



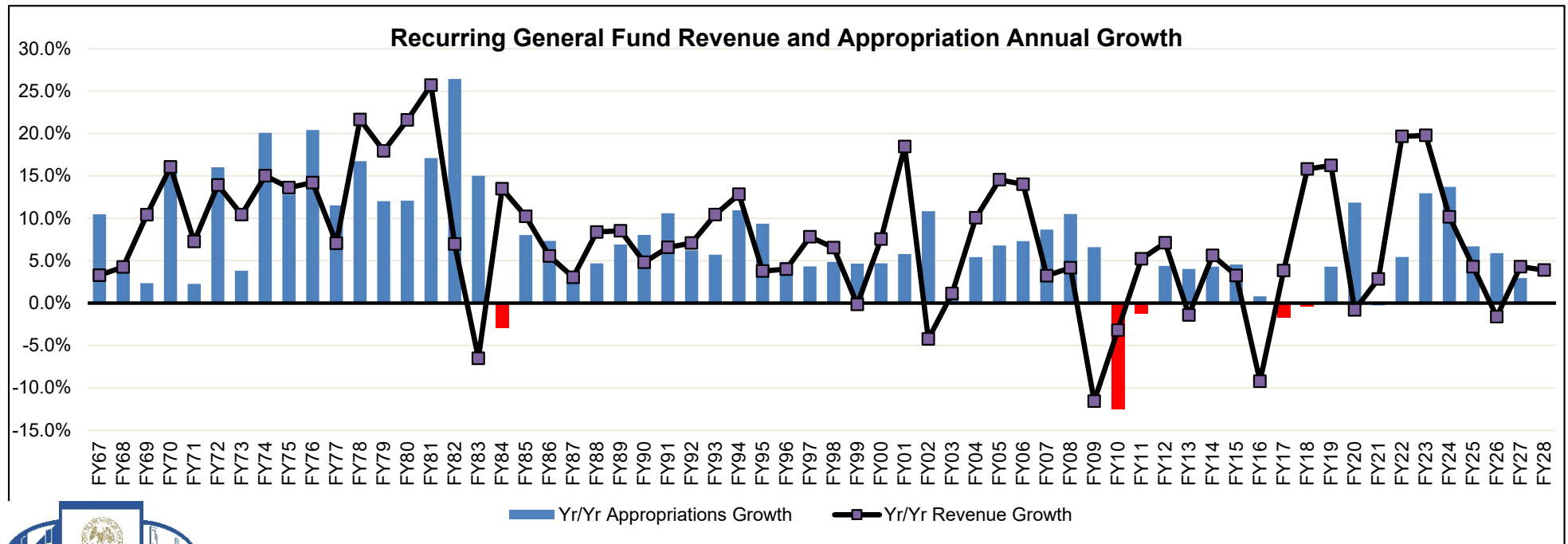
NEW MEXICO  
LEGISLATIVE  
FINANCE  
COMMITTEE

# Revenue Tracking and New Mexico's Solvency Playbook

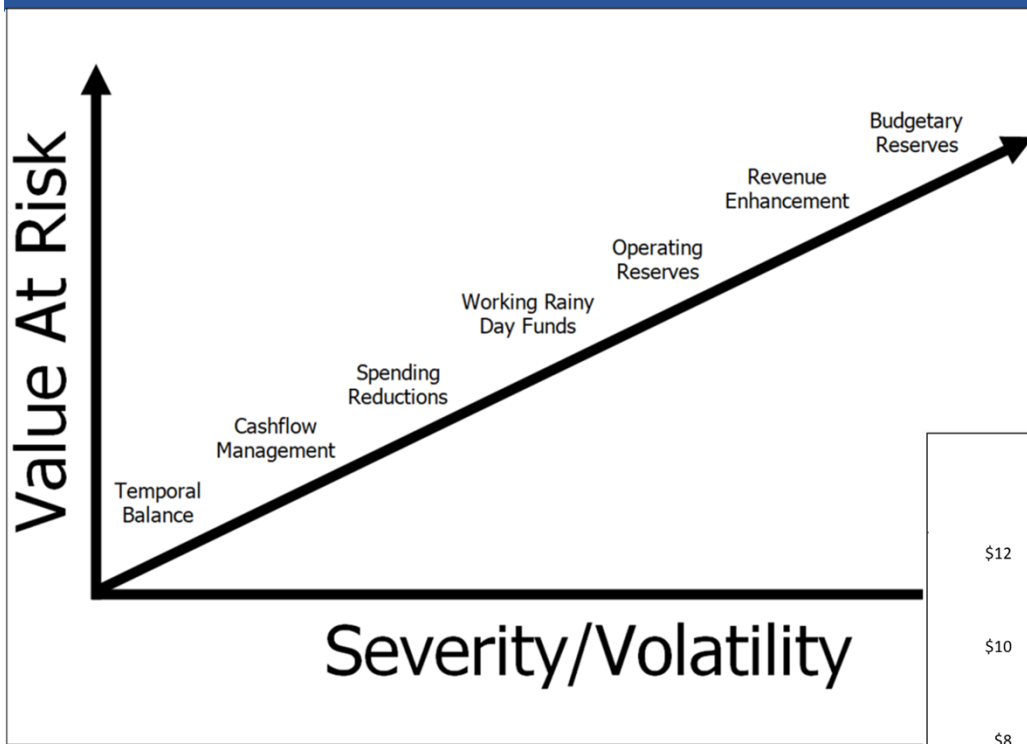
Discussion Framework for Managing Fiscal Stress

# Volatile revenues and reactive budgeting make it harder to plan and invest in what delivers the strongest long-term results.

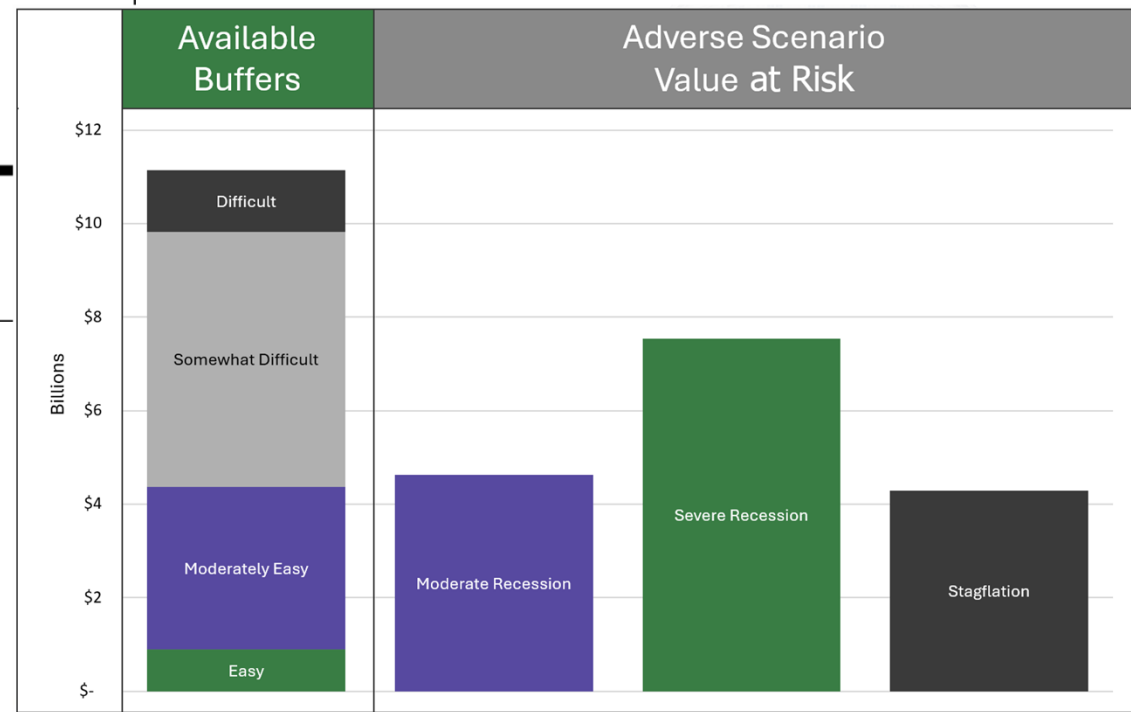
- Historically, revenue volatility has been driven by oil and gas, challenging planning and program improvement.
- The suddenness and size of declines and booms has necessitated reactive fiscal responses.
- Strategic thinking requires structured, pre-analyzed and thought-through solvency plans.



# National best-practices show strategic planning improves budget outcomes. Solvency frameworks are necessary for stress-testing.



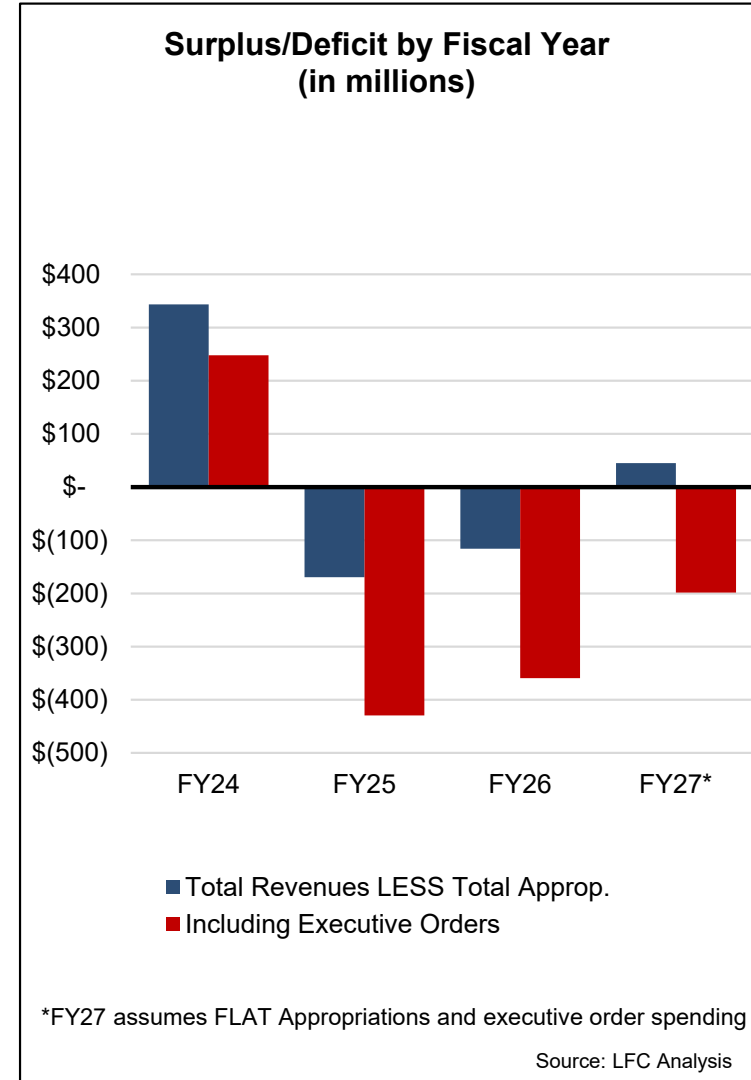
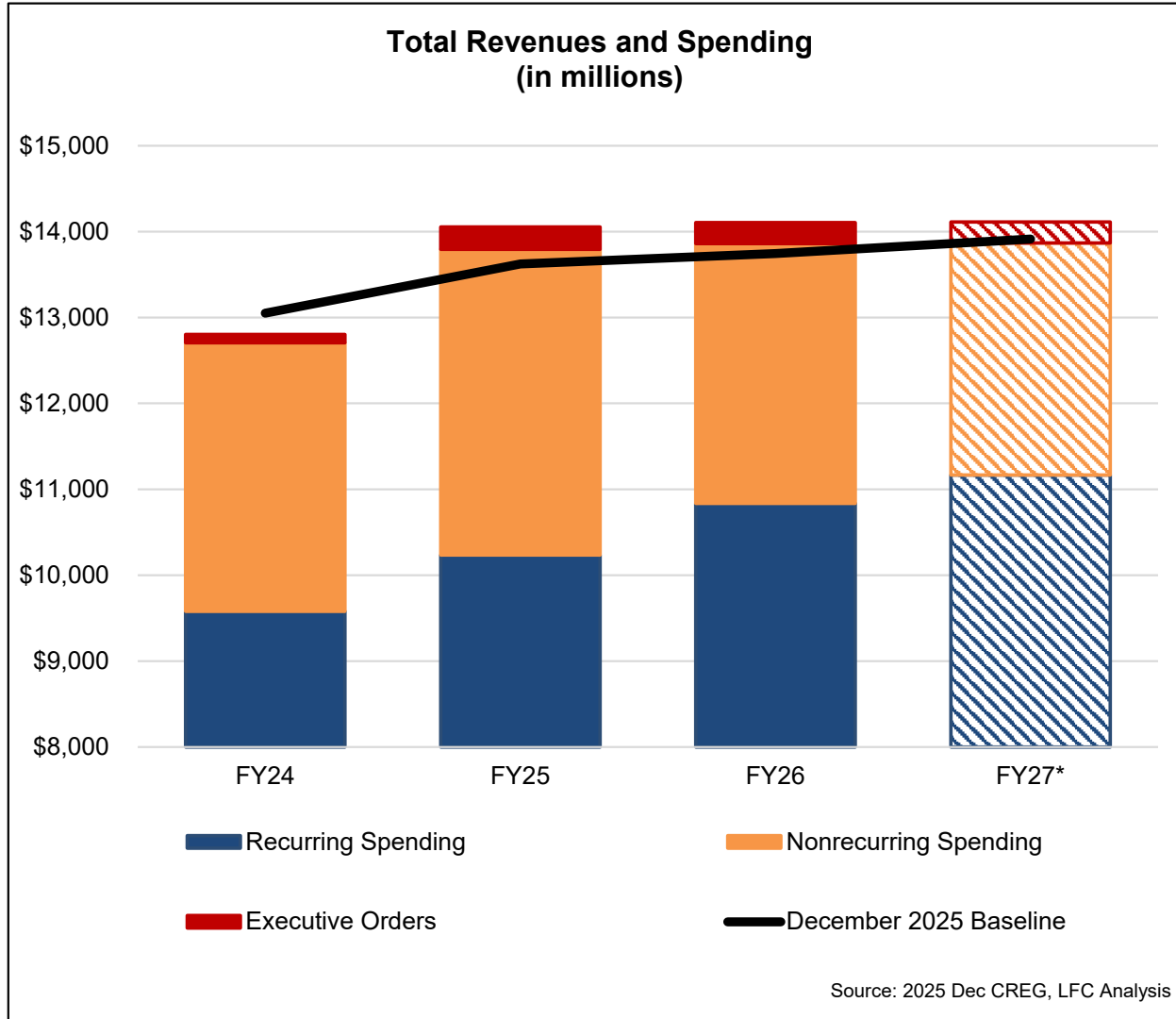
Source: Utah State Legislature



# Fiscal Review

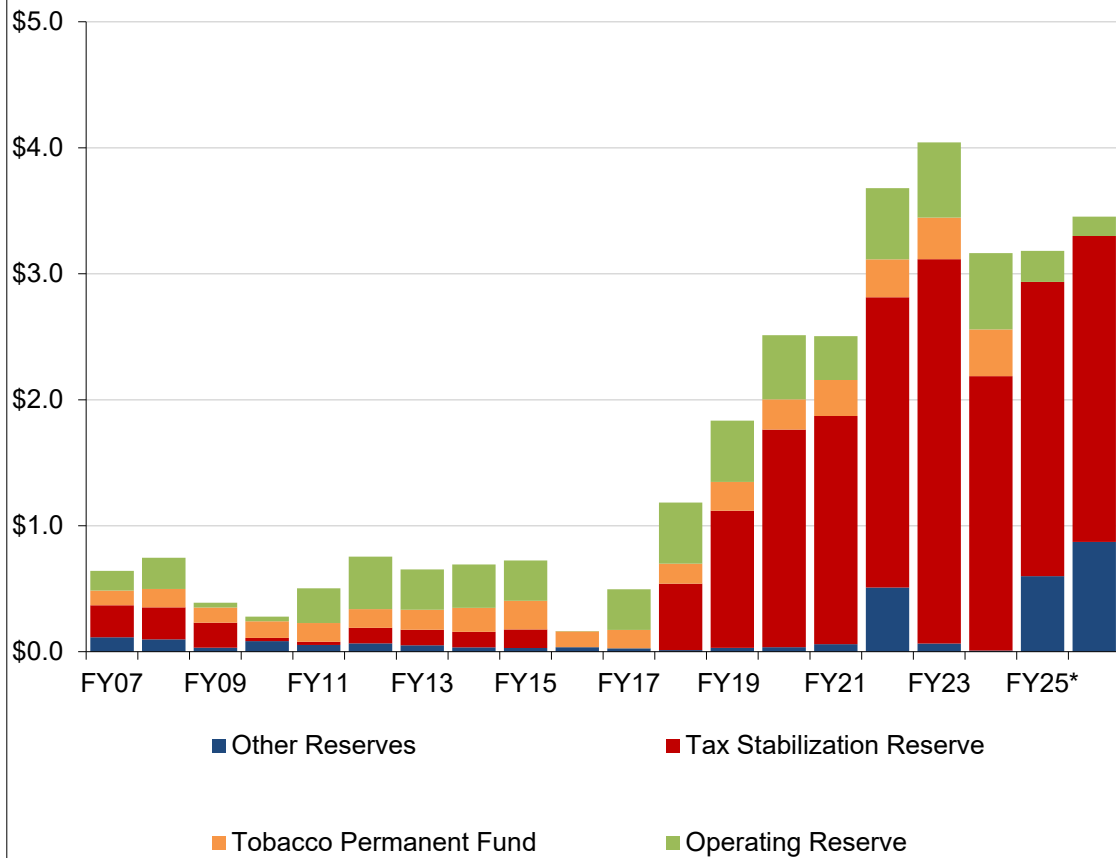


# Total spending is constrained by and exceeding the less than 4% revenue growth.



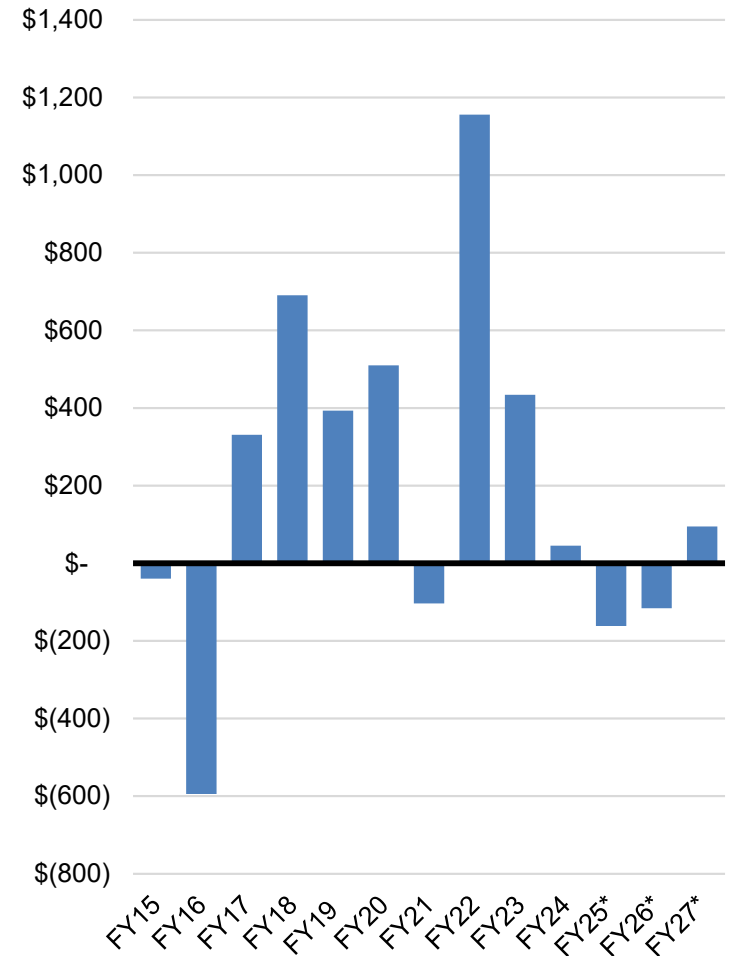
# Draws on reserves have been okay, so far.

**General Fund Reserves  
(in billions)**

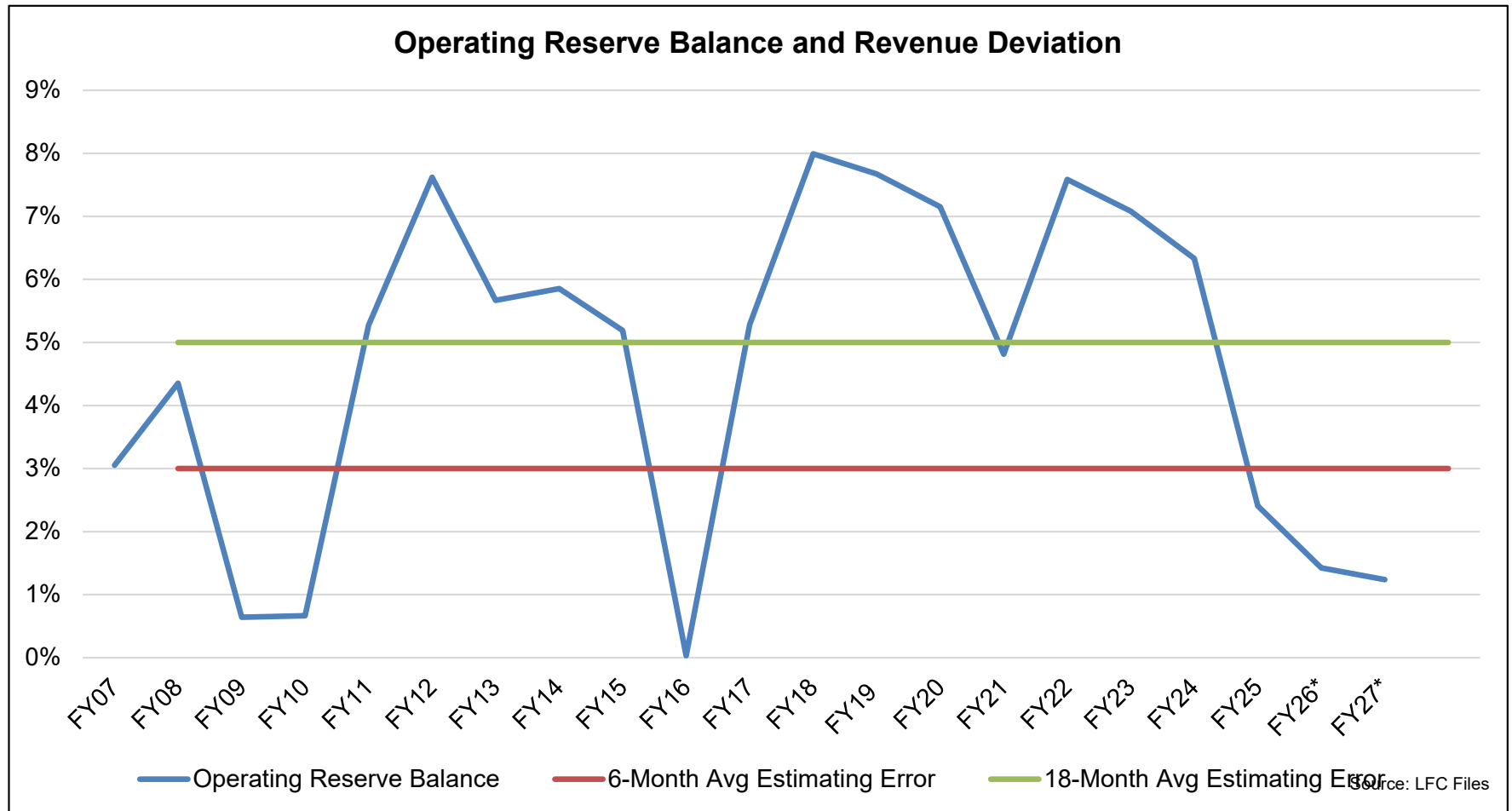


Source: LFC Files

**Distribution to/(From) Reserves  
(in millions)**



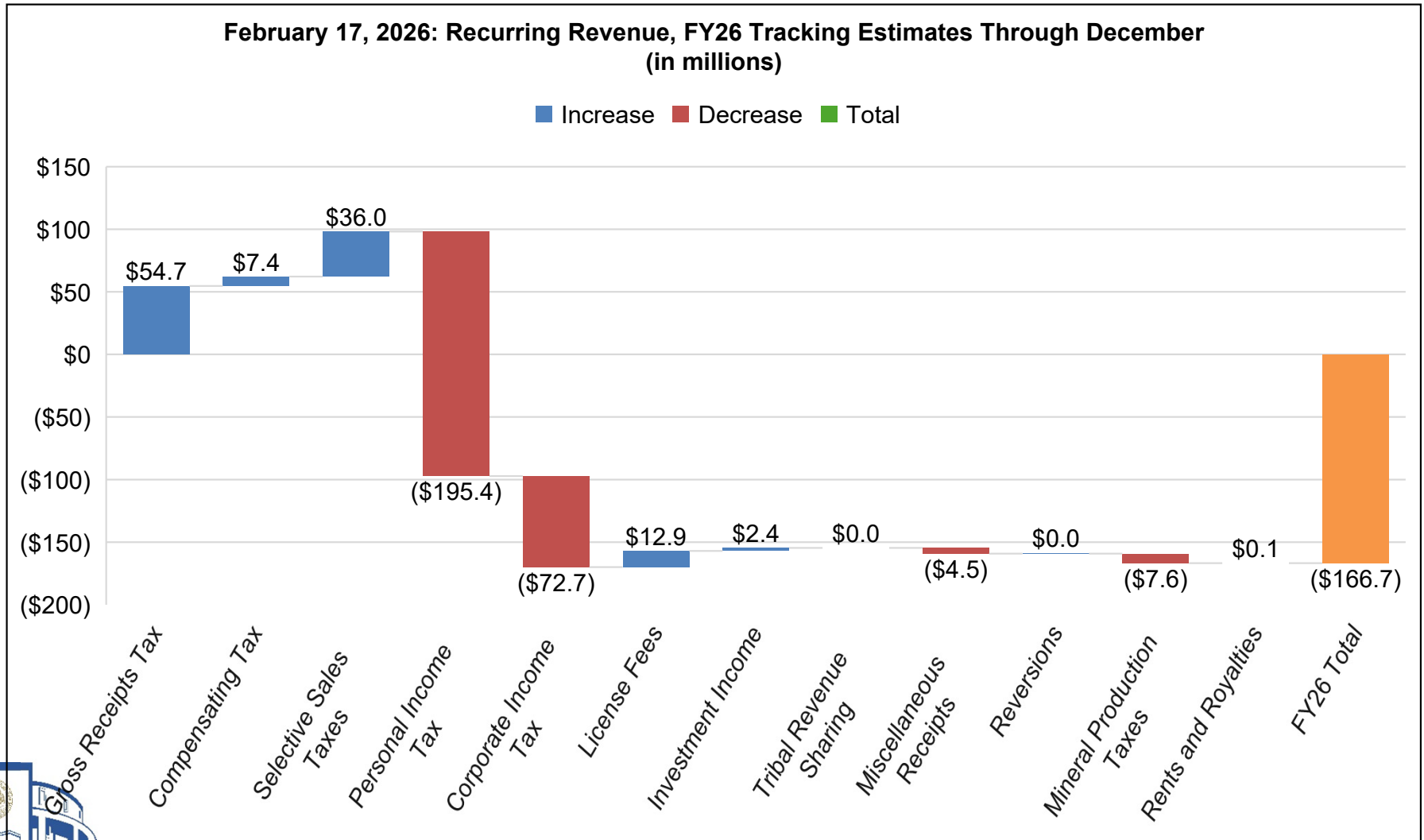
# Cash on hand needs to be sufficient to cover typical revenue deviations.



# Revenue Tracking

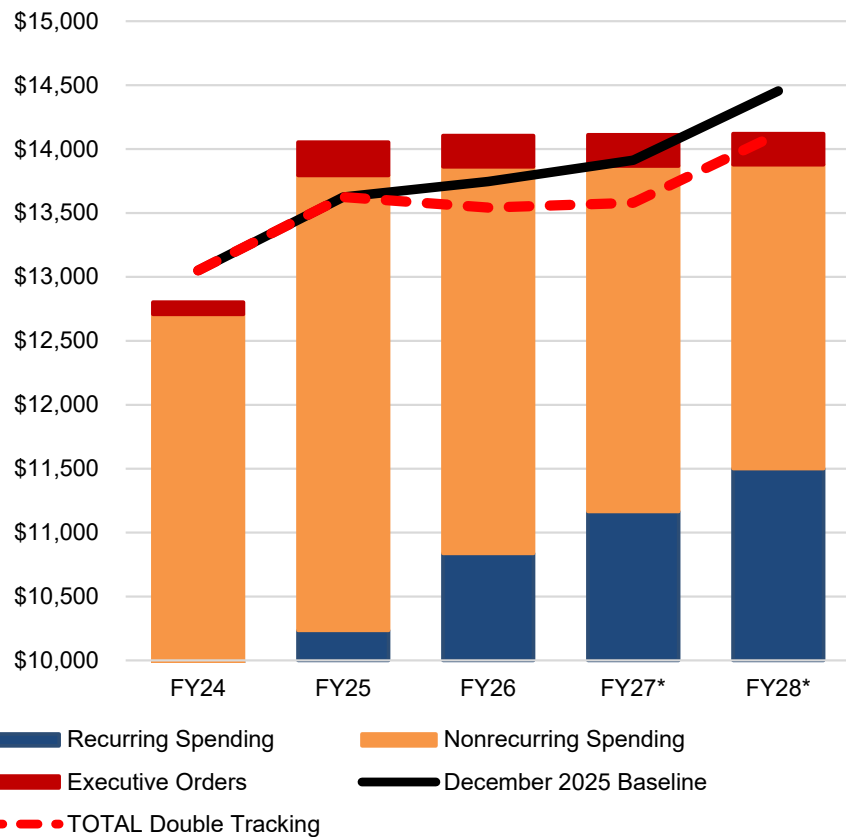


# Revenues were tracking low by the end of the session, at a rate that could have exceeded cash on hand.



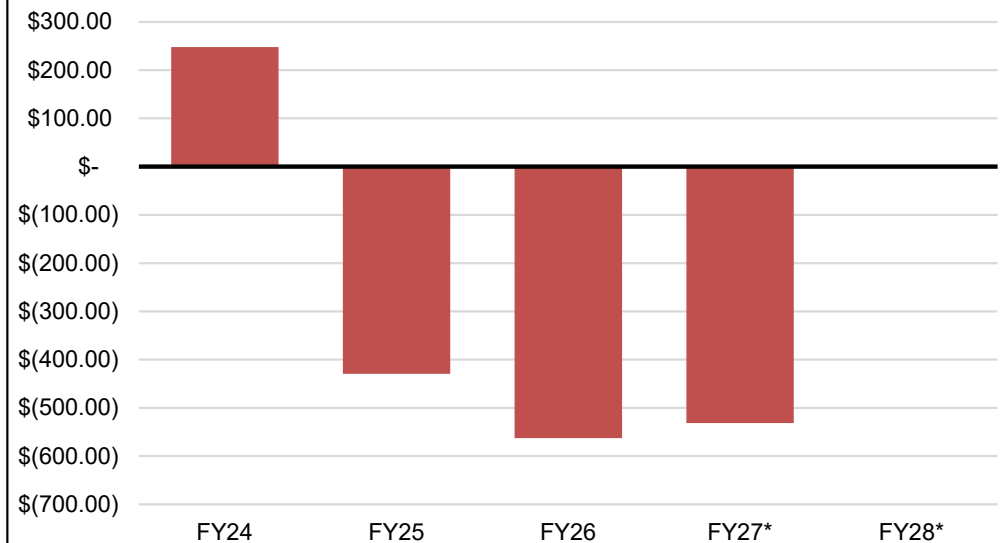
# At flat budgets, the tracking figures indicated solvency actions could have been necessary.

Total Tracking Revenues and Spending – January Tracking  
(in millions)



Source: 2025 Dec CREG, LFC Analysis

Surplus/Deficit by Fiscal Year  
(in millions)

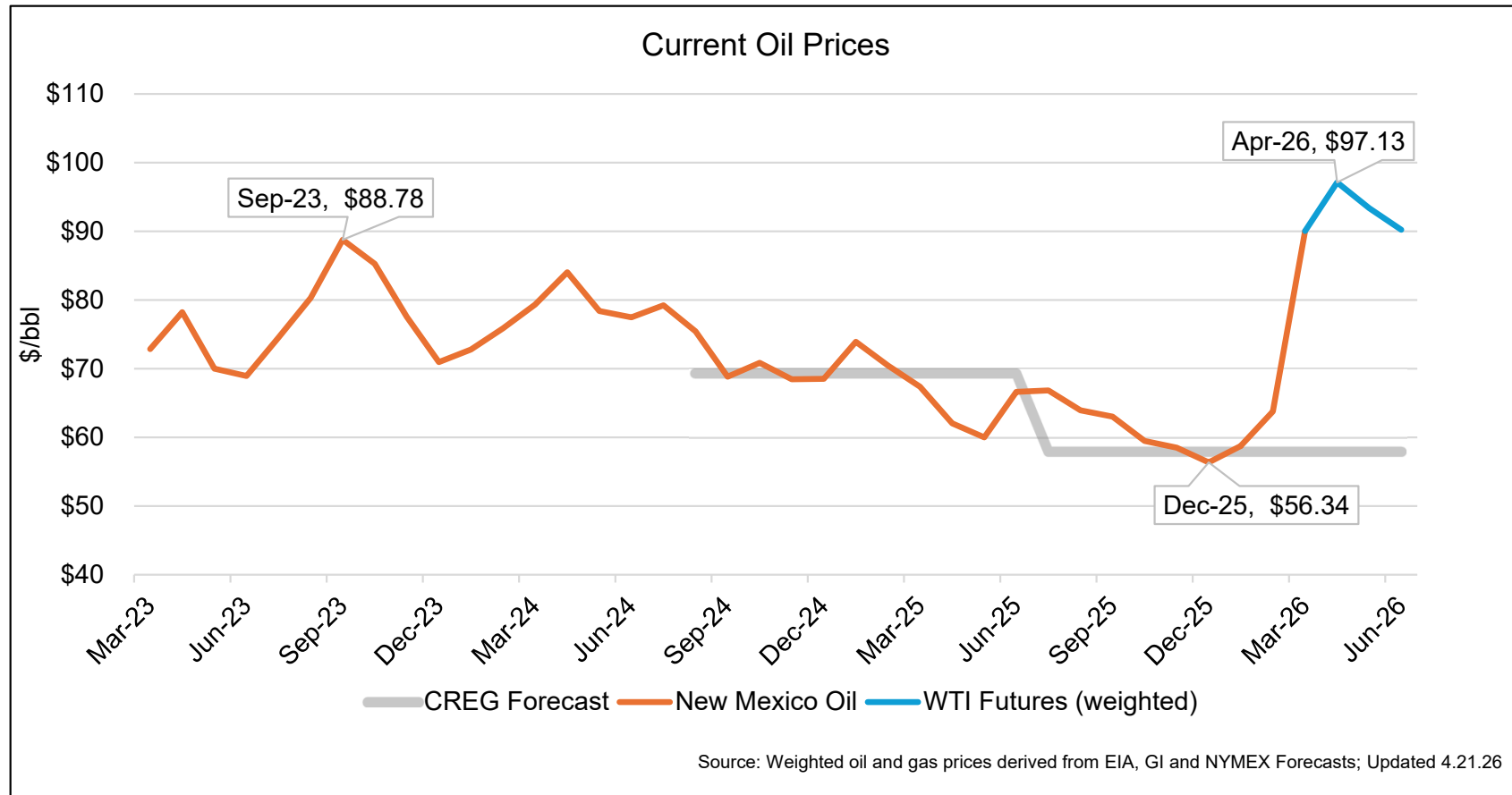


\*FY28 assumes 3% recurring appropriations growth and FLAT executive order spending

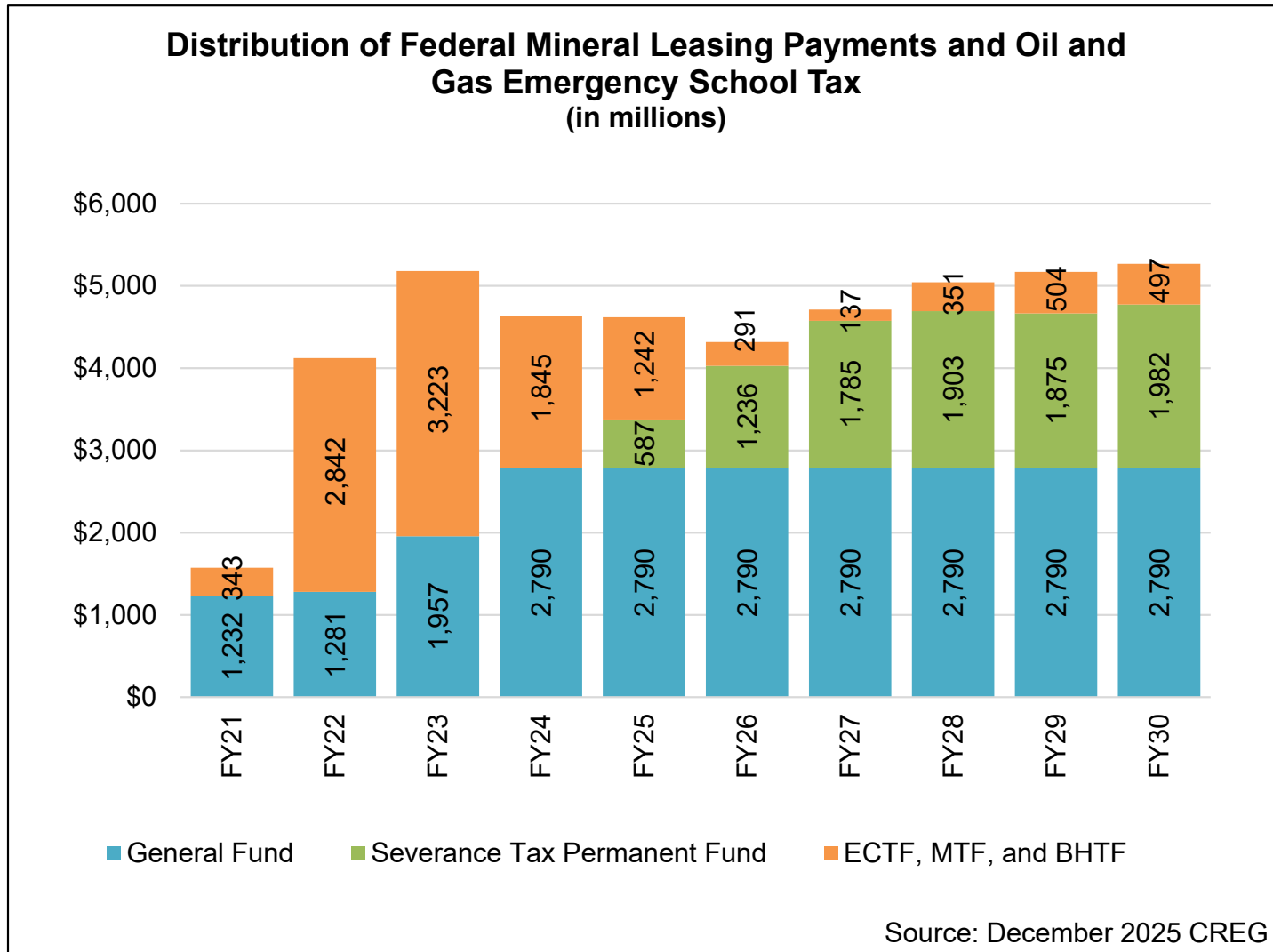
Source: LFC Analysis



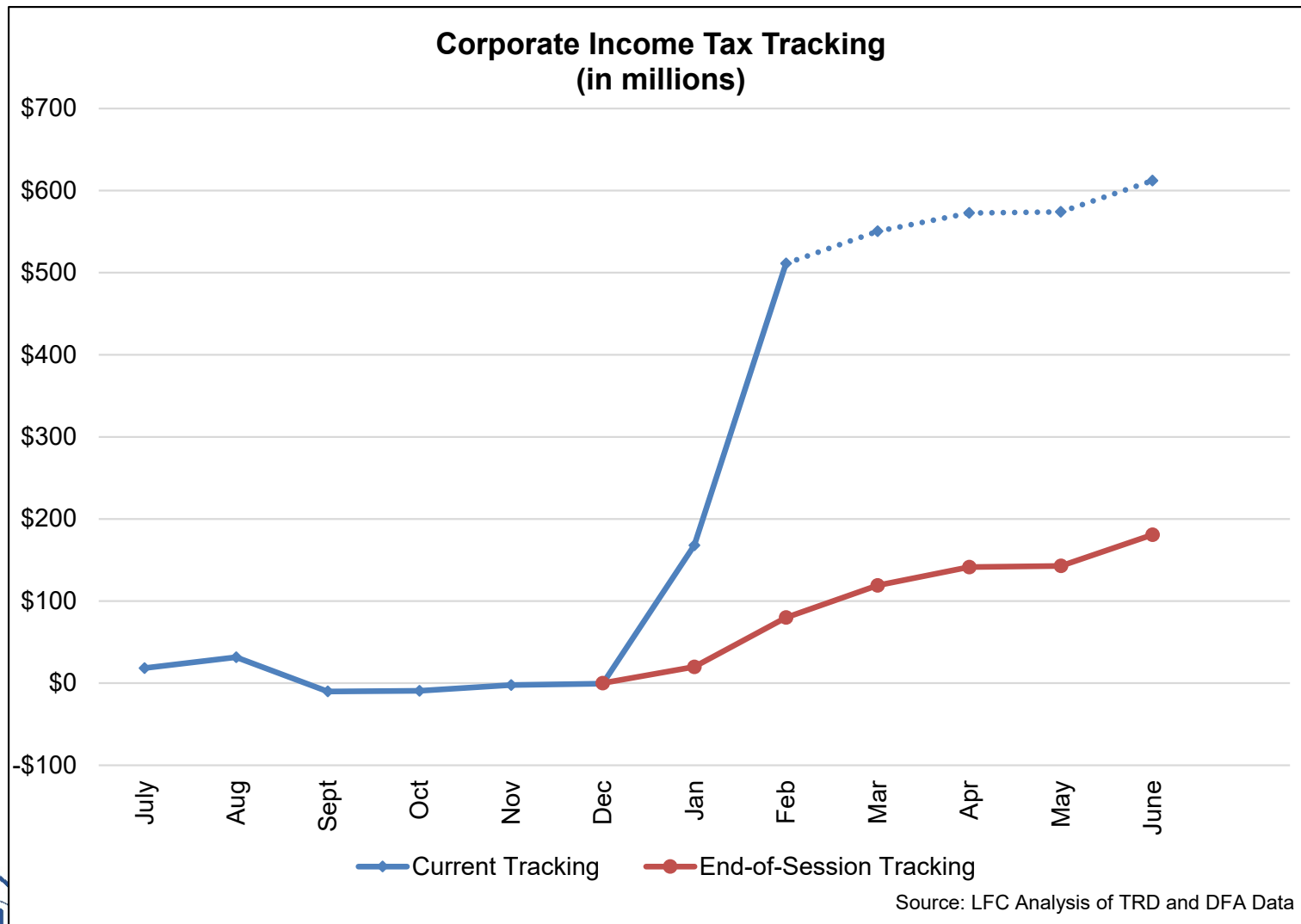
# Oil price strength and stronger revenue collections have reversed the outlook.



# Upside from oil prices helps, but how much?



# Volatile revenues have improved dramatically, but CIT remains risky.



# Solvency Discussion Framework



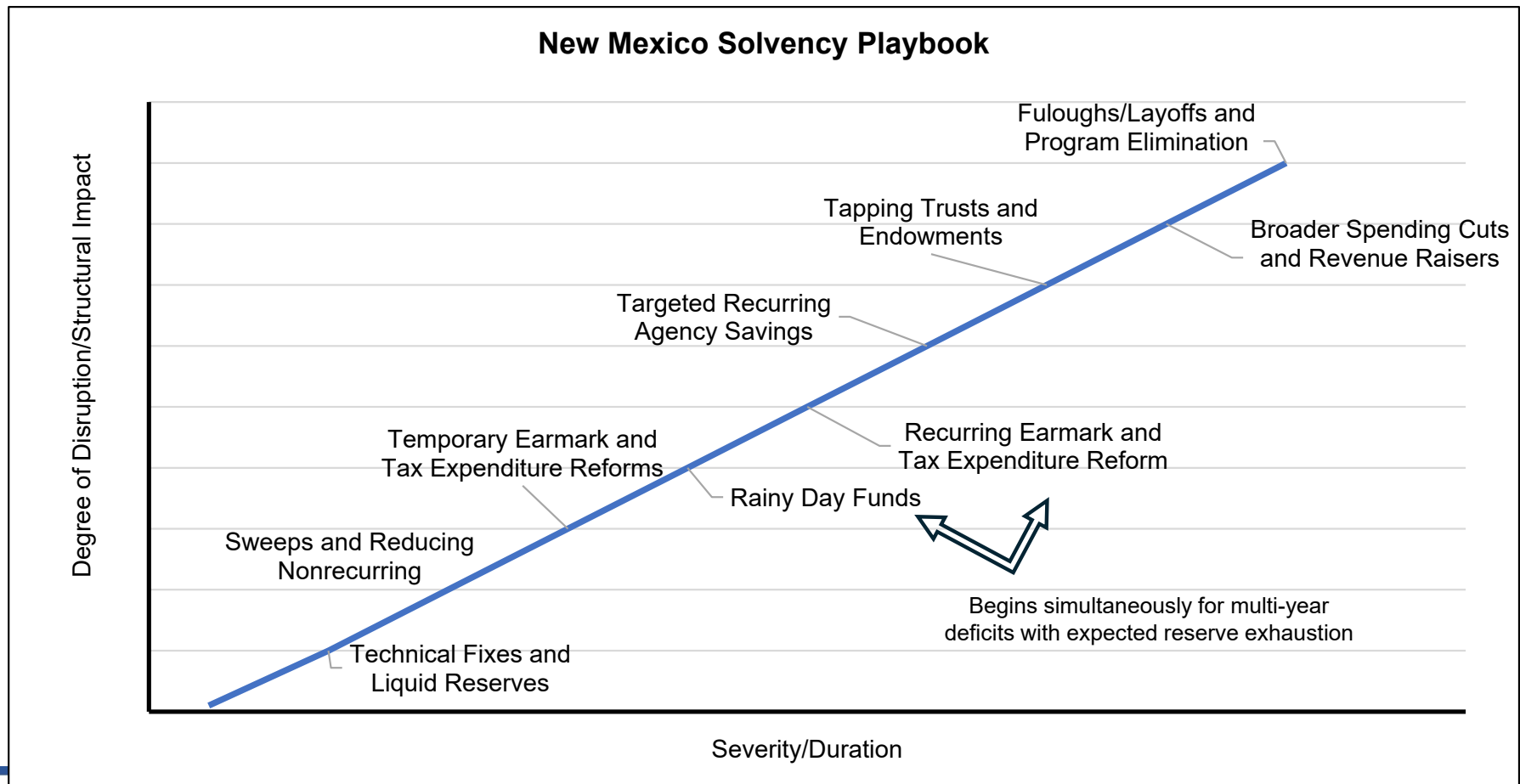
# Framework started with strategic planning and prioritization guidelines.

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- Core function importance
- Return on investment
- External leverage
- Downstream cost risk
- Service disruption
- Speed and reversibility

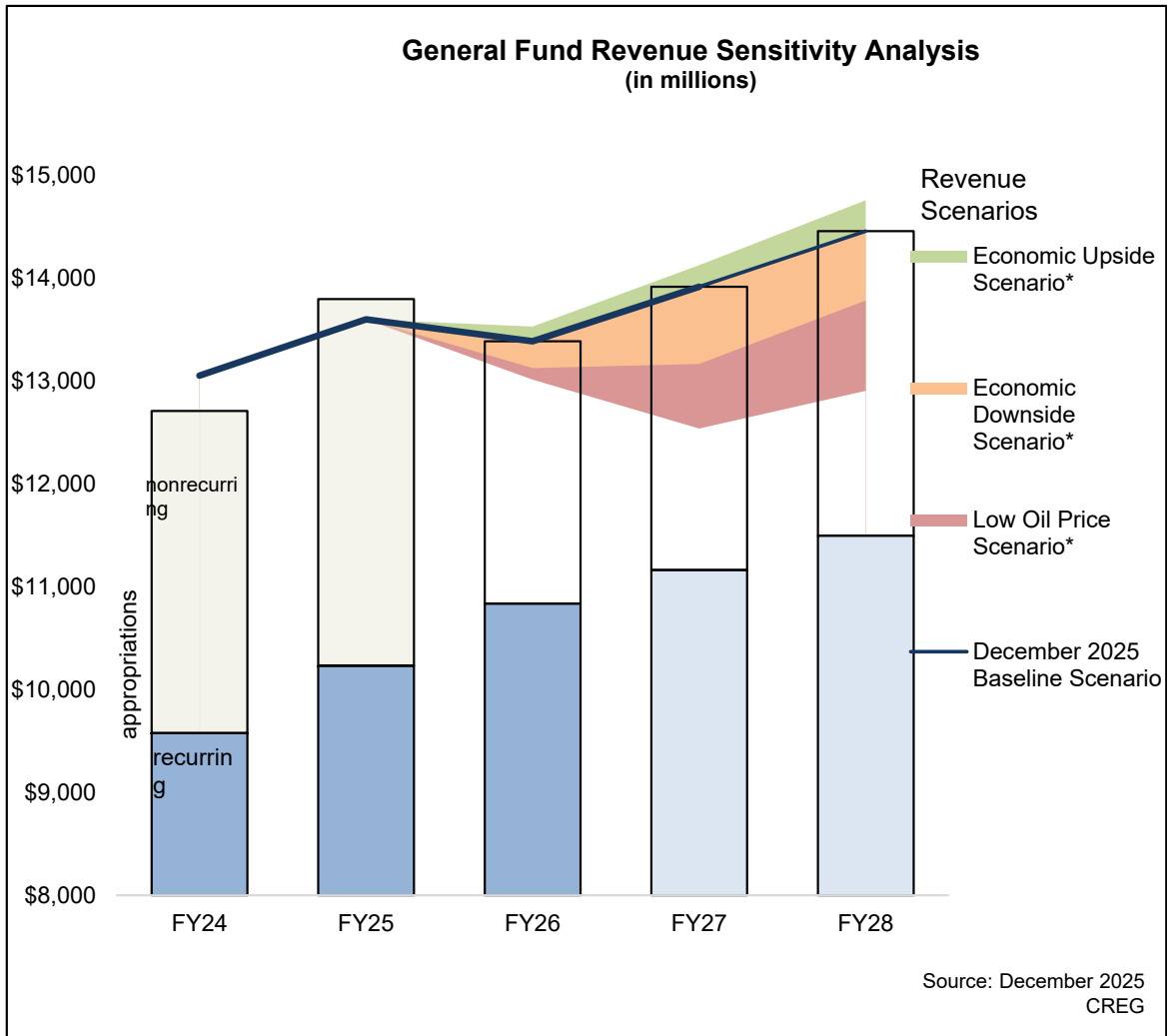


# Historical experience, strategic planning, and timing needs were considered in developing the discussion framework.

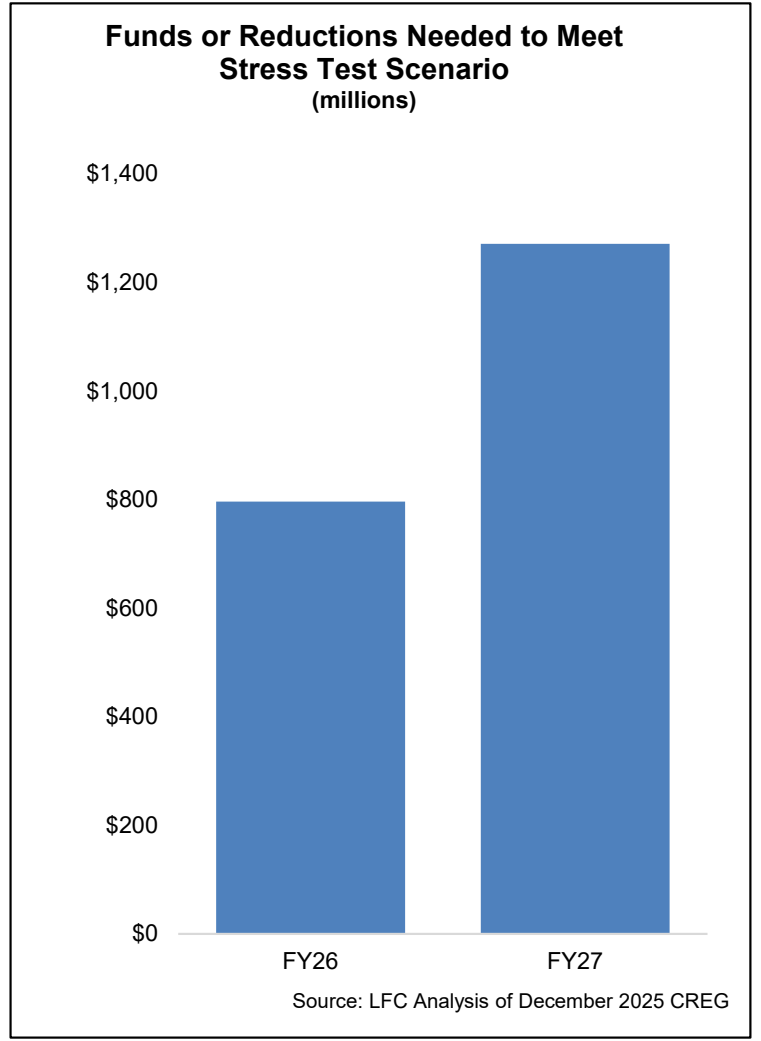


# Total reserves are sufficient for a short-term downturn.

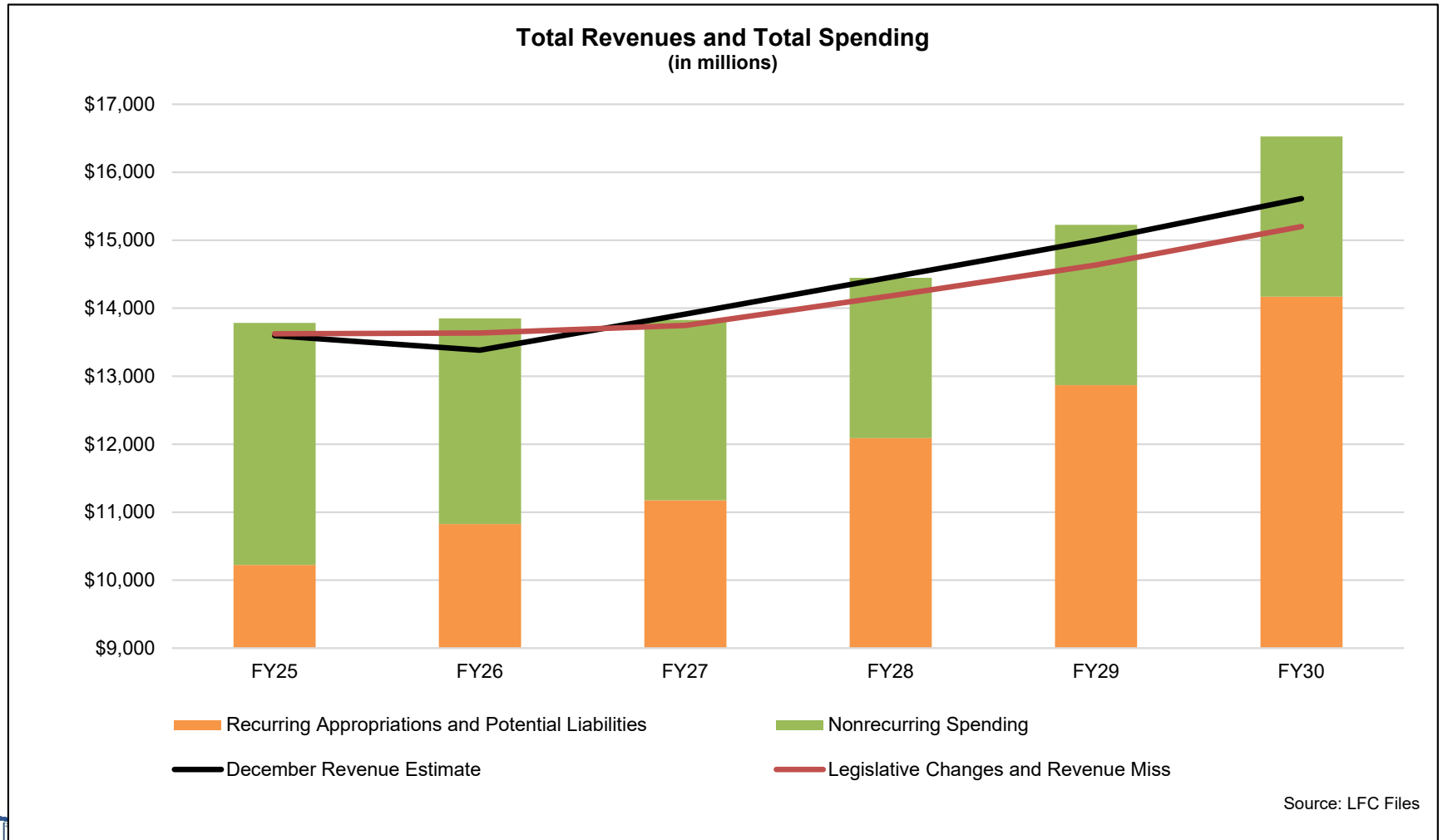
**General Fund Revenue Sensitivity Analysis**  
(in millions)



**Funds or Reductions Needed to Meet Stress Test Scenario**  
(millions)



# Liabilities combined with a recurring downturn can require use of the solvency playbook.



# Next steps for the solvency framework.

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- Gathering input
- Analyzing return/efficiency of programs
- Complete an inventory of available buffers



The framework is the result of a solvency team advancing analysis never done before.

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Matt Goodlaw, Evaluator



Thank you!

Questions?

