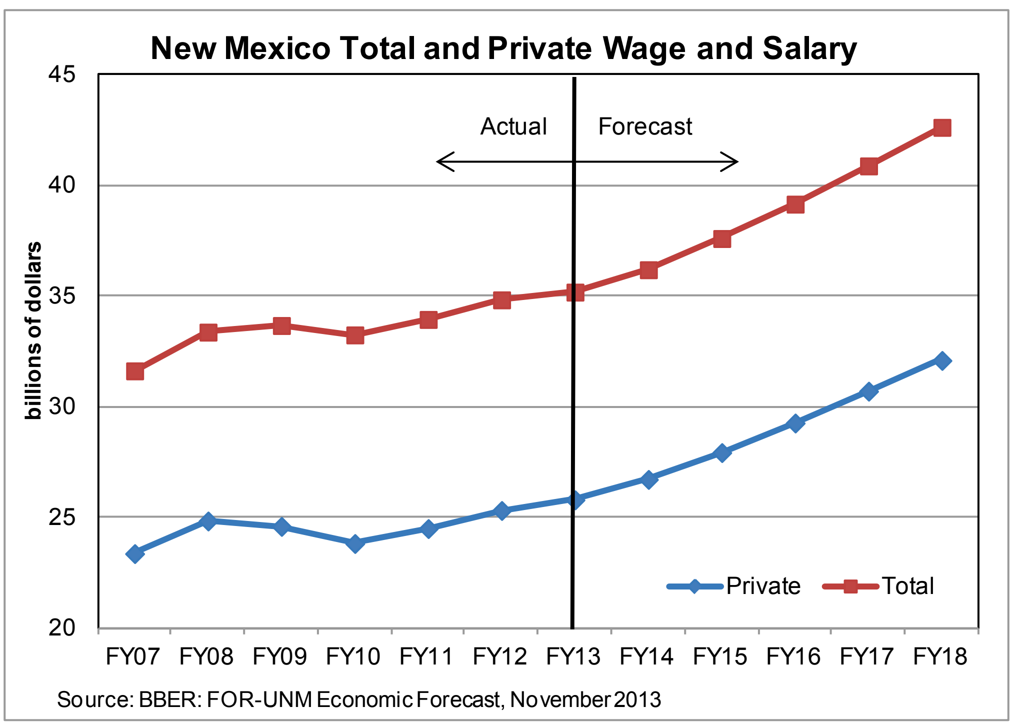


Attachment 5 - Oil Volumes and Prices by Fiscal Year

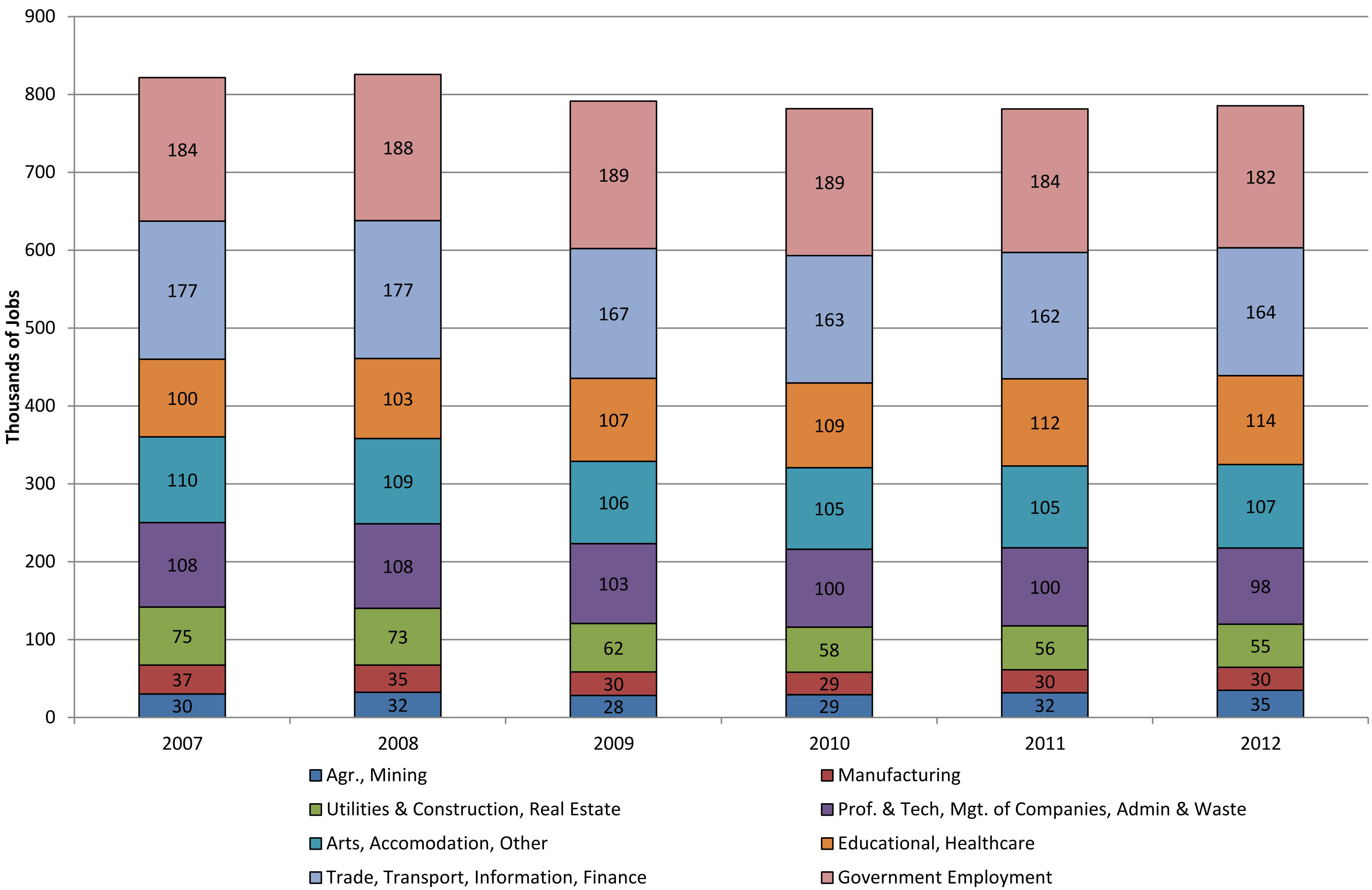


Attachment 6





Attachment 7 - New Mexico Employment By Industry



Source: BBER: FOR-UNM Economic Forecast, October 2013