

# Consensus General Fund Revenue Outlook

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Legislative Finance Committee  
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# Outline

- Consensus Revenue Estimating Group Overview
- US/Global Macroeconomic Outlook
- New Mexico Macroeconomic Outlook
- Oil and Natural Gas Outlook
- Personal Income Tax (PIT)
- Gross Receipt Tax (GRT)
- Severance & Rents & Royalties
- Land Grant Permanent Fund (LGPF)
- General Fund Overview

# Consensus Revenue Estimating Group

## Participating Agencies

### **New Mexico Department of Finance and Administration**

**Leonardo Delgado, Chief Economist**  
**Noel Martinez, Senior Economist**

### **New Mexico Taxation and Revenue Department**

**Lucinda Sydow, Chief Economist**  
**Efrain Ibarra, Senior Economist**

### **New Mexico Department of Transportation**

**Mallika Pung, Chief Economist**  
**Michael Morrison, Senior Economist**

### **Legislative Finance Committee**

**Ismael Torres, Chief Economist**  
**Jennifer Faubion, Economist**

# U.S. & N.M. Economic Indicators

## ➤ National Forecasters' Baseline Assumptions

### ➤ Moody's Analytics:

- The Federal Reserve (the FED) continue to adjust the federal funds rate to address high inflation
  - Moody's anticipates a 50 basis point increase in December 2022 and a 25 basis point increase in January 2023
- The Covid-19 pandemic has become less disruptive to global supply chains, tourism, business travel, and labor markets
- The U.S. labor market is holding up much better than expected in the August 2022 forecast with job gains moderating only slowly
  - The economy will soon reach full-employment
- "The economy remains vulnerable to falling into a recession next year, an increasingly widespread expectation judging by various surveys of economic forecasters and other commentators. Views on a recession's timing and severity vary considerably, although in general the consensus holds that if it were to happen it would start in the first half of 2023 and would be a mild downturn." Source: Moody's U.S. Macroeconomic Outlook Baseline and Alternative Scenarios Narrative
- Moody's current baseline forecast does not include a recession but rather slower positive economic growth

### ➤ IHS Markit

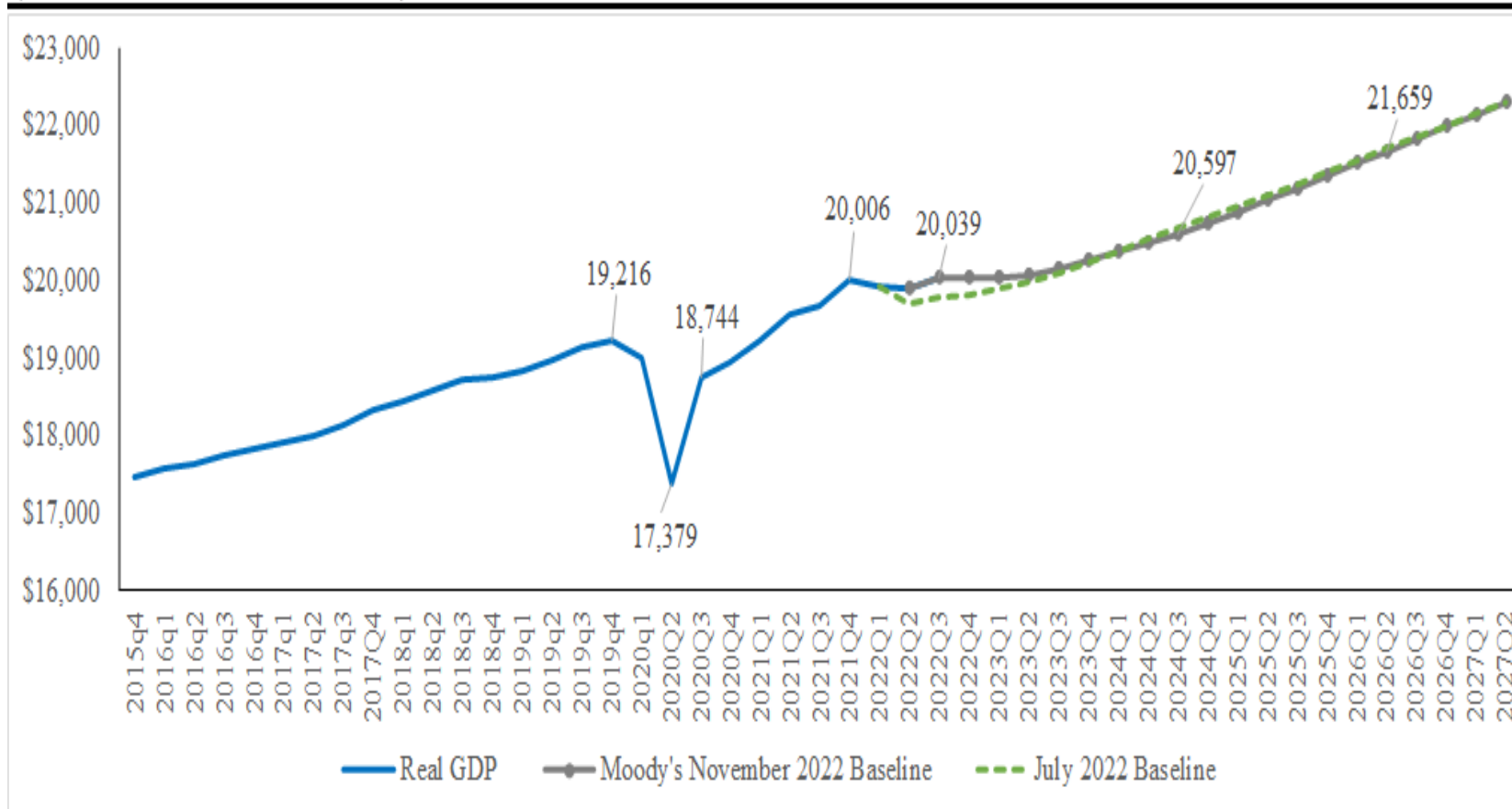
- Softening payroll gains
- Inflation is expected to modestly ease over the next several months
- Personal consumption expenditures are expected to slow in CY 2023 and stabilize in CY 2024
- Federal pandemic monies and Infrastructure Investment and Jobs Act funds reduce cyclical state and local fiscal contractions
- Slowing global oil demand causes oil prices to ease in CY 2023
- IHS Markit's current baseline forecast includes a mild 2 quarter recession in their baseline forecast

### ➤ UNM BBER Quarterly Forecast does not include a recession in the baseline forecast

# U.S. Real Gross Domestic Product

U.S. Real Gross Domestic Product: 2015 Q4 to 2022 Q3, Forecast 2022Q4-2027Q2

(billions of chained 2012 dollars)



Source: GDP in billions of chained 2012 dollars, retrieved from bea.gov.

- Real Gross Domestic Product (RGDP) increased at a rate of 2.9% in CY 2022 Q3 due to increases in:
  - Exports
  - Consumer spending
  - Nonresidential fixed investment
  - State/Local government spending
- Exports led by both increases goods and services
- Consumer spending led by an increase in services
- State/Local government spending was led by increases in compensation
- The forecasted annualized quarterly growth rates for RGDP average 1.8% through CY24

# N.M. Real Gross State Product

## N.M. Real Gross State Product (RGSP) 2014Q1-2022Q2, Moody's Forecasts 2022Q3-2027Q2



Source: Moody's July 2022 and November 2022 Baseline Scenario vs. Historical Values from the Bureau of Economic Analysis

➤ New Mexico had two quarters of reduced RGSP growth in 2022Q1 and 2022Q2, in line with reduced national slowdown in RGDP in the same quarters

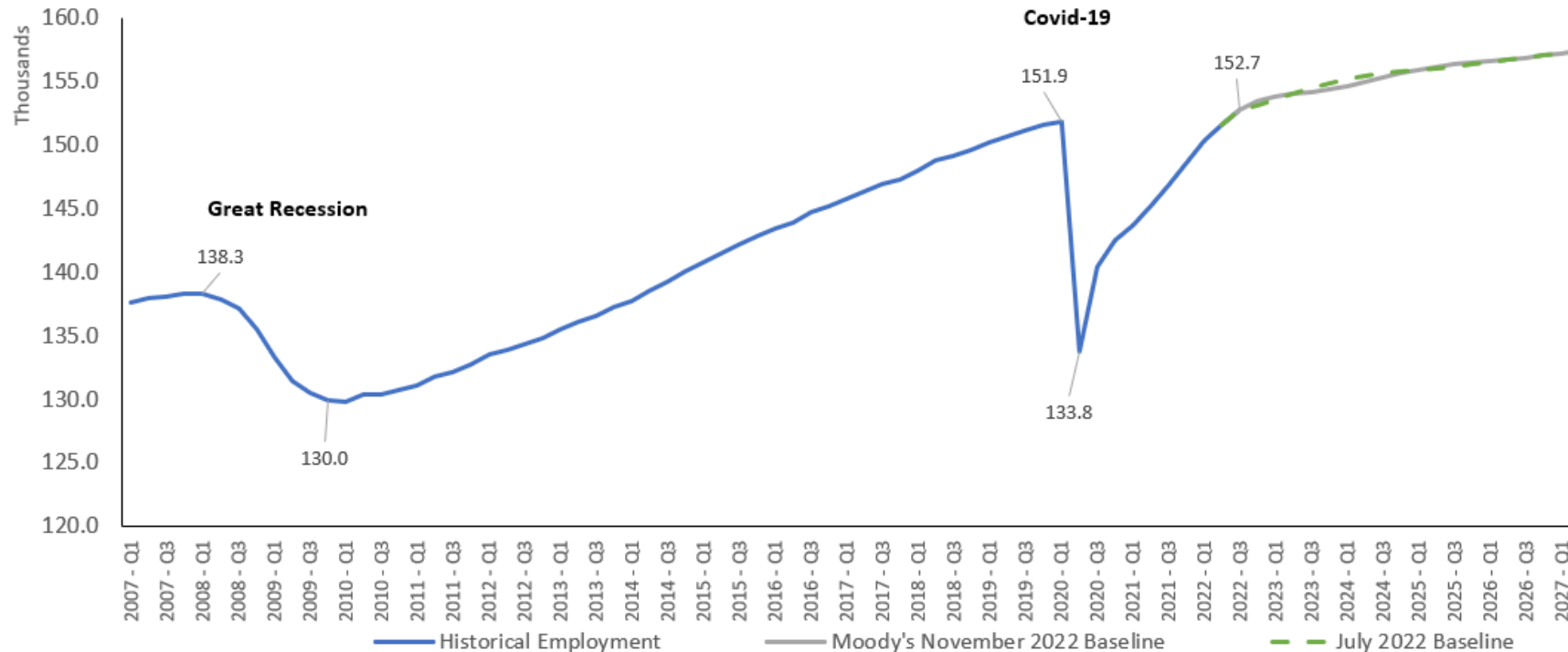
➤ In BEA's 2022Q2 update, BEA incorporated new and revised data sources revising state level data from 2017 to 2022.

➤ The forecasted annualized quarterly growth rates for RGSP average 2.3% through CY24, higher than the national rate of 1.8%

# U.S. Total Non-Farm Employment

U.S. Total Non-Farm Employment: 2007Q1 to 2022Q2, Moody's Forecast 2022Q3 to 2027Q2

(1,000s of jobs)

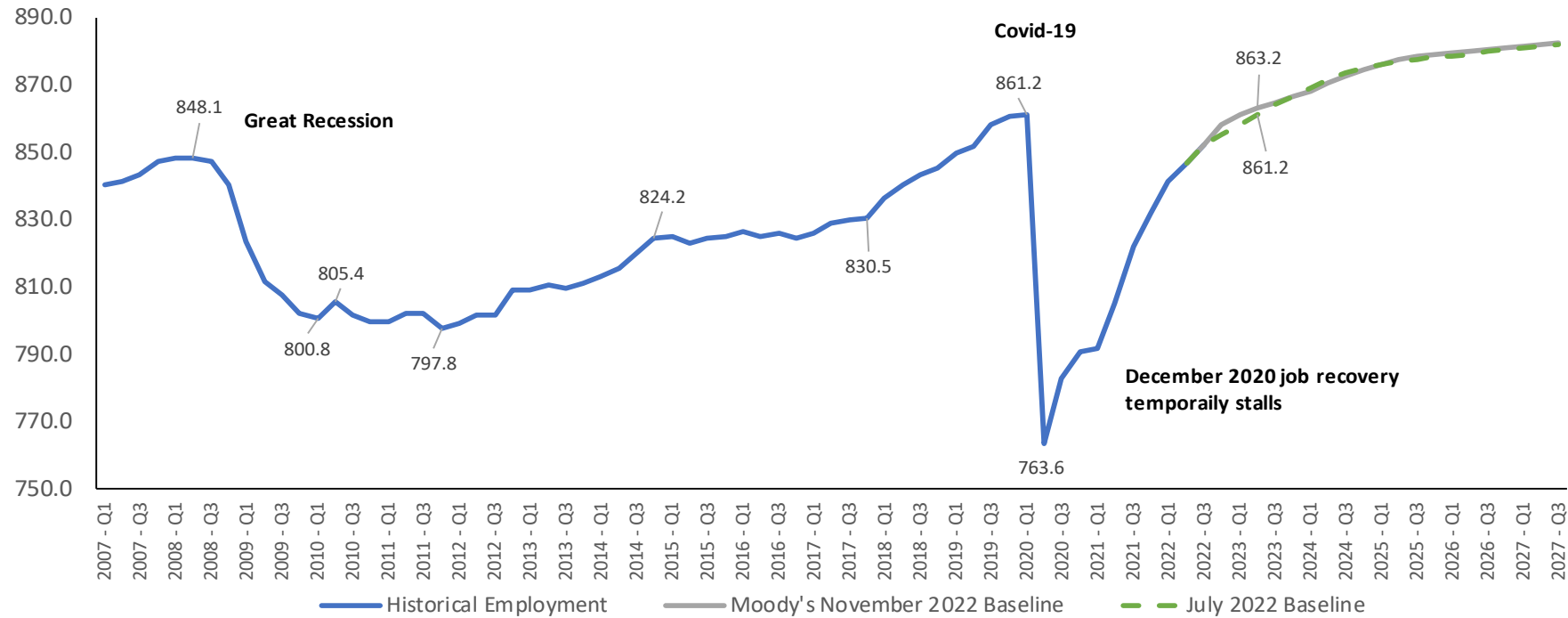


Source: Bureau of Labor Statistics

- The U.S. exceeded pre-pandemic employment levels in CY 2022 Q3
- Total nonfarm employment increased by 263,000 in November 2022
- National monthly job growth is averaging +392,000 jobs in 2022
- Employment gains occurred in the following sectors:
  - Leisure and Hospitality
  - Health Care
  - Government
- The labor market continues to exceed expectations as job gains begin to moderate

# N.M. Total Non-Farm Employment

N.M.'s Quarterly Total Non-Employment: 2007Q1 to 2022Q3, Moody's Forecast 2022Q4 to 2027Q2  
(1,000s of jobs)



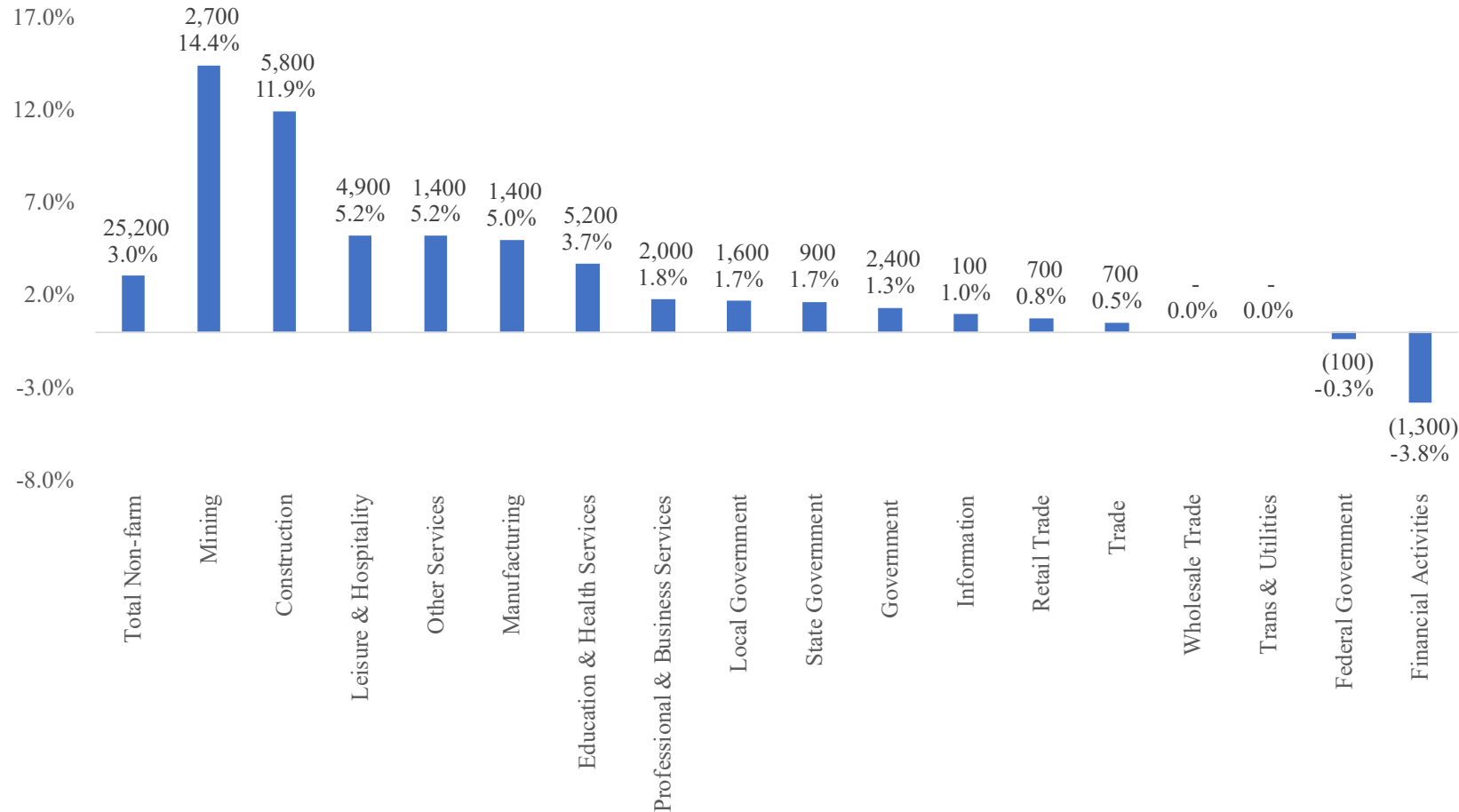
Source: Bureau of Labor Statistics

- New Mexico's nonfarm employment growth averaged 2,090 jobs per month for CY 2022
  - Employment is projected to grow by 2.8% in CY 2022 with growth slowing to 0.8% in CY 2023 and CY 2024
- New Mexico's employment forecast follows a similar trajectory as the July 2022 baseline.



# N.M. Year-Over-Year Employment by Sector

Percent Change and Level Change in Non-Farm Employment in N.M. by Sector  
October 2021 to October 2022



➤ New Mexico's employment grew by 3% (25,200 jobs) from October 2021 to October 2022

➤ Employment gains were across most sectors and a few notable sectors:

➤ Mining (+2,700)

➤ Construction (+5,800)

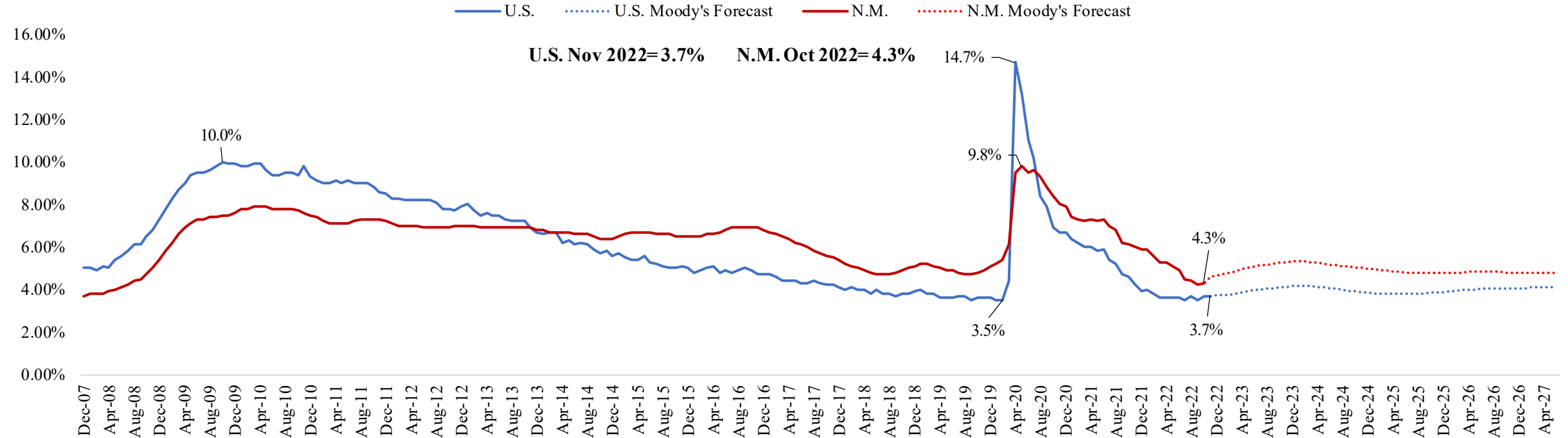
➤ Leisure and Hospitality (+4,900)

➤ Compared to February 2020 total nonfarm employment is 0.8% lower, with 7,000 jobs short of a complete employment recovery to pre-pandemic levels

Source: bls.gov, CES seasonally adjusted

# U.S. & N.M. Unemployment

U.S. and N.M. Unemployment Rate (percent) : December 2007 to November 2022

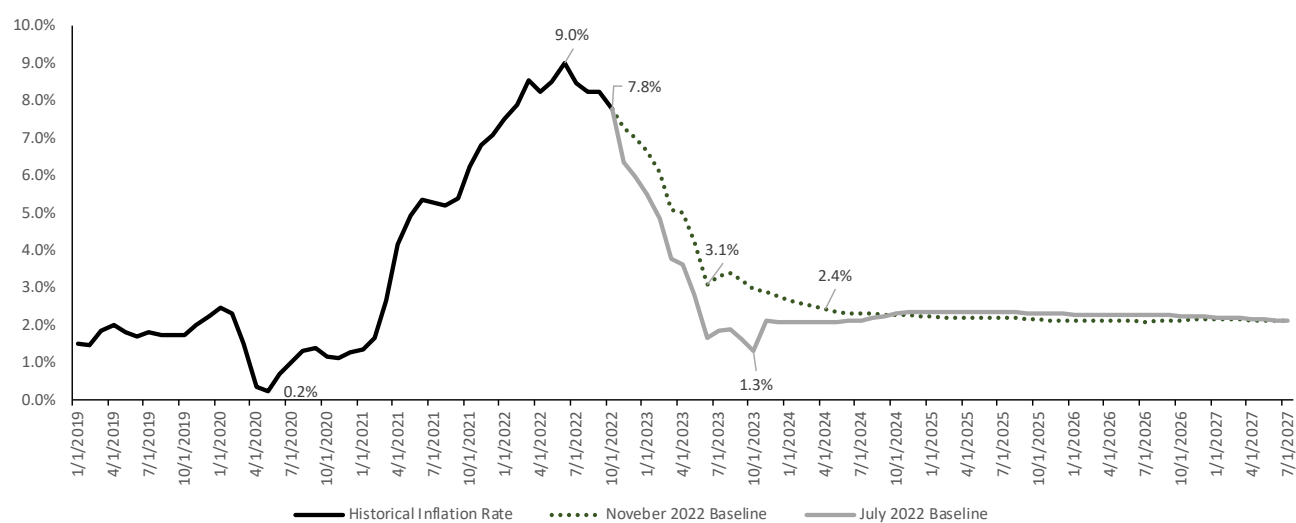


Source: bls.gov, seasonally adjusted

- New Mexico's unemployment rate (4.3%) remains elevated compared to the nation (3.7%)
- Moody's assumption for a full-employment economy is one with an unemployment rate of 3.5%
- The nation is almost reaching full-employment

# Inflation

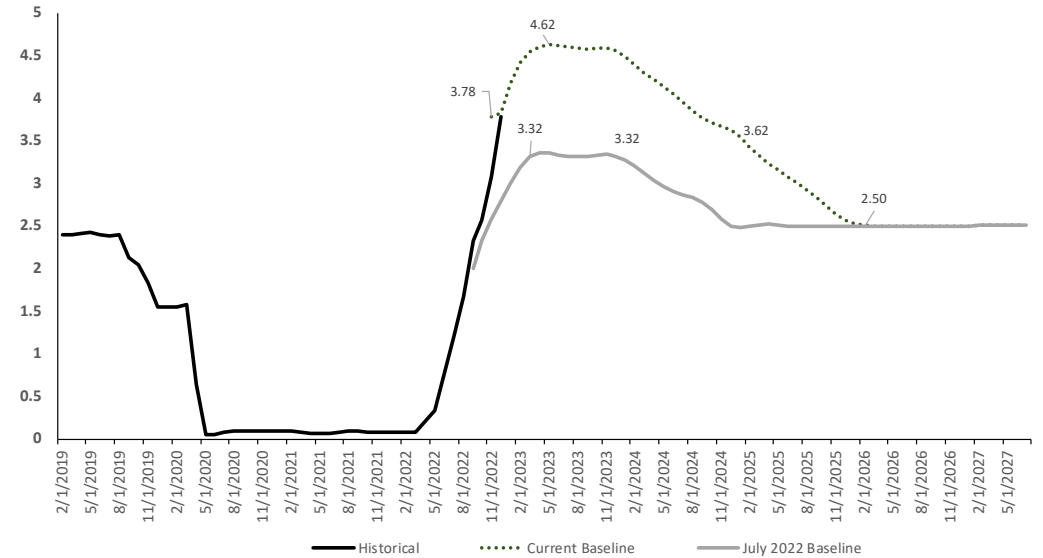
Consumer Price Index (CPI-all items) Year-over-year Change  
January 2019 to Present



Source: Bureau of Labor Statistics

- The FED's hawkish monetary policy appears to be working:
  - Year-over-year inflation is trending downward after peaking at 9.0% in June 2022.
- Half of the October 2022 CPI increase was due to increased housing costs, with energy-related pressure easing.

Federal Funds Rate  
January 2019 to Present

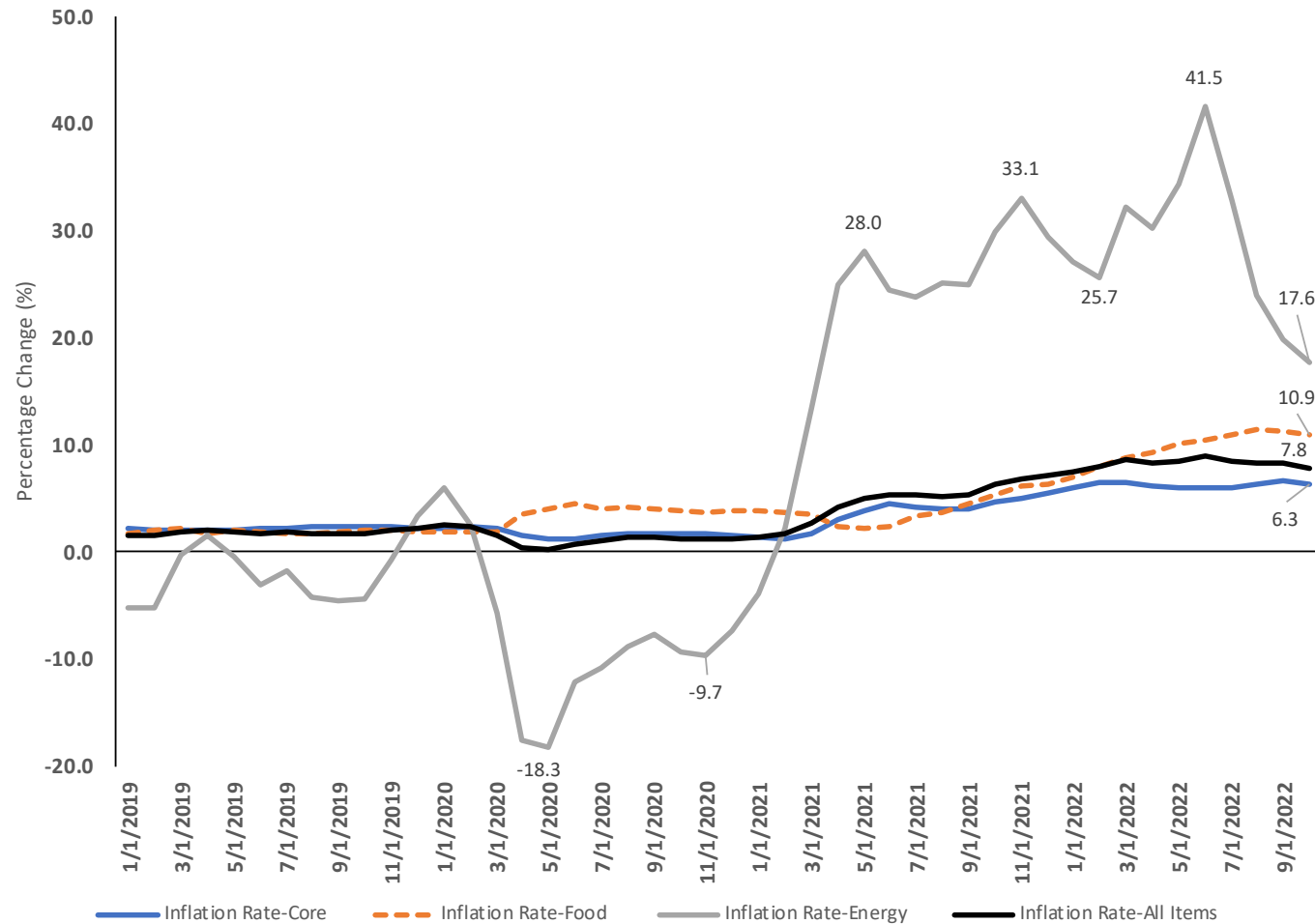


Source: Bureau of Labor Statistics

- The FED is signaling further federal funds rate hikes in December 2022 and January 2023.
- Rate increases may not be as large as previous rate hikes.

# Inflation

Consumer Price Index Year-over-year Change by Component: January 2019 to Present



- The inflation rate for energy was significantly higher than other components in CY 2021.
- The inflation rate for food rose steadily over the last 18 months before peaking in August 2022.

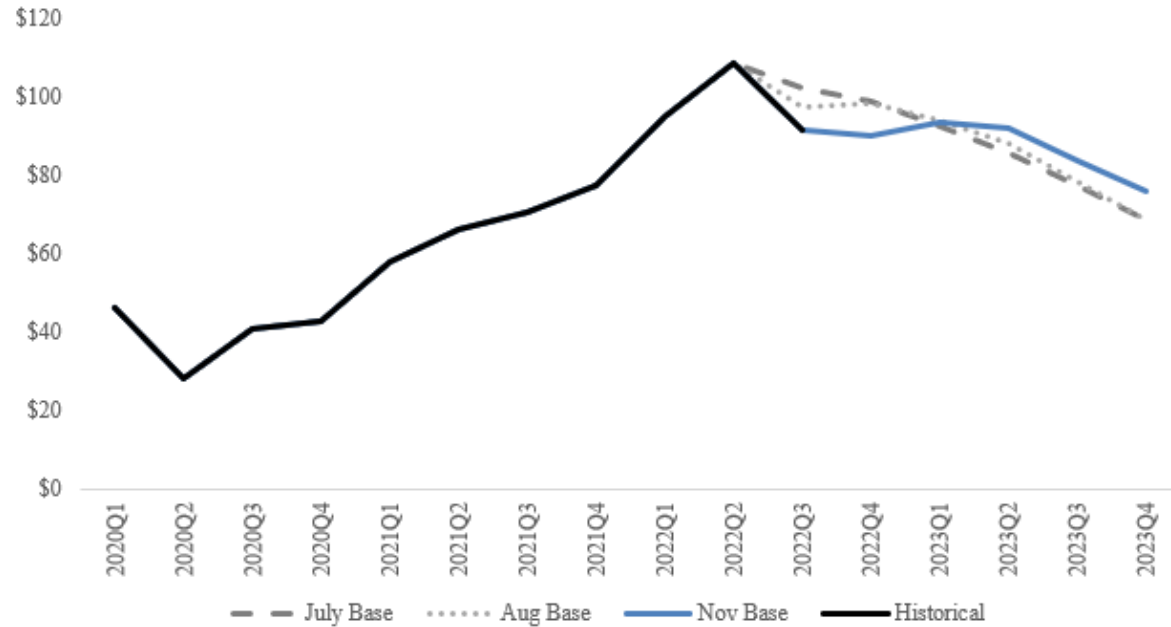
Source: Bureau of Labor Statistics

# Oil & Natural Gas

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# Oil Prices

## Moody's Analytics West Texas Intermediate (WTI) Price Forecasts



Source: Moody's Analytics

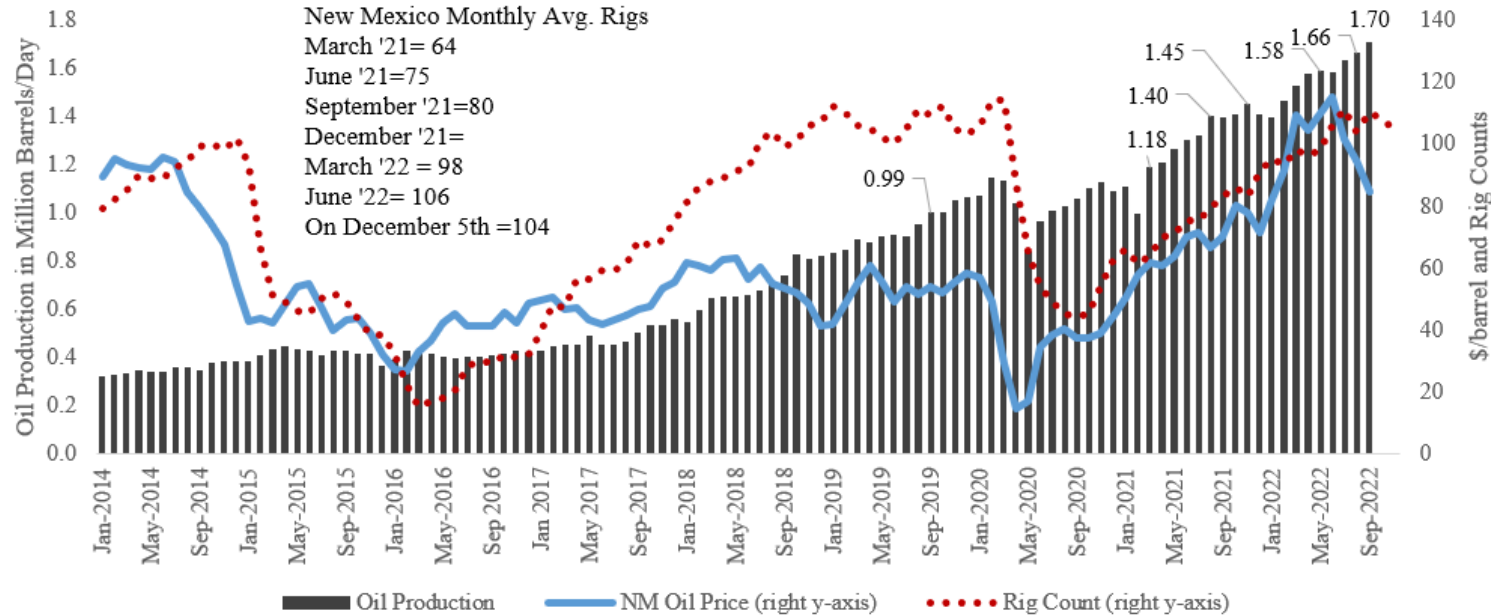
Consensus Forecast	FY22	FY23	FY24	FY25	FY26	FY27
December 2022 Estimate	\$ 88.11	\$ 85.00	\$ 76.50	\$ 72.50	\$ 70.50	\$ 69.00
August 2022 Estimate	\$ 86.50	\$ 90.50	\$ 78.50	\$ 72.00	\$ 70.00	\$ 68.50

- Oil prices are inherently volatile and dependent on oil demand, OPEC+ decisions, inventory levels, and other factors
- The December 2022 forecast oil price is down \$5.50/barrel in FY23 and \$2.00/barrel in FY24, and slightly up \$.50/barrel in FY24
- Prices are expected to cool sooner in FY23 and FY24 after a period of elevated prices
- Near-term downward pressure on oil prices is driven by:
  - Concerns of worldwide, national economic growth, and oil demand weakening
  - Global demand influenced by concerns over China's oil demand
  - Easing fears of Ukraine-Russia conflict and EU policy actions causing supply side interruptions
    - EU vessels are prohibited from transporting Russian crude oil beginning December 5<sup>th</sup>, 2022 and petroleum products on February 5<sup>th</sup>, 2023 to third countries.
    - EU has also agreed to cap Russian seaborne oil prices at \$60/barrel
- Mid-term oil prices expected to increase due to OPEC+ cut to oil production
- Out year oil prices expected to moderate at lower level as supply and demand forces balance and markets stabilize

# New Mexico Oil Prices, Production, & Rigs

N.M. Oil Production (MMb/d), N.M. Oil Price (\$ per barrel), & N.M. Rig Count (number)

January 2014 to September 2022



Source: Baker Hughes, TRD (Production and price through September 2022, Rigs through November 2022)

Consensus Forecast	FY22	FY23	FY24	FY25	FY26	FY27
<b>December 2022 Estimate</b>	531.4	620.0	660.0	710.0	745.0	775.0
<b>August 2022 Estimate</b>	529.4	590.0	640.0	675.0	710.0	725.0

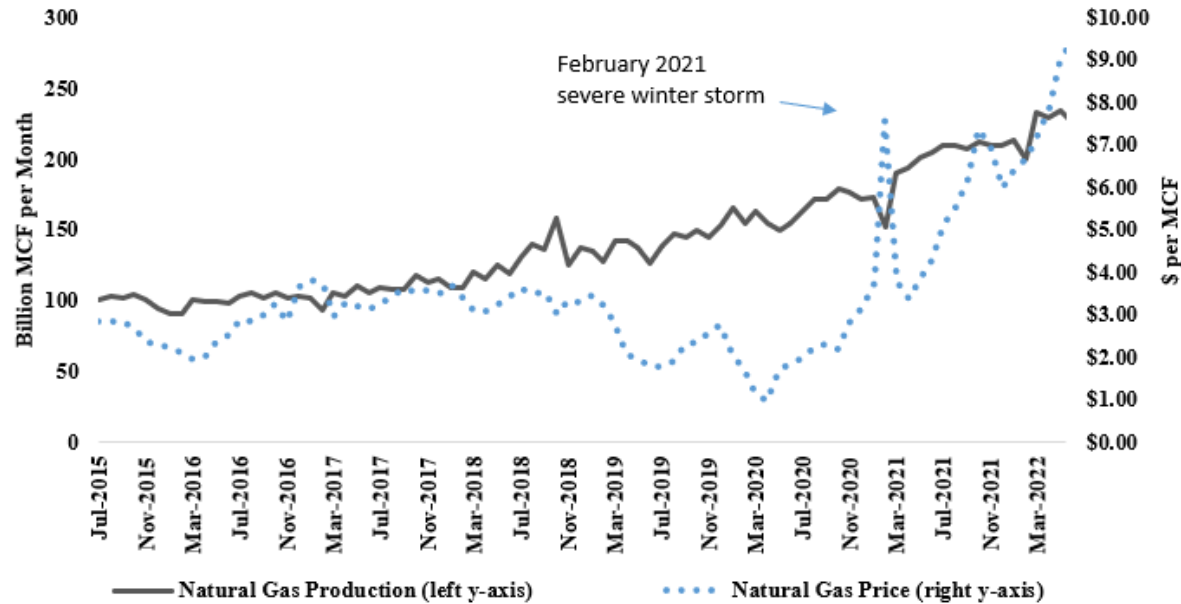
1) Oil Volumes in million barrels

2) FY22 actual volumes=531.4 million barrels

- New Mexico oil production increased to a high of 531.4 million barrels in FY22 averaging \$88.11/barrel
- Rig count (red line) has increased steadily since the lows of 2020 staying above 100 rigs since April 2022
  - Current rig count in NM is 104
- In September 2022, New Mexico registered its highest oil production (1.7MMb/d) in state history (black bars)
- Rystad Energy expects strong NM production expansion to continue through the end of CY 2022
- Production forecast has increased significantly: 30 million barrels for FY23, 20 million in FY24, 35 million in FY25
- Production does face challenges
  - Increased costs due to inflation
  - Supply chain constraints in oilfield services have caused significant delays in drilling, completions, and start-up of new wells

# New Mexico Natural Gas Prices & Production

New Mexico Natural Gas Prices and Production  
July 2015 to September 2022



Source: NM TRD GenTax System

- New Mexico natural gas production (black line) increased to a high of 2,585 bcf for FY22 with an average price of \$7.03/mcf (blue line)
- Prices are expected to remain elevated due to strong demand for natural gas and rising LNG exports
  - Prices expected to increase during peak winter months
- Natural gas production in Permian faces takeaway constraints with pipelines running at full capacity
- Permian production is also vulnerable to winter supply disruptions

Consensus Forecast	FY22	FY23	FY24	FY25	FY26	FY27
<b>December 2022 Estimate</b>	\$ 7.03	\$ 7.05	\$ 5.60	\$ 5.15	\$ 5.05	\$ 4.95
<b>August 2022 Estimate</b>	\$ 6.90	\$ 6.95	\$ 4.75	\$ 4.30	\$ 4.30	\$ 4.15

1) Natural gas in (\$/mcf)

2) FY22 gas price=\$7.03

Consensus Forecast	FY22	FY23	FY24	FY25	FY26	FY27
<b>December 2022 Estimate</b>	2,585.8	2,875.0	3,015.0	3,120.0	3,200.0	3,255.0
<b>August 2022 Estimate</b>	2,585.0	2,750.0	2,895.0	2,995.0	3,080.0	3,140.0

1) Natural gas volumes in BCF

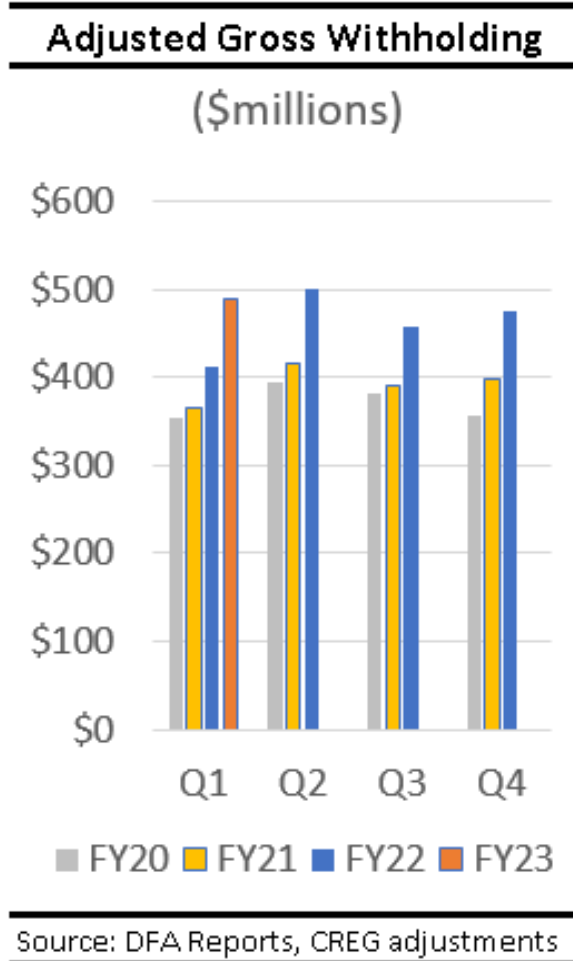
2) FY22 actuals=2585.8



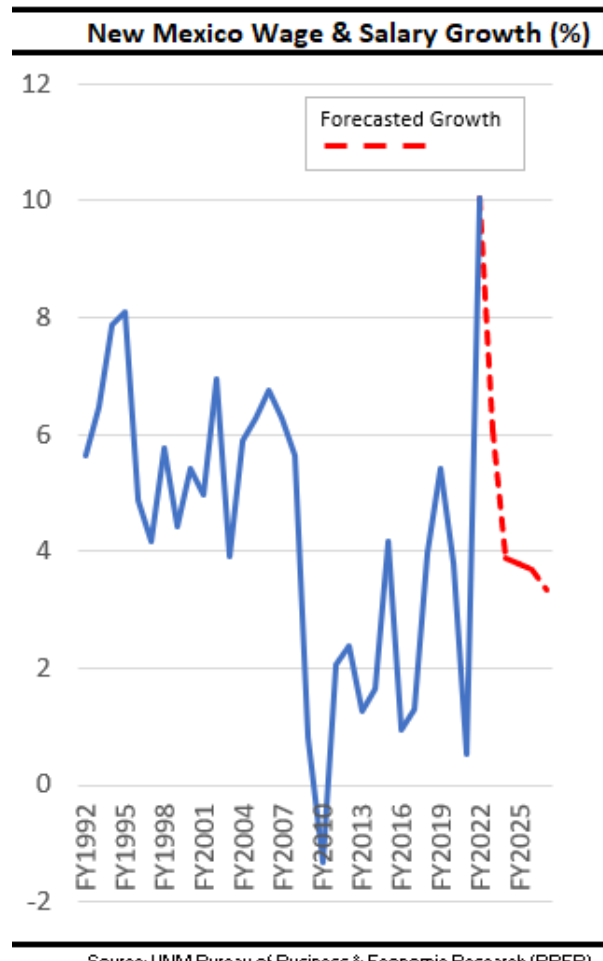
# Personal Income Taxes

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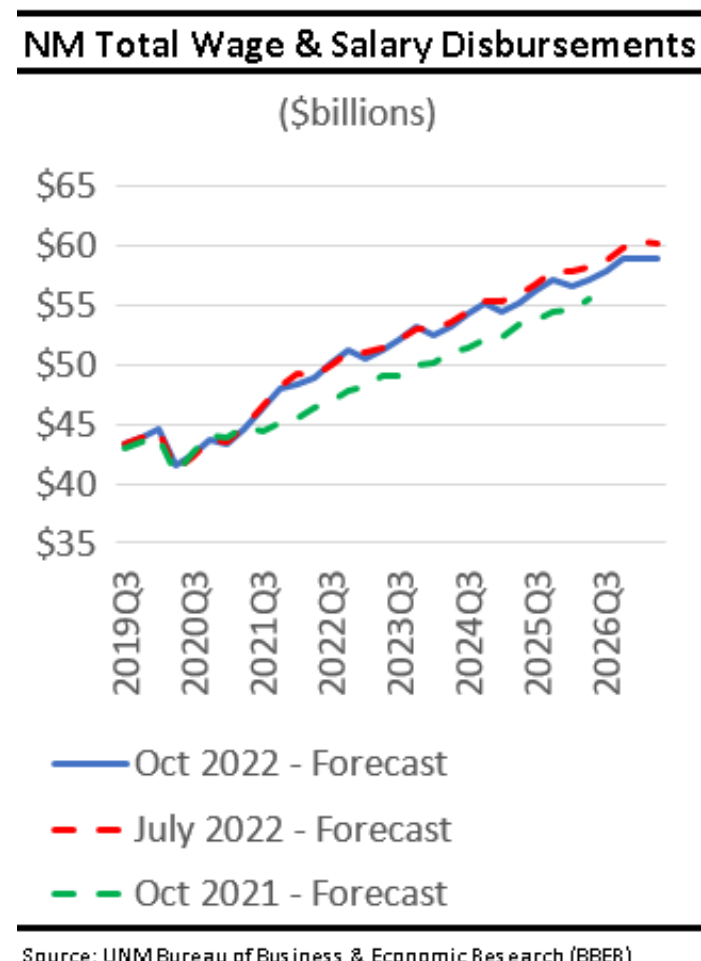
# Wage & Salary Outlook



Graph 1



Graph 2



Graph 3

- FY23-1<sup>st</sup> quarter withholding continues strength, 19% growth over FY22-1<sup>st</sup> quarter (Graph 1)
- FY22 Wage & Salary growth set a record of 10.1% (Graph 2)
- Wage & salary forecast from UNM remains strong and stable (Graph 3)

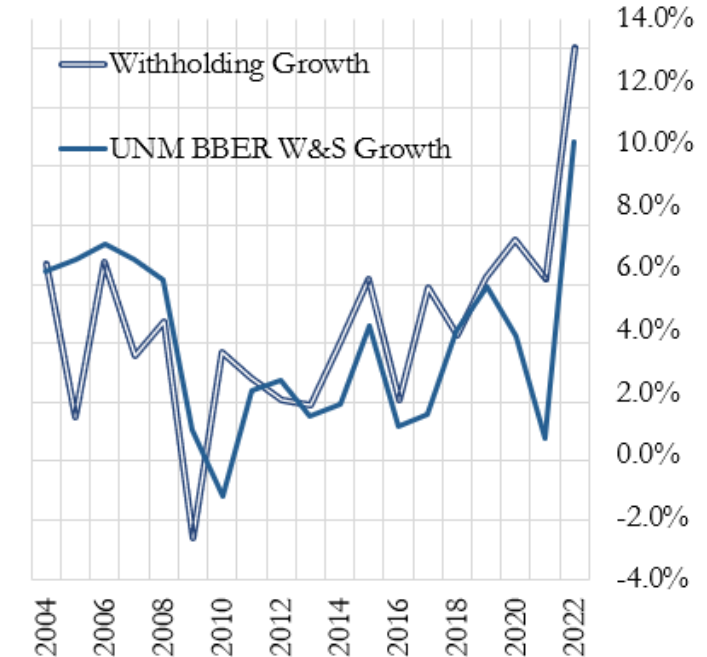
# Wage & Salary Outlook

FY23 - 1st Qtr growth over FY22 - 1st Qtr

Wage Industry (Sorted by Withholding % growth)	Aggregate Wage Growth	Aggregate Withholding Growth
Finance and Insurance	5%	7%
Utilities	13%	11%
Other Services (except Public Administration)	2%	11%
Arts, Entertainment, and Recreation	30%	16%
Retail Trade	7%	17%
Management of Companies and Enterprises	30%	18%
Agriculture, Forestry, Fishing and Hunting	14%	18%
Transportation and Warehousing	16%	18%
Admin./Support & Waste Management/Remediation Services	12%	19%
Health Care and Social Assistance	17%	20%
Manufacturing	13%	21%
Educational Services	40%	22%
Information	6%	23%
Real Estate and Rental and Leasing	23%	23%
Accommodation and Food Services	19%	23%
Construction	-9%	26%
Wholesale Trade	33%	30%
Professional, Scientific, and Technical Services	-1%	31%
Public Administration	63%	35%
Mining, Quarrying, and Oil and Gas Extraction	40%	61%
<b>Average All Industries</b>	<b>14%</b>	<b>23%</b>
<b>Non - Wage (Retirement/Pension)</b>		<b>25%</b>

Source: Taxation & Revenue Department Withholding Return Data

- Aggregate wage growth is strong across all industries
- Withholding growth is even higher than wage growth
- Withholding growth exceeding wage & salary (W&S) growth reflects that PIT brackets are not indexed to inflation.
- Inflation has effectively caused a higher effective PIT tax rate



Source: UNM BBER and Tax & Revenue Reports, Author's calculations

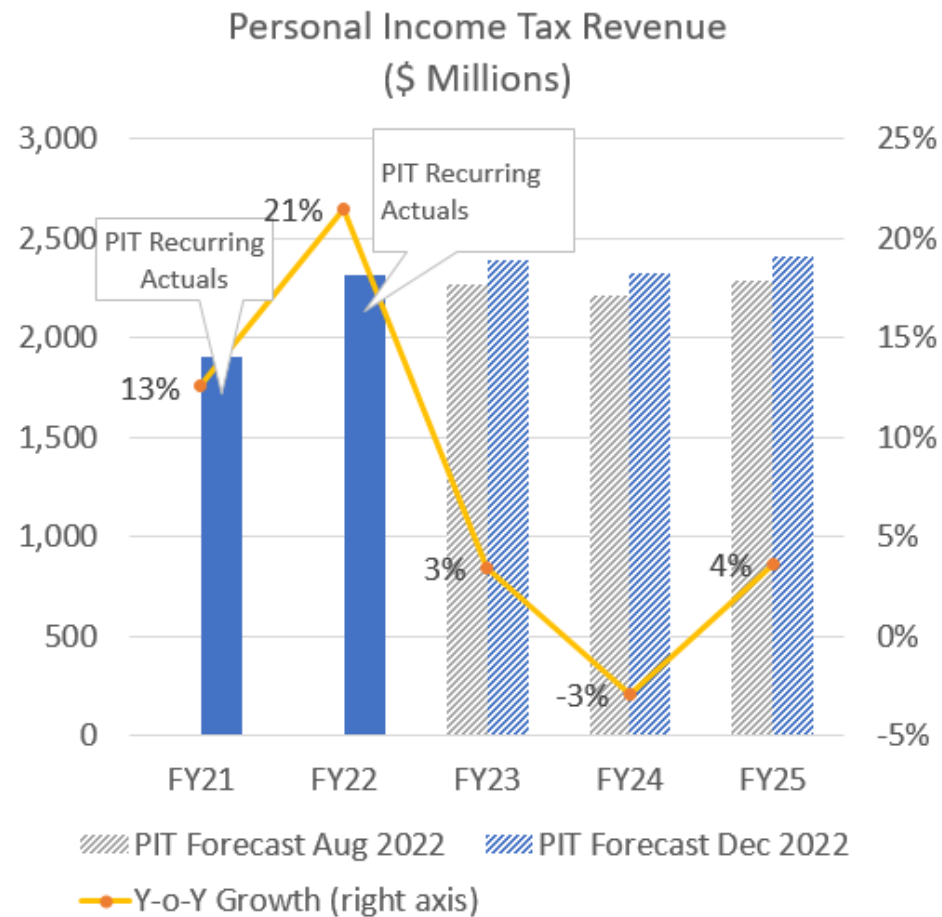
# Personal Income Tax Outlook

## ➤FY23:

- PIT will grow 3% despite new tax cuts.
- Forecast increased \$105 million versus August 2022 forecast
- Social Security & Military Retirement Exemptions
- Nurses Credit

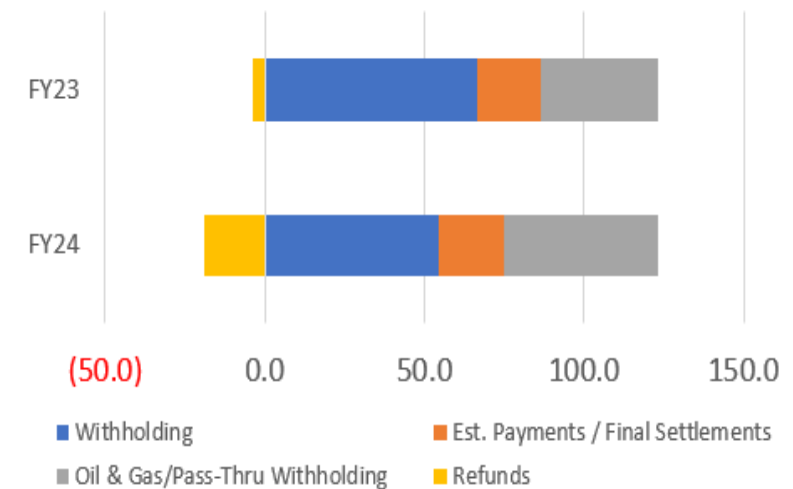
## ➤FY24:

- PIT expected to contract -3% as legislative changes take effect
- FY24 increasing by \$127 million from August
- Increase Working Families Tax Credit to 25% of federal earned income tax credit
- Social Security & Military Retirement Exemptions
- Child Tax Credit
- While wage withholding still the largest contributor to tax base, Oil & Gas/Pass-thru contributing over 1/3 of increase in FY23 & FY24



Source: Dec 2022 CREG Estimates

PIT Component Change Dec versus August Forecast



Source: Dec and Aug 2022 CREG Estimates

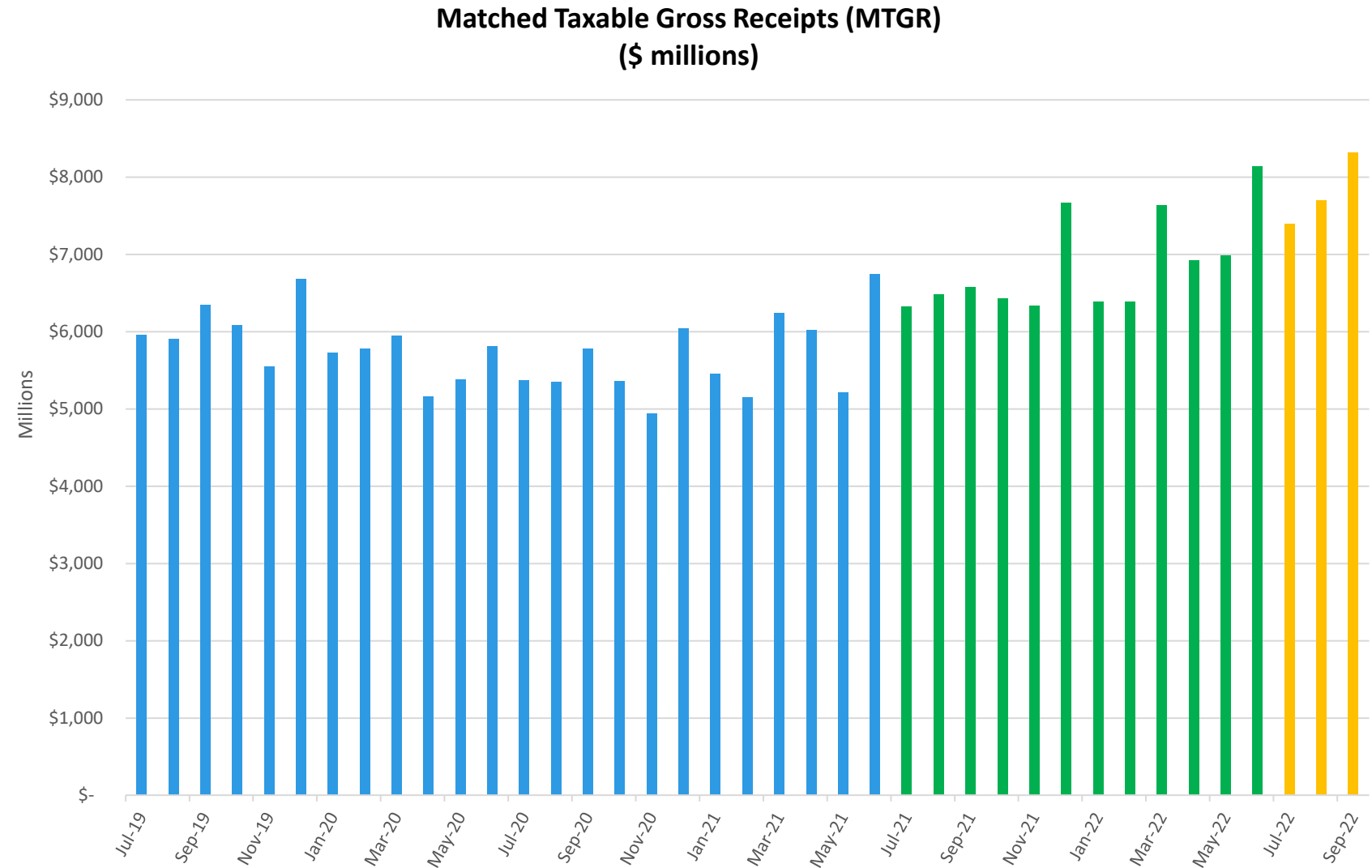
# Gross Receipts Taxes

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# FY22 & FY23 to date – Strong Economic Activity

➤ Matched Taxable Gross Receipts (MTGR) prolongs its ascent

- Internet sales now part of the base, continue to push MTGR upward
- FY22 climbed above pandemic levels, reversing the downward trend
- FY23 Q1 continues the upward trend, bringing higher revenues amid 1/8% GRT rate reduction.
- Strong retail trade driven by high consumer demand



Source: Taxation & Revenue Department RP500 Reports, Author's calculations

# MTGR by Sector

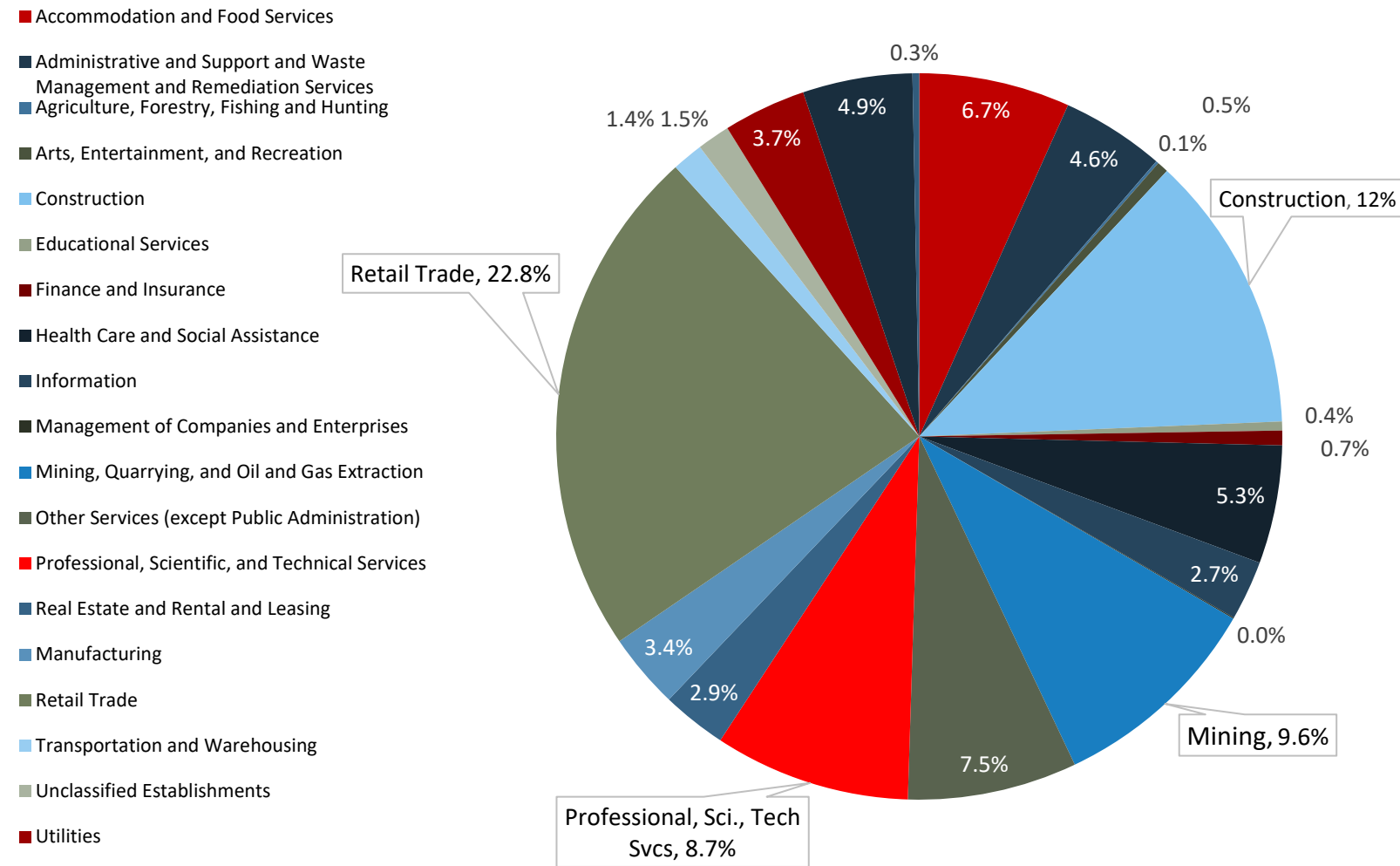
➤ Strong economic activity across all sectors

➤ The Retail Trade, Construction, Mining, and Professional, Scientific and Technical Services make up 53.5% of FY22's economic base

➤ Spending remained high amid rising inflation, revealing consumer resilience

➤ Oil and Gas record-high production levels contributed to the expanding MTGR base

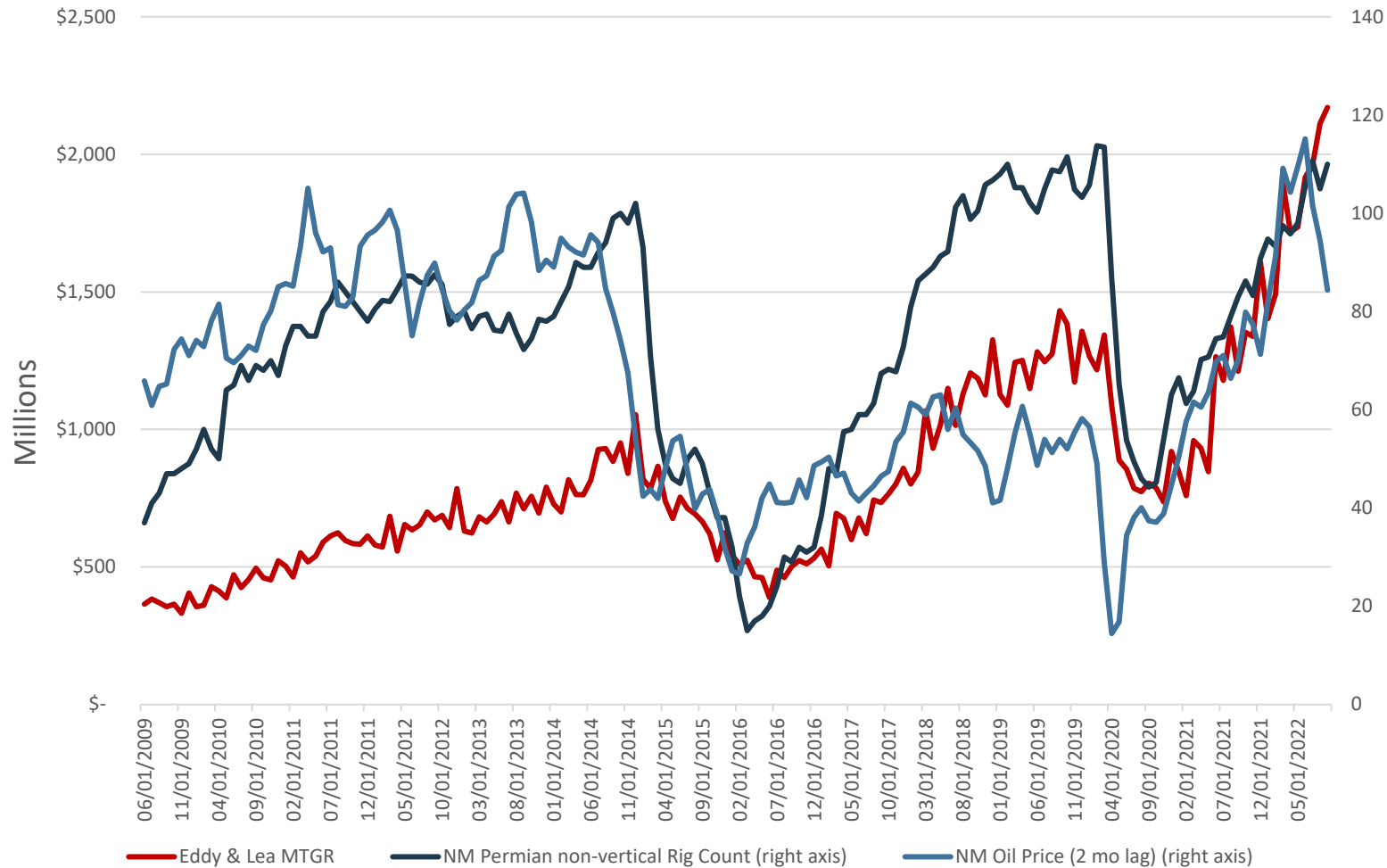
FY22 MTGR by Industry



Source: Taxation & Revenue Department RP500 Reports, Author's calculations

# MTGR Eddy & Lea Counties

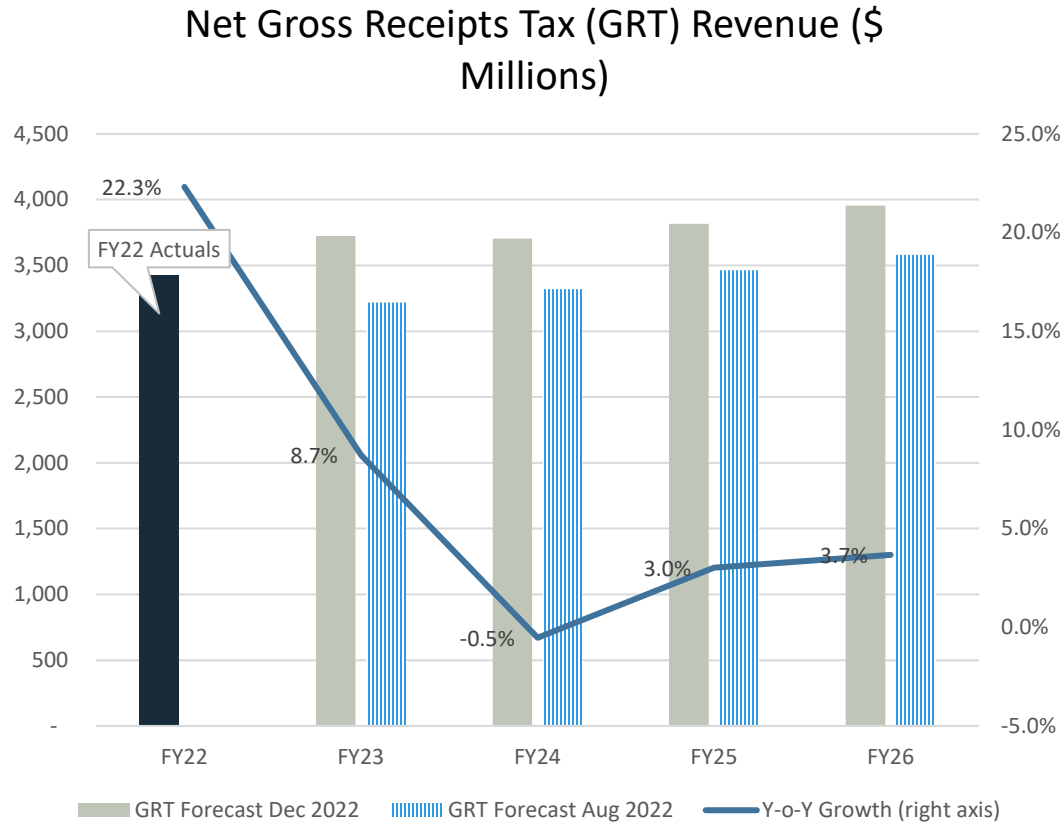
Total Monthly Matched Taxable GRT in Eddy & Lea Counties Compared to NM Oil Price & Horizontal and Directional Rigs



- Strong relationship between oil production, rig activity, and MTGR in Eddy and Lea counties
- Generally, price increases lead to increase rig count, which leads to higher GRT
- This highlights New Mexico's sensitivity to changes in the oil and natural gas markets via Eddy and Lea's share of GRT to the state total
- Eddy and Lea make up 22% of the state's total MTGR in FY22



# Gross Receipts Tax Outlook



➤ December 2022 forecast includes significant upward revisions from August 2022 sustaining GRT revenue above \$3.5 billion

➤ FY23 expected to increase 8.7% driven by:

- A stronger-than expected GRT base
- Continuing oil & natural gas strength
- Strong retail sector
- This growth despite 1/8% GRT rate reduction

➤ FY24 shows slight decline

- Mild contraction in revenue is expected to be short-lived
- Second GRT rate reduction of 1/8<sup>th</sup> percent on July 1, 2023 is included in the estimate

➤ FY25 & FY26 – revenue stabilizes:

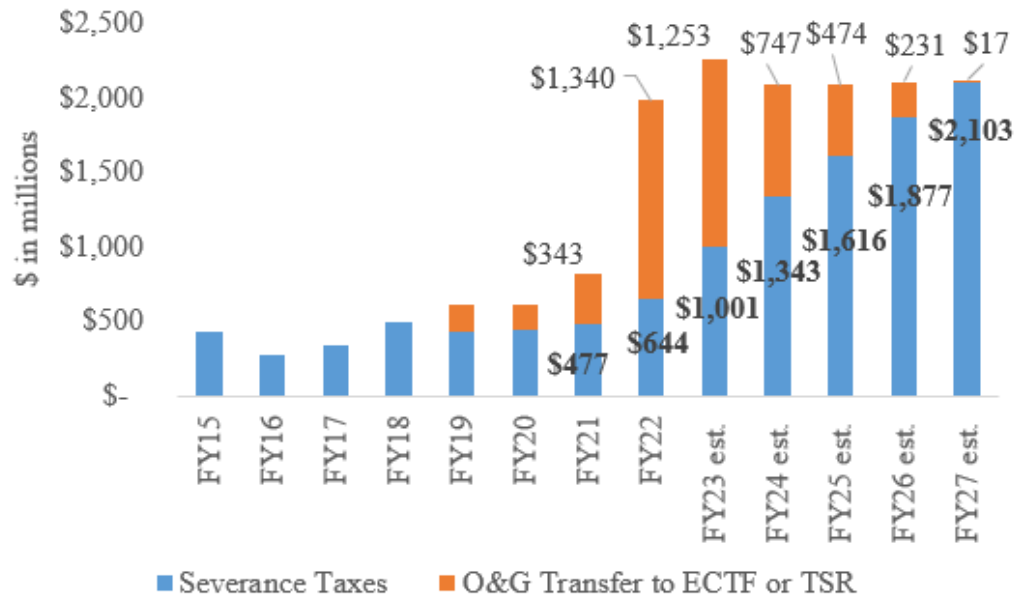
- Revenue is expected to stabilize growing above 3% year-over-year

# Severance Taxes & Rents & Royalties

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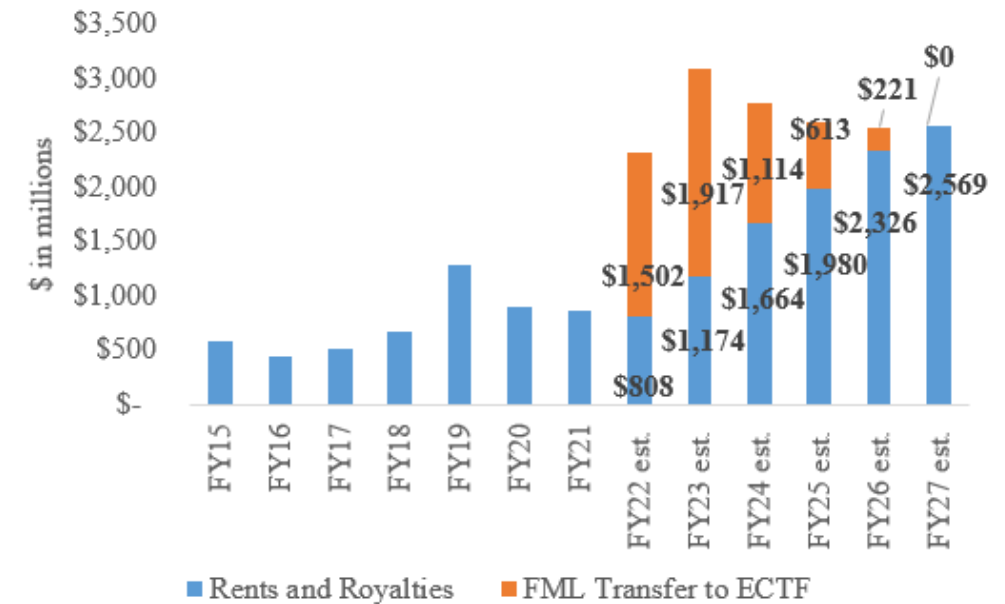
# Severance Taxes & Federal & State Rents and Royalties

**Severance Tax Revenues From FY15 to FY27**



Source: DFA, CREG, Author's calculation, Early Childhood Trust Fund or Tax Stabilization Reserve (TSR)

**Rent & Royalty Revenues from FY15 to FY27**

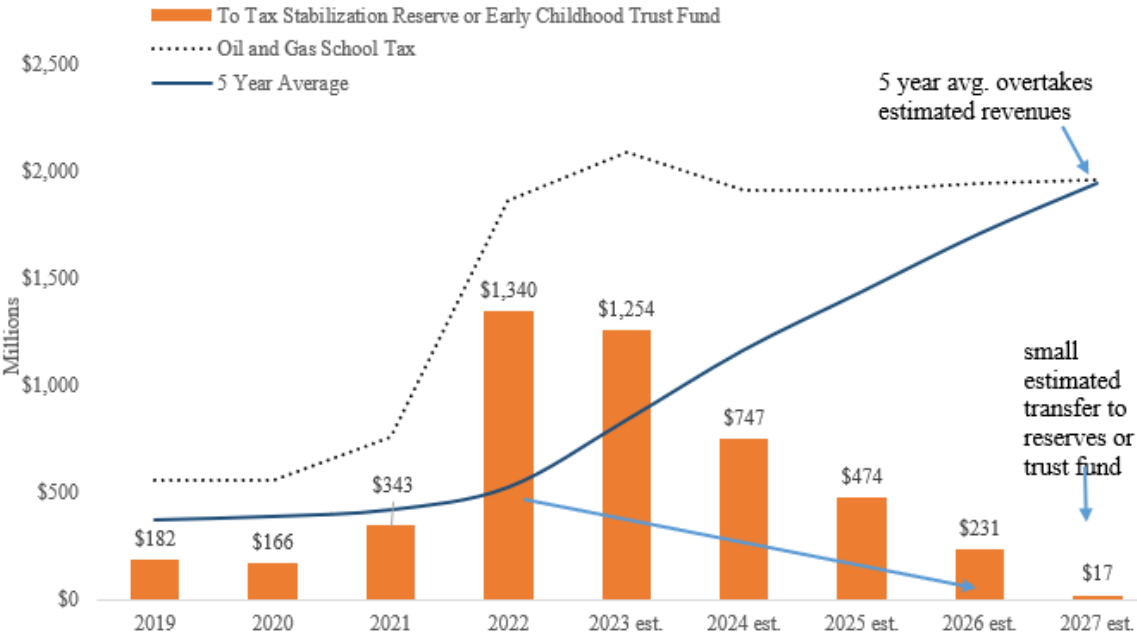


Source: DFA, CREG, Author's calculation, Early Childhood Trust Fund

- Severance taxes and rents and royalties are distributed under 5-year average mechanisms, windfalls are diverted from the general fund to Early Childhood Trust Fund or Tax Stabilization Reserve
- Even though oil and natural gas prices have been revised downward in the forecast, continued strong oil and natural gas production volumes maintain severance tax and rents and royalties revenue at unprecedented levels
  - Current data illustrates that a greater share of New Mexico's total oil production is coming from federal lands
- Estimated transfers to the Early Childhood Trust Fund are approximately \$3 billion in FY23 and over \$2 billion in FY24
- Severance tax revenue to the general fund is expected to increase from 1 billion in FY23 to \$1.3 billion in FY24
- Rents and royalties revenue to the general fund is expected to increase from \$1.17 billion in FY23 to \$1.6 billion in FY24

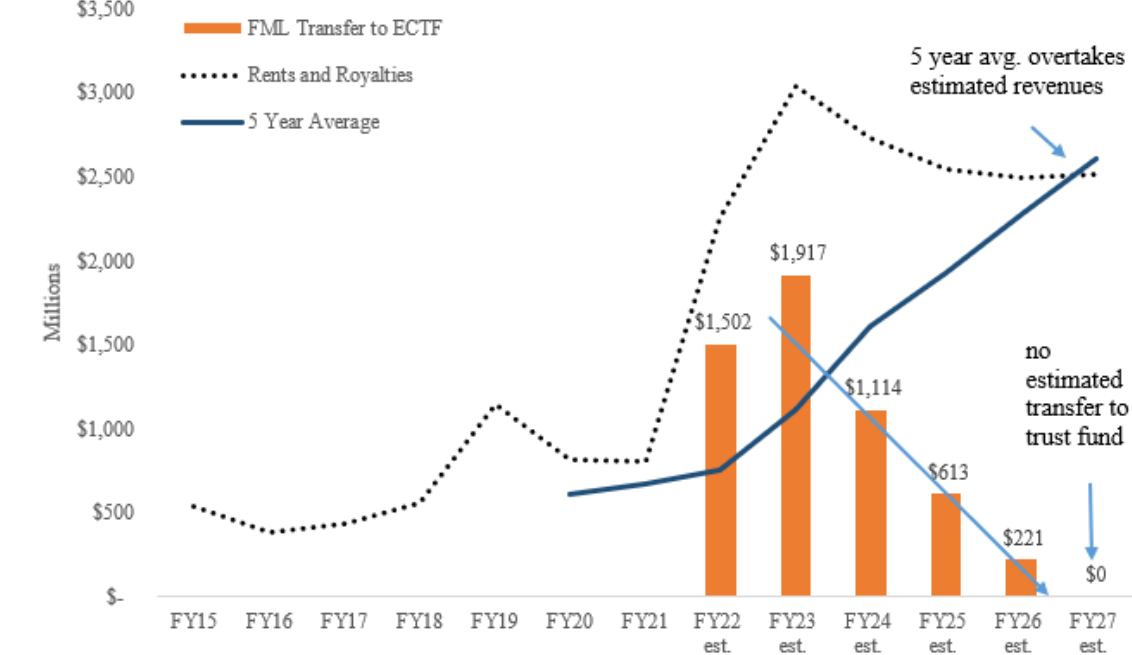
# Severance Taxes & Federal & State Rents and Royalties vs. 5-year average

Oil and Gas Emergency School Tax Revenue & Excess Transfers vs. 5 year average



Source: DFA, CREG

Federal Mineral Leasing Revenue & Excess Transfers vs. 5 year average



Source: DFA, CREG

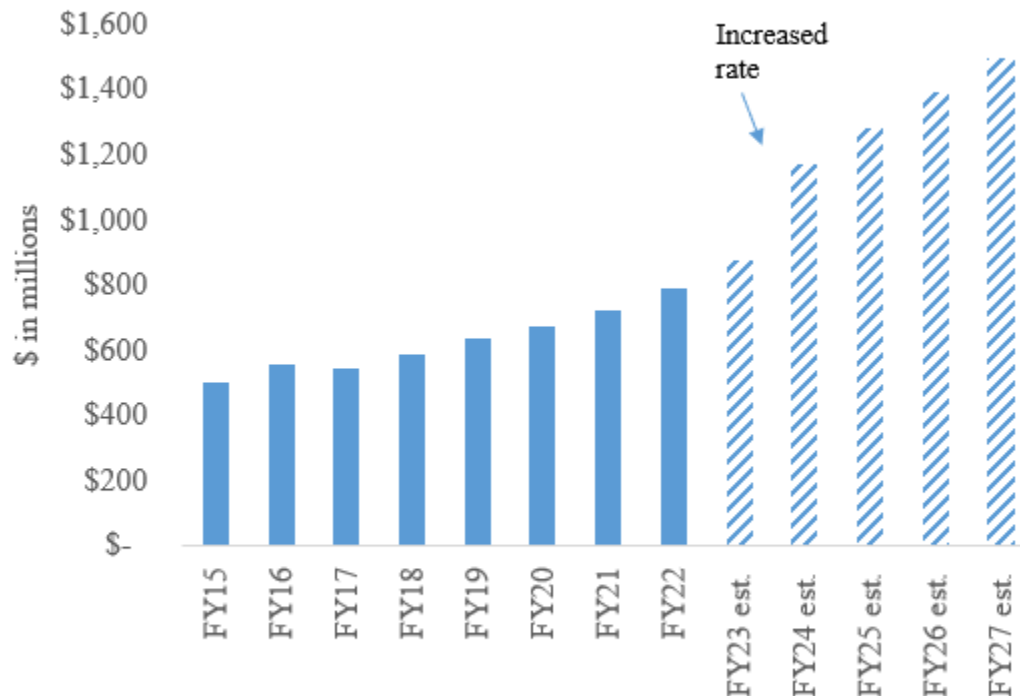
- In the forecast period, the 5-year average for both revenues climbs, reducing the amounts diverted to reserves/Trust Fund
  - In FY27, 5-year averages are forecast to be higher than revenues preventing transfers to reserves or Early Childhood Trust Fund
  - This directly exposes state general fund recurring revenues to negative energy market shocks
    - At this point, the state’s reserves or general fund recurring revenues directly absorb the effects of an energy downturn

# Land Grant Permanent Fund

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# Land Grant Permanent Fund (LGPF)

**LGPF Transfers to General Fund**



Source: DFA, CREG

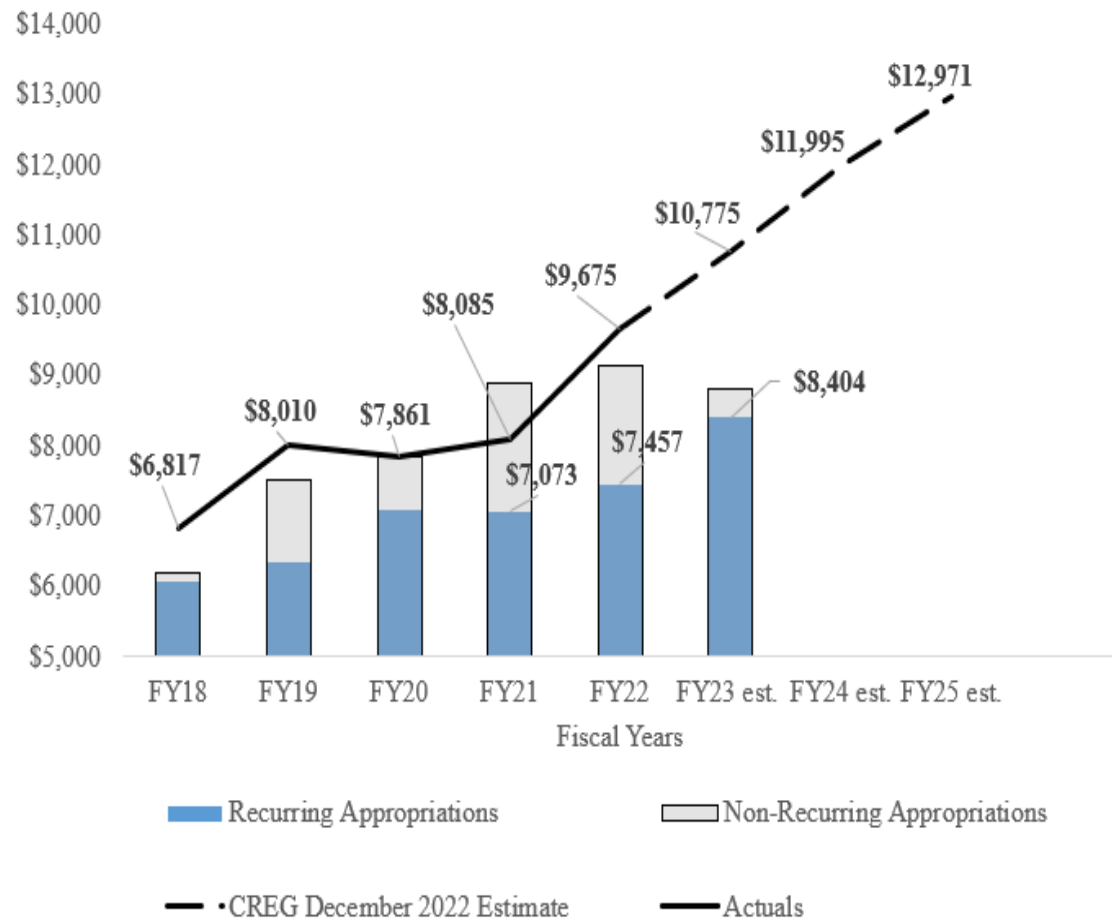
- During the 2021 session, House Joint Resolution 1 proposed a Constitutional amendment to provide an additional 1.25 percent distribution from the Permanent School Fund of the Land Grant Permanent Fund (LGPF)
- In November 2022, voters approved the amendment increasing the LGPF distribution rate from 5% to 6.25%
- LGPF transfers to the general fund in FY22 were \$787.8 million
- LGPF transfers in FY23 are estimated at \$875.4 million
- LGPF transfers in FY24 increases by \$298.5 million to \$1.17 billion
  - The higher transfer in FY24 is a result of the increased distribution rate
- The increased rate will have implications for long term growth of fund's value

# General Fund Overview

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# Consensus Change from August Forecast

General Fund Recurring Revenue Forecast FY23 to FY25



Source: DFA

December 2022 Forecast compared to the August 2022 Forecast

Forecast	FY22	FY23	FY24	FY25
December 2022 base	\$ 9,675	\$ 10,775	\$ 11,995	\$ 12,971
August 2022 Base	\$ 9,217	\$ 9,847	\$ 10,859	\$ 11,740

December 2022 Forecast compared to the August 2022 Forecast

Forecast	FY22	FY23	FY24	FY25
August 2022 Base	\$ 459	\$ 928	\$ 1,136	\$ 1,231

- The December 2022 consensus general fund forecast has improved over the August 2022 forecast by \$928 million in FY23, \$1.1 billion in FY24, and \$1.2 billion in FY25.
- In FY23, the increase over the August forecast is driven primarily by General Sales and Income Taxes while Oil and Gas revenues are captured by the excess transfers
- In FY24 the increase over the August forecast is driven equally by General Sales , Income Taxes, and Oil and Gas revenues and the increased LGPF transfer



# N.M. Consensus General Fund Revenue Summary

## December 2022 Consensus General Fund Forecast (in millions of dollars)

	FY22		FY23		FY24		FY25	
Revenue Source	\$ Millions	% Change	\$ Millions	% Change	\$ Millions	% Change	\$ Millions	% Change
General Sales	\$ 3,491	19.8%	\$ 3,792	8.6%	\$ 3,771	-0.5%	\$ 3,885	3.0%
Selective Sales	\$ 665	6.5%	\$ 709	6.6%	\$ 731	3.2%	\$ 801	9.5%
Income Taxes	\$ 2,671	30.1%	\$ 2,685	0.5%	\$ 2,586	-3.7%	\$ 2,658	2.8%
O&G Revenue	\$ 1,452	9.2%	\$ 2,175	49.8%	\$ 3,006	38.2%	\$ 3,596	19.6%
Investment earnings	\$ 916	-4.7%	\$ 1,168	27.5%	\$ 1,650	41.3%	\$ 1,780	7.9%
Other revenues	\$ 480	138.0%	\$ 248	-48.4%	\$ 250	0.9%	\$ 251	0.6%
Total Recurring Revenue	\$ 9,675	19.7%	\$ 10,775	11.4%	\$ 11,995	11.3%	\$ 12,971	8.1%
Total Nonrecurring	\$ (903)	2543.5%	\$ (69)	-92.4%				
Grand Total Revenue	\$ 8,772	9.0%	\$ 10,706	22.0%	\$ 11,995	12.0%	\$ 12,971	8.1%

- FY22 revenue growth was driven by General Sales, Income Taxes
- In FY23 and FY24, growth in revenue is driven Severance and O&G revenue
  - Elevated revenue maintains the excess transfers in energy revenues as well
- In the December 2022 forecast, FY23 over FY22, 66 percent of the recurring general fund revenue increase comes from direct oil and gas revenue\*
- In the December 2022 forecast, FY24 over FY23, 68 percent of the recurring general fund revenue increase comes from direct oil and gas revenue\*
  - \*These percentages do not include associated GRT from Eddy and Lea

# General Fund Overview

## FY22

- FY2022 GF  
Recurring Revenue  
increased by 19.7  
percent over  
FY2021
- FY2022 GF  
Reserves are  
estimated at \$3.23  
billion or 43.3% of  
recurring  
appropriations

## FY23

- FY2023 GF  
Recurring Revenue  
is estimated to  
increase by 11.4  
percent vs. FY2022
- FY2023 GF  
Reserves are  
estimated at \$5.08  
billion or 60.5% of  
recurring  
appropriations\*

## FY24

- FY2024 GF  
Recurring Revenue  
is forecasted to  
grow by 11.3  
percent vs. FY2023
- “New Money” for  
FY2024 is  
forecasted to be  
\$3.59 billion

\* Pending 2023 legislative appropriations

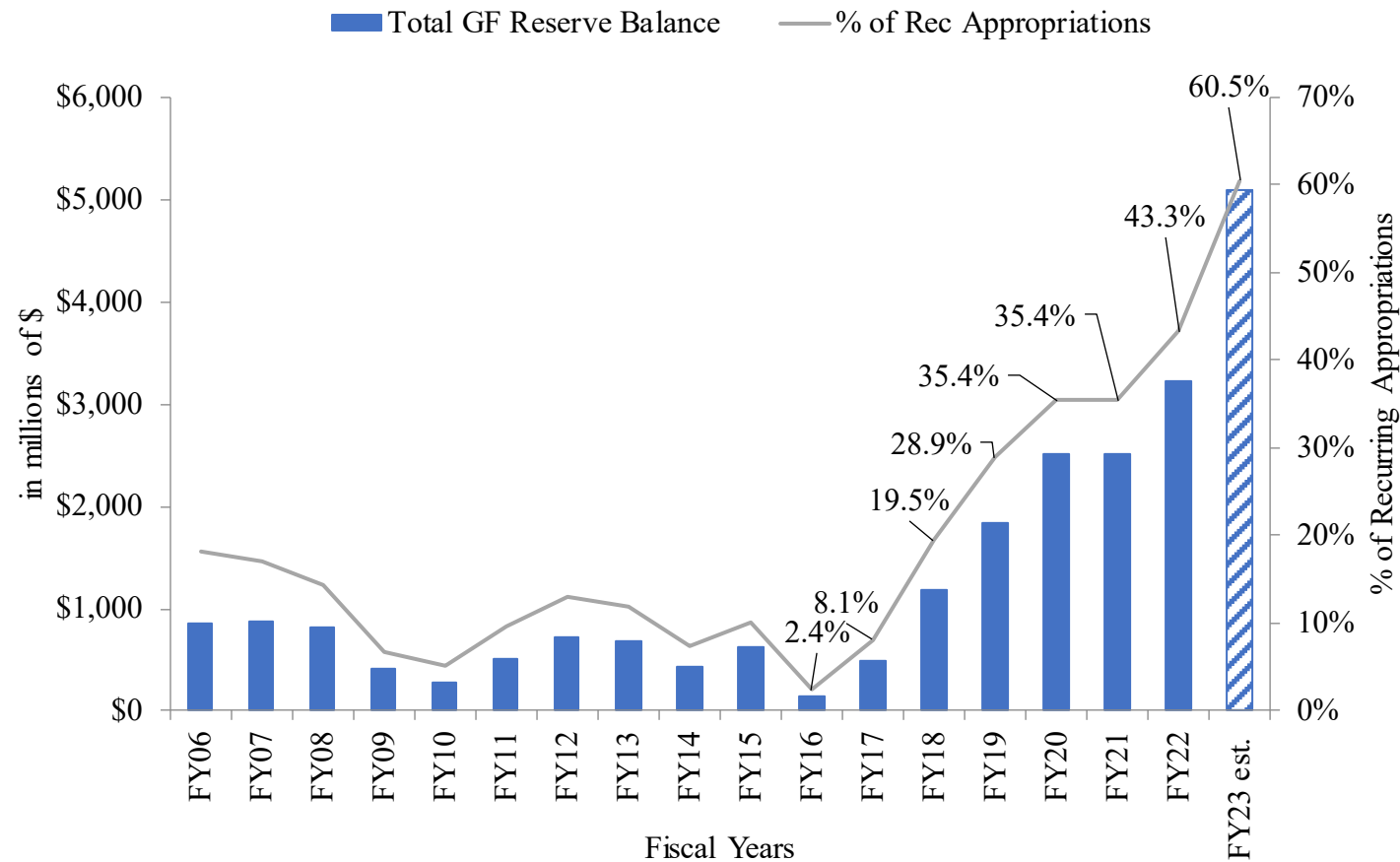
# General Fund Financial Summary (\$ in millions)

	FY2022	FY2023	FY2024
Beginning Balance (General Fund Reserves)	\$2,504.8	\$3,230.0	\$5,083.3
Total Revenue (Recurring Revenue)	\$9,675.3	\$10,775.1	\$11,994.9
Spending (Recurring Appropriations)	(\$7,457.3)	(\$8,404.3)	<b>“New Money” \$3.591 billion</b>
Reserve Transfers, etc.	\$706.5	\$1,754.0	
Ending Balance (General Fund Reserves)	\$3,230.0	\$5,083.3	
General Fund Reserves as a Percent of Recurring Appropriations	43.3%	60.5%*	

\* Pending 2023 legislative appropriations

# General Fund Reserves

General Fund Reserve Balances as a Percent of Recurring Appropriations



Source: DFA, FCD, CREG

- FY22 general fund reserve balances are \$3.2 billion or 43.3% of recurring appropriations
  - FY22 reserve balances increased in part due to higher FY22 reversions of \$310 million and \$448.1 million in 2022 GAA undistributed nonrecurring appropriations
- Estimated FY23 general fund reserve balances are estimated at \$5.08 billion or 60.5% of recurring appropriations.\*
  - (\*pending 2023 legislative appropriations)

# Risks to the Forecast

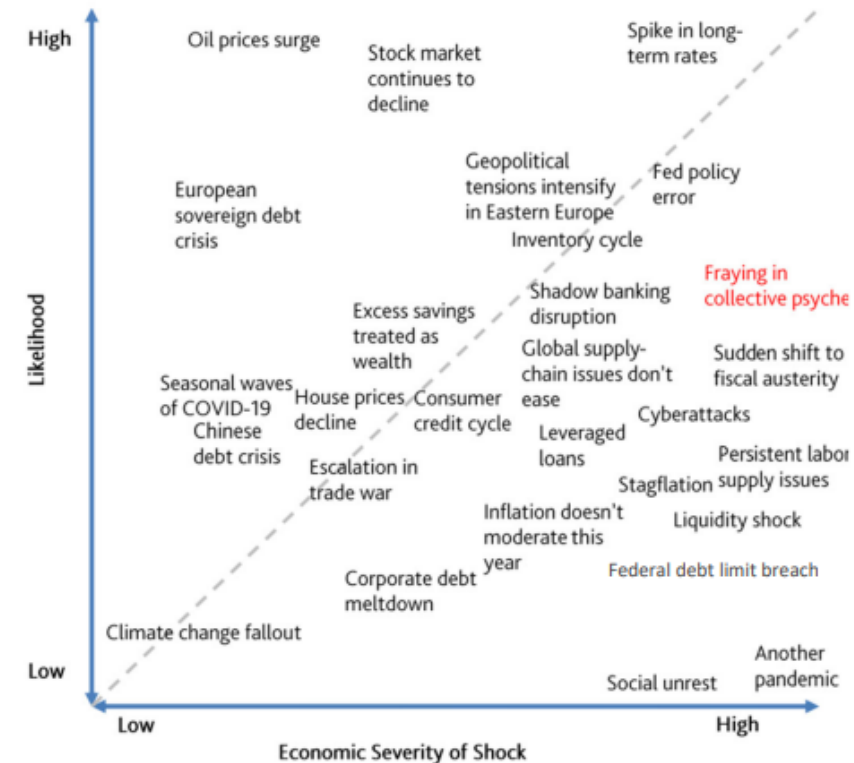
- Downside
  - The Ukraine-Russian conflict persists and continues to disrupt energy markets
    - Impacts supply and demand side of the economy
  - The Federal Reserve does not achieve a “soft landing”
    - Error in policy correction and tip country into recession
    - A recession occurs
      - Employment losses and the unemployment rate increases
      - Gross domestic product contracts
      - Decrease in consumption
      - Tightening credit markets
  - Supply-chain shortages and constraints continue
  - Wage-price spiral ushers in a new inflation environment
  - Labor-supply constraints are more binding resulting in slower growth and increased wages
  - Oil price volatility from unknown market shocks
  - Higher than expected out-of-state reporting distorts GRT distributions (with destination-based sourcing there should be no out-of-state reporting)
- Upside
  - Labor market is performing better than anticipated
  - OPEC+ actions to cut production could potentially stabilize/increase oil prices
  - Large savings amounts and higher wage growth continues to propel consumer spending
  - Supply-chain shortages/issues are resolved sooner than anticipated
  - The Federal Reserve pause or reduce the magnitude of a fed funds rate hikes
  - The Federal Reserve achieves a “soft landing”
    - The fears and uncertainty about a recessionary event resolve
    - Prices continue to decrease, and the inflation rate returns to the Federal Reserves target of 2%
  - Oil and natural gas producers exceed production expectations

# Moody's Major risks to Outlook

## What Could Go Wrong?

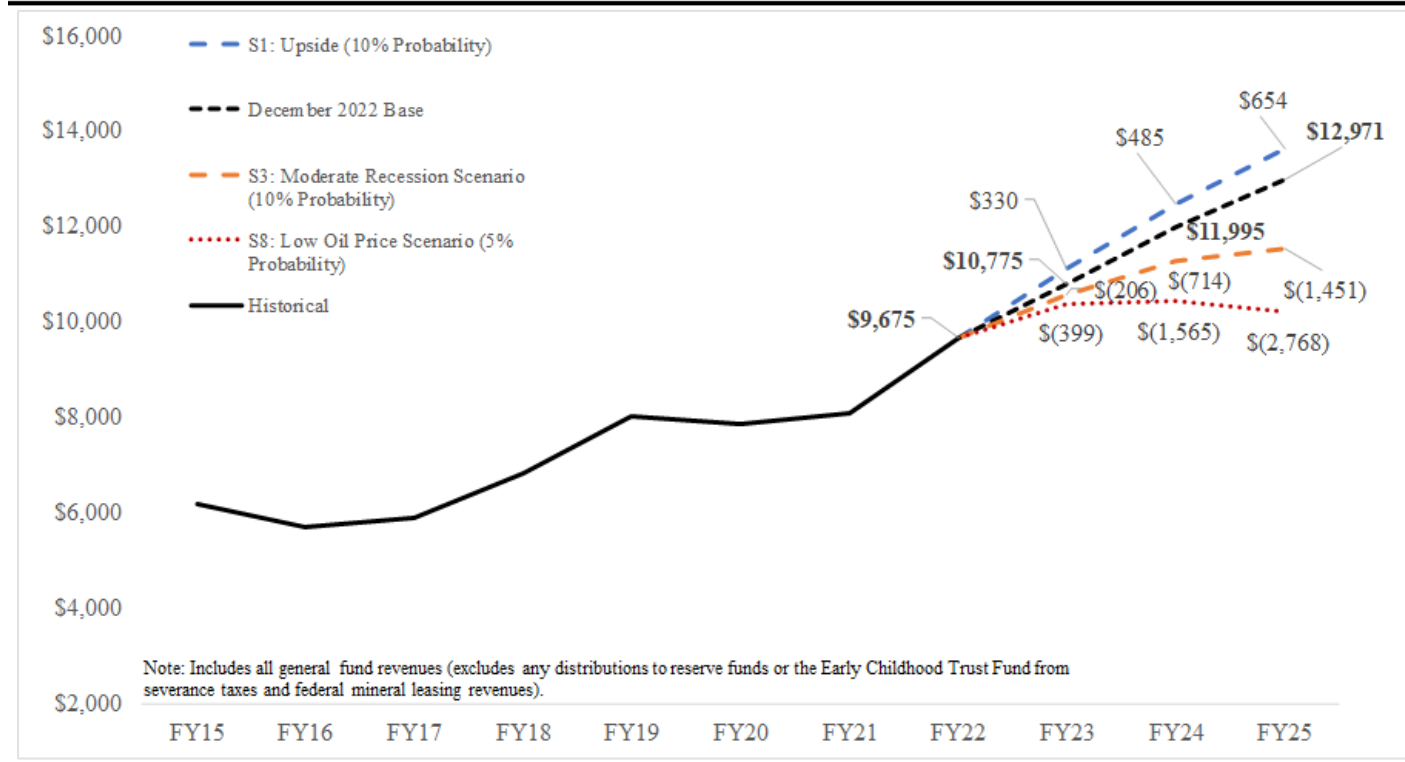
### What could push the economy over the edge?

1. Spike in long-term rates
2. Fed policy error
3. Energy price shock
4. Geopolitical tensions in Eastern Europe
5. Supply chain issues due to pandemic
6. Something else – wouldn't take much given fragility of the economy



# Stress Test

Revenue Sensitivity Analysis



Source: DFA, CREG, Moody's Analytics, IHS, UNM Bureau of Business & Economic Research, (in millions)

- The stress test illustrates how far revenues could fall under a prolonged economic downturn (moderate recession scenario) and a low oil price scenario
- Under the low oil price scenario, the general fund recurring revenue could fall from the baseline by \$399 million in FY23 and \$1.6 billion in FY24, for cumulative losses of \$2 billion through FY24
- New Mexico's revenue sensitivity to an energy downturn and a national recession event highlights the need for the state to maintain healthy reserve levels

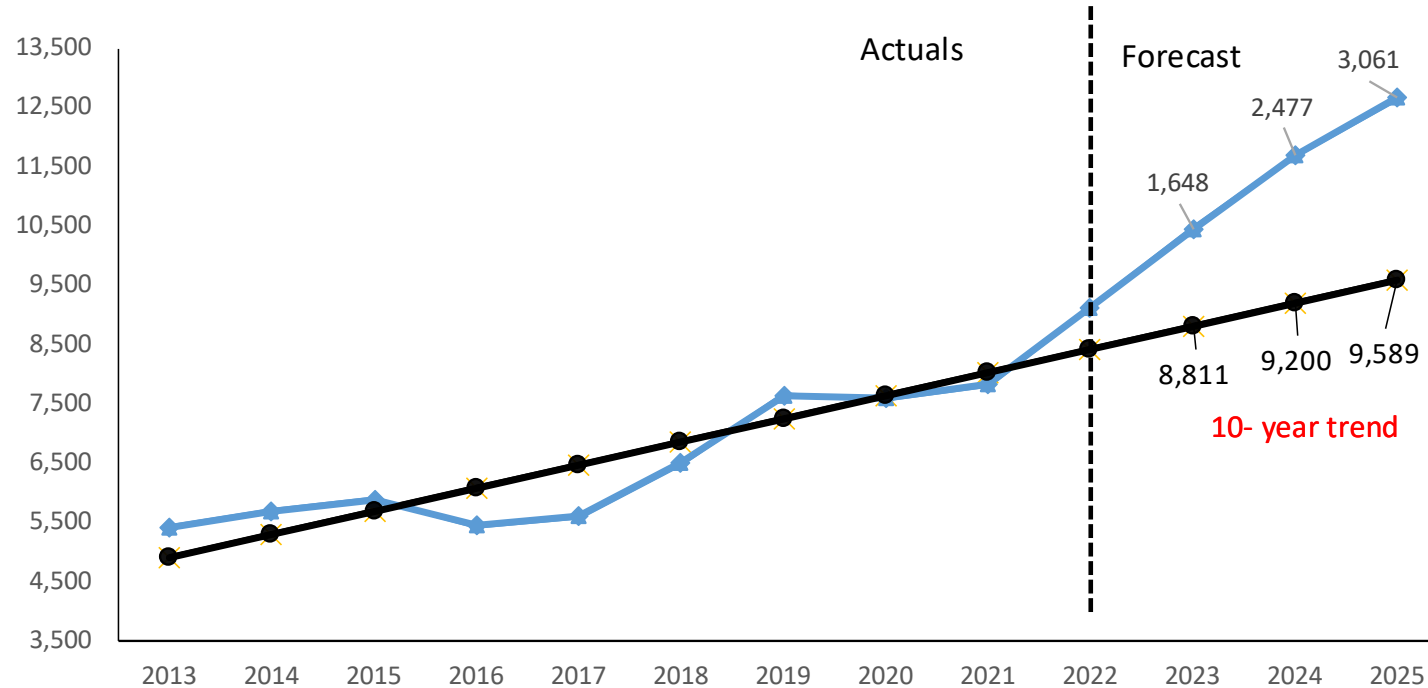
Upside Scenario (in millions)				
	FY23	FY24	FY25	
GRT	\$ 312	\$ 428	\$ 502	
PIT	\$ 14	\$ 31	\$ 52	
Severance to GF	\$ 4	\$ 16	\$ 34	
Severance to TSR	\$ 55	\$ 62	\$ 154	
FML	\$ (0)	\$ 10	\$ 66	
FML to ECE	\$ 50	\$ 269	\$ 432	
<b>TOTAL</b>	<b>\$ 435</b>	<b>\$ 816</b>	<b>\$ 1,240</b>	
<i>Total GF</i>	<i>\$ 330</i>	<i>\$ 485</i>	<i>\$ 654</i>	
<i>Total TSR/ECE</i>	<i>\$ 105</i>	<i>\$ 331</i>	<i>\$ 586</i>	
<i>% TSR/ECE</i>	<i>24%</i>	<i>41%</i>	<i>47%</i>	

Moderate Recession Scenario (in millions)				
	FY23	FY24	FY25	
GRT	\$ (140)	\$ (358)	\$ (542)	
PIT	\$ (51)	\$ (196)	\$ (222)	
Severance	\$ (15)	\$ (76)	\$ (370)	
Severance to TSR	\$ (195)	\$ (577)	\$ (474)	
FML	\$ (0)	\$ (84)	\$ (316)	
FML to ECE	\$ (419)	\$ (673)	\$ (603)	
<b>TOTAL</b>	<b>\$ (819)</b>	<b>\$ (1,965)</b>	<b>\$ (2,528)</b>	
<i>Total GF</i>	<i>\$ (206)</i>	<i>\$ (714)</i>	<i>\$ (1,451)</i>	
<i>Total TSR/ECE</i>	<i>\$ (613)</i>	<i>\$ (1,250)</i>	<i>\$ (1,077)</i>	
<i>% TSR/ECE</i>	<i>75%</i>	<i>64%</i>	<i>43%</i>	

Low Oil Price Scenario (in millions)				
	FY23	FY24	FY25	
GRT	\$ (285)	\$ (726)	\$ (969)	
PIT	\$ (76)	\$ (195)	\$ (249)	
Severance	\$ (38)	\$ (432)	\$ (817)	
Severance to TSR	\$ (601)	\$ (747)	\$ (474)	
FML	\$ (0)	\$ (212)	\$ (732)	
FML to ECE	\$ (779)	\$ (1,041)	\$ (603)	
<b>TOTAL</b>	<b>\$ (1,779)</b>	<b>\$ (3,353)</b>	<b>\$ (3,844)</b>	
<i>Total GF</i>	<i>\$ (399)</i>	<i>\$ (1,565)</i>	<i>\$ (2,768)</i>	
<i>Total TSR/ECE</i>	<i>\$ (1,380)</i>	<i>\$ (1,788)</i>	<i>\$ (1,077)</i>	
<i>% TSR/ECE</i>	<i>78%</i>	<i>53%</i>	<i>28%</i>	

# General Fund Revenue vs. 10 Year Trend

**Volatility in major General Fund revenue sources: Deviation from 10 years (FY13-FY22) trend (\$ millions).**



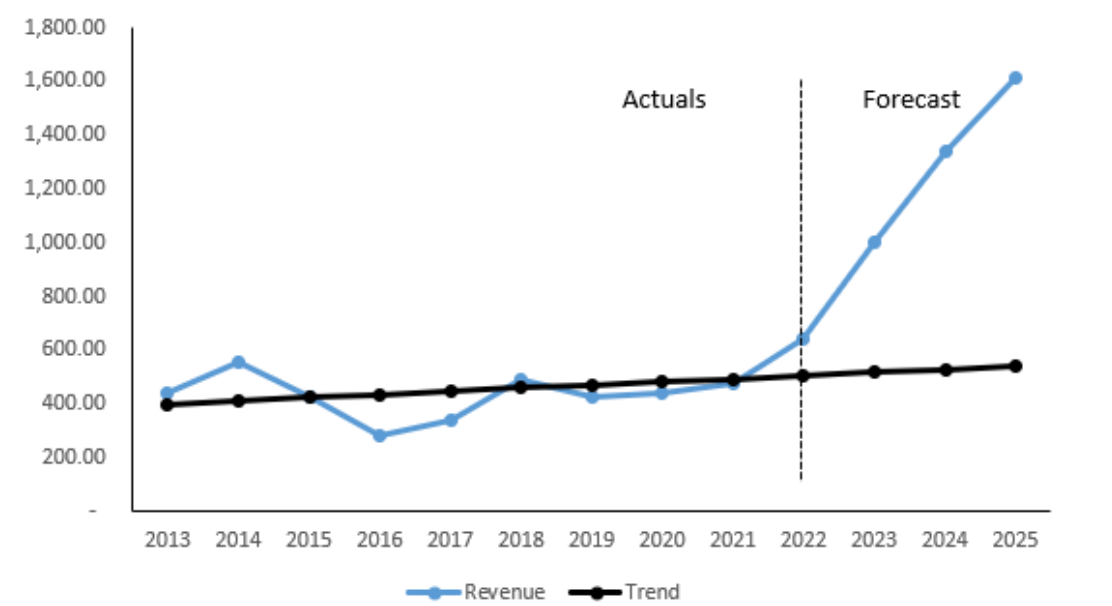
**Note: major revenue sources consist of sales taxes, income taxes, severance taxes, rents and royalties, and investment earnings**

- The trendline analysis illustrates how far revenues have deviated from the 10-year trend
- For FY23, general fund revenues are above the 10-year trend by \$1.6 billion
- For the budget year FY24, general fund revenues deviate from the trend by \$2.5 billion
- New Mexico's general fund revenue average annual growth rate is 6.0% (2013-2022 trend)



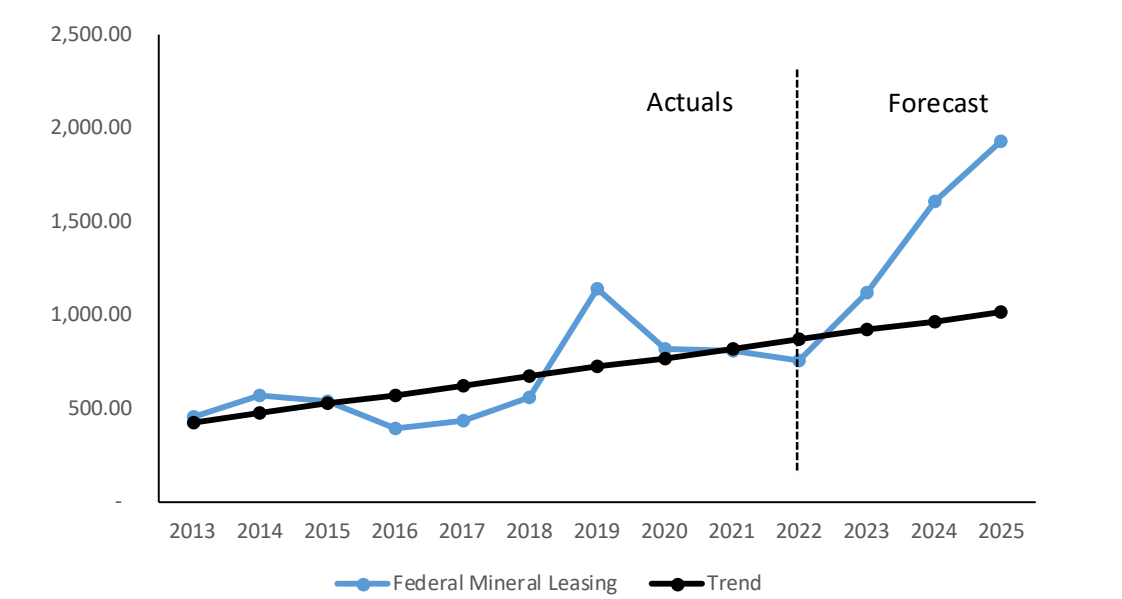
# General Fund Revenue vs. 10 Year Trend: Severance and FML

Revenue volatility by Severance Taxes : Deviation from 10 years trend (\$ millions)



Source: CREG and DOT Trend Analysis

Revenue volatility by Federal Mineral Leasing: Deviation from 10 years trend (\$ millions)



Source: CREG and DOT Trend Analysis

➤ Driving the general fund revenue above the 10-year trend and increasing the risks are Severance Tax Revenues and Federal Mineral Leasing

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# Appendix

# Appendix 1a:

Revenue Source	FY22					FY23					FY24				
	Aug 22 Est.	Dec 22 Prelim.	Change from Prior (Aug 22)	% Change from FY21	\$ Change from FY21	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY22	\$ Change from FY22	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY23	\$ Change from FY23
Base Gross Receipts Tax	3,376.2	3,536.4	160.2	19.0%	564.7	3,323.9	3,830.8	506.9	8.3%	294.4	3,417.8	3,802.6	384.8	-0.7%	(28.2)
F&M Hold Harmless Payments	(110.5)	(108.5)	2.0	-10.6%	12.9	(105.9)	(107.7)	(1.8)	-0.8%	0.8	(97.1)	(99.0)	(1.9)	-8.0%	8.6
NET Gross Receipts Tax	3,265.7	3,427.9	162.3	20.3%	577.6	3,218.0	3,723.1	505.1	8.6%	295.2	3,320.7	3,703.6	382.9	-0.5%	(19.6)
Compensating Tax	65.4	63.1	(2.3)	-1.2%	(0.8)	64.4	68.4	4.0	8.3%	5.3	66.2	67.9	1.7	-0.7%	(0.5)
TOTAL GENERAL SALES	3,331.1	3,491.0	160.0	19.8%	576.9	3,282.4	3,791.5	509.1	8.6%	300.5	3,386.9	3,771.4	384.5	-0.5%	(20.1)
Tobacco Products and Cigarette Taxes	83.2	82.8	(0.4)	-8.5%	(7.7)	81.5	79.3	(2.2)	-4.2%	(3.5)	80.3	77.4	(2.9)	-2.4%	(1.9)
Liquor Excise	25.5	25.0	(0.5)	1.7%	0.4	24.7	24.9	0.2	-0.7%	(0.2)	24.9	25.1	0.2	0.9%	0.2
Cannabis Excise	5.4	5.1	(0.4)	N/A	N/A	22.7	23.3	0.5	358.1%	18.2	24.6	25.1	0.5	8.0%	1.9
Insurance Taxes	294.7	320.8	26.1	9.6%	28.2	346.6	344.8	(1.8)	7.5%	24.0	363.2	363.8	0.6	5.5%	19.0
Fire Protection Fund Reversion	-	-	-	-100.0%	(12.0)	-	-	-	N/A	N/A	-	-	-	N/A	N/A
Motor Vehicle Excise	153.6	155.3	1.7	-10.8%	(18.8)	156.9	162.6	5.7	4.7%	7.3	151.5	164.6	13.1	1.2%	2.0
Gaming Excise	67.7	68.4	0.7	177.3%	43.7	65.7	68.7	3.0	0.5%	0.3	67.5	70.0	2.5	1.9%	1.3
Leased Vehicle & Other	7.5	7.3	(0.2)	33.6%	1.8	6.5	5.1	(1.4)	-30.4%	(2.2)	6.4	5.3	(1.1)	3.9%	0.2
TOTAL SELECTIVE SALES	637.6	664.7	27.1	6.5%	40.7	704.6	708.7	4.0	6.6%	43.9	718.5	731.4	12.9	3.2%	22.7
Personal Income Tax	2,328.1	2,327.6	(0.5)	22.2%	423.5	2,265.1	2,392.5	127.4	2.8%	64.9	2,216.7	2,321.7	105.0	-3.0%	(70.8)
Gross Corporate Income Tax	364.9	404.4	39.5	113.4%	214.9	317.6	393.8	76.2	-2.6%	(10.6)	334.4	409.4	75.0	4.0%	15.6
CIT Refundable Credits	(60.5)	(60.5)	-	52.0%	(20.7)	(116.2)	(101.8)	14.4	68.3%	(41.3)	(144.9)	(144.9)	-	42.3%	(43.1)
NET Corporate Income Tax	304.4	343.9	39.5	129.7%	194.2	201.4	292.0	90.6	-15.1%	(51.9)	189.5	264.5	75.0	-9.4%	(27.5)
TOTAL INCOME TAXES	2,632.5	2,671.5	39.0	30.1%	617.7	2,466.5	2,684.5	218.0	0.5%	13.0	2,406.2	2,586.2	180.0	-3.7%	(98.3)
Gross Oil and Gas School Tax	1,825.9	1,865.8	39.9	144.5%	1,102.7	2,075.3	2,091.2	15.9	12.1%	225.4	1,771.9	1,912.9	141.0	-8.5%	(178.3)
Excess to TSR or Early Childhood Trust Fund	(1,300.3)	(1,340.1)	(39.9)	291.0%	(997.4)	(1,245.3)	(1,253.2)	(7.9)	-6.5%	86.9	(617.0)	(746.9)	(129.9)	-40.4%	506.4
NET Oil & Gas School Tax	525.7	525.7	0.0	25.0%	105.3	830.0	838.0	8.0	59.4%	312.3	1,154.9	1,166.1	11.1	39.2%	328.1
Oil Conservation Tax	99.3	99.7	0.4	151.7%	60.1	113.5	113.6	0.1	14.0%	13.9	99.9	105.4	5.5	-7.2%	(8.2)
Resources Excise Tax	8.7	8.7	0.0	28.2%	1.9	7.8	7.8	-	-10.5%	(0.9)	7.8	7.8	-	0.0%	-
Natural Gas Processors Tax	10.0	10.2	0.2	-2.9%	(0.3)	35.5	42.0	6.5	312.0%	31.8	52.5	63.4	10.9	51.0%	21.4
TOTAL SEVERANCE TAXES	643.7	644.2	0.6	35.0%	166.9	986.8	1,001.4	14.6	55.4%	357.1	1,315.1	1,342.6	27.5	34.1%	341.3
LICENSE FEES	59.9	56.7	(3.2)	160.2%	34.9	59.6	56.8	(2.8)	0.1%	0.1	59.2	56.7	(2.5)	-0.2%	(0.1)
LGPf Interest	780.0	787.8	7.8	9.2%	66.3	872.6	875.4	2.8	11.1%	87.5	946.5	1,173.9	227.4	34.1%	298.5
STO Interest	(118.6)	(118.3)	0.3	-2312.1%	(123.6)	(52.3)	26.6	78.9	-122.5%	144.9	125.6	196.9	71.3	640.2%	170.3
STPF Interest	246.4	246.4	-	5.3%	12.4	265.8	265.8	(0.0)	7.9%	19.4	284.2	279.2	(5.0)	5.0%	13.4
TOTAL INTEREST	907.8	915.9	8.1	-4.7%	(45.0)	1,086.1	1,167.8	81.7	27.5%	251.8	1,356.3	1,649.9	293.6	41.3%	482.2
Gross Federal Mineral Leasing	2,000.5	2,256.7	256.2	178.1%	1,445.2	2,356.9	3,036.3	679.5	34.5%	779.6	2,334.1	2,727.2	393.1	-10.2%	(309.1)
Excess to Early Childhood Trust Fund	(1,245.5)	(1,501.5)	(256.1)	N/A	N/A	(1,347.9)	(1,917.1)	(569.2)	27.7%	(415.5)	(966.6)	(1,113.5)	(146.9)	-41.9%	803.5
NET Federal Mineral Leasing	755.1	755.2	0.1	-6.9%	(56.3)	1,009.0	1,119.3	110.3	48.2%	364.1	1,367.5	1,613.7	246.2	44.2%	494.4
State Land Office	52.9	52.9	0.0	26.8%	11.2	58.8	54.4	(4.4)	2.8%	1.5	54.4	50.0	(4.5)	-8.2%	(4.5)
TOTAL RENTS & ROYALTIES	808.0	808.1	0.1	-5.3%	(45.2)	1,067.8	1,173.7	105.9	45.2%	365.6	1,421.9	1,663.6	241.7	41.7%	489.9
TRIBAL REVENUE SHARING	71.9	71.4	(0.5)	48.3%	23.3	76.2	76.9	0.7	7.6%	5.4	78.2	78.7	0.5	2.4%	1.9
MISCELLANEOUS RECEIPTS	49.2	41.2	(7.9)	0.3%	0.1	42.1	38.9	(3.2)	-5.8%	(2.4)	41.7	39.2	(2.5)	0.9%	0.4
REVERSIONS	75.0	310.4	235.4	242.8%	219.8	75.0	75.0	-	-75.8%	(235.4)	75.0	75.0	-	0.0%	-
TOTAL RECURRING	9,216.6	9,675.3	458.7	19.7%	1,590.1	9,847.1	10,775.1	928.0	11.4%	1,099.8	10,859.0	11,994.9	1,135.9	11.3%	1,219.8
2022 Nonrecurring Legislation	(900.3)	(897.6)	2.7	N/A	(897.6)	(105.6)	(68.2)	37.4	-92.4%	829.5	-	-	-	-	-
2021 Nonrecurring Legislation	(3.6)	(5.2)	(1.6)	-96.5%	143.6	-	(0.6)	(0.6)	-88.5%	4.6	-	-	-	-	0.6
Other Nonrecurring	-	-	-	-100.0%	(114.6)	-	-	-	#DIV/0!	-	-	-	-	-	-
TOTAL NONRECURRING	(903.9)	(902.9)	1.1	2543.5%	(868.7)	(105.6)	(68.8)	36.8	-92.4%	834.1	-	-	-	#DIV/0!	-
GRAND TOTAL General Fund	8,312.7	8,772.5	459.7	9.0%	721.4	9,741.5	10,706.3	964.8	22.0%	1,933.9	10,859.0	11,994.9	1,135.9	12.0%	1,288.6

Revenue Source	FY25					FY26					FY27				
	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY24	\$ Change from FY24	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY25	\$ Change from FY25	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY26	\$ Change from FY26
Base Gross Receipts Tax	3,550.7	3,905.3	354.6	2.7%	102.7	3,660.1	4,036.0	375.9	3.3%	130.7	3,772.6	4,127.6	355.0	2.3%	91.6
F&M Hold Harmless Payments	(87.3)	(90.0)	(2.7)	-9.2%	9.1	(78.8)	(81.0)	(2.2)	-10.0%	9.0	(71.1)	(72.8)	(1.7)	-10.1%	8.2
NET Gross Receipts Tax	3,463.4	3,815.3	351.9	3.0%	111.8	3,581.3	3,955.0	373.7	3.7%	139.7	3,701.5	4,054.8	353.3	2.5%	99.8
Compensating Tax	68.0	69.7	1.7	2.7%	1.8	70.3	72.1	1.8	3.3%	2.3	71.9	73.7	1.8	2.3%	1.6
TOTAL GENERAL SALES	3,531.4	3,885.1	353.7	3.0%	113.6	3,651.6	4,027.1	375.5	3.7%	142.0	3,773.4	4,128.5	355.1	2.5%	101.4
Tobacco Products and Cigarette Taxes	79.7	75.9	(3.8)	-1.9%	(1.5)	78.5	74.5	(4.0)	-1.8%	(1.4)	77.6	73.5	(4.0)	-1.3%	(1.0)
Liquor Excise	25.1	25.3	0.2	0.9%	0.2	25.4	25.6	0.2	1.0%	0.3	25.6	25.8	0.2	0.9%	0.2
Cannabis Excise	26.5	27.1	0.5	7.8%	1.9	30.4	31.1	0.6	14.8%	4.0	34.0	34.8	0.8	11.8%	3.7
Insurance Taxes	421.2	430.3	9.1	18.3%	66.4	459.5	438.9	(20.6)	2.0%	8.6	487.6	451.7	(35.9)	2.9%	12.8
Fire Protection Fund Reversion	-	-	-	N/A	N/A	-	-	-	N/A	N/A	-	-	-	N/A	N/A
Motor Vehicle Excise	149.5	167.7	18.2	1.9%	3.1	153.0	173.9	20.9	3.7%	6.2	159.4	178.4	19.0	2.6%	4.5
Gaming Excise	67.2	69.3	2.1	-1.0%	(0.7)	66.5	68.7	2.2	-0.9%	(0.6)	66.9	68.9	2.0	0.3%	0.2
Leased Vehicle & Other	6.7	5.4	(1.3)	1.9%	0.1	6.9	5.5	(1.4)	1.9%	0.1	6.9	5.6	(1.3)	1.8%	0.1
TOTAL SELECTIVE SALES	775.9	801.0	25.1	9.5%	69.6	820.2	818.1	(2.1)	2.1%	17.2	858.0	838.7	(19.3)	2.5%	20.6
Personal Income Tax	2,288.6	2,406.2	117.6	3.6%	84.5	2,376.3	2,495.9	119.6	3.7%	89.7	2,461.1	2,584.0	122.9	3.5%	88.1
Gross Corporate Income Tax	348.8	416.3	67.5	1.7%	6.9	365.4	429.6	64.2	3.2%	13.3	382.6	446.5	63.9	3.9%	16.9
CIT Refundable Credits	(161.5)	(164.5)	(3.0)	13.5%	(19.6)	(168.1)	(166.1)	2.0	1.0%	(1.6)	(168.1)	(166.1)	2.0	0.0%	-
NET Corporate Income Tax	187.3	251.8	64.5	-4.8%	(12.7)	197.3	263.5	66.2	4.6%	11.7	214.5	280.4	65.9	6.4%	16.9
TOTAL INCOME TAXES	2,475.9	2,658.0	182.1	2.8%	71.8	2,573.6	2,759.4	185.8	3.8%	101.4	2,675.6	2,864.4	188.8	3.8%	105.0
Gross Oil and Gas School Tax	1,702.4	1,911.4	209.1	-0.1%	(1.5)	1,742.9	1,939.9	197.0	1.5%	28.5	1,736.0	1,961.6	225.6	1.1%	21.6
Excess to TSR or Early Childhood Trust Fund	(304.2)	(473.9)	(169.7)	-36.6%	273.0	(115.2)	(231.0)	(115.8)	-51.2%	242.8	-	(17.3)	(17.3)	-92.5%	213.7
NET Oil & Gas School Tax	1,398.2	1,437.6	39.4	23.3%	271.5	1,627.7	1,708.9	81.2	18.9%	271.3	1,736.0	1,944.3	208.3	13.8%	235.4
Oil Conservation Tax	96.2	105.9	9.7	0.5%	0.6	90.2	107.7	17.5	1.7%	1.8	89.6	100.6	11.0	-6.6%	(7.1)
Resources Excise Tax	7.8	7.8	-	0.0%	-	7.8	7.8	-	0.0%	-	7.8	7.8	-	0.0%	-
Natural Gas Processors Tax	41.4	64.2	22.8	1.3%	0.8	30.8	52.4	21.6	-18.4%	(11.8)	29.9	50.6	20.7	-3.4%	(1.8)
TOTAL SEVERANCE TAXES	1,543.6	1,615.5	71.9	20.3%	272.9	1,756.5	1,876.8	120.3	16.2%	261.3	1,863.3	2,103.2	240.0	12.1%	226.4
LICENSE FEES	59.1	56.6	(2.5)	-0.2%	(0.1)	60.0	57.4	(2.6)	1.4%	0.8	59.7	57.0	(2.7)	-0.7%	(0.4)
LGPFI Interest	1,037.9	1,284.4	246.5	9.4%	110.5	1,111.6	1,389.5	277.9	8.2%	105.1	1,195.3	1,496.9	301.6	7.7%	107.4
STOI Interest	153.2	193.0	39.8	-2.0%	(3.9)	117.8	141.0	23.2	-26.9%	(52.0)	119.0	126.1	7.1	-10.6%	(14.9)
STPI Interest	305.9	302.4	(3.5)	8.3%	23.3	322.9	321.7	(1.2)	6.4%	19.2	339.7	341.1	1.4	6.0%	19.4
TOTAL INTEREST	1,497.0	1,779.8	282.8	7.9%	129.9	1,552.3	1,852.1	299.8	4.1%	72.3	1,654.0	1,964.0	310.0	6.0%	111.9
Gross Federal Mineral Leasing	2,171.5	2,542.7	371.2	-6.8%	(184.6)	2,130.5	2,495.8	365.3	-1.8%	(46.9)	2,129.1	2,517.2	388.1	0.9%	21.4
Excess to Early Childhood Trust Fund	(566.4)	(612.9)	(46.5)	-45.0%	500.6	(254.6)	(220.9)	33.7	-64.0%	392.0	-	-	-	-100.0%	220.9
NET Federal Mineral Leasing	1,605.1	1,929.8	324.7	19.6%	316.1	1,876.0	2,274.9	398.9	17.9%	345.1	2,129.1	2,517.2	388.1	10.7%	242.3
State Land Office	55.5	50.6	(5.0)	1.3%	0.6	56.8	51.3	(5.6)	1.3%	0.7	58.3	52.0	(6.3)	1.4%	0.7
TOTAL RENTS & ROYALTIES	1,660.6	1,980.4	319.7	19.0%	316.7	1,932.8	2,326.1	393.4	17.5%	345.8	2,187.3	2,569.2	381.8	10.4%	243.0
TRIBAL REVENUE SHARING	80.1	80.7	0.6	2.5%	1.9	82.0	82.5	0.5	2.3%	1.9	84.0	84.6	0.6	2.5%	2.1
MISCELLANEOUS RECEIPTS	41.2	38.9	(2.3)	-0.7%	(0.3)	41.5	39.8	(1.7)	2.3%	0.9	41.5	39.5	(2.0)	-0.8%	(0.3)
REVERSIONS	75.0	75.0	-	0.0%	-	75.0	75.0	-	0.0%	-	75.0	75.0	-	0.0%	-
TOTAL RECURRING	11,739.9	12,970.9	1,231.1	8.1%	976.0	12,545.5	13,914.4	1,369.0	7.3%	943.5	13,271.7	14,724.1	1,452.4	5.8%	809.6
2022 Nonrecurring Legislation	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!	-
2021 Nonrecurring Legislation	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!	-
Other Nonrecurring	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!	-
TOTAL NONRECURRING	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!	-	-	-	-	#DIV/0!	-
GRAND TOTAL General Fund	11,739.9	12,970.9	1,231.1	8.1%	976.0	12,545.5	13,914.4	1,369.0	7.3%	943.5	13,271.7	14,724.1	1,452.4	5.8%	809.6

# Appendix 2:

# Economic Indicators

U.S. and New Mexico Economic Indicators												
	FY22		FY23		FY24		FY25		FY26		FY27	
	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast
National Economic Indicators												
IHS US Real GDP Growth (annual avg., % YOY)*	3.8	4.0	0.7	0.4	1.6	0.4	2.2	1.7	2.3	1.9	1.9	1.8
Moody's US Real GDP Growth (annual avg. , % YOY)*	3.9	4.0	1.4	0.8	2.4	1.4	2.8	2.5	2.7	2.9	2.6	
IHS US Inflation Rate (CPI-U, annual avg., % YOY)**	7.1	7.2	5.7	6.6	2.4	3.0	1.7	2.5	2.1	2.2	2.2	2.2
Moody's US Inflation Rate (CPI-U, annual avg., % YOY)**	7.1	7.2	5.4	6.4	2.2	2.8	2.3	2.3	2.3	2.1	2.2	
IHS Federal Funds Rate (%)	0.3	0.3	3.0	3.8	3.3	4.8	2.7	3.6	2.6	2.7	2.6	2.6
Moody's Federal Funds Rate (%)	0.3	0.3	2.8	3.8	3.2	4.4	2.6	3.5	2.5	2.6	2.5	2.5
New Mexico Labor Market and Income Data												
BBER NM Non-Agricultural Employment Growth (%)	5.4	4.2	1.8	1.2	0.8	0.4	0.8	0.6	1.1	0.8	0.9	0.8
Moody's NM Non-Agricultural Employment Growth (%)	5.4	5.4	2.5	2.8	1.3	1	0.9	0.9	0.4	0.5	0.2	0.2
BBER NM Nominal Personal Income Growth (%)***	7.0	7.5	0.3	0.7	4.5	4.4	4.8	4.5	4.8	4.7	4.6	4.3
Moody's NM Nominal Personal Income Growth (%)***	7.0	7.5	3.1	0.9	5.8	6.4	5.1	5	4.4	4.2	4.4	4.5
BBER NM Total Wages & Salaries Growth (%)	10.9	10.0	5.6	6.1	4.0	3.9	4.3	3.8	4.4	3.7	3.7	3.3
Moody's NM Total Wages & Salaries Growth (%)	11.9	10	9.1	8.1	6.2	6.8	5.3	5.5	4.6	4.9	4.4	4.3
BBER NM Private Wages & Salaries Growth (%)	12.7	12.4	5.9	7.2	4.1	3.9	4.3	3.7	4.5	3.7	3.7	3.3
BBER NM Real Gross State Product (% YOY)	2.1	1.7	2.4	1.1	2.2	1.1	2.1	1.9	1.9	1.8	2.1	2.1
Moody's NM Real Gross State Product (% YOY)	2.2	1.7	1.8	1.5	2.1	1.8	2.3	2.0	2.4	2.5	2.4	2.6
CREG NM Gross Oil Price (\$/barrel)	\$86.50	\$88.11	\$90.50	\$85.00	\$78.50	\$76.50	\$72.00	\$72.50	\$70.00	\$70.50	\$68.50	\$69.00
CREG NM Net Oil Price (\$/barrel)*****	\$76.07	\$77.44	\$79.46	\$74.63	\$68.92	\$67.17	\$63.22	\$63.66	\$61.46	\$61.90	\$60.14	\$60.58
BBER Oil Volumes (million barrels)	519	531	523	556	522	551	526	554	531	560	534	564
CREG NM Taxable Oil Volumes (million barrels)	529	531	590	620	640	660	675	710	710	745	725	775
NM Taxable Oil Volumes (%YOY growth)	29.9%	30.3%	11.4%	16.7%	8.5%	6.5%	5.5%	7.6%	5.2%	4.9%	2.1%	4.0%
CREG NM Gross Gas Price (\$ per thousand cubic feet)****	\$6.90	\$7.03	\$6.95	\$7.05	\$4.75	\$5.60	\$4.30	\$5.15	\$4.30	\$5.05	\$4.15	\$4.95
CREG NM Net Gas Price (\$ per thousand cubic feet)*****	\$5.37	\$5.47	\$5.42	\$5.49	\$3.28	\$4.26	\$2.97	\$3.89	\$2.97	\$3.79	\$2.87	\$3.69
BBER Gas Volumes (billion cubic feet)	2,545	2,586	2,611	2,662	2,598	2,641	2,601	2,642	2,632	2,674	2,636	2,680
CREG NM Taxable Gas Volumes (billion cubic feet)	2,585	2,586	2,750	2,875	2,895	3,015	2,995	3,120	3,080	3,200	3,140	3,255
NM Taxable Gas Volumes (%YOY growth)	21.0%	21.1%	6.4%	11.2%	5.3%	4.9%	3.5%	3.5%	2.8%	2.6%	1.9%	1.7%
<div>Notes</div> <div>* Real GDP is BEA chained 2012 dollars, billions, annual rate</div> <div>** CPI is all urban, BLS 1982-84=1.00 base</div> <div>***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins</div> <div>****The gross gas prices are estimated using a formula of NYMEX, EIA, and IHS Markit future prices</div> <div>*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties</div> <div>Sources: BBER - July 2022 FOR-UNM baseline. IHS Global Insight - July 2022 baseline.</div>												
<div>DFA Notes</div> <div>* Real GDP is BEA chained 2012 dollars, billions, annual rate</div> <div>** CPI is all urban, BLS 1982-84=1.00 base.</div> <div>***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins</div> <div>****The gross gas prices are estimated using a formula of NYMEX, EIA, and Moody's January future prices</div> <div>*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties</div> <div>Sources: Moody's baseline</div>												

# Appendix 3: Sources and Uses

Sources and Uses of Bonding Capacity Available for Authorization and Severance Tax Permanent Fund Transfer (in millions) DECEMBER 2022 Estimate						
Sources of Funds	FY23	FY24	FY25	FY26	FY27	5-Year
<b>General Obligation Bonds</b>		<b>\$321.5</b>		<b>\$321.5</b>		<b>\$643.0</b>
<b>Senior STBs</b>	<b>\$1,501.4</b>	<b>\$1,598.6</b>	<b>\$1,519.5</b>	<b>\$1,442.5</b>	<b>\$1,379.6</b>	<b>\$7,441.6</b>
Severance Tax Bonds	\$823.6	\$823.6	\$823.6	\$823.6	\$823.6	\$4,118.0
Severance Tax Notes	\$677.8	\$775.0	\$695.9	\$618.9	\$556.0	\$3,323.6
<b>Supplemental STBs</b>	<b>\$682.2</b>	<b>\$816.2</b>	<b>\$816.2</b>	<b>\$818.3</b>	<b>\$840.6</b>	<b>\$3,973.4</b>
Supplemental Severance Tax Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Supplemental Severance Tax Notes	\$682.2	\$816.2	\$816.2	\$818.3	\$840.6	\$3,973.4
<b>TOTAL Sources of Funds</b>	<b>\$2,183.6</b>	<b>\$2,736.3</b>	<b>\$2,335.6</b>	<b>\$2,582.3</b>	<b>\$2,220.2</b>	<b>\$12,057.9</b>
Uses of Funds	FY23	FY24	FY25	FY26	FY27	5-Year
<b>GOB Projects Approved by Referendum</b>		<b>\$321.5</b>		<b>\$321.5</b>		<b>\$643.0</b>
Authorized but Unissued STB Projects (1)	\$40.2	\$0.0	\$0.0	\$0.0	\$0.0	\$40.2
9% of Senior STB for Water Projects	\$135.1	\$143.9	\$136.8	\$129.8	\$124.2	\$669.7
4.5% of Senior STB for Colonias Projects	\$67.6	\$71.9	\$68.4	\$64.9	\$62.1	\$334.9
4.5% of Senior STB for Tribal Projects	\$67.6	\$71.9	\$68.4	\$64.9	\$62.1	\$334.9
2.5% Housing Trust Fund Projects	\$0.0	\$40.0	\$38.0	\$36.1	\$34.5	\$148.5
<b>New Senior STB Statewide Capital Projects</b>	<b>\$1,191.0</b>	<b>\$1,270.9</b>	<b>\$1,208.0</b>	<b>\$1,146.8</b>	<b>\$1,096.8</b>	<b>\$5,913.4</b>
<b>PSCOC Public School Capital</b>	<b>\$682.2</b>	<b>\$816.2</b>	<b>\$816.2</b>	<b>\$818.3</b>	<b>\$840.6</b>	<b>\$3,973.4</b>
<b>TOTAL Uses of Funds</b>	<b>\$2,183.6</b>	<b>\$2,736.3</b>	<b>\$2,335.6</b>	<b>\$2,582.3</b>	<b>\$2,220.2</b>	<b>\$12,057.9</b>
Estimated Transfer to Severance Tax Permanent Fund						
	FY23	FY24	FY25	FY26	FY27	5-Year
<b>Severance Tax Permanent Fund Transfer</b>	<b>\$921.8</b>	<b>\$215.3</b>	<b>\$220.3</b>	<b>\$259.3</b>	<b>\$244.7</b>	<b>\$1,861.4</b>

(1) FY23 authorized but unissued amount is preliminary and will be finalized by January 1, 2023.

Note: The permanent fund transfer will be higher in years in which there is a large difference between the previous year's actual Severance Tax revenues and the current year's estimate. This is evidenced for FY23, as FY23 projected revenues are estimated to be approximately 30 percent higher than FY22 actual revenues.



# Appendix 4

## GFFS:

DFA GENERAL FUND FINANCIAL SUMMARY				
December 2022				
(Dollars in Millions)				
	Actual FY22	Est. FY23	Est. FY24	
APPROPRIATION ACCOUNT				
Revenue:				
Recurring Revenue:				
August 2022 Consensus Revenue Estimate	\$ 9,216.6	\$ 9,847.1	\$ 10,859.0	
December 2022 Consensus Revenue Update	\$ 458.7	\$ 928.0	\$ 1,135.9	
Subtotal Recurring Revenue	\$ 9,675.3	\$ 10,775.1	\$ 11,994.9	
Nonrecurring Revenue				
Federal Stimulus Funds	\$ 1,069.2	\$ -		
2022 Legislation	\$ (902.9)	\$ (68.8)		
Subtotal Nonrecurring Revenue	\$ 166.3	\$ (68.8)	\$ -	
Total Revenue	\$ 9,841.6	\$ 10,706.3	\$ 11,994.9	
Appropriations:				
Recurring Appropriations:				
Prior Legislative Sessions				
2021 Legislative Session and Feed Bill	\$ 7,449.7	\$ -		
2022 Recurring Appropriations	\$ 7.6	\$ 8,378.2		
2022 Special Session		\$ 26.1		
2023 Regular Session		\$ -		
Subtotal Recurring Appropriations	\$ 7,457.3	\$ 8,404.3		
Nonrecurring:				
2021 SSS Nonrecurring Appropriations (ARPA Appropriations)	\$ 345.4			
2022 Nonrecurring Appropriations (ARPA Appropriations)	\$ 274.2			
2022 Nonrecurring Appropriations (ARPA Appropriations)		\$ 309.5		
2022 Unearned Federal Funds (Remaining ARPA to be Appropriated)		\$ 140.0		
2022 Nonrecurring (all sections)	\$ 1,011.7	\$ 100.0		
2022 Special Session	\$ 44.9			
Subtotal Nonrecurring Appropriations	\$ 1,676.3	\$ 409.5	\$ -	
Subtotal Recurring and Nonrecurring Appropriations	\$ 9,133.7	\$ 8,813.8	\$ -	
2022 GAA Undistributed Nonrecurring Appropriations	\$ (448.1)	\$ 448.1		
Total Appropriations	\$ 8,685.6	\$ 9,261.8	\$ -	
Transfers to/(from Operating Reserves)	\$ 706.5	\$ 1,754.0		

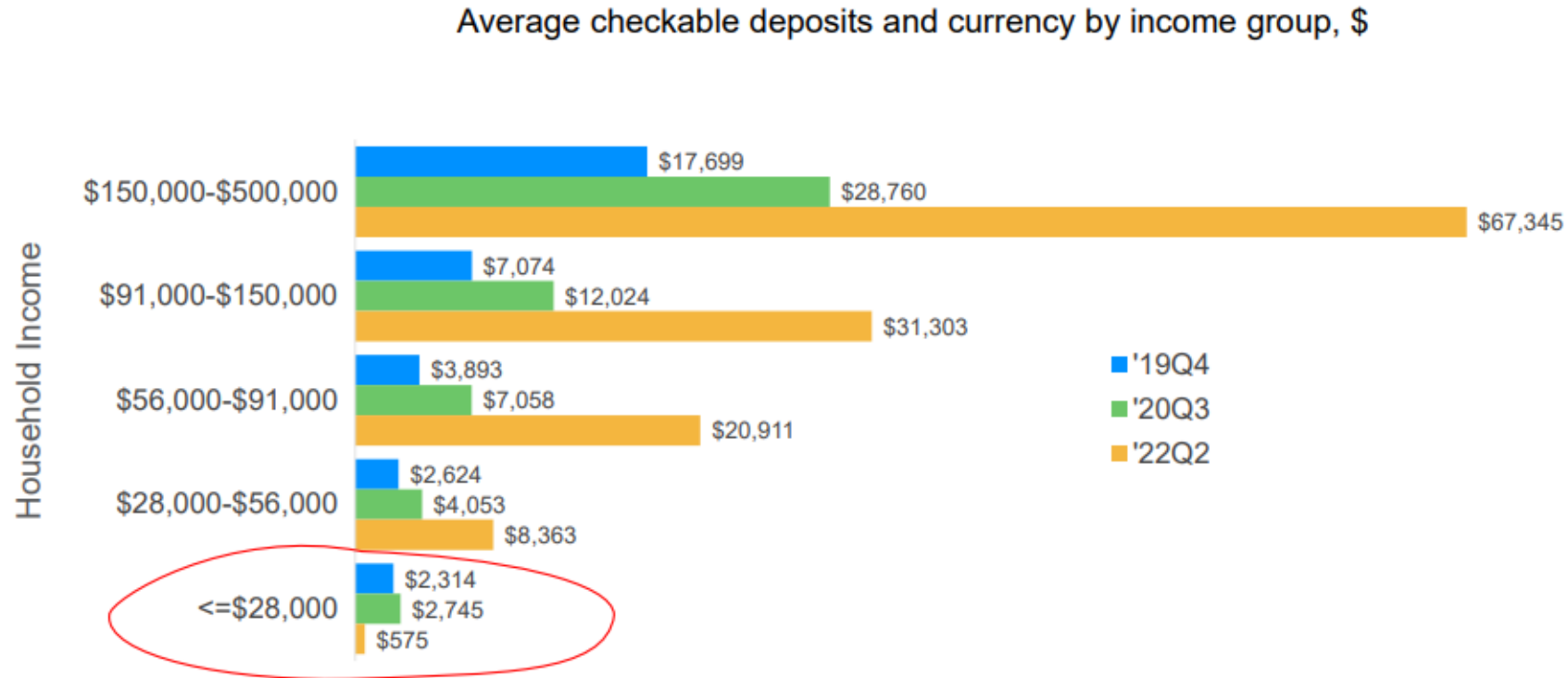
FY24  
New  
Money

\$3.591  
billion  
or  
42.7%

GENERAL FUND RESERVES				
GENERAL FUND FINANCIAL SUMMARY				
(Dollars in Millions)				
	Prelim. FY22	Est. FY23	Est. FY24	
OPERATING RESERVE				
Beginning Balance	\$ 347.5	\$ 565.8	\$ 596.6	
BOF Emergency Appropriations/Reversions	\$ (2.5)	\$ (2.5)	\$ (2.5)	
Disaster Allotments	\$ (26.4)	\$ -	\$ -	
Transfers from/to Appropriation Account	\$ 706.5	\$ 1,754.0	\$ -	
Transfers to Tax Stabilization Reserve	\$ (459.2)	\$ (1,720.8)	\$ -	
Transfers from (to) ACF/Other Appropriations	\$ -	\$ -	\$ -	
Transfers from Tax Stabilization Reserve (1% transfer from TSR)	\$ -	\$ -	\$ -	
Transfers from Tax Stabilization Reserve	\$ -	\$ -	\$ -	
Ending Balance	\$ 565.832	\$ 596.6	\$ 594.1	
APPROPRIATION CONTINGENCY FUND				
Beginning Balance	\$ 55.5	\$ 11.2	\$ 3.2	
Disaster Allotments	\$ (55.5)	\$ (16.0)	\$ (16.0)	
Other Appropriations	\$ (619.7)	\$ (309.5)	\$ -	
Transfers In <sup>1</sup>	1,069.2	\$ 449.5	\$ -	
Unearned Federal Funds	\$ (449.5)	\$ (140.0)	\$ -	
Revenue and Reversions	\$ 11.2	\$ 8.0	\$ 8.0	
Ending Balance	\$ 11.2	\$ 3.2	\$ (4.8)	
STATE SUPPORT RESERVE				
Beginning Balance	\$ 4.0	\$ 49.5	\$ 28.6	
Revenues/Transfers <sup>2</sup>	\$ 15.5	\$ -	\$ -	
Appropriations <sup>3</sup>	\$ -	\$ -	\$ -	
Impact Aid Liability	\$ (0.0)	\$ (20.9)		
	\$ 30.0			
Ending Balance	\$ 49.5	\$ 28.6	\$ 28.6	
TOBACCO SETTLEMENT PERMANENT FUND				
Beginning Balance	\$ 285.3	\$ 300.2	\$ 333.0	
Transfers In <sup>6</sup>	\$ 36.5	\$ 32.5	\$ 24.0	
Appropriation to Tobacco Settlement Program Fund	\$ (36.5)	\$ (16.3)	\$ (12.0)	
Gains/Losses	\$ 14.9	\$ 16.5	\$ 18.3	
Additional Transfers from TSPF	\$ -	\$ -	\$ -	
Transfer to General Fund Appropriation Account	\$ -	\$ -	\$ -	
Ending Balance	\$ 300.2	\$ 333.0	\$ 363.3	
TAX STABILIZATION RESERVE				
Beginning Balance	\$ 1,812.6	\$ 2,303.3	\$ 4,121.9	
Revenues In <sup>3</sup>	\$ 1,300.3	\$ 1,245.3	\$ 617.0	
Transfers In (from Operating Reserve)	\$ 459.2	\$ 1,720.8	\$ -	
Transfer Out to Operating Reserve <sup>5</sup>	\$ -	\$ -	\$ -	
Transfers Out to Early Childhood Trust Fund <sup>4</sup>	\$ (1,300.3)	\$ (1,245.3)	\$ (617.0)	
Gains/Losses	\$ 31.6	\$ 97.9	\$ 164.9	
Other appropriations	\$ -	\$ -	\$ -	
Audit Adjustments for Rounding	\$ (0.1)	\$ -	\$ -	
Ending Balance	\$ 2,303.3	\$ 4,121.9	\$ 4,286.8	
Total General Fund Ending Balances	\$ 3,230.0	\$ 5,083.3	\$ 5,268.0	
Percent of Recurring Appropriations	43.3%	60.5%		
<p>1. 2021 Second Special session appropriated \$1.069 billion of ARPA funds to appropriation contingency fund</p> <p>2. Laws 2021, Chapter 137 (HB2) contained a \$15.5 million transfer from the repealed K-3 Plus Program Fund to the state support reserve.</p> <p>3. Estimated transfers to TSR from excess oil and gas emergency tax revenues in excess of the rolling five-year average.</p> <p>4. Laws 2020, Chapter 3 (HB83) established that if reserve balances exceed 25 percent of recurring appropriations the excess oil and gas emergency tax revenue in excess of the rolling five-year average be distributed to the Early Childhood Trust Fund.</p> <p>5. Laws 2020, HB341 transfers a portion of the balance in the Tax Stabilization Reserve (TSR) if the General Fund Operating Reserve is less than one percent of aggregate appropriations. The amount transferred is equal to the lesser of the one percent of appropriations or the amount necessary so that the balance in the Operating Reserve is one percent of percent aggregate appropriations.</p> <p>6. DFA and LFC estimate \$12 million in TSPF revenue due to expected arbitration ruling to affect FY22; Laws 2021, Chapter 60(SB187) allows use of 100% of revenue for tobacco program fund.</p> <p>Totals may not sum due to rounding</p>				

# Appendix 5: Moody's Consumer Firewall Analysis

## Consumers Remain a Sturdy Economic Firewall

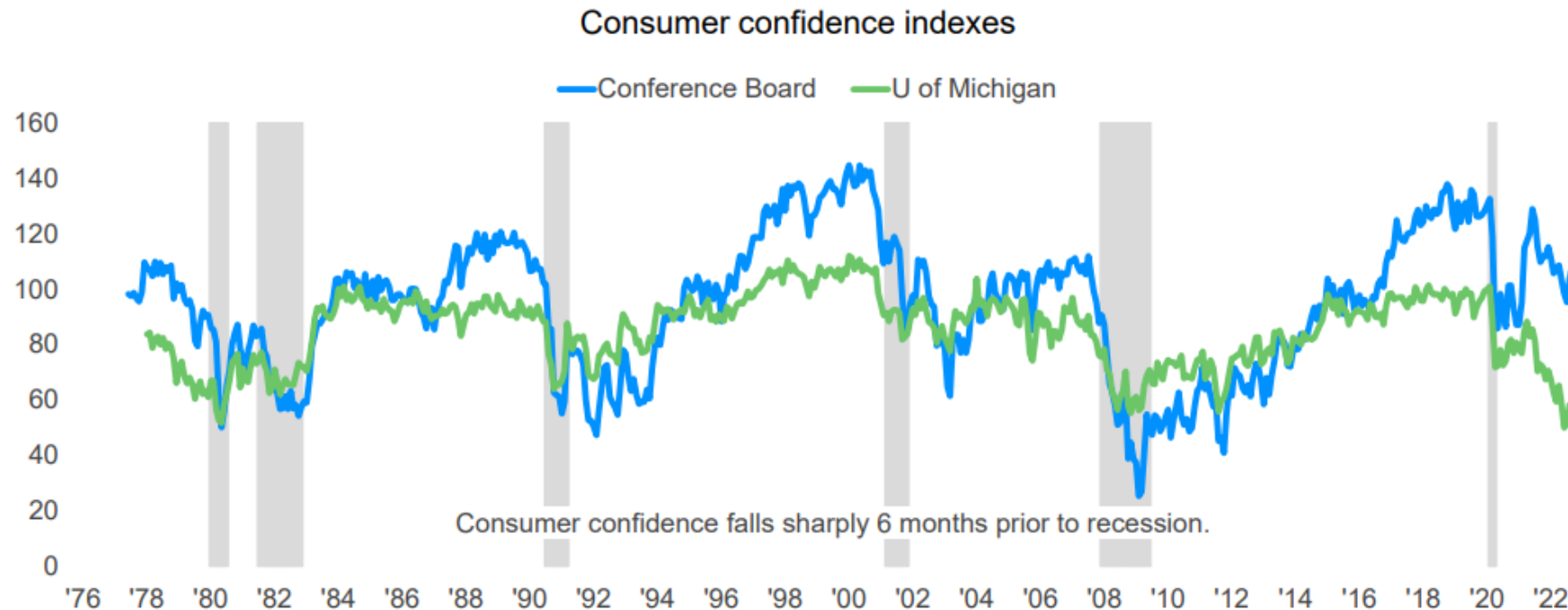


Sources: Federal Reserve, Moody's Analytics



# Appendix 6: Moody's Consumer Firewall Analysis

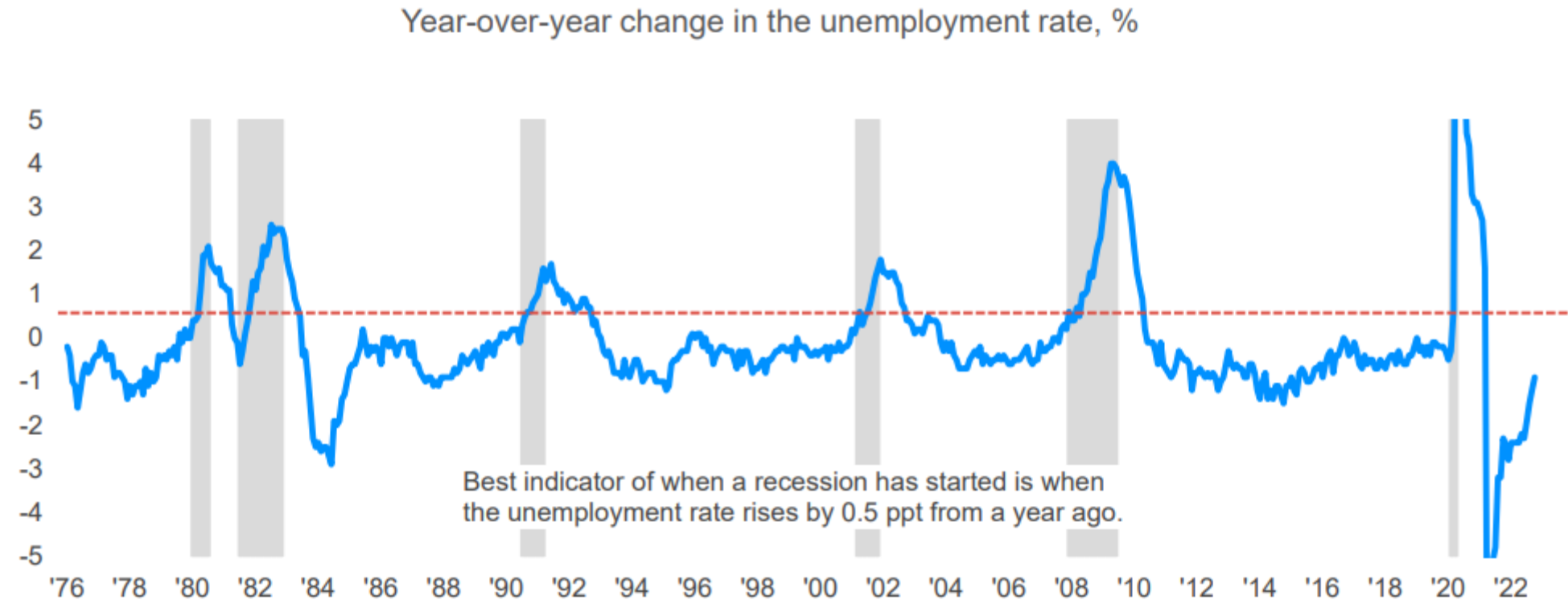
## Consumers Are Anxious, But Haven't Lost Faith



Sources: Conference Board, Univ of Michigan, Moody's Analytics

# Appendix 7: Moody's Consumer Firewall Analysis

## Not Even Close to Recession



Sources: BLS, Moody's Analytics

# Appendix 8: Moody's Consumer Firewall Analysis

## Multiple Economic Indicators Flash Warning Signs

Indicator	Business Cycle Timing	Time to recession, mo	Threshold	Recent Value	Recession Risk
Financial stress index	Leading	11 to 15	>0	-0.6	Moderate
Housing permits	Leading	10 to 12	yr-over-yr decline	-3.2%	High
Yield curve 10-yr minus 3-mo	Leading	8 to 15	<0	-0.1	High
Yield curve 10-yr minus 2-yr	Leading	8 to 14	<0	-0.5	High
TED spread	Leading	7 to 8	>100 bps	47.4	Moderate
Consumer confidence	Leading	5 to 10	20-point decline in 3 months	7.2	Low
Jobless claims	Leading	4 to 5	>250k	219	Low
S&P 500	Leading	3 to 9	20% correction	-20%	High
ISM manufacturing index	Leading	3 to 6	43.2	50.2	Low
Hrs worked for manufacturing workers	Leading	1 to 10	yr-over-yr decline	-0.7%	High
Banks tightening lending standards on C&I	Leading	1 to 5	>20%	38.7%	High
Core capital goods orders	Coincident	0	yr-over-yr decline	7.9%	Low
Unemployment rate	Coincident	0	+50 bps yr-over-yr	-0.9%	Low
Industrial production	Coincident	0	yr-over-yr decline	5.3%	Low
ISM nonmanufacturing index	Lagging	1	49	54.4	Low
Employment	Lagging	2 to 4	yr-over-yr decline	3.6%	Low
Job quits rate	Lagging	2 to 4	>0.3 decline in 6 months	-0.2%	Low
Real monthly GDP - Potential GDP	Lagging	3 to 6	<0	-0.0%	Moderate

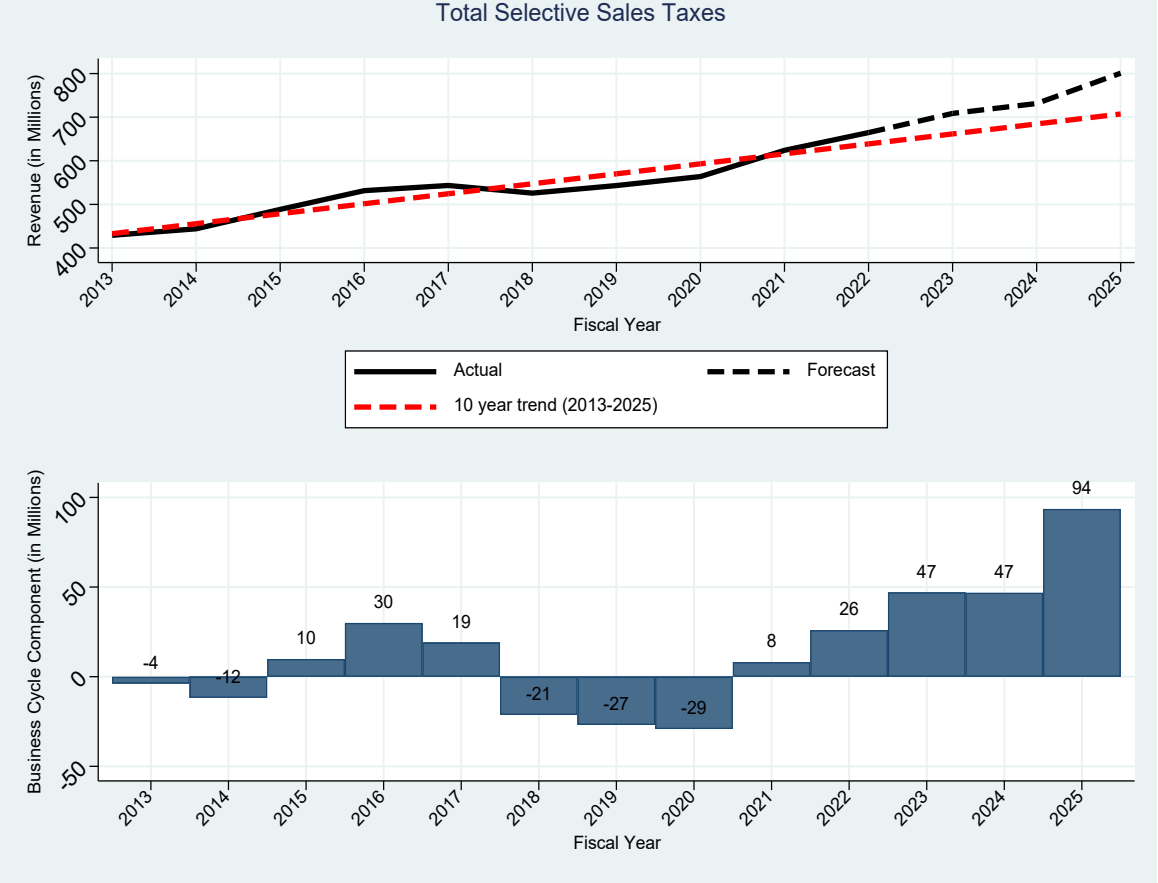
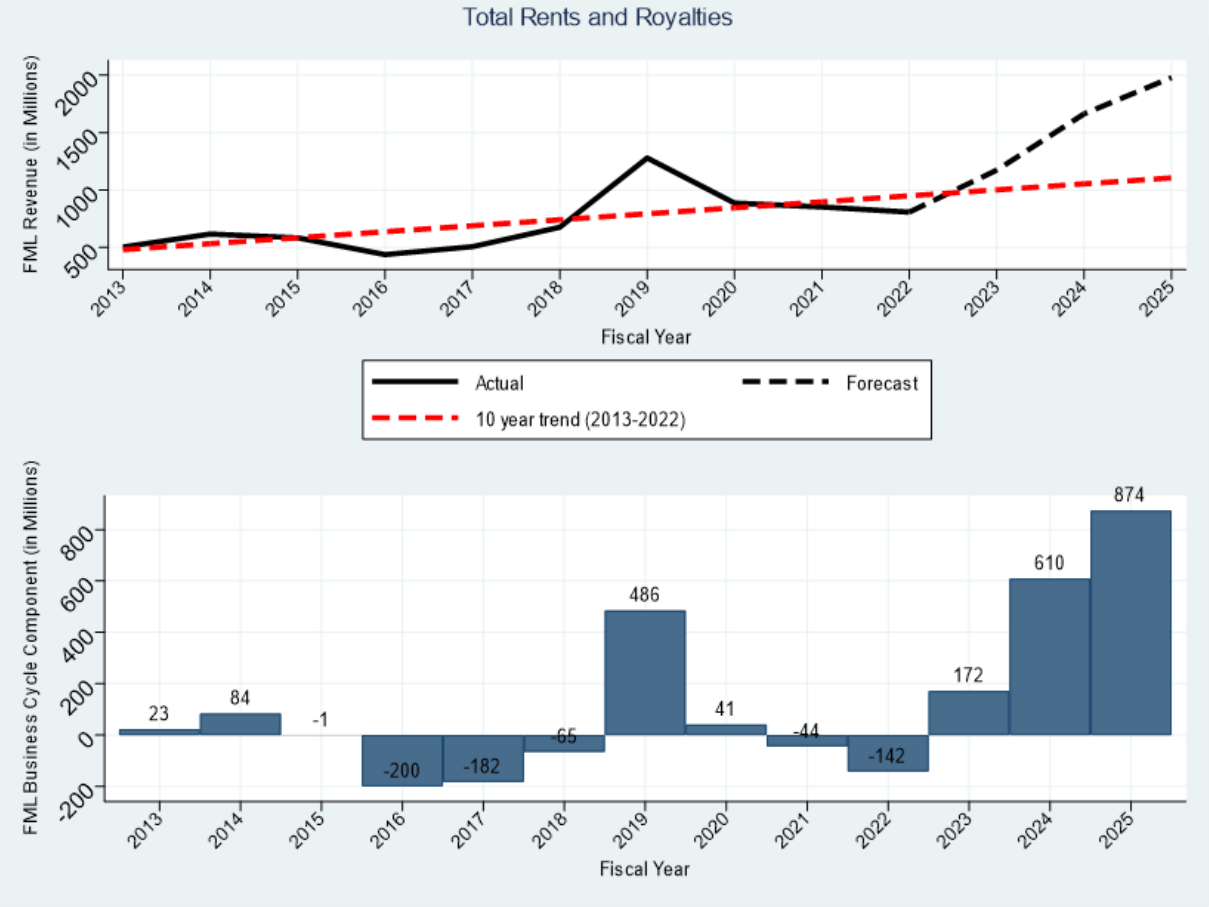
Source: Moody's Analytics

Moody's Analytics

November 2022

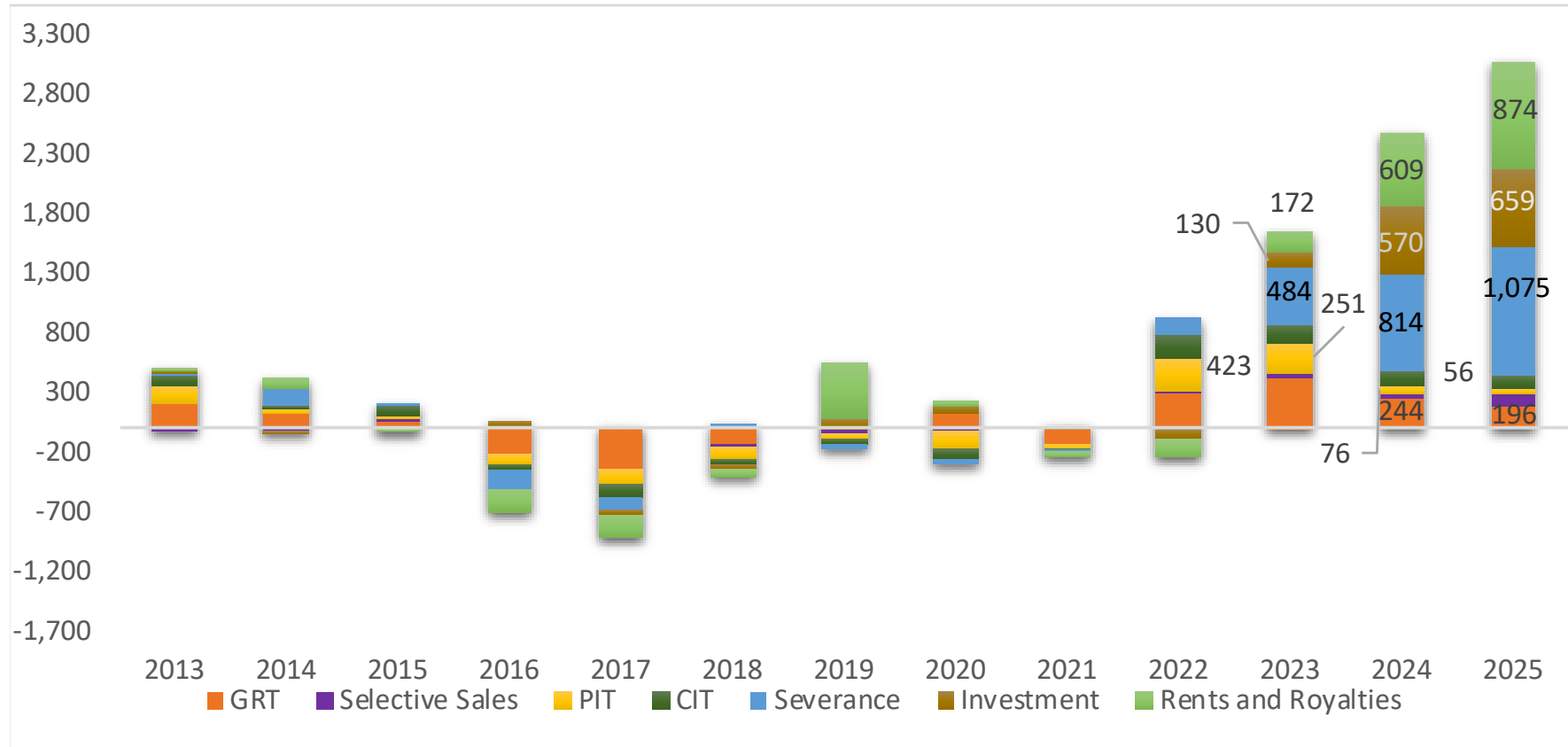
26

# Appendix 9: Other Trendline Analysis



# Appendix 12:

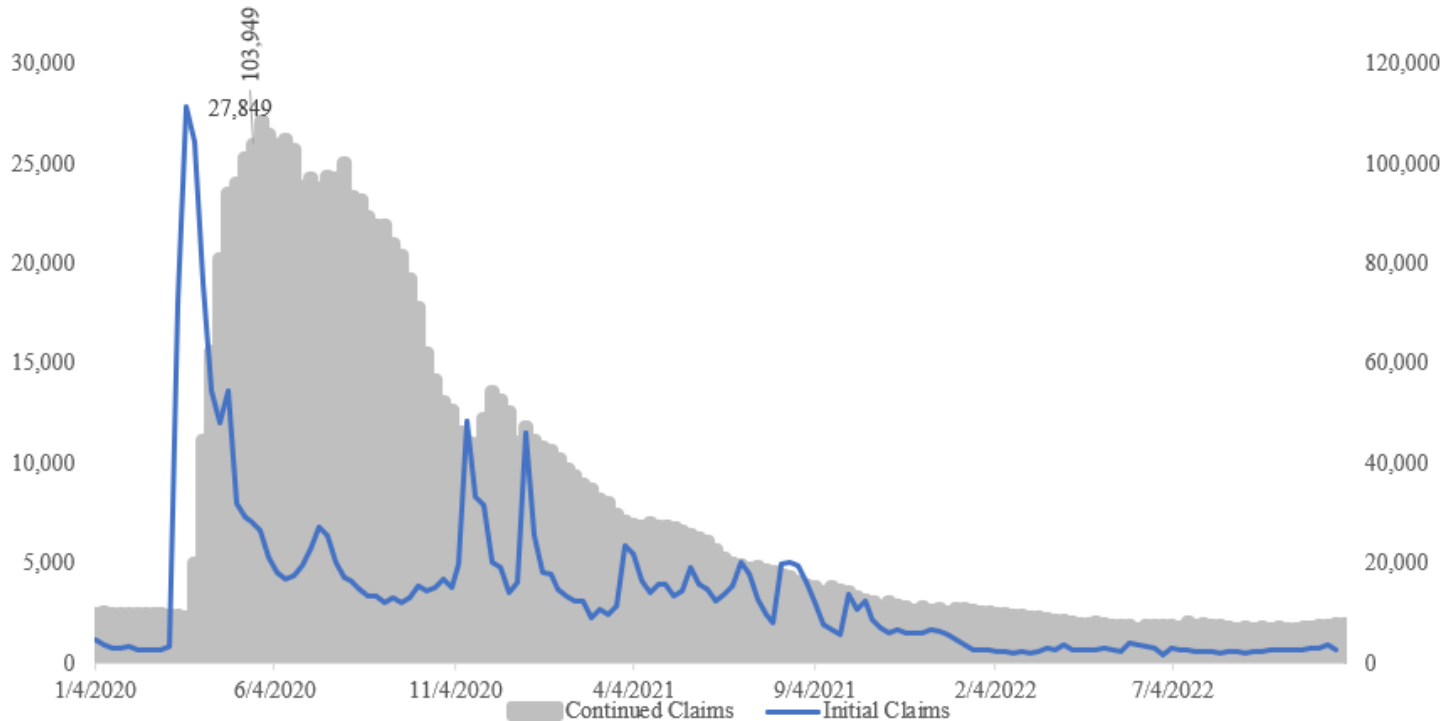
**Revenue volatility by major revenue sources: Deviation from 10 years trend (\$ millions)**



**Note: major revenue sources consist of sales taxes, income taxes, severance taxes, rents and royalties, and investment earnings**

# Appendix 13: N.M. Unemployment Insurance Claims

**N.M.'s Weekly UI Initial Claims vs. Continued Claims**  
**January 2020 to Present**



**Source: dol.gov, not seasonally adjusted, DWS NM**

- Initial unemployment claims are gradually returning to pre-pandemic levels
- Initial unemployment claims were 869 when the governor initiated the emergency health orders
- Initial claims jumped to about 28,000 the week of March 28, 2020.
- The state's initial unemployment claims for 11/26/2022 was 726 and are below pre-pandemic levels.
- Continued claims follow a similar pattern and are below pre-pandemic level at the end of November 2022.

# Appendix 14: Out of State MTGR

