October 19, 2011

REVENUE

Tom Clifford, Cabinet Secretary, DFA
Demesia Padilla, Cabinet Secretary, TRD

ISSUES FOR HEARING

October 2011 Consensus Revenue Estimate (Revised)

Prepared by LFC
Elisa Walker-Moran, Chief Economist
Leila Burrows, Economist, Charles Kassicieh, Economist

SUMMARY

- FY11 preliminary revenue exceeds the July preliminary report by $113 million. Preliminary ending balances were $488 million, or 9.4 percent of recurring appropriations at the end of FY11.
- Preliminary recurring revenue growth was 12.3 percent in FY11. Roughly one-third of the FY11 increase was due to revenue enhancement legislation passed in the 2010 sessions. Absent this legislation, FY11 growth is forecast at 8.8 percent.
- Of this 8.8 percent, about one-fourth can be attributed to higher than expected energy prices and the resulting increased activity in the energy sector.
- FY12 recurring revenue was revised down from the July forecast by $22 million.
- Assuming $110 million of 2012 appropriations in the 2012 session, mostly to cover a Medicaid deficiency, the projected FY12 ending balance is $456 million, or 8.4 percent of recurring appropriations.
- FY13 revenue estimate was revised down by $123 million from the July forecast.
- "New money" in FY13, which is defined as FY13 projected revenue less FY12 recurring appropriation, is projected to be $245 million or 4.5 percent of FY12 appropriation.

Table 1

October 2011 Consensus General Fund Recurring Revenue Outlook

(millions dollars)

	FY10	FY11	FY12	FY13	FY14	FY15
Post-session revisions	$4,799	$5,164	$5,413	$5,638	$5,851	$6,085
July 2011 revisions	$0	$111	$120	$165	$190	$186
October 2011 revisions	$0	$113	-$22	-$123	-$180	-$232
October 2011 consensus	$4,799	$5,388	$5,512	$5,680	$5,860	$6,039
Annual amount change	-$521	$589	$124	$168	$180	$179
Annual percent change	-9.8%	12.3%	2.3%	3.0%	3.2%	3.1%

FY11 PRELIMINARY: Details of the consensus forecast are contained in Attachment 1. A summary is presented in Tables 3, 4 and 5.

- Approximately one-third of FY11 revenue growth can be attributed to legislative changes passed during the 2010 sessions as shown in Table 2. Much of the remaining growth seen in the July and October estimates resulted from increases in oil and natural gas prices and increased oil production activity in the last quarter of FY11.
- Preliminary estimates show that the personal income tax add-back added $50 million in additional revenues compared to the estimate of $66 million.
- Preliminary gross receipts tax (GRT) revenue was revised up from the July forecast due to a robust increase in fourth quarter payments. General sales tax revenue was up $195 million or 11.6 percent over FY10. As shown in Table 2, a significant portion of the increase is due to the 1/8 percent tax rate increase.
- An estimated one-third of growth in taxable gross receipts (TGR) originated in the mining sector. Without this large increase, TGR growth is estimated to be 4.5 percent, just slightly faster than wage and salary growth of 2.6 percent. The mining sector represents about 6 percent of total TGR. Attachment 5 details annual TGR growth by sector.
- About $103 million of the projected FY11 revenue in excess of the 2011 regular session estimate was split between increases in severance tax revenue and mineral leasing on state and federal lands. The state land office received record bonus payments in June and July from lease sales in oil-rich Lea and Eddy counties.
- Corporate Income Tax was revised up $50 million from the July 2011 estimate due to lower film credits than expected and higher corporate profits. The revenue estimators need to provide a careful accounting of payments, refunds, and film credits.
- The Taxation and Revenue Department (TRD) determined that FY11 film credit refunds were $95.5 million. Beginning in FY12, legislative changes to the film tax credit will cap the yearly aggregate for refunds at $50 million. In anticipation to the change that went into effect on July 1, production companies that would have received payments in FY12 rushed to submit applications in FY11 increasing the revenue impact by $30 million.

Table 2
October Estimate: FY11 Revenue Growth with and without Impacts of 2010 Legislative Changes
($ in Millions)

	FY10	FY11	FY11 Change vs FY10	Change Due to New Legislation	Change Excluding 2010 Legislative Changes	
Gross Receipts Tax	$1,634.4	$1,811.4	$177.0	$53.2	$123.8	7.6%
Compensating Tax	$50.9	$69.1	$18.2	$13.6	$4.6	9.1%
Cigarette/Tobacco Tax	$45.7	$88.2	$42.5	$35.9	$6.6	14.5%
Personal Income Tax	$956.6	$1,066.2	$109.6	$50.0	$59.6	6.2%
Corporate Income Tax	$125.1	$229.8	$104.7	$15.6	$89.1	71.2%
Mineral/Severance Taxes	$390.7	$426.5	$35.8	$0.0	$35.8	9.2%
Investment Income	$646.3	$648.4	$2.1	$0.0	$2.1	0.3%
Mineral Royalties & Bonuses	$423.0	$477.4	$54.4	$0.0	$54.4	12.9%
Other	$526.0	$570.9	$44.9	$0.0	$44.9	8.5%
Total Recurring	**$4,798.7**	**$5,387.9**	**$589.2**	**$168.2**	**$421.0**	**8.8%**

ECONOMIC OUTLOOK (Attachment 3)

Attachment 3 shows national and state-level economic indicators for FY10 through FY15 that underpin the current revenue estimate. With the exception of energy prices, which are based on October data, the national forecast was produced in September 2011 by Global Insight. The New Mexico indicators are based on the September forecasts of the New Mexico Bureau of Business and Economic Research (BBER).

The great recession was the worst in living memory and it is now clear that neither the national nor New Mexico economy has since grown at a meaningful pace. National real GDP growth grew by 2.6 percent in FY11 while New Mexico non-farm employment growth was essentially flat. The analogous numbers for FY12 are 1.3 and 0.5 percent for real GDP and New Mexico employment, respectively. Considering the depressed base, these are very weak growth rates.

The Bureau of Labor Statistics (BLS) currently reports that New Mexico monthly non-farm employment growth was up by only 0.4 percent or 3,000 jobs from July when accounting for seasonal variation. Year-over-year employment was up by 0.9 percent. Leisure and hospitality saw the largest monthly increase of 1,200 jobs followed financial services at 1,100 additional jobs. Education and health services suffered the largest decrease from July to August, falling by 600 jobs, while transportation and utilities sectors lost another 500 jobs.

Looking forward, the FY13 forecast for real GDP growth is a tepid 2.0 percent. NM non-farm employment growth is expected to grow by only 1.2 percent in FY13. Critically, New Mexico will not regain the previous peak level of employment until after 2015. It should be noted that BBER's employment estimates are rosier than those of the BLS (which are reported by the Department of Workforce Solutions) because of a perceived error in the BLS October 2010 totals that resulted in a reduction of 6,000 jobs in the professional and business services sector. BBER has added back this amount to their 2011 first quarter averages and is planning a revision of their model as a result of the uncertainty in these numbers.

Inflation in the U.S. is expected to remain subdued, averaging 2.3 percent over the next two years.
Private wages and salaries, a critical driver of gross receipts taxes, are expected to grow by 2.6 percent in FY12 and 3.0 percent in FY13.

ENERGY MARKETS (Attachment 4):

Anticipated declines in U.S. demand coupled with ongoing financial crisis in the Eurozone have resulted in diminished expectations of global economic growth and declining energy prices. Preliminary FY11 oil prices were $84.20/bbl, slightly less than the July forecast of $85.50/bbl. Growth in price was primarily a result of unrest in the Middle East late in FY11, which pushed New Mexico oil prices above $100/bbl in April. Bloomberg.com reports that global energy shares prices fell 21 percent in the third quarter, the worst three months since 2008. Global Insight has also become more bearish in their monthly forecast.

Oil prices are expected to remain around $82 per barrel (bbl) in the near term with moderate growth in out years consistent with slow economic recovery and ongoing uncertainty in the oil markets. Oil volumes increased by 1 percent in FY10 and preliminary actuals show a 6.5 percent increase in FY11. Recent activity in the Permian basin suggests continued growth in oil volumes in the near-term with decreasing production expected in later years with well decline. Industry analysts indicate that pipeline and trucking capacity constraints in the Permian basin may decrease prices.

Preliminary FY11 prices for natural gas have been revised upward from the December forecast by $0.30 per thousand cubic feet (mcf). Natural gas liquids (NGLs) added about $1.40/mcf to the average price of dry gas production. This increase in the natural gas liquids (NGL) premium, which tracks closely to oil price, resulted largely from the sharp uptick in oil prices in the fourth quarter of FY11.

New Mexico prices are expected to decline in FY12 with recent declines in oil prices reducing the liquid premium to $1.20/mcf, which is consistent with past trends. Increased production and economic malaise continue to push down prices in the near term with moderate growth in later years. Natural gas volumes – expressed in thousands of cubic feet equivalent – fell by 7.5 percent in FY10 and preliminary actuals show a 4.5 percent decrease in FY11. Volumes are expected to continue to decline as production moves to richer plays in Texas and Pennsylvania. Although natural gas volumes are falling, higher prices and volumes for natural gas liquids help to offset the decline in total production.

In recent weeks, oil futures markets have seen a price rally. Analysts credit much of this increase to the behavior of hedge funds which seems to be following economic news in Europe and the U.S. very closely. As is usual, the oil and natural gas price estimates should be a major source of volatility when revising the estimates in December 2011.

Table 3
October 2011 Forecast Revisions by Revenue Source
(million dollars)

	FY11	FY12	FY13
Gross receipts tax	14.4	3.0	(20.1)
Selective sales taxes	(3.7)	(12.9)	(20.5)
Personal income tax	11.2	(4.9)	(19.7)
Corporate income tax	49.8	26.7	25.0
Energy-related revenues	36.9	(28.6)	(70.9)
Investment earnings	3.9	(2.2)	(15.9)
Other revenues	0.5	(2.6)	(0.6)
Total Recurring Revenue	**113.0**	**(21.5)**	**(122.7)**

Table 4
October 2011 Annual Change by Revenue Source
(million dollars)

	FY10	FY11	FY12	FY13
Gross receipts tax	(197.5)	177.0	53.6	70.9
Selective sales taxes	(32.1)	68.3	5.4	3.1
Personal income tax	(1.9)	109.6	23.8	25.0
Corporate income tax	(37.4)	104.7	80.2	65.0
Energy-related revenues	(170.2)	90.2	(40.2)	15.5
Investment earnings	(46.2)	2.1	13.3	(23.4)
Other revenues	(35.6)	37.3	(12.1)	11.6
Total Recurring Revenue	**(520.9)**	**589.2**	**124.0**	**167.7**

Table 5
October 2011 Annual Growth Rates by Revenue Source

	FY10	FY11	FY12	FY13
Gross receipts tax	-10.8%	10.8%	3.0%	3.8%
Selective sales taxes	-7.9%	18.3%	1.2%	0.7%
Personal income tax	-0.2%	11.5%	2.2%	2.3%
Corporate income tax	-23.0%	83.7%	34.9%	21.0%
Energy-related revenues	-17.3%	11.1%	-4.4%	1.8%
Investment earnings	-6.7%	0.3%	2.1%	-3.5%
Other revenues	-12.4%	14.9%	-4.2%	4.2%
Total Recurring Revenue	**-9.8%**	**12.3%**	**2.3%**	**3.0%**

FY12 REVISIONS

- Corporate income tax estimates were revised upward in all fiscal years due to an expected increase in corporate profits, which were up 50 percent year over year in the first quarter of 2010, and the expiration of federal provisions that had allowed firms to immediately deduct depreciation.
- Personal income tax was revised down from the July estimate due to a lower forecast for personal income.

FY13 REVISIONS

- "New money" in FY13, which is defined as FY13 projected revenue less FY12 recurring appropriation, is projected to be $245 million or 4.5 percent of FY13 revenue.
- During the 2011 session, House Bill 628 (Ch 178) was passed, requiring state employees to contribute an additional 1.75 percent to retirement plans. This legislation provided a reduction of $49.7 million to the FY12 appropriation. Under statute, the contribution swap will continue in

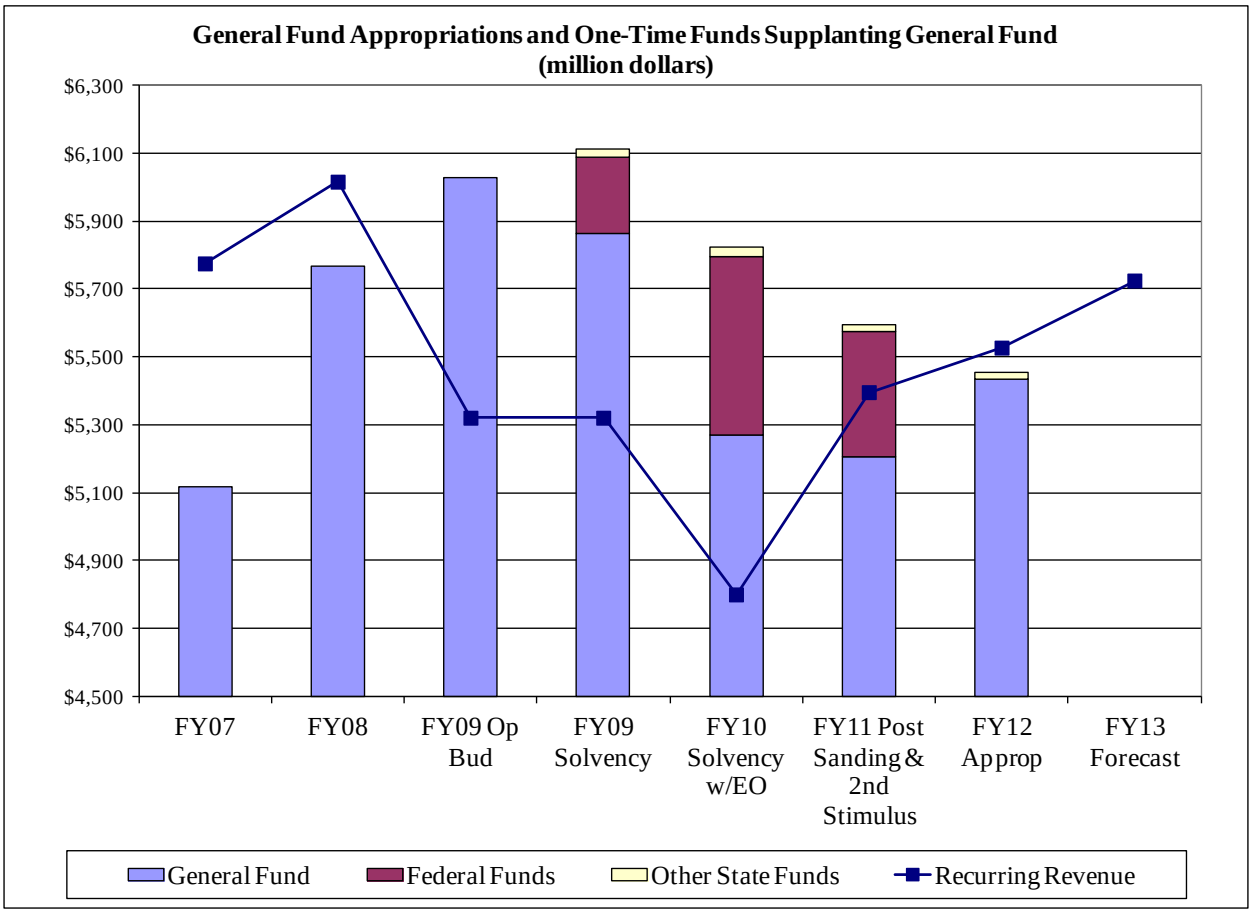
FY13 if the December 2011 forecast projects a FY12 reserve ratio less than 5 percent and estimates revenues to be less than $100 million more than the revenue estimate used to determine the FY12 appropriation.

- Based on current reserve projections of 8.4 percent for FY12, the retirement swap will not continue in FY13. If the retirement swap is discontinued, projected "new money" for FY13 will be approximately $195 million. Prior to the December forecast, LFC will need to collaborate with DFA to reach consensus on qualifying criteria.
- An additional 1.5 percent retirement swap that was passed during the 2009 session (Laws 2009, Ch 127) will remain in place until FY14.

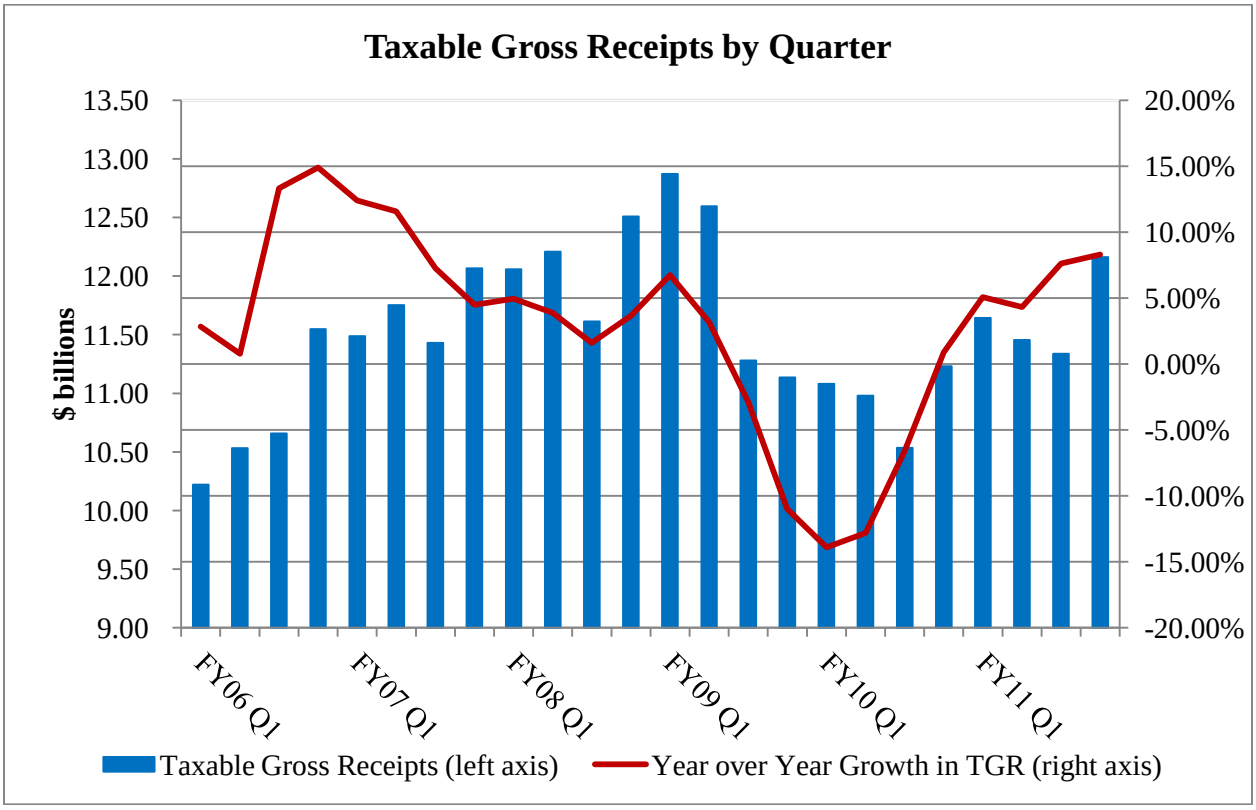
GENERAL FUND FINANCIAL SUMMARY (Attachment 2)

- The General Fund Financial summary shown in Attachment 2 assumes a $110 million increase in FY12 appropriations in the 2012 session, largely due to a Medicaid deficiency of approximately $90 million.
- Including estimated 2012 deficiencies, specials, supplemental and the feed bill, FY12 appropriations will exceed revenues by $17 million.
- Under that scenario, reserves reach a total of $456 million or 8.4 percent of recurring appropriations in FY12.

GENERAL FUND APPROPRIATIONS WITH SUPPLANTING FUNDS:
Figure 1 illustrates recent trends in General Fund appropriations, highlighting the role played by temporary funding sources. While general fund recurring revenue fell by over 20 percent from FY08 to FY10, total spending actually increased between FY08 and FY10 post-solvency. From a peak of over $6 billion in FY09, total spending fell by 4.8 percent in FY10 and by 8.5 percent in FY11 after allotment reductions. If general fund spending is raised to the level of projected FY13 revenue, total spending would be 6.4 percent below the FY09 peak.



GROSS RECEIPTS TAX TRENDS (Attachment 5):
Taxable gross receipts (TGR), the tax base for the GRT, have been increasing in the last few months. The year-over-year growth rate is positive in all four quarters of FY11 for the first time in 2 years. The level of TGR in the fourth quarter of FY11 is still about 8 percent below its peak level in the fall of 2009.



Attachment 5 presents a breakdown by major industry group of the change in FY11 TGR through June 2011 compared with the same period last year. Total TGR was up by 6.3 percent. Most industries saw positive growth, with the largest percentage increases in mining, educational services, administrative and support services, manufacturing, and wholesale trade. Management of companies, agriculture, and construction declined year-over-year.

RISKS TO THE FORECAST:

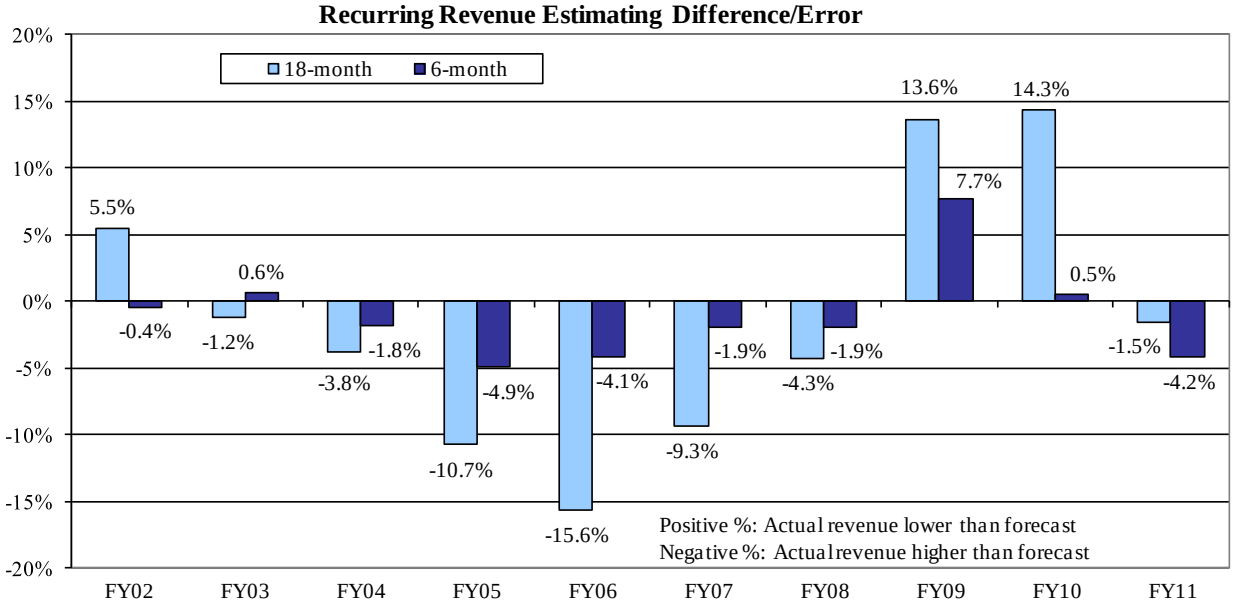
- The U.S. economic recovery remains vulnerable to weakness in consumer sentiment, personal income, the housing market, currency volatility, financial sector weakness and federal fiscal imbalance. Although consumer spending has increased slightly in recent months, high debt loads and high credit costs will likely limit the momentum consumers are able to create for the near future.
- Natural gas prices remain vulnerable to increased supplies from productivity improvements.
- Financial weakness in several European countries continues to remain a serious threat to international financial markets.
- The BLS employment numbers are variable and subject to greater adjustments during benchmarking once a year. This impacts our employment growth assumptions. BBER is planning a revision of their model as a result.

- As reported in July, the Attorney General has disclosed that New Mexico is now facing a second legal challenge from those cigarette manufacturers (PMs) participating in the tobacco master settlement agreement. The PMs claim that New Mexico no longer has a valid qualifying statute as required by the settlement due to recent legislative changes, including a 2006 change that established tax exempt stamps for tribal sales. The AG believes that up to $38.6 million in tobacco settlement payments expected in FY12 are at risk unless new legislation is passed that clearly establishes that the state will collect tobacco escrow payments from all manufacturers that are not party to the master settlement.

RECURRING REVENUE ESTIMATING ERRORS:

- The graph below estimates six month and eighteen month error in the general fund revenue estimates over the last 10 years. Preliminary FY11 revenues were underestimated by 4.2 percent compared to the December 2010 forecast and 1.5 percent compared to the December 2009 forecast. The December 2009 revenue estimate was used to make legislative decisions for the FY11 budget.
- In FY09 and FY10 actual revenues came in lower than forecasted. Most states also over-forecasted revenues in these years. Most of the error in this period was due to over-estimating personal income and corporate income tax revenues.
- This pattern seems to follow the national trend of over-predicting in good years and under-predicting in tough times. The Pew Center on the States and The Nelson A. Rockefeller Institute of Government conducted an analysis of States' revenue estimating errors over 23 years. They concluded that states over-estimate revenues during in times of fiscal crisis, and that volatility in state revenue streams is part of the problem.

Consensus Revenue Estimate
Recurring Revenue Estimating Difference/Error



Source: *LFC files*

General Fund Consensus Revenue Estimate
October 2011

	FY10		FY11				FY12			
	Actual DFA	% Change from FY09	July 2011 Est. Prelim Actual	Oct 2011 Est. Prelim Actual	Change from Prior	% Change from FY10	July 2011 Est.	Oct 2011 Est.	Change from Prior	% Change from FY11
Gross Receipts Tax	1,634.4	-10.8%	1,797.0	1,811.4	14.4	10.8%	1,862.0	1,865.0	3.0	3.0%
Compensating Tax	50.9	-27.2%	68.0	69.1	1.1	35.8%	70.5	69.5	(1.0)	0.6%
TOTAL GENERAL SALES	1,685.3	-11.4%	1,865.0	1,880.5	15.5	11.6%	1,932.5	1,934.5	2.0	2.9%
Tobacco Taxes	45.7	-7.8%	87.0	88.2	1.2	93.0%	86.1	86.4	0.3	-2.0%
Liquor Excise	25.6	-0.9%	24.8	25.7	0.9	0.4%	25.2	26.4	1.2	2.7%
Insurance Taxes	130.3	6.9%	137.3	132.7	(4.6)	1.8%	142.2	133.0	(9.2)	0.2%
Fire Protection Fund Reversion	5.0	-83.8%	18.3	17.6	(0.7)	252.0%	18.7	16.1	(2.6)	-8.5%
Motor Vehicle Excise	92.3	-8.2%	103.0	103.7	0.7	12.4%	112.0	110.2	(1.8)	6.3%
Gaming Excise	65.1	-5.9%	66.5	65.8	(0.7)	1.1%	67.2	66.6	(0.6)	1.2%
Leased Vehicle Surcharge	5.7	16.3%	5.0	5.0	-	-12.3%	5.1	5.1	-	2.0%
Other	3.2	38.9%	3.0	2.5	(0.5)	-21.6%	3.0	2.8	(0.2)	12.0%
TOTAL SELECTIVE SALES	372.9	-7.9%	444.9	441.2	(3.7)	18.3%	459.5	446.6	(12.9)	1.2%
Personal Income Tax	956.6	-0.2%	1,055.0	1,066.2	11.2	11.5%	1,094.9	1,090.0	(4.9)	2.2%
Corporate Income Tax	125.1	-23.0%	180.0	229.8	49.8	83.7%	283.3	310.0	26.7	34.9%
TOTAL INCOME TAXES	1,081.7	-3.5%	1,235.0	1,296.0	61.0	19.8%	1,378.2	1,400.0	21.8	8.0%
Oil and Gas School Tax	324.5	-12.4%	355.7	378.7	23.0	16.7%	373.1	355.0	(18.1)	-6.3%
Oil Conservation Tax	16.4	-10.2%	17.9	19.7	1.8	20.1%	18.7	22.6	3.9	14.6%
Resources Excise Tax	9.4	-16.3%	10.0	9.9	(0.1)	5.3%	10.0	10.0	-	1.0%
Natural Gas Processors Tax	40.4	0.1%	18.0	18.2	0.2	-55.0%	22.3	22.3	-	22.5%
TOTAL SEVERANCE TAXES	390.7	-11.2%	401.6	426.5	24.9	9.2%	424.1	409.9	(14.2)	-3.9%
LICENSE FEES	50.3	0.4%	51.7	49.8	(1.9)	-1.0%	53.5	51.5	(2.0)	3.4%
LGPF Interest	437.1	0.8%	445.2	446.2	1.0	2.1%	459.7	459.7	-	3.0%
STO Interest	22.1	-67.4%	14.7	17.6	2.9	-20.4%	20.8	18.6	(2.2)	5.7%
STPF Interest	187.1	-2.2%	184.6	184.6	-	-1.3%	183.4	183.4	-	-0.7%
TOTAL INTEREST	646.3	-6.7%	644.5	648.4	3.9	0.3%	663.9	661.7	(2.2)	2.1%
Federal Mineral Leasing	355.3	-30.0%	411.7	411.8	0.1	15.9%	424.9	398.0	(26.9)	-3.4%
State Land Office	67.7	85.8%	53.7	65.6	11.9	-3.1%	43.3	55.8	12.5	-14.9%
TOTAL RENTS & ROYALTIES	423.0	-22.2%	465.4	477.4	12.0	12.9%	468.2	453.8	(14.4)	-4.9%
TRIBAL REVENUE SHARING	64.1	-2.0%	65.4	65.9	0.5	2.8%	70.4	70.4	-	6.8%
MISCELLANEOUS RECEIPTS	44.4	4.0%	51.4	52.2	0.8	17.6%	43.1	43.5	0.4	-16.7%
REVERSIONS	40.0	-30.0%	50.0	50.0	-	25.0%	40.0	40.0	-	-20.0%
TOTAL RECURRING	**4,798.7**	**-9.8%**	**5,274.9**	**5,387.9**	**113.0**	**12.3%**	**5,533.4**	**5,511.9**	**(21.5)**	**2.3%**
TOTAL NON-RECURRING	478.9	1496.3%	66.8	66.8	-	-86.1%	18.3	18.3	-	-72.6%
GRAND TOTAL	5,277.6	-1.3%	5,341.7	5,454.7	113.0	3.4%	5,551.7	5,530.2	(21.5)	1.4%

10/13/2011

ATTACHMENT 1b

General Fund Consensus Revenue Estimate
October 2011

	FY13				FY14				FY15			
	July 2011 Est.	Oct 2011 Est.	Change from Prior	% Change from FY12	July 2011 Est.	Oct 2011 Est.	Change from Prior	% Change from FY13	July 2011 Est.	Oct 2011 Est.	Change from Prior	% Change from FY14
Gross Receipts Tax	1,956.0	1,935.9	(20.1)	3.8%	2,058.0	2,011.4	(46.6)	3.9%	2,156.0	2,095.8	(60.2)	4.2%
Compensating Tax	74.4	73.1	(1.3)	5.2%	76.6	75.9	(0.7)	3.8%	77.9	77.2	(0.7)	1.7%
TOTAL GENERAL SALES	2,030.4	2,009.0	(21.4)	3.8%	2,134.6	2,087.3	(47.3)	3.9%	2,233.9	2,173.0	(60.9)	4.1%
Tobacco Taxes	84.3	84.7	0.4	-2.0%	82.8	83.1	0.3	-1.9%	81.6	81.4	(0.2)	-2.0%
Liquor Excise	25.6	26.7	1.1	1.1%	25.9	27.1	1.2	1.5%	26.2	27.5	1.3	1.5%
Insurance Taxes	147.3	131.1	(16.2)	-1.4%	152.6	129.7	(22.9)	-1.1%	158.1	128.3	(29.8)	-1.1%
Fire Protection Fund Reversion	17.6	15.2	(2.4)	-5.6%	15.2	13.6	(1.6)	-10.5%	14.1	12.1	(2.0)	-11.0%
Motor Vehicle Excise	119.0	116.1	(2.9)	5.4%	125.0	121.6	(3.4)	4.7%	130.0	126.6	(3.4)	4.1%
Gaming Excise	67.8	67.5	(0.3)	1.4%	68.8	68.4	(0.4)	1.3%	69.9	69.4	(0.5)	1.5%
Leased Vehicle Surcharge	5.4	5.4	-	5.9%	5.6	5.6	-	3.7%	5.8	5.8	-	3.6%
Other	3.2	3.0	(0.2)	7.1%	3.3	3.2	(0.1)	6.7%	4.6	3.3	(1.3)	3.1%
TOTAL SELECTIVE SALES	470.2	449.7	(20.5)	0.7%	479.2	452.3	(26.9)	0.6%	490.3	454.4	(35.9)	0.5%
Personal Income Tax	1,134.7	1,115.0	(19.7)	2.3%	1,179.7	1,150.0	(29.7)	3.1%	1,224.7	1,190.0	(34.7)	3.5%
Corporate Income Tax	350.0	375.0	25.0	21.0%	400.0	410.0	10.0	9.3%	400.0	425.0	25.0	3.7%
TOTAL INCOME TAXES	1,484.7	1,490.0	5.3	6.4%	1,579.7	1,560.0	(19.7)	4.7%	1,624.7	1,615.0	(9.7)	3.5%
Oil and Gas School Tax	394.5	366.0	(28.5)	3.1%	396.4	371.8	(24.6)	1.6%	391.4	366.3	(25.1)	-1.5%
Oil Conservation Tax	19.7	23.2	3.5	2.7%	19.8	23.4	3.6	0.9%	19.6	23.1	3.5	-1.3%
Resources Excise Tax	10.0	10.0	-	0.0%	10.0	10.0	-	0.0%	10.0	10.0	-	0.0%
Natural Gas Processors Tax	23.2	23.6	0.4	5.8%	24.0	24.6	0.6	4.2%	23.8	24.8	1.0	0.8%
TOTAL SEVERANCE TAXES	447.4	422.8	(24.6)	3.2%	450.2	429.8	(20.4)	1.7%	444.8	424.2	(20.6)	-1.3%
LICENSE FEES	55.5	54.4	(1.1)	5.6%	58.0	57.1	(0.9)	5.0%	60.7	60.0	(0.7)	5.1%
LGPF Interest	444.8	438.1	(6.7)	-4.7%	452.8	438.7	(14.1)	0.1%	494.1	472.0	(22.1)	7.6%
STO Interest	30.5	26.0	(4.6)	39.5%	33.9	41.4	7.5	59.5%	56.0	49.4	(6.6)	19.3%
STPF Interest	178.9	174.3	(4.6)	-5.0%	173.6	164.0	(9.6)	-5.9%	183.7	168.8	(14.9)	2.9%
TOTAL INTEREST	654.2	638.4	(15.9)	-3.5%	660.3	644.1	(16.2)	0.9%	733.8	690.2	(43.6)	7.2%
Federal Mineral Leasing	457.7	412.5	(45.2)	3.6%	474.5	423.1	(51.4)	2.6%	477.1	412.0	(65.1)	-2.6%
State Land Office	45.0	43.9	(1.1)	-21.3%	44.8	43.9	(0.9)	0.0%	44.6	43.7	(0.9)	-0.5%
TOTAL RENTS & ROYALTIES	502.7	456.4	(46.3)	0.6%	519.3	467.0	(52.3)	2.3%	521.7	455.7	(66.0)	-2.4%
TRIBAL REVENUE SHARING	75.4	75.4	-	7.1%	78.2	78.2	-	3.7%	81.2	81.2	-	3.8%
MISCELLANEOUS RECEIPTS	41.8	43.6	1.8	0.2%	40.7	44.0	3.3	0.9%	39.7	45.5	5.8	3.4%
REVERSIONS	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%
TOTAL RECURRING	**5,802.3**	**5,679.6**	**(122.7)**	**3.0%**	**6,040.2**	**5,859.8**	**(180.4)**	**3.2%**	**6,270.8**	**6,039.3**	**(231.5)**	**3.1%**
TOTAL NON-RECURRING	(3.3)	(3.3)	-	-118.0%	(0.9)	(0.9)	-	-72.7%	-	-	-	-100.0%
GRAND TOTAL	5,799.0	5,676.3	(122.7)	2.6%	6,039.3	5,858.9	(180.4)	3.2%	6,270.8	6,039.3	(231.5)	3.1%

10/13/2011

General Fund Financial Summary - Oct 2011 Consensus Revenue Estimate
(Millions of Dollars)

	Preliminary FY2011	Estimated FY2012	Estimated FY2013
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
July 2011 Consensus Forecast	$ 5,274.4	$ 5,533.4	$ 5,802.3
October 2011 forecast update	*$ 113.0*	*$ (21.5)*	*$ (122.7)*
Total Recurring Revenue	$ 5,387.4	$ 5,511.9	$ 5,679.6
Nonrecurring Revenue			
Total Non-Recurring Revenue*	$ 66.8	$ 18.3	$ (3.3)
TOTAL REVENUE	**$ 5,454.2**	**$ 5,530.2**	**$ 5,676.3**
APPROPRIATIONS			
Recurring Appropriations			
2011 General Appropriation	$ 5,212.9	$ 5,431.3	
Total Recurring Appropriations	$ 5,212.9	$ 5,431.3	
Nonrecurring Appropriations			
2011 Regular & Special Sessions**	$ 18.2	$ 5.8	$ -
2012 deficiencies, supplementals, specials and feed bill	$ -	*$ 110.0*	$ -
Total Nonrecurring Appropriations	$ 18.2	$ 115.8	$ -
TOTAL APPROPRIATIONS	**$ 5,231.1**	**$ 5,547.1**	**$ -**
Transfer to(from) Reserves***	$ 223.1	$ (16.9)	$ -
GENERAL FUND RESERVES			
Beginning Balances	$ 278.0	$ 487.7	$ -
Transfers from (to) Appropriations Account	223.1	(16.9)	-
Revenue and Reversions	56.2	40.1	-
Appropriations, expenditures and transfers out	(69.6)	(54.6)	-
Ending Balances	**$ 487.7**	**$ 456.3**	**$ -**
Reserves as a Percent of Recurring Appropriations	*9.4%*	*8.4%*	***

New Money in FY13 is $245 M

*FY11 includes $36 million in one-time fiduciary tax revenue, $2.1 million for tax amnesty, $1.9 million in IT and Telecom overcharges to be refunded to the General Fund by DOIT, $26 million fund transfer for solvency, and $800 thousand for homeland security deficiency reversions. FY12 includes $11.4 million fund transfer for solvency, and $6.9 million for tax amnesty.

**2011 Special Session appropriations include $1.3 million for feed bill. $0.5 million for medicaid and snap, and $4 million for police vehicles

*** "New money" in FY13, defined as FY13 projected revenue less FY12 recurring appropriation is $245.0 million.

General Fund Financial Summary - Oct 2011 Consensus Revenue Estimate
RESERVE DETAIL
(Millions of Dollars)

	Preliminary FY2011	Estimated FY2012	Estimated FY2013
OPERATING RESERVE			
Beginning balance	$ 36.1	$ 257.7	$ 240.8
BOF Emergency Appropriations	(1.5)	-	-
Transfers from/to appropriation account	223.1	(16.9)	-
Chapter 3, Laws 2009 - SS (HB6)	-	-	-
Ending balance	$ 257.7	$ 240.8	$ 240.8
APPROPRIATION CONTINGENCY FUND			
Beginning balance	$ 29.6	$ 6.1	$ (9.9)
Disaster allotments	(23.5)	(16.0)	(16.0)
Other appropriations	-	-	-
Transfers in	-	-	-
Revenue and reversions	-	-	-
Ending Balance	$ 6.1	$ (9.9)	$ (25.9)
Education Lock Box			
Beginning balance	$ 53.1	$ 47.1	$ 47.1
Appropriations (2010 and 2011 GAA Section 5)*	(6.0)	-	-
Transfers in(out)	-	-	-
Ending balance	$ 47.1	$ 47.1	$ 47.1
Total of Appropriation Contingency Fund	$ 53.2	$ 37.2	$ 21.2
STATE SUPPORT FUND			
Beginning balance	$ 1.0	$ 1.0	$ 1.0
Revenues	$ -	$ -	$ -
Appropriations	$ -	$ -	$ -
Ending balance	$ 1.0	$ 1.0	$ 1.0
TOBACCO PERMANENT FUND			
Beginning balance	$ 132.0	$ 149.6	$ 151.1
Transfers in	38.6	38.6	38.6
Appropriation to tobacco settlement program fund	(19.3)	(19.3)	(19.3)
Gains/Losses	17.6	1.5	11.3
Additional transfers to Program Fund	*(19.3)*	*(19.3)*	*(19.3)*
Ending balance	$ 149.6	$ 151.1	$ 162.4
TAX STABILIZATION RESERVE			
Beginning balance	$ 26.1	$ 26.1	$ 26.1
Transfers in	-	-	-
Chapter 3, Laws 2009 - SS (HB6)	-	-	-
2010 Special Session reserve transfers			
2011 Session reserve transfers			
Ending balance	$ 26.1	$ 26.1	$ 26.1
GENERAL FUND ENDING BALANCES	**$ 487.6**	**$ 456.2**	**$ 451.6**
Percent of Recurring Appropriations	*9.4%*	*8.4%*	

*LFC scored $2.5 million appropriation to PED from education lockbox as failed contigency. DFA has indicated that they will seek to budget these funds, which would require submission of a detailed action plan by PED to LFC and the Legislative Education Study Committee.

U.S. and New Mexico Economic Indicators

	FY10		FY11		FY12		FY13		FY14		FY15	
	July11 Actual	Oct11 Revise	July11 Forecast	Oct11 Prelim	July11 Forecast	Oct11 Forecast	July11 Forecast	Oct11 Forecast	July11 Forecast	Oct11 Forecast	July11 Forecast	Oct11 Forecast
National Economic Indicators												
US Real GDP Growth (annual avg. ,% YOY)*	1.2	0.3	2.7	2.6	3.0	1.3	2.7	2.0	3.1	2.9	3.3	3.6
US Inflation Rate (CPI-U, annual avg., % YOY)**	1.0	2.2	2.0	2.2	2.6	2.3	1.9	2.3	2.0	2.4	2.1	2.4
Federal Funds Rate (%)	0.15	0.15	0.17	0.16	0.34	0.10	2.71	0.10	3.50	0.42	4.18	2.27
New Mexico Labor Market and Income Data												
NM Non-Agricultural Employment Growth (%)	-3.2	-3.2	0.1	0.2	1.3	0.5	1.5	1.2	1.3	1.1	1.2	1.2
NM Personal Income Growth (%)***	0.1	0.1	4.2	4.1	4.2	4.3	4.3	3.3	4.8	3.1	5.0	4.3
NM Private Wages & Salaries Growth (%)	-2.4	-2.4	2.8	2.6	4.5	2.6	4.9	3.0	4.6	3.2	4.4	3.3
Crude Oil and Natural Gas Outlook												
NM Oil Price ($/barrel)	$71.29	$71.29	$85.50	$84.20	$87.80	$82.00	$89.50	$84.00	$89.50	$84.50	$89.50	$85.00
NM Taxable Oil Volumes (million barrels)	62.9	62.9	65.4	67.0	67.4	69.7	68.7	68.6	69.4	67.6	68.7	66.9
NM Gas Price ($ per thousand cubic feet)****	$5.20	$5.20	$5.20	$5.50	$5.60	$5.35	$6.20	$5.80	$6.40	$6.20	$6.50	$6.25
NM Taxable Gas Volumes (billion cubic feet)	1,282	1,282	1,224	1,224	1,184	1,184	1,147	1,147	1,111	1,111	1,077	1,077

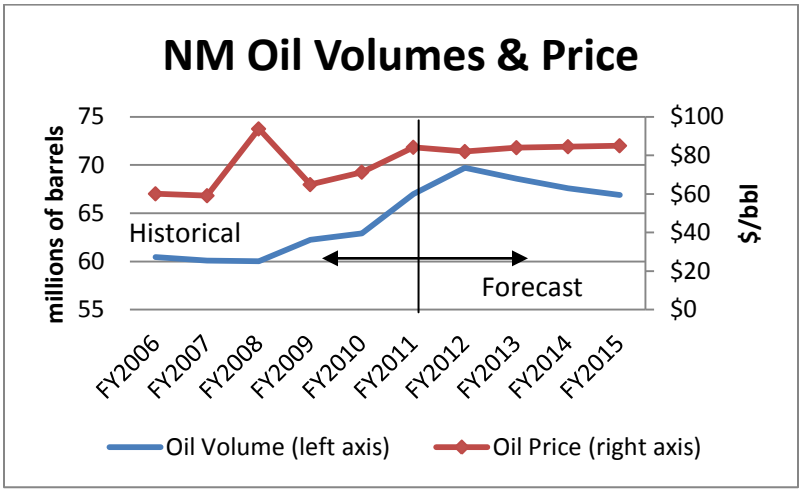
* Real GDP is BEA chained 2005 dollars, billions, annual rate

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

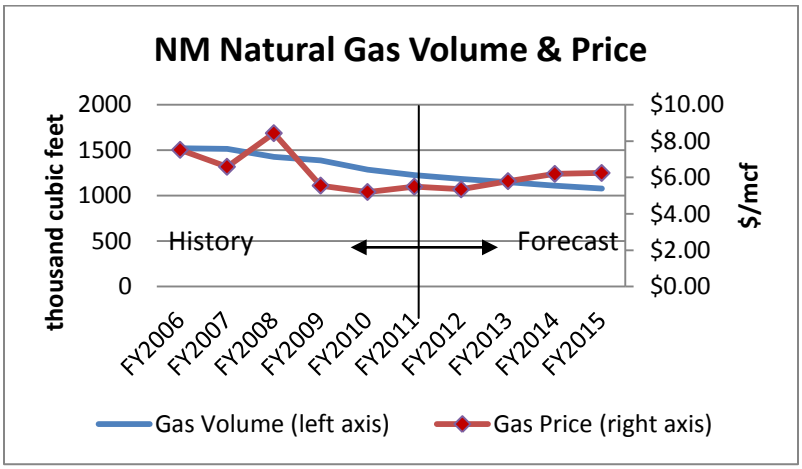
***Personal Income growth rates are for the calendar year in which each fiscal year begins

****The gas prices are estimated using a formula of NYMEX, EIA, and Global Insight future prices as well as a liquid premium based on oil prices.

Sources: September IHS Global Insight and BBER FOR-UNM



Source: ONGARD database / Consensus revenue estimating group



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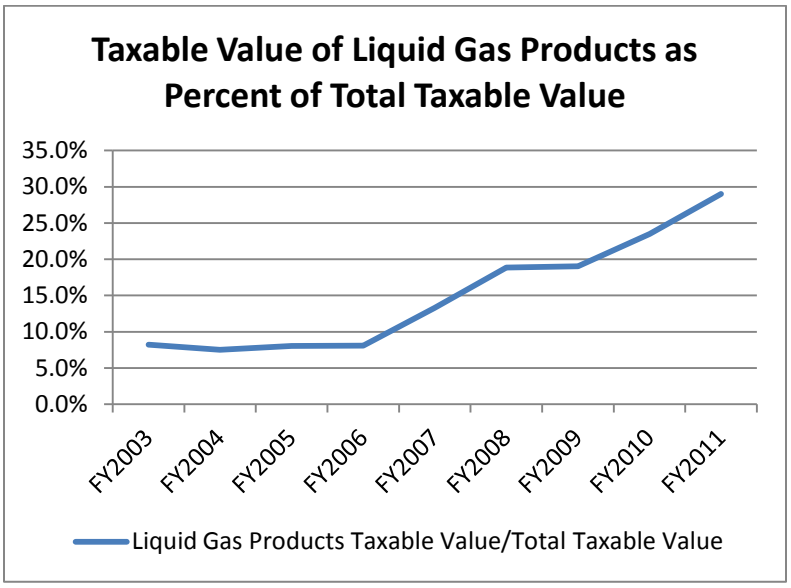

Source: ONGARD database

Taxable Gross Receipts by Industry: FY11 vs FY10 Thru June 2011

Industry	Change (Millions $)	Percent Change
Agriculture, Forestry, Fishing and Hunting	($2.6)	-4.3%
Mining and Oil and Gas Extraction	$859.0	44.2%
Utilities	$27.6	1.4%
Construction	($76.6)	-1.4%
Manufacturing	$250.2	21.4%
Wholesale Trade	$269.7	14.8%
Retail Trade	$136.5	1.2%
Transportation and Warehousing	$30.2	4.6%
Information and Cultural Industries	$241.6	13.0%
Finance and Insurance	$1.1	0.5%
Real Estate and Rental and Leasing	$79.3	11.8%
Professional, Scientific and Technical Services	$152.7	3.6%
Management of Companies and Enterprises	($3.2)	-9.0%
Admin and Support, Waste Mgt and Remed	$369.1	22.0%
Educational Services	$57.2	29.3%
Health Care and Social Assistance	$78.1	3.9%
Arts, Entertainment and Recreation	$6.8	3.5%
Accommodation and Food Services	$158.1	5.0%
Other Services (except Public Admin)	$217.4	4.7%
Public Administration	$3.9	2.2%
Unclassified Establishments	($87.4)	-42.0%
Total	$2,768.7	6.3%