

General Fund Consensus Revenue Outlook and Updated Bond Capacity Estimates

Presented to

Legislative Finance Committee

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“[F]orecasts are very uncertain.” U.S. Energy Information Administration, October, 2011.

SUMMARY:

- The consensus revenue estimating group has revised their forecast that was prepared at the beginning of July. The consensus forecast group includes economists from the executive and legislative branches.
- Table 1 below summarizes the forecast revisions to total recurring revenue. Compared with the July Forecast:
 - FY11 total recurring revenue increased by \$113 million to a total of \$5.39 billion.
 - FY12 total recurring revenue has been revised down by \$21.5 million.
 - FY13 total recurring revenue has been revised down by \$122.7 million.
- After these revisions, total recurring revenue growth was 12.3 percent in FY11, but falls to 2.3 percent in FY12 and to 3.0 percent in FY13.
- After revision, FY12 ending balances would be \$564 million, or 10.4% of recurring appropriations. Expected FY12 supplemental appropriations could reduce this figure by as much as \$100 million, or 1.8 percent of appropriations.
- FY13 “new money”, FY13 recurring revenue less FY12 recurring appropriations, would be \$245.6 million.
- General Obligation bond capacity for authorization by the 2012 legislature will be \$303 million. Senior severance bond capacity will be \$130.4 million, after issuance of \$81 million authorized by the Special Session.

Table 1

October 2011 Consensus Forecast: Total Recurring Revenue

| (Dollar amounts in millions) | FY11 | FY12 | FY13 |
|---------------------------------|-------------|-------------|-------------|
| Post-session estimate | \$5,164.3 | \$5,413.2 | \$5,637.5 |
| July 2011 Revisions | \$110.6 | \$120.2 | \$164.8 |
| October 2011 Revisions | \$113.0 | \$(21.5) | \$(122.7) |
| October 2011 Consensus Estimate | \$5,387.9 | \$5,511.9 | \$5,679.6 |
| % change versus prior year | 12.3% | 2.3% | 3.0% |

ECONOMIC INDICATORS: [Appendix 1]

- U.S. economic output (GDP) grew by 2.6 percent during FY11, but growth is now expected to be only 1.3 percent in FY12, compared with the July forecast of 3.0 percent.
- New Mexico’s employment grew by only 0.2 percent in FY11, roughly equivalent to 1,600 net new jobs. Growth is now forecast at only 0.5 percent in FY12 and 1.2 percent in FY13.
- U.S. inflation, which ticked up in the spring due to higher energy and food prices has fallen to about 1 percent in recent months, and is expected to stabilize at just over 2 percent.
- Most economic indicators are pointing to weak economic growth:
 - The unemployment rate remains above 9 percent nationally, and, although the New Mexico rate has fallen below 7 percent, the decrease is primarily due to discouraged workers leaving the labor force.
 - The Federal Reserve Board announced it will maintain record low interest rates through 2013, a clear indication that they expect minimal economic growth during that period.
 - The lack of consumer confidence due to weak job and housing markets is the main headwind preventing significant economic growth.

ENERGY MARKETS: [Appendix 1]

- Crude oil prices fell sharply in August and September but have stabilized around \$80 per barrel in recent weeks. In addition to concerns about global demand under weaker economic conditions, speculation has caused oil prices to move in tandem with the stock market in recent months. The consensus group expects New Mexico oil prices to average \$82 in FY12 and \$84 in FY13.
- Natural gas prices have fallen along with oil prices, but their slump has been extended due to the lack of significant weather-related demand and due to relatively plentiful inventories. Natural gas liquids continue to provide a premium of roughly \$1.30 per thousand cubic feet relative to dry gas prices. The consensus group expects New Mexico gas prices to average \$5.35 in FY12 and \$5.80 in FY13.
- Crude oil production continues to increase in New Mexico. FY11 production reached 67 million barrels, a 6.5 percent increase over FY10. The consensus group expects production to increase again this year but to decline gradually after FY12.
- Natural gas production in New Mexico continues to decline, falling 4.5 percent in FY11. In part declining gas volumes reflect the losses associated with extracting more liquids from the gas stream. The consensus group expects some moderation in the pace of decline, with production falling 3 percent in FY12 and thereafter.

OCTOBER OUTLOOK REVISIONS BY REVENUE: [Table 2]

- The downward revisions to oil and gas prices are the largest single source of revisions in the updated outlook. The impacts reduce recurring revenue by \$28.6 million in FY12 and by \$70.9 million in FY13.
- Although GRT collections were stronger at the end of FY11, that strength was largely confined to the oil and gas drilling sector. The weaker outlook for employment and wages means subdued growth for this revenue and also for personal income tax collections.
- Selective sales tax revenues were reduced in response to the weaker economic outlook and also due to lower collections of insurance premiums tax.

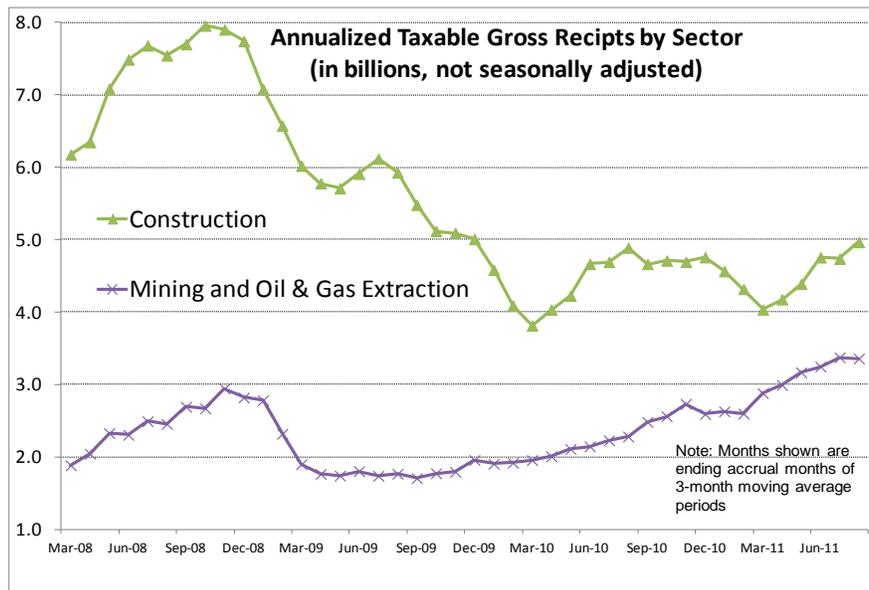
- Corporate income tax collections were higher at the end of FY11, but the July forecast already incorporated strong growth in this revenue so the forecast for FY12 and FY13 was not increased by as much as the FY11 increase.

Table 2

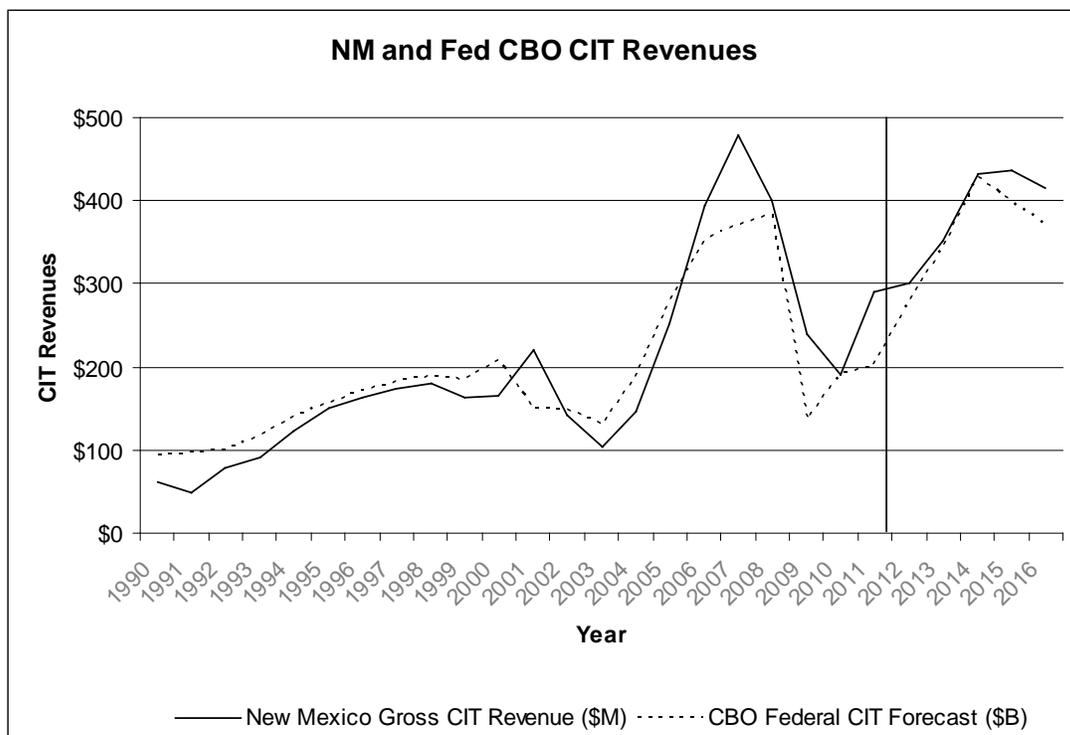
October 2011 Revisions to July Estimate by Major Revenues

| (Dollar amounts in millions) | FY11 | FY12 | FY13 |
|------------------------------|--------------|---------------|----------------|
| General Sales | 15.6 | 2.0 | (21.4) |
| Selective Sales | (3.7) | (12.9) | (20.5) |
| Income Taxes | 61.0 | 21.8 | 5.3 |
| Oil and Gas Revenues | 36.9 | (28.6) | (70.9) |
| Other | 3.2 | (3.8) | (15.2) |
| Total Revenue | 113.0 | (21.5) | (122.7) |

- The chart below illustrates recent volatility in the mining and construction sectors. Construction GRT has fallen almost 40% from its peak in FY08. While it has stopped falling only very modest growth is expected in the near future.
- On the other extreme, mining and oil & gas extraction grew by 44 percent in FY11 and continued this pace over the first two months of FY12. Oil exploration activities in the Permian basin of Eddy and Lea counties account for most of the increase in this sector.



- CIT collections in FY11 were \$49.8 million higher than forecast in July. In part this was due to film credits being slightly lower than expected, \$95.5 million compared with \$102 million. The rest of the increase was due to larger payments with tax returns.
- The following figure illustrates the close relationship between New Mexico's gross CIT and CIT collections of the federal government. The figure indicates that New Mexico CIT collections rose much more quickly than federal collections in FY11. Since federal collections are expected to rise sharply in the next two years, and New Mexico collections usually follow the same pattern, there is good support for the forecast of increasing CIT.



RISKS TO THE FORECAST:

- Negative risks include the possibility of another U.S. recession, which has been put at 40 percent by the Global Insight forecasting service. Default by one of the European countries could lead to contraction in financial markets with reduced lending, slower global growth and sharply lower oil prices.
- Positive risks include the potential for fiscal or monetary stimulus, and also a stronger recovery of business and consumer confidence. Also, a successful resolution of the

European debt crisis would add to the current forecast, which assumes a European recession will occur within the next six months.

GENERAL FUND FINANCIAL SUMMARY: (Appendix 3)

- With the revised revenue forecast, FY11 revenue exceeded appropriations by \$220 million.
- FY12 revenue exceeds current appropriations by \$98.3 million leaving FY12-ending balances of \$564 million or 10.4 percent of appropriations. This amount will be reduced by needed supplemental appropriations of approximately \$100 million for Medicaid and other programs. That would leave ending balances at \$464 million or 8.5 percent.
- FY13 recurring revenue of \$5,679.6 million less FY12 recurring appropriations of \$5,340.7 million leaves “new money” of \$245.6 million. Under this forecast, the retirement “swap” would trigger off, so General Fund appropriations would increase by about \$50 million. This would leave net new money of less than \$200 million.

BOND CAPACITY UPDATE: (Appendix 4)

- After subtracting the \$81 million authorized during the 2011 special session, \$130.5 million of senior severance tax bond capacity is expected to be available for new statewide capital projects authorized during the 2012 regular session.
- \$148.7 million is expected to be available in Fiscal Year 2012 for public school facility projects through the Public School Facilities Authority
- Earmarked appropriations for Fiscal Year 2012 total \$26.4 million for water trust board projects, and \$13.2 million each for colonias and tribal infrastructure projects.
- Currently, it is estimated that \$303.3 million will be available for legislative projects to be funded through general obligation bonds subject to voter approval.
- DFA will update this estimate in December based on year-to-date actuals related to the oil and natural gas sector as well as research on residential and non-residential growth rates.

APPENDIX 1

U.S. and New Mexico Economic Indicators

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

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

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

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

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

Sources: September IHS Global Insight and BBER FOR-UNM

APPENDIX 2

**General Fund Consensus Revenue Estimate
October 2011**

| | FY10 Prelim. Actual DFA | FY11 | | | | FY12 | | | |
|------------------------------------|----------------------------------|---------------------------------------|-----------------------------------|----------------------|-----------------------|-------------------|------------------|----------------------|-----------------------|
| | | July 2011 Est. Prelim Actual | Oct 2011 Est. Prelim Actual | Change from Prior | % Change from FY10 | July 2011 Est. | Oct 2011 Est. | Change from Prior | % Change from FY11 |
| Gross Receipts Tax | 1,634.4 | 1,797.0 | 1,811.4 | 14.4 | 10.8% | 1,862.0 | 1,865.0 | 3.0 | 3.0% |
| Compensating Tax | 50.9 | 68.0 | 69.2 | 1.2 | 35.9% | 70.5 | 69.5 | (1.0) | 0.5% |
| TOTAL GENERAL SALES | 1,685.3 | 1,865.0 | 1,880.6 | 15.6 | 11.6% | 1,932.5 | 1,934.5 | 2.0 | 2.9% |
| Tobacco Taxes | 45.7 | 87.0 | 88.2 | 1.2 | 93.0% | 86.1 | 86.4 | 0.3 | -2.0% |
| Liquor Excise | 25.6 | 24.8 | 25.7 | 0.9 | 0.4% | 25.2 | 26.4 | 1.2 | 2.7% |
| Insurance Taxes | 130.3 | 137.3 | 132.7 | (4.6) | 1.8% | 142.2 | 133.0 | (9.2) | 0.2% |
| Fire Protection Fund Reversion | 5.0 | 18.3 | 17.6 | (0.7) | 252.0% | 18.7 | 16.1 | (2.6) | -8.5% |
| Motor Vehicle Excise | 92.3 | 103.0 | 103.7 | 0.7 | 12.4% | 112.0 | 110.2 | (1.8) | 6.3% |
| Gaming Excise | 65.1 | 66.5 | 65.8 | (0.7) | 1.1% | 67.2 | 66.6 | (0.6) | 1.2% |
| Leased Vehicle Surcharge | 5.7 | 5.0 | 5.0 | - | -12.3% | 5.1 | 5.1 | - | 2.0% |
| Other | 3.2 | 3.0 | 2.5 | (0.5) | -21.6% | 3.0 | 2.8 | (0.2) | 12.0% |
| TOTAL SELECTIVE SALES | 372.9 | 444.9 | 441.2 | (3.7) | 18.3% | 459.5 | 446.6 | (12.9) | 1.2% |
| Personal Income Tax | 956.6 | 1,055.0 | 1,066.2 | 11.2 | 11.5% | 1,094.9 | 1,090.0 | (4.9) | 2.2% |
| Corporate Income Tax | 125.1 | 180.0 | 229.8 | 49.8 | 83.7% | 283.3 | 310.0 | 26.7 | 34.9% |
| TOTAL INCOME TAXES | 1,081.7 | 1,235.0 | 1,296.0 | 61.0 | 19.8% | 1,378.2 | 1,400.0 | 21.8 | 8.0% |
| Oil and Gas School Tax | 324.5 | 355.7 | 378.7 | 23.0 | 16.7% | 373.1 | 355.0 | (18.1) | -6.3% |
| Oil Conservation Tax | 16.4 | 17.9 | 19.7 | 1.8 | 20.1% | 18.7 | 22.6 | 3.9 | 14.6% |
| Resources Excise Tax | 9.4 | 10.0 | 9.9 | (0.1) | 5.3% | 10.0 | 10.0 | - | 1.0% |
| Natural Gas Processors Tax | 40.4 | 18.0 | 18.2 | 0.2 | -55.0% | 22.3 | 22.3 | - | 22.5% |
| TOTAL SEVERANCE TAXES | 390.7 | 401.6 | 426.5 | 24.9 | 9.2% | 424.1 | 409.9 | (14.2) | -3.9% |
| LICENSE FEES | 50.3 | 51.7 | 49.8 | (1.9) | -1.0% | 53.5 | 51.5 | (2.0) | 3.4% |
| LGPF Interest | 437.1 | 445.2 | 446.2 | 1.0 | 2.1% | 459.7 | 459.7 | - | 3.0% |
| STO Interest | 22.1 | 14.7 | 17.6 | 2.9 | -20.4% | 20.8 | 18.6 | (2.2) | 5.7% |
| STPF Interest | 187.1 | 184.6 | 184.6 | - | -1.3% | 183.4 | 183.4 | - | -0.7% |
| TOTAL INTEREST | 646.3 | 644.5 | 648.4 | 3.9 | 0.3% | 663.9 | 661.7 | (2.2) | 2.1% |
| Federal Mineral Leasing | 355.3 | 411.7 | 411.8 | 0.1 | 15.9% | 424.9 | 398.0 | (26.9) | -3.4% |
| State Land Office | 67.7 | 53.7 | 65.6 | 11.9 | -3.1% | 43.3 | 55.8 | 12.5 | -14.9% |
| TOTAL RENTS & ROYALTIES | 423.0 | 465.4 | 477.4 | 12.0 | 12.9% | 468.2 | 453.8 | (14.4) | -4.9% |
| TRIBAL REVENUE SHARING | 64.1 | 65.4 | 65.9 | 0.5 | 2.8% | 70.4 | 70.4 | - | 6.8% |
| MISCELLANEOUS RECEIPTS | 44.4 | 51.4 | 52.1 | 0.7 | 17.3% | 43.1 | 43.5 | 0.4 | -16.5% |
| REVERSIONS | 40.0 | 50.0 | 50.0 | - | 25.0% | 40.0 | 40.0 | - | -20.0% |
| TOTAL RECURRING | 4,798.7 | 5,274.9 | 5,387.9 | 113.0 | 12.3% | 5,533.4 | 5,511.9 | (21.5) | 2.3% |
| TOTAL NON-RECURRING* | 478.9 | 66.8 | 66.8 | - | -86.1% | 18.3 | 18.3 | - | -72.6% |
| GRAND TOTAL | 5,277.6 | 5,341.7 | 5,454.7 | 113.0 | 3.4% | 5,551.7 | 5,530.2 | (21.5) | 1.4% |

*Post-session nonrecurring for FY11 assumed a \$500 thousand transfer from the 920 fund to cover projected shortfall.

General Fund Consensus Revenue Estimate
October 2011

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

10/13/2011

APPENDIX 3
GENERAL FUND FINANCIAL SUMMARY
Reflecting October 2011 Consensus Revenue Forecast
(Dollars in Millions)

| | Estimated FY2011 | Estimated FY2012 | Estimated FY2013 |
|--|-----------------------------|-----------------------------|-----------------------------|
| APPROPRIATION ACCOUNT | | | |
| REVENUE | | | |
| Recurring Revenue | | | |
| July 2011 consensus forecast | \$ 5,274.9 | \$ 5,533.4 | \$ 5,802.3 |
| October 2011 revisions | 113.0 | (21.5) | (122.7) |
| October 2011 Consensus forecast | \$ 5,387.9 | \$ 5,511.9 | \$ 5,679.6 |
| Nonrecurring Revenue | | | |
| October 2011 Consensus forecast | \$ 66.8 | \$ 18.3 | \$ (3.3) |
| TOTAL REVENUE | \$ 5,454.7 | \$ 5,530.2 | \$ 5,676.3 |
| APPROPRIATIONS | | | |
| Recurring Appropriations | | | |
| Recurring Appropriations | \$ 5,202.8 | \$ 5,416.1 | \$ 5,430.7 |
| <i>Recurring Appropriations - Feed Bill</i> | 8.9 | 14.6 | - |
| <i>2011 Recurring Appropriation Bills</i> | 1.3 | | - |
| Total Recurring Appropriations | \$ 5,213.0 | \$ 5,430.7 | \$ 5,430.7 |
| Nonrecurring Appropriations | | | |
| 2009 & 2010 Nonrecurring Appropriations | \$ 1.1 | \$ - | \$ - |
| Laws 2011, Chapter 1, Nonrecurring Appropriation | \$ 1.5 | | |
| <i>2011 Nonrecurring Appropriation Bills</i> | \$ 19.1 | \$ - | \$ - |
| <i>2011 Special Session</i> | | \$ 1.2 | |
| Total Nonrecurring Appropriations | \$ 21.7 | \$ 1.2 | \$ - |
| TOTAL APPROPRIATIONS | \$ 5,234.7 | \$ 5,431.9 | \$ 5,430.7 |
| Transfer to(from) Reserves | \$ 220.0 | \$ 98.3 | \$ 245.6 |
| GENERAL FUND RESERVES | | | |
| Beginning Balances | \$ 278.0 | \$ 470.1 | \$ 564.0 |
| Transfers from (to) Appropriations Account | 220.0 | 98.3 | 245.6 |
| Revenue and Reversions | 49.4 | 50.3 | 51.3 |
| Appropriations, expenditures and transfers out | (77.4) | (54.6) | (54.6) |
| Ending Balances | \$ 470.1 | \$ 564.0 | \$ 806.3 |
| <i>Reserves as a Percent of Recurring Appropriations</i> | 9.0% | 10.4% | 14.8% |

GENERAL FUND FINANCIAL SUMMARY
RESERVE DETAIL
(Dollars in Millions)

| | Estimated FY2011 | Estimated FY2012 | Estimated FY2013 |
|--|-----------------------------|-----------------------------|-----------------------------|
| OPERATING RESERVE | | | |
| Beginning balance | \$ 36.2 | \$ 34.7 | \$ 132.9 |
| BOF Emergency Appropriations | (1.5) | - | - |
| Transfers from/to appropriation account | - | 98.3 | 245.6 |
| Chapter 3, Laws 2009 - SS (HB6) | - | - | - |
| Ending balance | \$ 34.7 | \$ 132.9 | \$ 378.5 |
| APPROPRIATION CONTINGENCY FUND | | | |
| Beginning balance | \$ 29.6 | \$ 0.8 | \$ (15.2) |
| Disaster allotments | (28.8) | (16.0) | (16.0) |
| Other appropriations | - | - | - |
| Transfers in | - | - | - |
| Revenue and reversions | - | - | - |
| Ending Balance | \$ 0.8 | \$ (15.2) | \$ (31.2) |
| Education Lock Box | | | |
| Beginning balance | \$ 53.1 | \$ 44.6 | \$ 44.6 |
| Appropriations (2010 and 2011 GAA Section 5) | (8.5) | - | - |
| Transfers in(out) | - | - | - |
| Ending balance | \$ 44.6 | \$ 44.6 | \$ 44.6 |
| 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 | \$ 142.9 | \$ 154.6 |
| Transfers in | 38.6 | 38.6 | 38.6 |
| Appropriation to tobacco settlement program fund | (19.3) | (19.3) | (19.3) |
| Gains/Losses | 10.8 | 11.7 | 12.7 |
| <i>Additional transfers to Program Fund</i> | <i>(19.3)</i> | <i>(19.3)</i> | <i>(19.3)</i> |
| Ending balance | \$ 142.9 | \$ 154.6 | \$ 167.2 |
| TAX STABILIZATION RESERVE | | | |
| Beginning balance | \$ 26.1 | \$ 246.1 | \$ 246.1 |
| Transfers in | - | - | - |
| Chapter 3, Laws 2009 - SS (HB6) | - | - | - |
| 2010 Special Session reserve transfers | | | |
| 2011 Session reserve transfers | 220.0 | | |
| Ending balance | \$ 246.1 | \$ 246.1 | \$ 246.1 |
| GENERAL FUND ENDING BALANCES | \$ 470.1 | \$ 564.1 | \$ 806.3 |
| <i>Percent of Recurring Appropriations</i> | <i>9.0%</i> | <i>10.4%</i> | <i>14.8%</i> |

Appendix 4
October 2011 Bonding Capacity Estimate

| <i>Core Bonding Programs</i> | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|------------------|
| <i>Sources and Uses of Funds</i> | | | | | | |
| <i>Bonding Capacity Available for Authorization</i> | | | | | | |
| <i>October 2011 Estimate</i> | | | | | | |
| | | | | | | |
| Sources of Funds (millions) | FY12 | FY13 | FY14 | FY15 | FY16 | Five-Year |
| General Obligation Bonds | 303.3 | - | 193.9 | - | 214.7 | 711.8 |
| Severance Tax Bonds | 189.5 | 189.5 | 189.5 | 189.5 | 189.5 | 947.5 |
| Severance Tax Notes | 74.8 | 83.2 | 76.4 | 66.7 | 50.6 | 351.7 |
| Subtotal Senior STBs | 264.3 | 272.7 | 265.9 | 256.2 | 240.1 | 1,299.2 |
| Supplemental Severance Tax Bonds | - | - | - | - | - | - |
| Supplemental Severance Tax Notes | 148.7 | 166.8 | 177.7 | 181.9 | 180.9 | 856.0 |
| Subtotal Supplemental STBs | 148.7 | 166.8 | 177.7 | 181.9 | 180.9 | 856.0 |
| Total Sources of Funds | \$716.3 | \$439.5 | \$637.5 | \$438.0 | \$635.7 | \$2,867.1 |
| | | | | | | |
| | | | | | | |
| Uses of Funds (millions) | FY12 | FY13 | FY14 | FY15 | FY16 | Five-Year |
| Projects approved by referendum | 303.3 | - | 193.9 | - | 214.7 | 711.8 |
| New Statewide Capital Projects | 130.5 | 218.2 | 212.7 | 204.9 | 192.1 | 958.4 |
| Authorized but Unissued STB Projects* | 81.0 | - | - | - | - | 81.0 |
| 10% Water Projects | 26.4 | 27.3 | 26.6 | 25.6 | 24.0 | 129.9 |
| 5% Colonias Projects | 13.2 | 13.6 | 13.3 | 12.8 | 12.0 | 65.0 |
| 5% Tribal Projects | 13.2 | 13.6 | 13.3 | 12.8 | 12.0 | 65.0 |
| Education Capital | 148.7 | 166.8 | 177.7 | 181.9 | 180.9 | 856.0 |
| Total Uses of Funds | \$716.3 | \$439.5 | \$637.5 | \$438.0 | \$635.7 | \$2,867.1 |
| | | | | | | |
| | | | | | | |

*Reflects projects authorized during the 2011 special session.