

REVENUE

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ISSUES FOR HEARING

August 2012 Consensus Revenue Estimate

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Summary.

- Total FY12 preliminary recurring revenue is now \$5,746.3 million. Table 1 presents a reconciliation of recurring revenues through the revenue estimating cycle.
- Attachment 1 (page 7) shows general fund revenue revisions from December 2011 to August 2012. FY12 revenue was revised upward from the December (adjusted for legislation) forecast by \$217 million. The FY13 revenue estimate was revised upward a mere \$18 million from the December forecast. The FY14 revenue estimate was revised upward by \$120 million from the December forecast.
- Attachment 2 (page 9) shows the general fund financial summary. Preliminary ending balances are \$706 million, or 12.9 percent of recurring appropriations at the end of FY12. The projected FY13 ending balance is \$736 million, or 13 percent of recurring appropriations. Once the operating reserve fund hits 8 percent of the prior budget year’s recurring appropriations, the excess must be transferred to the tax stabilization reserve by law. The financial summary shows a transfer of \$44 million to the tax stabilization reserve for FY12 and projects a \$14 million transfer in FY13.
- “New Money” in FY14, which is defined as FY14 projected revenue less FY13 recurring appropriations, is projected to be \$272 million or 4.8 percent of FY13 appropriations. However, chapter 127, Laws 2009 requires state employees to contribute an additional 1.5 percent to retirement plans until FY14. There is also an ERB 0.75 percent employer contribution until FY14. LFC also includes replacing 50 percent of the tobacco settlement funds with general fund. These scheduled appropriations would cost the state \$74 million in FY14. This will reduce the “new money” to \$198 million.

Table 1
August 2012 Consensus General Fund Recurring Revenue Outlook
 (Millions of Dollars)

	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
October 2011 revisions	\$5,512	\$5,680	\$5,860	\$6,039
December 2011 revisions	\$22	\$9	-\$18	-\$2
2012 Leg. Revisions	-\$4	-\$18	-\$40	-\$54
August 2012 revisions	\$217	\$18	\$120	\$199
August 2012 Consensus	\$5,746	\$5,688	\$5,922	\$6,182
Annual amount change	\$344	-\$58	\$234	\$260
Annual percent change	6.4%	-1.0%	4.1%	4.4%

The Economic Forecast. Revenue estimators have traditionally relied on NM forecasts produced by UNM's Bureau of Business and Economic Research (BBER). They, in turn, have relied on a national forecast produced by Global Insight. Selected economic indicators from these forecasts are presented in Attachment 3 (page 11). Households face too many negatives to allow robust consumer spending recovery—high debt burdens, low house prices, modest employment growth, and a lack of confidence in the government's ability to make things better.

New Mexico's July unemployment rate increased to 6.6 percent, from 6.5 percent last month and 7.5 percent a year ago. The Bureau of Labor Statistics reported that New Mexico non-farm employment (seasonally adjusted) increased 0.1 percent or 500 jobs over the month to 800.6 thousand, from June to July. Year-over-year employment decreased 0.3 percent or 2.6 thousand.

Looking forward, the New Mexico Bureau of Business and Economic Research forecasting service anticipates job growth of only 1.2 percent in FY13. New Mexico is not projected to regain the previous peak number of payroll jobs, about 830 thousand, until 2016, eight years after that level was first achieved. Private wages and salaries, a critical driver of gross receipts taxes, are expected to grow by 4.2 percent in FY13 and 3.8 percent in FY14. The FY13 growth for real gross domestic product (GDP) is expected to grow slightly to 2.0 percent and then increase to 2.1 percent in FY14. Inflation in the U.S. is expected to remain subdued, averaging 2.3 percent over the next two years.

Energy Markets. Oil prices have risen since the December forecast. The high oil prices are due to positive economic news from foreign nations, improvements in GDP and an increase in demand as oil was transported to oil refineries. However, continued economic uncertainty in the U.S. and Europe threaten ongoing price growth.

Attachment 4 (page 12) shows that oil prices are expected to remain around \$85 per barrel (bbl) in FY13, with moderate growth in out years consistent with slower economic recovery and ongoing uncertainty in the oil markets. Oil volumes increased by 9.8 percent in FY11, with preliminary actuals showing a 13.2 percent increase in FY12. Recent activity in the Permian basin suggests continued growth in oil volumes in the next few years with decreasing production expected in later years associated with well decline. Industry analysts suggest that pipeline and trucking capacity constraints in the Permian basin may decrease prices. In fact, the New Mexico price differential to WTI appears to have increased to \$4.65/bbl from \$4/bbl in previous years. Each additional \$1/bbl change in price sustained over one year is equivalent to a \$4.5 million change in general fund revenue.

Natural gas prices continue to remain low, largely in response to supply increases resulting from technological improvements in production and ongoing strength in shale-based liquids. Lower demand from a mild winter has been partially offset by heat wave conditions that have increased electric generation usage up in the summer. 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 FY11, the total gas prices averaged \$5.50 and the processed or dry gas prices averaged \$4.03. The premium above the dry gas price for natural gas liquids averaged \$1.47 per thousand cubic feet (mcf) in FY11, while preliminary FY12 prices show the natural gas liquids premium at \$1.90/mcf.

The FY13 natural gas price forecast is \$4.90/mcf for the year, down \$0.70/mcf from the December forecast. Natural gas prices were revised down through the forecast period with expectations of national production growth and slow economic recovery. Natural gas volumes – expressed in thousands of cubic feet equivalent – fell by 2.9 percent in FY11 and preliminary actuals show a 1.2 percent decrease in FY12. Volumes are expected to continue to decline as production moves to richer plays, such as, 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. The liquids premium is expected to average

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\$1.70/mcf in FY13. Each \$0.10 change in natural gas price is equivalent to an \$8.5 million change in general fund revenue.

Other Revenue Highlights. The consensus revenues estimating group engaged in a spirited debate about the underlying growth of taxable gross receipts over the forecast horizon. One group was influenced by the divergence between forecasts of private (non-government) and total wages and salaries, arguing that the much higher private wage and salary growth rates were likely to overstate retail consumption because of the relatively depressed state of government payrolls. Other analysts believed that the current 3.8 percent FY12 forecast error and historical trends argued for higher growth. Despite differing opinions on receipts during the forecast horizon, all analysts compromised and supported growth rates of 3.4 percent and 3 percent for FY13 and FY14, respectively. The net revenue generated from taxable gross receipts is reduced by \$18 million in FY13 – the estimated increased cost of the high wage jobs tax credit attributable to the gross receipts tax; this credit can also be claimed against withholding or compensating tax liabilities. In total, high wage tax credit claims are estimated at \$50 million annually in FY13 and FY14.

Receipts are then reduced an additional \$16 million in FY13 and \$32 million in FY14 to account for the impact of the manufacturing and construction tax credit. The Committee has heard testimony that the impact of this credit was underestimated during the 2012 legislative session. The current FY13 and FY14 estimate is roughly double and triple the amounts estimated in the final session fiscal impact report for the two fiscal years, respectively. There is a risk that this estimate could more than double if oil and gas drilling is also included as manufacturing.

As noted in the monthly revenue reports, corporate income tax receipts have lagged the FY12 estimate by 25 percent. However, analysts believe that this gap will close by the time DFA “closes the FY12 books” August 29th. For FY13, gross CIT revenues are estimated to increase by almost 19 percent due to the expiration of a federal provision that allowed businesses to immediately deduct from taxable income the cost of capital equipment. FY14 gross revenue growth is 16 percent and in part reflects recovery in the national economy. The net growth rates shown in Attachment 1 (page 7) reflect the effect of the film production tax credit increasing from \$10 million in FY12 to \$50 million in FY13 and FY14, respectively.

A major downside risk to this forecast is \$70 million in carry-forwards from the renewable energy production tax credit. To simplify, the credit may be claimed by entities that hold title to or lease a qualified energy generator and the tax must be used to reduce tax liability; excess amounts are carried forward for five years. Given an economic expansion, taxpayers should presumably draw down the carry-forwards and therefore reduce their payments and future CIT revenue.

Every taxpayer understands the relationship between their paycheck withholding and final tax returns; the return filed April 15th is simply a “truing up” of liability to taxes prepaid the previous calendar year. Unfortunately revenue estimators are unable to directly observe underlying liability. Analysts only see a series of monthly cash flows that are especially large during April and October (when income tax extensions expire). TRD does reconstruct calendar year liabilities by using complex computer programs but this data is two years old and is crudely projected into the future by using the rate of growth in New Mexico personal income. This estimating methodology is a major source of personal income tax PIT forecast error and the major interim task for revenue estimators.

Calendar year PIT liability is expected to increase 3.3, 3.4, and 4.4 percent in 2012, 2013, and 2014, respectively. Strength in oil and gas withholding and capital gains is additive to the growth in base liability. The net revenue generated is then reduced by \$9 million – the estimated increased cost of the high wage jobs tax credit attributable to PIT.

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Energy-related revenues have been underestimated in the past – FY12 federal mineral leasing revenues were underestimated by 20 percent. The August 2012 revenue estimate assumes continued strength in oil prices and production volumes, as well as continued bonus revenues from Bureau of Land Management lease sales, and as a result the revenue estimate is strengthened in comparison to December 2011.

Revenue estimators were concerned that the midwinter crash in natural gas prices would outweigh strength in oil prices. In fact, high oil prices and volumes outweighed weakness in natural gas prices in FY12. As mentioned earlier, growth in oil production surged to 13 percent in FY12 compared to the forecast growth of 1 percent in December 2011. Further, oil production increases are concentrated on federal lands with FY12 production reaching almost 50 percent of the total compared to 43 percent five years ago.

Revenues associated with the permanent funds are not growing significantly. Distributions are based on a rolling average of the last 5 calendar years' market value for the respective funds, and distributions for FY13 and FY14 are based in part on low market values in fiscal years 2010 and 2011 resulting from the economic recession.

Accounting issues and the onset of the Affordable Care Act (ACA) overwhelm other factors in the insurance premium tax estimate. Data provided by the insurance division shows significant weakness in FY12 receipts that analysts have discounted and have added back to the FY13 estimate as a recurring factor.

The ACA mandates that almost everyone above 133 percent of federal poverty guidelines have a basic health insurance plan by January 2014. These premiums will be subject to state tax. The consensus estimate of the FY14 impact of current federal law is approximately \$11 million and increases to over \$25 million annually outside of the forecast horizon. These numbers do not assume Medicaid expansion; using the low range of the Human Services Department's May 2012 estimates for Medicaid expansion yields a full year, gross total of around \$25 million in FY14 alone. The act also affects the credits attributable to the New Mexico Medical Insurance Pool; analysts have assumed a 5 percent reduction in claims due to attrition and clients being switched to other programs.

General Fund Financial Summary. The general fund financial summary shown in Attachment 2 (page 9), including estimated 2012 deficiencies, supplementals, specials, and the feed bill, shows that FY12 revenues will exceed appropriations by \$186.8 million. Under that scenario, reserves reach a total of \$706.6 million or 12.9 percent of recurring appropriations in FY12, and \$736.4 million, or 13 percent, in FY13. National rating agencies such as Moodys and Standard & Poors, traditionally have considered balances of five percent or above as sufficient.

As mentioned in the summary once the operating reserve fund hits 8 percent of the prior budget year's recurring appropriations, the excess must be transferred to the tax stabilization reserve by law. The financial summary shows a transfer of \$44.4 million to the tax stabilization reserve for FY12 and projects a \$13.8 million transfer in FY13. FY14 "New Money" is projected to be \$272 million or 4.8 percent of FY13 revenue.

Chapter 127, Laws 2009 requires state employees to contribute an additional 1.5 percent to retirement plans until FY14. This appropriation will cost the state \$36 million in FY14. The 1.75 percent retirement swap expired at the end of FY12.

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 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 FY14 revenue, total spending would be 3.5 percent below the FY09 peak but 4.5 percent above FY13 appropriations.

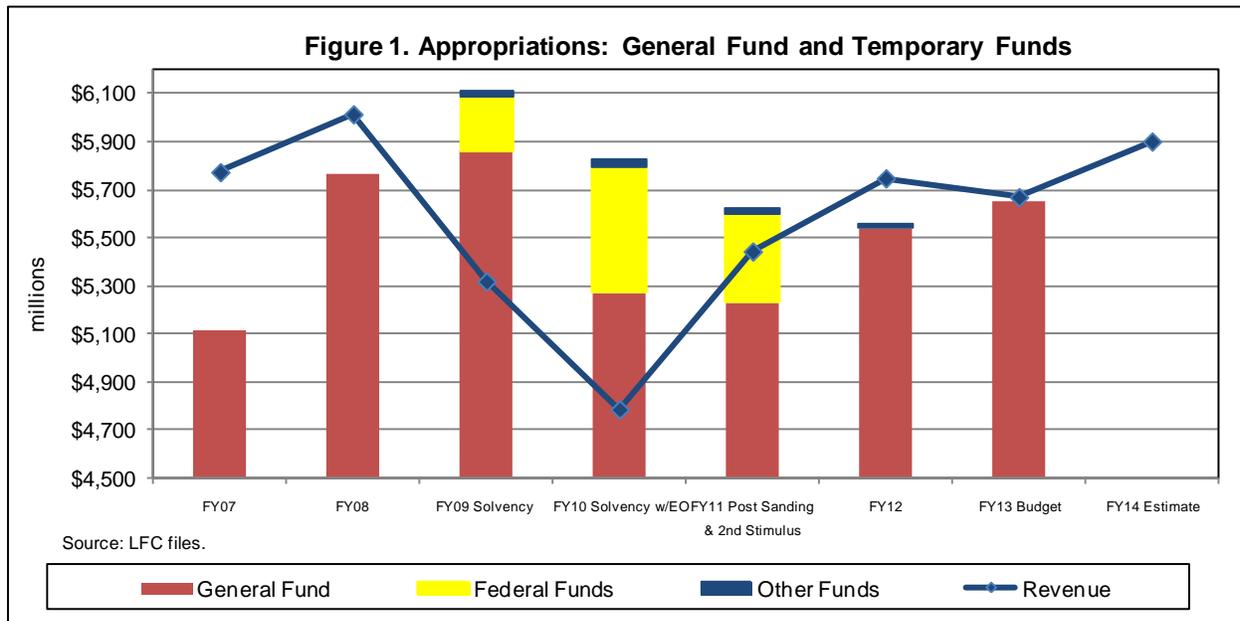
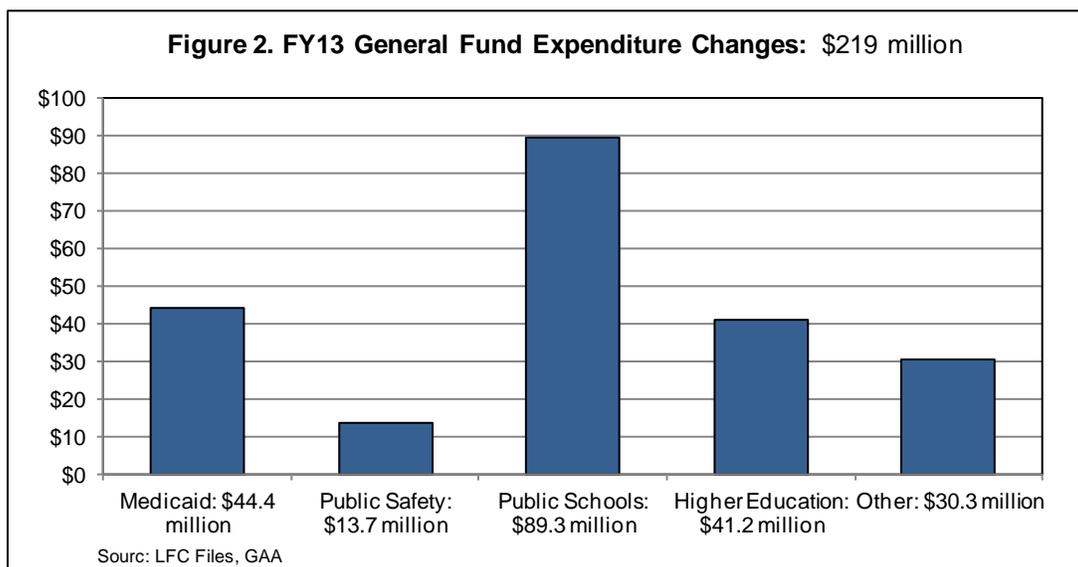


Figure 2 illustrates the change in total appropriations by major budget category for FY13. Total spending is up 4 percent from the FY12 operating budget. For public schools the increase is 3.8 percent; for higher education, 5.7 percent. Medicaid spending will increase 4.2 percent, and other state agencies will increase by 3.2 percent. These expansions total about \$219 million.



Risks to the Forecast.

- New Mexico relies heavily on federal government spending through the national laboratories, military institutions, and transfer payments. Any reductions in their funding could have a negative impact on the New Mexico economy.
- The increasing cost of tax credits is a risk to the state revenues. Some of these tax credits include the high wage jobs, manufacturing/construction, renewable energy production, and film.
- The ACA could generate additional revenues with premiums being subject to state tax. State economists continue to work on this forecast.
- Economic recovery is still positive but has lost momentum. It 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 will likely limit momentum consumers are able to create for the near future.
- Energy markets are inherently volatile. Natural gas prices have stabilized in the last few months but remain vulnerable to increased supplies from productivity improvements. Oil prices have declined from their high in early 2012 and continue to remain vulnerable to economic uncertainty. Environmental regulation on issues such as horizontal drilling, and endangered animals create uncertainty in future oil and natural gas production.
- Financial weakness in the European Union and China remains a serious threat to the world economy.
- Expectations are that the Federal Reserve will announce another round of quantitative easing in September which may have a positive effect on revenues.
- The expiration of the Bush-era tax cuts will increase income tax revenues for the state but have a negative impact on spending. One of these is the inheritance tax or the “death tax.” When the tax cuts expire the estate tax rate is one of the taxes slated to rise next January. If the tax cuts are not extended additional revenues could be generated in New Mexico. Early indications are that Congress may sign a 6-month continuing resolution (CR). Expectations are that they will include temporary extensions of tax cuts in the CR. This CR will leave the decision to the new Congress and president to produce a package of spending cuts and tax increases, mostly sparing discretionary spending since the cuts there are already aggressive.
- In July, the Committee heard testimony about federal efforts to create a framework for regulating state taxing authority for in-state activities. The Digital Goods and Services Tax Fairness Act (H.R. 1860 and S. 971, 112th Congress, 2nd Session) lays out a comprehensive framework of taxing goods and services provided over the internet but with significant limitations on states taxing such goods and services. The Marketplace Equity Act and the Marketplace Fairness Act (H.R. 3179 & S. 1832, 112th Congress, 2nd Session) 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. The imposition of New Mexico tax on remote sellers represents an upside risk to the forecast.
- As was reported before, the Attorney General 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 \$38.5 million in tobacco settlement payments expected in FY13 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.

General Fund Consensus Revenue Estimate: August 2012 (Millions of Dollars)

	FY12			FY13			FY14		
	Dec 2011 Adj for Legis	"Preliminar y Actual" from Prior FY11	% Change from FY11	Dec 2011 Adj for Legis	Aug 2012 Est.	% Change from Prior FY12	Dec 2011 Adj for Legis	Aug 2012 Est.	% Change from Prior FY13
Gross Receipts Tax	1,865.0	1,935.0	70.0	1,919.3	1,967.0	47.7	1,973.1	2,012.0	38.9
Compensating Tax	69.5	62.0	(7.5)	73.1	65.0	(8.1)	75.9	61.5	(14.4)
TOTAL GENERAL SALES	1,934.5	1,997.0	62.5	1,992.4	2,032.0	39.6	2,049.0	2,073.5	24.5
Tobacco Taxes	86.4	85.2	(1.2)	84.7	84.3	(0.4)	83.1	83.2	0.1
Liquor Excise	25.9	26.0	0.1	26.1	26.5	0.4	26.7	27.0	0.3
Insurance Taxes	129.3	130.0	0.7	134.7	125.0	(9.7)	137.9	135.0	(2.9)
Fire Protection Fund Reversion	15.9	11.9	(4.0)	15.2	10.6	(4.6)	14.4	9.5	(4.9)
Motor Vehicle Excise	110.2	114.7	4.5	114.3	123.0	8.7	121.6	126.0	4.4
Gaming Excise	66.6	65.5	(1.1)	66.7	64.8	(1.9)	67.3	65.8	(1.5)
Leased Vehicle Surcharge	5.2	5.3	0.1	5.3	5.3	0.1	5.3	5.4	0.1
Other	2.8	6.0	3.2	3.0	-	(3.0)	3.2	3.2	0.0
TOTAL SELECTIVE SALES	442.3	444.6	2.3	449.9	439.5	(10.4)	459.4	455.1	(4.3)
Personal Income Tax	1,090.0	1,120.0	30.0	1,114.9	1,155.0	40.2	1,149.7	1,205.0	55.3
Corporate Income Tax	310.0	283.0	(27.0)	373.3	300.0	(73.3)	408.6	355.0	(53.6)
TOTAL INCOME TAXES	1,400.0	1,403.0	3.0	1,488.1	1,455.0	(33.1)	1,558.3	1,560.0	1.7
Oil and Gas School Tax	358.6	390.7	32.1	376.0	371.6	(4.4)	365.7	398.0	32.3
Oil Conservation Tax	18.5	20.4	1.9	19.3	19.6	0.3	18.8	20.9	2.1
Resources Excise Tax	10.0	10.6	0.6	10.0	10.0	-	10.0	10.0	-
Natural Gas Processors Tax	22.0	23.0	1.0	23.6	23.9	0.3	22.6	19.6	(3.0)
TOTAL SEVERANCE TAXES	409.1	444.7	35.6	428.9	425.1	(3.8)	417.1	448.5	31.4
LICENSE FEES	51.5	50.1	(1.4)	53.7	50.4	(3.2)	55.9	51.6	(4.3)
LGPF Interest	459.7	459.8	0.1	433.0	437.7	4.7	427.6	437.7	10.1
STO Interest	17.3	14.1	(3.2)	23.4	16.0	(7.3)	39.3	29.2	(10.1)
STPF Interest	183.4	183.4	-	172.5	176.2	3.7	160.1	168.5	8.4
TOTAL INTEREST	660.4	657.3	(3.1)	628.9	629.9	1.1	627.0	635.4	8.4
Federal Mineral Leasing	420.0	502.4	82.4	419.0	440.0	21.0	423.7	480.0	56.3
State Land Office	54.6	92.5	37.9	47.4	58.8	11.4	46.2	61.3	15.1
TOTAL RENTS & ROYALTIES	474.6	594.9	120.3	466.4	498.8	32.4	469.9	541.3	71.4
TRIBAL REVENUE SHARING	70.4	68.0	(2.4)	75.4	72.0	(3.4)	78.2	73.0	(5.2)
MISCELLANEOUS RECEIPTS	46.0	46.7	0.7	46.2	44.7	(1.5)	47.1	43.7	(3.4)
REVERSIONS	40.0	40.0	-	40.0	40.0	-	40.0	40.0	-
TOTAL RECURRING	5,528.8	5,746.3	217.5	5,669.8	5,687.5	17.6	5,801.8	5,922.1	120.3
TOTAL NON-RECURRING	18.3	18.3	-	(3.3)	(3.3)	-	(0.9)	(0.9)	-
GRAND TOTAL	5,547.1	5,764.6	217.5	5,666.5	5,684.2	17.6	5,800.9	5,921.2	120.3
			4.6%			-1.4%			4.2%

General Fund Consensus Revenue Estimate: August 2012 (Millions of Dollars)

	FY15			FY16			FY17		
	Dec 2011 Adj for Legis	Aug 2012 Est.	% Change from Prior FY14	Dec 2011 Adj for Legis	Aug 2012 Est.	% Change from Prior FY15	Aug 2012 Est.	% Change from FY16	
Gross Receipts Tax	2,043.4	2,070.0	26.6	2,097.4	2,149.0	51.6	2,236.0	4.0%	
Compensating Tax	77.2	64.0	(13.2)	77.9	66.5	(11.4)	68.0	2.3%	
TOTAL GENERAL SALES	2,120.6	2,134.0	13.4	2,175.3	2,215.5	40.2	2,304.0	4.0%	
Tobacco Taxes	81.4	82.2	0.8	79.9	81.2	1.3	80.3	-1.1%	
Liquor Excise	27.2	27.4	0.2	27.8	27.9	0.1	28.4	1.8%	
Insurance Taxes	143.9	160.0	16.1	151.2	170.0	18.8	185.0	8.8%	
Fire Protection Fund Reversion	13.2	8.9	(4.3)	12.3	8.3	(4.0)	7.7	-7.2%	
Motor Vehicle Excise	126.6	131.0	4.4	131.8	136.0	4.2	141.0	3.7%	
Gaming Excise	68.0	66.9	(1.1)	68.9	68.1	(0.8)	69.5	2.1%	
Leased Vehicle Surcharge	5.4	5.4	0.1	5.4	5.5	0.1	5.5	1.1%	
Other	3.3	3.3	-	3.3	3.3	(0.0)	3.3	0.0%	
TOTAL SELECTIVE SALES	469.0	485.1	16.1	480.6	500.3	19.7	520.7	4.1%	
Personal Income Tax	1,189.7	1,257.0	67.3	1,229.7	1,310.0	80.3	1,360.0	3.8%	
Corporate Income Tax	423.9	385.0	(38.9)	398.9	385.0	(13.9)	385.0	0.0%	
TOTAL INCOME TAXES	1,613.6	1,642.0	28.4	1,628.5	1,695.0	66.5	1,745.0	2.9%	
Oil and Gas School Tax	362.7	409.2	46.5	358.0	407.3	49.3	400.0	-1.8%	
Oil Conservation Tax	18.7	21.4	2.7	18.5	21.3	2.8	21.0	-1.4%	
Resources Excise Tax	10.0	10.0	-	10.0	10.0	-	10.0	0.0%	
Natural Gas Processors Tax	22.4	19.7	(2.7)	22.2	21.1	(1.1)	21.5	1.9%	
TOTAL SEVERANCE TAXES	413.8	460.3	46.5	408.7	459.7	51.0	452.5	-1.6%	
LICENSE FEES	58.3	51.9	(6.4)	59.4	52.9	(6.5)	53.8	1.7%	
LGPF Interest	453.9	470.0	16.1	475.1	498.0	22.9	475.2	-4.6%	
STO Interest	52.0	44.0	(8.0)	58.5	75.6	17.1	92.7	22.6%	
STPF Interest	162.6	175.7	13.1	162.6	180.8	18.2	185.1	2.4%	
TOTAL INTEREST	668.5	689.7	21.2	696.2	754.4	58.2	753.0	-0.2%	
Federal Mineral Leasing	423.8	495.0	71.2	417.5	500.0	82.5	485.0	-3.0%	
State Land Office	46.2	62.3	16.1	45.8	62.6	16.8	61.7	-1.4%	
TOTAL RENTS & ROYALTIES	470.0	557.3	87.3	463.3	562.6	99.3	546.7	-2.8%	
TRIBAL REVENUE SHARING	81.2	76.0	(5.2)	83.8	80.0	(3.8)	84.0	5.0%	
MISCELLANEOUS RECEIPTS	48.1	45.4	(2.6)	49.0	47.0	(2.1)	46.8	-0.3%	
REVERSIONS	40.0	40.0	-	40.0	40.0	-	40.0	0.0%	
TOTAL RECURRING	5,983.0	6,181.7	198.8	6,084.8	6,407.3	322.5	6,546.5	2.2%	
TOTAL NON-RECURRING	-	-	-	-	-	-	-	na	
GRAND TOTAL	5,983.0	6,181.7	198.8	6,084.8	6,407.3	322.5	6,546.5	2.2%	

General Fund Financial Summary - August 2012 Consensus Revenue Estimate
(in millions of dollars)

	<u>Estimated FY2012</u>	<u>Estimated FY2013</u>	<u>Estimated FY2014</u>
<u>APPROPRIATION ACCOUNT</u>			
REVENUE			
Recurring Revenue			
December 2011 Consensus Forecast	\$ 5,532.8	\$ 5,688.2	\$ 5,841.8
<i>Adjusted for Legislation</i>	\$ (4.0)	\$ (18.5)	\$ (40.0)
<i>August 2012 forecast update</i>	\$ 217.5	\$ 17.6	\$ 120.3
Total Recurring Revenue	\$ 5,746.3	\$ 5,687.4	\$ 5,922.1
Nonrecurring Revenue			
December Consensus Forecast	\$ 18.3	\$ (3.3)	\$ (0.9)
<i>Adjusted for Legislation</i>	\$ (40.0)	\$ -	\$ -
Total Non-Recurring Revenue (1)	\$ (21.7)	\$ (3.3)	\$ (0.9)
TOTAL REVENUE	\$ 5,724.6	\$ 5,684.1	\$ 5,921.2
APPROPRIATIONS			
Recurring Appropriations			
General Appropriation	\$ 5,431.3	\$ 5,649.6	
Special/New Initiatives Appropriations	\$ 40.9		
2012 Regular Session - Legislation	\$ -	\$ -	
Total Recurring Appropriations	\$ 5,472.2	\$ 5,649.6	
Nonrecurring Appropriations			
2011 Regular & Special Sessions	\$ 5.8		
2012 Deficiencies, Supplementals, Specials and IT	\$ 59.9	\$ -	
Total Nonrecurring Appropriations	\$ 65.7	\$ -	
TOTAL APPROPRIATIONS	\$ 5,537.9	\$ 5,649.6	
Transfer to(from) Reserves (2)	\$ 186.8	\$ 34.5	
GENERAL FUND RESERVES			
Beginning Balances	\$ 503.3	\$ 706.6	
Transfers from (to) Appropriations Account	\$ 186.8	\$ 34.5	
Revenue and Reversions	\$ 126.5	\$ 63.7	
Appropriations, expenditures and transfers out	\$ (110.0)	\$ (68.4)	
Ending Balances	\$ 706.6	\$ 736.4	
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>12.9%</i>	<i>13.0%</i>	

New Money in
FY14 is \$272M

Notes:

(1) FY12 includes \$18.3 in nonrecurring revenue: \$11.4 million fund transfer for solvency, and \$6.9 million for tax amnesty. The nonrecurring revenue reductions in FY13 and FY14 reflect accelerated revenue collections due to the tax amnesty program.

(2) Pursuant to Section 10, \$40 million was transferred from the Appropriation Account to the Appropriation Contingency Fund in FY12.

General Fund Financial Summary - August 2012 Consensus Revenue Estimate
RESERVE DETAIL
(in millions of dollars)

	Estimated FY2012	Estimated FY2013
OPERATING RESERVE		
Beginning balance	\$ 275.9	\$ 417.0
BOF Emergency Appropriations/Reversions	\$ (1.3)	\$ -
Transfer out (1)		\$ -
Transfers from/to appropriation account (1)	\$ 186.8	\$ 34.5
Transfer to tax stabilization reserve	\$ (44.4)	\$ (13.8)
Ending balance	\$ 417.0	\$ 437.8
APPROPRIATION CONTINGENCY FUND		
Beginning balance	\$ 5.2	\$ 29.2
Disaster allotments	\$ (16.0)	\$ (16.0)
Other appropriations	\$ -	\$ -
Transfers in (1)	\$ 40.0	\$ -
Revenue and reversions		\$ -
Ending Balance	\$ 29.2	\$ 13.2
Education Lock Box		
Beginning balance	\$ 47.1	\$ 38.1
Appropriations (GAA Section 5&6) (2)	\$ (9.0)	\$ -
Transfers in (out)	\$ -	\$ -
Ending balance	\$ 38.1	\$ 38.1
Total of Appropriation Contingency Fund	\$ 67.3	\$ 51.3
STATE SUPPORT FUND		
Beginning balance	\$ 1.0	\$ 1.0
Revenues	\$ -	\$ -
Appropriations	\$ -	\$ -
Ending balance	\$ 1.0	\$ 1.0
TOBACCO PERMANENT FUND		
Beginning balance	\$ 148.0	\$ 150.8
Transfers in	\$ 39.3	\$ 38.6
Appropriation to tobacco settlement program fund	\$ (19.7)	\$ (19.3)
Gains/Losses	\$ 2.8	\$ 11.3
Additional transfers to Program Fund	\$ (19.7)	\$ (19.3)
Ending balance	\$ 150.8	\$ 162.1
TAX STABILIZATION RESERVE		
Beginning balance	\$ 26.1	\$ 70.5
Transfers in	\$ 44.4	\$ 13.8
Ending balance	\$ 70.5	\$ 84.3
GENERAL FUND ENDING BALANCES	\$ 706.6	\$ 736.4
<i>Percent of Recurring Appropriations</i>	<i>12.9%</i>	<i>13.0%</i>

Notes:

- (1) Transfer from FY12 appropriation account to replenish the Appropriation Contingency Fund.
(2) DFA scores this appropriation as \$8 million in FY12

U.S. and New Mexico Economic Indicators

	FY11		FY12		FY13		FY14		FY15		FY16		FY17
	Aug12 Actual	Dec11 Forecast	Aug12 Forecast										
National Economic Indicators													
US Real GDP Growth (annual avg., % YOY)*	2.6	1.7	1.8	1.8	2.0	1.8	2.1	3.2	3.6	3.3	3.0	3.1	3.0
US Inflation Rate (CPI-U, annual avg., % YOY)**	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.5
Federal Funds Rate (%)	0.16	0.09	0.10	0.10	0.16	0.10	0.16	0.42	2.27	0.82	3.87	2.85	3.99
New Mexico Labor Market and Income Data													
NM Non-Agricultural Employment Growth (%)	-0.4	0.7	0.2	0.2	1.2	1.0	1.2	1.2	1.4	1.5	1.5	1.6	1.6
NM Personal Income Growth (%)***	4.4	4.2	4.4	4.4	3.3	3.1	3.4	3.0	4.4	4.4	4.9	5.0	5.1
NM Private Wages & Salaries Growth (%)	2.6	2.6	3.8	3.8	4.2	2.8	3.8	3.4	3.6	4.5	3.8	4.5	4.7
NM Total Wages & Salaries Growth (%)	1.7	2.8	2.8	2.8	3.0	2.8	2.9	3.4	3.6	3.7	4.9	4.0	4.3
Crude Oil and Natural Gas Outlook													
NM Oil Price (\$/barrel)	\$84.60	\$86.75	\$90.25	\$90.25	\$85.00	\$87.75	\$87.25	\$88.50	\$89.50	\$87.25	\$89.75	\$86.25	\$85.75
NM Taxable Oil Volumes (million barrels)	69	70	78	78	81	69	84	68	68	85	67	86	86
NM Gas Price (\$ per thousand cubic feet)****	\$5.50	\$5.20	\$5.10	\$5.10	\$4.90	\$5.60	\$5.50	\$5.90	\$6.05	\$5.90	\$6.15	\$6.00	\$5.95
NM Taxable Gas Volumes (billion cubic feet)	1,239	1,173	1,225	1,225	1,175	1,188	1,137	1,069	1,020	1,100	991	1,073	1,048

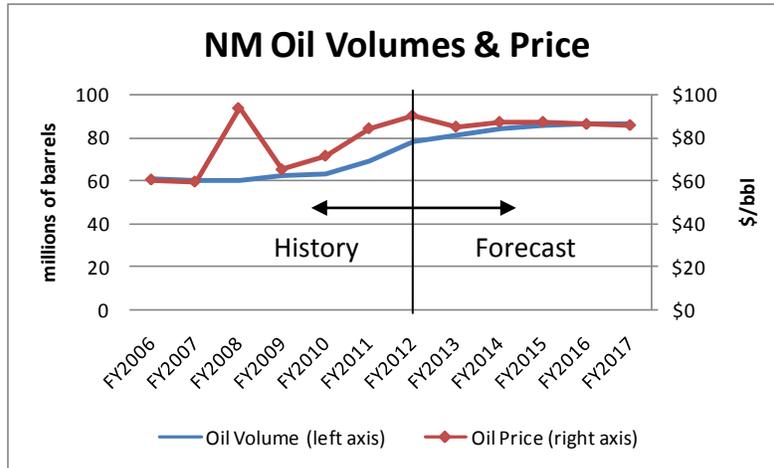
* Real GDP is BEA chained 2005 dollars, billions, annual rate

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

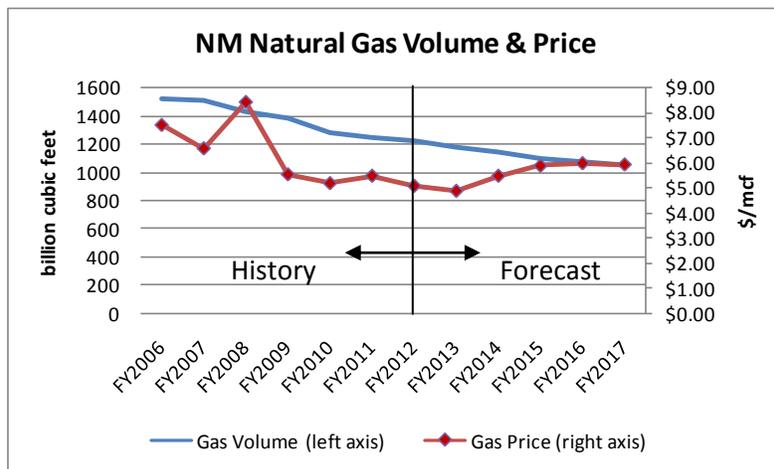
***Personal Income growth rates are for the calendar year in which each fiscal year begins

****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.

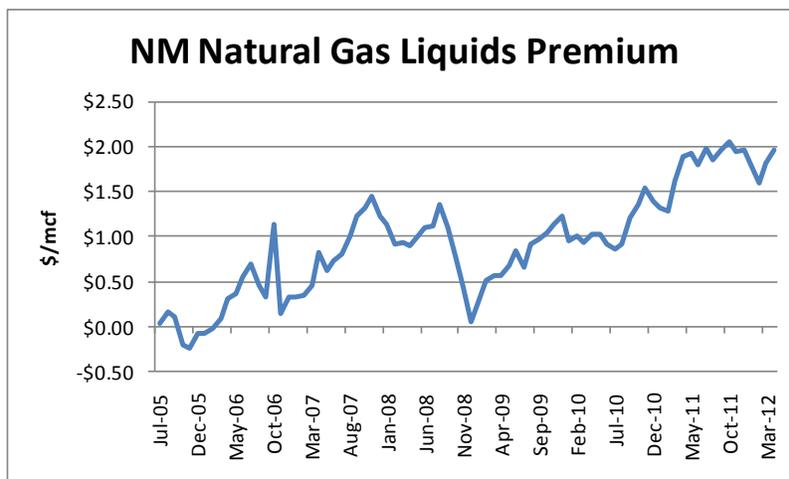
Sources: July IHS Global Insight corrected, BBER FOR-UNM revised



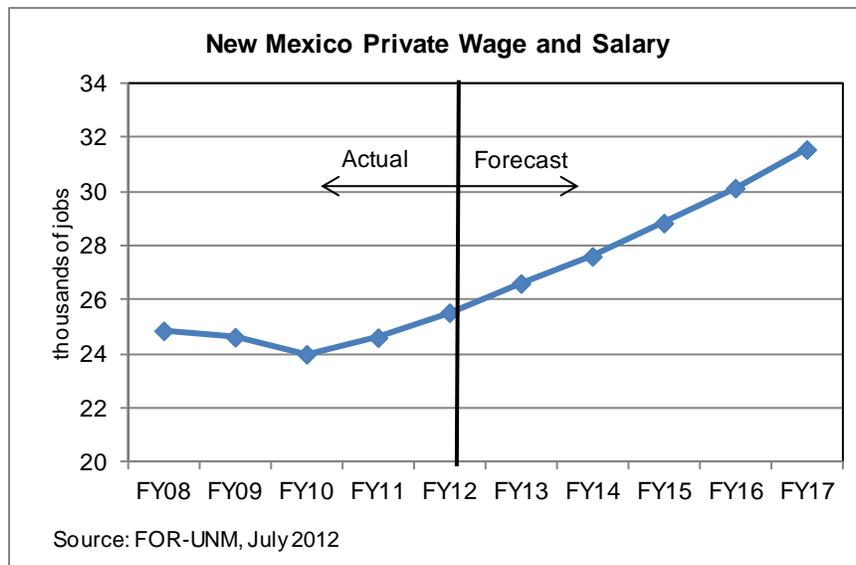
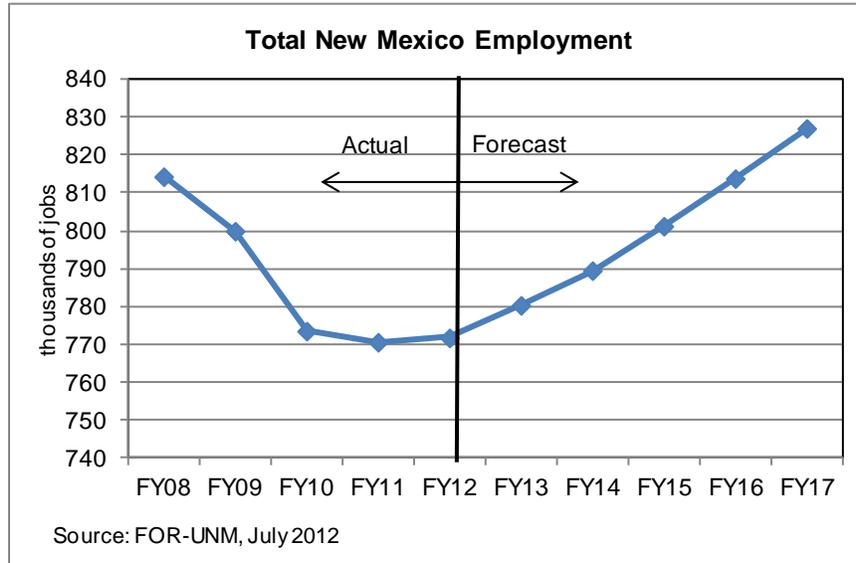
Source: ONGARD database / Consensus revenue estimating group



Source: ONGARD database/ Consensus revenue estimating group



Source: ONGARD database



Consensus General Fund Revenue Estimate

Presented to

Legislative Education Study Committee

Leila Burrows, Chief Economist

N.M. Department of Finance and Administration

August 24, 2012

SUMMARY:

- The consensus revenue estimating group has reviewed and updated the General Fund revenue outlook that was prepared last December. The consensus group is comprised of career economists from the executive and legislative branches.
- Table 1 below summarizes the forecast revisions to total recurring revenue. Compared with the December outlook adjusted for legislative changes:
 - FY12 total recurring revenue has been revised up by \$218 million. Stronger-than-expected oil and gas revenue contributed about 85 percent of the unexpected revenue.
 - FY13 total recurring revenue has been revised up by \$18 million. The increase is smaller than that of FY12 because oil and gas prices have been revised down from the prior forecast. Corporate income taxes are also down significantly.
 - FY14 total recurring revenue has been revised up by \$120 million. Increased oil production is one major reason, and the higher gross receipts tax base is another.
- After these revisions, total recurring revenue growth was 6.3 percent in FY12, but falls to minus 1.0 percent in FY13 and grows by 4.1 percent in FY14.
- After revision, FY12 ending balances will be \$705 million, or 13 percent of recurring appropriations. FY14 “new money” -- FY14 recurring revenue less FY13 recurring appropriations -- is \$272 million.
- Senior severance bond capacity will be \$224 million after allowing \$44 million for authorized but unissued bonds.

Table 1

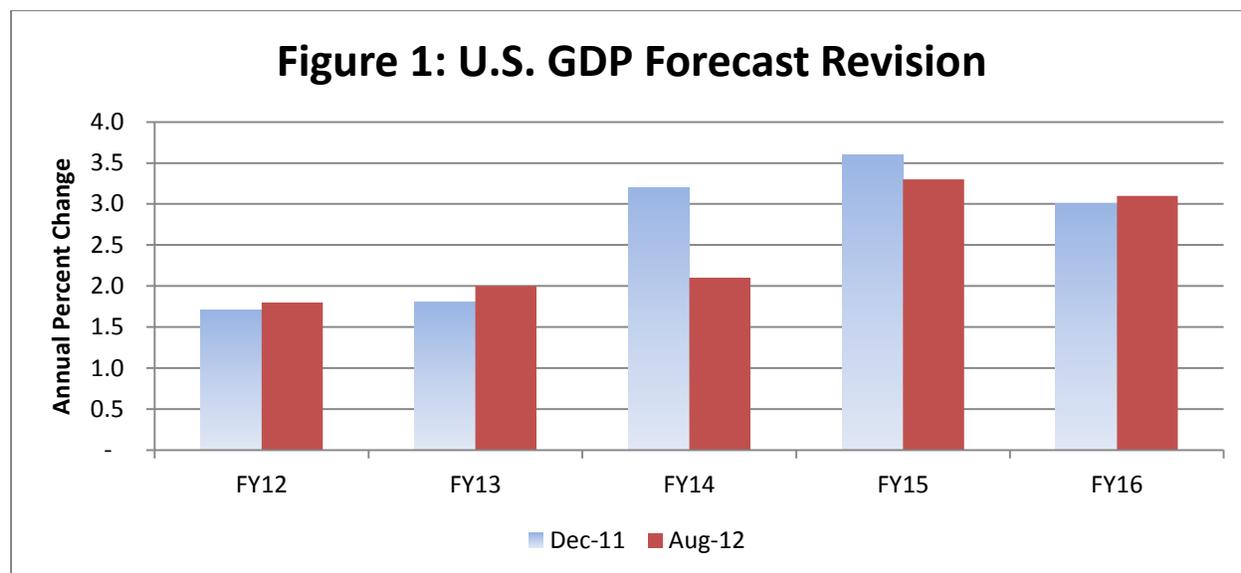
August 2012 Consensus Forecast: Total Recurring Revenue

(Dollar amounts in millions)

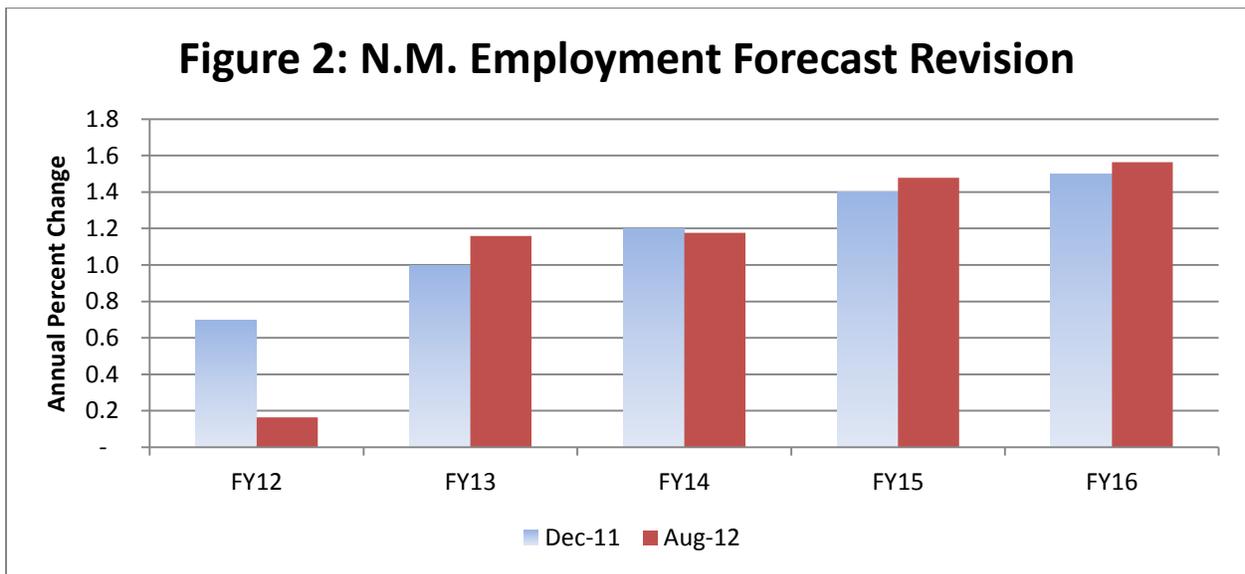
	FY12	FY13	FY14
December 2011 estimate	\$5,533	\$5,688	\$5,842
Changes due to 2012 legislation	(\$4)	(\$18)	(\$40)
<u>August 2012 forecast revisions</u>	<u>\$218</u>	<u>\$18</u>	<u>\$120</u>
August 2012 Consensus Estimate	\$5,746	\$5,688	\$5,922
% change versus prior year	6.3%	-1.0%	4.1%

ECONOMIC INDICATORS: (Appendix 1)

U.S. economic output (GDP) grew by just 1.8 percent during FY12, and growth is expected to remain around 2.0 percent in FY13 and FY14. This FY14 outlook is down significantly from last December’s forecast of 3.2 percent. Decreasing government spending is one factor holding down growth, export demand is slowing, and although housing demand has begun to recover, consumers will be reluctant to spend given the stubbornly high unemployment rate.



New Mexico’s total payroll employment grew by only 0.2 percent in FY12, below the 0.7 percent forecast from December. Growth is now forecast at 1.2 percent in both FY13 and FY14. The government sector continues to be a drag on growth, but weakness is also evident in business and professional services. New Mexico’s unemployment rate continues to be significantly lower than the national rate, but this appears to reflect discouraged workers leaving the workforce rather than improving payrolls.

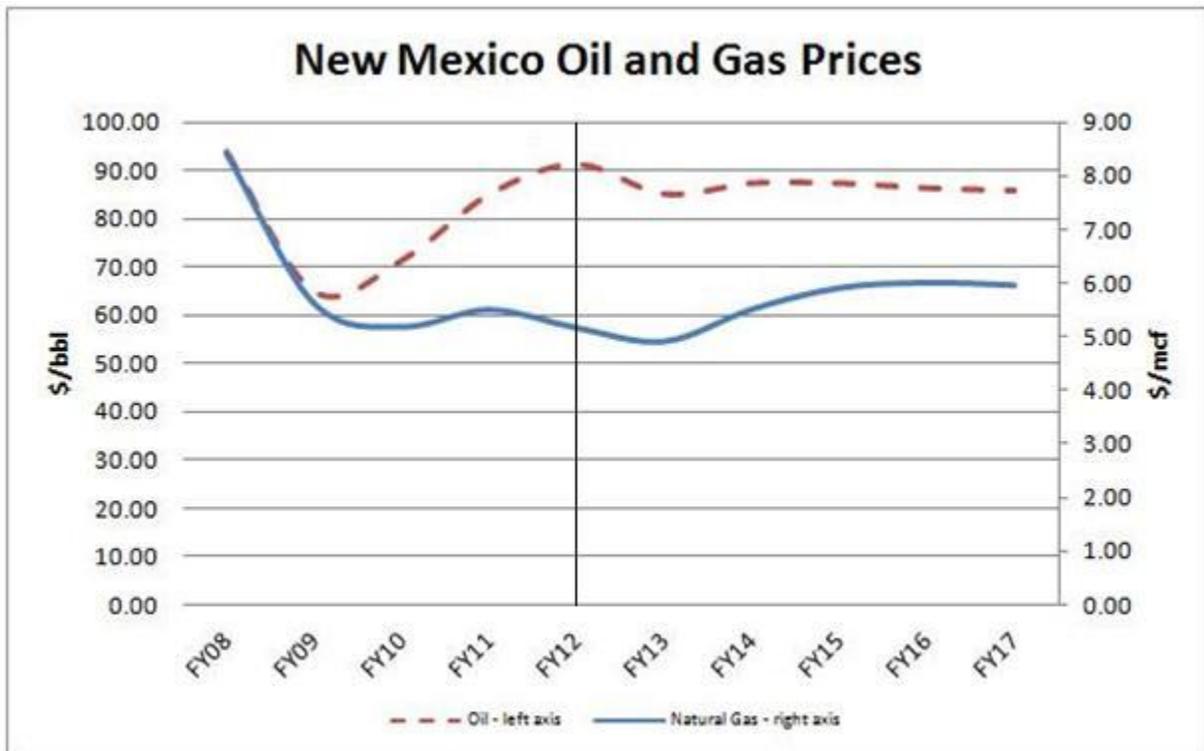


U.S. inflation is expected to remain subdued. Although this enables the Federal Reserve to pursue monetary expansion to support growth, it also means the state will see subdued growth in its “top line” revenues like the Gross Receipts Tax.

ENERGY MARKETS: (Appendix 1)

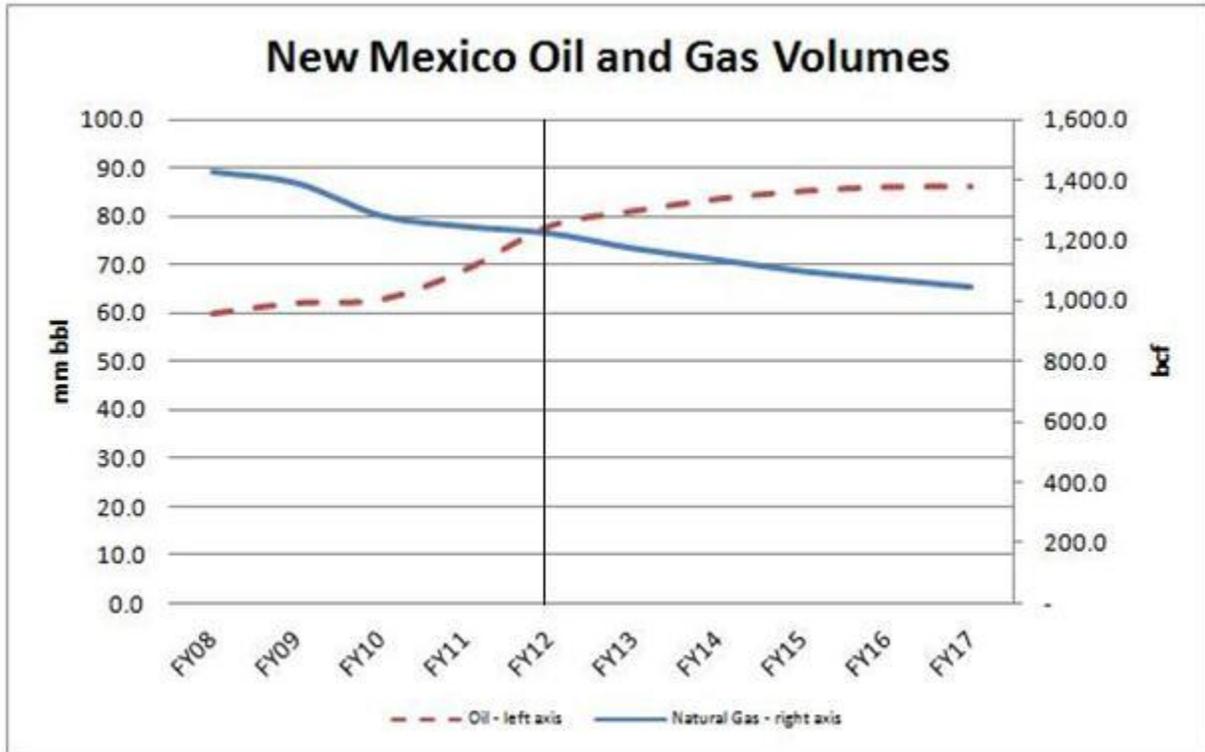
New Mexico crude oil prices averaged \$90.25 in FY12, \$3.50 higher than the December forecast. The consensus group now expects New Mexico oil prices to average \$85.00 in FY13 and \$87.25 in FY14. These prices are slightly lower than the December outlook. The near term outlook for oil prices has fallen due to slowing global demand growth. Meanwhile, some analysts argue that long term prices will be held down by increased supplies as hydraulic fracturing and horizontal drilling are applied on a worldwide basis.

Natural gas prices in New Mexico averaged \$5.10 in FY12, slightly below the December 2011 forecast. These average prices were boosted by a premium thanks to the natural gas liquids associated with the dry gas. However, after averaging close to \$2.00 per thousand cubic feet (mcf) for much of the fiscal year, the premium fell closer to \$1.50 in the last few months as increased supplies put downward pressure on prices. The consensus group now expects New Mexico gas prices to average \$4.90 in FY13 and \$5.50 in FY14. These prices are decreased from the December 2011 forecast by \$0.70 in FY13 and by \$0.40 in FY14.



Crude oil production in New Mexico increased by 13 percent in FY12 reaching 78 million barrels. The consensus group expects production to increase gradually over the next few years, peaking at around 86 million barrels. Natural gas production fell again in FY12, but at a slower rate than in the recent past. The FY12 decline is now estimated at around 1 percent. Given the unfavorable financial outlook for dry gas, the consensus group is expecting total production to decline by 4 percent in FY13 and about 3 percent in FY14. As shown in Appendix 5, natural gas

rig counts have fallen sharply in recent months both nationally and in New Mexico, while oil rig counts have continued to rise.



AUGUST FORECAST REVISIONS BY REVENUE: (Appendix 2)

Table 2

August 2012 Revisions to December Estimate by Major Revenues

(Dollar amounts in millions)

	FY12	FY13	FY14
General Sales	\$62	\$40	\$25
Selective Sales	\$2	(\$10)	(\$4)
Income Taxes	\$3	(\$33)	\$2
Oil and Gas Revenues	\$156	\$29	\$103
Other	(\$6)	(\$7)	(\$5)
Total Revenue	\$217	\$18	\$120

FY12 gross receipts tax (GRT) collections were \$70 million more than the December 2011 forecast. However, weaker GDP growth in FY14 and FY15 is expected to subdue continued

growth in gross receipts tax revenues. As shown in Appendix 7, about 27 percent of the FY12 growth in taxable gross receipts occurred in the mining and extraction sectors. However, this growth is expected to decline in the forecast in response to falling oil prices. Additionally, the August forecast revisions include negative adjustments for the anti-pyramiding legislation passed during the 2012 session and an expected increase in claims for the High Wage Jobs Tax Credit.

In FY12, claims for the High Wage Jobs Tax Credit increased to \$26 million from a FY09 peak of \$14 million. In FY11, claims totaled \$9 million. The forecast assumes growth in claims will continue, totaling \$50 million in FY13 and FY14. Appendix 6 illustrates the forecast growth in claims for the tax credit as well as the impact of the 2012 legislative changes.

FY12 personal income tax revenue is expected to increase 5.6% from FY11, largely due to increased oil and gas withholding resulting from 2011 legislative changes. Forecast revenue in FY13 and beyond was increased consistent with the new higher revenue base.

Corporate income tax (CIT) revenue fell \$27 million short of the December forecast in FY12. This decrease would have been greater except that film credit payments were well below forecast. Forecast CIT was reduced significantly in FY13 and FY14 due to reduced forecasts of corporate profits and federal corporate tax receipts. FY12 film credits fell to \$10 million, largely a result of timing due to the rush to file claims at the end of FY11. FY13 film credits are expected to reach the \$50 million cap.

Mineral production taxes, bonuses and royalties were \$156 million more than forecast in FY12. The bulk of the increase was larger than expected federal royalties and state land bonuses resulting from the recent increase in oil prices and volumes. Stronger than expected oil volumes is expected to increase net revenue by \$29 million in FY13 and \$102 million in FY14.

Insurance premiums tax revenue is forecast to increase in the future, based on impacts of the federal Affordable Care Act (ACA). The August estimate assumes the increase in premiums revenue will be gradual, due to limited providers and administrative constraints. Additional premiums tax revenue due to the ACA is forecast at \$11 million in FY14 and \$26 million in FY15. There is much uncertainty regarding the implementation of the ACA and its impact on general fund revenues. Potential repeal of the ACA poses a negative risk to premiums tax revenues in the out years.

RISKS TO THE FORECAST:

A deeper-than-expected Eurozone recession and slower worldwide growth are the main downside risks to the outlook. In addition, this forecast assumes a fairly robust housing recovery over the next 3 years which may not materialize. Global Insight does not expect the economy to go off the “fiscal cliff,” though extreme uncertainty over the direction of federal tax and expenditure policy will remain a fact of life.

GENERAL FUND FINANCIAL SUMMARY: (Appendix 3)

With the revised revenue forecast, FY12 revenue exceeded appropriations by \$227 million, leaving FY12-ending balances of \$705 million or 13 percent of appropriations. FY14 recurring revenue of \$5,922 million less FY13 recurring appropriations of \$5,650 million leaves “new money” of \$272 million.

BOND CAPACITY UPDATE: (Appendix 4)

After subtracting \$44 million of authorized-but-unissued bonds, and assuming a level issuance policy, \$224 million of senior severance tax bond capacity is expected to be available for new statewide capital projects authorized during the 2013 legislative session. \$180 million is expected to be available in Fiscal Year 2013 for public school facility projects through the Public School Facilities Authority. Earmarked appropriations for Fiscal Year 2013 total \$34 million for water trust board projects, and \$17 million each for Colonias and tribal infrastructure projects.

APPENDIX 1

U.S. and New Mexico Economic Indicators

	FY11	FY12		FY13		FY14		FY15		FY16		FY17
	Aug12 Actual	Dec11 Forecast	Aug12 Forecast	Aug12 Forecast								
National Economic Indicators												
US Real GDP Growth (annual avg. ,% YOY)*	2.6	1.7	1.8	1.8	2.0	3.2	2.1	3.6	3.3	3.0	3.1	3.0
US Inflation Rate (CPI-U, annual avg., % YOY)**	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.5
Federal Funds Rate (%)	0.16	0.09	0.10	0.10	0.16	0.42	0.16	2.27	0.82	3.87	2.85	3.99
New Mexico Labor Market and Income Data												
NM Non-Agricultural Employment Growth (%)	-0.4	0.7	0.2	1.0	1.2	1.2	1.2	1.4	1.5	1.5	1.6	1.6
NM Personal Income Growth (%)***	4.4	4.2	4.4	3.1	3.3	3.0	3.4	4.4	4.4	4.9	5.0	5.1
NM Private Wages & Salaries Growth (%)	2.6	2.6	3.8	2.8	4.2	3.4	3.8	3.6	4.5	3.8	4.5	4.7
NM Total Wages & Salaries Growth (%)	1.7		2.8		3.0		2.9		3.7		4.0	4.3
Crude Oil and Natural Gas Outlook												
NM Oil Price (\$/barrel)	\$84.60	\$86.75	\$90.25	\$87.75	\$85.00	\$88.50	\$87.25	\$89.50	\$87.25	\$89.75	\$86.25	\$85.75
NM Taxable Oil Volumes (million barrels)	68.8	69.5	78.0	68.9	81.1	68.4	83.6	68.1	85.2	67.0	86.1	86.1
NM Gas Price (\$ per thousand cubic feet)****	\$5.50	\$5.20	\$5.10	\$5.60	\$4.90	\$5.90	\$5.50	\$6.05	\$5.90	\$6.15	\$6.00	\$5.95
NM Taxable Gas Volumes (billion cubic feet)	1,239	1,173	1,225	1,188	1,175	1,069	1,137	1,020	1,100	991	1,073	1,048

* 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: July IHS Global Insight corrected, BBER FOR-UNM revised

APPENDIX 2

General Fund Consensus Revenue Estimate
August 2012

	FY11		FY12				FY13				FY14			
	Final Audit	% Change from FY10	Dec 2011 Adj for Legis.	Prelim Actual	Change from Prior	% Change from FY11	Dec 2011 Adj for Legis.	Aug 2012 Est.	Change from Prior	% Change from FY12	Dec 2011 Adj for Legis.	Aug 2012 Est.	Change from Prior	% Change from FY13
Gross Receipts Tax	1,822.5	11.5%	1,865.0	1,935.0	70.0	6.2%	1,919.3	1,967.0	47.7	1.7%	1,973.1	2,012.0	38.9	2.3%
Compensating Tax	69.1	35.8%	69.5	62.0	(7.5)	-10.3%	73.1	65.0	(8.1)	4.8%	75.9	61.5	(14.4)	-5.4%
TOTAL GENERAL SALES	1,891.6	12.2%	1,934.5	1,997.0	62.5	5.6%	1,992.4	2,032.0	39.6	1.8%	2,049.0	2,073.5	24.5	2.0%
Tobacco Taxes	88.2	92.9%	86.4	85.2	(1.2)	-3.4%	84.7	84.3	(0.4)	-1.1%	83.1	83.2	0.1	-1.3%
Liquor Excise	25.7	0.3%	25.9	26.0	0.1	1.3%	26.1	26.5	0.4	1.9%	26.7	27.0	0.3	1.9%
Insurance Taxes	132.7	1.8%	129.3	130.0	0.7	-2.0%	134.7	125.0	(9.7)	-3.8%	137.9	135.0	(2.9)	8.0%
Fire Protection Fund Reversion	17.6	251.7%	15.9	11.9	(4.0)	-32.3%	15.2	10.6	(4.6)	-10.9%	14.4	9.5	(4.9)	-10.4%
Motor Vehicle Excise	103.7	12.3%	110.2	114.7	4.5	10.7%	114.3	123.0	8.7	7.2%	121.6	126.0	4.4	2.4%
Gaming Excise	65.8	1.1%	66.6	65.5	(1.1)	-0.4%	66.7	64.8	(1.9)	-1.1%	67.3	65.8	(1.5)	1.5%
Leased Vehicle Surcharge	5.0	-11.5%	5.2	5.3	0.1	4.4%	5.3	5.3	0.1	0.9%	5.3	5.4	0.1	1.1%
Other	2.4	-25.6%	2.8	6.0	3.2	152.8%	3.0	-	(3.0)	-100.0%	3.2	3.2	0.0	#DIV/0!
TOTAL SELECTIVE SALES	440.9	18.2%	442.3	444.6	2.3	0.8%	449.9	439.5	(10.4)	-1.1%	459.4	455.1	(4.3)	3.5%
Personal Income Tax	1,060.9	10.9%	1,090.0	1,120.0	30.0	5.6%	1,114.9	1,155.0	40.2	3.1%	1,149.7	1,205.0	55.3	4.3%
Corporate Income Tax	229.8	83.7%	310.0	283.0	(27.0)	23.1%	373.3	300.0	(73.3)	6.0%	408.6	355.0	(53.6)	18.3%
TOTAL INCOME TAXES	1,290.7	19.3%	1,400.0	1,403.0	3.0	8.7%	1,488.1	1,455.0	(33.1)	3.7%	1,558.3	1,560.0	1.7	7.2%
Oil and Gas School Tax	376.1	15.9%	358.6	390.7	32.1	3.9%	376.0	371.6	(4.4)	-4.9%	365.7	398.0	32.3	7.1%
Oil Conservation Tax	19.4	18.1%	18.5	20.4	1.9	5.3%	19.3	19.6	0.3	-3.9%	18.8	20.9	2.1	6.6%
Resources Excise Tax	10.1	7.9%	10.0	10.6	0.6	4.5%	10.0	10.0	-	-5.7%	10.0	10.0	-	0.0%
Natural Gas Processors Tax	18.2	-55.0%	22.0	23.0	1.0	26.5%	23.6	23.9	0.3	3.9%	22.6	19.6	(3.0)	-18.0%
TOTAL SEVERANCE TAXES	423.8	8.5%	409.1	444.7	35.6	4.9%	428.9	425.1	(3.8)	-4.4%	417.1	448.5	31.4	5.5%
LICENSE FEES	49.8	-1.1%	51.5	50.1	(1.4)	0.8%	53.7	50.4	(3.2)	0.6%	55.9	51.6	(4.3)	2.2%
LGPF Interest	446.2	2.1%	459.7	459.8	0.1	3.0%	433.0	437.7	4.7	-4.8%	427.6	437.7	10.1	0.0%
STO Interest	17.6	-20.2%	17.3	14.1	(3.2)	-19.9%	23.4	16.0	(7.3)	13.4%	39.3	29.2	(10.1)	82.6%
STPF Interest	184.6	-1.4%	183.4	183.4	-	-0.6%	172.5	176.2	3.7	-3.9%	160.1	168.5	8.4	-4.4%
TOTAL INTEREST	648.4	0.3%	660.4	657.3	(3.1)	1.4%	628.9	629.9	1.1	-4.2%	627.0	635.4	8.4	0.9%
Federal Mineral Leasing	411.8	15.9%	420.0	502.4	82.4	22.0%	419.0	440.0	21.0	-12.4%	423.7	480.0	56.3	9.1%
State Land Office	65.6	-3.1%	54.6	92.5	37.9	41.0%	47.4	58.8	11.4	-36.4%	46.2	61.3	15.1	4.2%
TOTAL RENTS & ROYALTIES	477.4	12.9%	474.6	594.9	120.3	24.6%	466.4	498.8	32.4	-16.2%	469.9	541.3	71.4	8.5%
TRIBAL REVENUE SHARING	65.9	2.8%	70.4	68.0	(2.4)	3.2%	75.4	72.0	(3.4)	5.9%	78.2	73.0	(5.2)	1.4%
MISCELLANEOUS RECEIPTS	52.2	17.5%	46.0	46.7	0.7	-10.5%	46.2	44.7	(1.5)	-4.3%	47.1	43.7	(3.4)	-2.1%
REVERSIONS	67.3	68.3%	40.0	40.0	-	-40.6%	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%
TOTAL RECURRING	5,408.1	12.7%	5,528.8	5,746.3	217.5	6.3%	5,669.8	5,687.5	17.6	-1.0%	5,801.8	5,922.1	120.3	4.1%
TOTAL NON-RECURRING*	62.5	-86.9%	18.3	18.3	-	-70.7%	(3.3)	(3.3)	-	-118.0%	(0.9)	(0.9)	-	-72.7%
GRAND TOTAL	5,470.6	3.7%	5,547.1	5,764.6	217.5	5.4%	5,666.5	5,684.2	17.6	-1.4%	5,800.9	5,921.2	120.3	4.2%

APPENDIX 2

General Fund Consensus Revenue Estimate
August 2012

	FY15				FY16				FY17	
	Dec 2011 Adj for Legis.	Aug 2012 Est.	Change from Prior	% Change from FY14	Dec 2011 Adj for Legis.	Aug 2012 Est.	Change from Prior	% Change from FY15	Aug 2012 Est.	% Change from FY16
Gross Receipts Tax	2,043.4	2,070.0	26.6	2.9%	2,097.4	2,149.0	51.6	3.8%	2,236.0	4.0%
Compensating Tax	77.2	64.0	(13.2)	4.1%	77.9	66.5	(11.4)	3.9%	68.0	2.3%
TOTAL GENERAL SALES	2,120.6	2,134.0	13.4	2.9%	2,175.3	2,215.5	40.2	3.8%	2,304.0	4.0%
Tobacco Taxes	81.4	82.2	0.8	-1.2%	79.9	81.2	1.3	-1.2%	80.3	-1.1%
Liquor Excise	27.2	27.4	0.2	1.5%	27.8	27.9	0.1	1.8%	28.4	1.8%
Insurance Taxes	143.9	160.0	16.1	18.5%	151.2	170.0	18.8	6.3%	185.0	8.8%
Fire Protection Fund Reversion	13.2	8.9	(4.3)	-6.3%	12.3	8.3	(4.0)	-6.7%	7.7	-7.2%
Motor Vehicle Excise	126.6	131.0	4.4	4.0%	131.8	136.0	4.2	3.8%	141.0	3.7%
Gaming Excise	68.0	66.9	(1.1)	1.7%	68.9	68.1	(0.8)	1.8%	69.5	2.1%
Leased Vehicle Surcharge	5.4	5.4	0.1	0.9%	5.4	5.5	0.1	0.9%	5.5	1.1%
Other	3.3	3.3	-	3.1%	3.3	3.3	-	0.0%	3.3	0.0%
TOTAL SELECTIVE SALES	469.0	485.1	16.1	6.6%	480.6	500.3	19.7	3.1%	520.7	4.1%
Personal Income Tax	1,189.7	1,257.0	67.3	4.3%	1,229.7	1,310.0	80.3	4.2%	1,360.0	3.8%
Corporate Income Tax	423.9	385.0	(38.9)	8.5%	398.9	385.0	(13.9)	0.0%	385.0	0.0%
TOTAL INCOME TAXES	1,613.6	1,642.0	28.4	5.3%	1,628.5	1,695.0	66.5	3.2%	1,745.0	2.9%
Oil and Gas School Tax	362.7	409.2	46.5	2.8%	358.0	407.3	49.3	-0.5%	400.0	-1.8%
Oil Conservation Tax	18.7	21.4	2.7	2.4%	18.5	21.3	2.8	-0.5%	21.0	-1.4%
Resources Excise Tax	10.0	10.0	-	0.0%	10.0	10.0	-	0.0%	10.0	0.0%
Natural Gas Processors Tax	22.4	19.7	(2.7)	0.5%	22.2	21.1	(1.1)	7.1%	21.5	1.9%
TOTAL SEVERANCE TAXES	413.8	460.3	46.5	2.6%	408.7	459.7	51.0	-0.1%	452.5	-1.6%
LICENSE FEES	58.3	51.9	(6.4)	0.6%	59.4	52.9	(6.5)	2.0%	53.8	1.7%
LGPF Interest	453.9	470.0	16.1	7.4%	475.1	498.0	22.9	6.0%	475.2	-4.6%
STO Interest	52.0	44.0	(8.0)	50.5%	58.5	75.6	17.1	71.7%	92.7	22.6%
STPF Interest	162.6	175.7	13.1	4.3%	162.6	180.8	18.2	2.9%	185.1	2.4%
TOTAL INTEREST	668.5	689.7	21.2	8.5%	696.2	754.4	58.2	9.4%	753.0	-0.2%
Federal Mineral Leasing	423.8	495.0	71.2	3.1%	417.5	500.0	82.5	1.0%	485.0	-3.0%
State Land Office	46.2	62.3	16.1	1.6%	45.8	62.6	16.8	0.5%	61.7	-1.4%
TOTAL RENTS & ROYALTIES	470.0	557.3	87.3	3.0%	463.3	562.6	99.3	0.9%	546.7	-2.8%
TRIBAL REVENUE SHARING	81.2	76.0	(5.2)	4.1%	83.8	80.0	(3.8)	5.3%	84.0	5.0%
MISCELLANEOUS RECEIPTS	48.1	45.4	(2.6)	3.8%	49.0	47.0	(2.1)	3.4%	46.8	-0.3%
REVERSIONS	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%	40.0	0.0%
TOTAL RECURRING	5,983.0	6,181.7	198.8	4.4%	6,084.8	6,407.3	322.5	3.6%	6,546.5	2.2%
TOTAL NON-RECURRING*	-	-	-	-100.0%	-	-	-	-	-	-
GRAND TOTAL	5,983.0	6,181.7	198.8	4.4%	6,084.8	6,407.3	322.5	3.6%	6,546.5	2.2%

APPENDIX 3

**Department of Finance and Administration
GENERAL FUND FINANCIAL SUMMARY
August 2012 Consensus Revenue Estimate
(Dollars in Millions)**

	Audited FY2011	Estimated FY2012	Estimated FY2013
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2011 Consensus Forecast adj. for legislation	\$ 5,408.1	\$ 5,528.8	\$ 5,669.8
<i>August 2012 Consensus Forecast</i>	\$ -	\$ 217.5	\$ 17.6
Total Recurring Revenue	<u>\$ 5,408.1</u>	<u>\$ 5,746.3</u>	<u>\$ 5,687.4</u>
Nonrecurring Revenue			
December 2011 Consensus forecast	\$ 66.8	\$ 18.3	\$ (3.3)
Total Nonrecurring Revenue	<u>\$ 66.8</u>	<u>\$ 18.3</u>	<u>\$ (3.3)</u>
TOTAL REVENUE	<u>\$ 5,470.6</u>	<u>\$ 5,764.6</u>	<u>\$ 5,684.1</u>
APPROPRIATIONS			
Recurring Appropriations			
Recurring Appropriations	\$ 5,202.8	\$ 5,416.7	\$ 5,635.5
<i>2011 Recurring Appropriations</i>	<i>10.2</i>	<i>14.6</i>	<i>-</i>
<i>2012 Regular Session - Feed Bill</i>			<i>14.1</i>
Total Recurring Appropriations	<u>\$ 5,212.9</u>	<u>\$ 5,431.3</u>	<u>\$ 5,649.6</u>
Nonrecurring Appropriations			
<i>2010 and 2011 Sessions Nonrecurring Appropriations</i>	\$ 18.3	\$ 5.8	\$ -
<i>2012 Regular Session*</i>		\$ 100.8	\$ 1.6
Total Nonrecurring Appropriations	<u>\$ 18.3</u>	<u>\$ 106.6</u>	<u>\$ 1.6</u>
TOTAL APPROPRIATIONS	<u>\$ 5,231.2</u>	<u>\$ 5,537.9</u>	<u>\$ 5,651.2</u>
Transfer to(from) Reserves	\$ 239.4	\$ 226.7	\$ 32.9
GENERAL FUND RESERVES			
Beginning Balances	\$ 278.0	\$ 500.8	\$ 705.0
Transfers from (to) Appropriations Account	239.4	226.7	32.9
Revenue and Reversions	58.9	126.5	65.3
Appropriations, expenditures and transfers out	<u>(75.5)</u>	<u>(149.0)</u>	<u>(70.0)</u>
Ending Balances	\$ 500.8	\$ 705.0	\$ 733.2
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>9.6%</i>	<i>13.0%</i>	<i>13.0%</i>

*House Bill 315 (Ch. 62, Laws 2012) included a \$1 million appropriation from the tobacco settlement program fund to the University of New Mexico for lung cancer research. A special appropriation may be necessary during the 2013 legislation to provide funding to UNM since the balance of the program fund has been allotted to other programs.

APPENDIX 3

Department of Finance and Administration
GENERAL FUND FINANCIAL SUMMARY (Continued)
RESERVE DETAIL
(Dollars in Millions)

	Audited	Estimated	Estimated
	FY2011	FY2012	FY2013
OPERATING RESERVE			
Beginning balance	\$ 36.2	\$ 275.9	\$ 417.0
BOF Emergency Fund	0.3	(1.3)	-
Transfer from Oper Reserve to ACF (2012 GAA)		(40.0)	
Transfer from (to) tax stabilization reserve		(44.4)	(15.4)
Transfers from (to) appropriation account	239.4	226.7	32.9
Ending balance	\$ 275.9	\$ 417.0	\$ 434.5
APPROPRIATION CONTINGENCY FUND			
Beginning balance	\$ 29.6	\$ 5.2	\$ 29.2
Disaster allotments	(28.8)	(16.0)	(16.0)
Other appropriations	-	-	-
Transfer from Oper Reserve to ACF (2012 GAA)	-	40.0	-
Revenue and reversions	4.3	-	-
Ending Balance	\$ 5.2	\$ 29.2	\$ 13.2
Education Lock Box			
Beginning balance	\$ 53.1	\$ 44.6	\$ 36.6
Appropriations (2010, 2011 and 2012 GAA Section 5)	(8.5)	(8.0)	-
Transfers in (out)	-	-	-
Ending balance	\$ 44.6	\$ 36.6	\$ 36.6
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	\$ 148.0	\$ 150.8
Transfers in	38.6	39.3	38.6
Appropriation to tobacco settlement program fund	(19.3)	(19.7)	(19.3)
Gains/Losses	16.0	2.8	11.3
<i>Additional transfers to Program Fund</i>	(19.3)	(19.7)	(19.3)
Ending balance	\$ 148.0	\$ 150.8	\$ 162.1
TAX STABILIZATION RESERVE			
Beginning balance	\$ 26.1	\$ 26.1	\$ 70.5
Transfers in	-	44.4	15.4
Ending balance	\$ 26.1	\$ 70.5	\$ 85.9
GENERAL FUND ENDING BALANCES	\$ 500.8	\$ 705.0	\$ 733.2
<i>Percent of Recurring Appropriations</i>	<i>9.6%</i>	<i>13.0%</i>	<i>13.0%</i>

*2012 GAA authorizes \$55 million transfer from the operating reserve to the appropriation account if revenues are insufficient to meet appropriations.

Appendix 4
August 2012 Bond Capacity Estimate

<i>Sources and Uses of Funds</i>						
<i>Bonding Capacity Available for Authorization</i>						
<i>August 2012 Estimate</i>						
Sources of Funds (millions)	FY13	FY14	FY15	FY16	FY17	Five-Year
General Obligation Bonds	-	316.4	-	197.5	-	514.0
Severance Tax Bonds	222.5	222.5	222.5	222.5	222.5	1,112.5
Severance Tax Notes	112.0	94.1	90.7	76.5	60.1	433.4
Subtotal Senior STBs	334.5	316.6	313.2	299.0	282.6	1,545.9
Supplemental Severance Tax Bonds	-	-	-	-	-	-
Supplemental Severance Tax Notes	179.5	182.8	197.1	203.7	203.1	966.2
Subtotal Supplemental STBs	179.5	182.8	197.1	203.7	203.1	966.2
Total Sources of Funds	\$514.0	\$815.8	\$510.3	\$700.3	\$485.7	\$3,026.1
Uses of Funds (millions)	FY13	FY14	FY15	FY16	FY17	Five-Year
Projects approved by referendum	-	316.4	-	197.5	-	514.0
New Statewide Capital Projects	223.7	253.3	250.6	239.2	226.1	1,192.8
Authorized but Unissued STB Projects*	43.9	-	-	-	-	43.9
10% Water Projects	33.5	31.7	31.3	29.9	28.3	154.6
5% Colonias Projects	16.7	15.8	15.7	15.0	14.1	77.3
5% Tribal Projects	16.7	15.8	15.7	15.0	14.1	77.3
Education Capital	179.5	182.8	197.1	203.7	203.1	966.2
Total Uses of Funds	\$514.0	\$815.8	\$510.3	\$700.3	\$485.7	\$3,026.1

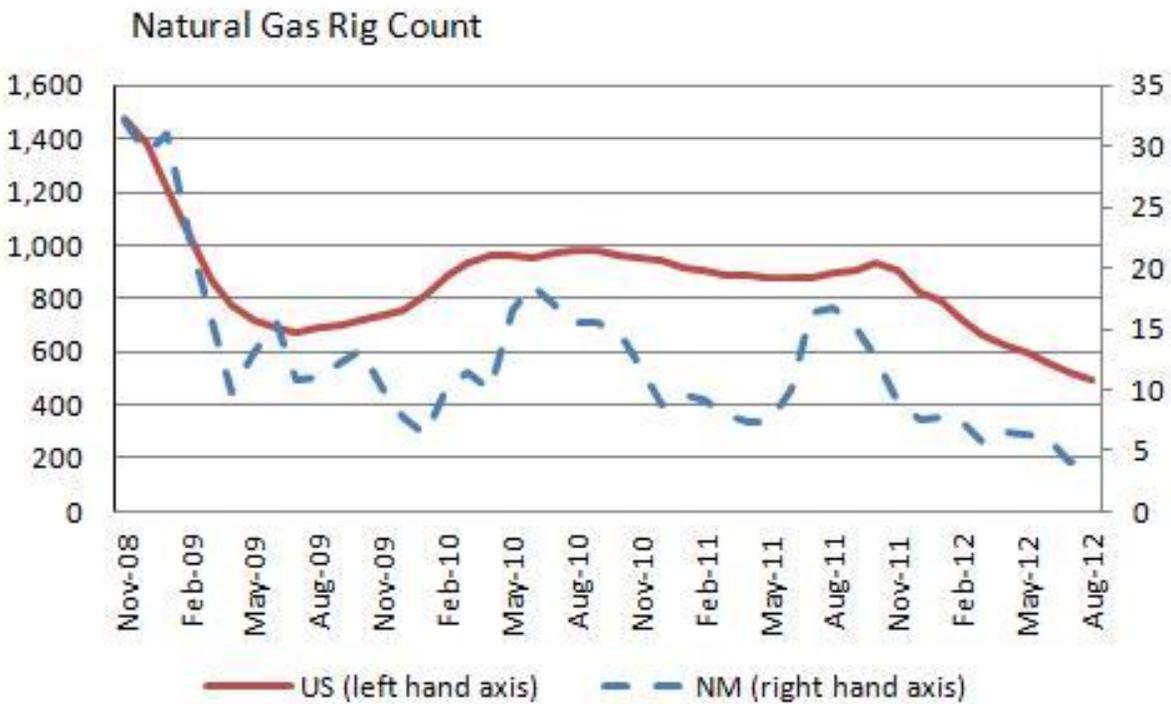
*Includes projects authorized in Laws 2011 and 2012 that have not yet met requirements for project funding.

**Appendix 5
NM and US Rig Counts**

Figure 4



Figure 5



APPENDIX 6

Estimated 2012 Legislative Changes
(Dollars in Thousands)

		Revenue	FY12	FY13	FY14
HB 184	Manufacturing and Construction Anti-Pyramiding	GRT Comp		(16,548)	(32,519) (5,745)
HB 2	Land Maintenance Fund	SLO	(4,030)		
HB 10	Veteran's Hire	PIT/CIT		(1,710)	(1,420)
HB 123	Credit	PIT		(150)	(270)
Total			(4,030)	(18,408)	(39,954)

High Wage Jobs Tax Credit
(Dollars in Millions)

FY07	FY08	FY09	FY10	FY11	FY12	FY13 Est	FY14 Est
1.5	3.8	14.3	4.7	9.3	26	50	50

APPENDIX 7

FY12 Taxable Gross Receipts by Sector	FY12 Q4 (\$ millions)	Year % Change	FY12 (\$ millions)	Year \$ Change	Year % Change	% of Growth
Agriculture, Forestry, Fishing and Hunting	\$18.2	2.5%	\$57.9	-\$1.0	-1.8%	0.0%
Mining and Oil and Gas Extraction	\$900.0	10.8%	\$3,458.1	\$656.7	23.4%	27.8%
Utilities	\$482.9	3.5%	\$2,182.2	\$145.8	7.2%	6.2%
Construction	\$1,338.3	-3.1%	\$5,211.9	-\$119.9	-2.2%	-5.1%
Manufacturing	\$481.7	24.6%	\$1,837.0	\$419.2	29.6%	17.7%
Wholesale Trade	\$600.6	4.6%	\$2,273.6	\$187.1	9.0%	7.9%
Retail Trade	\$2,991.4	0.9%	\$12,036.5	\$396.3	3.4%	16.8%
Transportation and Warehousing	\$175.0	8.7%	\$867.1	\$187.2	27.5%	7.9%
Information and Cultural Industries	\$591.5	0.5%	\$2,367.3	\$264.2	12.6%	11.2%
Finance and Insurance	\$68.6	5.0%	\$249.9	\$0.0	0.0%	0.0%
Real Estate and Rental and Leasing	\$248.3	24.8%	\$881.8	\$132.1	17.6%	5.6%
Professional, Scientific and Technical Services	\$1,138.8	-1.7%	\$4,611.9	\$206.3	4.7%	8.7%
Management of Companies and Enterprises	\$11.4	38.4%	\$35.6	\$2.9	8.9%	0.1%
Admin and Support, Waste Mgt and Remed	\$421.0	-23.5%	\$1,779.6	-\$267.0	-13.0%	-11.3%
Educational Services	\$53.6	-13.4%	\$225.9	-\$26.4	-10.5%	-1.1%
Health Care and Social Assistance	\$543.7	-0.2%	\$2,122.6	\$33.4	1.6%	1.4%
Arts, Entertainment and Recreation	\$49.6	-8.4%	\$203.7	\$3.2	1.6%	0.1%
Accommodation and Food Services	\$906.9	4.6%	\$3,427.8	\$132.2	4.0%	5.6%
Other Services (except Public Admin)	\$1,245.8	0.5%	\$4,770.0	-\$49.4	-1.0%	-2.1%
Public Administration	\$40.9	-1.5%	\$220.8	\$39.6	21.9%	1.7%
Unclassified Establishments	\$43.0	110.0%	\$143.5	\$22.7	18.8%	1.0%
Total	\$12,351.1	1.6%	\$48,964.7	\$2,365.4	5.1%	100.0%