



## General Fund Consensus Revenue Estimate

| August 2021 Consensus General Fund Recurring Revenue Estimate<br>(in millions)    |                  |                  |                  |
|---|------------------|------------------|------------------|
|   | FY21             | FY22             | FY23             |
| February 2021 Consensus*  | \$7,194.5        | \$7,475.9        | \$7,876.2        |
| August 2021 Adjustments   | \$851.3          | \$632.8          | \$965.5          |
| <b>August 2021 Consensus</b>  | <b>\$8,045.7</b> | <b>\$8,108.6</b> | <b>\$8,841.7</b> |
| Annual amount change  | \$185.2          | \$62.9           | \$733.1          |
| Annual percent change   | 2.4%             | 0.8%             | 9.0%             |
| <u>Distributions to Tax Stabilization Reserve or Early Childhood Trust Fund**</u> |                  |                  |                  |
| February 2021 Consensus   | \$140.6          | \$126.0          | \$75.7           |
| August 2021 Consensus   | \$334.7          | \$930.6          | \$647.5          |
| Adjustment from Prior   | \$194.1          | \$804.6          | \$571.8          |

Note: Parentheses ( ) denotes a negative number; General fund amounts above do not include oil and gas emergency school tax revenues in excess of the five-year average distributed to the tax stabilization reserve.

\* February 2021 consensus estimate adjusted for 2021 legislation

\*\* Distribution of oil and gas school tax and federal royalty payments in excess of the 5-year average. If general fund reserves are at least 25 percent of appropriations, excess school tax revenue goes to the early childhood trust fund, otherwise to the tax stabilization reserve. Excess federal royalty revenue goes to the early childhood trust fund.

## Summary

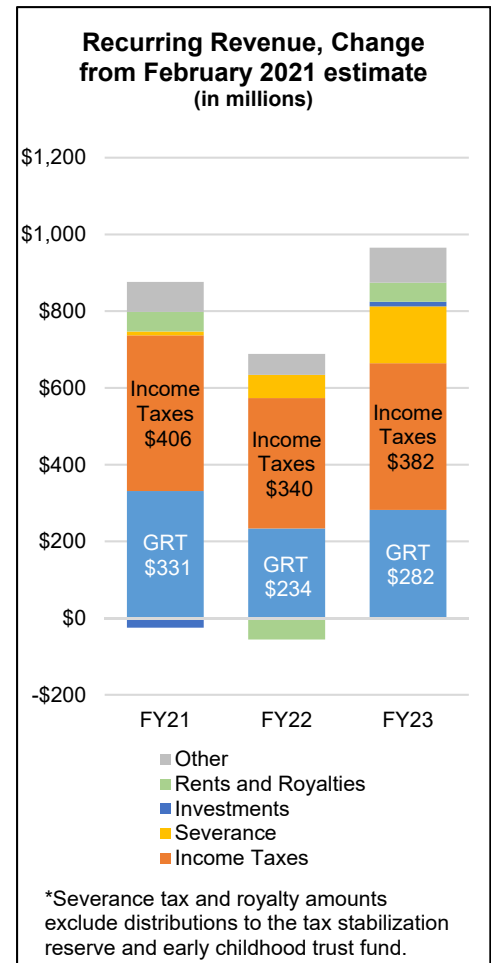
Preliminary reports indicate recurring revenues for FY21 were \$8.046 billion, up \$185 million, or 2.4 percent, from FY20. Revenues are up \$851.3 million from the February 2021 estimate, due primarily to higher-than-expected gross receipts tax and income tax collections that accompanied increased consumer spending and growth in high- and mid-wage employment in the first half of 2021. Additionally, strong recovery in the oil and gas markets are pushing severance tax and federal royalty collections well above their five-year averages, resulting in large transfers to the newly created early childhood trust fund.

Recurring revenues for FY22 are estimated at \$8.109 billion, up \$632.8 million from the February 2021 estimate, and FY23 recurring revenues are estimated at \$8.842 billion. “New money,” defined as projected recurring revenues for the following fiscal year less current year recurring appropriations, is estimated at \$1.392 billion for FY23, or 18.7 percent growth from the FY22 recurring budget.

### General Fund Reserves and Transfers of Above-Trend Revenue.

Including federal stimulus funds of \$750 million and federal funds swaps of \$146.6 million enacted in the June 2020 special session, FY21 total general fund revenues are estimated to be short of total FY21 appropriations by \$161.3 million, which will be drawn from the operating reserve. Because FY21 revenue collections were stronger than previously expected, the state will not need to draw from the tax stabilization reserve (i.e. the state’s “rainy day fund”) to cover FY21 expenditures.

The Consensus Revenue Estimating Group (CREG), comprising the Legislative Finance Committee (LFC), Department of Finance and Administration (DFA), Taxation and Revenue Department (TRD), and Department of Transportation (DOT), reached consensus on the revenue estimates presented in this brief. The recurring revenue update table presents a reconciliation of recurring revenues through the current revenue estimating cycle.



### General Fund Financial Summary

(in millions)

|  | FY21             | FY22             |
|--|------------------|------------------|
|  | <u>Prelim</u>    | <u>Est.</u>      |
| Recurring Revenue                            | \$8,045.7        | \$8,108.6        |
| Nonrecurring Revenue*                        | \$685.6          | (\$13.8)         |
| <b>Total General Fund Revenue</b>            | <b>\$8,731.4</b> | <b>\$8,094.8</b> |
| Recurring Appropriations                     | \$7,072.9        | \$7,449.9        |
| Nonrecurring Appropriations*                 | \$1,560.2        |                  |
| Undistributed 2020 GAA Appropriations        | \$259.5          |                  |
| <b>Total General Fund Appropriations</b>     | <b>\$8,892.6</b> | <b>\$7,449.9</b> |
| Transfer to(from) Reserves                   | (\$161.3)        | \$645.0          |
| *Includes federal stimulus funds and offsets |                  |                  |
| <b>Ending Reserve Balance</b>                | <b>\$2,460.5</b> | <b>\$3,128.5</b> |
| <b>Percent of Recurring Appropriations</b>   | <b>34.1%</b>     | <b>42.0%</b>     |

Source: LFC Files

The general fund financial summary detailed in Attachment 1 illustrates the impact of the August 2021 revenue estimates on reserve levels. Ending reserve balances for FY21 are estimated to be \$2.461 billion, or 34.1 percent of recurring appropriations. Because total reserves balances exceed 25 percent of recurring appropriations, the excess of the five-year average of oil and gas school tax collections – estimated at about \$335 million – will be deposited into the newly created early childhood trust fund instead of the tax stabilization reserve.

FY22 ending reserve balances are estimated at \$3.129 billion, or 42 percent, prior to any legislative action in the 2021 session. Again, because reserves are expected to exceed 25 percent of recurring appropriations in FY22, excess oil and gas school tax collections in FY22, estimated at about \$505 million, will flow into the early childhood trust fund. Additionally, excess federal oil and gas royalty payments above the five-year average, estimated at about \$425 million in FY22, will flow into the early childhood trust fund (see Attachment 5).

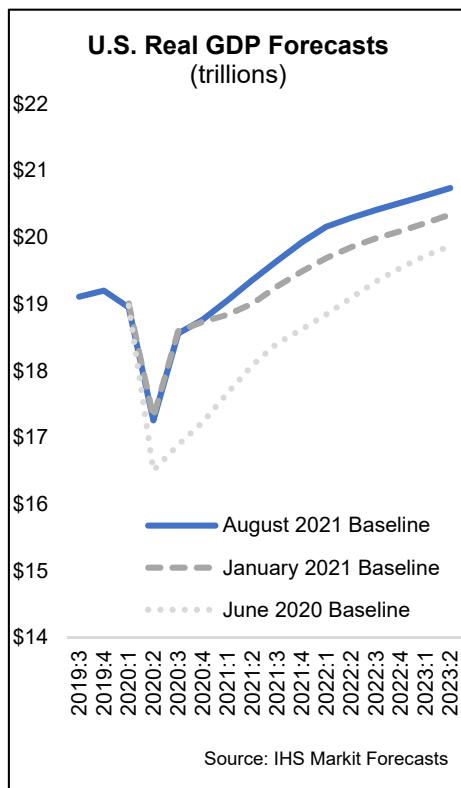
## Economic Forecast

LFC and TRD economists use national data from IHS Markit and local data from the University of New Mexico Bureau of Business and Economic Research (BBER) to develop the economic assumptions on which the forecast is based. DFA economists use forecast data from Moody's Analytics. Selected economic indicators from these forecasts are shown in Attachment 3.

### United States

The country has embarked on a robust economic recovery from the depths of the pandemic-induced recession in 2020, with real GDP growing at an annual rate of 6.5 percent in the second quarter of 2021. The continued economic recovery reflects the reopening of establishments, government assistance and loans to businesses, federal grants to state and local governments, and sustained social benefits to households. Real GDP has now surpassed pre-pandemic levels, with IHS expecting growth at 7.9 percent over the second half of this year, 4.4 percent in 2022, and 2.2 percent in 2023 as consumption patterns and government support recede to normal levels, the federal reserve begins to tighten its monetary policy, and the economy reaches full employment.

Significant uncertainty in the economic outlook remains, as negotiations continue on an approximately \$4 trillion federal spending and tax plan proposed in the American Jobs Plan (AJB) and American Families Plan (AFP). Furthermore, a shifting monetary policy by the federal reserve could significantly impact the path of the recovery as rising interest rates could slow growth while maintaining low rates could exacerbate inflation and spur stronger spending in the broader economy. Finally, and most importantly, the path of the novel coronavirus leaves significant uncertainty in the outlook as a slowing pace of vaccinations delays the approach to herd immunity and new,

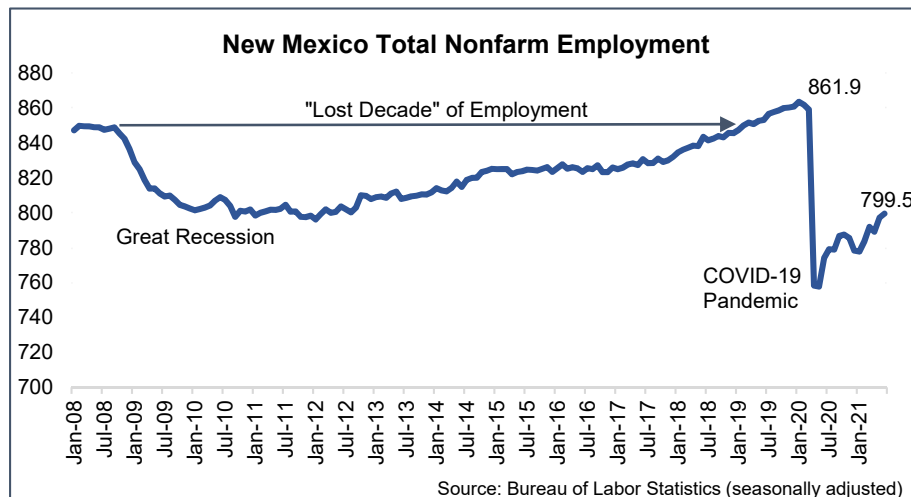


more contagious strains contribute to more caution on the part of consumers, potential for renewed closures, and inhibitions on returning to full employment.

The baseline scenario for IHS Markit assumes vaccinations outpace the spread of the virus and includes no new federal stimulus while Moody's Analytics assumes passage of a \$572 billion federal infrastructure spending bill and a \$3 trillion stimulus package in the second half of 2021. Both IHS Markit and Moody's Analytics do not include another US recession in their baseline forecast. Yet, the risk of a second recession remains (see *Recession Risk* discussion on page 11).

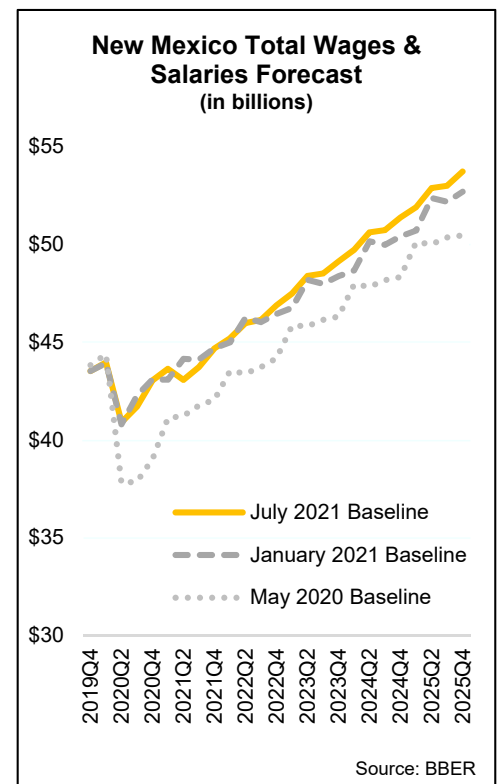
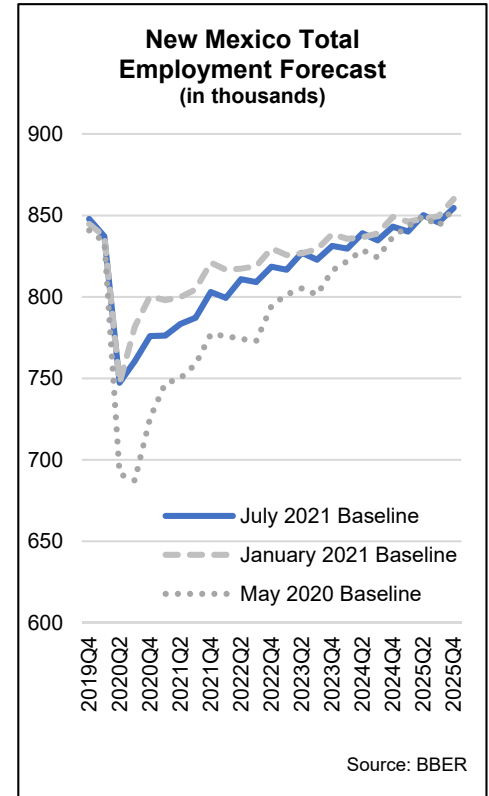
## New Mexico

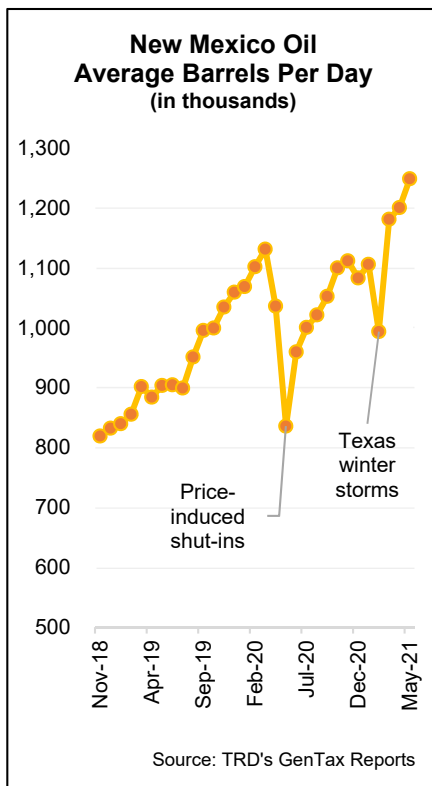
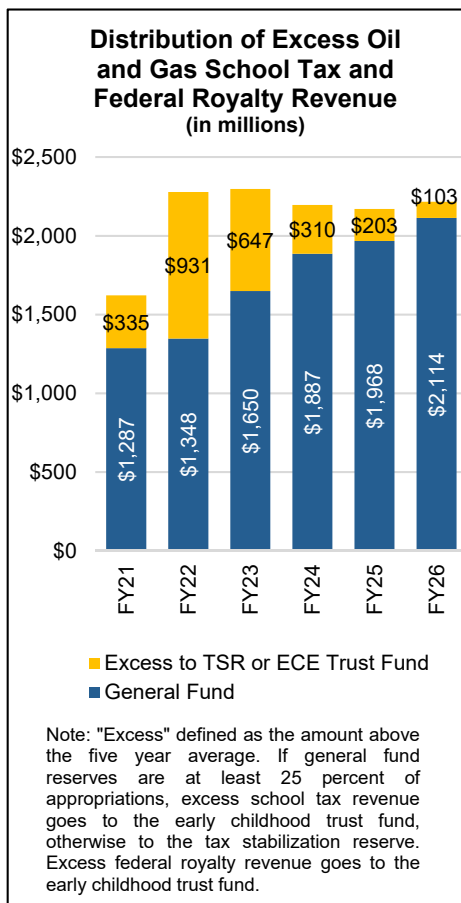
The state's economic outlook is similarly tied to future economic stimulus, broader economic machinations, and the success in fighting Covid-19. After reaching the last employment peak in January 2020 (863.6 thousand jobs), the pandemic arrived and, according to data from the Bureau of Labor Statistics (BLS), New Mexico employment contracted by 105.9 thousand jobs, or a decline of 12.3 percent to the employment base in May 2020. In that period, leisure and hospitality experienced the largest losses of any industry with 38.9 thousand jobs lost, or 38.5 percent of the industry's workforce, followed by trade, transportation, and warehousing which lost 14.2 thousand jobs, or 10.3 percent. By June 2021, preliminary data from BLS indicates the state regained roughly 60 percent of the jobs lost from January 2020 to May 2020, with total employment still down 64.1 thousand jobs, or 7.4 percent, from the pre-pandemic peak.



Total New Mexico employment forecasts were revised downward since the last consensus estimate, as low-wage employment struggles to recover. As of late June 2021, low-wage employment (less than \$27 thousand) was down 12.7 percent from January 2020, while mid-wage (\$27 thousand to \$60 thousand) employment was up 11.1 percent and high-wage (above \$60 thousand) employment was up 13.6 percent, according to data from Opportunity Insights (see TrackTheRecovery.org charts on Attachment 8).

While employment has yet to recover, total wages and salaries in New Mexico neared pre-pandemic levels in the first quarter of 2021. Total personal income in New Mexico also reached record heights during the pandemic and has continued to grow in FY21. According to the Bureau of Economic Analysis,





total personal income increased by 17.9 percent, or \$16.6 billion, in the first quarter of 2021, compared with a year earlier. The increase was due to a 78.1 percent increase, or \$17.6 billion, in personal transfer payments from the federal government in stimulus checks, enhanced food stamps, unemployment insurance bonus payments, unemployment assistance to self-employed New Mexicans, and other forms of assistance.

The BBER estimate used in the consensus revenue forecast expects the New Mexico economy will experience slower but steady economic growth through the forecast period, with the state gaining 0.9 percent and 2.8 percent in employment in 2021 and 2022, respectively. However, BBER expects employment will not reach pre-pandemic levels until 2024. With the end of stimulus programs expected in 2021, personal income is expected to decline in 2022 before returning to a healthy growth rate in 2023 and beyond.

## Oil and Gas Markets

While oil and gas markets have rebounded, pushing up both prices and production in the state, increased collections in severance taxes and federal royalty payments accounted for less than 10 percent of the change in the general fund forecast for FY21 and FY22, and about 20 percent of the change in the forecast in FY23. This is primarily due to the stabilization mechanisms policymakers implemented in 2017 and 2020 that send excess oil and gas school tax and federal royalty collections to the tax stabilization reserve or early childhood trust fund (see discussion on page 7).

Oil prices rallied since the beginning of 2021 as the rollout of Covid-19 vaccines and the loosening of business restrictions bolstered fuel demand. While New Mexico's oil prices averaged \$39.34/bbl in the first half of FY21, prices averaged about \$60/bbl in the second half of the fiscal year, bringing the total preliminary FY21 average oil price to \$49.92, up from the previous consensus estimate of \$43.50/bbl.

West Texas Intermediate (WTI) prices rose above \$70/bbl in June 2021, driven by increased global demand and continued production restraint by OPEC and U.S. producers. IHS Markit and the U.S. Energy Information Administration (EIA) project WTI prices to average about \$66/bbl over FY22, then fall to about \$61.50/bbl in FY23 as OPEC gradually increases production. The differential of New Mexico oil prices below WTI is estimated at about \$2.50/bbl for the forecast period.

| FY                               | 2021    | 2022     | 2023     |
|----------------------------------|---------|----------|----------|
|                                  | Prelim  | Forecast | Forecast |
| Gross Oil Price (\$/bbl)         | \$49.92 | \$63.50  | \$58.00  |
| Oil Volume (MMbbls)              | 405     | 445      | 460      |
| Oil Volume (MMbbls/day)          | 1.11    | 1.22     | 1.26     |
| Gross Natural Gas Price (\$/mcf) | \$3.32  | \$3.75   | \$3.25   |
| Net Natural Gas Price (\$/mcf)*  | \$2.32  | \$2.71   | \$2.25   |
| Natural Gas Volume (bcf)         | 2,115   | 2,270    | 2,360    |
| Natural Gas Volume (bcf/day)     | 5.79    | 6.22     | 6.47     |

\* Net prices are based on the taxable value of the product after deductions for transportation, processing, and royalties

Both drilling and completion activity in the Permian basin picked up in early 2021, and completions continue to exceed the number of newly drilled wells.

More completions than drilled wells indicates producers are reducing inventories of drilled-but-uncompleted (DUC) wells (see Attachment 7). New Mexico had 80 active drilling rigs in the state as of mid-August 2021, down from a peak of 117 active rigs in March 2020. Despite fewer active rigs, the completion of DUC inventories accelerated the state's total production recovery. By April 2021, the state reached record level oil production of over 1.2 million barrels per day. To date, New Mexico is the only top oil producing state to have recovered above pre-pandemic production levels. In May 2021, Texas' oil production was down 12.3 percent from January 2020 and North Dakota's was down 24.2 percent, while New Mexico's oil production was up 15.4 percent (see Attachment 7).

Based on total production for FY21 through May and expected production for June, the state is estimated to have produced 405 million barrels of oil in FY21 – a 10 percent increase from total FY20 production. At current levels of daily oil production, the state is estimated to produce 445 million barrels of oil in FY22 and oil production is projected to grow 3 percent to 460 million barrels in FY23.

New Mexico's natural gas production has accelerated as well. In May 2021, the state produced a record of 6.5 billion cubic feet (bcf) of natural gas per day, and New Mexico is estimated to have produced 2.1 trillion cubic feet of natural gas in FY21 – an increase of over 15 percent from FY20. The consensus forecast estimates natural gas production will average 6.2 bcf/day in FY22 and 6.5 bcf/day in FY23, resulting in estimated production of 2.27 trillion cubic feet in FY22 and 2.36 trillion cubic feet in FY23.

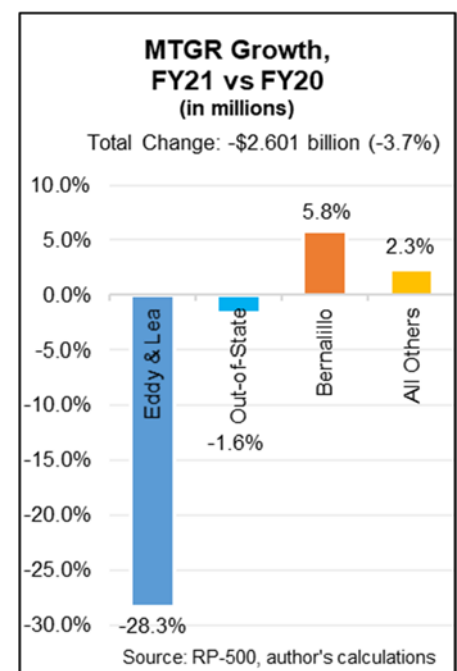
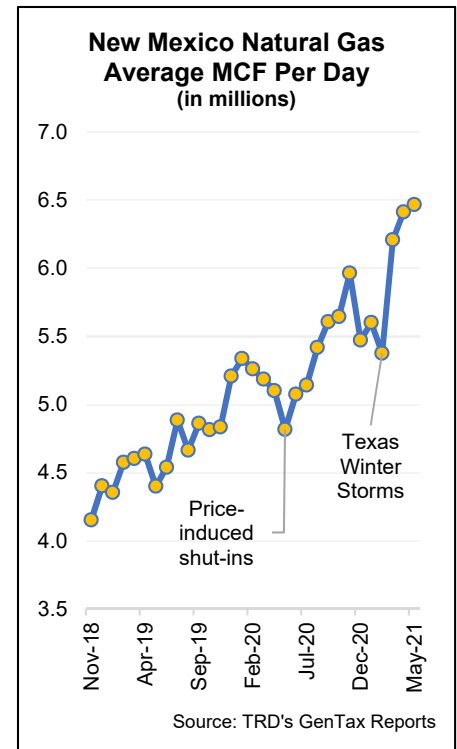
Additionally, natural gas prices are higher than in the previous estimate, averaging an estimated \$3.32/mcf in FY21, up from the February consensus estimate of \$2.45/mcf. IHS Markit and EIA project Henry Hub prices to remain elevated through the first half of 2022 as Appalachian producers that drive the U.S. market stick to plans to maintain relatively flat production, pushing prices upwards. New Mexico's natural gas prices averaged about 33 cents higher than Henry Hub prices in FY21, and the consensus estimate projects the state's FY22 natural gas price to average \$3.75/mcf, up from the previous estimate of \$2.70 for the fiscal year.

## General Fund Revenue Forecast

### Gross Receipts Taxes

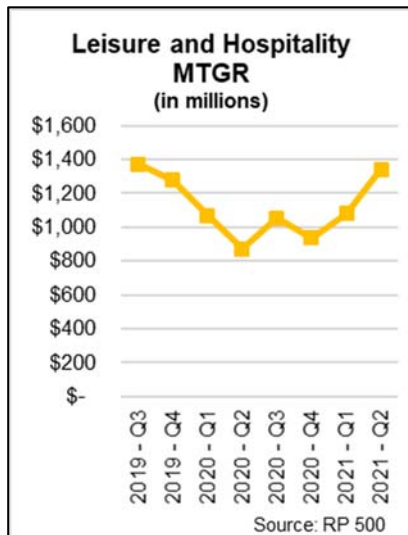
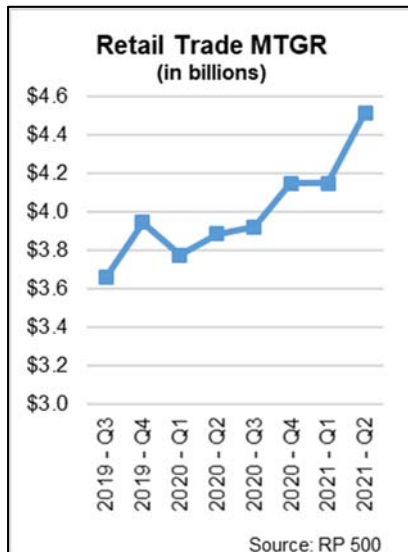
Preliminary data from TRD shows matched taxable gross receipts (MTGR) – taxable gross receipts matched to tax payments, which best represent overall economic activity in the state compared with other tax data – were down 3.7 percent in FY21 compared with FY20.

Total gross receipts tax collections in FY21, however, were much stronger than expected, up about \$331 million from the February consensus forecast. Among the reasons for strong collections is the impact of federal stimulus legislation passed in March, which was not accounted for in the IHS Markit forecasts used to produce the consensus estimate. The rollout of the vaccine combined with businesses reopening and pent-up consumer demand in the second half of the fiscal year all contributed to more-than-estimated GRT collections.





| Matched Taxable Gross Receipts by Industry - FY21 vs FY20 |                                |                         |                       |
|---|--------------------------------|-------------------------|-----------------------|
| Industry  | Matched Taxable Gross Receipts | Year-over-Year Growth   | Year-over-Year Change |
| Mining, Quarrying, and Oil and Gas Extraction             | \$4,500,812,001                | -\$2,079,383,372        | -31.6%                |
| Utilities   | \$2,855,136,227                | \$104,816,709           | 3.8%                  |
| Construction  | \$8,305,749,117                | -\$1,103,663,947        | -11.7%                |
| Manufacturing   | \$2,043,272,347                | \$23,894,737            | 1.2%                  |
| Wholesale Trade   | \$2,850,157,317                | -\$418,330,057          | -12.8%                |
| Retail Trade  | \$16,728,935,821               | \$1,468,982,136         | 9.6%                  |
| Transportation and Warehousing                            | \$804,359,121                  | -\$148,264,729          | -15.3%                |
| Information   | \$1,989,870,304                | -\$991,560,612          | -33.3%                |
| Real Estate and Rental and Leasing                        | \$1,731,506,425                | -\$74,435,861           | -4.1%                 |
| Professional, Scientific, and Technical Services          | \$6,689,091,527                | \$103,313,907           | 1.6%                  |
| Administrative/Support & Waste Management/Remediation     | \$3,333,653,602                | \$381,175,171           | 12.9%                 |
| Health Care and Social Assistance                         | \$3,889,750,563                | \$410,554,509           | 11.8%                 |
| Leisure and Hospitality Services                          | \$4,410,404,458                | -\$176,289,766          | -3.8%                 |
| Other Industries  | \$7,578,090,761                | -\$108,659,167          | -1.5%                 |
| <b>Total</b>  | <b>\$67,710,789,591</b>        | <b>-\$2,601,850,342</b> | <b>-3.7%</b>          |



The largest declines were in the mining industry, down almost 32 percent from last year due to declines in drilling activity. However, receipts in Eddy and Lea counties began to recover in the first half of 2021, although below their pre-pandemic highs, as the state slowly regained drilling rigs and producers increased completions of previously drilled but uncompleted wells.

Out-of-state receipts, much of which comes from drilling activity, also fell in mid- to late-2020; however, federal stimulus payments propped up collections from internet sales and mitigated declines previously experienced in out-of-state receipts during oil market downturns. Total out-of-state receipts fell just 1.6 percent year-over-year in FY21, compared with nearly 12 percent declines seen in the last oil market crash in FY16.

Receipts in Bernalillo County, which account for nearly 30 percent of all MTGR in the state, recovered faster-than-expected in the first half of 2021, reaching their pre-pandemic levels in the first quarter of the year and reaching record levels in the second quarter (see Attachment 10). Overall, receipts in Bernalillo County grew 5.8 percent in FY21 compared with FY20. Most of the growth was in retail trade, professional services, construction, and healthcare.

Total consumer spending in the state reached pre-pandemic levels in early 2021 as businesses reopened, consumer confidence increased with the vaccine rollout, and federal stimulus payments in January and March boosted personal incomes. By the second quarter of 2021, consumer spending in New Mexico exceeded January 2020 levels by more than 10 percent and remained elevated through the summer months – the latest data from Opportunity Insights shows consumer spending up 12.1 percent in early August 2021 compared with January 2020 (see Attachment 9). Retail trade experienced the strongest growth of any other industry in FY21, with MTGR up 9.6 percent from last fiscal year, and was one of the few industries to continue growing each month throughout the year. Separately, leisure and hospitality receipts, which experienced some of the largest percentage declines during the depths of the pandemic, recovered near their pre-pandemic levels in the final quarter of the fiscal year.

**Temporary Food and Beverage Establishment GRT Deduction.** In the 2021 session, lawmakers passed a temporary GRT deduction for certain food and beverage establishments for the months of March through June. The legislation held local governments harmless by providing a distribution from the state to counties and municipalities in the amount of the GRT lost in those areas. The fiscal impact reports estimated the total cost of the deduction at about \$90 million, assuming all eligible establishments claimed the deduction for all applicable months.

However, preliminary data from TRD indicates that as of June, the total cost of the deduction was about \$45 million. The deduction appears to have been underutilized, possibly due to lack of taxpayer awareness. The current forecast assumes some taxpayers will file amendments in FY22 to retroactively claim the deduction, estimated at about \$10 million in additional claims.

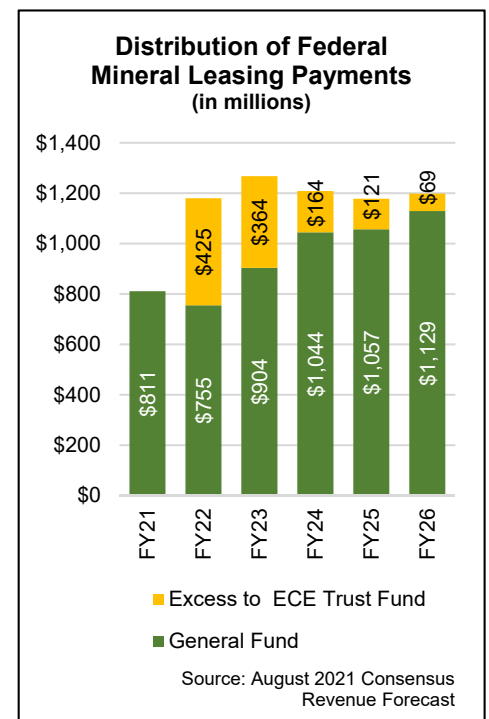
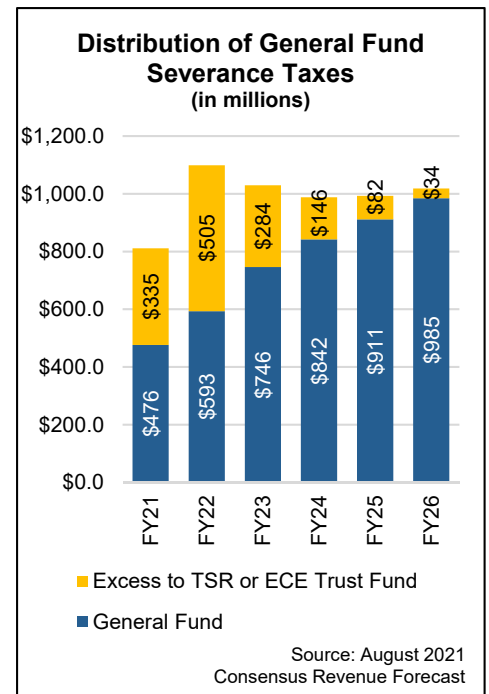
**Destination Sourcing.** Beginning in FY22, the state changed the GRT from reporting based on the seller's location (origin-based sourcing) to reporting based on the buyer's location (destination-based sourcing) for most goods and services. The most significant impact to the state will be the change in reporting for out-of-state sales. Under origin sourcing, out-of-state sales are not subject to local GRT increments, and the state receives the full state tax rate of 5.125 percent on those sales. Now, under destination sourcing, local governments will receive their GRT increments, and any out of-state sales sourced to a municipality will result in a 1.225 percent distribution to that city, leaving the state share of the tax at 3.9 percent.

However, the effect would be somewhat offset for any receipts currently reported to a municipality that would instead be reported to the county area outside municipal boundaries under destination sourcing – this is especially the case for any oil and gas services previously sourced in Carlsbad or Hobbs, for example, that would now be sourced to the remainder of Eddy and Lea counties. In this case, the state would no longer make the 1.225 percent distribution to the municipality. The consensus forecast includes estimates for the effects of destination sourcing on state GRT collections, but there is significant uncertainty on the portion of receipts that will be newly sourced to municipalities or county remainder areas. If the amounts are substantively different than currently estimated, it would be a risk to the GRT forecast.

## Severance Taxes and Federal Royalties

General fund severance taxes – which include the oil and gas emergency school tax, oil conservation tax, resources excise tax, and natural gas processors tax – are on track to total \$755 million in FY21. Legislation enacted in 2017 and further amended in 2020 sends oil and gas emergency school tax revenue in excess of the five-year average to the tax stabilization reserve, or, if general reserves exceed 25 percent of recurring appropriations, to the early childhood trust fund. Because FY21 reserves are projected to be 34.1 percent, the excess school tax revenue – estimated at \$334.7 million – will be deposited into the early childhood trust fund.

With high levels of production and FY22 oil and natural gas prices expected to average \$63.50/bbl and \$3.75/mcf, respectively, severance tax collections are project to exceed \$1 billion in FY22, of which \$505.4 million will be distributed to the early childhood trust fund if general fund reserves in FY22 continue to be at least 25 percent of recurring appropriations. The sidebar chart



shows the projected distribution of general fund severance taxes and school tax collections above the five-year average.

Federal mineral leasing payments – the royalties for oil and gas production on federal lands and bonus payments for federal land leases – are another of the most volatile revenue sources to the general fund, swinging sharply with changes in prices, production, and oil company investment activity. Chapter 3 of the 2020 regular session contained a similar provision to help stabilize these revenues by distributing payments in excess of the five-year average to the early childhood trust fund beginning in FY22.

#### **Tribal Revenue Sharing and Gaming Excise Tax**

As New Mexico's sovereign nations continue to battle COVID-19, many tribal casinos remain closed or at partial capacity. The most recent quarter of available data from the Gaming Control Board demonstrates constrained capacity as tribal gaming revenues were 64.6 percent of typical activity in the second quarter of 2021. As more tribal casinos reopen and expand capacity, tribal revenue sharing payments to the state are expected to return to pre-pandemic levels in FY22 and beyond.

Unlike tribal casinos, the full reopening of racinos in March 2021 allowed the state to receive gaming excise tax revenue for the first time in a year. Gaming revenues have demonstrated a resurgence of activity due to stimulus checks and pent up demand, with the second quarter of 2021 averaging 10.7 percent higher gaming activity than for the same period before the pandemic. Pent up demand and record breaking household savings are expected to continue driving gaming activity in FY22.

Tribal revenue sharing payments and gaming excise tax revenues are highly dependent on the reopening of the economy and the success in fighting Covid-19. Should cases surge and activity curbed, these revenues could fall dramatically, posing a risk to the general fund. For more on Forecast Risks, see page 10.

Under current price and production assumptions, federal royalty revenues are expected to exceed the five-year average for the forecast period. Of the total \$1.18 billion in federal royalty revenue projected for FY22, an estimated \$425 million will be distributed to the early childhood trust fund. Over the course of the forecast period, this provision will result in over \$1 billion in distributions of federal royalties to the early childhood trust fund (see Attachment 5).

Together, school tax and federal royalty distributions to the early childhood trust fund are estimated to total \$930 million in FY22. These distributions are an inherent buffer for the consensus forecast, as negative impacts of severance tax and federal royalty revenue volatility hits reserves or the trust fund first, reducing negative effects to the general fund.

#### **Selective Sales and Excise Taxes**

***Recreational Cannabis.*** In legalizing cannabis for recreational adult use, Chapter 4 of the 2021 Special Session (House Bill 2) will incorporate existing, untaxed business activity into the state's tax base. With guidance from the Regulation and Licensing Department on timelines and demand expectations, cannabis excise taxes are estimated to generate nearly \$28 million in FY23, the first full fiscal year of legalized sales. By FY26, revenue is expected to increase by 14 percent to nearly \$32 million. Although estimates were compared with other states and utilized national survey data on cannabis use, revenue expectations remain uncertain. Sales to out-of-state residents, price changes that encourage or dissuade legal consumption, tax preferences on medical cannabis behaviors, and supply shortages or surpluses are all difficult to predict and will significantly impact aggregate sales.

***Insurance Premium Tax.*** Collections for the health insurance premium surtax revenues exceeded expectations, with preliminary data from TRD showing \$290.9 million in FY21, up \$60 million from the February forecast. The revenue strength results in higher expectations for premium tax revenue throughout the forecast period. Additionally, Chapter 136 of the 2021 Session (Senate Bill 317) increased the health insurance premium surtax from 1 percent to 3.75 percent and created the health care affordability fund. Revenues from the surtax are split between the new fund and the general fund, with the general fund receiving a 48 percent distribution of surtax revenue from January 1, 2022, to June 30, 2022, 45 percent from July 1, 2022 through July 1, 2024, and 70 percent from July 1, 2024 onward.



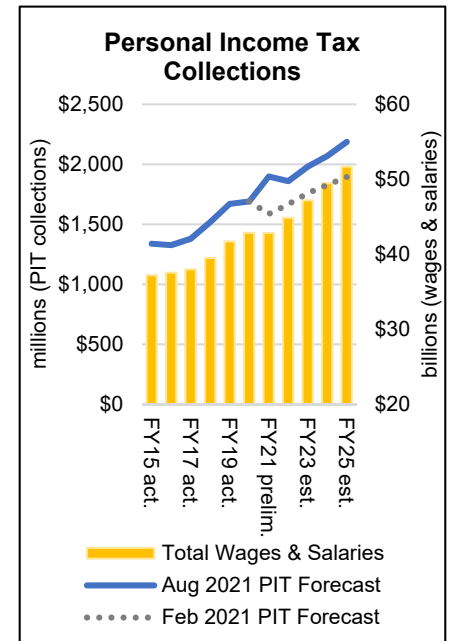
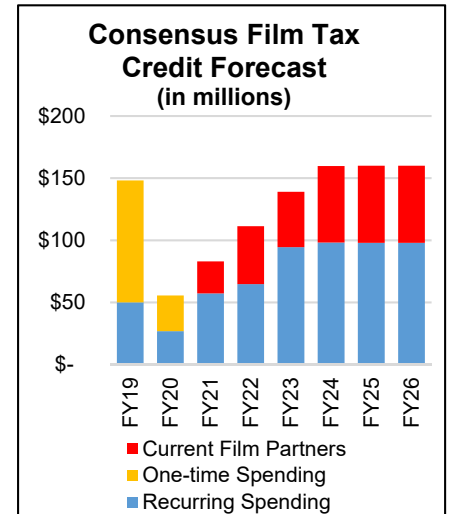
## Income Taxes

**Corporate income taxes (CIT).** This revenue source generated \$63.2 million in FY20, and preliminary data from TRD shows CIT generated \$145 million in FY21, up about \$93.6 million from the prior forecast.

Because film tax credit payouts are booked to CIT, actual CIT receipts are higher than the final amounts distributed to the general fund. Due to the pandemic-related shutdowns in 2020, film tax credits were lower than expected in FY21 and are expected to remain lower in FY22 as most credits have a delayed effect on the general fund from the end of production. In FY23, film tax credits are expected to grow, reducing CIT revenue by an estimated \$140 million. As additional productions qualify, the credit is expected to reach \$160 million in FY24 and beyond as non-film partners near cap levels and current film partners reach production spending goals. Film tax credits remain a significant risk to the forecast, particularly if the state attracts new film partners that are not subject to the cap and resulting in large costs to the general fund (further discussion of *Forecast Risks* can be found on pages 10-12).

**Personal Income Tax (PIT).** Never before seen in a typical recession, personal income tax collections grew at a strong pace despite major job losses. Personal income tax withholding grew at an annual rate of 5.5 percent in FY20 and 5.3 percent in FY21, despite total wage and salary declines over the same period. For the first time, wages and salaries exhibited strong dissociation with income tax withholding as losses in earnings were primarily experienced by low-income households that usually have a low tax burden.

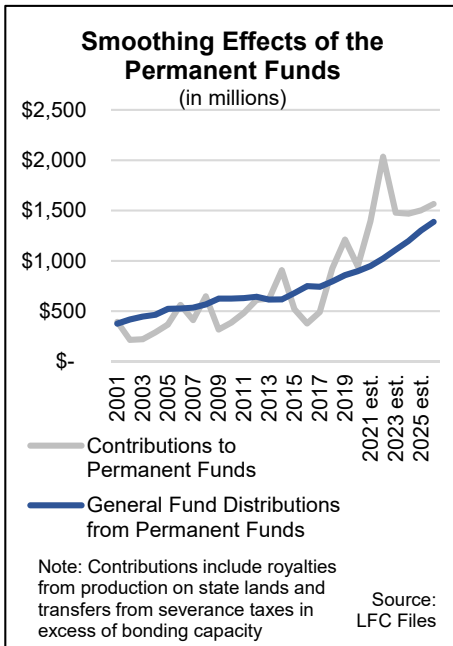
In a typical recession, losses in employment and earnings are experienced across the income spectrum, heavily impacting income taxes. However, the pandemic induced recession caused a k-shaped recovery, where higher income households avoided much of the losses and continued to experience earnings growth while primarily lower-wage workers lost employment. New Mexico high-wage employment (greater than \$60 thousand/year) is up 13.6 percent as of the end of June compared with January 2020 (see Attachment 8). However, low-wage employment (less than \$27 thousand/year) remains down 12.7



### Legislative Changes to Personal Income Tax

(included in forecast; in millions)

|   | FY20          | FY21          | FY22          | FY23          | FY24           | FY25           |
|---|---------------|---------------|---------------|---------------|----------------|----------------|
| New top rate of 5.9% (HB 6, 2019)   | -             | \$20          | \$40          | \$41          | \$41           | \$41           |
| Increase working families tax credit from 10% to 17% (HB 6, 2019)                 | (\$37)        | (\$39)        | (\$39)        | (\$41)        | (\$41)         | (\$41)         |
| Increase working families tax credit to 25%, add ITIN and under 25 (HB 291, 2021) | -             | -             | (\$25)        | (\$23)        | (\$49)         | (\$49)         |
| Create dependent deduction (HB 6, 2019)   | (\$26)        | (\$27)        | (\$28)        | (\$28)        | (\$28)         | (\$28)         |
| Deduction for capital gains from 50% to 40% (HB 6, 2019)                          | \$10          | \$10          | \$10          | \$10          | \$10           | \$10           |
| Low income comprehensive tax rebate expansion (HB 291, 2021)                      | -             | -             | (\$49)        | (\$50)        | (\$51)         | (\$52)         |
| Credit for liquor license holders (HB 255, 2021)                                  | -             | -             | (\$2)         | (\$2)         | -              | -              |
| <b>Total PIT Revenue Change</b>   | <b>(\$53)</b> | <b>(\$36)</b> | <b>(\$93)</b> | <b>(\$93)</b> | <b>(\$118)</b> | <b>(\$119)</b> |



### Effect of Changes in Oil and Gas Prices and Volumes

Based on projected FY22 direct oil and gas revenues (severance taxes and federal royalties):

- A \$1 change in the annual average NM price of oil has about a \$27 million impact;
- A 10 cent change in the annual average NM price of natural gas has about a \$15 million impact;
- Each additional million barrels of oil generates about \$3.8 million in severance taxes and federal royalties; and
- Each additional 10 billion cubic feet of natural gas generates about \$2.5 million in severance taxes and federal royalties.

Because the consensus forecast projects severance and royalty collections will result in large transfers to the early childhood trust fund in FY22, the impact of price and production changes would first affect those transfers before affecting the general fund.

However, these general rules do not consider other indirect impacts of prices and production changes on the general fund, such as gross receipts tax revenue from drilling activity or income taxes from production companies and their employees.

percent. Those with lower incomes tend to have little-to-no income tax liability, while the growing high-wage employment bears most of the total income tax burden. Additionally, a new top income tax bracket of 5.9 percent for very high income earners took effect in FY21. The cumulative result is preliminary PIT revenue in FY21 that is \$312 million higher than the February forecast and \$207 million higher than FY20.

Total PIT revenues are expected to continue to grow due to recovering employment and rising wages. In the 2019 and 2020 sessions, multiple changes were made to the personal income tax resulting in an expected net loss of about \$38 million in FY22, but growing with wages and salaries thereafter.

### Investment Earnings

The quick recovery of oil and gas markets in the second half of the fiscal year resulted in FY21 contributions of \$956 million to the land grant permanent fund (LGPF), which receives royalties for oil and gas production on state lands. Combined with strong interest earnings in the last year, the value of the LGPF ended FY21 at about \$24 billion, up nearly \$5 billion from the market value ending FY20. The severance tax permanent fund also participated in strong interest earnings in FY21, ending the fiscal year at \$6.3 billion, up over \$1 billion from the market value in FY20.

Although the permanent funds receive income from oil and gas production, distributions to the general fund are set as a percentage of the five-year average ending balance of the fund, mitigating the effects of energy market booms and busts. Distributions from the state's permanent funds will grow \$68.7 million, or 7.2 percent, in FY22 and provide over \$1 billion to the general fund, making up about 13 percent of recurring revenue. Distributions are expected to grow \$86.5 million, or 8.5 percent, in FY23.

**Increased Distribution from Permanent School Fund Not Included in the Consensus Forecast.** In the 2021 legislative session, lawmakers passed a proposed constitutional amendment to increase the distribution from the permanent school fund – the largest component of the LGPF – from 5 percent of the five-year average to 6.25 percent. The additional distribution would flow to the general fund, earmarked at 60 percent of early childhood education and 40 percent for public school initiatives and teacher salaries. The proposed constitutional amendment requires approval by voters in the next general election (November 2022) and consent of Congress. Because the proposed amendment is not yet approved, the additional distributions are not included in the current general fund revenue estimate.

### Forecast Risks

#### Oil and Natural Gas Market Dynamics

New Mexico's dependence on the energy sector (see Attachment 4) makes oil market volatility one of the largest, most significant risks to the forecast – on the upside and the downside. Strong oil and gas prices and rises in production necessitate an upward revision to the consensus revenue estimate. However, given the volatile nature of the extractives industry, policymakers have taken measures to mitigate this volatility by requiring revenues in excess of the five-year average for federal royalty payments and some severance taxes to flow into the tax stabilization reserve or early childhood trust fund. These measures

prevent oil and gas revenue surges, which may be unsustainable, from being allocated to recurring budgets.

The current consensus estimate projects a 41 percent increase in severance tax and federal royalty collections – from a total of \$1.57 billion in FY21 to \$2.21 billion in FY22. However, since only the five-year average is distributed to the general fund, the general fund will receive a 4.7 percent increase in FY22. The remainder – \$930 million of the projected \$2.21 billion estimated for FY22 – will be distributed as “excess revenue” to either reserves or the early childhood trust fund. Should the state experience an oil or gas market shock on either the upside or downside, much of the impact would be absorbed by these budget stabilization funds (see *Stress Test* on page 12).

### Forecast Risks – Federal and State Regulatory Changes

Any changes to the regulatory environment for oil and gas production will affect New Mexico, since over half of the state's oil and gas production occurs on federal lands and most of the remaining half occurs on state lands.

**Federal Land Leases.** Section 208 of President Biden's Executive Order dated January 27, 2021 instructs the Department of the Interior (DOI) to indefinitely pause new oil and natural gas leases on public lands and offshore waters pending completion of a comprehensive review of federal oil and gas permitting and leasing practices. However, in mid-June, a Louisiana federal judge blocked the Biden Administration's ban on new oil and gas leases. In March, a lawsuit filed by 13 states contends the order was undertaken without the required comment periods and other bureaucratic steps. The judge granted a preliminary injunction, citing federal laws that say the agency is required to sell the leases. The decision requires DOI to immediately restart its leasing program while the litigation continues.

The Bureau of Land Management reports about 90 percent of New Mexico's federal acreage under lease for oil and gas operations are currently held by production. In a presentation to LFC in June 2021, the energy analytics firm Enverus reported, if the executive order to prohibit new federal land leases for oil and gas operation were to resume following the lawsuit, 5 percent of the land inventory in New Mexico's Delaware portion of the Permian basin would be at risk.

**State Regulations on Methane Emissions.** The New Mexico Oil and Gas Association (NMOGA) contracted with John Dunham and Associates (JDA) – an economic research firm specializing in tax and regulatory policy – to determine the impact of New Mexico Environment Department's (NMED) proposed ozone precursor rule on New Mexico producers. The rule will be presented to the Environment Improvement Board on September 20, 2021.

NMED's proposed ozone precursor rule applies to all oil and gas wells in counties at risk of non-attainment of federal ozone standards. The eight counties currently falling into that category are Chaves, Doña Ana, Eddy, Lea, Rio Arriba, Sandoval, San Juan and Valencia. The JDA study estimates the proposed rule would cause about 37 percent of currently operating oil wells and as much as 87 percent of operating natural gas wells to become uneconomical after accounting for increased regulatory costs. These would be primarily low-producing (average 11/bbls or 29/mcf per day) and mid-range (average 102/bbls or 230/mcf per day) producing wells, affecting up to 12.9 percent oil production in the state and 22.8 percent of natural gas production.

The standard of practice for the consensus revenue estimating group is to forecast based on current law/rule. The proposed NMED rule will be presented to the Environmental Improvement Board in late September 2021 and may be subject to change from its current form. Because the rule was not final as of this revenue forecast, effects of the rule were not included in the forecast but are instead considered as a risk to the forecast.

### Recession Risks

IHS Markit and Moody's baseline economic forecasts do not assume a return to recession within the forecast period. The baseline forecasts are the underpinnings for the consensus revenue forecast, so the risk is similarly excluded from the revenue projections.

However, the pessimistic scenarios used in the sensitivity analysis assume the U.S. economy returns to recession and experiences a slower recovery due to an upturn in new cases, hospitalizations, and deaths, and new containment

### Impact Aid Liability

In the 2021 session, lawmakers made \$36.4 million in appropriations to the state support reserve (SSR) fund, primarily to cover a \$60 million deficiency from the U.S. Department of Education's denial of the state's FY20 request to credit federal impact aid payments in the public school funding formula. The appropriations would have brought the SSR fund balance to about \$75 million in FY21 to cover this cost.

Separately, however, on May 12, 2021, the Public Education Department requested \$37.6 million from the SSR to cover costs related to the state's inability to credit Impact Aid for FY21. This unexpected cost reduces the projected FY21 SSR fund balance to about \$40 million.

The FY20 impact aid liability of \$60 million remains outstanding, with the current fund balance insufficient to cover the cost, likely requiring additional appropriations in the 2022 session of about \$20 million (see Attachment 1).

measures resulting in declines in consumer spending. Under these scenarios, the recovery could take significantly longer, with full-employment in the U.S. reached a year and a half later in 2023. For New Mexico, this scenario could result in job recovery slowing even more than in the baseline, with the pessimistic forecast expecting pre-pandemic employment levels by the end of 2025, or more than a year later than in the baseline.

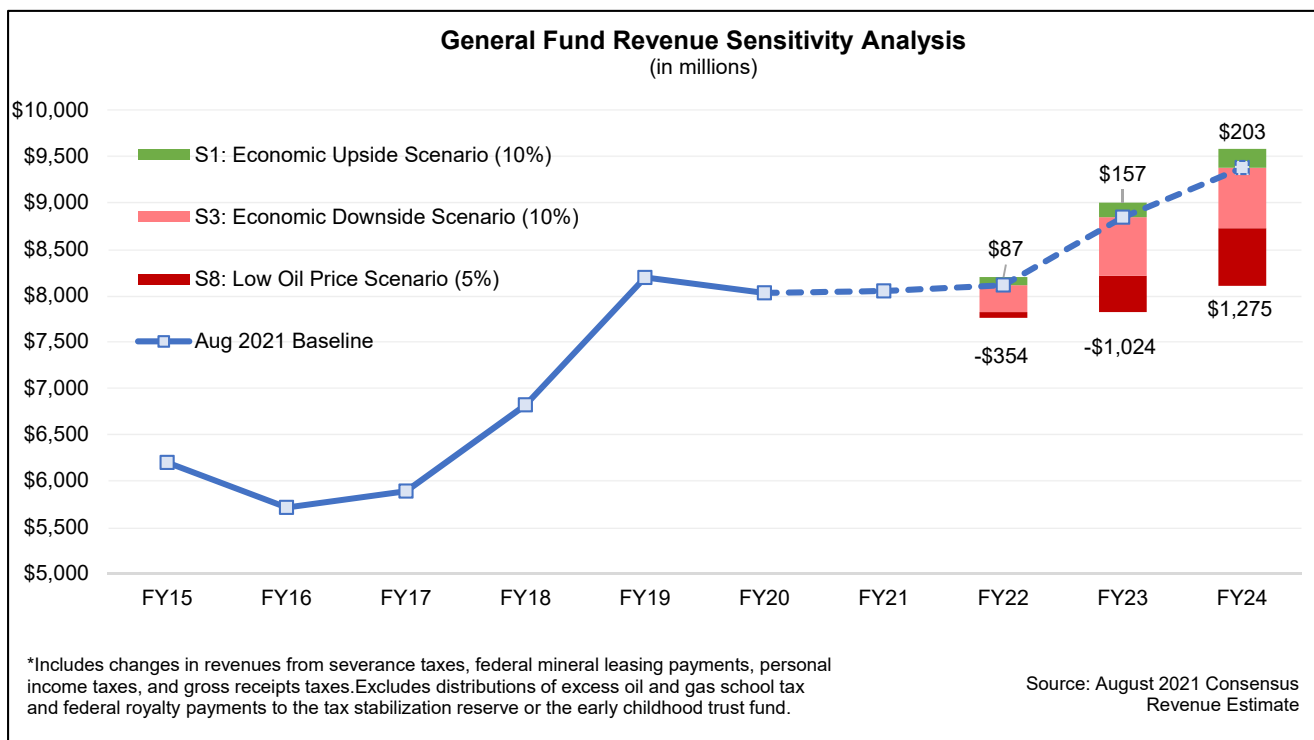
**Other Forecast Risks.** Additional forecast risks include potential for uncapped growth in film tax credit payments due to New Mexico film partners, insurance tax receipts reporting delays, higher than expected municipal distributions due to destination sourcing (see page 7), state and federal regulatory changes that could affect oil and gas production (see text box on page 11), and outstanding tax protest claims at TRD that could result in large general fund losses if decided in favor of the taxpayer.

## Stress Testing the Revenue Estimate

While the revenue forecast inherently faces upside and downside risk, stress testing helps the Legislature prepare for these risks by looking at a range of alternative outcomes and putting the current estimates within the context of historical trends. These sensitivity and trend analyses can be used to help determine target reserve levels and inform the recurring budget process.

### Sensitivity Analysis

The sensitivity analysis was conducted using alternative macroeconomic scenarios from Moody's Analytics – an economic upside (S1), economic downside (S3), and low-oil price scenario (S8). The CREG used these scenarios to determine the sensitivity of the state's largest revenue sources – including severance taxes, federal mineral leasing payments, personal income taxes, and gross receipts taxes – to the scenarios' changes in the forecast's underlying assumptions (see Attachment 12).





|   | S8: Low Oil Price |          |          | S3: Economic Downside |          |        | S1: Economic Upside |       |       |
|---|-------------------|----------|----------|-----------------------|----------|--------|---------------------|-------|-------|
| Scenario                                  | FY22              | FY23     | FY24     | FY22                  | FY23     | FY24   | FY22                | FY23  | FY24  |
| Severance Taxes to GF                     | -\$22             | -\$290   | -\$384   | -\$13                 | -\$134   | -\$142 | \$3                 | \$15  | \$33  |
| Federal Mineral Leasing to GF             | \$0               | -\$73    | -\$153   | \$0                   | -\$13    | -\$51  | \$0                 | \$2   | \$8   |
| Gross Receipts Taxes                      | -\$241            | -\$515   | -\$561   | -\$178                | -\$321   | -\$329 | \$38                | \$77  | \$93  |
| Personal Income Taxes                     | -\$91             | -\$146   | -\$178   | -\$99                 | -\$165   | -\$130 | \$47                | \$63  | \$69  |
| General Fund Difference from Baseline     | -\$354            | -\$1,024 | -\$1,275 | -\$291                | -\$632   | -\$653 | \$87                | \$157 | \$203 |
| General Fund Percent of Total Impact      | 40%               | 72%      | 86%      | 47%                   | 61%      | 84%    | 57%                 | 61%   | 67%   |
| Severance Taxes to TSR or ECE             | -\$424            | -\$284   | -\$146   | -\$260                | -\$284   | -\$73  | \$54                | \$76  | \$65  |
| Federal Mineral Leasing to ECE            | -\$107            | -\$121   | -\$55    | -\$63                 | -\$120   | -\$55  | \$12                | \$26  | \$35  |
| TSR/ECE Transfers Diff. from Baseline     | -\$531            | -\$405   | -\$201   | -\$323                | -\$404   | -\$128 | \$66                | \$102 | \$100 |
| TSR/ECE Transfers Percent of Total Impact | 60%               | 28%      | 14%      | 53%                   | 39%      | 16%    | 43%                 | 39%   | 33%   |
| Total Difference from Baseline            | -\$885            | -\$1,429 | -\$1,475 | -\$613                | -\$1,036 | -\$781 | \$153               | \$259 | \$303 |

Note: in millions

**Distributions of Excess Oil and Gas Revenue Mitigates Initial Effects of an Oil Market Decline.** In the low oil price scenario, Moody's assumes West Texas Intermediate prices would fall to the low \$40s/bbl in FY22, then to the low \$30s/bbl in FY23 and FY24. Low prices would result in oil and gas production declines, losses in drilling-related GRT receipts, and related employment losses. Should this occur, severance tax and federal royalty collections would fall substantially below the baseline forecast; however, most of the loss in these revenues would be absorbed through reduced distributions to the early childhood trust fund. The general fund would primarily experience losses in GRT on oil and gas drilling and completion activity and reduced income taxes from related jobs losses.

Although the low oil price scenario results in tax collections that are \$885 million below the consensus forecast for FY22, about 60 percent of that impact would be to the early childhood trust fund distribution. Because losses in severance taxes and federal royalties in FY22 would reduce the five-year averages of those collections, the general fund impact would be greater in FY23; however, about a quarter of the total fiscal impact of the scenario would be absorbed by smaller distributions to the trust fund. Still, the scenario results in general fund revenues that would be about \$1 billion below the consensus forecast in FY23 and nearly \$1.3 billion below the consensus forecast in FY24.

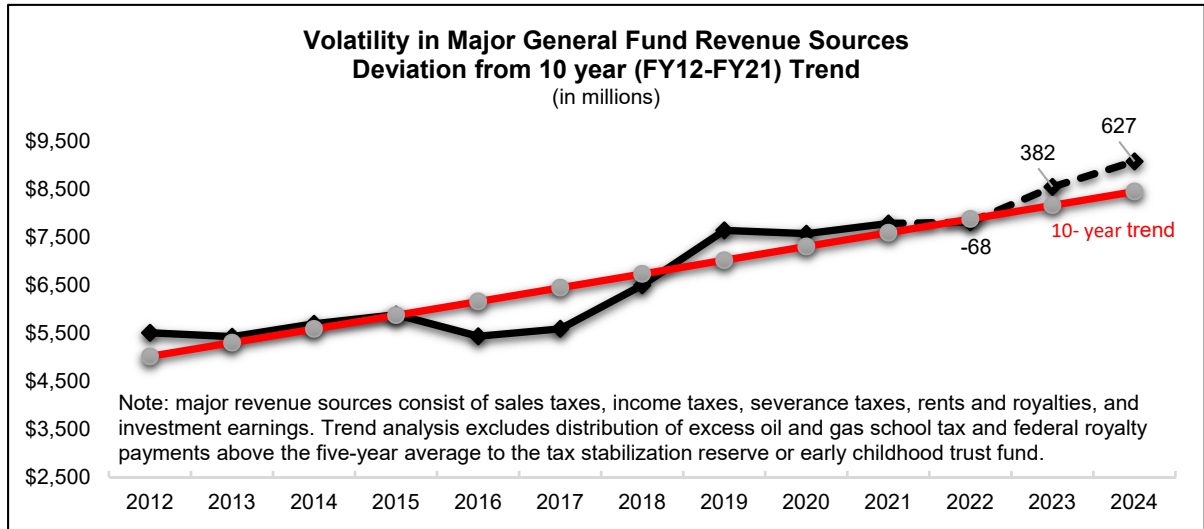
## Trend Analysis

In addition to the above sensitivity analysis, CREG established a trend analysis framework to analyze the sustainability of current estimates. The CREG calculated a 10-year trend for major revenues by source and compared current revenue estimates against that trend, to identify outlier revenues and years.

The trend analysis demonstrates the variation in New Mexico's major sources of revenue: gross receipts taxes, income taxes, severance taxes, investment income, and rents and royalty payments. Using historical data from these sources for FY12 to FY21, a 10-year trend line is carried forward through FY24 (see chart on next page).

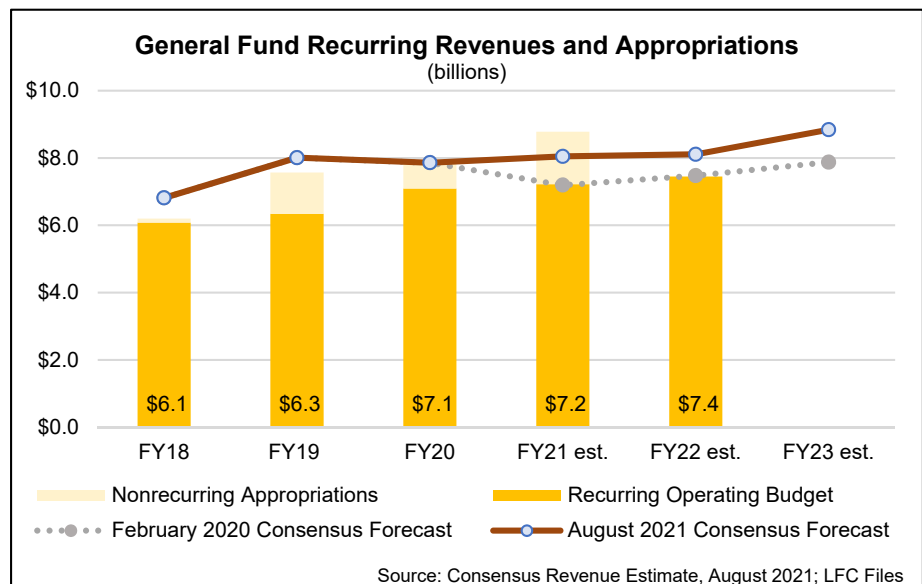
**Revenue Forecast is Above-Trend, Even with Distributions of Excess Oil and Gas Revenues.** Because the trend analysis is intended to show variation in general fund revenues, the analysis excludes estimated

distributions of excess oil and gas school tax and federal royalty payments above the five-year average to the tax stabilization reserve or early childhood trust fund. The trend analysis shows the general fund revenue forecast for FY22 is on par with the 10-year trend; however, the forecast for FY23 and FY24 are above trend by \$382 million and \$627 million, respectively.



Despite the distribution of excess severance taxes to the rainy day fund or early childhood trust fund, estimates for severance tax collections are the largest contributor to the above-trend general fund revenue forecast (see Attachment 11). With New Mexico currently producing over 1.2 million barrels per day of oil and over 6 billion cubic feet per day of natural gas, the production boom results in a large increase in severance tax collections and pushes up the five-year average that is distributed to the general fund. If excess severance tax and federal royalty payments above the five-year average were not distributed to the rainy day fund or early childhood trust fund, the general fund revenue estimates would be even higher above-trend.

The current above trend forecast and the escalation of budgetary dependence on volatile revenues (see Attachment 4) indicates that policy makers should proceed cautiously when apportioning the current revenue surge to recurring expenditures.



**General Fund Financial Summary:**  
**August 2021 Consensus Revenue Estimate**  
(millions of dollars)

August 24, 2021  
9:25 AM

|  | Prelim.<br>FY2021 | Estimate<br>FY2022 | Estimate<br>FY2023 |
|--|-------------------|--------------------|--------------------|
| <b><u>APPROPRIATION ACCOUNT</u></b>  |                   |                    |                    |
| <b>REVENUE</b>   |                   |                    |                    |
| Recurring Revenue  |                   |                    |                    |
| February 2021 Consensus Revenue Forecast (Legislation Adjusted)                | \$ 7,194.5        | \$ 7,475.9         | \$ 7,876.2         |
| August 2021 Consensus Revenue Forecast Update                                  | \$ 851.3          | \$ 632.8           | \$ 965.5           |
| Total Recurring Revenue  | \$ 8,045.7        | \$ 8,108.6         | \$ 8,841.7         |
| Percent Change in Recurring Revenue  | 2.4%              | 0.8%               | 9.0%               |
| Nonrecurring Revenue   |                   |                    |                    |
| June 2020 Special Session Legislation (SB5 Sweeps) <sup>2</sup>                | \$ -              | \$ -               | \$ -               |
| June 2020 Special Session Legislation (SB5 Road Swaps) <sup>2</sup>            | \$ -              | \$ -               | \$ -               |
| February 2021 Consensus Revenue Forecast                                       | \$ 62.8           | \$ -               | \$ -               |
| Enhanced FMAP/Medicaid Reversion   | \$ -              | \$ -               | \$ -               |
| Transfers/offsets from Coronavirus Relief Fund                                 | \$ -              | \$ -               | \$ -               |
| Federal Stimulus Funds   | \$ 750.0          | \$ -               | \$ -               |
| 2021 Nonrecurring Revenue Legislation (post-veto)                              | \$ (199.7)        | \$ (3.8)           | \$ -               |
| Est. Change to 2021 Nonrecurring revenue legislation                           | \$ 52.7           | \$ (10.0)          | \$ -               |
| August 2021 Consensus Revenue Forecast Update                                  | \$ 19.8           | \$ -               | \$ -               |
| Total Nonrecurring Revenue   | \$ 685.6          | \$ (13.8)          | \$ -               |
| <b>TOTAL REVENUE</b>   | <b>\$ 8,731.4</b> | <b>\$ 8,094.8</b>  | <b>\$ 8,841.7</b>  |
| <b><u>APPROPRIATIONS</u></b>   |                   |                    |                    |
| Recurring Appropriations   |                   |                    |                    |
| 2020 Regular Session Legislation & Feed Bill                                   | \$ 7,621.4        | \$ -               |                    |
| 2020 Special Session Solvency Savings <sup>1</sup>                             | \$ (411.9)        | \$ -               |                    |
| 2021 Regular and First Special Session Legislation & Feed Bill (pre-veto)      | \$ 10.0           | \$ 7,449.9         |                    |
| Total Recurring Appropriations   | \$ 7,219.5        | \$ 7,449.9         |                    |
| 2020 Special Session Federal Funds Swaps                                       | \$ (146.6)        |                    |                    |
| Total Operating Budget   | \$ 7,072.9        | \$ 7,449.9         |                    |
| Nonrecurring Appropriations  |                   |                    |                    |
| 2020 Session Nonrecurring Appropriations & Legislation                         | \$ 320.0          | \$ -               |                    |
| 2020 First Special Session Solvency Savings <sup>1</sup>                       | \$ (20.0)         | \$ -               |                    |
| 2020 Second Special Session Appropriations                                     | \$ 329.2          | \$ -               |                    |
| 2021 Regular and First Special Session Nonrecurring Appropriations (post-veto) | \$ 931.0          | \$ -               |                    |
| Total Nonrecurring Appropriations  | \$ 1,560.2        | \$ -               |                    |
| Subtotal Recurring and Nonrecurring Appropriations                             | \$ 8,633.1        | \$ 7,449.9         |                    |
| <u>Audit Adjustments</u>   |                   |                    |                    |
| 2020 GAA Undistributed Nonrecurring Appropriations <sup>2</sup>                | \$ 259.5          |                    |                    |
| <b>TOTAL APPROPRIATIONS</b>  | <b>\$ 8,892.6</b> | <b>\$ 7,449.9</b>  |                    |
| Transfer to (from) Reserves  | \$ (161.3)        | \$ 645.0           |                    |
| <b><u>GENERAL FUND RESERVES</u></b>  |                   |                    |                    |
| Beginning Balances   | \$ 2,513.6        | \$ 2,460.5         |                    |
| Transfers from (to) Appropriations Account                                     | \$ (161.3)        | \$ 645.0           |                    |
| Revenue and Reversions   | \$ 576.3          | \$ 618.9           |                    |
| Appropriations, Expenditures and Transfers Out                                 | \$ (478.1)        | \$ (595.9)         |                    |
| <b>Ending Balances</b>   | <b>\$ 2,460.5</b> | <b>\$ 3,128.5</b>  |                    |
| Reserves as a Percent of Recurring Appropriations                              | 34.1%             | 42.0%              |                    |

**Notes:**

1) Laws 2020 First Special Session, Chapter 3 and Chapter 5

2) Many nonrecurring appropriations, including specials and supplementals in the 2020 GAA, had authorization to spend in FY20 or FY21 - amounts that were not allotted in FY20 become encumbrances for FY21

\* Note: totals may not foot due to rounding

|  |
|--|
| FY23 New<br>Money:<br>\$1.392<br>billion<br>or 18.7% |
|--|

**General Fund Financial Summary:**  
**August 2021 Consensus Revenue Estimate**  
**RESERVE DETAIL**  
(millions of dollars)

August 24, 2021  
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|   | Prelim.<br>FY2021 | Estimate<br>FY2022 | Estimate<br>FY2023 |
|---|-------------------|--------------------|--------------------|
| <b>OPERATING RESERVE</b>                                      |                   |                    |                    |
| Beginning Balance   | \$ 507.2          | \$ 286.9           | \$ 577.6           |
| BOF Emergency Appropriations/Reversions                       | \$ (2.5)          | \$ (2.5)           | \$ (2.5)           |
| Transfers from/to Appropriation Account                       | \$ (161.3)        | \$ 645.0           | \$ -               |
| Transfers to Tax Stabilization Reserve                        | \$ -              | \$ (351.8)         | \$ -               |
| Disaster Allotments <sup>1</sup>                              | \$ (6.7)          | \$ -               | \$ -               |
| Transfer from (to) ACF/Other Appropriations <sup>9</sup>      | \$ (50.0)         | \$ -               | \$ -               |
| Revenues and Reversions                                       | \$ 0.1            |                    |                    |
| Transfers from tax stabilization reserve <sup>4,5</sup>       | \$ -              | \$ -               | \$ -               |
| Ending Balance  | \$ 286.9          | \$ 577.6           | \$ 575.1           |
| <b>APPROPRIATION CONTINGENCY FUND</b>                         |                   |                    |                    |
| Beginning Balance   | \$ 8.7            | \$ 57.4            | \$ 49.4            |
| Disaster Allotments   | \$ (13.0)         | \$ (16.0)          | \$ (16.0)          |
| Other Appropriations  | \$ -              | \$ -               | \$ -               |
| Transfers In <sup>9</sup>                                     | \$ 50.0           | \$ -               | \$ -               |
| Revenue and Reversions  | \$ 11.7           | \$ 8.0             | \$ 8.0             |
| Audit and Pre-Audit Adjustments                               |                   |                    |                    |
| Ending Balance  | \$ 57.4           | \$ 49.4            | \$ 41.4            |
| <b>STATE SUPPORT FUND</b>                                     |                   |                    |                    |
| Beginning Balance   | \$ 29.1           | \$ 40.4            | \$ (19.6)          |
| Revenues <sup>2</sup>   | \$ 15.5           | \$ -               | \$ -               |
| Appropriations to State Support Reserve Fund <sup>7</sup>     | \$ 20.9           | \$ -               | \$ -               |
| Impact Aid Liability  | \$ (35.1)         | \$ (60.0)          | \$ -               |
| Audit Adjustments <sup>6</sup>                                | \$ 10.0           | \$ -               | \$ -               |
| Ending Balance  | \$ 40.4           | \$ (19.6)          | \$ (19.6)          |
| <b>TOBACCO SETTLEMENT PERMANENT FUND (TSPF)</b>               |                   |                    |                    |
| Beginning Balance   | \$ 241.3          | \$ 280.4           | \$ 295.8           |
| Transfers In <sup>3</sup>                                     | \$ 36.3           | \$ 12.0            | \$ 32.5            |
| Appropriation to Tobacco Settlement Program Fund <sup>3</sup> | \$ (36.3)         | \$ (12.0)          | \$ (16.3)          |
| Gains/Losses  | \$ 39.1           | \$ 15.4            | \$ 16.3            |
| Additional Transfers to/from TSPF                             | \$ -              | \$ -               | \$ -               |
| Ending Balance  | \$ 280.4          | \$ 295.8           | \$ 328.3           |
| <b>TAX STABILIZATION RESERVE (RAINY DAY FUND)</b>             |                   |                    |                    |
| Beginning Balance   | \$ 1,727.3        | \$ 1,795.5         | \$ 2,225.4         |
| Revenues from Excess Oil and Gas Emergency School Tax         | \$ 334.7          | \$ 505.4           | \$ 283.6           |
| Gains/Losses  | \$ 68.2           | \$ 78.0            | \$ 91.9            |
| Transfers In (From Operating Reserve)                         | \$ -              | \$ 351.8           | \$ -               |
| Transfer Out to Operating Reserve <sup>4,5</sup>              | \$ -              | \$ -               | \$ -               |
| Transfer Out to Early Childhood Trust Fund <sup>8</sup>       | \$ (334.7)        | \$ (505.4)         | \$ (283.6)         |
| Ending Balance  | \$ 1,795.5        | \$ 2,225.4         | \$ 2,317.2         |
| Percent of Recurring Appropriations                           | 24.9%             | 29.9%              |                    |
| <b>TOTAL GENERAL FUND ENDING BALANCES</b>                     | <b>\$ 2,460.5</b> | <b>\$ 3,128.5</b>  | <b>\$ 3,242.4</b>  |
| Percent of Recurring Appropriations                           | 34.1%             | 42.0%              |                    |

**Notes:**

1) DFA using operating reserve to cover disaster allotments due to low balance in the appropriation contingency fund. FY20 includes \$35.5 million for COVID-19 related responses.

2) Laws 2021, Chapter 137 (HB2, Section 10-11) includes a \$15.5 million transfer from the repealed K-3 Plus Program Fund to the state support reserve.

3) Laws 2020 First Special Session, Chapter 5 (HB1, Section 6-A) allows for use of 100% of FY21 revenue for tobacco program fund. DFA and LFC estimate \$12 million in TSPF revenue due to expected arbitration ruling to affect FY22; Laws 2021, Chapter 60 (SB 187) allows use of 100% of revenue for tobacco program fund in FY22.

4) Laws 2020, Chapter 34 (House Bill 341) transfers from the tax stabilization reserve to the operating reserve if operating reserve balances are below one percent of appropriations, up to an amount necessary for the operating reserve to be at least one percent of total appropriations for the current year.

5) Laws 2020 First Special Session, Chapter 5 (HB1, Section 15-B) authorized a transfer of up to \$750 million from the tax stabilization reserve (TSR) to the operating reserve if FY21 revenues fall short of FY21 appropriations. 2021 GAA authorized an additional transfer of up to \$250 million from the TSR.

7) Laws 2019, Chapter 271 (HB2) contained a \$10 million appropriation to the state support reserve fund. Laws 2021, Chapter 137 (HB2, Section 6-16) includes a \$20.9 million appropriation to the state support reserve fund.

8) Laws 2020, Chapter 3 (HB83, Section 4) provides that oil and gas school tax revenue in excess of the five-year average be transferred to the Early Childhood Trust Fund instead of the tax stabilization reserves if reserve balances exceed 25 percent of recurring appropriations

9) Laws 2021, Chapter 137 (HB2) includes \$50 million appropriation from operating reserve to appropriation contingency fund

\* Note: totals may not foot due to rounding



**General Fund Consensus Revenue Estimate - August 2021**

Attachment 2

| Revenue Source                                     | FY21  |                  |                                  |                             |                        | FY22  |                  |                                  |                          |                        | FY23  |                  |                                  |                             |                        |
|--|---|------------------|----------------------------------|-----------------------------|------------------------|---|------------------|----------------------------------|--------------------------|------------------------|---|------------------|----------------------------------|-----------------------------|------------------------|
|  | Feb 2021<br>Est.<br>(Legislation<br>Adjusted) | Aug 2021<br>Est. | Change<br>from Prior<br>(Feb 21) | %<br>Change<br>from<br>FY20 | \$ Change<br>from FY20 | Feb 2021<br>Est.<br>(Legislation<br>Adjusted) | Aug 2021<br>Est. | Change<br>from Prior<br>(Feb 21) | % Change<br>from<br>FY21 | \$ Change<br>from FY21 | Feb 2021<br>Est.<br>(Legislation<br>Adjusted) | Aug 2021<br>Est. | Change<br>from Prior<br>(Feb 21) | %<br>Change<br>from<br>FY22 | \$ Change<br>from FY22 |
| <i>Base Gross Receipts Tax</i>                     | <b>2,642.9</b>                                | <b>2,965.1</b>   | 322.2                            | -4.5%                       | (139.0)                | <b>2,662.3</b>                                | <b>2,890.0</b>   | 227.7                            | -2.5%                    | (75.1)                 | <b>2,771.1</b>                                | <b>3,053.2</b>   | 282.1                            | 5.6%                        | 163.2                  |
| <i>F&amp;M Hold Harmless Payments</i>              | <b>(122.5)</b>                                | <b>(113.4)</b>   | 9.1                              | -30.0%                      | 48.6                   | <b>(112.7)</b>                                | <b>(106.8)</b>   | 5.9                              | -5.8%                    | 6.6                    | <b>(103.8)</b>                                | <b>(97.0)</b>    | 6.8                              | -9.2%                       | 9.8                    |
| NET Gross Receipts Tax                             | <b>2,520.4</b>                                | <b>2,851.7</b>   | 331.3                            | -3.1%                       | (90.4)                 | <b>2,549.7</b>                                | <b>2,783.2</b>   | 233.5                            | -2.4%                    | (68.5)                 | <b>2,667.3</b>                                | <b>2,956.2</b>   | 288.9                            | 6.2%                        | 173.0                  |
| Compensating Tax                                   | <b>54.3</b>                                   | <b>62.8</b>      | 8.5                              | -1.1%                       | (0.7)                  | <b>55.0</b>                                   | <b>61.2</b>      | 6.2                              | -2.5%                    | (1.6)                  | <b>57.1</b>                                   | <b>64.7</b>      | 7.6                              | 5.6%                        | 3.5                    |
| TOTAL GENERAL SALES                                | <b>2,574.7</b>                                | <b>2,914.5</b>   | 339.8                            | -3.0%                       | (91.1)                 | <b>2,604.7</b>                                | <b>2,844.4</b>   | 239.7                            | -2.4%                    | (70.1)                 | <b>2,724.4</b>                                | <b>3,020.9</b>   | 296.5                            | 6.2%                        | 176.5                  |
| Tobacco Taxes                                      | <b>91.5</b>                                   | <b>90.5</b>      | (1.0)                            | 1.9%                        | 1.7                    | <b>87.1</b>                                   | <b>90.4</b>      | 3.3                              | -0.1%                    | (0.1)                  | <b>86.1</b>                                   | <b>89.1</b>      | 3.0                              | -1.4%                       | (1.3)                  |
| Liquor Excise                                      | <b>24.9</b>                                   | <b>25.6</b>      | 0.7                              | 4.0%                        | 1.0                    | <b>24.5</b>                                   | <b>24.7</b>      | 0.2                              | -3.5%                    | (0.9)                  | <b>24.7</b>                                   | <b>24.9</b>      | 0.2                              | 0.8%                        | 0.2                    |
| Cannabis Excise                                    | <b>n/a</b>                                    | <b>n/a</b>       | n/a                              | n/a                         | n/a                    | <b>6.5</b>                                    | <b>6.2</b>       | (0.3)                            | n/a                      | n/a                    | <b>20.0</b>                                   | <b>27.9</b>      | 7.9                              | 350.0%                      | 21.7                   |
| Insurance Taxes                                    | <b>230.8</b>                                  | <b>290.9</b>     | 60.1                             | 12.2%                       | 31.7                   | <b>268.1</b>                                  | <b>293.8</b>     | 25.7                             | 1.0%                     | 2.9                    | <b>300.0</b>                                  | <b>348.8</b>     | 48.8                             | 18.7%                       | 55.0                   |
| Fire Protection Fund Reversion                     | <b>12.0</b>                                   | <b>12.0</b>      | -                                | #DIV/0!                     | 12.0                   | <b>-</b>                                      | <b>-</b>         | -                                | -100.0%                  | (12.0)                 | <b>-</b>                                      | <b>-</b>         | -                                | n/a                         | -                      |
| Motor Vehicle Excise                               | <b>156.3</b>                                  | <b>174.1</b>     | 17.8                             | 26.4%                       | 36.3                   | <b>130.3</b>                                  | <b>137.5</b>     | 7.2                              | -21.0%                   | (36.6)                 | <b>134.6</b>                                  | <b>139.7</b>     | 5.1                              | 1.6%                        | 2.2                    |
| Gaming Excise                                      | <b>8.5</b>                                    | <b>24.7</b>      | 16.2                             | -46.4%                      | (21.4)                 | <b>64.0</b>                                   | <b>66.7</b>      | 2.7                              | 170.6%                   | 42.1                   | <b>65.2</b>                                   | <b>66.0</b>      | 0.8                              | -1.0%                       | (0.7)                  |
| Leased Vehicle & Other                             | <b>4.3</b>                                    | <b>5.5</b>       | 1.2                              | -26.1%                      | (1.9)                  | <b>5.7</b>                                    | <b>5.5</b>       | (0.2)                            | 0.0%                     | -                      | <b>5.9</b>                                    | <b>6.0</b>       | 0.0                              | 8.2%                        | 0.5                    |
| TOTAL SELECTIVE SALES                              | <b>528.3</b>                                  | <b>623.3</b>     | 96.2                             | 10.5%                       | 59.5                   | <b>586.2</b>                                  | <b>624.8</b>     | 39.3                             | 0.2%                     | 1.5                    | <b>636.5</b>                                  | <b>702.4</b>     | 65.8                             | 12.4%                       | 77.6                   |
| Personal Income Tax                                | <b>1,587.1</b>                                | <b>1,899.1</b>   | 312.0                            | 12.3%                       | 207.3                  | <b>1,592.0</b>                                | <b>1,860.9</b>   | 268.9                            | -2.0%                    | (38.2)                 | <b>1,686.2</b>                                | <b>1,982.2</b>   | 296.0                            | 6.5%                        | 121.3                  |
| <i>Gross Corporate Income Tax</i>                  | <b>134.5</b>                                  | <b>228.1</b>     | 93.6                             | 63.5%                       | 88.6                   | <b>142.1</b>                                  | <b>224.9</b>     | 82.8                             | -1.4%                    | (3.2)                  | <b>154.6</b>                                  | <b>233.4</b>     | 78.8                             | 3.8%                        | 8.5                    |
| <i>CIT Refundable Credits</i>                      | <b>(83.1)</b>                                 | <b>(83.1)</b>    | 0.0                              | 8.9%                        | (6.8)                  | <b>(99.8)</b>                                 | <b>(111.4)</b>   | (11.6)                           | 34.1%                    | (28.3)                 | <b>(146.6)</b>                                | <b>(139.1)</b>   | 7.5                              | 24.8%                       | (27.7)                 |
| NET Corporate Income Tax                           | <b>51.4</b>                                   | <b>145.0</b>     | 93.6                             | 129.4%                      | 81.8                   | <b>42.3</b>                                   | <b>113.5</b>     | 71.2                             | -21.7%                   | (31.5)                 | <b>8.0</b>                                    | <b>94.3</b>      | 86.3                             | -16.9%                      | (19.2)                 |
| TOTAL INCOME TAXES                                 | <b>1,638.5</b>                                | <b>2,044.1</b>   | 405.6                            | 16.5%                       | 289.1                  | <b>1,634.3</b>                                | <b>1,974.4</b>   | 340.1                            | -3.4%                    | (69.7)                 | <b>1,694.2</b>                                | <b>2,076.5</b>   | 382.3                            | 5.2%                        | 102.1                  |
| <i>Gross Oil and Gas School Tax</i>                | <b>561.0</b>                                  | <b>755.1</b>     | 194.1                            | 36.1%                       | 200.3                  | <b>611.2</b>                                  | <b>1,029.4</b>   | 418.2                            | 36.3%                    | 274.3                  | <b>622.3</b>                                  | <b>952.7</b>     | 330.4                            | -7.5%                       | (76.7)                 |
| <i>Excess to TSR or Early Childhood Trust Fund</i> | <b>(140.6)</b>                                | <b>(334.7)</b>   | (194.1)                          | 101.5%                      | (168.6)                | <b>(126.0)</b>                                | <b>(505.4)</b>   | (379.4)                          | 51.0%                    | (170.7)                | <b>(75.7)</b>                                 | <b>(283.6)</b>   | (207.9)                          | -43.9%                      | (221.8)                |
| NET Oil & Gas School Tax                           | <b>420.4</b>                                  | <b>420.4</b>     | 0.0                              | 8.2%                        | 31.7                   | <b>485.2</b>                                  | <b>524.0</b>     | 38.8                             | 24.6%                    | 103.6                  | <b>546.6</b>                                  | <b>669.1</b>     | 122.5                            | 27.7%                       | 145.1                  |
| Oil Conservation Tax                               | <b>29.5</b>                                   | <b>38.9</b>      | 9.4                              | 31.8%                       | 9.4                    | <b>31.9</b>                                   | <b>53.1</b>      | 21.2                             | 36.5%                    | 14.2                   | <b>32.5</b>                                   | <b>49.2</b>      | 16.7                             | -7.3%                       | (3.9)                  |
| Resources Excise Tax                               | <b>6.7</b>                                    | <b>6.7</b>       | -                                | -6.3%                       | (0.4)                  | <b>7.7</b>                                    | <b>7.6</b>       | (0.1)                            | 13.4%                    | 0.9                    | <b>7.5</b>                                    | <b>7.0</b>       | (0.5)                            | -7.9%                       | (0.6)                  |
| Natural Gas Processors Tax                         | <b>9.6</b>                                    | <b>10.4</b>      | 0.8                              | -29.6%                      | (4.4)                  | <b>8.2</b>                                    | <b>8.6</b>       | 0.4                              | -17.3%                   | (1.8)                  | <b>11.6</b>                                   | <b>21.0</b>      | 9.4                              | 144.2%                      | 12.4                   |
| TOTAL SEVERANCE TAXES                              | <b>466.2</b>                                  | <b>476.4</b>     | 10.2                             | 8.2%                        | 36.3                   | <b>533.0</b>                                  | <b>593.3</b>     | 60.3                             | 24.5%                    | 116.9                  | <b>598.2</b>                                  | <b>746.3</b>     | 148.1                            | 25.8%                       | 153.0                  |
| LICENSE FEES                                       | <b>52.7</b>                                   | <b>51.4</b>      | (1.4)                            | 1.8%                        | 0.9                    | <b>52.2</b>                                   | <b>60.1</b>      | 7.8                              | 16.9%                    | 8.7                    | <b>52.5</b>                                   | <b>59.7</b>      | 7.2                              | -0.5%                       | 0.3                    |
| LGPFI Interest                                     | <b>719.9</b>                                  | <b>720.8</b>     | 0.9                              | 7.0%                        | 47.3                   | <b>781.8</b>                                  | <b>777.1</b>     | (4.7)                            | 7.8%                     | 56.3                   | <b>848.3</b>                                  | <b>848.5</b>     | 0.2                              | 9.2%                        | 71.4                   |
| STO Interest                                       | <b>31.0</b>                                   | <b>5.2</b>       | (25.8)                           | -94.3%                      | (86.6)                 | <b>23.5</b>                                   | <b>26.3</b>      | 2.8                              | 405.8%                   | 21.1                   | <b>16.5</b>                                   | <b>20.9</b>      | 4.4                              | -20.5%                      | (5.4)                  |
| STPI Interest                                      | <b>234.0</b>                                  | <b>234.0</b>     | -                                | 3.9%                        | 8.8                    | <b>246.4</b>                                  | <b>246.4</b>     | -                                | 5.3%                     | 12.4                   | <b>254.1</b>                                  | <b>261.5</b>     | 7.4                              | 6.1%                        | 15.1                   |
| TOTAL INTEREST                                     | <b>984.9</b>                                  | <b>960.0</b>     | (24.9)                           | -3.1%                       | (30.5)                 | <b>1,051.7</b>                                | <b>1,049.8</b>   | (1.9)                            | 9.4%                     | 89.8                   | <b>1,118.9</b>                                | <b>1,130.9</b>   | 12.0                             | 7.7%                        | 81.1                   |
| <i>Gross Federal Mineral Leasing</i>               | <b>738.5</b>                                  | <b>811.0</b>     | 72.6                             | -0.7%                       | (6.1)                  | <b>787.0</b>                                  | <b>1,180.1</b>   | 393.2                            | 45.5%                    | 369.1                  | <b>831.2</b>                                  | <b>1,267.6</b>   | 436.4                            | 7.4%                        | 87.5                   |
| <i>Excess to Early Childhood Trust Fund</i>        | <b>n/a</b>                                    | <b>n/a</b>       | n/a                              | n/a                         | n/a                    | <b>-</b>                                      | <b>(425.2)</b>   | (425.2)                          | n/a                      | n/a                    | <b>-</b>                                      | <b>(363.9)</b>   | (363.9)                          | n/a                         | n/a                    |
| NET Federal Mineral Leasing                        | <b>738.5</b>                                  | <b>811.0</b>     | 72.6                             | -0.7%                       | (6.1)                  | <b>787.0</b>                                  | <b>754.9</b>     | (32.1)                           | -6.9%                    | (56.1)                 | <b>831.2</b>                                  | <b>903.7</b>     | 72.5                             | 19.7%                       | 148.8                  |
| State Land Office                                  | <b>59.4</b>                                   | <b>38.0</b>      | (21.5)                           | -45.7%                      | (31.9)                 | <b>60.2</b>                                   | <b>38.3</b>      | (21.9)                           | 0.9%                     | 0.3                    | <b>61.2</b>                                   | <b>38.3</b>      | (22.9)                           | 0.0%                        | -                      |
| TOTAL RENTS & ROYALTIES                            | <b>797.9</b>                                  | <b>849.0</b>     | 51.1                             | -4.3%                       | (38.0)                 | <b>847.2</b>                                  | <b>793.2</b>     | (54.0)                           | -6.6%                    | (55.8)                 | <b>892.4</b>                                  | <b>942.0</b>     | 49.6                             | 18.8%                       | 148.8                  |
| TRIBAL REVENUE SHARING                             | <b>53.8</b>                                   | <b>29.7</b>      | (24.1)                           | -34.6%                      | (15.7)                 | <b>68.6</b>                                   | <b>71.8</b>      | 3.2                              | 141.5%                   | 42.1                   | <b>69.1</b>                                   | <b>73.5</b>      | 4.5                              | 2.4%                        | 1.7                    |
| MISCELLANEOUS RECEIPTS                             | <b>47.5</b>                                   | <b>47.4</b>      | (0.1)                            | 14.1%                       | 5.8                    | <b>47.9</b>                                   | <b>46.9</b>      | (1.0)                            | -0.9%                    | (0.4)                  | <b>40.0</b>                                   | <b>39.5</b>      | (0.6)                            | -15.8%                      | (7.4)                  |
| REVERSIONS   | <b>50.0</b>                                   | <b>50.0</b>      | -                                | -38.3%                      | (31.1)                 | <b>50.0</b>                                   | <b>50.0</b>      | -                                | 0.0%                     | -                      | <b>50.0</b>                                   | <b>50.0</b>      | -                                | 0.0%                        | -                      |
| TOTAL RECURRING                                    | <b>7,194.5</b>                                | <b>8,045.7</b>   | 851.3                            | 2.4%                        | 185.2                  | <b>7,475.9</b>                                | <b>8,108.6</b>   | 632.8                            | 0.8%                     | 62.9                   | <b>7,876.2</b>                                | <b>8,841.7</b>   | 965.5                            | 9.0%                        | 733.1                  |
| <i>2021 Nonrecurring Legislation</i>               | <b>(199.7)</b>                                | <b>(147.0)</b>   | 52.7                             |                             |                        | <b>(3.8)</b>                                  | <b>(13.8)</b>    | (10.0)                           |                          |                        |   |                  |                                  |                             |                        |
| <i>Other Nonrecurring</i>                          | <b>62.8</b>                                   | <b>82.6</b>      | 19.8                             |                             |                        | <b>-</b>                                      | <b>-</b>         | -                                |                          |                        |   |                  |                                  |                             |                        |
| TOTAL NONRECURRING                                 | <b>(136.9)</b>                                | <b>(64.4)</b>    | 72.5                             | -120.0%                     | (386.7)                | <b>(3.8)</b>                                  | <b>(13.8)</b>    | (10.0)                           | n/a                      | 50.6                   | <b>-</b>                                      | <b>-</b>         | <b>-</b>                         | n/a                         | 13.8                   |
| GRAND TOTAL General Fund                           | <b>7,057.6</b>                                | <b>7,981.4</b>   | <b>923.8</b>                     | <b>-2.5%</b>                | <b>(201.6)</b>         | <b>7,472.1</b>                                | <b>8,094.8</b>   | <b>622.8</b>                     | <b>1.4%</b>              | <b>113.5</b>           | <b>7,876.2</b>                                | <b>8,841.7</b>   | <b>965.5</b>                     | <b>9.2%</b>                 | <b>746.9</b>           |

Note: Columns in blue show difference between February 2021 Consensus Revenue Estimate (legislation-adjusted) and August 2021 Consensus Revenue Estimate

Note: Columns in red show year-over-year growth expected in the August 2021 Consensus Revenue Estimate

**General Fund Consensus Revenue Estimate - August 2021**

Attachment 2

| Revenue Source                                     | FY24                                    |                |                               |                    |                     | FY25                                    |                |                               |                    |                     | FY 26           |                    |                     |
|--|---|----------------|-------------------------------|--------------------|---------------------|---|----------------|-------------------------------|--------------------|---------------------|-----------------|--------------------|---------------------|
|  | Feb 2021 Est.<br>(Legislation Adjusted) | Aug 2021 Est.  | Change from Prior<br>(Feb 21) | % Change from FY23 | \$ Change from FY23 | Feb 2021 Est.<br>(Legislation Adjusted) | Aug 2021 Est.  | Change from Prior<br>(Feb 21) | % Change from FY24 | \$ Change from FY24 | Aug 2021 Est.   | % Change from FY25 | \$ Change from FY25 |
| <i>Base Gross Receipts Tax</i>                     | <b>2,874.1</b>                          | <b>3,152.8</b> | 278.7                         | 3.3%               | 99.6                | <b>2,975.6</b>                          | <b>3,251.9</b> | 276.3                         | 3.1%               | 99.1                | <b>3,359.0</b>  | 3.3%               | 107.1               |
| <i>F&amp;M Hold Harmless Payments</i>              | <b>(94.5)</b>                           | <b>(87.4)</b>  | 7.1                           | -9.9%              | 9.6                 | <b>(84.8)</b>                           | <b>(77.2)</b>  | 7.6                           | -11.7%             | 10.2                | <b>(66.5)</b>   | -13.9%             | 10.7                |
| NET Gross Receipts Tax                             | <b>2,779.6</b>                          | <b>3,065.4</b> | 285.8                         | 3.7%               | 109.2               | <b>2,890.9</b>                          | <b>3,174.7</b> | 283.8                         | 3.6%               | 109.3               | <b>3,292.5</b>  | 3.7%               | 117.8               |
| Compensating Tax                                   | <b>59.2</b>                             | <b>66.8</b>    | 7.6                           | 3.3%               | 2.1                 | <b>61.3</b>                             | <b>68.9</b>    | 7.6                           | 3.1%               | 2.1                 | <b>71.1</b>     | 3.3%               | 2.3                 |
| TOTAL GENERAL SALES                                | <b>2,838.8</b>                          | <b>3,132.2</b> | 293.4                         | 3.7%               | 111.3               | <b>2,952.2</b>                          | <b>3,243.6</b> | 291.4                         | 3.6%               | 111.4               | <b>3,363.6</b>  | 3.7%               | 120.1               |
| Tobacco Taxes                                      | <b>84.9</b>                             | <b>88.1</b>    | 3.2                           | -1.1%              | (1.0)               | <b>83.4</b>                             | <b>87.4</b>    | 4.0                           | -0.8%              | (0.7)               | <b>86.7</b>     | -0.8%              | (0.7)               |
| Liquor Excise                                      | <b>24.9</b>                             | <b>25.1</b>    | 0.2                           | 0.8%               | 0.2                 | <b>25.0</b>                             | <b>25.3</b>    | 0.3                           | 0.8%               | 0.2                 | <b>25.4</b>     | 0.4%               | 0.1                 |
| Cannabis Excise                                    | <b>28.6</b>                             | <b>31.9</b>    | 3.3                           | 14.3%              | 4.0                 | <b>31.5</b>                             | <b>35.7</b>    | 4.2                           | 11.9%              | 3.8                 | <b>42.7</b>     | 19.6%              | 7.0                 |
| Insurance Taxes                                    | <b>317.6</b>                            | <b>369.4</b>   | 51.8                          | 5.9%               | 20.6                | <b>385.4</b>                            | <b>454.8</b>   | 69.4                          | 23.1%              | 85.4                | <b>491.3</b>    | 8.0%               | 36.5                |
| Fire Protection Fund Reversion                     | -                                       | -              | -                             | n/a                | -                   | -                                       | -              | -                             | n/a                | -                   | -               | n/a                | -                   |
| Motor Vehicle Excise                               | <b>140.2</b>                            | <b>141.5</b>   | 1.3                           | 1.3%               | 1.8                 | <b>145.2</b>                            | <b>147.4</b>   | 2.2                           | 4.2%               | 5.9                 | <b>151.5</b>    | 2.8%               | 4.1                 |
| Gaming Excise                                      | <b>64.7</b>                             | <b>66.6</b>    | 1.9                           | 0.9%               | 0.6                 | <b>64.1</b>                             | <b>65.9</b>    | 1.8                           | -1.1%              | (0.7)               | <b>65.9</b>     | 0.0%               | -                   |
| Leased Vehicle & Other                             | <b>5.9</b>                              | <b>6.3</b>     | 0.4                           | 5.9%               | 0.4                 | <b>5.6</b>                              | <b>6.6</b>     | 1.0                           | 4.8%               | 0.3                 | <b>6.6</b>      | 0.0%               | -                   |
| TOTAL SELECTIVE SALES                              | <b>666.8</b>                            | <b>728.9</b>   | 62.1                          | 3.8%               | 26.5                | <b>740.2</b>                            | <b>823.1</b>   | 82.9                          | 12.9%              | 94.2                | <b>870.1</b>    | 5.7%               | 47.0                |
| Personal Income Tax                                | <b>1,726.7</b>                          | <b>2,069.5</b> | 342.8                         | 4.4%               | 87.3                | <b>1,792.5</b>                          | <b>2,187.2</b> | 394.7                         | 5.7%               | 117.7               | <b>2,298.2</b>  | 5.1%               | 111.0               |
| <i>Gross Corporate Income Tax</i>                  | <b>164.2</b>                            | <b>239.5</b>   | 75.3                          | 2.6%               | 6.1                 | <b>175.6</b>                            | <b>242.9</b>   | 67.3                          | 1.4%               | 3.4                 | <b>247.5</b>    | 1.9%               | 4.6                 |
| <i>CIT Refundable Credits</i>                      | <b>(150.5)</b>                          | <b>(159.8)</b> | (9.3)                         | 14.9%              | (20.7)              | <b>(153.5)</b>                          | <b>(159.8)</b> | (6.3)                         | 0.0%               | -                   | <b>(159.8)</b>  | 0.0%               | -                   |
| NET Corporate Income Tax                           | <b>13.7</b>                             | <b>79.7</b>    | 66.0                          | -15.5%             | (14.6)              | <b>22.1</b>                             | <b>83.1</b>    | 61.0                          | 4.3%               | 3.4                 | <b>87.7</b>     | 5.5%               | 4.6                 |
| TOTAL INCOME TAXES                                 | <b>1,740.4</b>                          | <b>2,149.2</b> | 408.8                         | 3.5%               | 72.7                | <b>1,814.6</b>                          | <b>2,270.3</b> | 455.7                         | 5.6%               | 121.1               | <b>2,385.9</b>  | 5.1%               | 115.6               |
| <i>Gross Oil and Gas School Tax</i>                | <b>631.7</b>                            | <b>915.5</b>   | 283.8                         | -3.9%              | (37.2)              | <b>643.8</b>                            | <b>923.1</b>   | 279.3                         | 0.8%               | 7.6                 | <b>948.8</b>    | 2.8%               | 25.7                |
| <i>Excess to TSR or Early Childhood Trust Fund</i> | <b>(50.8)</b>                           | <b>(146.0)</b> | (95.2)                        | -48.5%             | 137.6               | <b>(47.6)</b>                           | <b>(81.6)</b>  | (34.0)                        | -44.1%             | 64.4                | <b>(33.7)</b>   | -58.7%             | 47.9                |
| NET Oil & Gas School Tax                           | <b>580.9</b>                            | <b>769.5</b>   | 188.6                         | 15.0%              | 100.4               | <b>596.2</b>                            | <b>841.5</b>   | 245.3                         | 9.4%               | 72.0                | <b>915.1</b>    | 8.7%               | 73.6                |
| Oil Conservation Tax                               | <b>32.9</b>                             | <b>47.6</b>    | 14.7                          | -3.3%              | (1.6)               | <b>33.5</b>                             | <b>48.0</b>    | 14.5                          | 0.8%               | 0.4                 | <b>49.3</b>     | 2.7%               | 1.3                 |
| Resources Excise Tax                               | <b>7.6</b>                              | <b>7.1</b>     | (0.5)                         | 1.4%               | 0.1                 | <b>7.7</b>                              | <b>7.1</b>     | (0.6)                         | 0.0%               | -                   | <b>7.1</b>      | 0.0%               | -                   |
| Natural Gas Processors Tax                         | <b>11.8</b>                             | <b>18.0</b>    | 6.2                           | -14.3%             | (3.0)               | <b>12.0</b>                             | <b>14.8</b>    | 2.8                           | -17.8%             | (3.2)               | <b>13.3</b>     | -10.1%             | (1.5)               |
| TOTAL SEVERANCE TAXES                              | <b>633.2</b>                            | <b>842.2</b>   | 209.0                         | 12.9%              | 95.9                | <b>649.4</b>                            | <b>911.4</b>   | 262.0                         | 8.2%               | 69.2                | <b>984.8</b>    | 8.1%               | 73.4                |
| LICENSE FEES                                       | <b>52.9</b>                             | <b>59.5</b>    | 6.6                           | -0.3%              | (0.2)               | <b>53.5</b>                             | <b>58.7</b>    | 5.2                           | -1.4%              | (0.8)               | <b>58.6</b>     | -0.3%              | (0.2)               |
| LGPF Interest                                      | <b>908.2</b>                            | <b>917.3</b>   | 9.1                           | 8.1%               | 68.8                | <b>981.8</b>                            | <b>1,003.1</b> | 21.3                          | 9.4%               | 85.8                | <b>1,077.0</b>  | 7.4%               | 73.9                |
| STO Interest                                       | <b>19.4</b>                             | <b>22.5</b>    | 3.1                           | 7.7%               | 1.6                 | <b>19.4</b>                             | <b>32.9</b>    | 13.5                          | 46.2%              | 10.4                | <b>33.1</b>     | 0.6%               | 0.2                 |
| STPF Interest                                      | <b>258.8</b>                            | <b>278.5</b>   | 19.7                          | 6.5%               | 17.0                | <b>266.3</b>                            | <b>298.4</b>   | 32.1                          | 7.1%               | 19.9                | <b>313.5</b>    | 5.1%               | 15.1                |
| TOTAL INTEREST                                     | <b>1,186.4</b>                          | <b>1,218.3</b> | 31.9                          | 7.7%               | 87.4                | <b>1,267.5</b>                          | <b>1,334.4</b> | 66.9                          | 9.5%               | 116.1               | <b>1,423.6</b>  | 6.7%               | 89.2                |
| <i>Gross Federal Mineral Leasing</i>               | <b>845.2</b>                            | <b>1,208.3</b> | 363.1                         | -4.7%              | (59.3)              | <b>861.3</b>                            | <b>1,177.9</b> | 316.6                         | -2.5%              | (30.4)              | <b>1,198.2</b>  | 1.7%               | 20.3                |
| <i>Excess to Early Childhood Trust Fund</i>        | -                                       | <b>(163.9)</b> | (163.9)                       | -55.0%             | 200.0               | <b>(35.7)</b>                           | <b>(121.1)</b> | (85.4)                        | -26.1%             | 42.8                | <b>(69.2)</b>   | -42.9%             | 51.9                |
| NET Federal Mineral Leasing                        | <b>845.2</b>                            | <b>1,044.4</b> | 199.2                         | 15.6%              | 140.7               | <b>825.6</b>                            | <b>1,056.8</b> | 231.2                         | 1.2%               | 12.4                | <b>1,129.0</b>  | 6.8%               | 72.2                |
| State Land Office                                  | <b>62.4</b>                             | <b>38.3</b>    | (24.1)                        | 0.0%               | -                   | <b>63.7</b>                             | <b>38.3</b>    | (25.4)                        | 0.0%               | -                   | <b>38.3</b>     | 0.0%               | -                   |
| TOTAL RENTS & ROYALTIES                            | <b>907.6</b>                            | <b>1,082.7</b> | 175.1                         | 14.9%              | 140.7               | <b>889.3</b>                            | <b>1,095.1</b> | 205.8                         | 1.1%               | 12.4                | <b>1,167.3</b>  | 6.6%               | 72.2                |
| TRIBAL REVENUE SHARING                             | <b>70.2</b>                             | <b>75.4</b>    | 5.2                           | 2.5%               | 1.8                 | <b>71.3</b>                             | <b>77.2</b>    | 5.9                           | 2.4%               | 1.8                 | <b>79.1</b>     | 2.5%               | 1.9                 |
| MISCELLANEOUS RECEIPTS                             | <b>39.2</b>                             | <b>37.8</b>    | (1.4)                         | -4.2%              | (1.7)               | <b>39.1</b>                             | <b>38.9</b>    | (0.2)                         | 3.0%               | 1.1                 | <b>38.8</b>     | -0.5%              | (0.2)               |
| REVERSIONS   | <b>50.0</b>                             | <b>50.0</b>    | -                             | 0.0%               | -                   | <b>50.0</b>                             | <b>50.0</b>    | -                             | 0.0%               | -                   | <b>50.0</b>     | 0.0%               | -                   |
| TOTAL RECURRING                                    | <b>8,185.5</b>                          | <b>9,376.2</b> | 1,190.7                       | 6.0%               | 534.5               | <b>8,527.1</b>                          | <b>9,902.7</b> | 1,375.7                       | 5.6%               | 526.5               | <b>10,421.8</b> | 5.2%               | 519.1               |
| <i>2021 Nonrecurring Legislation</i>               |   |                |                               |                    |                     |   |                |                               |                    |                     |                 |                    |                     |
| <i>Other Nonrecurring</i>                          |   |                |                               |                    |                     |   |                |                               |                    |                     |                 |                    |                     |
| TOTAL NONRECURRING                                 |   |                | -                             | n/a                | -                   |   |                | -                             | n/a                | -                   |                 | n/a                | -                   |
| <b>GRAND TOTAL General Fund</b>                    | <b>8,185.5</b>                          | <b>9,376.2</b> | <b>1,190.7</b>                | <b>6.0%</b>        | <b>534.5</b>        | <b>8,527.1</b>                          | <b>9,902.7</b> | <b>1,375.7</b>                | <b>5.6%</b>        | <b>526.5</b>        | <b>10,421.8</b> | <b>5.2%</b>        | <b>519.1</b>        |

Note: Columns in blue show difference between February 2021 Consensus Revenue Estimate (legislation-adjusted) and August 2021 Consensus Revenue Estimate

Note: Columns in red show year-over-year growth expected in the August 2021 Consensus Revenue Estimate

## U.S. and New Mexico Economic Indicators

|  | FY21               |                    | FY22               |                    | FY23               |                    | FY24               |                    | FY25               |                    | FY26               |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | Jan 21<br>Forecast | Aug 21<br>Forecast | Jan 21<br>Forecast | Aug 21<br>Forecast | Jan 21<br>Forecast | Aug 21<br>Forecast | Jan 21<br>Forecast | Aug 21<br>Forecast | Jan 21<br>Forecast | Aug 21<br>Forecast | Jan 21<br>Forecast | Aug 21<br>Forecast |
| <b>National Economic Indicators</b>                      |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| IHS US Real GDP Growth (annual avg., % YOY)*             | 0.6                | 1.6                | 4.1                | 5.7                | 3.0                | 2.8                | 2.5                | 2.3                | 2.5                | 2.3                | 2.5                | 2.3                |
| Moody's US Real GDP Growth (annual avg., % YOY)*         | 1.2                | 1.6                | 4.9                | 6.2                | 4.5                | 2.8                | 2.5                | 2.9                | 2.0                | 2.7                | 1.9                | 2.4                |
| IHS US Inflation Rate (CPI-U, annual avg., % YOY)**      | 1.6                | 2.3                | 2.4                | 4.2                | 2.2                | 1.5                | 2.1                | 2.0                | 2.1                | 2.1                | 2.1                | 2.2                |
| Moody's US Inflation Rate (CPI-U, annual avg., % YOY)**  | 1.6                | 2.3                | 2.3                | 4.2                | 2.5                | 2.3                | 2.4                | 2.3                | 2.5                | 2.3                | 2.4                | 2.3                |
| IHS Federal Funds Rate (%)                               | 0.1                | 0.1                | 0.1                | 0.1                | 0.1                | 0.1                | 0.1                | 0.3                | 0.1                | 0.8                | 0.1                | 1.3                |
| Moody's Federal Funds Rate (%)                           | 0.1                | 0.1                | 0.1                | 0.1                | 0.1                | 0.2                | 0.7                | 1.0                | 1.7                | 1.9                | 2.5                | 2.5                |
| <b>New Mexico Labor Market and Income Data</b>           |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| BBER NM Non-Agricultural Employment Growth (%)           | -2.6               | -5.3               | 2.5                | 3.4                | 1.2                | 2.2                | 1.1                | 1.6                | 1.2                | 1.4                | 1.2                | 1.4                |
| Moody's NM Non-Agricultural Employment Growth (%)        | -4.1               | -5.9               | 3.2                | 4.4                | 2.7                | 2.4                | 1.6                | 1.1                | 0.7                | 0.5                | 0.5                | 0.3                |
| BBER NM Nominal Personal Income Growth (%)***            | 6.7                | 6.3                | 2.5                | 6.6                | -1.1               | -5.5               | 4.4                | 4.6                | 4.6                | 4.5                | 4.9                | 4.9                |
| Moody's NM Nominal Personal Income Growth (%)***         | 7.0                | 6.3                | 6.0                | 5.4                | -2.3               | -1.7               | 4.9                | 4.6                | 4.4                | 4.5                | 4.2                | 4.3                |
| BBER NM Total Wages & Salaries Growth (%)                | 0.7                | 0.0                | 4.3                | 4.7                | 4.1                | 5.2                | 4.1                | 4.8                | 4.2                | 4.5                | 4.6                | 4.4                |
| Moody's NM Total Wages & Salaries Growth (%)             | 1.9                | 1.0                | 4.2                | 7.1                | 4.0                | 4.3                | 4.8                | 4.8                | 4.2                | 4.1                | 4.3                | 4.2                |
| BBER NM Private Wages & Salaries Growth (%)              | 1.4                | 0.9                | 5.1                | 4.7                | 4.6                | 5.8                | 4.5                | 5.1                | 4.7                | 4.8                | 5.1                | 4.6                |
| BBER NM Real Gross State Product (% YOY)                 | -0.1               | -0.4               | 2.6                | 5.8                | 2.6                | 2.4                | 2.7                | 2.2                | 2.4                | 2.2                | 2.2                | 2.1                |
| Moody's NM Real Gross State Product (% YOY)              | 1.3                | 0.2                | 5.4                | 7.2                | 4.3                | 2.8                | 2.5                | 2.5                | 1.7                | 2.2                | 1.6                | 2.0                |
| CREG NM Gross Oil Price (\$/barrel)                      | \$43.50            | \$49.92            | \$47.00            | \$63.50            | \$48.50            | \$58.00            | \$49.00            | \$56.00            | \$49.50            | \$55.50            |                    | \$55.50            |
| CREG NM Net Oil Price (\$/barrel)*****                   | \$38.19            | \$43.61            | \$41.27            | \$55.75            | \$42.58            | \$50.92            | \$43.02            | \$49.17            | \$43.46            | \$48.73            |                    | \$48.73            |
| BBER Oil Volumes (million barrels)                       | 363                | 392                | 375                | 396                | 392                | 408                | 404                | 414                | 415                | 420                |                    | 421                |
| CREG NM Taxable Oil Volumes (million barrels)            | 370                | 405                | 370                | 445                | 370                | 460                | 370                | 475                | 370                | 485                |                    | 495                |
| NM Taxable Oil Volumes (%YOY growth)                     | 22.0%              | 10.0%              | 0.5%               | 9.9%               | 0.0%               | 3.4%               | 0.0%               | 3.3%               | 0.0%               | 2.1%               |                    | 2.1%               |
| CREG NM Gross Gas Price (\$ per thousand cubic feet)**** | \$2.45             | \$3.32             | \$2.70             | \$3.75             | \$2.65             | \$3.25             | \$2.70             | \$2.75             | \$2.80             | \$2.70             |                    | \$2.80             |
| CREG NM Net Gas Price (\$ per thousand cubic feet)*****  | \$1.75             | \$2.32             | \$1.69             | \$2.71             | \$1.75             | \$2.25             | \$1.75             | \$1.83             | \$1.85             | \$1.79             |                    | \$1.87             |
| BBER Gas Volumes (billion cubic feet)                    | 1,711              | 1,995              | 1,817              | 1,847              | 1,831              | 1,874              | 1,868              | 1,895              | 1,900              | 1,904              |                    | 1,945              |
| CREG NM Taxable Gas Volumes (billion cubic feet)         | 1,829              | 2,115              | 1,830              | 2,270              | 1,830              | 2,360              | 1,830              | 2,430              | 1,830              | 2,470              |                    | 2,500              |
| NM Taxable Gas Volumes (%YOY growth)                     | 17.0%              | 15.6%              | 0.1%               | 7.3%               | 0.0%               | 4.0%               | 0.0%               | 3.0%               | 0.0%               | 1.6%               |                    | 1.2%               |

Notes

\* Real GDP is BEA chained 2012 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

\*\*\*\*The gross gas prices are estimated using a formula of NYMEX, EIA, and IHS Markit (November) future prices

\*\*\*\*\*The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties

Sources: BBER - July 2021 FOR-UNM baseline. IHS Global Insight - August 2021 baseline.

DFA Notes

\* Real GDP is BEA chained 2012 dollars, billions, annual rate

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

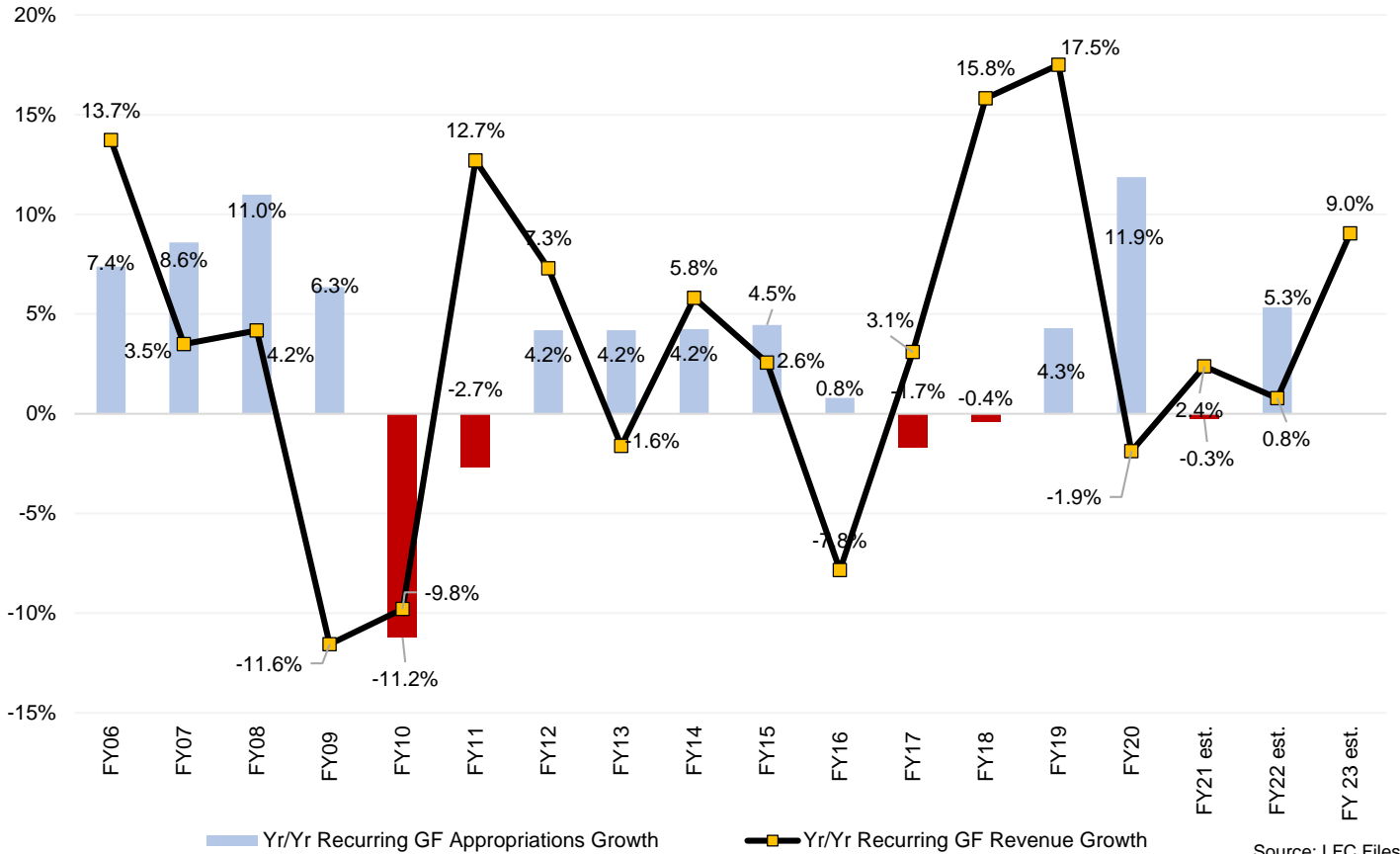
\*\*\*Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins

\*\*\*\*The gross gas prices are estimated using a formula of NYMEX, EIA, and Moodys future prices

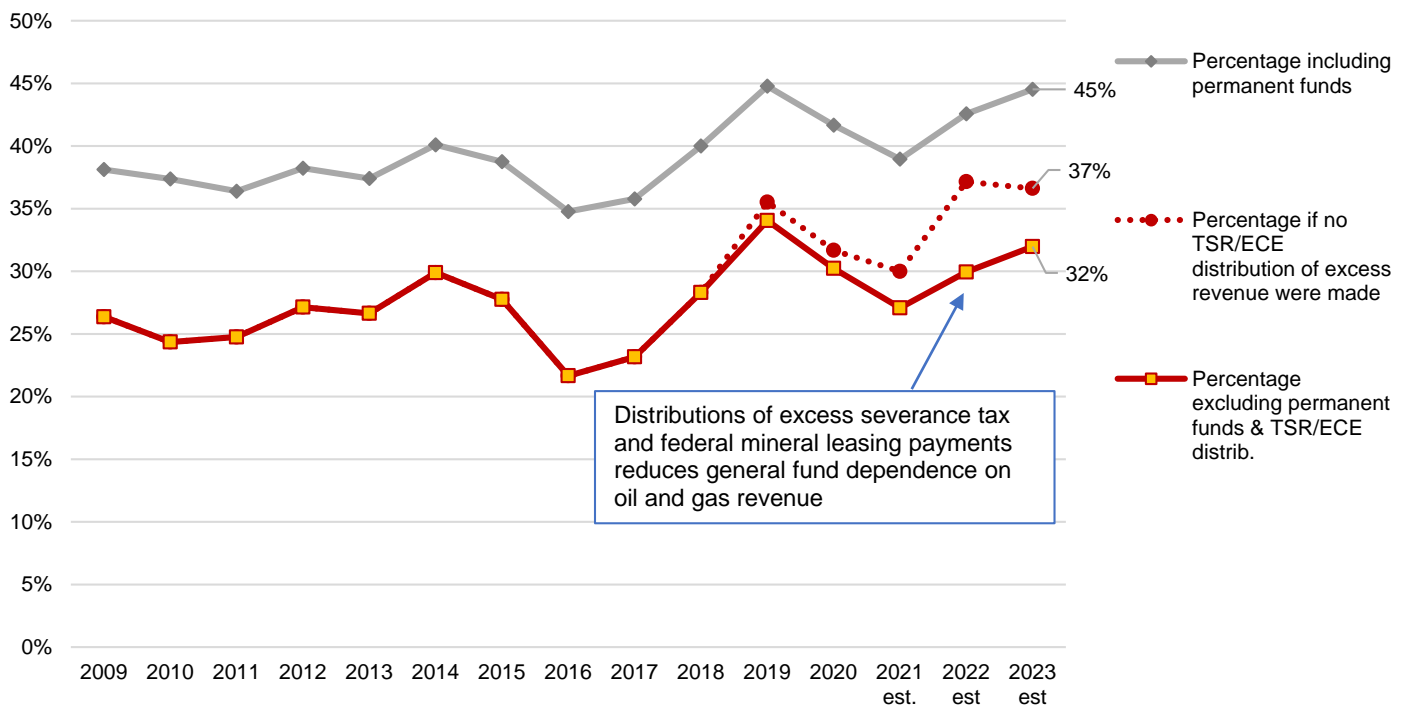
\*\*\*\*\*The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties

Sources: August 2021 Moody's economy.com baseline

### Recurring General Fund Revenue & Appropriation Annual Growth



### General Fund Revenues Dependent on Oil and Gas Industry (percentage of recurring revenue)



\*Note: Oil and gas school tax revenue in excess of the five-year average is distributed to the tax stabilization reserve (TSR) or early childhood trust fund, and federal mineral leasing revenue above the five-year average distributed to the early childhood trust fund.

Source: LFC Analysis based on August 2021 Consensus Revenue Estimate



## Early Childhood Trust Fund Forecast

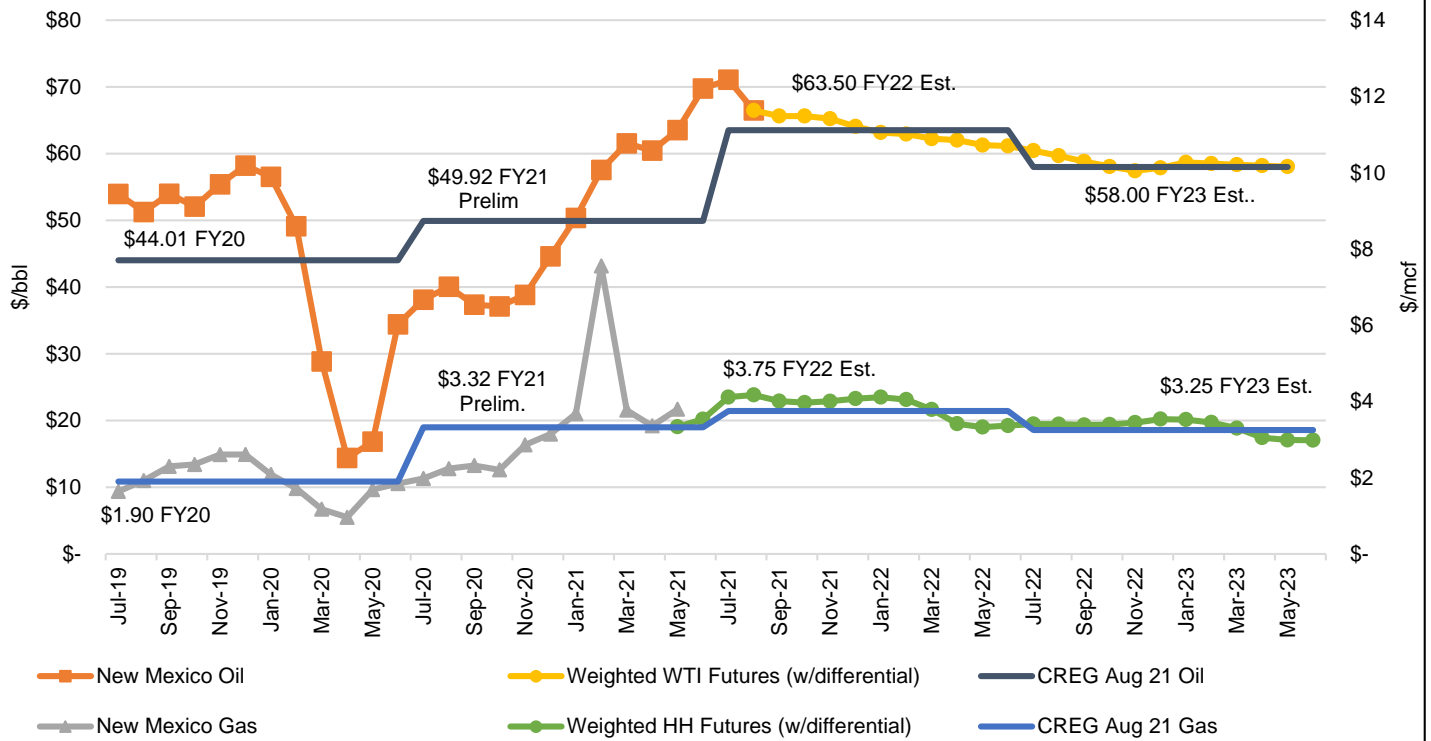
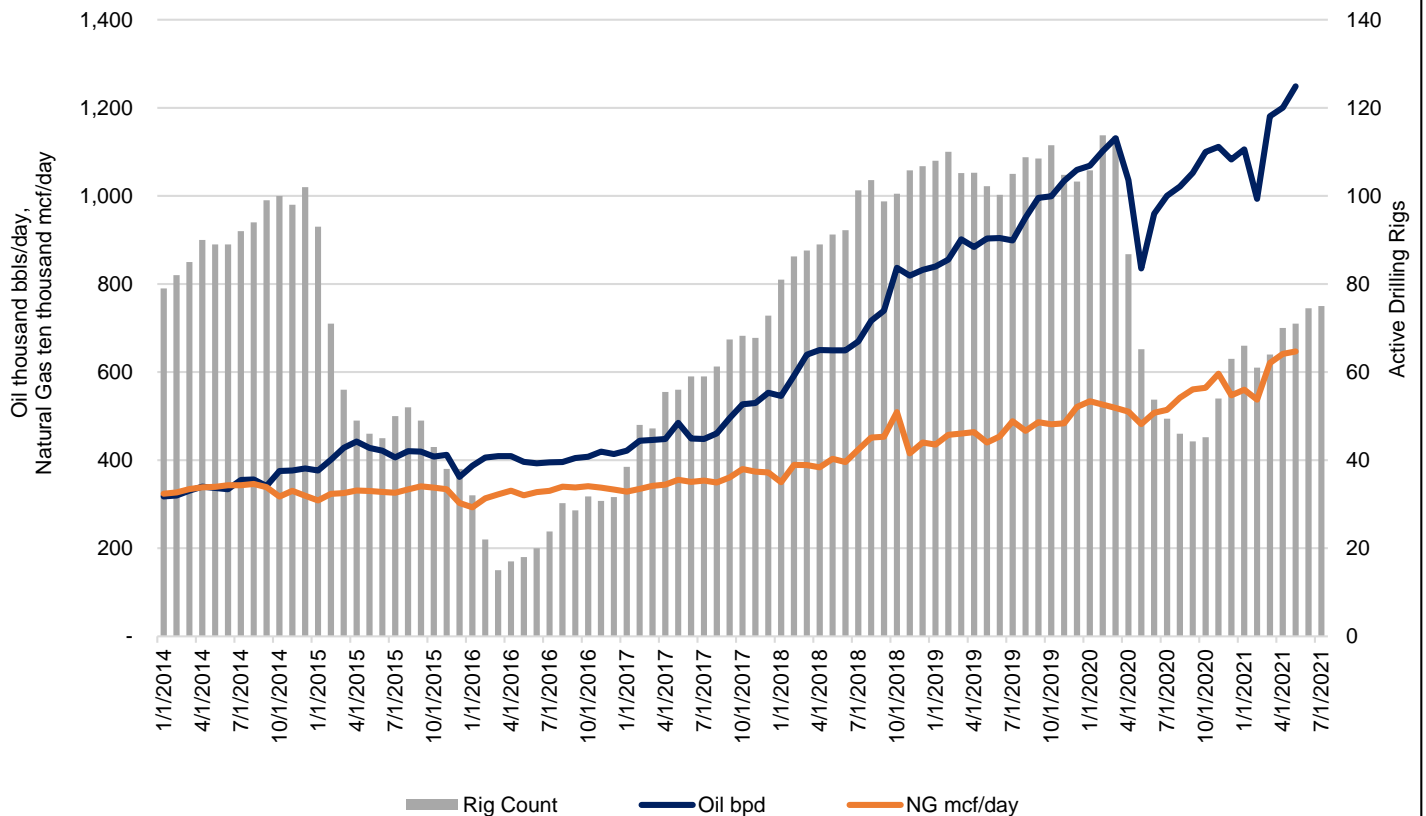
| Scenario A   |                |                  |                  |                  |                  |                  |
|--|----------------|------------------|------------------|------------------|------------------|------------------|
| <b>Early Childhood Trust Fund Forecast - August 2021</b>   |                |                  |                  |                  |                  |                  |
| (in millions)  |                |                  |                  |                  |                  |                  |
|  | FY21           | FY22             | FY23             | FY24             | FY25             | FY26             |
| Beginning Balance  | \$300.0        | \$648.4          | \$1,585.0        | \$2,265.8        | \$2,624.2        | \$2,856.8        |
| Gains & Losses   | \$13.7         | \$25.9           | \$63.4           | \$90.6           | \$105.0          | \$114.3          |
| Excess Federal Mineral Leasing   | \$0.0          | \$425.2          | \$363.8          | \$163.9          | \$121.1          | \$69.2           |
| Excess OGAS School Tax*  | \$334.7        | \$505.4          | \$283.6          | \$146.0          | \$81.6           | \$33.7           |
| Distribution to ECE Program Fund   | \$0.0          | -\$20.0          | -\$30.0          | -\$42.2          | -\$75.0          | -\$107.9         |
| <b>Ending Balance</b>  | <b>\$648.4</b> | <b>\$1,585.0</b> | <b>\$2,265.8</b> | <b>\$2,624.2</b> | <b>\$2,856.8</b> | <b>\$2,966.1</b> |
| *Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period |                |                  |                  |                  |                  |                  |
| Note: Investment return assumed at 4%  |                |                  |                  |                  |                  |                  |
|  | FY21           | FY22             | FY23             | FY24             | FY25             | FY26             |
| Distribution to ECE Program Fund   | \$0.0          | \$20.0           | \$30.0           | \$42.2           | \$75.0           | \$107.9          |

Source: August 2021 Consensus Revenue Forecast

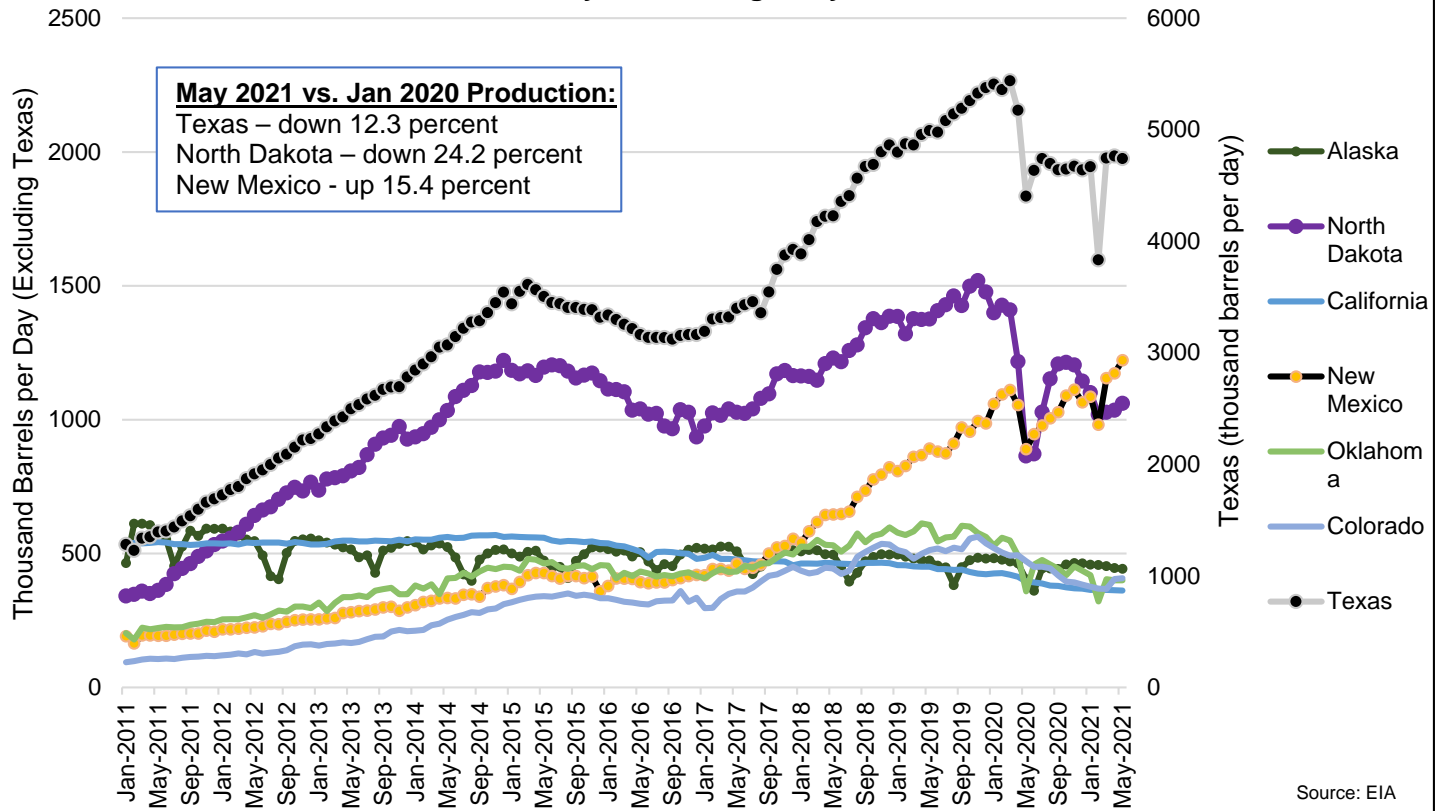
| Scenario B  |                |                  |                  |                  |                  |                  |
|---|----------------|------------------|------------------|------------------|------------------|------------------|
| <b>Early Childhood Trust Fund Forecast - August 2021</b>  |                |                  |                  |                  |                  |                  |
| (in millions)   |                |                  |                  |                  |                  |                  |
|   | FY21           | FY22             | FY23             | FY24             | FY25             | FY26             |
| Beginning Balance   | \$300.0        | \$648.4          | \$1,585.0        | \$1,982.2        | \$2,183.2        | \$2,321.4        |
| Gains & Losses  | \$13.7         | \$25.9           | \$63.4           | \$79.3           | \$87.3           | \$92.9           |
| Excess Federal Mineral Leasing  | \$0.0          | \$425.2          | \$363.8          | \$163.9          | \$121.1          | \$69.2           |
| Excess OGAS School Tax**  | \$334.7        | \$505.4          | -                | -                | -                | -                |
| Distribution to ECE Program Fund  | \$0.0          | -\$20.0          | -\$30.0          | -\$42.2          | -\$70.3          | -\$95.8          |
| <b>Ending Balance</b>   | <b>\$648.4</b> | <b>\$1,585.0</b> | <b>\$1,982.2</b> | <b>\$2,183.2</b> | <b>\$2,321.4</b> | <b>\$2,387.6</b> |
| **Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% in FY21 and FY22 |                |                  |                  |                  |                  |                  |
| Note: Investment return assumed at 4%   |                |                  |                  |                  |                  |                  |
|   | FY21           | FY22             | FY23             | FY24             | FY25             | FY26             |
| Distribution to ECE Program Fund  | \$0.0          | \$20.0           | \$30.0           | \$42.2           | \$70.3           | \$95.8           |

Source: August 2021 Consensus Revenue Forecast

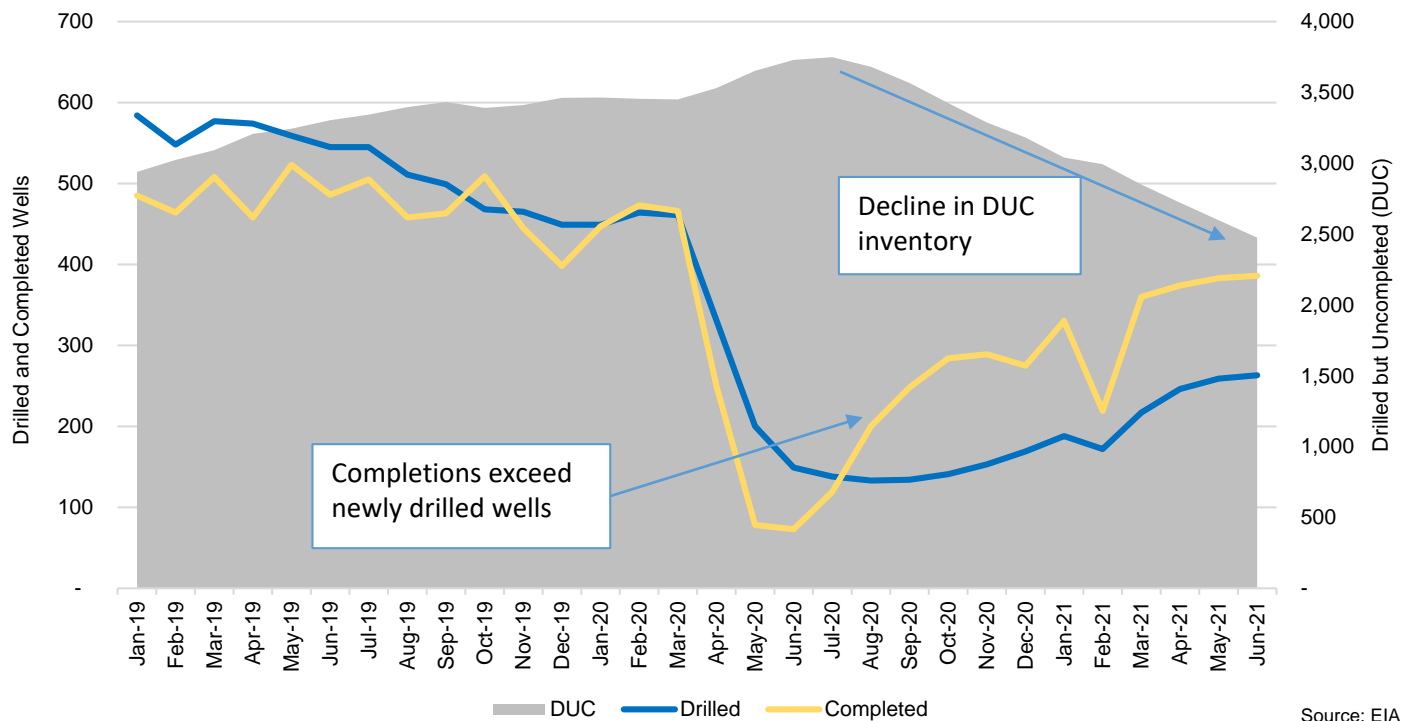
## Current Oil and Natural Gas Prices

Average Daily Oil & Gas Production and Average Active Rig Count  
Jan 2014 to Present

### Top Oil-Producing States (Thousand Barrels per Day) January 2011 through May 2021

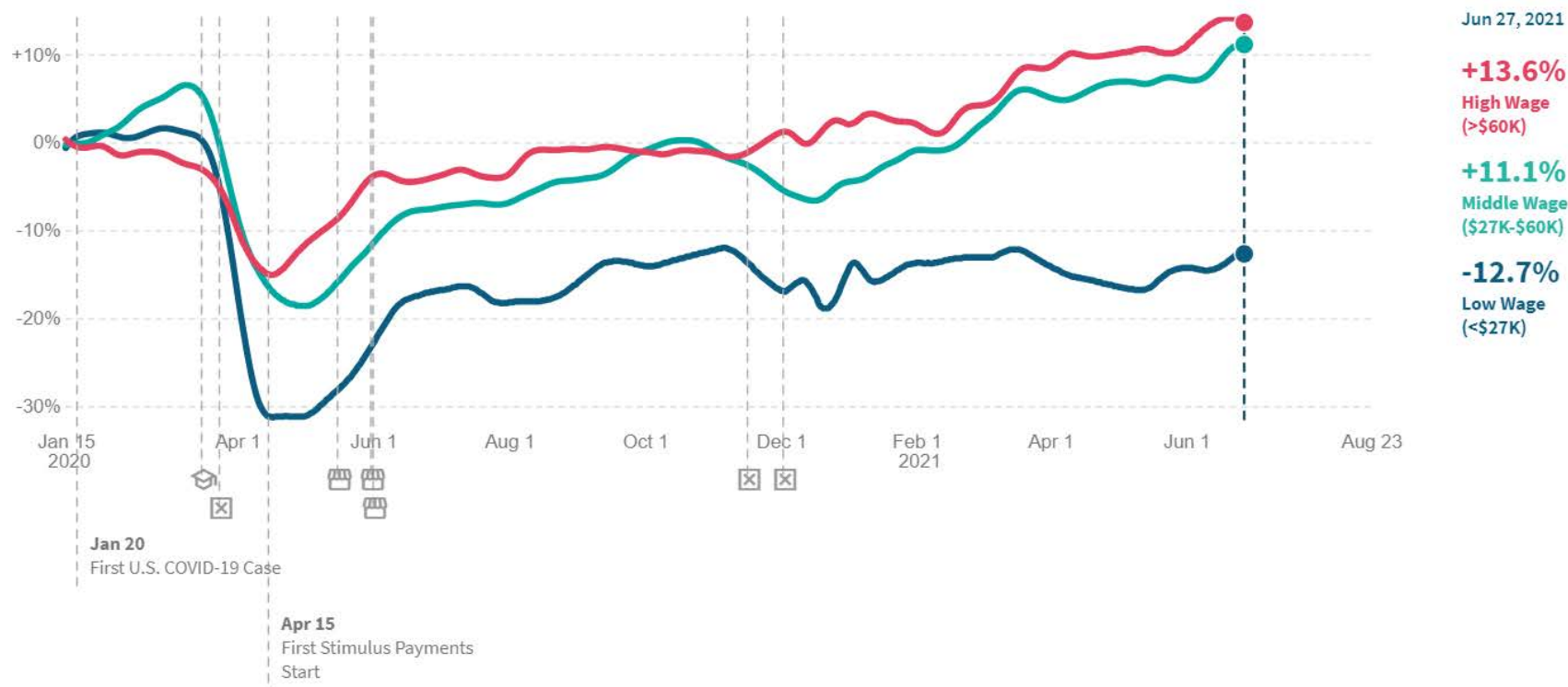


### Permian Basin Drilling Activity



## Percent Change in Employment\*

In **New Mexico**, as of **June 27, 2021**, employment rates among workers in the bottom wage quartile **decreased** by **12.7%** compared to January 2020 (not seasonally adjusted).



data source: **Earnin, Intuit, Kronos, Paychex**

\*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line is a prediction of employment rates based on Kronos and Paychex data.

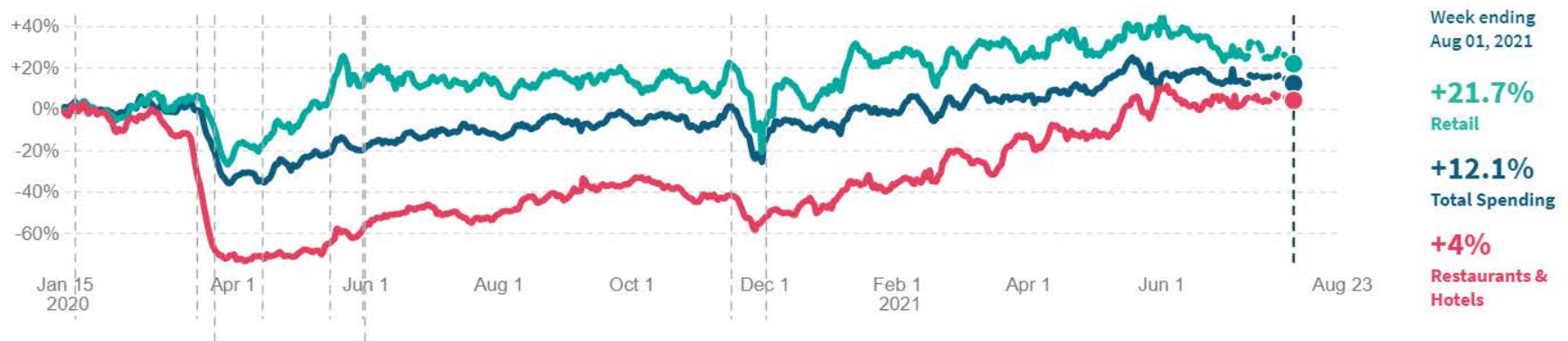
last updated: **August 10, 2021**    next update expected: **August 27, 2021**

visit [tracktherecovery.org](https://tracktherecovery.org) to explore



## Percent Change in All Consumer Spending\*

In **New Mexico**, as of **August 01, 2021**, total spending by all consumers **increased** by **12.1%** compared to January 2020.



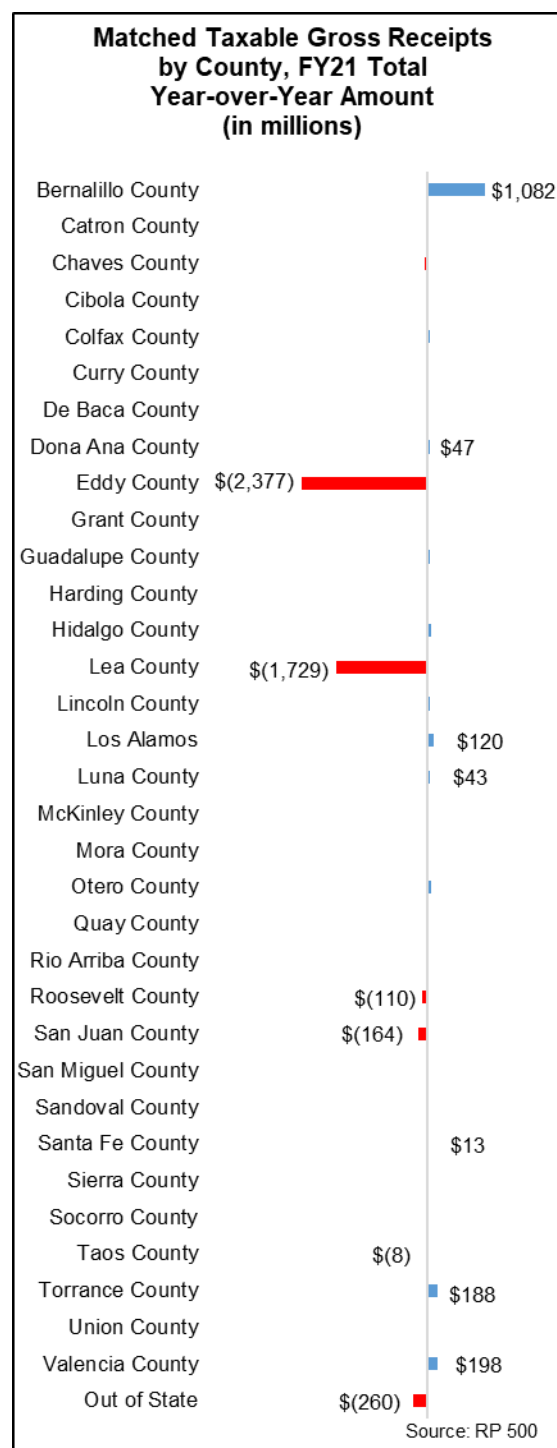
data source: Earnin, Intuit, Kronos, Paychex

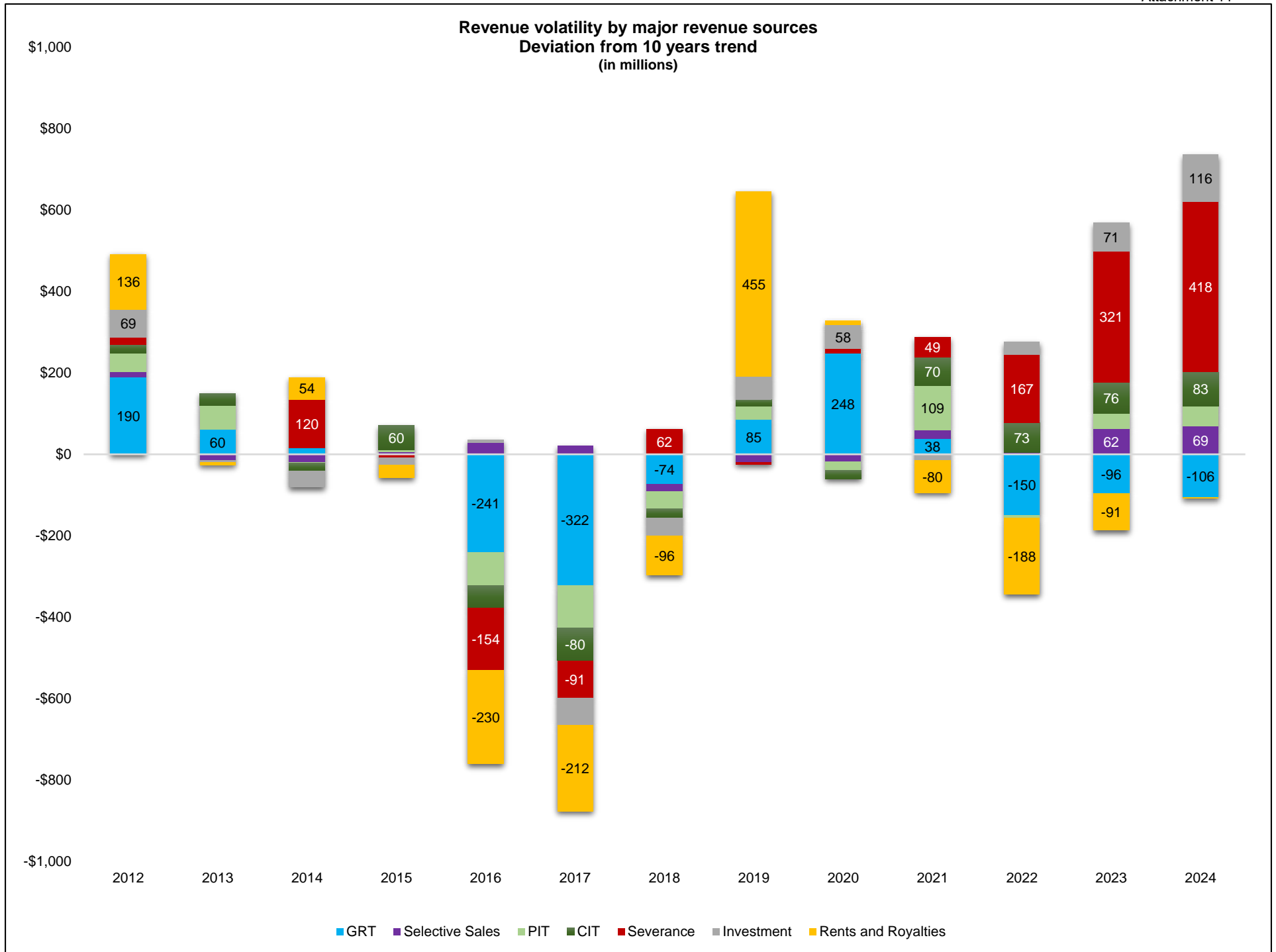
\*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: **August 11, 2021** next update expected: **August 25, 2021**

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| Matched Taxable Gross Receipts by County<br>Fiscal Year 2021 |                                   |                          |
|--|-----------------------------------|--------------------------|
| Jurisdiction   | Matched Taxable<br>Gross Receipts | Year-over-Year<br>Change |
| Bernalillo County  | \$19,716,576,530                  | 5.8%                     |
| Catron County  | \$53,915,739                      | 40.6%                    |
| Chaves County  | \$1,293,869,300                   | -4.5%                    |
| Cibola County  | \$389,069,793                     | 7.1%                     |
| Colfax County  | \$335,354,778                     | 13.3%                    |
| Curry County   | \$955,320,932                     | 2.0%                     |
| De Baca County   | \$22,773,086                      | -13.4%                   |
| Dona Ana County  | \$4,125,249,232                   | 1.1%                     |
| Eddy County  | \$5,418,285,267                   | -30.5%                   |
| Grant County   | \$479,993,425                     | -4.6%                    |
| Guadalupe County   | \$131,504,981                     | 37.1%                    |
| Harding County   | \$14,565,925                      | -7.7%                    |
| Hidalgo County   | \$140,281,169                     | 85.2%                    |
| Lea County   | \$4,993,595,361                   | -25.7%                   |
| Lincoln County   | \$619,256,089                     | 7.8%                     |
| Los Alamos   | \$1,844,620,314                   | 7.0%                     |
| Luna County  | \$604,773,093                     | 7.7%                     |
| McKinley County  | \$1,146,947,903                   | -0.6%                    |
| Mora County  | \$39,348,130                      | 2.6%                     |
| Otero County   | \$1,097,220,585                   | 8.1%                     |
| Quay County  | \$160,203,953                     | 7.0%                     |
| Rio Arriba County  | \$417,644,902                     | 2.2%                     |
| Roosevelt County   | \$529,686,266                     | -17.1%                   |
| San Juan County  | \$2,722,595,203                   | -5.7%                    |
| San Miguel County  | \$395,643,439                     | -1.6%                    |
| Sandoval County  | \$1,883,260,261                   | 0.5%                     |
| Santa Fe County  | \$4,232,838,458                   | 0.3%                     |
| Sierra County  | \$207,817,349                     | 8.7%                     |
| Socorro County   | \$217,681,969                     | 7.6%                     |
| Taos County  | \$714,114,692                     | -1.0%                    |
| Torrance County  | \$465,437,045                     | 68.0%                    |
| Union County   | \$91,691,809                      | -12.9%                   |
| Valencia County  | \$1,243,674,269                   | 18.9%                    |
| Out of State   | \$10,937,795,119                  | -2.3%                    |





# August 2021 Consensus Forecast Sensitivity Analysis – Assumptions

Attachment 12

|                         | S1: Economic Upside (10%)   | S3: Economic Downside (10%)  | S8: Low Oil Price (5%)  |
|-------------------------|---|--|---|
| Key Assumptions & Risks | <ul style="list-style-type: none"> <li>• New cases, hospitalizations and deaths from Covid-19 recede faster than in the baseline.</li> <li>• Widespread availability and increased acceptance of vaccines boost consumer confidence and lead to increased consumer spending.</li> <li>• Above-baseline growth results in steadily declining unemployment and fewer business bankruptcies.</li> <li>• The U.S. economy returns to full employment by the first quarter of 2022.</li> <li>• Financial markets are unalarmed by rising inflation and long-term interest rates, and the stock market continues to rise.</li> <li>• Federal fiscal stimulus – including a \$572 billion infrastructure spending package and a \$3 trillion fiscal stimulus package – boosts the economy more than expected in the baseline.</li> </ul> | <ul style="list-style-type: none"> <li>• New cases, hospitalizations and deaths from Covid-19 rise again, cause some state and local governments to impose restrictions.</li> <li>• Consumers remain uncertain about the safety of hotels, stores, restaurants and flights, leading to declines in consumer spending on air travel, retail and hotels.</li> <li>• The federal stimulus is less effective than in the baseline due to lower consumer spending. More stimulus funds end up in savings.</li> <li>• Unemployment begins to increase again in the fourth quarter of 2021 and bankruptcies rise.</li> <li>• Economic uncertainty and rising unemployment causes the stock market to fall sharply.</li> <li>• The economy does not return to full employment until early 2027.</li> <li>• Disagreements in Congress prevent any additional fiscal support package beyond the American Rescue Plan act passed in March.</li> </ul> | <ul style="list-style-type: none"> <li>• Assumes an oil price shock that sends West Texas Intermediate oil prices into the low \$40s per barrel in FY22 and the low \$30s per barrel in FY23-FY24.</li> <li>• The energy industry itself contracts, with oil exploration and related employment declines.</li> </ul>  |
| Oil and Gas:            | <ul style="list-style-type: none"> <li>• Better-than-expected growth in global energy demand boosts oil prices.</li> <li>• West Texas Intermediate prices average about \$68.50 per barrel in FY22 and above \$65 per barrel for FY23-FY26.</li> <li>• Higher prices strengthen energy exploration and production.</li> </ul>   | <ul style="list-style-type: none"> <li>• Declines in global energy demand more than offsets the agreement over oil supply between Russia and Saudi Arabia.</li> <li>• West Texas Intermediate prices fall below the baseline to an average of about \$50 per barrel in FY22, about \$39/bbl in FY23 and about \$48/bbl in FY24.</li> <li>• Low prices lead to oil and associated natural gas production below the baseline.</li> </ul>   | <ul style="list-style-type: none"> <li>• Oil prices in the low-\$40s per barrel range in FY22 and low \$30s per barrel in FY23-FY24</li> <li>• Prices below average breakeven costs lead to reduced investment in exploration, causing production declines in FY22 and FY23.</li> <li>• Natural gas production from associated oil wells in the Permian basin also declines.</li> </ul> |

