REVENUE

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ISSUES FOR HEARING

August 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.
- In February the CREG met to review the revenue estimates. After analyzing the major revenues, the consensus group found two offsetting trends that resulted in only a minor net change to the revenue picture. Downward revisions to the gross receipts tax resulting from increased claims for several tax credits were partially offset by strength in severance taxes and royalties supported by an increase in oil prices and volumes. The net change to projected FY13 general fund revenues was less than one percent, a small enough change that the consensus group ordinarily might not revise the December revenue estimate.
- However, the consensus group did make significant changes in its assumptions for certain revenues – particularly in its estimates of the general fund cost of several tax credits – and the LFC felt it was important that this information be made public. The DFA chose to not release the revisions.
- Total FY13 preliminary recurring revenue is now $5,611.2 million. Table 1 presents a reconciliation of recurring revenues through the revenue estimating cycle.
- Attachment 1 (page 8) shows general fund revenue revisions from February 2013 to August 2013. FY13 recurring revenue was revised downward from the February estimate by $55 million. After identifying $40 million as nonrecurring, total FY13 revenue was revised downward $9.6 million. The FY14 recurring revenue estimate was revised downward $105 million from the February forecast (total FY14 revenue was revised downward $136 million), and the FY15 revenue estimate was revised downward by $4 million.
- Attachment 2 (page 10) shows the general fund financial summary. Preliminary FY13 ending balances are $571 million, or 10.1 percent of recurring appropriations. The projected FY14 ending balance is $450 million, or 7.6 percent of recurring appropriations.
- "New Money" in FY15, defined as FY15 projected recurring revenue less FY14 recurring appropriations, is projected to be $295 million or 5 percent of FY14 appropriations. The ERB 0.75 percent employer contribution increase for public school retirement will cost the state an additional $19 million in FY15. The PERA employer contributions will cost the state an additional $2.3 million in FY15. These scheduled general fund obligations will effectively reduce the "new money" to $274 million.

Table 1

August 2013 Consensus General Fund Recurring Revenue Outlook

(Millions of Dollars)

	FY13	FY14	FY15	FY16
December 2012 estimate	$5,707	$5,933	$6,246	$6,524
February 2013 revisions	-$41	$30	-$55	-$54
2013 Leg. Revisions	$0	$7	$2	-$51
August 2013 revisions	-$55	-$105	-$4	-$57
August 2013 Consensus	$5,611	$5,865	$6,189	$6,361
Annual amount change	-$191	$254	$378	$172
Annual percent change	-3.3%	4.5%	6.5%	2.8%

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 12).

According to BLS data, the New Mexico economy added just over 4,000 jobs in 2012, an increase of 0.5 percent; however, this figure is affected by fourth quarter numbers based on a new methodology used to tabulate employment. BBER estimates the new methodology may account for an additional 8,000 jobs statewide, or a 1 percent employment increase. This change results in higher annual employment growth estimates through the third quarter of 2013. BBER estimates the state added 1.3 percent new jobs during the first six months of the year, an upward revision of 0.7 percent and 0.5 percent compared to the April forecast. Job growth was strongest in the mining sector. BBER cited strong performance of housing markets, and reported the construction industry, and the real estate, finance, and insurance sectors posted employment gains during the six month period. Government payrolls, where deep cuts have offset gains in the private sector, experienced only minimal cuts, with local and state government even adding jobs. New Mexico is not projected to regain the previous peak number of payroll jobs, about 820 thousand, until 2016, eight years after that level was first achieved.

Private wages and salaries, a critical driver of gross receipts, are expected to grow by 3.7 percent in FY14 and 4.5 percent in FY15. Wages and salaries rose 21.2 percent between FY03 and FY08 while salaries only rose 9.1 percent between FY08 and FY13.

In the Fall of 2012 the Bureau of Business and Economic Research (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 world economy escaped severe impacts last year when the United States avoided the fiscal cliff, China did not have a hard landing, and the Eurozone did not break up. Recent news on the national economy has been mostly positive. IHS Global insight's forecast paints a mixed picture of the US economy, and points to economic growth of 1.5 to 2.0 percent through the fall, gradually increasing to 3.0 percent by early next year, despite policy headwinds. Employment growth, housing activity, and auto sales are among the bright spots in the economy and underscore the solid foundations of the recovery and the likely pickup in growth over the coming quarters. However, the headwinds facing the economy remain strong. A substantial fiscal drag is expected to continue through year-end, and there is no help coming from the rest of the world. Recently, financial markets showed uncertainty over the likely timing of the Federal Reserve's "tapering" of its $85-billion-per-month bond purchases. Analysts expect this policy move to occur early 2014, but the probability of earlier action has risen.

Energy Markets. Oil prices in FY13 have increased slightly since the February forecast. Crude prices have bounced up toward $110 per barrel because of turmoil in Egypt, but that spike should be transitory. US oil production keeps zooming, especially in Texas and North Dakota. Oil prices should retreat on new supplies, and then firm a bit after 2015.

Attachment 4 (page 13) shows that oil prices are expected to remain around $94 per barrel (bbl) in FY14, 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, with preliminary actuals showing a 12 percent increase in FY13. The forecast assumes a modest but positive growth of about 3.3 percent in FY14 and 4.3 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 FY11, the total gas prices averaged $5.49 per thousand cubic feet (mcf) and the processed or dry gas prices averaged $4.03/mcf. The premium above the dry gas price for natural gas liquids averaged $1.46/mcf in FY11. 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 forecast remains at $4.50/mcf for FY13. 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 2.9 percent in FY11 and 1.6 percent 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 part of the decline in total production. The liquids premium is expected to average $1.00/mcf in FY13 and FY14. Each $0.10 change in natural gas price is equivalent to an $8.5 million change in general fund revenue.

Other Revenue Highlights. In August the consensus revenue estimating group agreed to make 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 4.3 percent for FY14 and 4.9 percent for FY15, before tax credit adjustments. The net revenue generated from taxable gross receipts is increased by $21 million in FY14 and a slight decrease of $2.2 million in FY15. In total, high wage jobs tax credit claims are estimated at $100 million in FY14 and $15 million annually in FY15. In FY14 the $85 million increase in the HWJTC claims is shown as non-recurring.

The higher impact of the manufacturing tax credit was previously incorporated into the February 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 credit. The impact of the advanced energy tax credit also reduced GRT by $17.4 million annually.

PIT liability is expected to increase 3.4 percent and 5.4 percent in FY14 and FY15, respectively. Strength in oil and gas withholding and capital gains is additive to the growth in base liability. In FY13 there was about $45 million in non-recurring revenues due to federal income tax increases for 2013 which encouraged wealthy people to shift their income into 2012, for example by realizing capital gains. This boosted both state and federal tax revenues for the last two quarters and will likely do so again for the current quarter - but not forever.

Preliminary FY13 corporate income tax (CIT) receipts fell just below the February revenue estimate. The consensus revenue estimating group agreed on a reduction in the estimate of this revenue, before a further 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, projected CIT revenues were revised downward to $278 million. FY15 gross revenue growth is projected to be 21.6 percent and in part reflects recovery in the national economy. The net CIT estimates shown in Attachment 1 (page 8) account for the effect of the film production tax credit, 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.

Preliminary FY13 energy-related revenues were collected near to the February 2013 estimate, with one exception. Mineral production taxes are tracking at 1.8 percent ($7.6 million) above the estimate, supported growth in oil production volume. Federal mineral leasing 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. FY13 FML receipts totaled nearly $460 million, just over $5 million below the estimate. The August 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 September 2013, the end of FFY13. It is unclear whether the amounts sequestered in FFY13 will be made available to New Mexico. Further, the potential for continued sequestration of FML revenues in FFY2014 represents a downside risk to this revenue source.

High oil prices and volumes outweighed weakness in natural gas prices in FY13. As mentioned earlier, growth in oil production surged to 16 percent in FY12 and is expected to growth by 12 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 as low market values dating from recession years drop out of the calculation of the five-year average market value, the distribution is projected to increase. 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". 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). NMMIP 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.

Tax Credits. A major aspect of the mid-session revenue discussions in February was the unexpected and drastic increase in end-of-tax-year claims for certain tax credits. In recent years, several tax expenditures for economic development have had a larger fiscal impact than when initially implemented.

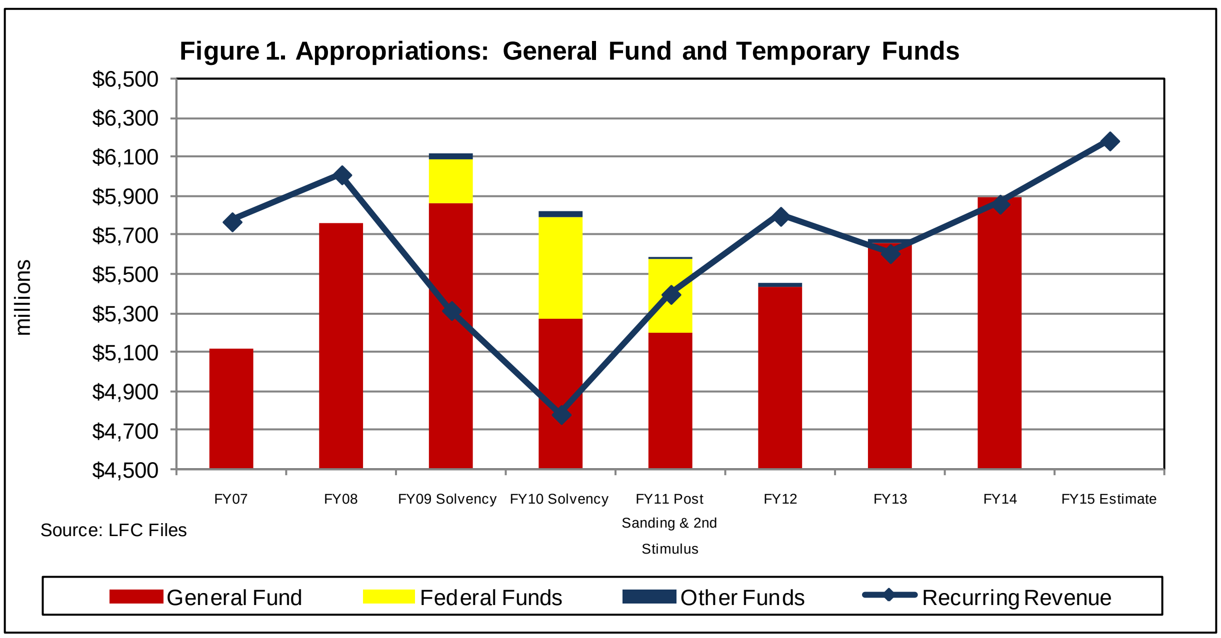
The table below highlights the significant impact of one tax expenditure in particular, the high-wage jobs tax credit, which is estimated to cost $100 million in FY14 due to an apparent "mining" of potential claims by several consulting accounting firms, and due to increasing awareness of the potential tightening of qualification requirements for the tax credit. 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 Credits Assumed in Consensus Revenue Forecast
(in millions of dollars)

	FY 2014				FY 2015			
	Dec 12	**Feb 13**	**Aug 13**	**Change**	**Dec 12**	**Feb 13**	**Aug 13**	**Change**
Manufacturing	-$32.5	-$32.5	-$7.9	$24.6	-$46.5	-$46.5	-$13.6	$32.9
Film	-$50.0	-$50.0	-$50.0	$0.0	-$50.0	-$50.0	-$50.0	$0.0
HWJTC	-$24.1	-$69.5	-$100.0	-$30.5	-$24.1	-$69.5	-$15.0	$54.5
Advanced energy	$0.0	-$10.0	-$17.4	-$7.4	$0.0	-$17.4	-$17.4	$0.0
TOTAL	**-$106.6**	**-$162.0**	**-$175.3**	**-$13.3**	**-$120.6**	**-$183.4**	**-$96.0**	**$87.4**

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 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. General fund spending in FY14 is 3.6 percent below the FY09 peak but 3.8 percent above FY13 appropriations. In FY15 revenue is expected to return to the FY08 pre-recession high-water mark for the first time. "New Money" in FY15, defined as projected recurring revenue less FY14 recurring appropriations, is projected to be $295 million, or 5 percent, of FY14 appropriations.



General Fund Financial Summary. The general fund financial summary shown in Attachment 2 (page 10), shows that FY13 revenues are projected to fall short of appropriations by $97.1 million, resulting in a reduction of FY13 reserves to $570 million or 10.1 percent of recurring appropriations. The downward revision in the FY14 revenue estimate is projected to reduce reserves a further $114.9 million, resulting in an estimated FY14 reserve balance of $449.1 million, or 7.6 percent. DFA has authority to transfer only $60 million from the operating reserve in the event that general fund revenues are not sufficient to meet expenditures. In this case the DFA must choose to either slow down spending or increase authority to transfer revenues from the reserves. National rating agencies such as Moody's and Standard & Poor's, traditionally have considered balances of five percent or above as sufficient.

General Fund Outlook For FY15 thru FY17. Total recurring revenue is expected to grow 5.5 percent in FY15 and 2.8 percent in FY16. The general fund outlook in Attachment 7 (page 16) assumes appropriations will grow 2.8 percent in both FY15 and FY16. The general fund outlook includes the FY13 operating budget, the FY14 appropriations, and the FY15 thru FY17 outlook. The outlook for FY15 thru FY17 is built on the FY14 appropriation with certain growth rates assumed for each appropriation category as follows: 3 percent for public education and other health and human services; 2 percent for higher education, public safety; 4 percent for Medicaid; and 2 percent for all other government needs. Additional funding required pursuant to existing statutes includes a scheduled a 0.75 percent ERB employer increase in FY15, and a PERA employer contribution increase in FY15. In this forecast scenario, the FY15 surplus is $110.7 million, $113.9 million in FY16, and $92.2 million in FY17.

Upside/Downside Risks to the Forecast.

- State and local government budgets are gradually improving as revenues continue rising; however, sequester spending contribute 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. Medicaid expansion with federal share in the range of 90 percent to 100 percent will boost state economic activity and revenue. 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.
- Economic recovery has lost momentum but is still positive. It remains vulnerable to weakness in consumer sentiment, personal income, the housing market, currency volatility, financial sector weakness and federal fiscal imbalance. Consumer spending slowed down in the first quarter but is still positive. Increasing auto sales, declining debt loads, rising home sales and prices, and modest employment growth should spur economic growth. The economy is still not at its peak growth and fears of the federal spending sequester will keep growth subdued for the rest of this year.
- There are fewer holes to fix in the budget, no retirement swaps left to restore, and Medicaid was likely overfunded in FY13 and FY14. The ERB 0.75 percent employer contribution increase for public school retirement will cost the state about $16 million in FY14 and $36 million in FY15.
- The General Appropriation Act of 2013 included funding that is contingent on the state not meeting federal Individuals with Disabilities Education Act (IDEA) maintenance of effort (MOE) for FY13. Further spending requirements related to MOE remain a general fund spending risk. Attachment 8 (page 17) includes an analysis of the estimated MOE shortfall by fiscal year.
- 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. These include the high wage jobs tax credit, the manufacturing/construction GRT credits, the renewable energy production credit, and the film production tax credit.
- 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.

- GDP growth in Japan, Europe and Canada, the US' major-currency trading partners, is expected to remain flat.
- The Federal Reserve 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 Fed is expected to continue quantitative easing or QE3 well into 2014 and no rate hike until late 2015.
- The expiration of the Bush-era tax cuts increased income tax revenues for the state but had a negative impact on spending.
- Last year, 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 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 Attorney General reports New Mexico still expects a decision before the end of the fiscal year from the arbitration panel determining if states properly enforced the tobacco settlement master agreement (MSA) in 2003. New Mexico was not one of several states that recently signed a settlement agreement with tobacco manufacturers covering 2003-2012 that will increase enforcement requirements for the states in return for cash payments from funds previously withheld by the tobacco companies. According to the AG, tougher new enforcement requirements would put New Mexico at risk for future loss of MSA payments. The state's maximum risk is $34 million in tobacco settlement payments.

Bonding. The net senior severance tax bonding capacity is estimated to reach $196.1 million in FY15. The 2014 long-term issuance is $201.1 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 $361.1 million.

The preliminary flat-mill general obligation capacity is estimated to be $165 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: August 2013 (Millions of Dollars)

	FY13			FY14				FY15			
	Pre-liminary Actual	Change from Prior	% Change from FY12	Feb 2013 Adj. for Legis.	Aug 2013 Est.	Change from Prior	% Change from FY13	Feb 2013 Adj. for Legis.	Aug 2013 Est.	Change from Prior	% Change from FY14
Gross Receipts Tax	1,922.0	(2.3)	-0.3%	2,044.1	2,011.0	(33.1)	4.6%	2,107.2	2,105.0	(2.2)	4.7%
Compensating Tax	52.5	(11.1)	-15.4%	59.3	48.3	(11.0)	-8.0%	63.5	53.3	(10.2)	10.4%
TOTAL GENERAL SALES	1,974.5	(13.4)	-0.8%	2,103.3	2,059.3	(44.0)	4.3%	2,170.7	2,158.3	(12.4)	4.8%
Tobacco Taxes	84.4	0.1	-1.1%	83.2	83.2	-	-1.4%	82.2	82.3	0.1	-1.1%
Liquor Excise	26.4	(0.1)	1.0%	26.8	26.7	(0.1)	1.1%	26.9	26.9	(0.0)	0.7%
Insurance Taxes	101.0	(21.5)	-11.5%	157.4	142.9	(14.5)	41.5%	160.9	160.9	0.0	12.6%
Fire Protection Fund Reversion	17.5	(0.8)	-7.0%	17.6	16.6	(1.0)	-5.1%	16.9	15.7	(1.2)	-5.4%
Motor Vehicle Excise	125.2	2.2	9.1%	126.0	133.1	7.1	6.3%	131.0	136.6	5.6	2.6%
Gaming Excise	63.2	(1.6)	-3.6%	65.8	63.8	(2.0)	0.9%	66.6	64.6	(2.0)	1.3%
Leased Vehicle Surcharge	5.3	(0.1)	-1.2%	5.5	5.5	-	3.3%	5.5	5.5	-	1.0%
Other	(2.5)	-	-133.1%	2.4	2.4	-	-196.5%	2.4	2.4	-	0.0%
TOTAL SELECTIVE SALES	420.5	(21.8)	-3.9%	484.7	474.2	(10.5)	12.8%	492.3	494.9	2.6	4.4%
Personal Income Tax	1,165.0	1.7	1.3%	1,207.6	1,205.0	(2.6)	3.4%	1,265.2	1,270.0	4.8	5.4%
Corporate Income Tax	260.0	(5.0)	-7.5%	319.8	277.8	(42.0)	6.8%	350.7	337.7	(13.0)	21.6%
TOTAL INCOME TAXES	1,425.0	(3.3)	-0.5%	1,527.4	1,482.8	(44.6)	4.1%	1,615.9	1,607.7	(8.2)	8.4%
Oil and Gas School Tax	382.3	5.9	-4.3%	407.5	413.7	6.2	8.2%	413.3	417.2	3.9	0.8%
Oil Conservation Tax	20.7	0.5	-3.5%	21.8	22.3	0.5	7.7%	22.2	22.5	0.3	0.9%
Resources Excise Tax	13.0	3.0	8.2%	10.0	11.5	1.5	-11.5%	10.0	11.5	1.5	0.0%
Natural Gas Processors Tax	24.0	(0.5)	2.8%	16.2	15.5	(0.7)	-35.4%	18.7	18.6	(0.1)	20.0%
TOTAL SEVERANCE TAXES	440.0	8.9	-3.6%	455.5	463.0	7.5	5.2%	464.2	469.8	5.6	1.5%
LICENSE FEES	50.0	(0.4)	0.8%	51.6	51.6	0.0	3.2%	51.9	52.8	0.9	2.3%
LGPF Interest	438.3	(0.5)	-5.1%	443.8	445.0	1.2	1.5%	481.6	486.0	4.4	9.2%
STO Interest	12.3	(3.7)	-29.4%	19.0	16.0	(3.0)	30.1%	19.6	17.0	(2.6)	6.3%
STPF Interest	176.2	-	-3.9%	168.5	170.5	2.0	-3.2%	175.7	179.4	3.7	5.2%
TOTAL INTEREST	626.8	(4.2)	-5.4%	631.3	631.5	0.2	0.7%	676.9	682.4	5.5	8.1%
Federal Mineral Leasing	465.0	-	-7.5%	485.0	483.8	(1.2)	4.0%	490.0	495.0	5.0	2.3%
State Land Office	44.6	(15.9)	-51.8%	63.2	48.6	(14.6)	9.0%	64.9	48.7	(16.2)	0.2%
TOTAL RENTS & ROYALTIES	509.6	(15.9)	-14.4%	548.2	532.4	(15.9)	4.5%	554.9	543.7	(11.2)	2.1%
TRIBAL REVENUE SHARING	68.7	(3.3)	0.7%	73.0	69.8	(3.2)	1.6%	76.0	70.9	(5.1)	1.6%
MISCELLANEOUS RECEIPTS	45.1	(1.1)	0.0%	49.4	52.9	3.6	17.4%	50.6	53.5	2.9	1.1%
REVERSIONS	51.0	-	-22.6%	45.0	47.3	2.3	-7.3%	40.0	55.0	15.0	16.3%
TOTAL RECURRING	5,611.2	(54.6)	-3.3%	5,969.4	5,864.7	(104.7)	4.5%	6,193.5	6,189.1	(4.4)	5.5%
TOTAL NON-RECURRING *	39.9	45.0	172%	(54.9)	(85.9)	(31.0)	-315%	-	-	-	-100%
GRAND TOTAL	5,651.1	(9.6)	-2.9%	5,914.5	5,778.8	(135.7)	2.3%	6,193.5	6,189.1	(4.4)	7.1%

* Non-recurring revenues: FY13 $45 million in PIT. FY14 high-wage jobs tax credit is one-time decrease in GRT revenues.

* Revenue estimate totals reflect the impact of Laws 2013, Ch. 160, estimated to reduce general fund revenue by $47 million in FY17, and growing as CIT rate reductions and otional single-sales factor apportioning are phased in.

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

	FY16				FY17				FY18	
	Feb 2013 Adj. for Legis.	Aug 2013 Est.	Change from Prior	% Change from FY15	Feb 2013 Adj. for Legis.	Aug 2013 Est.	Change from Prior	% Change from FY16	Aug 2013 Est.	% Change from FY17
Gross Receipts Tax	2,214.2	2,208.0	(6.2)	4.9%	2,314.4	2,312.0	(2.4)	4.7%	2,418.0	4.6%
Compensating Tax	67.6	53.3	(14.3)	0.0%	68.9	53.3	(15.6)	0.0%	53.3	0.0%
TOTAL GENERAL SALES	2,281.8	2,261.3	(20.5)	4.8%	2,383.3	2,365.3	(18.0)	4.6%	2,471.3	4.5%
Tobacco Taxes	81.2	81.5	0.3	-1.0%	80.3	80.7	0.4	-1.0%	80.0	-0.9%
Liquor Excise	27.2	27.2	0.0	1.1%	27.6	27.6	0.0	1.5%	28.0	1.4%
Insurance Taxes	170.4	172.3	1.9	7.1%	179.2	183.2	4.0	6.3%	193.8	5.8%
Fire Protection Fund Reversion	15.5	14.8	(0.7)	-5.7%	13.8	13.7	(0.1)	-7.4%	12.0	-12.4%
Motor Vehicle Excise	136.0	140.8	4.8	3.1%	141.0	145.8	4.8	3.6%	149.2	2.3%
Gaming Excise	67.4	65.2	(2.2)	0.9%	68.8	66.0	(2.8)	1.2%	67.0	1.5%
Leased Vehicle Surcharge	5.6	5.6	-	1.0%	5.6	5.6	-	1.0%	5.7	1.1%
Other	2.4	2.4	-	0.0%	2.4	2.4	-	0.0%	2.4	0.0%
TOTAL SELECTIVE SALES	505.7	509.8	4.1	3.0%	518.7	525.0	6.3	3.0%	538.1	2.5%
Personal Income Tax	1,324.3	1,325.0	0.7	4.3%	1,377.6	1,380.0	2.5	4.2%	1,435.0	4.0%
Corporate Income Tax	328.2	298.2	(30.0)	-11.7%	298.4	278.4	(20.0)	-6.6%	258.5	-7.2%
TOTAL INCOME TAXES	1,652.5	1,623.2	(29.3)	1.0%	1,675.9	1,658.4	(17.6)	2.2%	1,693.5	2.1%
Oil and Gas School Tax	420.0	414.1	(5.9)	-0.7%	416.2	408.6	(7.6)	-1.3%	404.2	-1.1%
Oil Conservation Tax	22.5	22.4	(0.1)	-0.4%	22.4	22.1	(0.3)	-1.3%	22.0	-0.5%
Resources Excise Tax	10.0	11.5	1.5	0.0%	10.0	11.5	1.5	0.0%	11.5	0.0%
Natural Gas Processors Tax	19.6	18.9	(0.7)	1.6%	19.5	18.9	(0.6)	0.0%	18.3	-3.2%
TOTAL SEVERANCE TAXES	472.1	466.9	(5.2)	-0.6%	468.1	461.1	(7.0)	-1.2%	456.0	-1.1%
LICENSE FEES	52.9	54.1	1.2	2.5%	53.8	55.2	1.4	2.0%	56.6	2.5%
LGPF Interest	515.5	521.0	5.5	7.2%	496.6	503.0	6.4	-3.5%	541.0	7.6%
STO Interest	29.4	28.0	(1.4)	64.7%	44.0	47.0	3.0	67.9%	50.0	6.4%
STPF Interest	180.8	185.5	4.7	3.4%	185.1	190.1	5.0	2.5%	197.3	3.8%
TOTAL INTEREST	725.6	734.5	8.9	7.6%	725.7	740.1	14.4	0.8%	788.3	6.5%
Federal Mineral Leasing	490.0	495.0	5.0	0.0%	490.0	490.0	-	-1.0%	485.0	-1.0%
State Land Office	66.0	49.0	(17.0)	0.6%	65.5	48.8	(16.7)	-0.4%	48.8	0.0%
TOTAL RENTS & ROYALTIES	556.0	544.0	(12.0)	0.1%	555.5	538.8	(16.7)	-1.0%	533.8	-0.9%
TRIBAL REVENUE SHARING	80.0	73.4	(6.6)	3.5%	84.0	74.5	(9.5)	1.5%	75.7	1.6%
MISCELLANEOUS RECEIPTS	52.3	54.2	1.9	1.2%	52.3	55.5	3.2	2.4%	56.8	2.4%
REVERSIONS	40.0	40.0	-	-27.3%	40.0	40.0	-	0.0%	40.0	0.0%
TOTAL RECURRING	6,418.8	6,361.4	(57.4)	2.8%	6,557.5	6,513.9	(43.5)	2.4%	6,710.1	3.0%
TOTAL NON-RECURRING *	-	-	-	na	-	-	-	na	-	na
GRAND TOTAL	6,418.8	6,361.4	(57.4)	2.8%	6,557.5	6,513.9	(43.5)	2.4%	6,710.1	3.0%

* In FY17 the Land Grant Permanent Fund distribution decreases from 5.5% to 5% of the 5-year avg. fund value.

* Revenue estimate totals reflect the impact of Laws 2013, Ch. 160, estimated to reduce general fund revenue by $47 million in FY17, and growing as CIT rate reductions and otional single-sales factor apportioning are phased in.

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

(in millions of dollars)

	Preliminary FY2013	Estimated FY2014	Estimated FY2015
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2012 Consensus Forecast	$ 5,707.3	$ 5,932.7	$ 6,246.4
February 2013 Update & 2013 Regular Session	$ (41.6)	$ (17.3)	$ (52.9)
August 2013 Consensus Forecast	$ (54.6)	$ (50.7)	$ (4.4)
Total Recurring Revenue	$ 5,611.2	$ 5,864.7	$ 6,189.1
Nonrecurring Revenue			
December 2012 Consensus Forecast	$ (3.3)	$ (0.9)	
February 2013 Update & 2013 Regular Session	$ (1.8)	$ -	$ -
2013 Regular Session	$ 45.0	$ (85.0)	$ -
Total Non-Recurring Revenue (1)	$ 39.9	$ (85.9)	$ -
TOTAL REVENUE	**$ 5,651.1**	**$ 5,778.8**	**$ 6,189.1**
APPROPRIATIONS			
Recurring Appropriations			
General Appropriation	$ 5,649.6	$ 5,893.7	
2013 Regular Session - Feed Bill	$ 9.2	$ -	
2013 Regular Session - Legislation	$ -	$ -	
Total Recurring Appropriations	$ 5,658.8	$ 5,893.7	
Nonrecurring Appropriations			
2012 Regular Session			
2012 Audit	$ 23.7		
2013 Regular Session - Legislation	$ -	$ -	
2013 IT Project Funding	$ 20.4		
2013 Deficiencies, Supplementals, Specials	$ 45.4	$ -	
Total Nonrecurring Appropriations	$ 89.4	$ -	
TOTAL APPROPRIATIONS	**$ 5,748.2**	**$ 5,893.7**	
Transfer to(from) Reserves (2)	$ (97.1)	$ (114.9)	
GENERAL FUND RESERVES			
Beginning Balances	$ 712.9	$ 570.8	
Transfers from (to) Appropriations Account	$ (97.1)	$ (114.9)	
Revenue and Reversions	$ 71.3	$ 51.5	
Appropriations, expenditures and transfers out	$ (116.2)	$ (57.5)	
Ending Balances	**$ 570.8**	**$ 450.0**	
Reserves as a Percent of Recurring Appropriations	*10.1%*	*7.6%*	

New Money in FY15 is $295M (5.0%)

Notes:

(1) FY12 includes $18.3 million 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 Laws 2012 Section 10, $40 million was transferred from the appropriation account to the appropriation contingency fund (ACF) in FY12. Pursuant to Laws 2013 Section 11, $17 million was transferred from the appropriation account to the ACF in FY13.

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

	Preliminary FY2013	Estimated FY2014	Estimated FY2015
OPERATING RESERVE			
Beginning balance	$ 346.8	$ 230.9	
BOF Emergency Appropriations/Reversions	$ (1.75)	$ (2.0)	
Contingent Liability - Cash Management (1)	$ -		
Transfers from/to appropriation account	$ (97.1)	$ (114.9)	
Transfer to Appropriation Contingency Fund	$ (17.0)		
Transfer to tax stabilization reserve	$ -	$ -	
Ending balance	$ 230.9	$ 114.1	
APPROPRIATION CONTINGENCY FUND			
Beginning balance	$ 29.5	$ 22.2	
Disaster allotments	$ (28.4)	$ (16.0)	
Other appropriations	$ -	$ -	
Transfers in (2)	$ 17.0	$ -	
Revenue and reversions	$ 4.1	$ -	
Ending Balance	$ 22.2	$ 6.2	
Education Lock Box			
Beginning balance	$ 39.1	$ 9.1	
Appropriations (GAA Section 5&6) (3)	$ (30.0)	$ -	
Transfers in (out)	$ -	$ -	
Ending balance	$ 9.1	$ 9.1	
Total of Appropriation Contingency Fund	$ 31.3	$ 15.3	
STATE SUPPORT FUND			
Beginning balance	$ 1.0	$ 1.0	
Revenues	$ -	$ -	
Appropriations	$ -	$ -	
Ending balance	$ 1.0	$ 1.0	
TOBACCO PERMANENT FUND			
Beginning balance	$ 149.0	$ 160.2	
Transfers in	$ 39.0	$ 39.5	
Appropriation to tobacco settlement program fund	$ (19.5)	$ (19.8)	
Lottery Tuition & Early Childhood Programs (4)		$ (19.8)	
Gains/Losses	$ 11.2	$ 12.0	
Additional transfers to Program Fund	$ (19.5)	$ -	
Ending balance	$ 160.2	$ 172.2	
TAX STABILIZATION RESERVE			
Beginning balance	$ 147.5	$ 147.5	
Transfers in	$ -	$ -	
Ending balance	$ 147.5	$ 147.5	
GENERAL FUND ENDING BALANCES	**$ 570.9**	**$ 450.0**	
Percent of Recurring Appropriations	*10.1%*	*7.6%*	

Notes:
(1) Due to SHARE reconciliation to the cash account there was a $70 million cash shortfall which will come out of the
(2) Transfer from FY13 appropriation account to replenish the appropriation contingency fund.
(3) 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. Only the amount needed to meet MOE may be distributed. The remaining $12.1 million is for transition to common core content standards and a new teacher and school leader evaluation system, to purchase computer infrastructure needed to administer new standards-based assessments, to reward qualified teachers to teach in hard to staff schools and for teachers who increase college credits received for student participation in advanced placement courses. FY13 also includes two appropriations from GAA of 2012 - $1.0 million to implement common core content standards, and $1.5 million for emergency support to small rural school districts.
(4) Ch228, SB392/113: Distributions of $19.8 million for Lottery Tuition & Early Childhood Programs Fund.

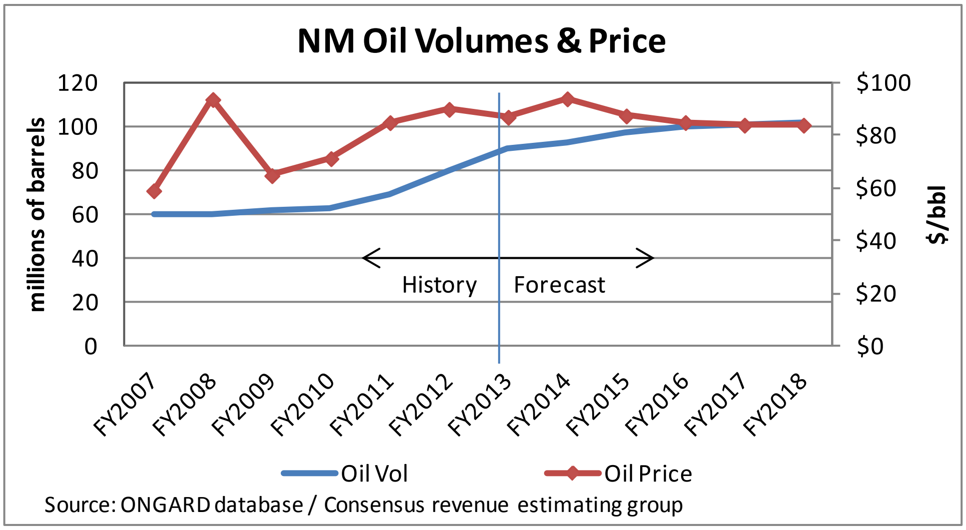
Attachment 3 - U.S. and New Mexico Economic Indicators

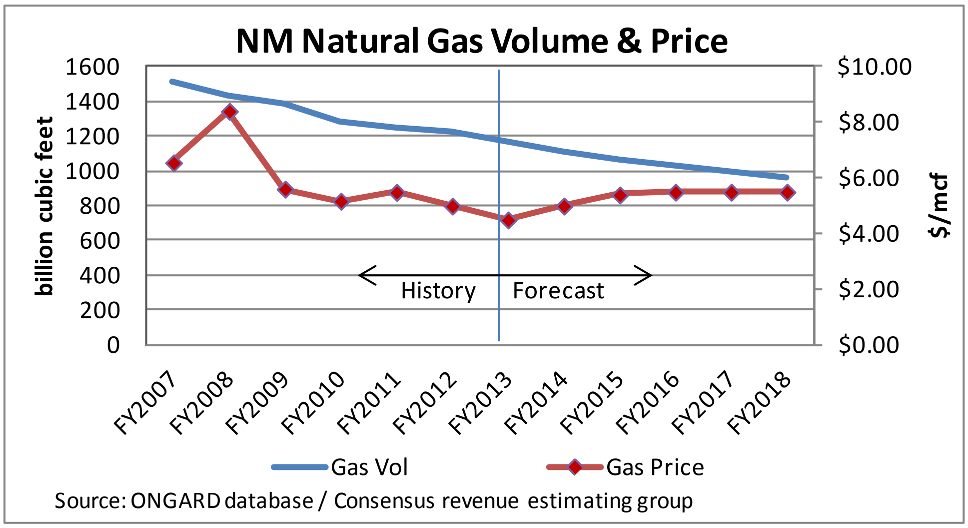
		FY12	FY13			FY14			FY15		FY16		FY17		FY18
		Aug13	Dec12 Forecast	Feb13 Forecast	Aug13 Forecast	Dec12 Forecast	Feb13 Forecast	Aug13 Forecast	Feb13 Forecast	Aug13 Forecast	Feb13 Forecast	Aug13 Forecast	Feb13 Forecast	Aug13 Forecast	Aug13 Forecast
	National Economic Indicators														
GI	US Real GDP Growth (annual avg. ,% YOY)*	2.0	1.7	2.0	1.9	2.8	2.3	2.0	3.1	3.2	3.3	3.4	2.8	3.0	2.8
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	2.0	1.9	2.1	1.9	3.0	2.9	2.4	4.3	4.0	3.8	3.7	3.1	3.0	2.3
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.9	1.5	1.6	1.7	1.5	1.6	1.2	1.6	1.7	1.6	1.8	1.9	1.9	1.8
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.9	1.9	1.9	1.7	2.5	2.4	1.8	2.5	2.3	2.5	2.5	2.4	2.5	2.4
GI	Federal Funds Rate (%)	0.10	0.16	0.15	0.14	0.16	0.16	0.14	0.18	0.16	0.91	0.67	2.60	3.17	4.00
Moody's	Federal Funds Rate (%)	0.10	0.10	0.10	0.13	0.09	0.10	0.09	0.59	0.40	2.98	2.49	4.12	4.10	4.20
	New Mexico Labor Market and Income Data														
BBER	NM Non-Agricultural Employment Growth	0.1	0.8	0.3	1.1	1.1	1.2	1.6	1.6	1.7	1.7	1.7	1.6	1.6	1.3
Moody's	NM Non-Agricultural Employment Growth	0.1	0.8	-0.7	0.3	1.1	1.6	1.0	2.3	1.9	2.3	2.6	2.1	2.5	2.1
BBER	NM Nominal Personal Income Growth (%)***	4.4	2.7	3.1	2.9	3.4	2.5	2.3	5.0	5.0	5.0	4.7	5.2	5.1	4.9
Moody's	NM Nominal Personal Income Growth (%)***	4.4	2.7	2.7	2.9	3.4	1.3	2.5	4.0	2.6	4.1	3.9	4.0	4.4	3.8
BBER	NM Total Wages & Salaries Growth (%)	2.0	2.5	2.4	0.8	2.7	3.2	3.9	3.6	4.1	3.9	4.2	4.0	4.3	4.1
Moody's	NM Total Wages & Salaries Growth (%)	2.0	2.5	1.7	0.4	2.7	3.7	2.5	5.5	4.6	5.6	5.5	5.7	5.9	5.5
BBER	NM Private Wages & Salaries Growth (%)	2.6	3.6	4.1	1.3	3.7	4.5	5.0	4.5	4.9	4.6	5.0	4.6	5.1	4.7
BBER	NM Real Gross State Product (% YOY)	-0.3		2.0	0.9		1.8	1.4	2.9	2.8	3.4	3.5	2.9	3.0	2.9
Moody's	NM Real Gross State Product (% YOY)	-0.1		2.2	-0.2		3.1	2.7	4.2	3.9	3.8	3.7	2.9	3.5	2.5
CREG	NM Oil Price ($/barrel)	$90.00	$85.07	$86.50	$87.00	$84.75	$88.00	$94.00	$87.50	$87.50	$87.00	$85.00	$86.50	$84.00	$84.00
CREG	NM Taxable Oil Volumes (million barrels)	80.1	81.1	87.0	90.0	88.4	91.4	93.0	94.1	97.0	96.0	100.0	97.9	101.0	102.0
	NM Taxable Oil Volumes (%YOY growth)	16.0%		8.6%	12.3%		5.1%	3.3%	3.0%	4.3%	2.0%	3.1%	2.0%	1.0%	1.0%
CREG	NM Gas Price ($ per thousand cubic feet)*****	$5.00	$4.50	$4.50	$4.50	$5.00	$5.10	$5.00	$5.25	$5.40	$5.50	$5.50	$5.50	$5.50	$5.50
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,226	1,185	1,185	1,165	1,151	1,151	1,110	1,121	1,070	1,090	1,030	1,048	1,000	960
	NM Taxable Gas Volumes (%YOY growth)			-3.3%	-5.0%		-2.9%	-4.7%	-2.6%	-3.6%	-2.8%	-3.7%	-3.9%	-2.9%	-4.0%

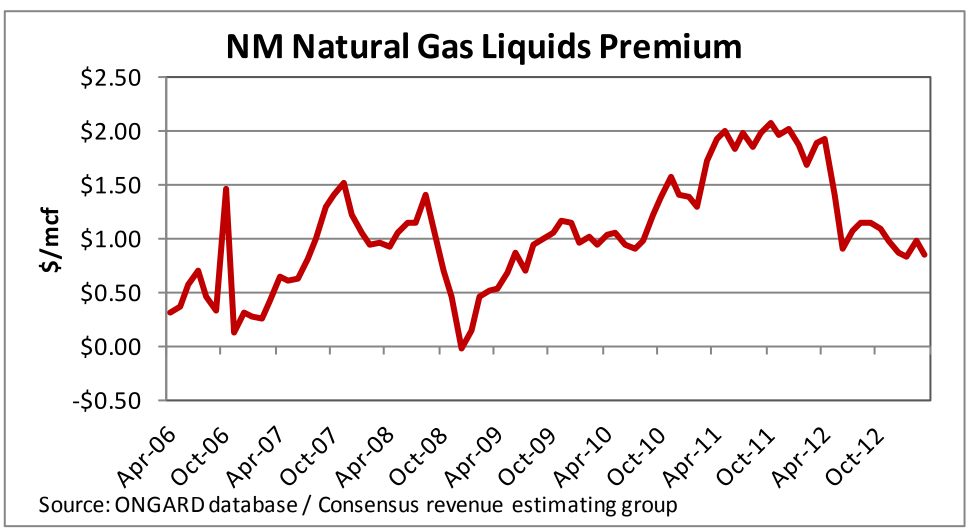
TRD Notes
* Real GDP is BEA chained 2005 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base.
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
Sources: BBER - July 2013 FOR-UNM baseline. Global Insight - July 2013.

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

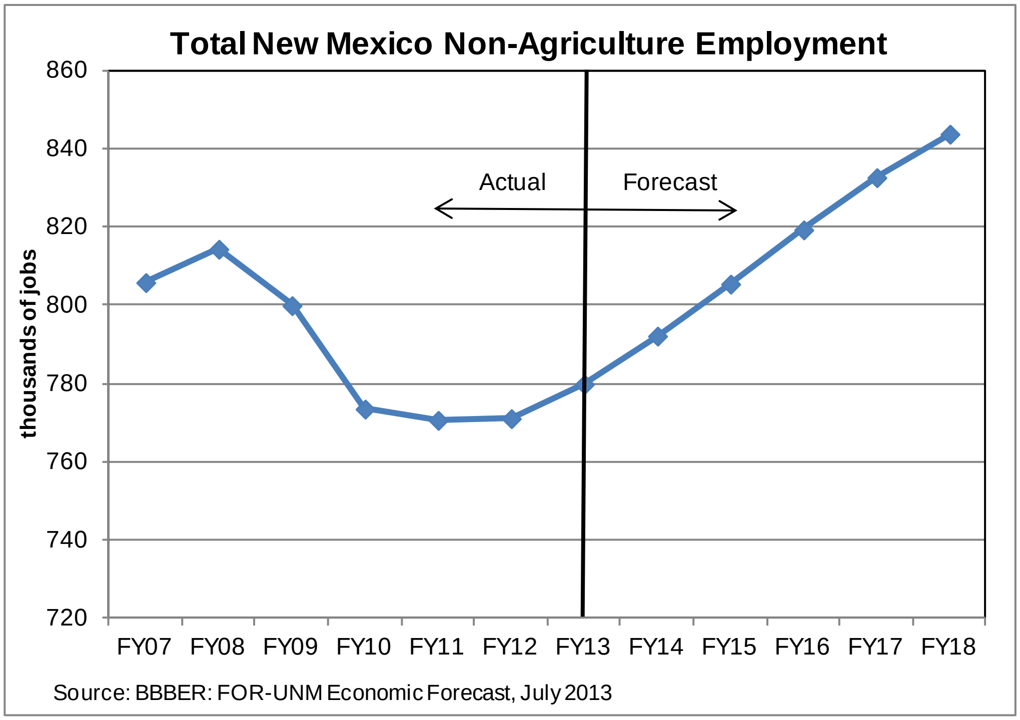
Attachment 4

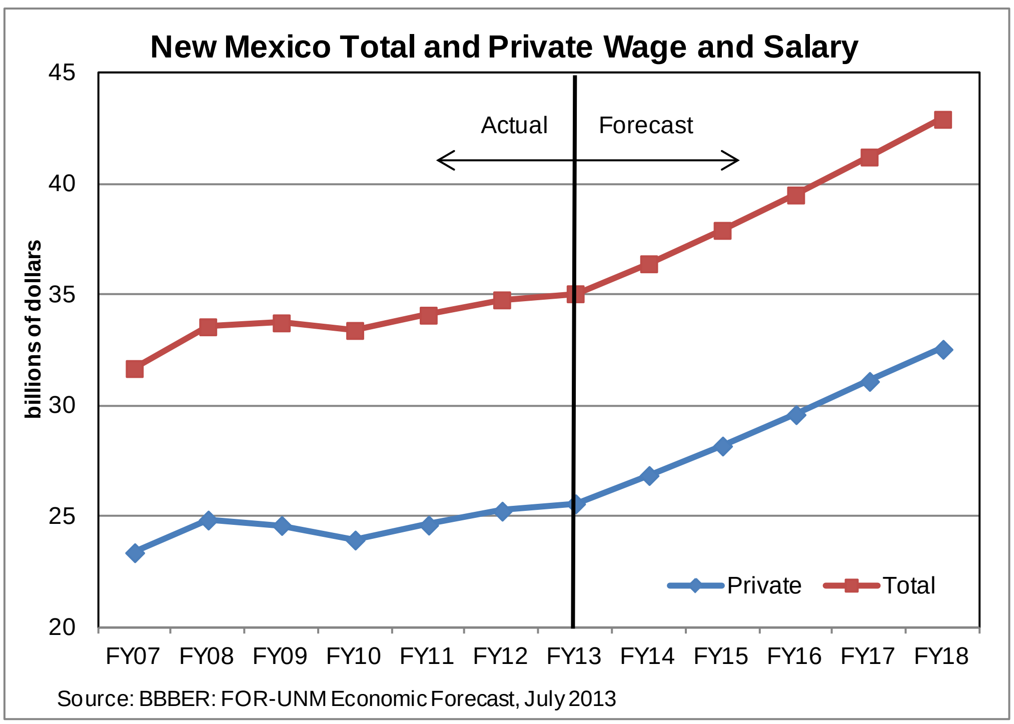




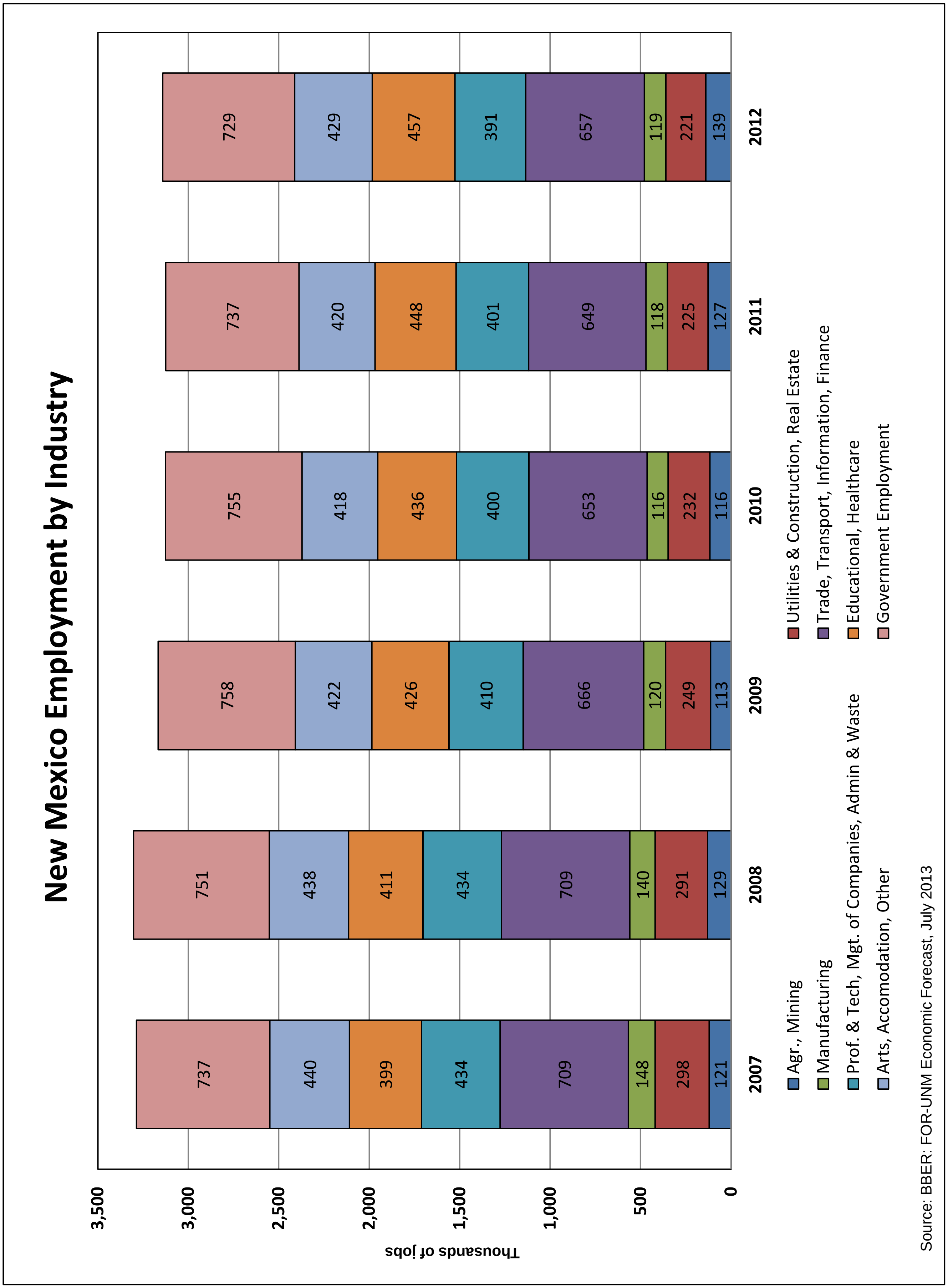


Attachment 5





Attachment 6



Attachment 7

FY15 - FY17 General Fund Recurring Appropriation Outlook

(in millions of dollars)	OpBud FY13	GAA FY14	Outlook FY15	Outlook FY16	Outlook FY17
February 2013 Consensus - Recurring Revenue	$ 5,611.2	$ 5,864.7	$ 6,189.1	$ 6,361.4	$ 6,513.9
Total of Recurring Revenue	**$ 5,611.2**	**$ 5,864.7**	**$ 6,189.1**	**$ 6,361.4**	**$ 6,513.9**
Yr/Yr percent change		*4.5%*	*5.5%*	*2.8%*	*2.4%*
Recurring Appropriations:					
Public Education [1]	$ 2,455.3	$ 2,567.5	$ 2,644.5	$ 2,723.8	$ 2,805.6
Higher Education [2]	$ 757.7	$ 790.2	$ 806.0	$ 822.1	$ 838.5
Public Safety [2]	$ 367.8	$ 377.5	$ 385.0	$ 392.7	$ 400.6
Medicaid [3]	$ 905.0	$ 931.3	$ 968.6	$ 1,007.3	$ 1,047.6
Other Health & Human Services [1]	$ 145.0	$ 149.9	$ 154.4	$ 159.0	$ 163.8
All Other Government [2]	$ 1,027.9	$ 1,077.5	$ 1,099.0	$ 1,121.0	$ 1,143.4
Subtotal of Recurring Appropriations	**$ 5,658.8**	**$ 5,893.8**	**$ 6,057.5**	**$ 6,226.0**	**$ 6,399.5**
Yr/Yr percent change		*4.2%*	*2.8%*	*2.8%*	*2.8%*
Additional GF Obligations:					
0.75% ERB Employer Increase [4]	$ -	$ -	$ 18.6	$ 19.2	$ 19.8
Ch 227/SB27 Public Employee Retirement Changes	$ -	$ -	$ 2.3	$ 2.4	$ 2.4
~~SB25 Judicial Retirement Changes~~	~~$ -~~	~~$ 2.7~~	~~$ 2.7~~	~~$ 2.7~~	~~$ 2.7~~
Subtotal of Additional GF Obligations	**$ -**	**$ -**	**$ 20.9**	**$ 21.6**	**$ 22.2**
Total Recurring Approp. + Add. Funding	**$ 5,658.8**	**$ 5,893.8**	**$ 6,078.4**	**$ 6,247.5**	**$ 6,421.7**
Surplus/(Deficit)	**$ (47.6)**	**$ (29.1)**	**$ 110.7**	**$ 113.9**	**$ 92.2**

Notes:

(1) Public education, and other health & human services is assumed to grow at 3 percent in FY15 - FY16.

(2) Higher education, public safety, and all other government is assumed to grow at 2 percent in FY15 - FY16.

(3) Medicaid spending growth in FY15 - FY16 is estimated at 4 percent.

(4) The general fund is scheduled to contribute an additonal 0.75 percent of employer salaries to ERB for FY15. (Refer to Laws 2011, Ch178, House Bill 628)

Attachment 8 - Preliminary Estimated MOE Shortfall by Fiscal Year

		Session Estimate	Post USDE Letter Estimates	Post USDE Letter Estimates w/ Corrected DD MEM	
1	**State Fiscal Year 09**				1
2	SEG SPED Funding w/o DD MEM	$ 398,708,609.85	$ 398,708,609.85	$ 398,708,609.85	2
3	SEG SPED Funding DD MEM	$ -	$ 26,800,840.12	$ 13,400,420.06	3
4	State Agencies	$ 36,488,718.48	$ 36,488,718.48	$ 36,488,718.48	4
5	**TOTAL SPED FUNDING**	**$ 435,197,328.33**	**$ 461,998,168.45**	**$ 448,597,748.39**	5
6					6
7					7
8	**State Fiscal Year 10**				8
9	SEG SPED Funding w/o DD MEM	$ 385,635,893.47	$ 385,635,893.47	$ 385,635,893.47	9
10	SEG SPED Funding DD MEM		$ 27,432,692.57	$ 13,716,346.28	10
11	State Agencies	$ 37,276,562.04	$ 37,276,562.04	$ 37,276,562.04	11
12	**TOTAL SPED FUNDING**	**$ 422,912,455.51**	**$ 450,345,148.08**	**$ 436,628,801.79**	12
13	**TOTAL ESTIMATEDSHORTFALL PRE ADJUSTMENTS**	**$ (12,284,872.82)**	**$ (11,653,020.38)**	**$ (11,968,946.60)**	13
14	**STATE ADJUSTMENTS**				14
15	Workload	$ 4,923,049.33	$ 4,923,049.33	$ 4,923,049.33	15
16	Retirement Swap	$ 4,176,000.00	$ 4,176,000.00	$ 4,176,000.00	16
17	**STATE ADJUSTED SPED FUNDING**	$ 432,011,504.84	$ 459,444,197.41	$ 445,727,851.13	17
18	**ESTIMATED MOE SHORTFALL W/ STATE ADJUSTMENTS**	**$ (3,185,823.49)**	**$ (2,553,971.04)**	**$ (2,869,897.27)**	18
19	**FEDERAL ADJUSTMENTS**				19
20	Workload	$ -	$ (4,923,049.33)	$ (4,923,049.33)	20
21	Retirement Swap	$ -	$ (4,176,000.00)	$ (4,176,000.00)	21
22	ARRA Adjustment	$ -	$ (36,441,173.90)	$ (36,441,173.90)	22
23	**FEDERAL ADJUSTED SPED FUNDING**	$ 432,011,504.84	$ 413,903,974.18	$ 400,187,627.89	23
24	**ESTIMATED MOE SHORTFALL FY10-FY09 AFTER FEDERAL ADJUSTMENTS**	**$ (3,185,823.49)**	**$ (48,094,194.28)**	**$ (48,410,120.50)**	24
25	**USDE Waiver GRANTED**	$ -	$ 48,094,194.28	$ 48,094,194.28	25
26	**TOTAL ESTIMATED MOE SHORTFALL**	$ (3,185,823.49)	$ 0.00	$ (315,926.22)	26
27					27
28	**State Fiscal Year 11**				28
29	SEG SPED Funding w/o DD MEM	$ 376,296,919.04	$ 376,296,919.04	$ 376,296,919.04	29
30	SEG SPED Funding DD MEM		$ 28,967,398.89	$ 14,483,699.45	30
31	State Agencies	$ 37,878,631.23	$ 37,878,631.23	$ 37,878,631.23	31
32	**TOTAL SPED FUNDING**	**$ 414,175,550.27**	**$ 443,142,949.16**	**$ 428,659,249.71**	32
33	**TOTAL ESTIMATEDSHORTFALL PRE ADJUSTMENTS**	**$ (21,021,778.07)**	**$ (18,855,219.30)**	**$ (19,938,498.68)**	33
34	**STATE ADJUSTMENTS**				34
35	Workload	$ 5,974,366.40	$ 5,974,366.40	$ 5,974,366.40	35
36	Retirement Swap	$ 4,176,000.00	$ 4,176,000.00	$ 4,176,000.00	36
37	**STATE ADJUSTED SPED FUNDING**	$ 424,325,916.66	$ 453,293,315.56	$ 438,809,616.11	37
38	**ESTIMATED MOE SHORTFALL W/ STATE ADJUSTMENTS**	$ (10,871,411.67)	$ (8,704,852.90)	$ (9,788,132.28)	38
39	**FEDERAL ADJUSTMENTS**				39
40	Workload	$ -	$ (5,974,366.40)	$ (5,974,366.40)	40
41	Retirement Swap	$ -	$ (4,176,000.00)	$ (4,176,000.00)	41
42	ARRA & ED JOBS Adjustment	$ -	$ (15,265,494.19)	$ (15,265,494.19)	42
43	**FEDERAL ADJUSTED SPED FUNDING**	$ 424,325,916.66	$ 427,877,454.97	$ 413,393,755.52	43
44	**ESTIMATED MOE SHORTFALL FY11-FY09 AFTER FEDERAL ADJUSTMENTS**	$ (10,871,411.67)	$ (34,120,713.49)	$ (35,203,992.87)	44
45	**USDE Waiver GRANTED**	$ -	$ -	$ -	45
46	**TOTAL ESTIMATED MOE SHORTFALL**	$ (10,871,411.67)	$ (34,120,713.49) [1]	$ (35,203,992.87) [1]	46
47					47
48	**State Fiscal Year 12 Estimate**				48
49	SEG SPED Funding w/o DD MEM	$ 367,808,148.86	$ 367,808,148.86	$ 367,808,148.86	49
50	SEG SPED DD MEM		$ 29,726,090.38	$ 14,863,045.19	50
51	State Agencies	$ 38,018,300.22	$ 38,018,300.22	$ 38,018,300.22	51
52	**TOTAL SPED FUNDING**	$ 405,826,449.08	$ 435,552,539.46	$ 420,689,494.27	52
53	**TOTAL ESTIMATEDSHORTFALL PRE ADJUSTMENTS**	$ (29,370,879.25)	$ (26,445,629.00)	$ (27,908,254.12)	53
54	**STATE ADJUSTMENTS**				54
55	Workload	$ 2,795,746.17	$ 2,795,746.17	$ 2,795,746.17	55
56	Retirement Swap	$ 8,730,000.00	$ 8,730,000.00	$ 8,730,000.00	56
57	**STATE ADJUSTED SPED FUNDING**	$ 417,352,195.25	$ 447,078,285.63	$ 432,215,240.44	57
58	**ESTIMATED MOE SHORTFALL W/ STATE ADJUSTMENTS**	$ (17,845,133.08)	$ (14,919,882.82) [2]	$ (16,382,507.95) [2]	58
59	**FEDERAL ADJUSTMENTS**				59
60	Workload	$ -	$ (2,795,746.17)	$ (2,795,746.17)	60
61	Retirement Swap	$ -	$ (8,730,000.00)	$ (8,730,000.00)	61
62	**FEDERAL ADJUSTED SPED FUNDING**	$ 417,352,195.25	$ 435,552,539.46	$ 420,689,494.27	62
63	**ESTIMATED MOE SHORTFALL FY12-FY09 AFTER FEDERAL ADJUSTMENTS**	$ (17,845,133.08)	$ (26,445,629.00)	$ (27,908,254.12)	63

Attachment 8 - Preliminary Estimated MOE Shortfall by Fiscal Year

		Session Estimate	Post USDE Letter Estimates	Post USDE Letter Estimates w/ Corrected DD MEM	
64	**USDE Waiver GRANTED**				64
65	**TOTAL ESTIMATED MOE SHORTFALL**	$ (17,845,133.08)	$ (26,445,629.00)	$ (27,908,254.12)	65
66					66
67	**State Fiscal Year 13 Estimate**				67
68	SEG SPED Funding w/o DD MEM	$ 362,762,442.35	$ 362,762,442.35	$ 362,762,442.35	68
69	SEG SPED DD MEM		$ 22,794,168.76	$ 11,397,084.38	69
70	State Agencies	$ 38,018,300.22	$ 38,018,300.22	$ 38,018,300.22	70
71	**TOTAL SPED FUNDING**	**$ 400,780,742.57**	**$ 423,574,911.33**	**$ 412,177,826.95**	71
72	**TOTAL ESTIMATED SHORTFALL PRE ADJUSTMENTS**	$ (34,416,585.76)	$ (38,423,257.12)	$ (36,419,921.44)	72
73	**STATE ADJUSTMENTS**				73
74	Workload	$ 15,530,808.74	$ 15,530,808.74	$ 15,530,808.74	74
75	Retirement Swap	$ 4,176,000.00	$ 4,176,000.00	$ 4,176,000.00	75
76	**STATE ADJUSTED SPED FUNDING**	**$ 420,487,551.31**	**$ 443,281,720.07**	**$ 431,884,635.69**	76
77	**ESTIMATED MOE SHORTFALL W/ STATE ADJUSTMENTS**	$ (14,709,777.02)	$ (18,716,448.39)	$ (16,713,112.70)	77
78	**FEDERAL ADJUSTMENTS**				78
79	Workload	$ -	$ (15,530,808.74)	$ (15,530,808.74)	79
80	Retirement Swap	$ -	$ (4,176,000.00)	$ (4,176,000.00)	80
81	**FEDERAL ADJUSTED SPED FUNDING**	**$ 420,487,551.31**	**$ 423,574,911.33**	**$ 412,177,826.95**	81
82	**ESTIMATED MOE SHORFALL FY13-FY09 AFTER FEDERAL ADJUSTMENTS**	$ (14,709,777.02)	$ (38,423,257.12)	$ (36,419,921.44)	82
83	**FY13 MOE APPROPRIATIONS**				83
84	2013 GAA Section 5 Appropriation	$ -	$ 20,000,000.00	$ 20,000,000.00	84
85	2013 GAA Section 6 SEG Transfer	$ -	$ 20,000,000.00	$ 20,000,000.00	85
86	NET SEG Change	$ -	$ (3,303,507.54)	$ (3,303,507.54)	86
87	**TOTAL APPROPRIATIONS MADE**	$ -	$ 36,696,492.46	$ 36,696,492.46	87
88	**TOTAL ESTIMATED MOE SHORTFALL FY13-FY09**	$ (14,709,777.02)	$ (1,726,764.67)	$ 276,571.02	88
89					89
90	**Total Projected Shortfall FY10 to FY13**	**$ (46,612,145.26)**	**$ (62,293,107.15)**	**$ (63,151,602.20)**	90
91					91
92	**State Fiscal Year 14 Estimate[4]**				92
93	SEG SPED Funding w/o DD MEM	$ 376,983,444.26	$ 376,983,444.26	$ 376,983,444.26	93
94	SEG SPED DD MEM		$ 23,687,745.05	$ 11,843,872.52	94
95	State Agencies	$ 38,018,300.22	$ 38,018,300.22	$ 38,018,300.22	95
96	**TOTAL SPED FUNDING**	$ 415,001,744.48	$ 438,689,489.52	$ 426,845,617.00	96
97	**TOTAL ESTIMATED SHORTFALL PRE ADJUSTMENTS**	$ (20,195,583.86)	$ (23,308,678.93)	$ (21,752,131.39)	97
98	**STATE ADJUSTMENTS**				98
99	Workload	$ 16,139,647.01	$ 16,139,647.01	$ 16,139,647.01	99
100	**STATE ADJUSTED SPED FUNDING**	$ 431,141,391.49	$ 454,829,136.54	$ 442,985,264.01	100
101	**ESTIMATED MOE SHORTFALL W/ STATE ADJUSTMENTS**	$ (4,055,936.84)	$ (7,169,031.92)	$ (5,612,484.38)	101
102	**FEDERAL ADJUSTMENTS**				102
103	Workload	$ -	$ (16,139,647.01)	$ (16,139,647.01)	103
104	**FEDERAL ADJUSTED SPED FUNDING**	$ 431,141,391.49	$ 438,689,489.52	$ 426,845,617.00	104
105	**ESTIMATED MOE SHORFALL FY14-FY09 AFTER FEDERAL ADJUSTMENTS**	$ (4,055,936.84)	$ (23,308,678.93)	$ (21,752,131.39)	105
106	**FY14 MOE APPROPRIATIONS**				106
107	2013 SPEDMOESD	$ -	$ 10,000,000.00	$ 10,000,000.00	107
108	2013 Section 5 Transfer	$ -	$ 16,000,000.00	$ 16,000,000.00	108
109	NET SEG Change	$ -	$ (2,642,806.04)	$ (2,642,806.04)	109
110	**TOTAL APPROPRIATIONS MADE**	$ -	$ 23,357,193.96 [3]	$ 23,357,193.96 [3]	110
111	**TOTAL ESTIMATED MOE SHORTFALL FY14-FY09**	$ (4,055,936.84)	$ 48,515.03	$ 1,605,062.57	111
112					112
113	**Total Projected Shortfall FY10 to FY14**	**$ (50,668,082.10)**	**$ (62,244,592.12)**	**$ (61,546,539.64)**	113

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[1] The PED will request a hearing from the U.S. Department of Education on denial of the waiver within 30 days.

[2] The PED has not yet requested a waiver for FY12 MOE shortfall. The department will request a waiver during the summer of 2013.

[3] The Legislature appropriated $20 million in FY13 and $16 million in FY14 from operating reserves if the appropriations and transfers

[4] The FY14 estimate is based on flat special education units and the preliminary unit value.