ISSUES FOR HEARING

August 2014 Consensus Revenue Estimate

Prepared by the Legislative Finance Committee
Peter B. van Moorsel, Chief Economist
Hector Dorbecker, Economist

Summary.

- The consensus revenue estimating group (Legislative Finance Committee, Department of Finance and Administration, Taxation and Revenue Department, and Department of Transportation) met and reached consensus on the revenue estimates presented in this brief.
- Preliminary FY14 recurring revenue is now $6 billion, $146 million more than the December 2013 estimate. Table 1 presents a reconciliation of recurring revenues through the revenue estimating cycle.
- Attachment 1 (page 9) shows general fund revenue revisions from December 2013, adjusted for 2014 legislation, to August 2014. Compared with the December 2013 forecast, the FY15 recurring revenue estimate was revised upward by $56 million to $6.24 billion, and the FY16 revenue estimate was revised upward by $72 million to $6.44 billion.
- Attachment 2 (page 11) shows the general fund financial summary. Preliminary FY14-ending reserve balances are $670 million, or 11.4 percent of recurring appropriations. Projected FY15-ending reserve balances are $697 million, or 11.3 percent of recurring appropriations.
- "New Money" in FY16, defined as FY16 projected recurring revenue less FY15 recurring appropriations, is projected to be $285 million, or 4.6 percent of FY15 appropriations.

Table 1
August 2014 Consensus General Fund Recurring Revenue Outlook
(in millions of dollars)

	FY14	FY15	FY16	FY17
December 2013 Consensus	$5,864	$6,184	$6,364	$6,558
August 2014 Adjustments	$146	$56	$72	$131
August 2014 Consensus	$6,008	$6,240	$6,436	$6,689
Annual amount change	$299	$232	$196	$253
Annual percent change	5.2%	3.9%	3.1%	3.9%

The Economic Forecast. The consensus revenue estimating group uses two different forecasting services in developing the economic assumptions on which the forecast is based. The Legislative Finance Committee (LFC), Taxation and Revenue Department (TRD), and Department of Transportation (DOT) continue to rely on New Mexico forecasts produced by UNM's Bureau of Business and Economic Research (BBER). BBER, in turn, has relied on a national forecast produced by IHS Global Insight. The Department of Finance and Administration (DFA) uses Moody's Analytics for its national and state forecasts. Selected economic indicators from these forecasts are presented in Attachment 3 (page 13).

The BBER forecast states the pace of economic recovery in New Mexico is frustrating. For four quarters, BBER noted the data showing gradual improvement in the state's economy was questionable. Now, new and more reliable data suggests earlier evidence of job growth was overly optimistic, and the economy may again have begun contracting. Employment in the New Mexico remains more than 4 percent below its pre-recession peak.

New Mexico's economy continues to lag behind the national economy. New Mexico lost jobs in the fourth quarter of 2013, a combination of weakness in public sector employment and slowing private sector hiring. BBER notes the weak labor market contributed to slower personal income growth. Housing markets were a source of optimism last year, but are again contracting. A positive note is that oil production in New Mexico continues to grow, and its associated revenues are showing equivalent strength.

BBER's baseline forecast predicts positive job growth in the near- and mid-terms, although it has revised the growth rate downward compared with last quarter. BBER expects job growth to average 1.2 percent per year during 2014 through 2019. Further, BBER forecasts personal income growth to average 4.5 percent per year, also revised downward from its previous forecast.

At the national level, IHS reports the widely anticipated second-quarter bounce-back occurred with the Bureau of Economic Analysis reporting GDP grew at a 4 percent annual rate. This was a rebound from the first quarter's 2.1 percent contraction. BBER states, however, the recovery from the Great Recession continues to underwhelm. Since the low point in 2009, real GDP in the U.S. has grown by an average annual rate of 2.2 percent. BBER compares this growth to recoveries from two prior recessions: during the five years following the shallow recession of 2001 real GDP grew by 2.9 percent per year, and during the nine years following the recession of 1990-1991 real GDP grew by an annual rate of 3.9 percent.

The national employment picture is brighter than it is in New Mexico, having improved over the past few months. In May total U.S. nonfarm employment surpassed its January 2008 pre-recession peak. Employment growth in the second quarter added 277 thousand jobs per month. The July unemployment rate of 6.2 percent is down more than 1 percent from the 7.3 percent rate one year ago.

IHS forecasts 1.7 percent real GDP growth in 2014, a small downward revision from last quarter. IHS forecasts growth to accelerate to 3 percent in 2015 before peaking at 3.3 percent in 2016. IHS forecasts employment will grow 1.8 percent in 2014, 1.9 percent in 2015, and slow to 1.8 percent in 2016. These growth rates are revised downward slightly from the previous IHS forecast, but they still contribute to a gradual reduction in the unemployment rate to 5.3 percent by 2019.

IHS notes the next major risk on the horizon is the timing and reaction to the Federal Reserve's tightening of monetary policy, which IHS expects will occur in the third quarter of 2015. The Fed has mentioned a 2 percent inflation target as a threshold for policy action. The core PCE deflator is rising, and is 1.5 percent ahead of levels one year ago, and up 1.2 percent from January.

Interestingly, in its forecast narrative, IHS discusses frequent data revisions that have significantly affected recent U.S. economic forecasts. IHS notes that changes in history drive changes to the forecast, and this presents a serious challenge to forecasters and decision makers who rely on these forecasts. IHS also expresses concern budget cuts in recent years have damaged the capabilities of U.S. data-gathering agencies. IHS states a considerable portion of the first-quarter GDP revisions were attributed to the BEA measurements of healthcare services consumption resulting from implementation of the Affordable Care Act (ACA). Due to the newness of the ACA and the broad changes it is making to the healthcare sector, IHS notes it is reasonable to expect quantifying the ACA's economic impact will continue to influence the economic data revisions for some time.

Energy Markets. Based on 11 months of data, oil prices are projected to average $95.75 in FY14. The first quarter of FY14 saw crude prices approach $110/bbl because of turmoil in the Middle East, but prices fell back below $100 and averaged around $92 the remainder of the fiscal year. US oil production continues to grow, especially in Texas and North Dakota. Global oil prices are supported by demand growth and continued supply disruptions. Concerns about weaker-than-expected oil demand could soften the oil price, even as the crises in Russia and the Ukraine and turmoil in Iraq continue to place upward pressure on oil prices. Reports that the lower leg of the Keystone Pipeline would begin carrying crude from Cushing, Oklahoma to the gulf coast could lower the price differential between West Texas Intermediate and Brent crude raise and may result in increased New Mexico oil production revenues.

Attachment 4 (page 14) shows that prices are expected to average around $92 per barrel (bbl) in FY15, with declines in out years consistent with a slow economic recovery and ongoing uncertainty in the oil markets. Oil volumes increased by 16 percent in FY12, 17 percent in FY13, and are expected to reach 17 percent in FY14 as well (see Attachment 5, page 15). The forecast assumes positive growth of about 6.4 percent in FY15 and 4.3 percent in FY16. Activity in the Permian basin suggests continued growth in oil volumes in the forecast years. However, the rate of production decline in horizontally drilled and fracked wells is uncertain, and a faster production decline would require large continued investments to maintain production levels and achieve growth. The New Mexico price differential to WTI is around $5/bbl. Each additional $1/bbl change in price sustained over one year is equivalent to a $7.5 million change in general fund revenue.

Natural gas prices are estimated to average $5.15 in FY14, based on 11 months of data. New Mexico natural gas prices continue to see gains above Henry Hub due to high prices paid for natural gas liquids, which trend with oil prices. In FY13, the total gas price averaged $4.37/mcf and processed, or dry gas price, averaged $3.44/mcf. The premium above the dry gas price for natural gas liquids averaged $0.76/mcf in FY13. The liquids premium is expected to average approximately $0.85/mcf over the forecast period. Natural gas prices show a slight increase through the forecast period, growing by 5 cents per mcf each year, and are estimated to reach $5.40/mcf in FY19. Each $0.10 change in natural gas price is equivalent to an $8 million change in general fund revenue.

Nationally, gas production continues to grow. The United States was the world's largest natural gas producer in 2013 thanks to the growing market share of shale gas, which represented 40 percent of U.S. gas production in 2013. This volume growth has not been the trend in New Mexico, however. Natural gas volumes fell by 1.6 percent in FY12, 4.3 percent in FY13, and a further 0.1 percent FY14. Volumes are expected to continue to decline as production moves to richer plays, such as in Texas and Pennsylvania; however, associated gas from shale oil production in the San Juan Basin may offset this decline somewhat.

Other Revenue Highlights. The consensus revenue estimating group made minor reductions to the already strong gross receipts forecast, and adjustments to reflect new information regarding the impact of the manufacturing and construction deductions. Strength is still expected from contributions of the booming oil and gas industry. Analysts reached consensus on growth rates of 4.3 percent for FY15 and 4.8 percent for FY15, after making adjustments for projected tax credits. The estimated impact of the manufacturing and construction deduction reduced the net GRT estimate by $13.6 million in FY15 and by $20 million in FY16. Annual high-wage jobs tax credit claims of $15 million are assumed to be reflected in the gross-receipts tax base. Finally, past GRT estimates had been reduced to reflect advanced energy tax credit claims. However, TRD reports this credit has not been claimed often, and this adjustment was removed.

FY14 saw strength in personal income tax (PIT) revenue from oil and gas withholding revenue. Federal income tax increases for 2013 encouraged wealthy people to shift income into 2012, for example by realizing capital gains earlier, boosting state and federal tax revenues for the last two quarters of FY13. This acceleration of FY13 revenue led estimators to project a reduction in PIT revenues in FY14. However, this revenue reduction did not materialize, as FY14 PIT revenue growth was 0.7 percent. PIT revenue is expected to grow 4.4 percent in FY15, and 3.1 percent in FY16. Strength in oil and gas withholding continues to support revenue strength.

Preliminary FY14 corporate income tax (CIT) receipts are 23 percent lower than FY13, illustrating the volatility of this revenue source. CIT revenue collections in late FY14 fell short of staff projections, thanks to quarterly payments and final settlements coming in below past trends. The consensus revenue estimating group applied a downward adjustment to reflect the impact of 2013 legislation that lowers the tax rate and permits single-sales-factor income apportioning for some corporations. For FY15 and FY16, projected CIT revenues were revised downward to $215 and $205 million, respectively. The net CIT estimates account for the effect of the film production tax credit, which is estimated to total $50 million in FY15, FY16, and out years.

FY14 severance tax revenues are estimated to come in 22 percent higher than FY13, thanks to continued growth in oil volumes and strong oil prices. The expectation that strong oil prices and growth in oil volumes will continue in FY15 contributes to 1.7 percent growth in severance taxes, before this revenue source declines in out years as oil prices decline and production growth slows. Federal mineral leasing (FML) revenues in FY14 far exceeded the December 2013 estimate. Amounts sequestered by the federal government in the current fiscal year were offset by the return of sequestration reductions from the prior fiscal year. The revenue estimate assumes continued sequestration throughout the forecast period, and continued restoration of the prior-year sequester. The FML forecast is driven by continued strength in oil prices and production volumes, as well as continued bonus revenues from Bureau of Land Management lease sales.

Revenues associated with the permanent funds will see growth in FY15. Distributions are based on a rolling average of the last 5 calendar years' market value for the respective funds. The distribution is projected to increase as low market values dating from recession years are replaced with higher recent market values in the calculation of the five-year average market value. Pursuant to the Constitution of New Mexico, the rate of distribution from the Land Grant Permanent Fund (LGPF) to beneficiaries is scheduled to decrease from 5.5 percent of the fund's market value in FY16 to 5.0 percent in FY17. The severance tax permanent fund (STPF) distribution has grown more slowly than the LGPF distribution as contributions to this fund have been less significant and consistent. Restoring a consistent revenue source could stabilize the balance in the STPF.

The FY14 insurance premium tax estimate contains the first fiscal impacts from the Affordable Care Act (ACA), and the revenues are estimated to fall short of the December 2013 estimate. Revenue estimators continue to expect the ACA to contribute to increased insurance premiums tax revenue, albeit at a more conservative rate. Although the Human Services Department revised Medicaid enrollment upward, insurance premiums tax revenue during the forecast period was revised downward to reflect more conservative estimates for take-up rate in the insurance exchange and a slower decline in New Mexico Medical Insurance Pool assessments, which result in higher credit claims against the general fund distribution of premiums tax revenue.

The ACA is expected to increase revenues by three avenues. The first is the "woodwork effect". The Human Services Department (HSD) expects 19 thousand Medicaid eligible persons to enroll so that they avoid federal penalties in their 2014 taxes. Secondly, analysts expect some 31 thousand enrollees on the new health care exchange. Lastly, significant amounts of premium tax are diverted to the New Mexico Medical Insurance Pool (NMMIP), which provides access to health insurance coverage to residents of New Mexico who are denied health insurance and considered uninsurable. For FY13, NMMIP has assessed health insurance companies $123 million to substantially fund the pool. Insurance carriers in turn are allowed a roughly 55 percent credit on assessments which are claimed against premium tax liability. As NMMIP members transition to the exchange or to Medicaid, these assessments, and subsequently the credit against the general fund, are expected to diminish.

FY15 reversions include a conservative assumption for Medicaid reversions – HSD's August Medicaid projections included a small estimate for an FY15 surplus. The balance of the reversions estimate reflects recurring over-funding of the personal services and employee benefits category, as funding for salaries and benefits has outpaced agencies' abilities to fill vacant positions.

Areas Warranting Additional Research. Areas of uncertainty remain that could affect the estimates of several revenue sources. The estimates of these revenues could be made more accurate pending further research and additional actual monthly revenue data. Among them:

- Insurance Premiums Tax: As mentioned above, the enrollment take-up rate of Medicaid the exchange remains uncertain. Various estimates exist for exchange enrollment, and the newness of the program means little information is available. The rate at which members of the New Mexico Medical Insurance Pool transition to either Medicaid or the exchange is also unclear. The resulting uncertainty in NMMIP assessments to insurers affects general fund revenue through the NMMIP credit. Revenue estimators will meet with staff of the Office of the Superintendent of Insurance and NMMIP to firm up these estimates.

- Earnings on State Balances: In addition to uncertainty in estimating investment earnings, the earnings reported by the State Treasurer (STO) during FY14 do not match actual revenue transferred to the general fund. Some variance in these two numbers has occurred in the past, but the FY14 difference is around 300 percent. Revenue estimators will meet with STO and DFA staff to determine the cause of this discrepancy.

- Tribal Revenue Sharing: It is the underlying assumption of the consensus revenue estimating group that revenue estimates reflect current law. As such, the August revenue estimate includes a downward adjustment to tribal revenue sharing revenue in FY16 and subsequent years to reflect the expiration of the 2003 gaming compact. As policy discussions of a new gaming compact advance, the consensus group may be able to estimate this revenue source with more certainty (see "Risks to the Forecast," below). Ratification of a new compact is therefore an upside risk to the forecast.

Tax Law Changes. A major aspect of the discussions in recent revenue estimating cycles was the effect on major revenue sources of certain tax credits and other changes in tax law. In recent years, several tax expenditures for economic development have had a larger fiscal impact than initially estimated, contributing to a larger revenue estimating error. In some cases the revenue impacts have exceeded initial estimates, requiring statute changes to curb the impact. The statute governing the High Wage Jobs Tax Credit (HWJTC) was amended in 2013 to tighten the eligibility requirements for both employers and employees; however, protests from filers could result in additional HWJTC claims, representing a downside risk. 2013 legislation also changed the manufacturing tax credit to tighten the qualifying standards for businesses claiming this deduction. These cases illustrate the need for a conservative approach in estimating the initial impacts of such tax preferences, particularly in cases where a phase-in delays full impacts to out years.

To illustrate, the table below highlights the revenue impacts of the corporate income tax rate and income apportioning changes, as well as several tax expenditures either enacted or amended since the 2012 legislative session. Based on claims data, analysts assumed that the impacts of the high-wage jobs tax credit (HWJTC) and the construction GRT deduction are already reflected in the tax base and, therefore, did not make additional adjustments to the revenue forecast based on these tax expenditures. HWJTC claims were $21.4 million and $48.8 million in FY13 and FY14, respectively. During those years the $50 million film tax credit cap was reached.

Revenue Impacts of Selected Tax Law Changes and Tax Expenditures
(in millions of dollars)

Tax Law Change / Tax Expenditure	FY15	FY16	FY17	FY18	FY19
Rate Reduction and Single-Sales Apportioning (CIT)	-32.7	-64.4	-95.5	-124.5	-139.5
Mandatory Combined Reporting (CIT)	7.5	5.8	4.2	3.5	3.5
High-Wage Jobs Tax Credit	-15.0	-15.0	-15.0	-15.0	-15.0
Manufacturing Deduction (GRT)	-13.6	-20.0	-27.2	-37.0	-37.0
Construction Deduction (GRT)	-14.9	-15.6	-13.0	-13.7	-13.7
Film Production Tax Credit (CIT)	-50.0	-50.0	-50.0	-50.0	-50.0
Locomotive Fuel Tax Exemption (Comp)	-3.0	-3.0	-3.1	-3.1	-3.2
Total	-$121.7	-$162.2	-$199.7	-$239.7	-$254.8

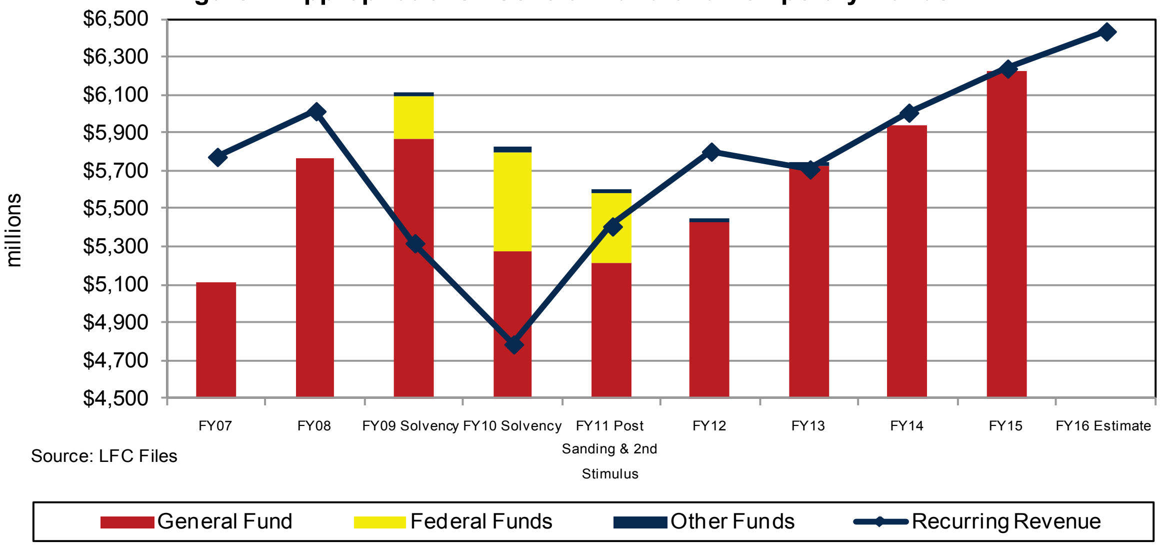
It is important to note that estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures. The timing of tax credit claims can also complicate estimates of a credit's impact. In some cases, a credit can be carried forward for years, and it remains difficult to predict when it will be claimed. Each of these factors create uncertainty in estimating future revenue impacts of changes in tax law.

General Fund Financial Summary. The general fund financial summary in Attachment 2 (page 11) shows estimated FY14 revenues exceeded appropriations by $67 million, resulting in a growth in general fund reserves to $670 million, or 11.3 percent, of recurring appropriations. Preliminary actual FY14 revenue data will be available in September, and audited FY14 data will be available upon the completion of the general fund audit, likely before the start of the 2015 legislative session. The estimate for FY15 projects revenue to exceed appropriations by $10.9 million, resulting in an estimated FY15-ending reserve balance of $697 million, or 11.3 percent. Due in part to New Mexico's heavy reliance on volatile energy-related revenues, the LFC considers a reserve balance of 10 percent to be favorable.

The general fund financial summary includes an additional $31.7 million contingent liability consistent with a $101 million contingent liability the DFA booked against the general fund reserve in the state's FY12 unaudited comprehensive annual financial report (CAFR) released August 2013. However, there continues to be uncertainty regarding the amount of the actual liability. It is critical that DFA complete the work of unraveling historical unreconciled balances spanning from the implementation of SHARE in 2006. The financial summary also includes a potential $60 million 2015 deficiency appropriation to HSD for an overstated Medicaid Receivable and a $36 million contingent appropriation to PED in FY14 (see "Risks to the Forecast," below).

General Fund Appropriations and Temporary 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 during the same period after solvency adjustments and adding one-time federal funds. From an FY09 peak of over $6 billion, total spending fell 4.8 percent in FY10 and 8.5 percent in FY11 after allotment reductions. FY14 general fund spending is 3.6 percent below the FY09 peak but 3.8 percent above FY13 appropriations. FY15 revenue is expected to return to the FY08 pre-recession high-water mark for the first time. FY16 "New Money," defined as projected recurring revenue less FY16 recurring appropriations, is projected at $285 million, or 4.6 percent of FY15 appropriations.

Figure 1. Appropriations: General Fund and Temporary Funds



Source: LFC Files

General Fund Recurring Appropriation Outlook. Attachment 8 shows the FY15-FY19 General Fund Recurring Appropriation Outlook, which compares the consensus revenue estimate with expenditure growth based on conservative assumptions. The overall appropriation growth is estimated between 2.6 and 2.8 percent per year, slower than the more than 3 percent revenue growth each year. As a result, the projected surplus grows, from $89 million in FY15 to more than $300 million in FY19. It is important to note the appropriation growth assumptions are conservative – the projected 2.9 percent out-year growth is well below the 4.3 percent increase in recurring appropriations from FY14 to FY15. Further, this data reflects recurring appropriations only, and does not make assumptions concerning nonrecurring appropriations or legislative changes affecting revenues.

Risks to the Forecast.

- State and local government budget conditions are gradually improving as state tax revenues continue rising; however, the continuing sequester contributes to smaller federal grants. Because New Mexico relies heavily on federal government spending through the national laboratories, military institutions, and transfer payments (including Medicaid), any reductions in federal funding could have a negative impact on the New Mexico economy. BBER estimated in a worst-case scenario, New Mexico could lose about 20 thousand full and part time jobs because of the direct, indirect and induced impacts of cuts in federal spending. The sequestration reductions implemented pursuant to the Budget Control Act are not expected to have this drastic of an impact. On the upside, Medicaid expansion with federal share in the range of 90 percent to 100 percent will boost state economic activity and revenue.

- The economic recovery continues, but remains vulnerable to weakness in consumer sentiment, personal income, the housing market, currency volatility, financial sector weakness, and federal fiscal imbalance. New Mexico's economic recovery, particularly in terms of employment, lags the nation as a whole.

- The Federal Reserve (Fed) has begun tapering its purchases of long-term Treasuries and mortgage-backed securities in $10 billion increments from its $85-billion-per-month peak, and agreed at its June policy meeting to end the bond-buying program in October. Most officials at the June policy meeting expect the first interest rate hike to come next year, which could drive up yields on investments of state balances.

- Energy markets are inherently volatile. Oil production remains strong due to horizontal drilling and expanded exploration; however, it is unclear how long the production boom will continue. State coffers have seen the benefit from high oil prices as well, and a reduction could drastically affect the revenue picture. Environmental regulation on issues such as horizontal drilling and endangered species create uncertainty in future oil and natural gas production.

- The Affordable Care Act will generate additional revenues with new health insurance premiums being subject to state tax. State economists have estimated the impact based on existing federal law and Medicaid expansion. However, the rates at which New Mexicans enroll in the exchange at which members leave the New Mexico Medical Insurance Pool are uncertain, making insurance premium tax revenue to the general fund difficult to estimate.

- The result of the Court decision in *Eunice v. State of New Mexico Taxation and Revenue Department* creates a risk to the GRT forecast. TRD notes that, given the uncertainty about the legal status of the case (the department has filed a Motion for Rehearing with the NM Supreme Court) and the administrative complexity involved in determining the fiscal impact of the Court of Appeals' decision, it is not yet possible to estimate the potential impact.

- The potential for increases in the cost of tax credits is a risk to state revenues. Credits with potentially high general fund revenue impacts include the high wage jobs tax credit (HWJTC), the manufacturing/construction GRT credits, the renewable energy production credit, and the film production tax credit. Legislation to tighten qualifying criteria for the HWJTC has led to more denials of tax credit claims. Many of these denied claims are being protested, however, and if they are granted they would reduce revenue. Another risk is $70 million in carry-forwards from the renewable energy production tax credit, which may be used by qualified energy generators to reduce tax liability. Excess amounts can be carried forward for five years. The credit claims at the front of the queue are not refundable; however, it is unclear when qualified generators will become profitable and apply the credits against their tax liabilities.

- Federal efforts to create a framework for regulating state taxing authority for in-state activities could affect state revenues. The Marketplace Equity Act and the Marketplace Fairness Act would grant states authority to impose taxes on remote internet retailers who compete with local retailers but currently do not have to collect and remit sales or gross receipts taxes to a purchaser's home state. It is unclear whether either of these bills will pass, and how their specific provisions would affect New Mexico. The imposition of New Mexico tax on remote sellers represents an upside risk to the forecast, although the positive risk is limited as major online retailers are already collecting and remitting sales tax.

- An arbitration panel decision found New Mexico did not diligently enforce its qualifying tobacco settlement statute in calendar year 2003, resulting in an $18 million reduction in New Mexico's FY14 tobacco master settlement agreement (MSA) payment. If future challenges to subsequent tobacco payments are successful, New Mexico may see additional reductions in MSA payments. The current general financial summary does not include reductions in the FY15 or the FY16 MSA payments pursuant to any future adverse decisions, although the potential for such a reduction presents a downside risk.

- New Mexico may be faced with reduced federal special education allocations if the Public Education Department (PED) does not prevail in their maintenance of effort (MOE) waiver request. Current PED and US Department of Education estimates range between $10.9 million and $35.2 million for FY11 and $17.8 million and $27.9 million for FY12. If federal funds are reduced, policymakers may be faced with increasing general fund allocations to schools to make up the shortfall. Any state funds made available for special education are included in the calculation of MOE and the backfill of lost federal funds with state revenues may increase the state's MOE requirements for future years.

- The General Fund Financial Summary includes a reduction to the operating reserve of $36 million for a contingent appropriation related to state efforts to meet federal special education spending requirements. Provisions in House Bill 2 and House Bill 628 were enacted to ensure state met its federal special education maintenance of effort (MOE) requirements for FY13. The lack of a federal decision on how to calculate the MOE requirement necessitated a multi-level approach to make available the necessary amounts to meet MOE for school districts. First, the General Appropriation Act (GAA) appropriated $20 million for FY13 for the Public Education Department to distribute to public schools should the funding formula produce an amount for special education less than needed based on the state's position for how the target amount should be calculated. Another provision in the GAA authorized transferring up to $20 million in funding from the funding formula to a special education MOE fund for distribution to public schools should the original appropriation be deemed insufficient. Additional 2013 legislation authorized another $20 million to be transferred from the operating reserves if the first two provisions failed to meet the MOE requirement.

- A further risk to the general fund forecast is the need for a Medicaid deficiency appropriation to cover a prior-year overstated receivable for the Human Services Department (HSD) of approximately $60 million. This shortfall is in addition to the $103 million shortfall addressed in part by a deficiency appropriation of $35 million in FY12. The General Fund Financial Summary (attachment 2) assumes the 2015 Legislature makes such an appropriation to HSD.

Bonding. Attachment 9 (page 19) summarizes the severance tax bonding capacity estimate for the FY15-FY19 forecast period, based on updated assumptions for revenue into the severance tax bonding fund and an updated debt service schedule. Senior severance tax bonding (STB) capacity is estimated to reach $347.3 million in FY15, comprising senior long-term issuance of $214.5 million and senior sponge capacity of $133.2 million. After adjusting for authorized unissued projects totaling approximately $25.2 million and for statutory earmarks, including 10 percent ($34.8 million) to water projects, and 5 percent ($17.4 million) each for tribal infrastructure projects and colonias projects, the net senior capacity for statewide capital projects is $253 million. Supplemental STB capacity for public school capital projects is estimated to be $229.6 million, for a total FY15 STB capacity (after earmarks) of $482.5 million.

Attachment 1 - General Fund Consensus Revenue Estimate: August 2014 (Millions of Dollars)

	FY14				FY15				FY16			
	Dec-13 Adj. for Legis.	Pre-liminary Actual*	Change from Prior	% Change from FY13	Dec-13 Adj. for Legis.	Aug 2014 Est.	Change from Prior	% Change from FY14	Dec-13 Adj. for Legis.	Aug 2014 Est.	Change from Prior	% Change from FY15
Gross Receipts Tax	1,976.2	1,976.0	(0.2)	3.0%	2,090.6	2,061.0	(29.6)	4.3%	2,193.2	2,160.0	(33.2)	4.8%
Compensating Tax	50.4	78.2	27.8	53.6%	52.1	63.9	11.8	-18.3%	51.2	65.9	14.7	3.1%
TOTAL GENERAL SALES	2,026.6	2,054.2	27.6	4.3%	2,142.7	2,124.9	(17.8)	3.4%	2,244.4	2,225.9	(18.5)	4.8%
Tobacco Taxes	83.6	79.4	(4.2)	-7.7%	82.5	79.8	(2.7)	0.5%	81.6	78.7	(2.9)	-1.4%
Liquor Excise	27.3	26.5	(0.8)	1.0%	27.5	27.2	(0.3)	2.6%	6.5	6.9	0.4	-74.5%
Insurance Taxes	126.7	115.5	(11.2)	7.4%	182.0	159.0	(23.0)	37.7%	210.7	188.0	(22.7)	18.2%
Fire Protection Fund Reversion	17.4	17.4	-	-5.0%	16.5	16.5	0.0	-5.2%	15.5	15.5	0.0	-6.1%
Motor Vehicle Excise	133.2	132.9	(0.3)	5.9%	137.5	137.3	(0.2)	3.3%	142.8	142.9	0.1	4.1%
Gaming Excise	64.4	66.4	2.0	5.3%	65.5	67.9	2.4	2.3%	66.7	68.1	1.4	0.3%
Leased Vehicle Surcharge	5.5	5.2	(0.3)	4.6%	5.5	5.3	(0.2)	1.9%	5.6	5.3	(0.3)	0.0%
Other	2.4	4.3	1.9	-269.8%	2.4	0.3	(2.2)	-94.1%	2.4	2.4	-	860.0%
TOTAL SELECTIVE SALES	460.5	447.5	(13.0)	7.3%	519.4	493.3	(26.2)	10.2%	531.8	507.8	(23.9)	3.0%
Personal Income Tax	1,211.5	1,250.0	38.5	0.7%	1,280.0	1,305.0	25.0	4.4%	1,335.0	1,345.0	10.0	3.1%
Corporate Income Tax**	279.0	205.0	(74.0)	-23.3%	289.0	215.0	(74.0)	4.9%	276.0	210.0	(66.0)	-2.3%
TOTAL INCOME TAXES	1,490.5	1,455.0	(35.5)	-3.5%	1,569.0	1,520.0	(49.0)	4.5%	1,611.0	1,555.0	(56.0)	2.3%
Oil and Gas School Tax	427.1	481.0	53.9	26.6%	421.2	487.3	66.1	1.3%	419.5	482.9	63.4	-0.9%
Oil Conservation Tax	23.3	26.2	2.9	26.1%	22.9	26.6	3.7	1.5%	22.9	26.4	3.5	-0.8%
Resources Excise Tax	11.5	11.5	-	-14.7%	11.5	11.5	-	0.0%	11.5	11.5	-	0.0%
Natural Gas Processors Tax	15.8	16.3	0.5	-32.6%	17.8	18.8	1.0	15.3%	18.1	20.9	2.8	11.2%
TOTAL SEVERANCE TAXES	477.7	535.0	57.3	22.0%	473.4	544.2	70.8	1.7%	472.0	541.7	69.7	-0.5%
LICENSE FEES	49.9	51.8	1.9	3.6%	50.6	51.6	1.0	-0.4%	51.2	51.8	0.6	0.3%
LGPF Interest***	445.3	449.0	3.7	1.8%	489.4	496.2	6.8	10.5%	529.9	545.6	15.7	10.0%
STO Interest	12.1	34.5	12.3	134.1%	13.5	25.0	11.5	-27.5%	28.0	45.0	17.0	80.0%
STPF Interest	170.4	170.5	0.1	-3.2%	179.4	182.7	3.3	7.2%	186.1	193.6	7.5	6.0%
TOTAL INTEREST	627.8	654.0	26.2	3.5%	682.3	703.9	21.6	7.6%	744.0	784.2	40.2	11.4%
Federal Mineral Leasing	490.0	569.7	79.7	23.9%	520.0	573.1	53.1	0.6%	490.0	569.4	79.4	-0.6%
State Land Office	45.2	47.5	2.3	6.4%	47.6	52.9	5.3	11.4%	46.7	50.6	3.8	-4.4%
TOTAL RENTS & ROYALTIES	535.2	617.2	82.0	22.4%	567.6	626.0	58.4	1.4%	536.7	619.9	83.2	-1.0%
TRIBAL REVENUE SHARING	72.5	69.0	(3.5)	-2.4%	74.4	70.0	(4.4)	1.4%	77.7	53.3	(24.4)	-23.9%
MISCELLANEOUS RECEIPTS	49.2	52.4	3.2	27.0%	51.2	52.9	1.7	1.0%	54.9	56.1	1.2	6.0%
REVERSIONS	71.4	71.4	-	8.6%	53.0	53.0	-	-25.8%	40.0	40.0	-	-24.5%
TOTAL RECURRING	5,861.3	6,007.5	146.2	5.2%	6,183.6	6,239.7	56.1	3.9%	6,363.6	6,435.7	72.1	3.1%
TOTAL NON-RECURRING	-	-	-	-100.0%	-	-	-	na	-	-	-	na
GRAND TOTAL	5,861.3	6,007.5	146.2	5.2%	6,183.6	6,239.7	56.1	3.9%	6,363.6	6,435.7	72.1	3.1%

* FY14 preliminary actual reflects actual revenues through May accruals

** CIT revenue estimate totals reflect the impact of Laws 2013, Ch. 160, estimated to reduce general fund revenue as CIT rate reductions and optional single-sales factor apportioning are phased in.

Attachment 1 - General Fund Consensus Revenue Estimate: August 2014 (Millions of Dollars)

	FY17				FY18				FY19	
	Dec-13 Adj. for Legis.	Aug 2014 Est.	Change from Prior	% Change from FY16	Dec-13 Adj. for Legis.	Aug 2014 Est.	Change from Prior	% Change from FY17	Aug 2014 Est.	% Change from FY18
Gross Receipts Tax	2,308.7	2,298.0	(10.7)	6.4%	2,405.6	2,393.0	(12.6)	4.1%	2,510.0	4.9%
Compensating Tax	51.3	70.4	19.1	6.8%	50.4	70.5	20.1	0.2%	72.7	3.1%
TOTAL GENERAL SALES	2,360.0	2,368.4	8.4	6.4%	2,456.0	2,463.5	7.5	4.0%	2,582.7	4.8%
Tobacco Taxes	80.6	77.2	(3.4)	-1.9%	79.7	76.0	(3.7)	-1.6%	74.5	-2.0%
Liquor Excise	6.7	7.1	0.4	2.9%	26.4	26.6	0.2	273.0%	29.4	10.4%
Insurance Taxes	235.5	210.0	(25.5)	11.7%	255.7	230.0	(25.7)	9.5%	240.0	4.3%
Fire Protection Fund Reversion	14.3	13.8	(0.5)	-11.0%	12.6	12.1	(0.5)	-12.3%	10.3	-14.9%
Motor Vehicle Excise	146.7	148.4	1.7	3.8%	149.8	152.7	2.9	2.9%	155.4	1.8%
Gaming Excise	68.1	68.3	0.2	0.3%	67.0	68.5	1.5	0.3%	68.8	0.4%
Leased Vehicle Surcharge	5.6	5.4	(0.2)	1.9%	5.7	5.4	(0.3)	0.0%	5.5	1.9%
Other	2.4	2.4	-	0.0%	2.4	2.4	-	0.0%	2.4	0.0%
TOTAL SELECTIVE SALES	560.0	532.6	(27.3)	4.9%	599.3	573.7	(25.6)	7.7%	586.3	2.2%
Personal Income Tax	1,400.0	1,405.0	5.0	4.5%	1,435.0	1,465.0	30.0	4.3%	1,530.0	4.4%
Corporate Income Tax**	244.0	200.0	(44.0)	-4.8%	206.0	160.0	(46.0)	-20.0%	150.0	-6.3%
TOTAL INCOME TAXES	1,644.0	1,605.0	(39.0)	3.2%	1,641.0	1,625.0	(16.0)	1.2%	1,680.0	3.4%
Oil and Gas School Tax	417.9	483.0	65.1	0.0%	415.3	480.6	65.3	-0.5%	478.2	-0.5%
Oil Conservation Tax	22.8	26.5	3.7	0.4%	22.8	26.5	3.7	0.0%	26.4	-0.4%
Resources Excise Tax	11.5	11.5	-	0.0%	11.5	11.5	-	0.0%	11.5	0.0%
Natural Gas Processors Tax	18.0	19.7	1.7	-5.7%	17.6	19.3	1.7	-2.0%	18.7	-3.1%
TOTAL SEVERANCE TAXES	470.2	540.7	70.5	-0.2%	467.2	537.9	70.7	-0.5%	534.8	-0.6%
LICENSE FEES	52.1	51.9	(0.2)	0.2%	53.3	52.0	(1.3)	0.1%	52.0	0.1%
LGPF Interest***	516.0	540.2	24.2	-1.0%	559.2	595.1	35.8	10.2%	648.1	8.9%
STO Interest	57.0	75.0	18.0	66.7%	67.0	85.0	18.0	13.3%	90.0	5.9%
STPF Interest	191.4	203.5	12.1	5.1%	199.4	216.6	17.2	6.4%	227.2	4.9%
TOTAL INTEREST	764.4	818.7	54.3	4.4%	825.6	896.6	71.0	9.5%	965.3	7.7%
Federal Mineral Leasing	485.0	567.2	82.2	-0.4%	480.0	562.5	82.5	-0.8%	557.8	-0.8%
State Land Office	46.7	49.3	2.6	-2.5%	46.7	48.9	2.2	-0.8%	49.1	0.4%
TOTAL RENTS & ROYALTIES	531.7	616.5	84.8	-0.5%	526.7	611.4	84.7	-0.8%	606.9	-0.7%
TRIBAL REVENUE SHARING	79.7	56.2	(23.5)	5.4%	81.7	58.4	(23.3)	3.9%	60.5	3.6%
MISCELLANEOUS RECEIPTS	56.2	58.7	2.5	4.7%	57.5	61.0	3.5	3.8%	62.1	1.8%
REVERSIONS	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%	40.0	0.0%
TOTAL RECURRING	6,558.3	6,688.7	130.4	3.9%	6,748.3	6,919.5	171.1	3.4%	7,170.6	3.6%
TOTAL NON-RECURRING	-	-	-	na	-	-	-	na	-	na
GRAND TOTAL	6,558.3	6,688.7	130.4	3.9%	6,748.3	6,919.5	171.1	3.4%	7,170.6	3.6%

** CIT revenue estimate totals reflect the impact of Laws 2013, Ch. 160, estimated to reduce general fund revenue as CIT rate reductions and optional single-sales factor apportioning are phased in.

*** In FY17 the Land Grant Permanent Fund distribution decreases from 5.5% to 5% of the 5-year avg. fund value.

Attachment 2 - General Fund Financial Summary: August 2014 Consensus Revenue Estimate

(in millions of dollars)

September 22, 2014	Estimated FY2014	Estimated FY2015	Estimated FY2016
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2013 Consensus Forecast (after 2014 Legislature)	$ 5,861.3	$ 6,183.6	$ 6,363.6
August 2014 Consensus Revenue Update	$ 146.2	$ 56.1	$ 72.1
Total Recurring Revenue	$ 6,007.6	$ 6,239.7	$ 6,435.7
Nonrecurring Revenue			
December 2013 Consensus Forecast (after 2014 Legislature)	$ -	$ -	$ -
August 2014 Consensus Revenue Update	$ -	$ -	$ -
Total Non-Recurring Revenue	$ -	$ -	$ -
TOTAL REVENUE	**$ 6,007.6**	**$ 6,239.7**	**$ 6,435.7**
APPROPRIATIONS			
Recurring Appropriations			New Money in FY16 is $285M (4.6%)
General Appropriation	$ 5,892.9	$ 6,151.2	
Legislative Session Costs - Feed Bill	$ 6.1	$ -	
Total Recurring Appropriations	$ 5,899.0	$ 6,151.2	
Nonrecurring Appropriations			
FY13 Audit Adjustment	$ 1.5	$ -	
2014 IT Project Funding	$ 7.7	$ -	
2014 Deficiencies, Supplementals, Specials	$ 32.5	$ 13.4	
2015 Potential Deficiency Appropriations (2)		$ 64.2	
Total Nonrecurring Appropriations	$ 41.7	$ 77.6	
TOTAL APPROPRIATIONS	**$ 5,940.7**	**$ 6,228.8**	
Transfer to(from) Reserves	$ 66.9	$ 10.9	
GENERAL FUND RESERVES			
Beginning Balances	$ 671.4	$ 669.5	
Transfers from (to) Appropriations Account	$ 66.9	$ 10.9	
Revenue and Reversions	$ 73.0	$ 69.3	
Appropriations, Expenditures and Transfers Out	$ (141.8)	$ (53.4)	
Ending Balances	**$ 669.5**	**$ 696.3**	
Reserves as a Percent of Recurring Appropriations	*11.3%*	*11.3%*	

Notes:

(1) Nonrecurring revenue reduction in FY14 reflects reduced State Land Office distribution to the general fund pursuant to expenditure of a special appropriation and an IT appropriation from the land maintenance fund.

(2) 2015 potential deficiency appropriations include $60.2 million to HSD for Medicaid receivables and $4 million for settlement of the union lawsuit liability.

Attachment 2 - General Fund Financial Summary: August 2014 Consensus Revenue Estimate
RESERVE DETAIL
(in millions of dollars)

	Estimated FY2014	Estimated FY2015	Estimated FY2016
OPERATING RESERVE			
Beginning Balance	$ 327.1	$ 308.3	
BOF Emergency Appropriations/Reversions	$ (2.0)	$ (2.0)	
Contingent Liability - Cash Management (1)	$ (31.7)	$ -	
Transfers from/to Appropriation Account	$ 66.9	$ 10.9	
Contingent Liability for PED MOE (HB2 & HB628) (2)	$ (36.0)		
Transfer to ACF/Other Appropriations	$ (17.0)	$ (15.0)	
Revenues and Reversions	$ 1.0	$ -	
Ending Balance	$ 308.3	$ 302.2	
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 16.4	$ 16.2	
Disaster Allotments	$ (19.2)	$ (16.0)	
Other Appropriations (3)		$ (0.5)	
Transfers In (4)	$ 17.0	$ 15.0	
Revenue and Reversions	$ 2.0	$ -	
Ending Balance	$ 16.2	$ 14.7	
Education Lock Box			
Beginning Balance	$ 9.1	$ 3.1	
Appropriations (GAA Section 5&6) (5)	$ (6.0)	$ -	
Transfers In (Out)	$ -	$ -	
Ending Balance	$ 3.1	$ 3.1	
Total of Appropriation Contingency Fund	$ 19.3	$ 17.8	
STATE SUPPORT FUND			
Beginning Balance	$ 1.0	$ 1.0	
Revenues	$ -	$ -	
Appropriations	$ -	$ -	
Ending Balance	$ 1.0	$ 1.0	
TOBACCO PERMANENT FUND			
Beginning Balance	$ 170.3	$ 193.5	
Transfers In	$ 21.1	$ 39.8	
Appropriation to Tobacco Settlement Program Fund (6)	$ (10.6)	$ (19.9)	
Gains/Losses	$ 31.9	$ 14.5	
Additional Transfers From TSPF (7)	$ (19.3)	$ -	
Ending Balance	$ 193.5	$ 227.9	
TAX STABILIZATION RESERVE			
Beginning Balance	$ 147.5	$ 147.5	
Transfers In	$ -	$ -	
Ending Balance	$ 147.5	$ 147.5	
GENERAL FUND ENDING BALANCES	**$ 669.5**	**$ 696.3**	
Percent of Recurring Appropriations	*11.3%*	*11.3%*	

Notes:

(1) The FY13 general fund audit does not reduce the operating reserve by a $31.7m contingent liability in FY13 (in addition to the previously identified $70m contingent liability in FY12) for SHARE reconciliation to the cash account. The contingent liability is a downside risk to reserves, and is reported in FY14 in this summary.

(2) The FY13 general fund audit does not include a FY13 transfer of $20m from the operating reserve to PED contingent on appropriation in the GAAs of 2012 and 2013 being insufficient to meet federal IDEA MOE requirements. This summary shows the $20m transfer and a $16m transfer occurring in FY14.

(3) $500 thousand to the Office of Military Base Planning for the preservation of US military bases in New Mexico.

(4) Section 12 of Laws 2014, Ch. 63 transferred $15 million from the operating reserve to replenish the ACF.

(5) FY14 includes $2.5 million for professional develoment and $3.5 million to the instructional material fund.

(6) After the reduction, the FY14 Tobacco MSA payment is $21.1million. The FY15 transfer shown assumes no reduction.

(7) The GAA of 2014 makes appropriations for CYFD and lottery tuition programs with non-tobacco funds. A provision transferring tobacco funds back from the lottery tuition fund was vetoed, resulting in a $4.9 million increased expenditure from the TSPF. A further $4.9 million espenditure results from transfers for CYFD made in Chapter 228 of Laws 2013. Total expenditures reflect language restoring a $19.3 million appropriation from the tobacco settlement program fund in the event of a reduction in tobacco settlement revenue.

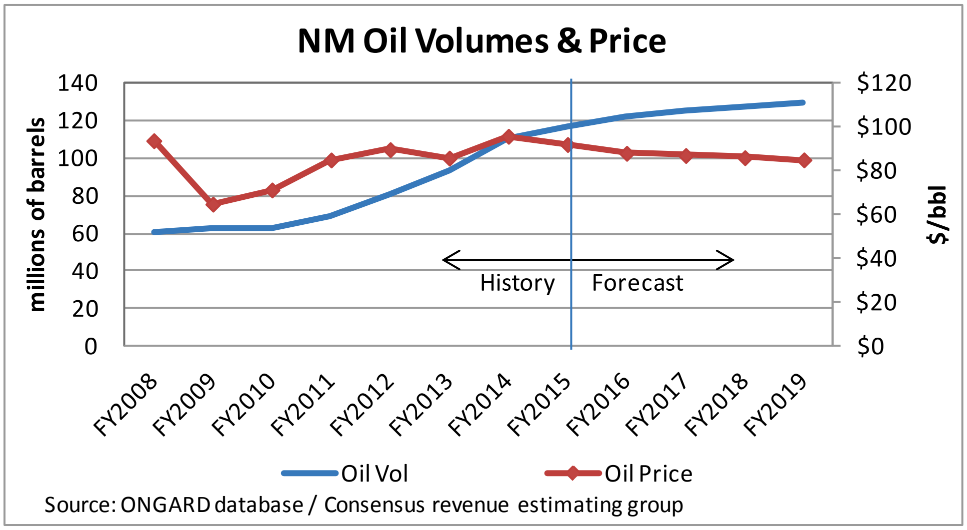
Attachment 3 - U.S. and New Mexico Economic Indicators

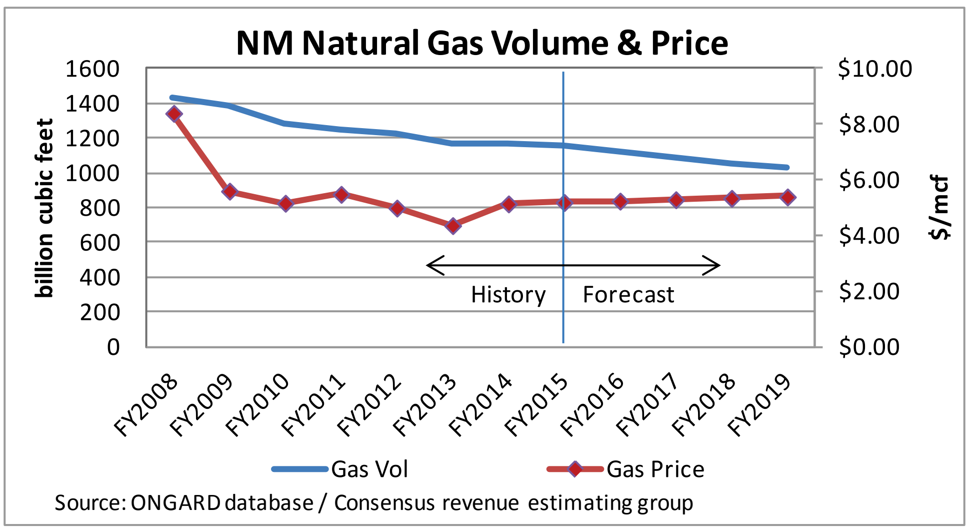
		FY14		FY15		FY16		FY17		FY18		FY19
		Dec13 Forecast	Aug14 Forecast	Dec13 Forecast	Aug14 Forecast	Dec13 Forecast	Aug14 Forecast	Dec13 Forecast	Aug14 Forecast	Dec13 Forecast	Aug14 Forecast	Aug14 Forecast
	National Economic Indicators											
GI	US Real GDP Growth (annual avg. ,% YOY)*	1.9	2.0	3.0	2.3	3.2	3.0	3.2	3.4	3.0	2.9	2.7
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	2.1	2.0	4.0	2.7	3.5	3.6	2.7	3.1	2.1	2.5	1.9
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.5	1.6	1.7	2.1	1.8	1.2	1.9	1.9	1.9	1.9	1.9
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.5	1.5	2.0	2.1	2.3	2.3	2.5	2.7	2.4	2.9	2.7
GI	Federal Funds Rate (%)	0.13	0.08	0.16	0.11	1.10	0.97	3.17	2.96	4.00	4.00	4.00
Moody's	Federal Funds Rate (%)	0.08	0.08	0.11	0.11	1.17	1.09	3.26	3.13	4.02	3.94	4.04
	New Mexico Labor Market and Income Data											
BBER	NM Non-Agricultural Employment Growth	1.2	0.7	1.6	1.4	1.6	1.3	1.6	1.4	1.3	1.3	1.1
Moody's	NM Non-Agricultural Employment Growth	1.0	0.1	1.8	0.8	2.3	1.5	1.7	1.7	1.1	1.1	0.7
BBER	NM Nominal Personal Income Growth (%)***	1.8	2.8	4.3	4.0	4.7	4.8	5.1	5.4	5.1	5.2	4.8
Moody's	NM Nominal Personal Income Growth (%)***	1.6	1.7	2.6	2.4	4.1	3.3	4.1	4.8	3.4	4.2	3.6
BBER	NM Total Wages & Salaries Growth (%)	2.9	2.0	3.9	3.3	4.1	3.7	4.4	4.1	4.3	4.2	4.1
Moody's	NM Total Wages & Salaries Growth (%)	1.8	1.9	5.5	3.3	5.7	5.1	5.0	5.2	4.6	4.6	4.4
BBER	NM Private Wages & Salaries Growth (%)	3.6	2.9	4.5	4.1	4.8	4.5	4.9	4.8	4.5	4.8	4.6
BBER	NM Real Gross State Product (% YOY)	-1.0	1.7	2.8	1.9	3.5	3.0	3.0	3.4	2.9	3.1	2.8
Moody's	NM Real Gross State Product (% YOY)	2.4	1.8	3.8	3.2	3.6	3.4	2.3	2.8	1.6	2.5	1.8
CREG	NM Oil Price ($/barrel)	$93.00	$95.75	$86.50	$92.00	$84.50	$88.00	$83.50	$87.00	$83.50	$86.00	$85.00
CREG	NM Taxable Oil Volumes (million barrels)	99.0	110.0	103.0	117.0	106.0	122.0	108.0	125.0	109.0	127.0	129.0
	NM Taxable Oil Volumes (%YOY growth)	5.1%	16.8%	4.0%	6.4%	2.9%	4.3%	1.9%	2.5%	0.9%	1.6%	1.6%
CREG	NM Gas Price ($ per thousand cubic feet)****	$4.85	$5.15	$5.10	$5.20	$5.20	$5.25	$5.30	$5.30	$5.35	$5.35	$5.40
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,130	1,170	1,090	1,158	1,050	1,124	1,010	1,090	970	1,057	1,025
	NM Taxable Gas Volumes (%YOY growth)	-3.8%	-0.4%	-3.5%	-1.0%	-3.7%	-2.9%	-3.8%	-3.0%	-4.0%	-3.0%	-3.0%

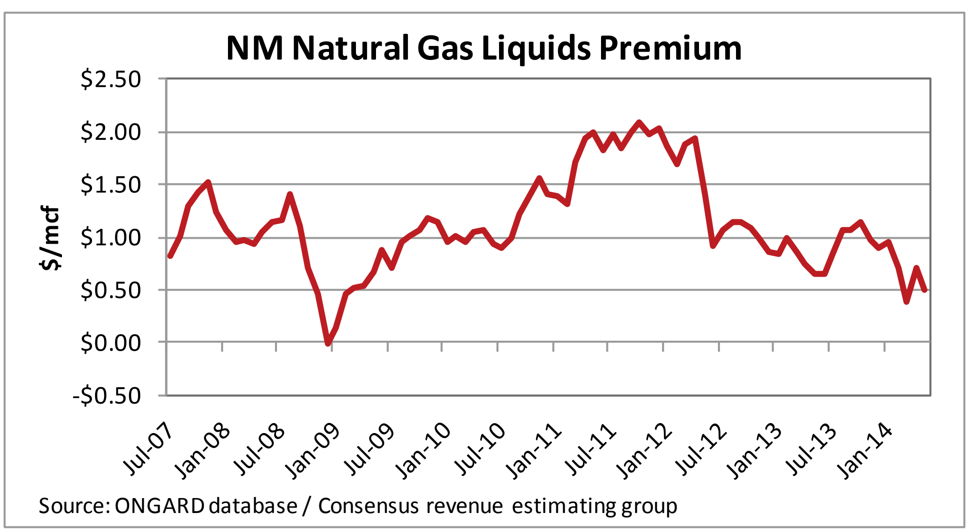
TRD Notes
* Real GDP is BEA chained 2009 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
Sources: BBER - July 2014 FOR-UNM baseline. Global Insight - July 2014 baseline.

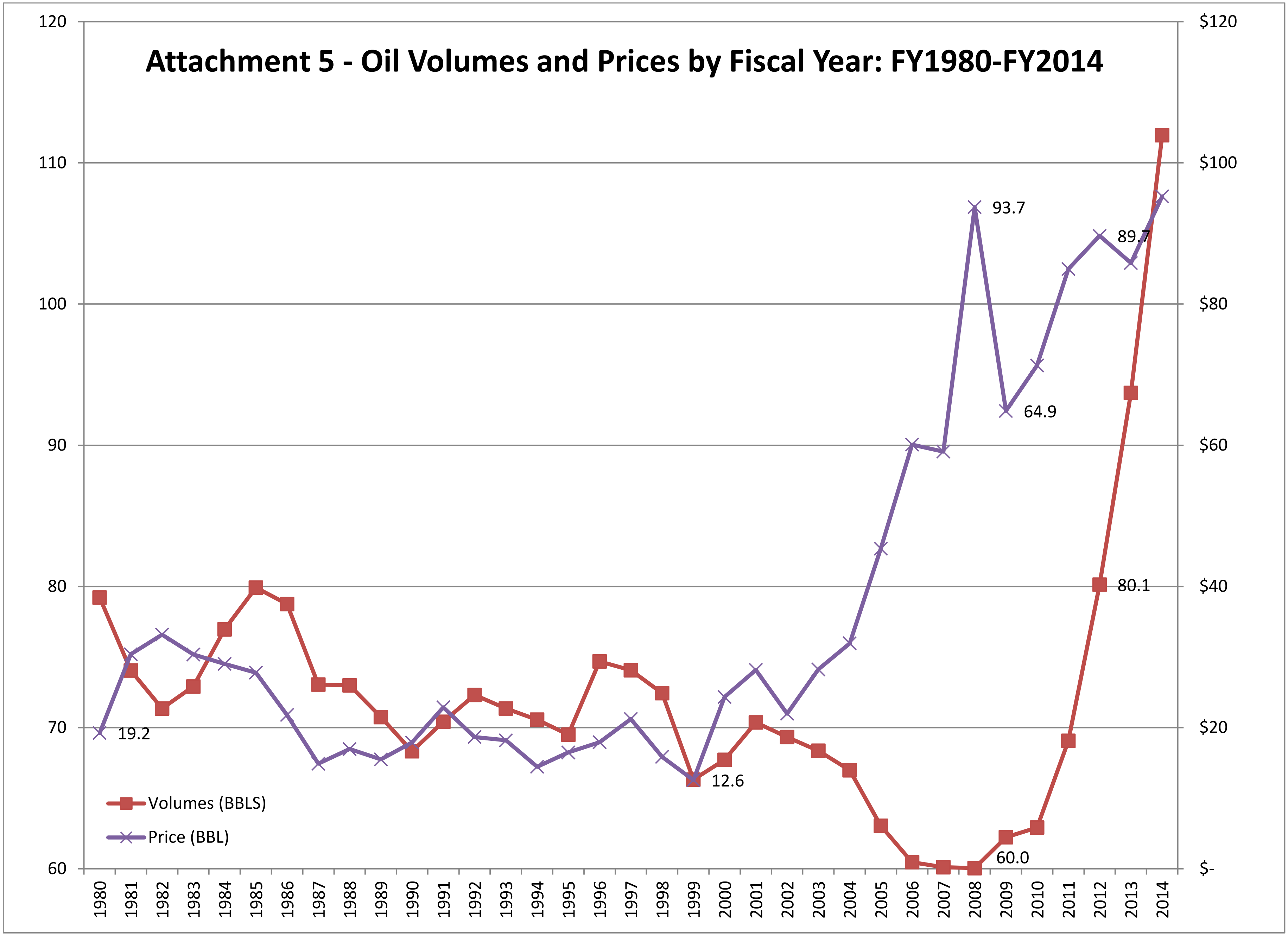
DFA Notes
****The gas prices are estimated using a formula of NYMEX, EIA, and Moody's (July) future prices as well as a liquid premium based on oil price forecast
Sources: Moody's Analytics, July baseline forecast for national and New Mexico data.

Attachment 4



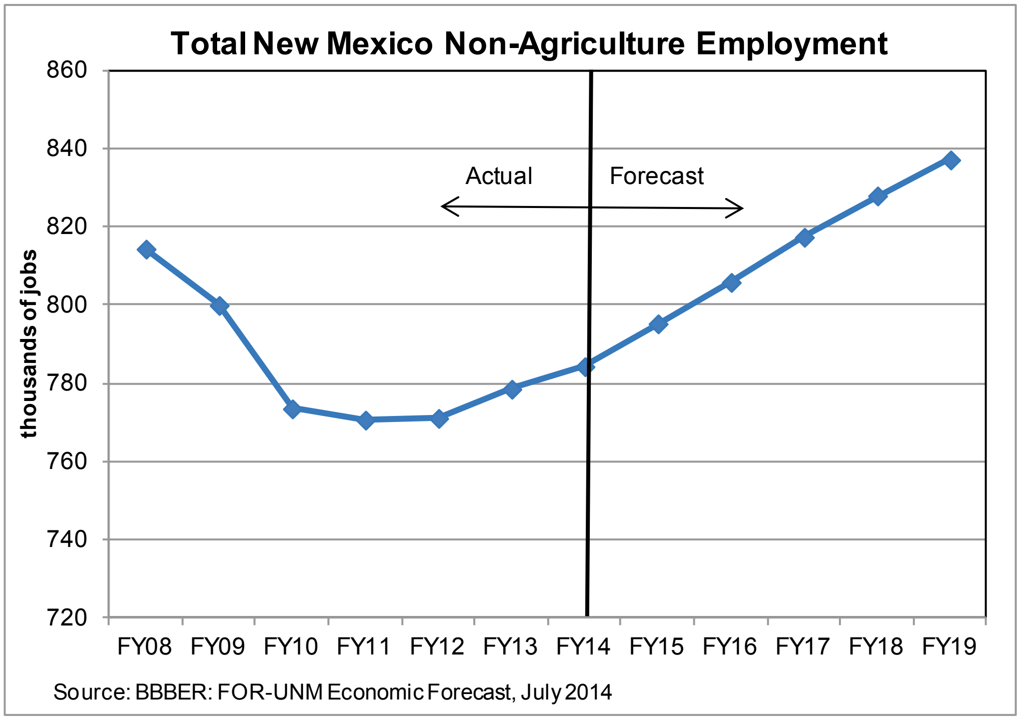


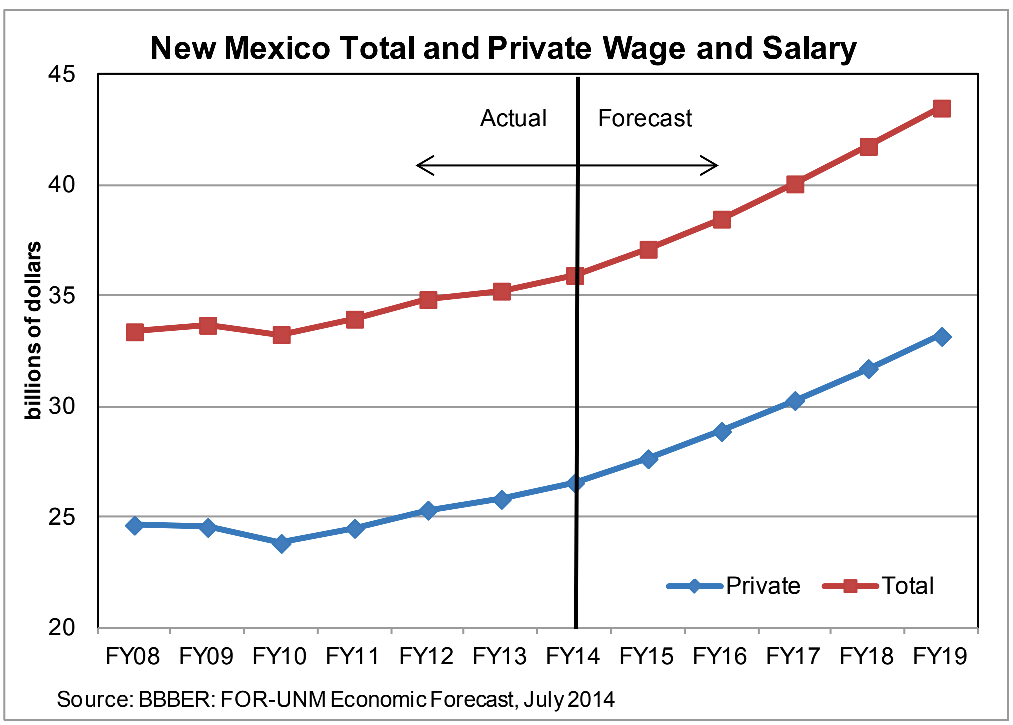




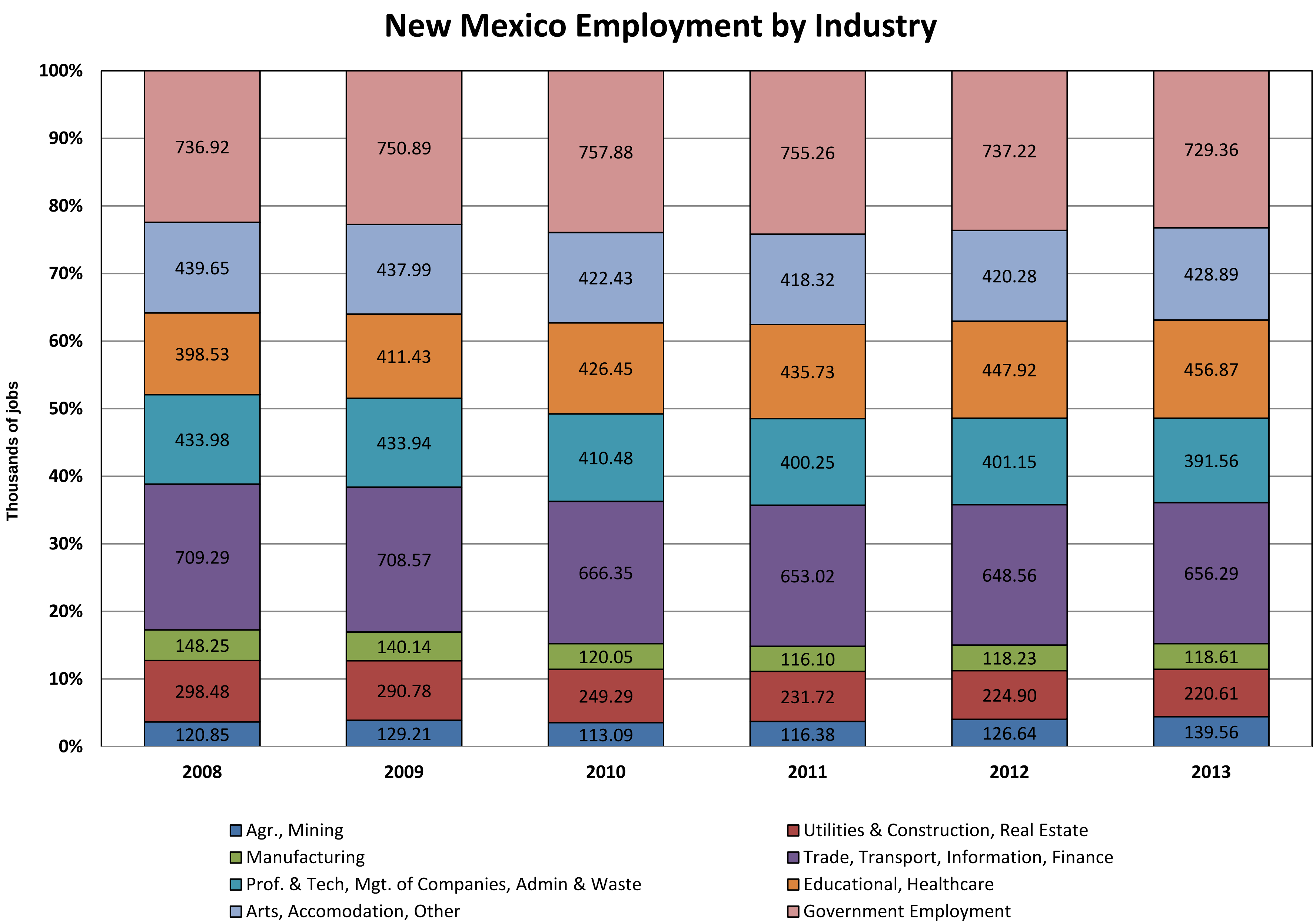
Attachment 5 - Oil Volumes and Prices by Fiscal Year: FY1980-FY2014
120
110
100
90
80
70
60
$120
$100
$80
$60
$40
$20
$-
93.7
89.7
64.9
80.1
19.2
12.6
60.0
Volumes (BBLS)
Price (BBL)
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

Attachment 6





Attachment 7



Source: BBER: FOR-UNM Economic Forecast, July 2014

Attachment 8 - FY15 - FY19 General Fund Recurring Appropriation Outlook

(in millions of dollars)

	GAA FY15	Outlook FY16	Outlook FY17	Outlook FY18	Outlook FY19
August 2014 Consensus - Recurring Revenue	$ 6,239.7	$ 6,435.7	$ 6,688.7	$ 6,919.5	$ 7,170.6
Total Recurring Revenue	**$ 6,239.7**	**$ 6,435.7**	**$ 6,688.7**	**$ 6,919.5**	**$ 7,170.6**
Yr/Yr percent change	*3.9%*	*3.1%*	*3.9%*	*3.4%*	*3.6%*
Recurring Appropriations:					
Public Education [1]	$ 2,715.3	$ 2,796.7	$ 2,880.6	$ 2,967.1	$ 3,056.1
Higher Education [2]	$ 838.6	$ 855.3	$ 872.4	$ 889.9	$ 907.7
Public Safety [2]	$ 393.9	$ 401.8	$ 409.8	$ 418.0	$ 426.4
Medicaid [3]	$ 904.5	$ 940.7	$ 978.3	$ 1,017.5	$ 1,058.2
Other Health & Human Services [1]	$ 118.9	$ 122.4	$ 126.1	$ 129.9	$ 133.8
All Other Government [2,4]	$ 1,180.0	$ 1,191.9	$ 1,215.7	$ 1,240.0	$ 1,264.8
Subtotal of Recurring Appropriations	**$ 6,151.2**	**$ 6,308.9**	**$ 6,483.1**	**$ 6,662.4**	**$ 6,846.9**
Yr/Yr percent change	*4.3%*	*2.6%*	*2.8%*	*2.8%*	*2.8%*
Total Recurring Approp. + Add. Funding	**$ 6,151.2**	**$ 6,308.9**	**$ 6,483.1**	**$ 6,662.4**	**$ 6,846.9**
Surplus/(Deficit)	**$ 88.5**	**$ 126.8**	**$ 205.6**	**$ 257.1**	**$ 323.7**

Notes:

(1) Public education, and other health & human services are assumed to grow at 3 percent in FY15 - FY18.

(2) Higher education, public safety, and all other government are assumed to grow at 2 percent in FY15 - FY18.

(3) Medicaid spending growth in FY15 - FY18 is estimated at 4 percent.

(4) The other government appropriation in FY16 and onward is reduced by $11.5 million to reflect the nonrecurring nature of the FY15 appropriation to the lottery tuition fund.

ATTACHMENT 9 - FORECAST OF CAPITAL OUTLAY AVAILABLE - AUGUST 2014 ESTIMATE

(in millions of dollars)

Severance Tax Bonding (STB)	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
Senior Long-Term Issuance	$214.5	$214.5	$214.5	$214.5	$214.5
Senior Sponge Issuance	$133.2	$124.9	$107.8	$99.0	$88.1
Senior STB Capacity	**$347.7**	**$339.4**	**$322.3**	**$313.5**	**$302.6**
Authorized but Unissued	($25.2)	$0.0	$0.0	$0.0	$0.0
Water Project Fund (Statutory 10% of STB)	($34.8)	($33.9)	($32.2)	($31.3)	($30.3)
Tribal Infrastructure Fund (Statutory 5% of STB)	($17.4)	($17.0)	($16.1)	($15.7)	($15.1)
Colonias Infrastructure Project Fund (Statutory 5% of STB)	($17.4)	($17.0)	($16.1)	($15.7)	($15.1)
Net Senior STB Capacity	**$253.0**	**$271.5**	**$257.9**	**$250.8**	**$242.1**
Supplemental Long-Term Issuance	$0.0	$0.0	$0.0	$0.0	$0.0
Supplemental Sponge Issuance	$229.6	$228.2	$230.1	$231.8	$231.8
Supplemental STB Capacity	**$229.6**	**$228.2**	**$230.1**	**$231.8**	**$231.8**
Total STB Capacity	**$482.5**	**$499.8**	**$488.0**	**$482.6**	**$473.9**