General Fund Consensus Revenue Estimate

December 2021 Consensus General Fund Recurring Revenue Estimate (in millions)	FY21	FY22	FY23
August 2021 Consensus*	$8,045.7	$8,108.6	$8,841.7
December 2021 Adjustments	$39.4	$54.5	$207.4
December 2021 Consensus	**$8,085.2**	**$8,163.1**	**$9,049.1**
Annual amount change	$224.6	$77.9	$886.0
Annual percent change	2.9%	1.0%	10.9%
Distributions to Tax Stabilization Reserve or Early Childhood Trust Fund**			
August 2021 Consensus	$334.7	$930.6	$647.5
December 2021 Adjustments	$8.0	$577.8	$426.0
December 2021 Consensus	$342.7	$1,508.4	$1,073.5

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.
* August 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.

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.

Summary

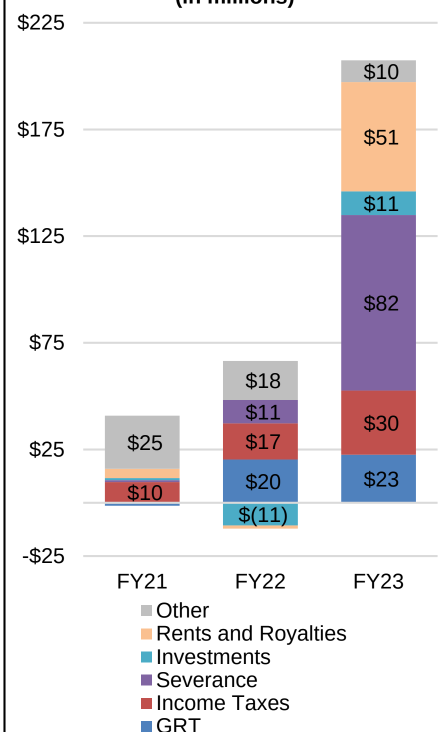
Unaudited reports indicate recurring revenues for FY21 were $8.085 billion, up $224.6 million, or 2.9 percent, from FY20. FY21-FY23 revenues are up $301.3 million from the August 2021 estimate, due primarily to higher-than-expected oil and gas production and prices. Expectations for gross receipts tax and income tax collections also rose due to more consumer spending and wage growth than estimated in August. The strong recovery in oil and gas revenues are pushing severance tax and federal royalty collections even higher above their five-year averages, resulting in larger transfers to the newly created early childhood trust fund than was expected in August.

Recurring revenues for FY22 are estimated at $8.163 billion, up $54.4 million from the August estimate. FY23 recurring revenues are estimated at $9.049 billion. "New money," or projected recurring revenues for the following fiscal year less current year recurring appropriations, is estimated at $1.599 billion for FY23, or 21.5 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 $100.7 million, which will be drawn from the operating reserve.

The general fund financial summary detailed in attachment 1 illustrates the impact of the December 2021 revenue estimates on reserve levels. Ending

Recurring Revenue Changes, Change from August 2021 Estimate, by Income Source
(in millions)



*Severance tax and royalty amounts exclude distributions to the tax stabilization reserve and early childhood trust fund.

General Fund Financial Summary (in millions)	FY21 Unaudited	FY22 Est.
Recurring Revenue	$8,085.2	$8,163.1
Nonrecurring Revenue*	$715.8	($8.2)
Total General Fund Revenue	$8,801.0	$8,154.9
Recurring Appropriations	$7,072.9	$7,449.9
Nonrecurring Appropriations*	$1,560.2	
Undistrib. Appropriations and Audit Adj.	$268.5	
Total General Fund Appropriations	$8,901.6	$7,449.9
Transfer to(from) Reserves	($100.6)	$705.0
*Includes federal stimulus funds and offsets		
Ending Reserve Balance	$2,504.8	$3,258.4
Percent of Recurring Appropriations	35.4%	43.9%

Source: LFC Files

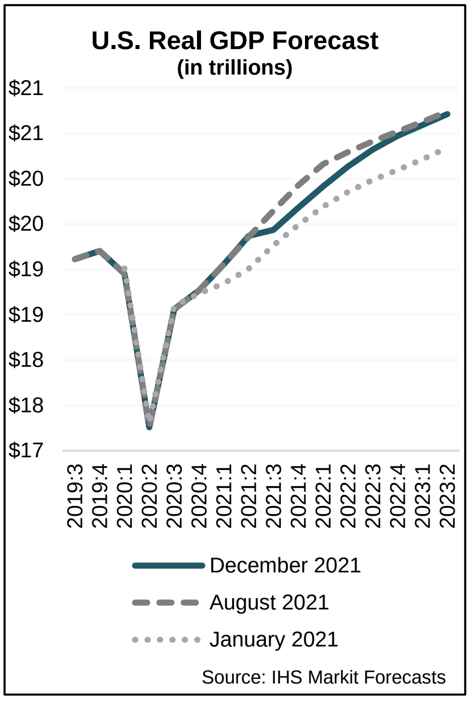
reserve balances for FY21 were $2.505 billion, or 35.4 percent of recurring appropriations. Because total reserves balances exceed 25 percent of recurring appropriations, the excess of the five-year average of oil and gas school tax collections – $342.7 million – will be deposited into the newly created early childhood trust fund instead of the tax stabilization reserve.

FY22 ending reserve balances are estimated at $3.258 billion, or 43.9 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 $824.1 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 $684.3 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 for the forecast. DFA economists use forecast data from Moody's Analytics. Selected economic indicators from these forecasts are shown in attachment 3.

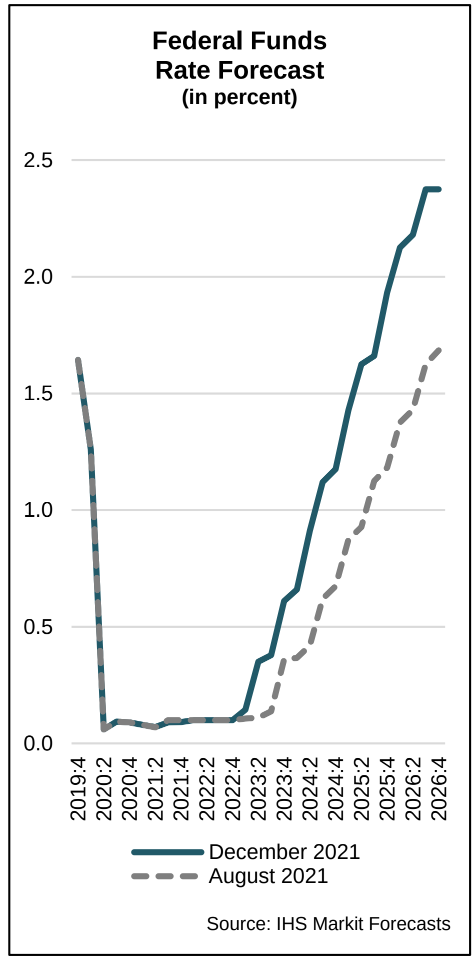
U.S. Outlook



The economy continues to recover from the pandemic-induced recession, with real GDP growing at an annual rate of 1.4 percent in the third quarter of 2021. Real GDP is expected to continue to grow, albeit at slower rates than previously projected. IHS is expecting growth at 5.1 percent through the end of this year, 4 percent in 2022, and 2.5 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.

The Bureau of Labor and Statistics (BLS) is also reporting greater job "churn" with both job openings and quits surpassing pre-pandemic levels. The number of unemployed persons per job opening has dipped below 1 for the first time since before the pandemic, signaling greater hiring difficulties for employers. Labor participation has declined and recovery halted as employees delay joining or rejoining the workforce because of Covid and workplace safety concerns, a lack of childcare, the shift to virtual learning, and possibly a reassessment of their work-leisure trade-off. Participation rates are projected to take two more years to fully recover to historic levels, or perhaps never return.

Significant uncertainty in the economic outlook remains. Negotiations continue on an approximately $1.75 trillion federal spending plan in the proposed Build Back Better package. 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 record-breaking inflation. Most importantly, the path of the coronavirus continues to add uncertainty as a slowing vaccinations, waning protection from earlier vaccinations, and new strains impact consumption, result in closures, disrupt supply chains, and prevent employment recovery.

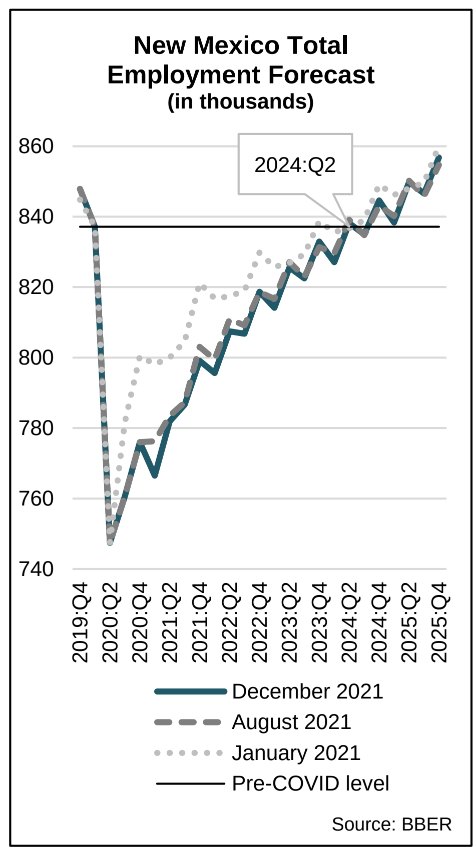


The baseline scenario for IHS Markit and Moody's Analytics assumes no new lockdowns as US society adapts to risks while living alongside the virus. Both forecasts assume the coronavirus will continue to disrupt supply chains and consumption patterns, but at a lesser degree as time passes. IHS includes no new federal stimulus while Moody's Analytics assumes passage of a $1.75 trillion package of federal spending increases. Both IHS Markit and Moody's Analytics do not include another recession or shutdown in their baseline forecast; yet, the risk of a second recession or shutdown remain (see *Recession Risks* discussion on page 10). Both estimators assume an earlier and faster tightening of monetary policy by the Federal Reserve given higher and more sustained inflation projections.

New Mexico Outlook

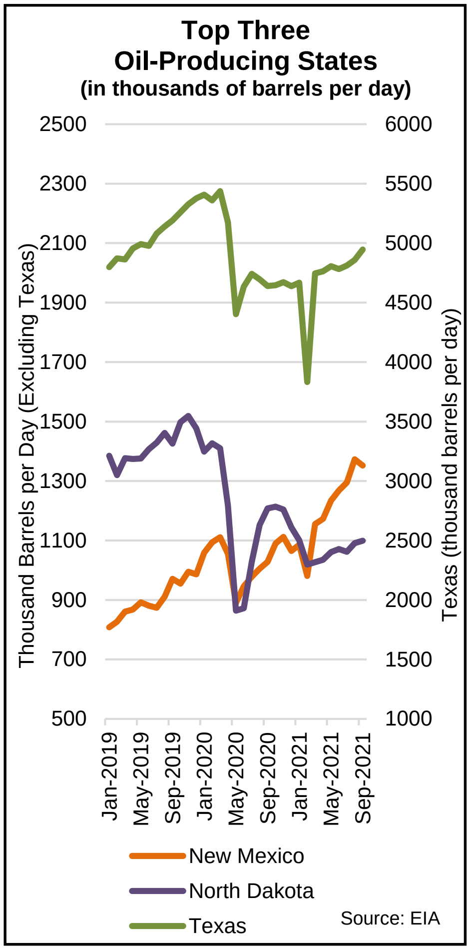
The BBER estimate used in the consensus revenue forecast expects the New Mexico economy will experience steady but slower than national economic growth through the forecast period. The state's economic outlook is similarly tied to future economic stimulus, broader economic mechanisms, and the success in fighting Covid-19.

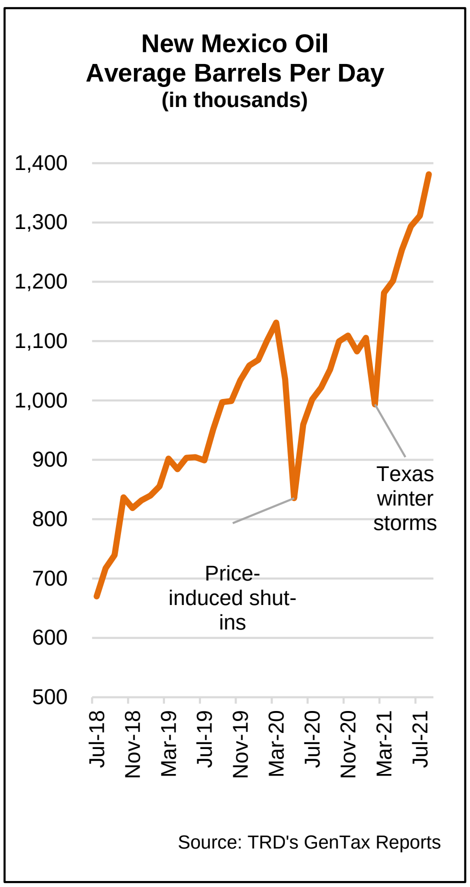
After reaching the last employment peak in January 2020 (847.9 thousand jobs), employment contracted by 100.5 thousand jobs, or 11.8 percent, by the subsequent quarter as a result of the pandemic. In that period, leisure and hospitality experienced the largest losses of any industry with 43.3 thousand jobs lost, or 43 percent, followed by trade, transportation, and warehousing which lost 15.3 thousand jobs, or 11.1 percent, according to the Bureau of Labor Statistics (BLS). By September 2021, preliminary data from BBER and BLS indicates the state has recovered 45 percent of the jobs lost from the start of the pandemic, with total employment still down 55 thousand jobs from the pre-pandemic peak.



Total employment forecasts were revised slightly downward in the near-term and slightly upward in the out-years since the August estimate. As of mid-August 2021, low-wage employment (less than $27 thousand) was down 18.1 percent from January 2020, while mid-wage ($27 thousand to $60 thousand) employment was up 14.6 percent and high-wage (above $60 thousand) employment was up 15.7 percent, according to data from Opportunity Insights (see charts on attachment 7). BBER projects jobs will reach pre-pandemic levels in the second quarter of 2024.

While employment has longer road to recovery, total wages and salaries in New Mexico reached pre-pandemic levels in the last quarter of 2020. Total personal income in New Mexico reached record heights during the pandemic but is slowing in 2021 and beyond. With the end of large federal transfer payments to New Mexicans, total personal income contracted 8.6 percent in the second quarter of 2021 from the previous quarter and is down 0.8 percent annually from last year. As additional stimulus ends in 2021, personal income is expected to decline in 2022 before returning to an average growth rate.





Oil and Gas

Global consumption and demand for oil and gas has rebounded from pandemic lows, causing both prices and production in the state to surge as global oil supply catches up. Despite record levels of oil and gas production value, increased collections in severance taxes and federal royalty payments accounted for only 20 percent of the change in the general fund forecast for FY22, and about 60 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 $50.58, up from the previous consensus estimate of $49.92/bbl.

FY	*2021*	*2022*	*2023*
	Prelim	***Forecast***	***Forecast***
Gross Oil Price ($/bbl)	$50.58	$71.50	$64.50
Oil Volume (MMbbls)	408	497	515
Oil Volume (MMbbls/day)	1.12	1.36	1.41
Gross Natural Gas Price ($/mcf)	$3.40	$5.00	$3.80
Net Natural Gas Price ($/mcf)*	$2.40	$3.82	$2.72
Natural Gas Volume (bcf)	2,135	2,395	2,420
Natural Gas Volume (bcf/day)	5.85	6.56	6.63

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

West Texas Intermediate (WTI) prices rose above $80/bbl in October 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 $74.50/bbl over FY22, then fall to about $68.75/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. Prices fell over $10/bbl at the end of November, though current prices are consistent with the December forecast but a reminder that volatility and price collapses will dominate New Mexico's fiscal outlook.

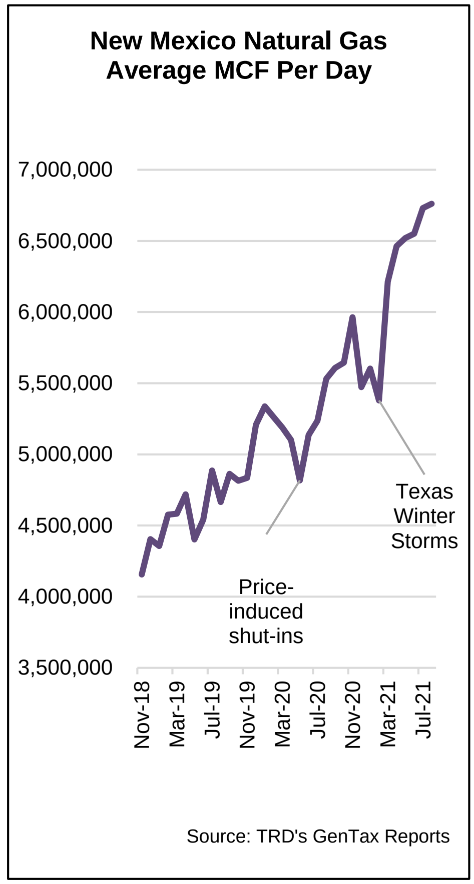
Both drilling and completion activity in the Permian basin picked up in early 2021, and completions continue to exceed the number of newly drilled wells. More completions than drilled wells indicates producers are reducing inventories of drilled-but-uncompleted (DUC) wells (see attachment 6). New Mexico had 87 active drilling rigs in the state as of mid-October 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 September 2021, Texas' oil production was down 8.5 percent from January 2020 and

North Dakota's was down 21.4 percent, while New Mexico's oil production was up 27.7 percent.

The state produced 407.7 million barrels of oil in FY21 – a 10.8 percent increase from total FY20 production. At current levels of daily oil production, the state would be estimated to produce 502 million barrels of oil in FY22 and oil production is projected to grow 3 percent to 514 million barrels in FY23.

New Mexico's natural gas production has accelerated as well. In August 2021, the state produced a record of 6.76 billion cubic feet (bcf) of natural gas per day, and New Mexico produced 2.1 trillion cubic feet of natural gas in FY21 – an increase of 16.5 percent from FY20. The consensus forecast estimates natural gas production will average 6.56 bcf/day in FY22 and 6.63 bcf/day in FY23, resulting in estimated production of 2.39 trillion cubic feet in FY22 and 2.42 trillion cubic feet in FY23.

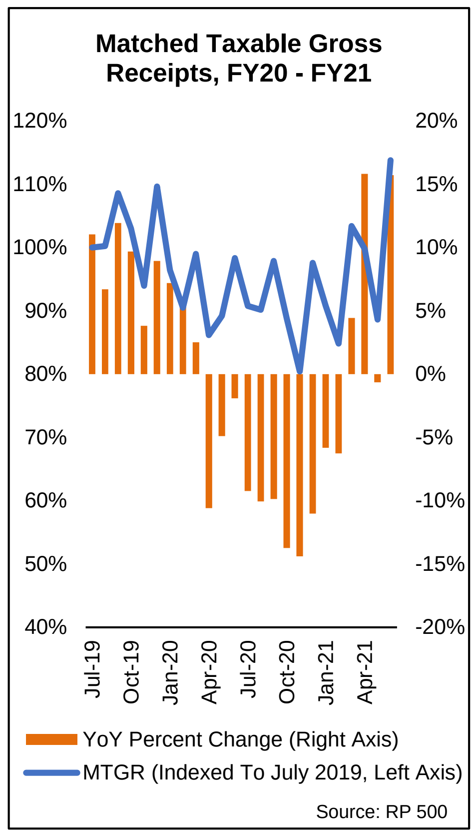
Additionally, natural gas prices are higher than in the previous estimate, averaging $3.40/mcf in FY21, up from the August consensus estimate of $3.32/mcf. IHS Markit and EIA project Henry Hub prices to remain elevated through the first half of 2022 as Appalachian producers that drive the U.S. market maintain relatively flat production while demand soars around the world, pushing prices upwards. New Mexico's natural gas prices averaged about 62 cents higher than Henry Hub prices in FY21 and over $1.20 higher than Henry Hub in the first quarter of FY22. The consensus estimate projects the state's FY22 natural gas price to average $5.00/mcf, up from the previous estimate of $3.75 for the fiscal year. Though similar to oil, gas prices have fallen 15 percent at the end of November and pose serious risks to the forecast.



General Fund Revenue Forecast

Gross Receipts Taxes

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 3.1 percent in FY21 compared with FY20. Total gross receipts tax collections in FY21, however, were much stronger than expected, up about $329 million from the February consensus forecast. Among the reasons for strong collections is the impact of federal stimulus legislation passed in March, rollout of the vaccine, businesses reopenings, and pent-up consumer demand. Combined, these factors resulted in a resurgent GRT in the second half of FY21 that has continued into FY22.

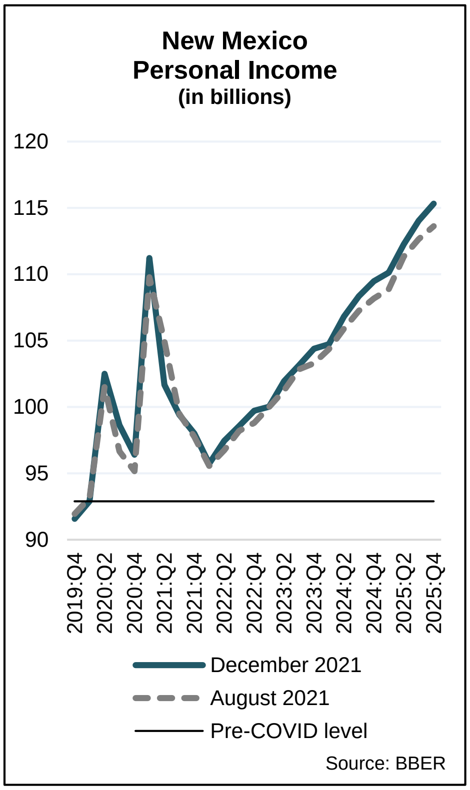


The economic recovery from the pandemic lows of FY21 are most evident in the mining industry, up almost 57 percent year-over-year through September due to recovering drilling-related activity. Retail trade and leisure and hospitality were two industries also hard hit at the beginning of the pandemic now showing robust recoveries growing 16.6 percent and 10.4 percent year-over-year in the first quarter of FY22, respectively.

Pent up consumer demand, record savings, and large transfer payments driving personal income are expected to continue driving strong consumption in FY22, leading to an upward revision of $25 million over the August GRT forecast. 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 23.6 percent in early November 2021 compared with January 2020.

Matched Taxable Gross Receipts by Industry - FY22 Q1 vs FY21 Q1			
Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	$1,515,183,278	$547,468,966	56.6%
Utilities	$780,956,331	-$42,797,026	-5.2%
Construction	$2,206,450,739	$124,657,017	6.0%
Manufacturing	$624,155,288	$171,037,058	37.7%
Wholesale Trade	$892,299,615	$249,454,248	38.8%
Retail Trade	$4,573,716,976	$652,192,958	16.6%
Transportation and Warehousing	$250,943,665	$79,207,267	46.1%
Information	$517,529,592	$26,788,221	5.5%
Real Estate and Rental and Leasing	$606,755,337	$210,389,717	53.1%
Professional, Scientific, and Technical Services	$1,674,744,176	$8,402,234	0.5%
Administrative/Support & Waste Management/Remediation	$1,038,036,706	-$26,567,304	-2.5%
Health Care and Social Assistance	$1,024,056,193	$50,409,425	5.2%
Leisure and Hospitality Services	$1,512,287,804	$142,086,831	10.4%
Other Industries	$2,167,287,826	$690,528,665	20.8%
Total	**$19,384,403,525**	**$2,883,258,277**	**17.5%**

Source: RP500



Temporary Food and Beverage Establishment GRT Deduction. In the 2021 session, lawmakers passed a temporary GRT deduction and accompanying hold harmless for certain food and beverage establishments for the months of March through June. The fiscal impact reports estimated the total cost at about $90 million, assuming all eligible establishments claimed the deduction for all applicable months. However, recent data from TRD indicates the total cost of the deduction will be about $55 million. The deduction appears to have been underutilized, possibly due to lack of taxpayer awareness. The current forecast assumes $51.1 million was claimed in FY21 and the remaining $3.9 million will be retroactively claimed through amendments in FY22.

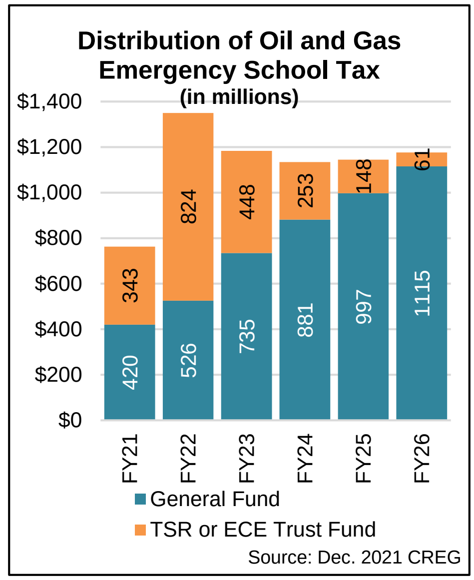
Destination Sourcing. Beginning in FY22, the state changed the GRT from reporting based on the seller's location (origin-based sourcing) to reporting based on the buyer's location (destination-based sourcing) for nearly all goods and services. The most significant impact to the state will be the change in reporting for out-of-state sales. Under origin sourcing, out-of-state sales were not subject to local GRT increments, and the state received 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 is somewhat offset for receipts moving from a municipality to a county – 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.

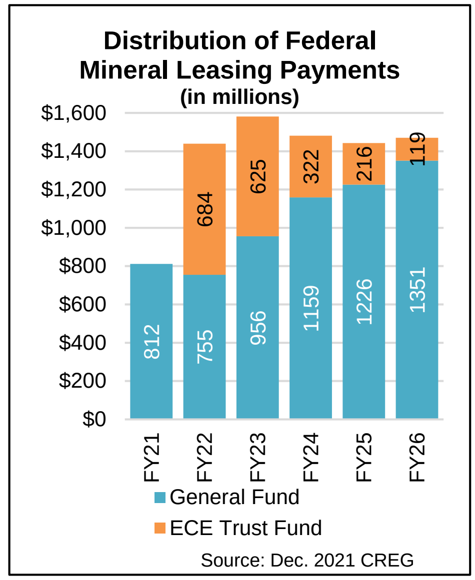
The consensus forecast includes estimates for the effects of destination sourcing on state GRT collections, but there is significant uncertainty on the portion of receipts that will be newly sourced to municipalities or county remainder areas. In the first quarter of FY22, the effects of destination sourcing are still unclear. A significant portion of taxes are still reporting as out-of-state, indicating tax payer understanding and compliance remains poor. As more tax payers comply and more data is collected, the impacts will become clearer. Should sourcing substantively differ from the estimate, it would be a risk to the GRT forecast.

Severance Taxes and Federal Royalties

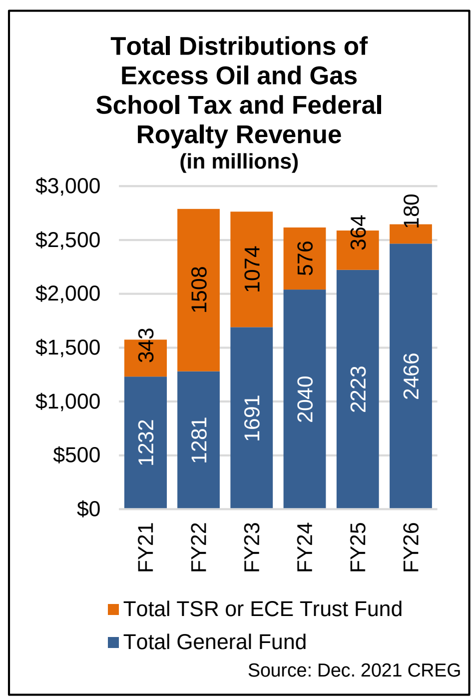
General fund severance taxes – which include the oil and gas emergency school tax, oil conservation tax, resources excise tax, and natural gas processors tax –totaled $820 million in FY21. Legislation enacted in 2017 and further amended in 2020 sends oil and gas emergency school tax revenue in excess 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 were projected to be 35.4 percent, the excess school tax revenue of $342.7 million was deposited into the early childhood trust fund.



With high levels of production and FY22 oil and natural gas prices expected to average $71.50/bbl and $5.00/mcf, respectively, severance tax collections are project to exceed $1.3 billion in FY22, of which $824.1 million will be distributed to the early childhood trust fund if general fund reserves 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.



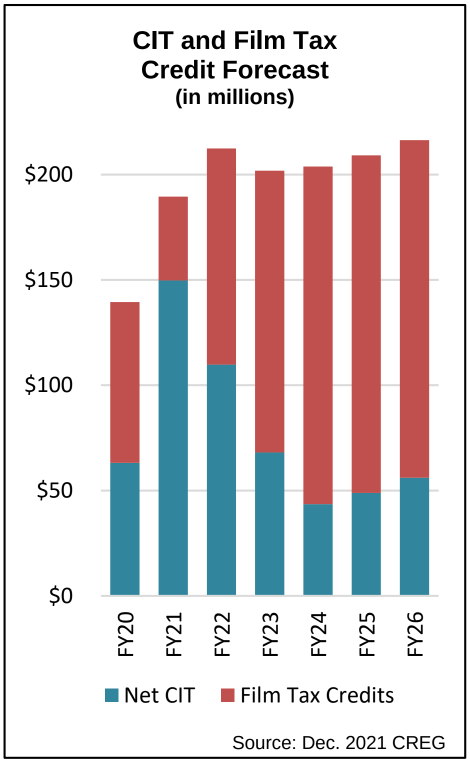
Federal mineral leasing payments – the royalties for oil and gas production on federal lands and bonus payments for federal land leases – are another of the most volatile revenue sources to the general fund, swinging sharply with changes in prices, production, and oil company investment activity. Chapter 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.



Under current price and production assumptions, federal royalty revenues are expected to exceed the five-year average for the forecast period. Of the total $1.44 billion in federal royalty revenue projected for FY22, an estimated $824.1 million will be distributed to the early childhood trust fund. Over the course of the forecast period, this provision will result in over $1.9 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 $1.5 billion 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.

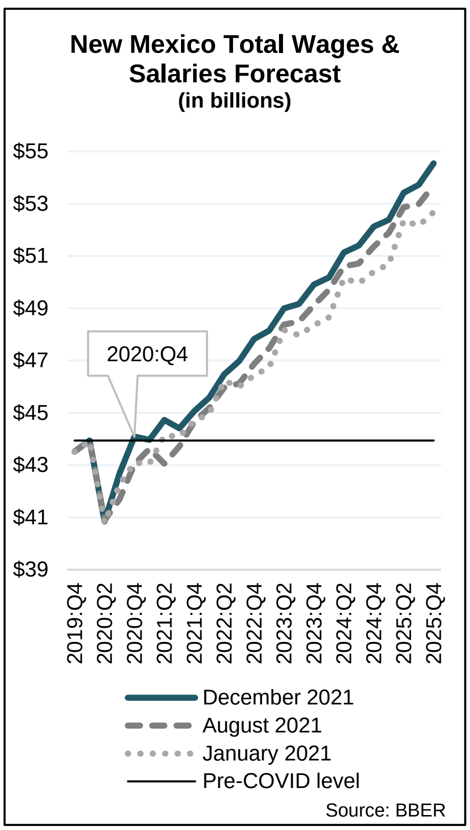
Selective Sales and Excise Taxes



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 FY24, 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 insurance premium taxes exceeded expectations, with preliminary data from TRD showing $292.7 million in FY21, and an estimated $307 million in FY22, up about $13 million from the August 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



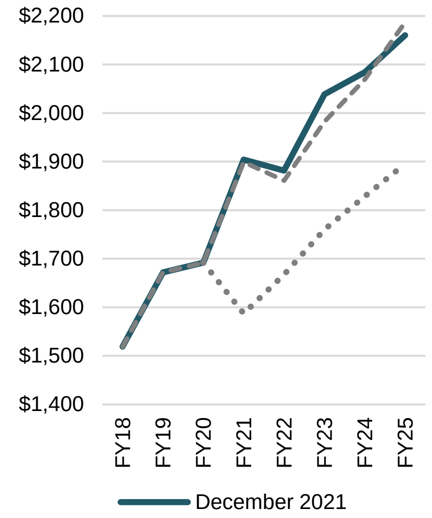
Corporate income taxes (CIT). CIT generated $149 million in FY21, up 137 percent from $63.2 million in FY20. Because film tax credit payouts are deducted from CIT, net CIT distributed to the general fund are lower than total receipts. Due to the pandemic-related shutdowns in 2020, film tax credits were lower than expected in FY21 and are expected to remain lower in FY22 as most credits are taken over a year after filming. Film tax credits are expected to grow to an estimated $133.7 million in FY23 and $160.2 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, resulting in large costs to the general fund (further discussion of *Forecast Risks* can be found on pages 9-10).

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 revenues grew at an annual rate of 12.5 percent in FY21, despite employment declines over the same period.

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 15.7 percent as of mid-August compared with January 2020 (see attachment 7). 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, all resulting in growing collections.

Total PIT revenues are expected to continue to grow due to recovering employment and rising wages. In the 2019, 2020, and 2021 sessions, multiple changes were made to the personal income tax resulting in an expected net loss of about $93 million in FY22 and growing with wages and salaries thereafter.

Personal Income Tax Collections Forecast
(millions)



Source: Dec. 2021 CREG

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)	-	-
Total PIT Revenue Change	**($53)**	**($36)**	**($93)**	**($93)**	**($118)**	**($119)**

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 increases 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 77 percent increase in severance tax and federal royalty collections – from a total of $1.58 billion in FY21 to $2.79 billion in FY22. However, since only the five-year average is distributed to the general fund, the general fund will receive a 4 percent increase in FY22. The remainder – $1.5 billion of the projected total – will be distributed as "excess

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 FY21 SSR fund balance to about $4 million.

Law makers also appropriated about $20.9 million in the 2021 session to address the FY20 impact aid liability of $60 million that remains outstanding. The current fund balance is insufficient to cover the cost, likely requiring additional appropriations in the 2022 session of about $35.1 million (see attachment 1).

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 $30 million impact;
- A 10 cent change in the annual average NM price of natural gas has about a $14 million impact;
- Each additional million barrels of oil generates about $4.3 million in severance taxes and federal royalties; and
- Each additional 10 billion cubic feet of natural gas generates about $3 million in severance taxes and federal royalties.

Because the consensus forecast projects 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.

These general rules do not consider 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 employment.

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 Testing the Revenue Estimate* below).

Recession Risks

IHS Markit and Moody's baseline economic forecasts do not assume a return to recession within the forecast period. Because the baseline forecasts are the underpinnings for the consensus revenue forecast, 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 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 slower job recovery than the baseline, with the pessimistic forecast expecting employment to reach per-pandemic levels well into 2026, or two years later than the baseline.

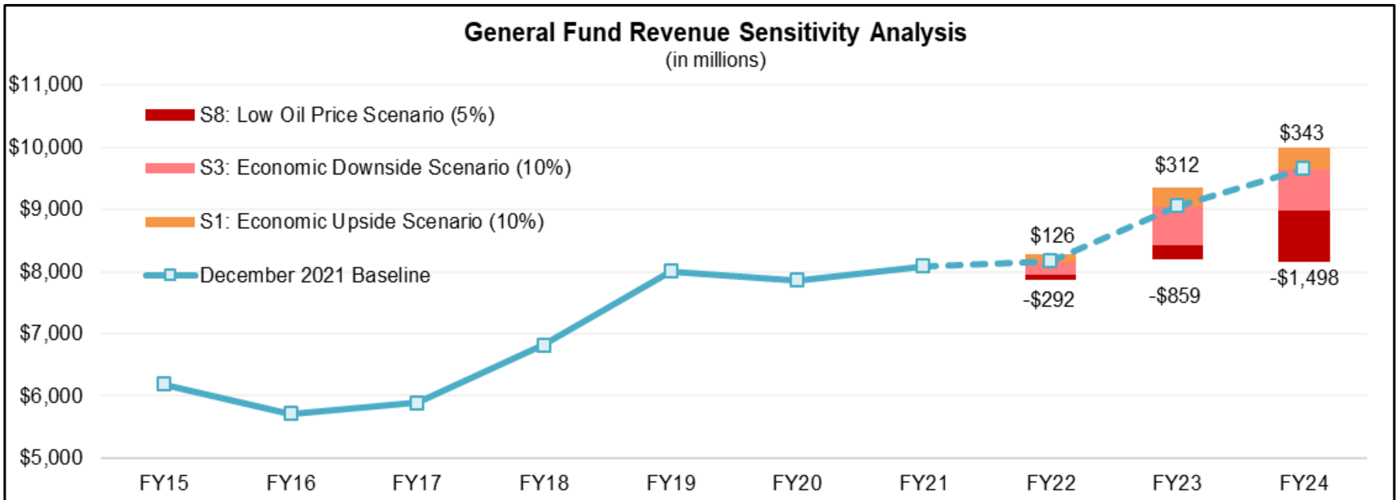
Other Forecast Risks. Additional forecast risks include potential for uncapped growth in film tax credit payments due to New Mexico film partners, insurance tax receipts reporting delays, higher than expected municipal distributions due to destination sourcing (see page 6), state and federal regulatory changes that could affect oil and gas, and outstanding tax protest claims at TRD that could result in large general fund losses if decided in favor of the taxpayer. New waves and new variants of the coronavirus could drastically change consumer behavior, oil and gas prices, employment levels, and supply chains resulting in large downside risks to the forecast. Continued or rising inflation also poses a risk to the forecast. If prices rise, costs will rise alongside them, reducing real revenue growth. While nominal revenues will rise, the effective use of those revenues will be diminished.

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.



*Includes changes in revenues from severance taxes, federal mineral leasing payments, personal income taxes, and gross receipts taxes. Excludes changes in distributions of excess oil and gas school tax and federal mineral leasing payments to tax stabilization reserve or early childhood trust fund.

Source: December 2021 Consensus Revenue Estimate

	S8: Low Oil Price			S3: Economic Downside			S1: Economic Upside		
Scenario	**FY22**	**FY23**	**FY24**	**FY22**	**FY23**	**FY24**	**FY22**	**FY23**	**FY24**
Severance Taxes to GF	-$9	-$201	-$356	-$2	-$94	-$162	$14	$60	$88
Federal Mineral Leasing to GF	$0	-$54	-$348	$0	-$41	-$131	$0	$23	$64
Gross Receipts Taxes	-$223	-$468	-$626	-$125	-$301	-$269	$63	$143	$144
Personal Income Taxes	-$61	-$137	-$168	-$82	-$192	-$95	$48	$86	$47
General Fund Difference from Baseline	-$292	-$859	-$1,498	-$209	-$628	-$657	$126	$312	$343
General Fund Percent of Total Impact	*32%*	*48%*	*72%*	*32%*	*42%*	*60%*	*25%*	*55%*	*62%*
Severance Taxes to TSR or ECE	-$345	-$448	-$253	-$237	-$448	-$135	$255	$78	$73
Federal Mineral Leasing to ECE	-$267	-$499	-$322	-$202	-$413	-$312	$115	$182	$135
TSR/ECE Transfers Diff. from Baseline	-$613	-$948	-$576	-$439	-$861	-$446	$371	$260	$208
TSR/ECE Transfers Percent of Total Impact	*68%*	*52%*	*28%*	*68%*	*58%*	*40%*	*75%*	*45%*	*38%*
Total Difference from Baseline	-$905	-$1,806	-$2,073	-$648	-$1,489	-$1,103	$496	$572	$550

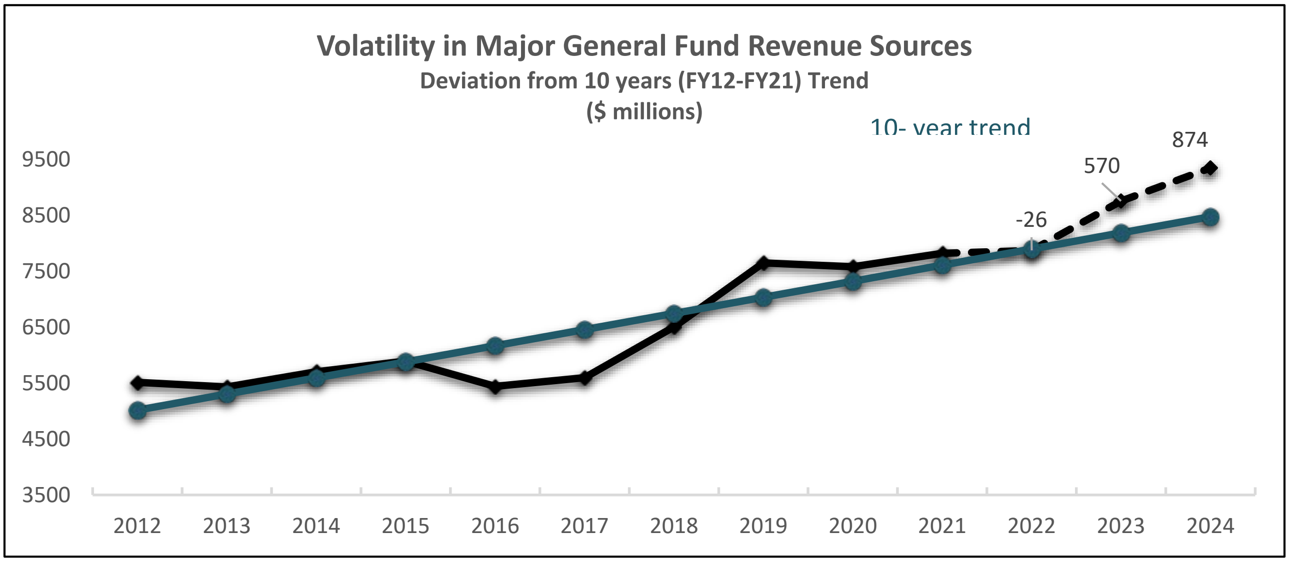
Note: in millions

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 $905 million below the consensus forecast for FY22, about 68 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 $860 million below the consensus forecast in FY23 and nearly $1.5 billion below the consensus forecast in FY24.

Trend Analysis

In addition to the above sensitivity analysis, 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.



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 $570 million and $874 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 8). With New Mexico currently producing over 1.4 million barrels per day of oil and over 6.8 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 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 indicates that policy makers should proceed cautiously when apportioning the current revenue surge to recurring expenditures.

General Fund Financial Summary:
December 2021 Revenue Estimate

(millions of dollars)

December 1, 2021
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	Estimate FY2021	Estimate FY2022	Estimate FY2023
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
August 2021 Consensus Revenue Forecast	$ 8,045.7	$ 8,108.6	$ 8,841.7
December 2021 Consensus Revenue Update	$ 39.4	$ 54.4	$ 207.4
Total Recurring Revenue	$ 8,085.2	$ 8,163.1	$ 9,049.1
Percent Change in Recurring Revenue	*2.9%*	*1.0%*	*10.9%*
Nonrecurring Revenue			
Federal Stimulus Funds	$ 750.0	$ -	
2021 Nonrecurring Revenue Legislation (post-veto)	$ (148.8)	$ (8.2)	
August 2021 Consensus Revenue Forecast	$ 82.6	$ -	
December 2021 Consensus Revenue Update	$ 32.0		
Total Nonrecurring Revenue	$ 715.8	$ (8.2)	
TOTAL REVENUE	**$ 8,801.0**	**$ 8,154.9**	**$ 9,049.1**
APPROPRIATIONS			FY23 New Money: $1.599 billion or 21.5%
Recurring Appropriations			
2020 Regular Session Legislation & Feed Bill	$ 7,621.4	$ -	
2020 Special Session Solvency Savings [1]	$ (411.9)	$ -	
2021 Regular and First Special Session Legislation & Feed Bill (pre-veto)	$ 10.0	$ 7,449.7	
Total Recurring Appropriations	$ 7,219.5	$ 7,449.7	
2020 Special Session Federal Funds Swaps	$ (146.6)		
Total Operating Budget	$ 7,072.9	$ 7,449.7	
Nonrecurring Appropriations			
2020 Session Nonrecurring Appropriations & Legislation	$ 320.0	$ -	
2020 First Special Session Solvency Savings [1]	$ (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	$ 7,449.7	
Audit Adjustments			
2021 GAA Audit Adjustment	$ 11.5		
2020 GAA Undistributed Nonrecurring Appropriations [2]	$ 259.5		
TOTAL APPROPRIATIONS	**$ 8,904.1**	**$ 7,449.7**	
Transfer to (from) Reserves	$ (103.1)	$ 705.2	
GENERAL FUND RESERVES			
Beginning Balances	$ 2,513.5	$ 2,504.8	
Transfers from (to) Appropriations Account	$ (103.1)	$ 705.2	
Revenue and Reversions	$ 589.0	$ 957.7	
Appropriations, Expenditures and Transfers Out	$ (504.5)	$ (893.7)	
Ending Balances	**$ 2,504.8**	**$ 3,274.0**	
Reserves as a Percent of Recurring Appropriations	*35.4%*	*43.9%*	

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

General Fund Financial Summary:
December 2021 Revenue Estimate
RESERVE DETAIL
(millions of dollars)

December 1, 2021
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	Estimate FY2021	Estimate FY2022	Estimate FY2023
OPERATING RESERVE			
Beginning Balance	$ 507.2	$ 347.5	$ 565.8
BOF Emergency Appropriations/Reversions		$ (2.5)	$ (2.5)
Transfers from/to Appropriation Account	$ (103.1)	$ 705.2	$ -
Transfers to Tax Stabilization Reserve	$ -	$ (484.3)	$ -
Disaster Allotments [1]	$ (6.7)	$ -	$ -
Transfer from (to) ACF/Other Appropriations	$ (50.0)	$ -	$ -
Revenues and Reversions	$ 0.1	$ -	$ -
Transfers from tax stabilization reserve	$ -	$ -	$ -
Transfers from tax stabilization reserve to restore balance to 1 percent [4]	$ -	$ -	$ -
Ending Balance	$ 347.5	$ 565.8	$ 563.3
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 6.7	$ 55.5	$ 47.5
Disaster Allotments	$ (13.0)	$ (16.0)	$ (16.0)
Other Appropriations	$ -	$ -	$ -
Transfers In [9]	$ 50.0	$ -	$ -
Revenue and Reversions	$ 11.7	$ 8.0	$ 8.0
Ending Balance	$ 55.5	$ 47.5	$ 39.5
STATE SUPPORT FUND			
Beginning Balance	$ 29.1	$ 4.0	$ (35.1)
Revenues [2]	$ -	$ 15.5	$ -
Appropriations to State Support Reserve Fund [6]	$ 20.9		$ -
Impact Aid Liability FY20	$ (20.9)	$ (39.1)	
Impact Aid Liability FY21	$ (35.1)		$ -
Audit Adjustments[5]	$ 10.0	$ -	$ -
Ending Balance	$ 4.0	$ (19.6)	$ (35.1)
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	$ 243.2	$ 285.3	$ 301.0
Transfers In [3]	$ 36.3	$ 12.0	$ 32.5
Appropriation to Tobacco Settlement Program Fund [3]	$ (36.3)	$ (12.0)	$ (16.3)
Gains/Losses	$ 42.1	$ 15.7	$ 16.6
Additional Transfers to/from TSPF	$ -	$ -	$ -
Ending Balance	$ 285.3	$ 301.0	$ 333.8
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ 1,727.3	$ 1,812.6	$ 2,379.3
Revenues from Excess Oil and Gas Emergency School Tax	$ 342.7	$ 824.1	$ 448.3
Gains/Losses	$ 85.3	$ 82.4	$ 99.7
Transfers In (From Operating Reserve)	$ -	$ 484.3	$ -
Transfer Out to Operating Reserve [4]	$ -	$ -	$ -
Transfer Out to Early Childhood Trust Fund [7]	$ (342.7)	$ (824.1)	$ (448.3)
Ending Balance	$ 1,812.6	$ 2,379.3	$ 2,478.9
Percent of Recurring Appropriations	*25.1%*	*31.9%*	
TOTAL GENERAL FUND ENDING BALANCES	**$ 2,504.8**	**$ 3,274.0**	
Percent of Recurring Appropriations	*35.4%*	*43.9%*	

Notes:

1) DFA using operating reserve to cover disaster allotments due to low balance in the appropriation contingency fund.

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. Audit shows the transfer was not made.

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) provided for a reversion from the state equalization guarantee to the state support reserve fund - this reversion ($9.9 million) was supposed to occur at the end of FY20, but was not submitted before the audit, therefore is booked to FY21.

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

7) 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

* Note: totals may not foot due to rounding

Revenue Source	FY21					FY22					FY23				
	Aug 2021 Est.	**Dec. 2021 Est.**	Change from Prior (Aug 21)	% Change from FY20	$ Change from FY20	Aug 2021 Est.	**Dec. 2021 Est.**	Change from Prior (Aug 21)	% Change from FY21	$ Change from FY21	Aug 2021 Est.	**Dec. 2021 Est.**	Change from Prior (Aug 21)	% Change from FY22	$ Change from FY22
Base Gross Receipts Tax	*2,965.1*	***2,971.7***	*6.6*	*-4.3%*	*(132.5)*	*2,890.0*	***2,915.0***	*25.0*	*-1.9%*	*(56.7)*	*3,053.2*	***3,080.6***	*27.4*	*5.7%*	*165.6*
F&M Hold Harmless Payments	*(113.4)*	***(121.4)***	*(8.0)*	*-25.1%*	*40.6*	*(106.8)*	***(111.5)***	*(4.7)*	*-8.1%*	*9.9*	*(97.0)*	***(101.9)***	*(4.9)*	*-8.6%*	*9.6*
NET Gross Receipts Tax	2,851.7	**2,850.3**	*(1.4)*	*-3.1%*	*(91.8)*	2,783.2	**2,803.5**	*20.3*	*-1.6%*	*(46.8)*	2,956.2	**2,978.7**	*22.5*	*6.2%*	*175.2*
Compensating Tax	62.8	**63.9**	*1.1*	*0.6%*	*0.4*	61.2	**61.6**	*0.4*	*-3.6%*	*(2.3)*	64.7	**68.3**	*3.7*	*10.9%*	*6.7*
TOTAL GENERAL SALES	2,914.5	**2,914.2**	*(0.3)*	*-3.0%*	*(91.4)*	2,844.4	**2,865.1**	*20.7*	*-1.7%*	*(49.1)*	3,020.9	**3,047.0**	*26.2*	*6.4%*	*181.9*
Tobacco Taxes	90.5	**90.5**	*-*	*1.9%*	*1.7*	90.4	**90.6**	*0.2*	*0.1%*	*0.1*	89.1	**89.0**	*(0.1)*	*-1.8%*	*(1.6)*
Liquor Excise	25.6	**24.6**	*(1.0)*	*0.0%*	*(0.0)*	24.7	**24.8**	*0.1*	*0.8%*	*0.2*	24.9	**24.5**	*(0.4)*	*-1.2%*	*(0.3)*
Cannabis Excise	n/a	**n/a**				6.2	**6.2**	*-*			27.9	**27.9**	*-*	*350.0%*	*21.7*
Insurance Taxes	290.9	**292.7**	*1.7*	*12.9%*	*33.5*	293.8	**307.0**	*13.2*	*4.9%*	*14.3*	348.8	**347.7**	*(1.1)*	*13.3%*	*40.8*
Fire Protection Fund Reversion	12.0	**12.0**	*-*		*12.0*	-	**-**	*-*	*-100.0%*	*(12.0)*	-	**-**	*-*		*-*
Motor Vehicle Excise	174.1	**174.1**	*-*	*26.4%*	*36.3*	137.5	**142.1**	*4.6*	*-18.4%*	*(32.0)*	139.7	**143.1**	*3.4*	*0.7%*	*1.0*
Gaming Excise	24.7	**24.7**	*-*	*-46.4%*	*(21.4)*	66.7	**64.5**	*(2.2)*	*161.7%*	*39.9*	66.0	**66.5**	*0.5*	*3.1%*	*2.0*
Leased Vehicle & Other	5.5	**5.5**	*(0.0)*	*-26.3%*	*(2.0)*	5.5	**5.8**	*0.3*	*5.8%*	*0.3*	6.0	**6.3**	*0.3*	*7.8%*	*0.5*
TOTAL SELECTIVE SALES	623.3	**624.0**	*0.7*	*10.7%*	*60.2*	624.8	**641.0**	*16.2*	*2.7%*	*17.0*	702.4	**705.0**	*2.6*	*10.0%*	*64.0*
Personal Income Tax	1,899.1	**1,904.1**	*5.0*	*12.5%*	*212.2*	1,860.9	***1,881.5***	*20.6*	*-1.2%*	*(22.6)*	1,982.2	***2,038.5***	*56.3*	*8.3%*	*157.0*
Gross Corporate Income Tax	*228.1*	**189.5**	*(38.6)*	*35.8%*	*50.0*	*224.9*	***212.4***	*(12.5)*	*12.1%*	*22.9*	*233.4*	***201.8***	*(31.6)*	*-5.0%*	*(10.6)*
CIT Refundable Credits	*(83.1)*	**(39.8)**	*43.3*	*-47.8%*	*36.5*	*(111.4)*	***(102.6)***	*8.8*	*157.8%*	*(62.8)*	*(139.1)*	***(133.7)***	*5.4*	*30.3%*	*(31.1)*
NET Corporate Income Tax	145.0	**149.7**	*4.7*	*136.9%*	*86.5*	113.5	**109.8**	*(3.7)*	*-26.7%*	*(39.9)*	94.3	**68.1**	*(26.2)*	*-38.0%*	*(41.7)*
TOTAL INCOME TAXES	2,044.1	**2,053.8**	*9.7*	*17.0%*	*298.7*	1,974.4	**1,991.3**	*16.9*	*-3.0%*	*(62.5)*	2,076.5	**2,106.6**	*30.1*	*5.8%*	*115.3*
Gross Oil and Gas School Tax	*755.1*	**763.1**	*8.0*	*37.6%*	*208.3*	*1,029.4*	***1,349.8***	*320.4*	*76.9%*	*586.7*	*952.7*	***1,183.1***	*230.4*	*-12.3%*	*(166.7)*
Excess to TSR or Early Childhood Trust Fund	*(334.7)*	**(342.7)**	*(8.0)*	*106.3%*	*(176.6)*	*(505.4)*	***(824.1)***	*(318.7)*	*140.5%*	*(481.4)*	*(283.6)*	***(448.3)***	*(164.7)*	*-45.6%*	*375.8*
NET Oil & Gas School Tax	420.4	**420.4**	*0.0*	*8.2%*	*31.7*	524.0	**525.7**	*1.7*	*25.0%*	*105.3*	669.1	**734.8**	*65.7*	*39.8%*	*209.1*
Oil Conservation Tax	38.9	**39.6**	*0.7*	*34.2%*	*10.1*	53.1	**62.0**	*8.9*	*56.5%*	*22.4*	49.2	**61.1**	*11.9*	*-1.5%*	*(0.9)*
Resources Excise Tax	6.7	**6.8**	*0.1*	*-4.9%*	*(0.3)*	7.6	**7.6**	*-*	*11.8%*	*0.8*	7.0	**7.0**	*-*	*-7.9%*	*(0.6)*
Natural Gas Processors Tax	10.4	**10.5**	*0.1*	*-28.9%*	*(4.3)*	8.6	**9.1**	*0.5*	*-13.3%*	*(1.4)*	21.0	**25.8**	*4.8*	*183.5%*	*16.7*
TOTAL SEVERANCE TAXES	476.4	**477.3**	*0.9*	*8.5%*	*37.2*	593.3	**604.3**	*11.0*	*26.6%*	*127.0*	746.3	**828.6**	*82.3*	*37.1%*	*224.3*
LICENSE FEES	51.4	**21.8**	*(29.6)*	*-56.8%*	*(28.7)*	60.1	**58.5**	*(1.6)*	*168.0%*	*36.6*	59.7	**57.9**	*(1.8)*	*-0.9%*	*(0.5)*
LGPF Interest	720.8	**721.6**	*0.8*	*7.1%*	*48.1*	777.1	**777.1**	*-*	*7.7%*	*55.5*	848.5	**848.6**	*0.1*	*9.2%*	*71.5*
STO Interest	5.2	**5.3**	*0.1*	*-94.2%*	*(86.4)*	26.3	**15.8**	*(10.6)*	*194.5%*	*10.4*	20.9	**30.4**	*9.5*	*93.1%*	*14.7*
STPF Interest	234.0	**234.0**	*0.0*	*3.9%*	*8.8*	246.4	**246.4**	*(0.0)*	*5.3%*	*12.4*	261.5	**263.0**	*1.5*	*6.7%*	*16.6*
TOTAL INTEREST	960.0	**961.0**	*1.0*	*-3.0%*	*(29.5)*	1,049.8	**1,039.2**	*(10.6)*	*8.1%*	*78.3*	1,130.9	**1,142.0**	*11.1*	*9.9%*	*102.8*
Gross Federal Mineral Leasing	*811.0*	***811.5***	*0.5*	*-0.7%*	*(5.6)*	*1,180.1*	***1,439.3***	*259.2*	*77.4%*	*627.8*	*1,267.6*	***1,580.8***	*313.3*	*9.8%*	*141.6*
Excess to Early Childhood Trust Fund	*n/a*	***n/a***				*(425.2)*	***(684.3)***	*(259.1)*			*(363.9)*	***(625.2)***	*(261.3)*	*-8.6%*	*59.1*
NET Federal Mineral Leasing	811.0	**811.5**	*0.5*	*-0.7%*	*(5.6)*	754.9	**755.0**	*0.1*	*-7.0%*	*(56.5)*	903.7	**955.7**	*51.9*	*26.6%*	*200.7*
State Land Office	38.0	**41.8**	*3.8*	*-40.2%*	*(28.1)*	38.3	**36.7**	*(1.6)*	*-12.1%*	*(5.1)*	38.3	**37.6**	*(0.7)*	*2.5%*	*0.9*
TOTAL RENTS & ROYALTIES	849.0	**853.3**	*4.3*	*-3.8%*	*(33.7)*	793.2	**791.7**	*(1.5)*	*-7.2%*	*(61.6)*	942.0	**993.3**	*51.2*	*25.5%*	*201.6*
TRIBAL REVENUE SHARING	29.7	**48.2**	*18.4*	*6.0%*	*2.7*	71.8	**72.8**	*1.0*	*51.2%*	*24.7*	73.5	**76.6**	*3.0*	*5.1%*	*3.7*
MISCELLANEOUS RECEIPTS	47.4	**41.1**	*(6.2)*	*-1.0%*	*(0.4)*	46.9	**49.2**	*2.2*	*19.6%*	*8.0*	39.5	**42.1**	*2.6*	*-14.4%*	*(7.1)*
REVERSIONS	50.0	**90.6**	*40.6*	*11.7%*	*9.5*	50.0	**50.0**	*-*	*-44.8%*	*(40.6)*	50.0	**50.0**	*-*	*0.0%*	*-*
TOTAL RECURRING	8,045.7	**8,085.2**	*39.4*	*2.9%*	*224.6*	8,108.6	**8,163.1**	*54.4*	*1.0%*	*77.9*	8,841.7	**9,049.1**	*207.4*	*10.9%*	*886.1*
2021 Nonrecurring Legislation	(147.0)	**(148.8)**	*(1.8)*		*(148.8)*	(13.8)	**(8.2)**	*5.6*	*-94.5%*	*140.6*			*-*	*-100.0%*	*8.2*
Other Nonrecurring	*82.6*	**114.6**	*32.0*		*114.6*	-	**-**	*-*	*-100.0%*	*(114.6)*			*-*		*-*
TOTAL NONRECURRING	(64.4)	**(34.2)**	*30.2*	*-110.6%*	*(356.5)*	(13.8)	**(8.2)**	*5.6*	*-76.0%*	*26.0*	-	**-**	*-*	*-100.0%*	*8.2*
GRAND TOTAL General Fund	7,981.4	**8,051.0**	*69.6*	*-1.6%*	*(131.9)*	8,094.8	**8,154.9**	*60.0*	*1.3%*	*103.9*	8,841.7	**9,049.1**	*207.4*	*11.0%*	*894.3*

Note: Columns in blue show difference between August 2021 Consensus Revenue Estimate and August 2021 Consensus Revenue Estimate

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

Attachment 2

FY24

Revenue Source	Aug 2021 Est.	**Dec. 2021 Est.**	Change from Prior (Aug 21)	% Change from FY23	$ Change from FY23
Base Gross Receipts Tax	*3,152.8*	**3,180.2**	*27.4*	*3.2%*	*99.6*
F&M Hold Harmless Payments	*(87.4)*	**(92.4)**	*(5.0)*	*-9.3%*	*9.5*
NET Gross Receipts Tax	3,065.4	**3,087.8**	22.4	3.7%	109.1
Compensating Tax	66.8	**68.9**	2.2	0.9%	0.6
TOTAL GENERAL SALES	3,132.2	**3,156.7**	24.6	3.6%	109.7
Tobacco Taxes	88.1	**88.3**	0.2	-0.8%	(0.7)
Liquor Excise	25.1	**24.7**	(0.4)	0.7%	0.2
Cannabis Excise	31.9	**31.9**	-	14.3%	4.0
Insurance Taxes	369.4	**360.4**	(9.0)	3.7%	12.7
Fire Protection Fund Reversion	-	**-**	-		-
Motor Vehicle Excise	141.5	**146.4**	4.9	2.3%	3.3
Gaming Excise	66.6	**67.3**	0.7	1.2%	0.8
Leased Vehicle & Other	6.3	**6.8**	0.5	8.8%	0.6
TOTAL SELECTIVE SALES	728.9	**725.8**	(3.1)	3.0%	20.8
Personal Income Tax	2,069.5	***2,084.1***	14.6	2.2%	45.6
Gross Corporate Income Tax	*239.5*	***203.8***	*(35.7)*	*1.0%*	*2.0*
CIT Refundable Credits	*(159.8)*	***(160.2)***	*(0.4)*	*19.8%*	*(26.5)*
NET Corporate Income Tax	79.7	**43.6**	(36.1)	-36.0%	(24.5)
TOTAL INCOME TAXES	2,149.2	**2,127.7**	(21.5)	1.0%	21.1
Gross Oil and Gas School Tax	*915.5*	***1,134.5***	*219.0*	*-4.1%*	*(48.6)*
Excess to TSR or Early Childhood Trust Fund	*(146.0)*	***(253.3)***	*(107.3)*	*-43.5%*	*195.1*
NET Oil & Gas School Tax	769.5	**881.2**	111.7	19.9%	146.5
Oil Conservation Tax	47.6	**58.8**	11.2	-3.7%	(2.3)
Resources Excise Tax	7.1	**7.1**	-	1.4%	0.1
Natural Gas Processors Tax	18.0	**24.1**	6.1	-6.6%	(1.7)
TOTAL SEVERANCE TAXES	842.2	**971.2**	129.0	17.2%	142.6
LICENSE FEES	59.5	**57.3**	(2.3)	-1.2%	(0.7)
LGPF Interest	917.3	**920.1**	2.8	8.4%	71.5
STO Interest	22.5	**33.2**	10.7	9.0%	2.7
STPF Interest	278.5	**283.8**	5.3	7.9%	20.9
TOTAL INTEREST	1,218.3	**1,237.1**	18.8	8.3%	95.1
Gross Federal Mineral Leasing	*1,208.3*	**1,481.3**	*273.0*	*-6.3%*	*(99.5)*
Excess to Early Childhood Trust Fund	*(163.9)*	**(322.3)**	*(158.4)*	*-48.4%*	*302.8*
NET Federal Mineral Leasing	1,044.4	**1,159.0**	114.6	21.3%	203.3
State Land Office	38.3	**37.9**	(0.4)	0.8%	0.3
TOTAL RENTS & ROYALTIES	1,082.7	**1,196.9**	114.2	20.5%	203.6
TRIBAL REVENUE SHARING	75.4	**78.7**	3.3	2.8%	2.1
MISCELLANEOUS RECEIPTS	37.8	**41.7**	3.9	-0.8%	(0.3)
REVERSIONS	50.0	**50.0**	-	0.0%	-
TOTAL RECURRING	9,376.2	**9,643.2**	267.0	6.6%	594.0
2021 Nonrecurring Legislation			-		-
Other Nonrecurring			-		-
TOTAL NONRECURRING			-		-
			-		-
GRAND TOTAL General Fund	9,376.2	**9,643.2**	267.0	6.6%	594.0

FY25

Revenue Source	Aug 2021 Est.	**Dec. 2021 Est.**	Change from Prior (Aug 21)	% Change from FY24	$ Change from FY24
Base Gross Receipts Tax	*3,251.9*	**3,274.9**	*23.0*	*3.0%*	*94.7*
F&M Hold Harmless Payments	*(77.2)*	**(82.4)**	*(5.2)*	*-10.8%*	*10.0*
NET Gross Receipts Tax	3,174.7	**3,174.7**	-	2.8%	86.9
Compensating Tax	68.8	**68.9**	0.1	-0.1%	(0.1)
TOTAL GENERAL SALES	3,243.5	**3,243.6**	0.1	2.8%	86.8
Tobacco Taxes	87.4	**87.7**	0.3	-0.7%	(0.6)
Liquor Excise	25.3	**24.8**	(0.5)	0.7%	0.2
Cannabis Excise	35.7	**35.7**	-	11.9%	3.8
Insurance Taxes	454.8	**425.3**	(29.5)	18.0%	64.8
Fire Protection Fund Reversion	-	**-**	-		-
Motor Vehicle Excise	147.4	**152.3**	4.9	4.1%	5.9
Gaming Excise	65.9	**66.9**	1.0	-0.6%	(0.4)
Leased Vehicle & Other	6.6	**6.9**	0.3	1.5%	0.1
TOTAL SELECTIVE SALES	823.1	**799.7**	(23.5)	10.2%	73.8
Personal Income Tax	2,187.2	***2,160.4***	(26.8)	3.7%	76.3
Gross Corporate Income Tax	*242.9*	***209.1***	*(33.8)*	*2.6%*	*5.3*
CIT Refundable Credits	*(159.8)*	***(160.2)***	*(0.4)*	*0.0%*	*-*
NET Corporate Income Tax	83.1	**48.9**	(34.2)	12.2%	5.3
TOTAL INCOME TAXES	2,270.3	**2,209.3**	(61.0)	3.8%	81.6
Gross Oil and Gas School Tax	*923.1*	***1,145.1***	*222.0*	*0.9%*	*10.5*
Excess to TSR or Early Childhood Trust Fund	*(81.6)*	***(148.0)***	*(66.4)*	*-41.6%*	*105.3*
NET Oil & Gas School Tax	841.5	**997.1**	155.6	13.1%	115.8
Oil Conservation Tax	48.0	**59.4**	11.4	1.1%	0.6
Resources Excise Tax	7.1	**7.1**	-	0.0%	-
Natural Gas Processors Tax	14.8	**18.7**	3.9	-22.4%	(5.4)
TOTAL SEVERANCE TAXES	911.4	**1,082.3**	170.9	11.4%	111.1
LICENSE FEES	58.7	**56.2**	(2.5)	-1.8%	(1.1)
LGPF Interest	1,003.1	**1,011.3**	8.2	9.9%	91.2
STO Interest	32.9	**31.3**	(1.7)	-5.7%	(1.9)
STPF Interest	298.4	**309.0**	10.6	8.9%	25.1
TOTAL INTEREST	1,334.4	**1,351.5**	17.1	9.2%	114.4
Gross Federal Mineral Leasing	*1,177.9*	**1,442.4**	*264.5*	*-2.6%*	*(38.9)*
Excess to Early Childhood Trust Fund	*(121.1)*	**(216.4)**	*(95.3)*	*-32.9%*	*105.9*
NET Federal Mineral Leasing	1,056.8	**1,226.0**	169.2	5.8%	67.0
State Land Office	38.3	**38.2**	(0.1)	0.9%	0.3
TOTAL RENTS & ROYALTIES	1,095.1	**1,264.2**	169.1	5.6%	67.3
TRIBAL REVENUE SHARING	77.2	**80.8**	3.6	2.7%	2.1
MISCELLANEOUS RECEIPTS	38.9	**41.2**	2.3	-1.2%	(0.5)
REVERSIONS	50.0	**50.0**	-	0.0%	-
TOTAL RECURRING	9902.6	**10,178.8**	276.1	5.6%	535.6
2021 Nonrecurring Legislation			-		-
Other Nonrecurring			-		-
TOTAL NONRECURRING			-		-
			-		-
GRAND TOTAL General Fund	9,902.6	**10,178.8**	276.1	5.6%	535.6

FY 26

Revenue Source	Aug 2021 Est.	**Dec. 2021 Est.**	Change from Prior (Aug 21)	% Change from FY25	$ Change from FY25
Base Gross Receipts Tax	*3,359.0*	**3,378.2**	*19.2*	*3.2%*	*103.3*
F&M Hold Harmless Payments	*(66.5)*	**(71.5)**	*(5.0)*	*-13.2%*	*10.9*
NET Gross Receipts Tax	3,292.5	**3,292.5**	-	3.7%	117.8
Compensating Tax	70.9	**71.1**	0.2	3.3%	2.3
TOTAL GENERAL SALES	3,363.4	**3,363.6**	0.2	3.7%	120.1
Tobacco Taxes	86.7	**87.3**	0.6	-0.5%	(0.4)
Liquor Excise	25.4	**25.0**	(0.4)	0.7%	0.2
Cannabis Excise	42.7	**42.7**	-	19.6%	7.0
Insurance Taxes	491.3	**432.4**	(58.9)	1.7%	7.2
Fire Protection Fund Reversion	-	**-**	-		-
Motor Vehicle Excise	151.5	**159.1**	7.6	4.5%	6.8
Gaming Excise	65.9	**67.1**	1.2	0.3%	0.2
Leased Vehicle & Other	6.6	**6.8**	0.2	-1.4%	(0.1)
TOTAL SELECTIVE SALES	870.1	**820.5**	(49.6)	2.6%	20.8
Personal Income Tax	2,298.2	***2,243.0***	(55.2)	3.8%	82.6
Gross Corporate Income Tax	*247.5*	***216.3***	*(31.2)*	*3.4%*	*7.2*
CIT Refundable Credits	*(159.8)*	***(160.2)***	*(0.4)*	*0.0%*	*-*
NET Corporate Income Tax	87.7	**56.1**	(31.6)	14.7%	7.2
TOTAL INCOME TAXES	2,385.9	**2,299.1**	(86.8)	4.1%	89.8
Gross Oil and Gas School Tax	*948.8*	***1,176.4***	*227.6*	*2.7%*	*31.3*
Excess to TSR or Early Childhood Trust Fund	*(33.7)*	***(61.3)***	*(27.6)*	*-58.6%*	*86.7*
NET Oil & Gas School Tax	915.1	**1,115.1**	200.0	11.8%	118.1
Oil Conservation Tax	49.3	**61.3**	12.0	3.1%	1.8
Resources Excise Tax	7.1	**7.1**	-	0.0%	-
Natural Gas Processors Tax	13.3	**17.2**	3.9	-8.0%	(1.5)
TOTAL SEVERANCE TAXES	984.8	**1,200.7**	215.9	10.9%	118.4
LICENSE FEES	58.6	**56.6**	(1.9)	0.7%	0.4
LGPF Interest	1,077.0	**1,090.0**	13.0	7.8%	78.7
STO Interest	33.1	**36.5**	3.4	16.9%	5.3
STPF Interest	313.5	**330.6**	17.1	7.0%	21.7
TOTAL INTEREST	1,423.6	**1,457.2**	33.6	7.8%	105.7
Gross Federal Mineral Leasing	*1,198.2*	**1,469.8**	*271.6*	*1.9%*	*27.3*
Excess to Early Childhood Trust Fund	*(69.2)*	**(118.7)**	*(49.5)*	*-45.2%*	*97.7*
NET Federal Mineral Leasing	1,129.0	**1,351.1**	222.1	10.2%	125.1
State Land Office	38.3	**38.6**	0.3	0.9%	0.4
TOTAL RENTS & ROYALTIES	1,167.3	**1,389.7**	222.4	9.9%	125.4
TRIBAL REVENUE SHARING	79.1	**82.9**	3.8	2.7%	2.2
MISCELLANEOUS RECEIPTS	38.8	**41.5**	2.8	0.7%	0.3
REVERSIONS	50.0	**50.0**	-	0.0%	-
TOTAL RECURRING	10,421.6	**10,761.8**	340.2	5.7%	583.0
2021 Nonrecurring Legislation			-		-
Other Nonrecurring			-		-
TOTAL NONRECURRING			-		-
			-		-
GRAND TOTAL General Fund	10,421.6	**10,761.8**	340.2	5.7%	583.0

Note: Columns in blue show difference between August 2021 Consensus Revenue Estimate and August 2021 Consensus Revenue Estimate

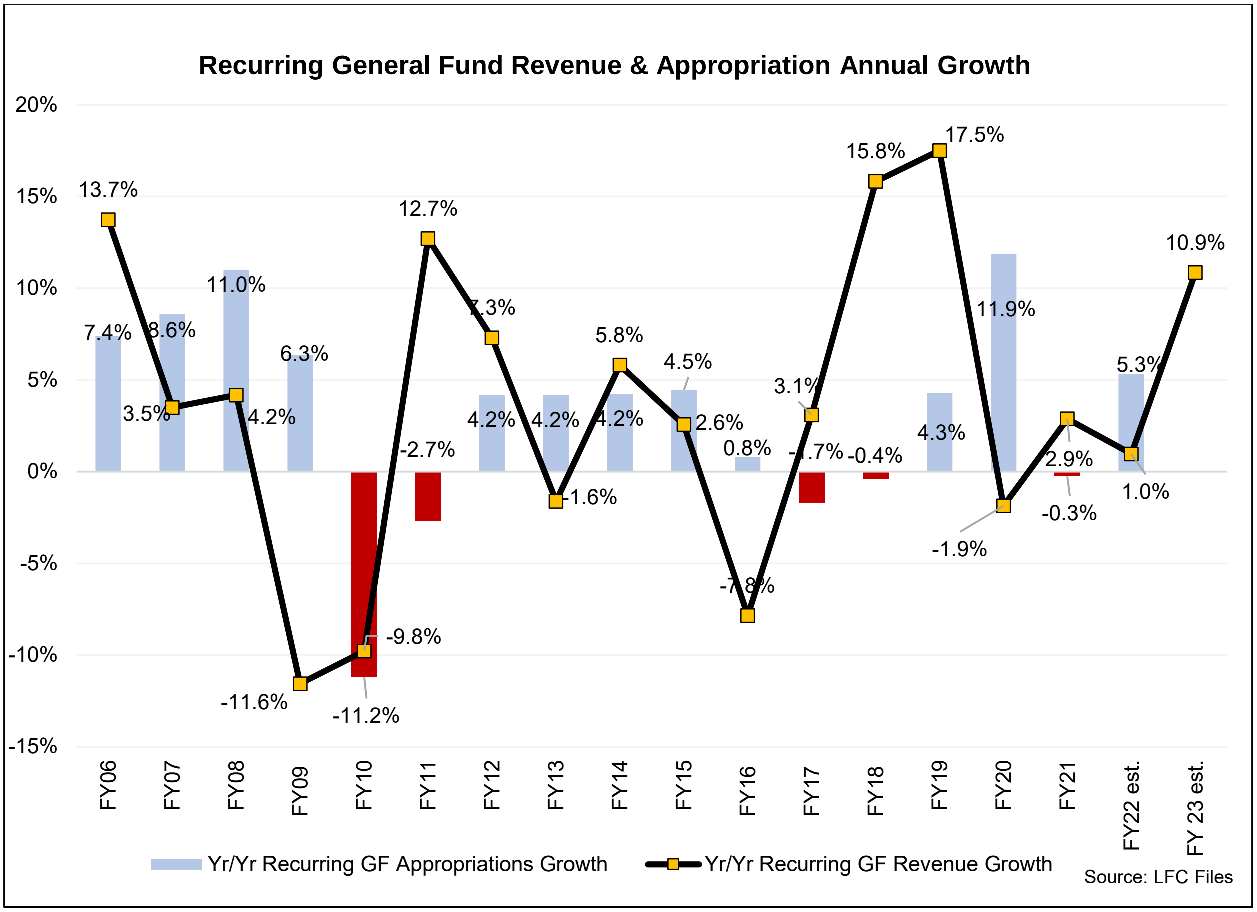
Note: Columns in red show year-over-year growth expected in the December 2021 Consensus Revenue Estimate

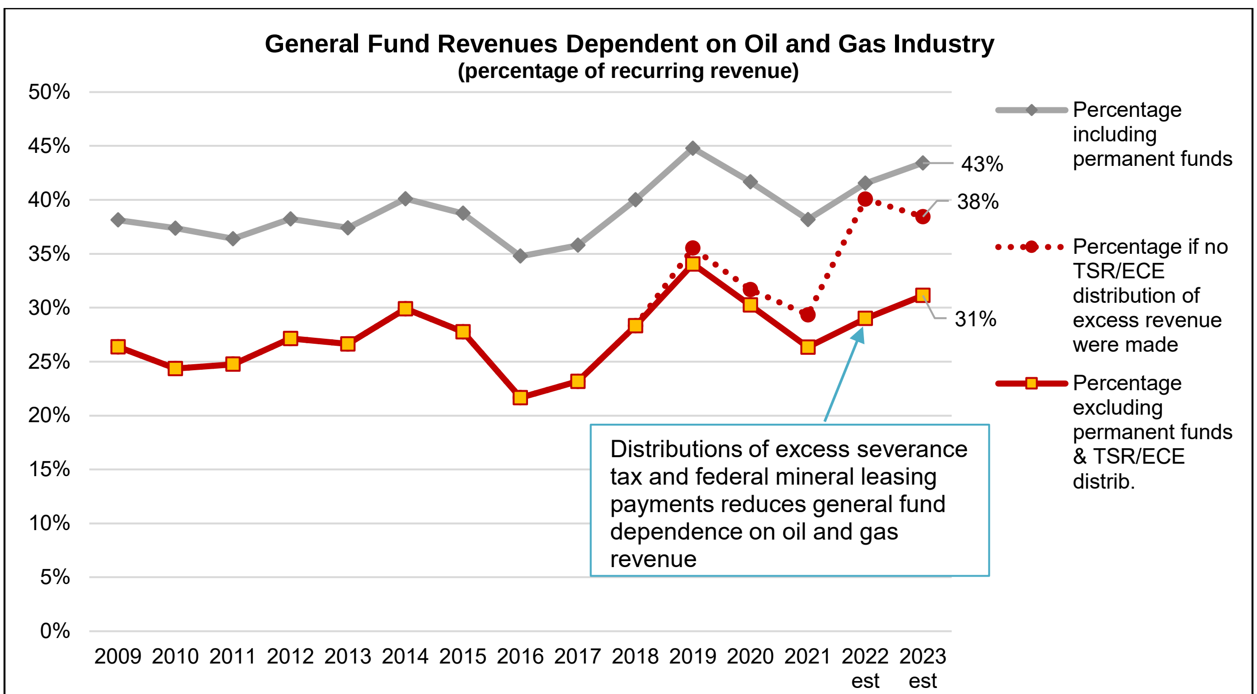
U.S. and New Mexico Economic Indicators

		FY21		FY22		FY23		FY24		FY25		FY26	
		Aug 21 Forecast	**Dec 21 Forecast**	Aug 21 Forecast	**Dec 21 Forecast**	Aug 21 Forecast	**Dec 21 Forecast**	Aug 21 Forecast	**Dec 21 Forecast**	Aug 21 Forecast	**Dec 21 Forecast**	Aug 21 Forecast	**Dec 21 Forecast**
	National Economic Indicators												
IHS	US Real GDP Growth (annual avg.,% YOY)*	1.6	**1.6**	5.7	**4.6**	2.8	**3.8**	2.3	**2.6**	2.3	**2.7**	2.3	**2.6**
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	1.6	**1.6**	6.2	**5.2**	2.8	**2.9**	2.9	**2.7**	2.7	**2.6**	2.4	**2.4**
IHS	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.3	**2.3**	4.2	**5.0**	1.5	**2.2**	2.0	**2.2**	2.1	**2.2**	2.2	**2.2**
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.3	**2.3**	4.2	**5.0**	2.3	**2.5**	2.3	**2.3**	2.3	**2.3**	2.3	**2.3**
IHS	Federal Funds Rate (%)	0.1	**0.1**	0.1	**0.1**	0.1	**0.2**	0.3	**0.6**	0.8	**1.3**	1.3	**2.0**
Moody's	Federal Funds Rate (%)	0.1	**0.1**	0.1	**0.1**	0.2	**0.2**	1.0	**1.0**	1.9	**1.9**	2.5	**2.5**
	New Mexico Labor Market and Income Data												
BBER	NM Non-Agricultural Employment Growth (%)	-5.3	**-5.6**	3.4	**3.4**	2.2	**2.4**	1.6	**1.7**	1.4	**1.4**	1.4	**1.4**
Moody's	NM Non-Agricultural Employment Growth (%)	-5.9	**-5.9**	4.4	**4.8**	2.4	**2.4**	1.1	**1.1**	0.5	**0.5**	0.3	**0.3**
BBER	NM Nominal Personal Income Growth (%)***	6.3	**7.8**	6.6	**5.1**	-5.5	**-4.6**	4.6	**4.6**	4.5	**4.9**	4.9	**5.2**
Moody's	NM Nominal Personal Income Growth (%)***	6.3	**7.8**	5.4	**6.7**	-1.7	**-1.1**	4.6	**4.7**	4.5	**4.7**	4.3	**4.4**
BBER	NM Total Wages & Salaries Growth (%)	0.0	**2.4**	4.7	**3.5**	5.2	**5.7**	4.8	**4.4**	4.5	**4.5**	4.4	**4.4**
Moody's	NM Total Wages & Salaries Growth (%)	1.0	**2.4**	7.1	**7.8**	4.3	**4.5**	4.8	**5.1**	4.1	**4.3**	4.2	**4.3**
BBER	NM Private Wages & Salaries Growth (%)	0.9	**2.6**	4.7	**3.8**	5.8	**6.0**	5.1	**4.9**	4.8	**4.9**	4.6	**4.9**
BBER	NM Real Gross State Product (% YOY)	-0.4	**0.8**	5.8	**3.3**	2.4	**2.7**	2.2	**2.5**	2.2	**2.5**	2.1	**2.1**
Moody's	NM Real Gross State Product (% YOY)	0.2	**0.8**	7.2	**5.4**	2.8	**2.6**	2.5	**2.6**	2.2	**2.2**	2.0	**2.1**
CREG	NM Gross Oil Price ($/barrel)	$49.92	**$50.58**	$63.50	**$71.50**	$58.00	**$64.50**	$56.00	**$60.50**	$55.50	**$59.50**	$55.50	**$59.50**
CREG	NM Net Oil Price ($/barrel)*****	$43.61	**$44.20**	$55.75	**$62.78**	$50.92	**$56.63**	$49.17	**$53.12**	$48.73	**$52.24**	$48.73	**$52.24**
BBER	Oil Volumes (million barrels)	392	**408**	396	**397**	408	**410**	414	**417**	420	**422**	421	**426**
CREG	NM Taxable Oil Volumes (million barrels)	405	**408**	445	**497**	460	**515**	475	**539**	485	**557**	495	**574**
	NM Taxable Oil Volumes (%YOY growth)	10.0%	**10.8%**	9.9%	**21.8%**	3.4%	**3.6%**	3.3%	**4.7%**	2.1%	**3.4%**	2.1%	**3.1%**
CREG	NM Gross Gas Price ($ per thousand cubic feet)****	$3.32	**$3.40**	$3.75	**$5.00**	$3.25	**$3.80**	$2.75	**$3.40**	$2.70	**$3.30**	$2.80	**$3.35**
CREG	NM Net Gas Price ($ per thousand cubic feet)*****	$2.32	**$2.40**	$2.71	**$3.82**	$2.25	**$2.72**	$1.83	**$2.35**	$1.79	**$2.26**	$1.87	**$2.30**
BBER	Gas Volumes (billion cubic feet)	1,995	**2,137**	1,847	**2,055**	1,874	**2,088**	1,895	**2,113**	1,904	**2,129**	1,945	**2,139**
CREG	NM Taxable Gas Volumes (billion cubic feet)	2,115	**2,135**	2,270	**2,395**	2,360	**2,420**	2,430	**2,460**	2,470	**2,505**	2,500	**2,535**
	NM Taxable Gas Volumes (%YOY growth)	15.6%	**16.7%**	7.3%	**12.2%**	4.0%	**1.0%**	3.0%	**1.7%**	1.6%	**1.8%**	1.2%	**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 - October 2020 FOR-UNM baseline. IHS Global Insight - November 2020 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 January 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: September 2020 Moody's economy.com baseline





*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 December 2021 Consensus Revenue

Early Childhood Trust Fund Forecast

Early Childhood Trust Fund Forecast - December 2021
(in millions)

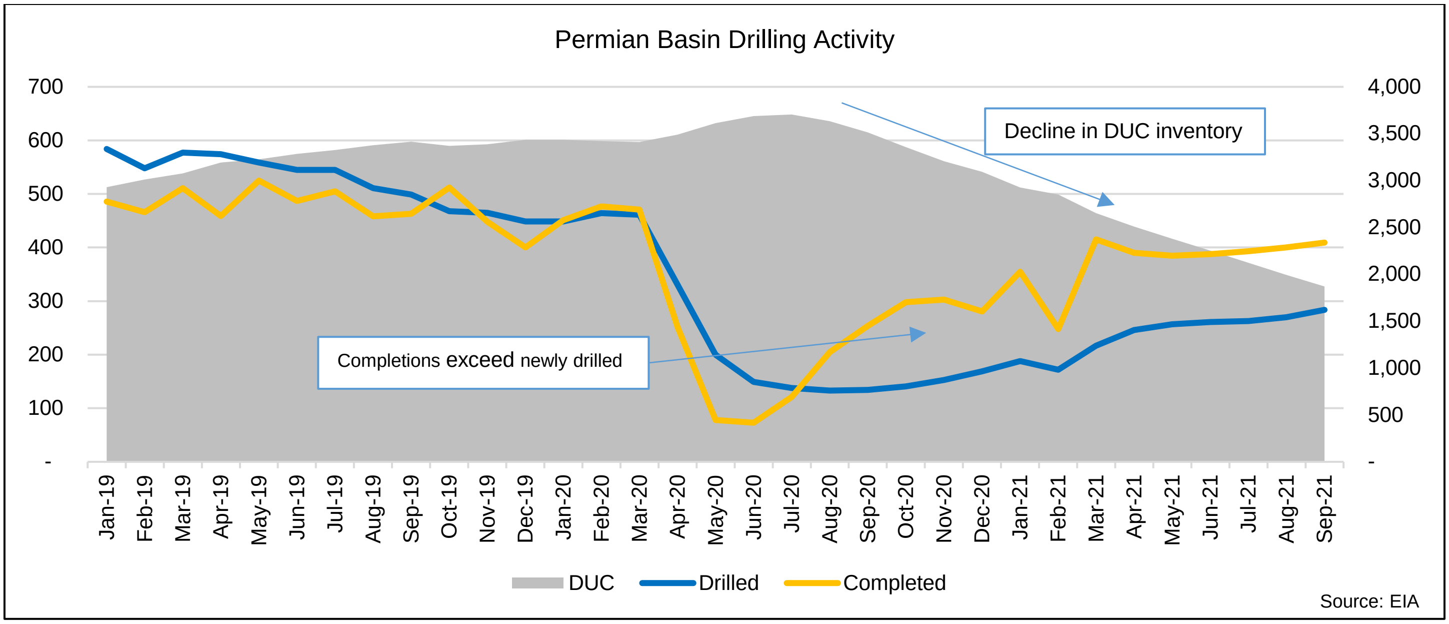
	FY21	FY22	FY23	FY24	FY25	FY26
Beginning Balance	$300.00	$656.40	$2,135.06	$3,263.96	$3,901.86	$4,294.37
Gains & Losses	$13.70	$26.26	$85.40	$130.56	$156.07	$171.77
Excess Federal Mineral Leasing	$0.00	$648.30	$625.20	$322.30	$216.40	$118.70
Excess OGAS School Tax*	$342.70	$824.10	$448.30	$253.30	$148.00	$61.30
Distribution to ECE Program Fund	$0.0	($20.0)	($30.0)	($68.3)	($128.0)	($173.0)
Ending Balance	**$656.4**	**$2,135.1**	**$3,264.0**	**$3,901.9**	**$4,294.4**	**$4,473.1**

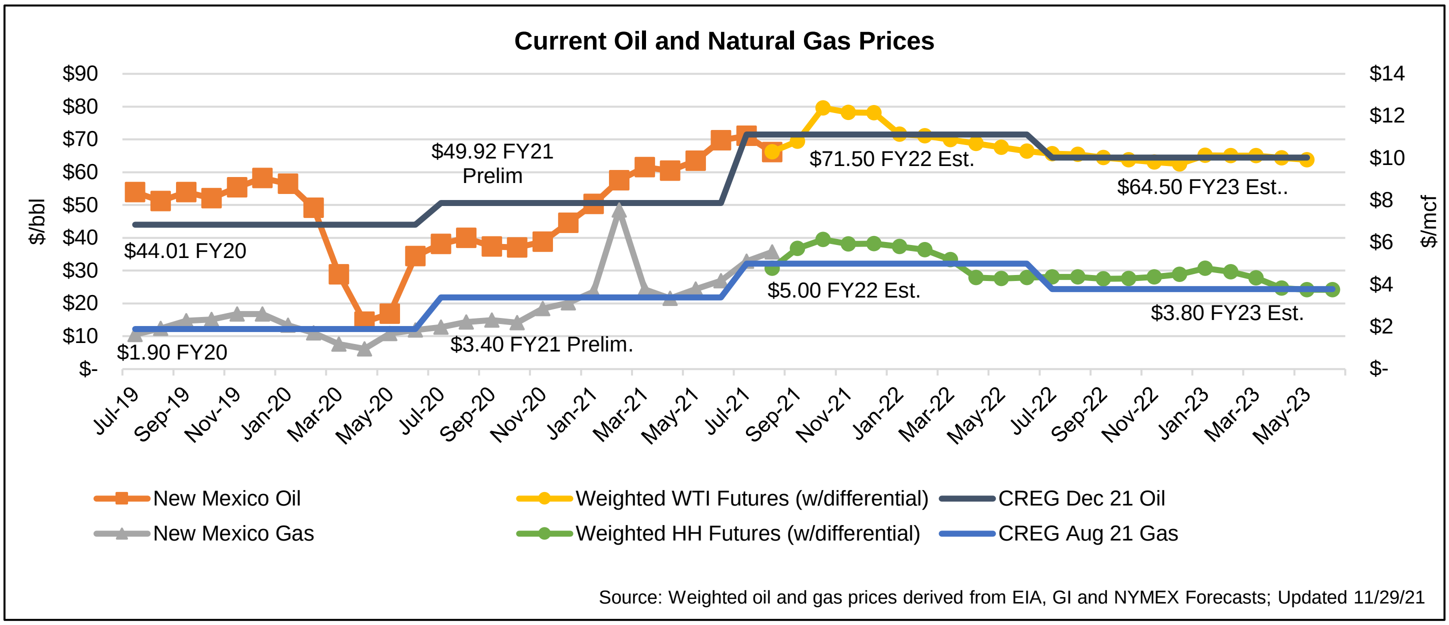
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period

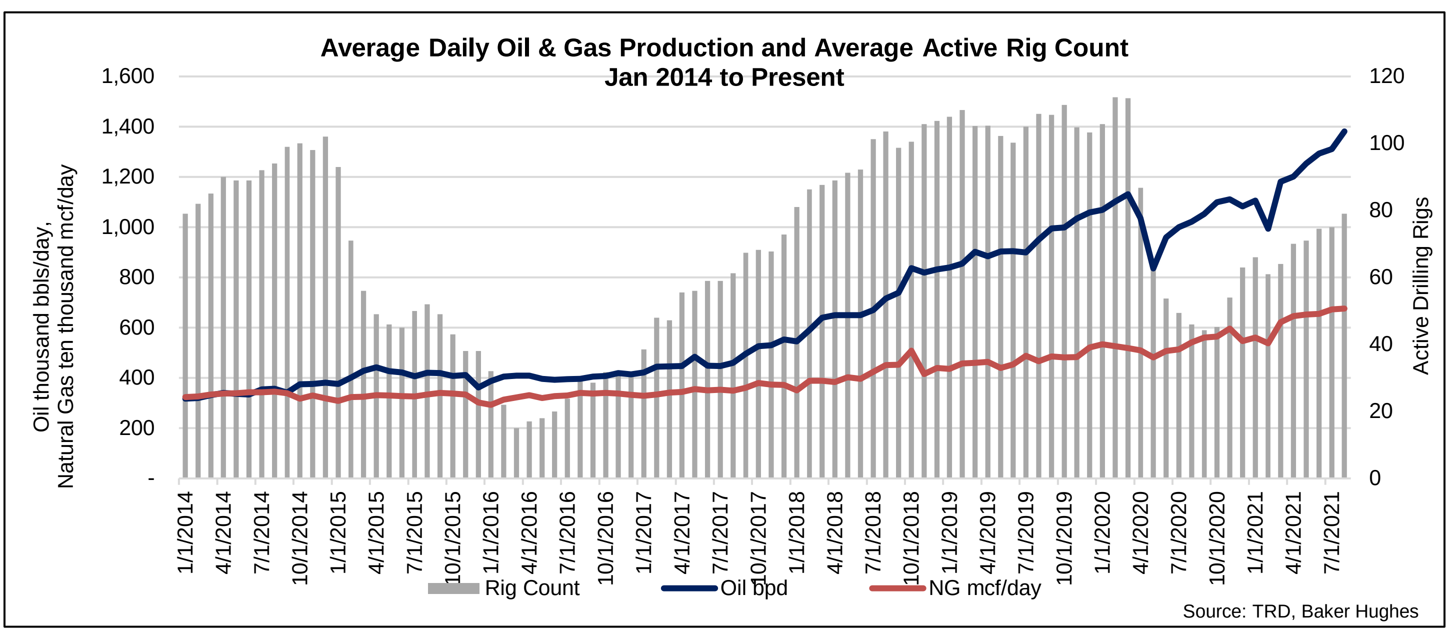
Note: Investment return assumed at 4%

	FY21	FY22	FY23	FY24	FY25	FY26
Distribution to ECE Program Fund	$0.00	$20.00	$30.00	$68.25	$127.97	$173.01

Source: December 2021 Consensus Revenue Forecast


Permian Basin Drilling Activity
Decline in DUC inventory
Completions exceed newly drilled
DUC
Drilled
Completed
Source: EIA


Current Oil and Natural Gas Prices
$/bbl
$/mcf
$49.92 FY21 Prelim
$71.50 FY22 Est.
$64.50 FY23 Est..
$44.01 FY20
$5.00 FY22 Est.
$3.80 FY23 Est.
$1.90 FY20
$3.40 FY21 Prelim.
New Mexico Oil
New Mexico Gas
Weighted WTI Futures (w/differential)
Weighted HH Futures (w/differential)
CREG Dec 21 Oil
CREG Aug 21 Gas
Source: Weighted oil and gas prices derived from EIA, GI and NYMEX Forecasts; Updated 11/29/21


Average Daily Oil & Gas Production and Average Active Rig Count
Jan 2014 to Present
Oil thousand bbls/day,
Natural Gas ten thousand mcf/day
Active Drilling Rigs
Rig Count
Oil bpd
NG mcf/day
Source: TRD, Baker Hughes

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Percent Change in Employment*

In **New Mexico**, as of **August 10 2021**, employment rates among workers in the bottom wage quartile **decreased** by **18.1%** 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: ***September 24, 2021*** *next update expected:* ***December 03, 2021***

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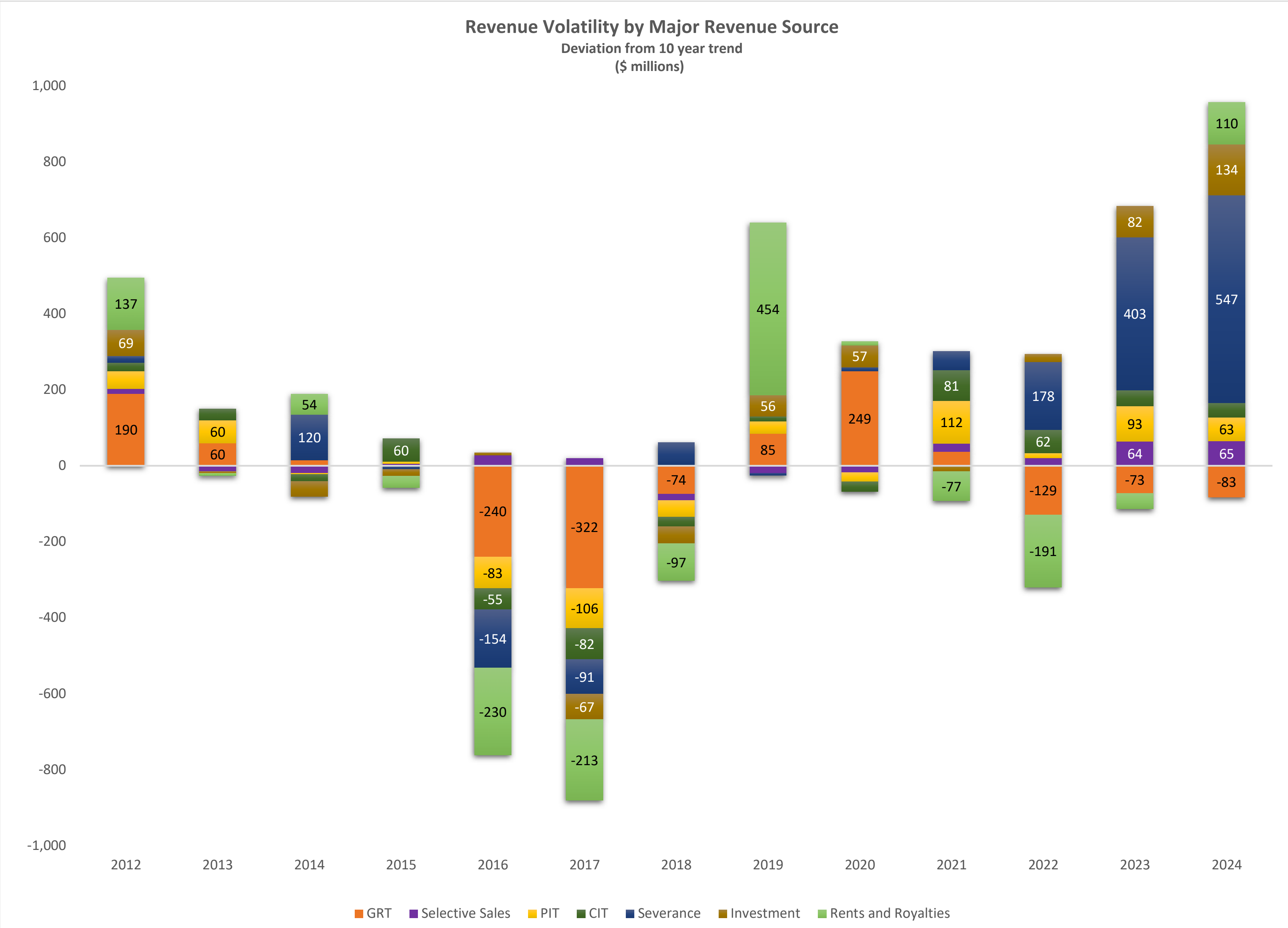
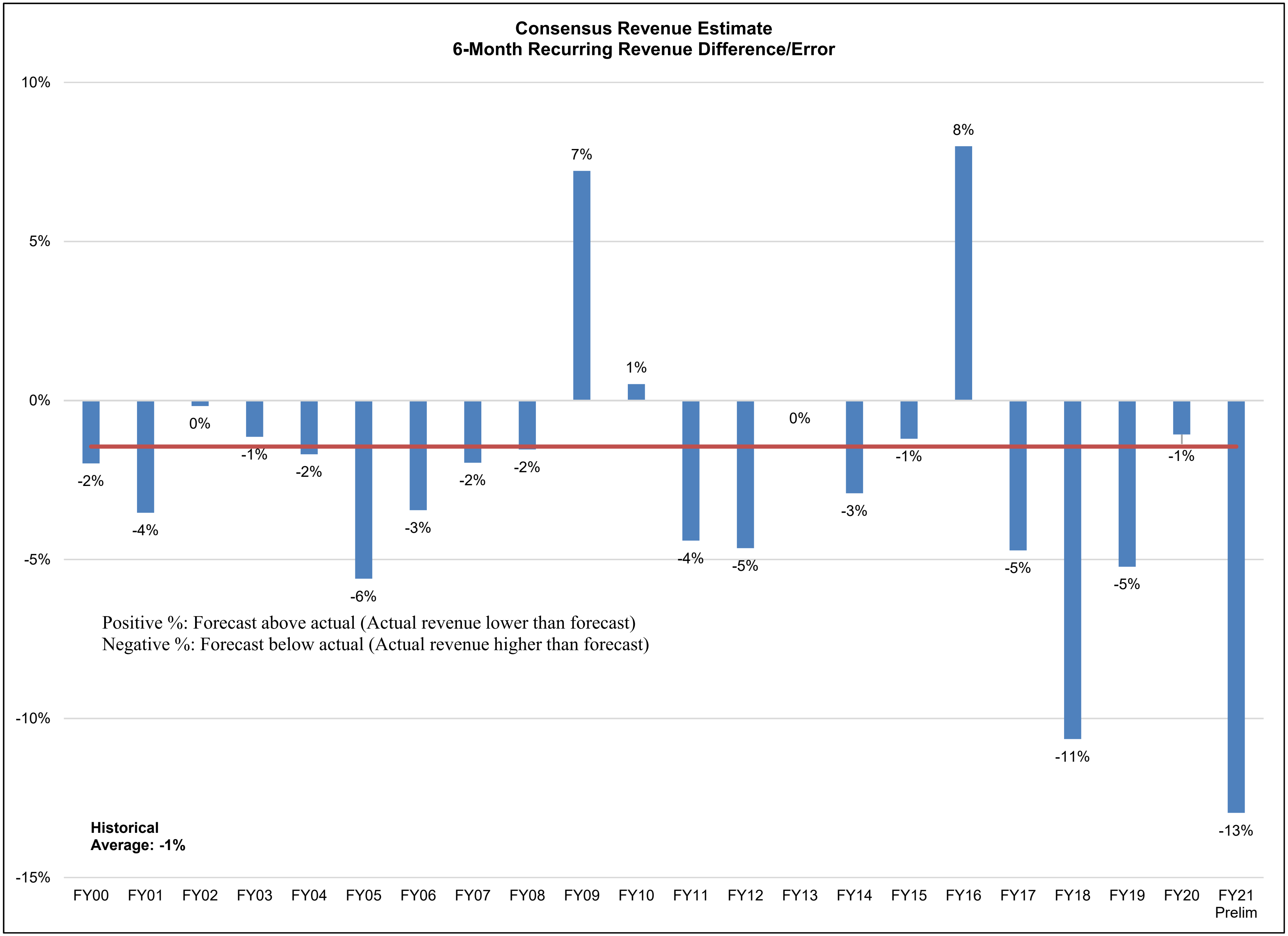

Revenue Volatility by Major Revenue Source
Deviation from 10 year trend
($ millions)
1,000
800
600
400
200
0
-200
-400
-600
-800
-1,000
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
137
69
190
60
60
54
120
60
-240
-83
-55
-154
-230
-322
-106
-82
-91
-67
-213
-74
-97
454
56
85
57
249
81
112
-77
178
62
-129
-191
82
403
93
64
-73
110
134
547
63
65
-83
GRT
Selective Sales
PIT
CIT
Severance
Investment
Rents and Royalties


Consensus Revenue Estimate
6-Month Recurring Revenue Difference/Error
10%
5%
0%
-5%
-10%
-15%
7%
8%
1%
0%
0%
-2%
-4%
-1%
-2%
-6%
-3%
-2%
-2%
-4%
-5%
-3%
-1%
-5%
-11%
-5%
-1%
-13%
Positive %: Forecast above actual (Actual revenue lower than forecast)
Negative %: Forecast below actual (Actual revenue higher than forecast)
Historical
Average: -1%
FY00
FY01
FY02
FY03
FY04
FY05
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
Prelim