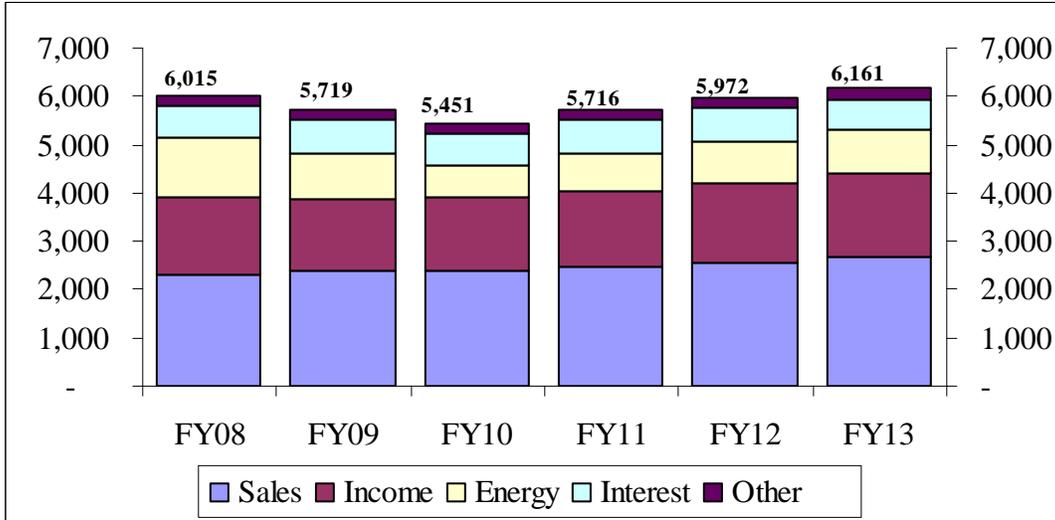


**FEBRUARY 2009 CONSENSUS REVENUE ESTIMATE**  
 Norton Francis, Chief Economist; Becky Gutierrez, Economist; Dan White Economist

**GENERAL FUND RECURRING REVENUE FORECAST**



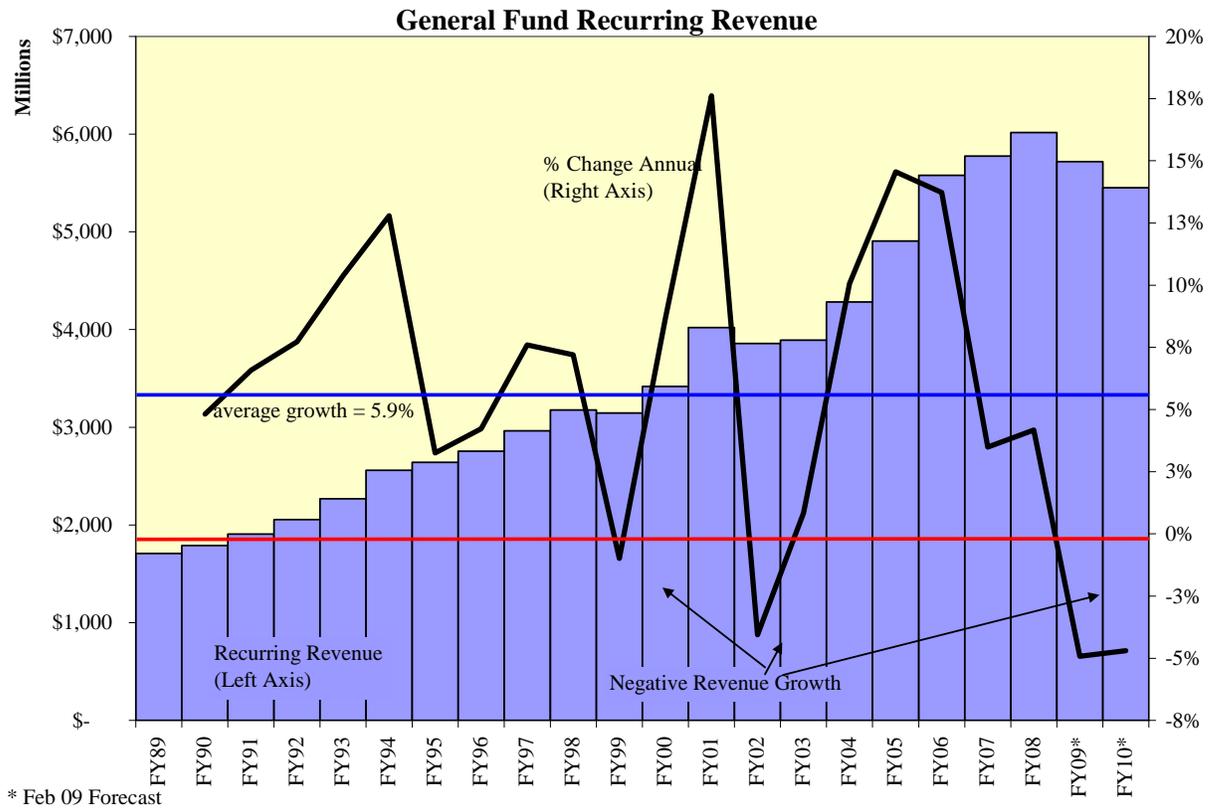
**BOTTOM LINE:**

- **FY09 has been addressed by the solvency plan. As FY10 begins, reserves will be 10.5 percent of recurring appropriations.**
- **FY10 will decline by another \$282 million. Compared to FY09 appropriations before the solvency, revenues are down \$575 million.**
- **FY11 will grow but FY08 levels will not be regained until FY13.**
- **Energy revenues will decline to about 12 percent of general fund revenues in FY10, the lowest share since 1999.**
- **Federal stimulus should help but probably won't impact economy until FY11.**

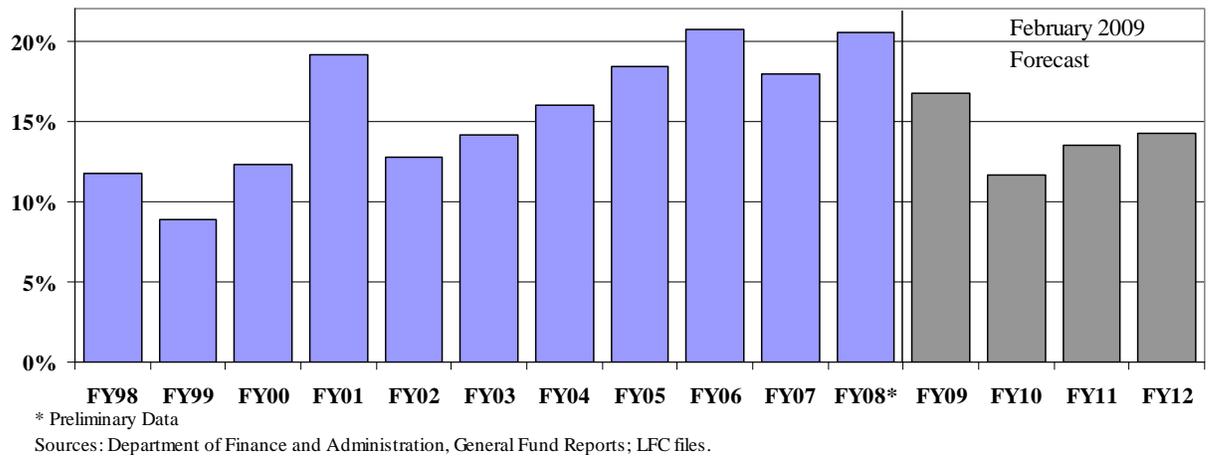
	FY09	FY10	FY11	FY12	FY13
Sales	2.4%	0.9%	3.1%	4.0%	4.1%
Income	-3.9%	-0.1%	3.0%	5.2%	5.5%
Energy	-23.0%	-29.9%	20.2%	9.4%	2.5%
Interest	3.5%	-1.2%	0.6%	-1.0%	-5.6%
Other	-12.4%	2.8%	3.5%	3.8%	4.2%
<b>Total</b>	<b>-4.9%</b>	<b>-4.7%</b>	<b>4.9%</b>	<b>4.5%</b>	<b>3.2%</b>

**ECONOMIC INDICATORS**

Wages and Salaries	1.8%	0.9%	3.5%	4.1%	4.3%
Employment	-0.6%	-0.1%	1.7%	1.7%	1.7%
Oil/Gas Value	-35.3%	-19.9%	22.4%	8.6%	2.5%



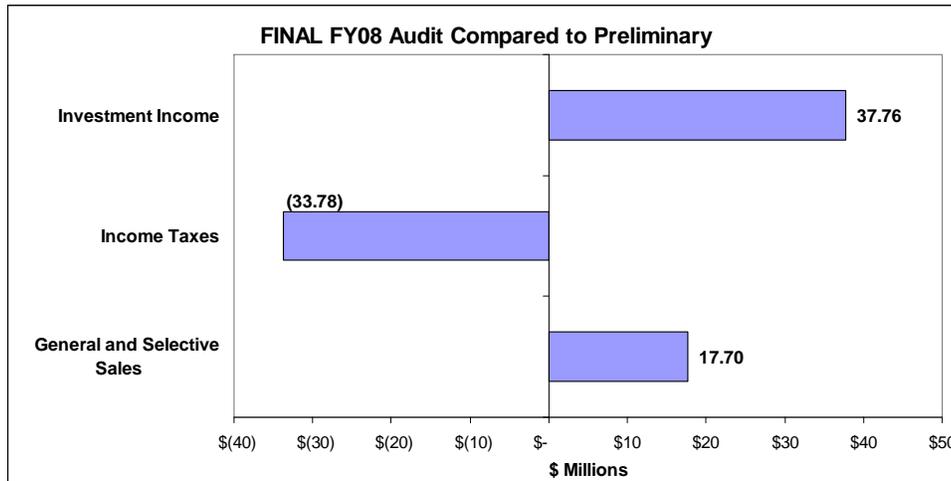
### Energy-related Revenues as a Share of Total General Fund Revenue



## FY08:

- FY08 revenues grew only 4.2 percent but topped \$6 billion in revenue for the first time ever.
  - Energy added the most to the growth while gross receipts and personal income taxes were sluggish and corporate income tax and motor vehicle excise contracted.

- Financial Control Division reported final audited FY08 revenues showing about \$20 million additional strength leaving reserves of \$735.4 million, 13.0 percent of recurring appropriations.
  - The details show that unexpected strength in state treasurer's office earnings was offset by weakness in income taxes. There have been processing issues between TRD and FCD and between FCD and STO.



## FY09 – FY13 FORECAST

- FY09 recurring revenue will be \$5.7 billion, almost \$300 million less than FY08 or a decline of 4.9 percent. Key contributors to the decline are oil and gas revenues and income tax revenues. The decline would have been worse without significant and unsustainable strength in federal mineral leasing. Interest on State Treasurer's investments was a positive revision since December 2008.
- FY10 recurring revenue will be \$268 million less than FY09. Declines are widespread and gross receipts will not provide the usual ballast to revenues.
- FY11 will regain some ground, growing 4.9 percent as the economy improves. Recurring revenue will be virtually the same as FY09 at \$5.7 billion.
- FY08 levels will not be regained until FY13 when revenues will be \$6.2 billion.

## GENERAL FUND FINANCIAL SUMMARY

- Solvency bills restored FY09 to positive balance. Total package \$536 million
  - One-time revenue enhancements of \$141.5 million
  - Appropriations reductions of \$192 million
  - Capital outlay de-authorizations of \$150 million
- FY09 recurring appropriations are \$6 billion including the feed bill but solvency package trimmed to \$5.88 billion.
  - Includes \$8.3 million for feed bill and \$37.2 million for supplementals and information technology.

- Special session appropriations trimmed from \$34.1 million to \$7.1 million including \$5.5 million for behavioral health and disability and \$1.6 for election expenses.
- FY10 shows the LFC recommendation and the feed bill for a total of \$5.88 billion, 2.4 % down from FY09 pre-solvency appropriations and flat growth after solvency is included.
- FY10 without any further action such as reducing revenues that can be replace with federal funds will require a \$362 million transfer from reserves leaving a 3.8 percent balance.

## **REVENUE PROJECTION DETAIL**

### **SALES TAXES:**

- The GRT forecast for FY09 of \$1.9 billion is unchanged from the December estimate. This is a 2.2% increase from FY08. The first quarter of GRT was surprisingly strong which is expected to off-set any weaker quarters later in the fiscal year. The expected impacts of the recession will show up more in FY10. GRT for FY10 is expected to have a slight growth of 0.5 percent and is expected to return to a sluggish 3.1 percent level of growth in FY11.
- Compensating taxes is expected to grow due to required investments by Qwest.
- Insurance premium taxes continue to be strong primarily due to managed care organizations as part of Medicaid. There is a significant upside risk that the federal Medicaid enhancements will have a positive impact on this revenue.
- Motor vehicle excise was revised down. In FY09, it will be below \$100 million for the first time since 2001. After declining 2.8 percent in FY08, they are expected to decline another 23 percent in FY09.
  - The solvency plan included a new TRD regulation regarding the appropriate valuation of used vehicles. This was not added into the forecast at this time.
- Gaming excise was one of the few revenues revised upward from the December 2008 forecast. Although two racinos (Albuquerque Downs and Ruidoso Downs) have seen declines in their net wins, the other three racinos are seeing large increases in their net wins compared to FY08. To date, net win collections thru November 2008 show that net wins are up 8% Y/Y. There's also a one time adjustment of \$10.6 million in FY09 that should have been reported in FY08.

### **INCOME TAXES:**

- Personal income tax collections, already slow in FY09, slow down to flat growth in FY10 followed by an anemic 1.4 percent growth in FY10, reflecting the deterioration in the economy.
- Corporate income tax slid 23 percent in FY08 and is expected to continue to slide in FY09, declining 17.4 percent, and FY10, declining 6.4 percent.

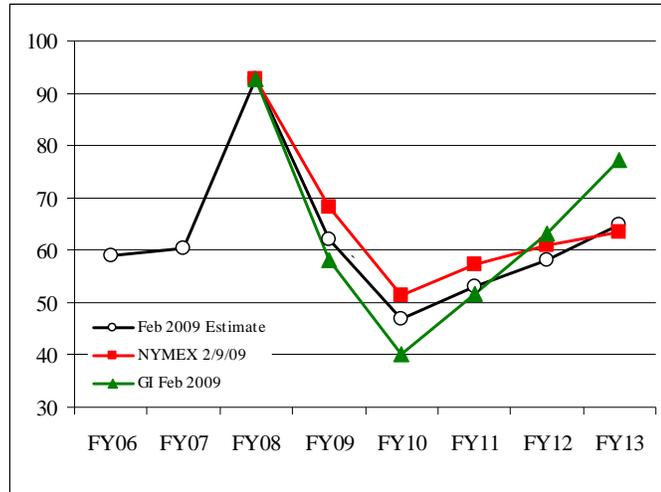
### **ENERGY:**

- Energy revenues in FY09 were weak but offset by unusually strong federal mineral leasing. FML now appears to lag three months so the expected weakness did not show

up until December. This more than offset the weakness in Oil and Gas School tax, the other big energy revenue. In FY10, however, the weakness shows up in FY10 and energy revenues are the main contributor to the decline in total revenue.

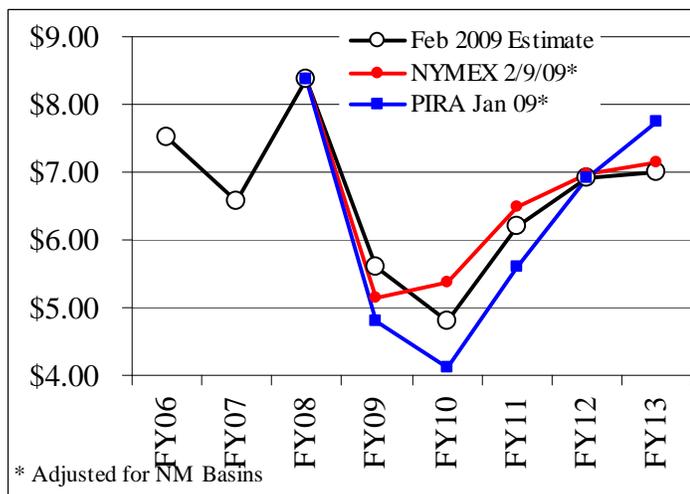
- The price of oil has been revised down to \$62 per barrel in FY09 and \$47 per barrel in FY10. Volumes have not been revised down but represent a downside risk to the revenues. However, even if there is a ten percent drop in oil volume the impact is relatively minor, about \$7 million, when compared to price fluctuations.

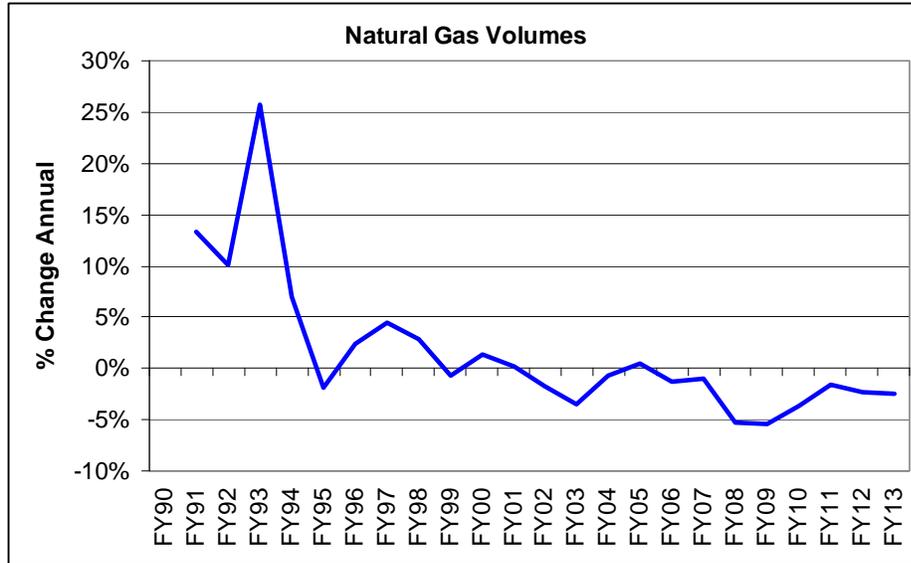
**Consensus Oil Price**



- The price of natural gas has been revised down significantly to \$5.60 per thousand cubic feet in FY09 and \$4.80 in FY10. Volumes have historically declined 2 to 2.5 percent but the last year has seen dramatic declines. The estimate is now for volume to be almost 6 percent lower in FY09 than FY08 and 4 percent lower in FY10. A ten percent drop in natural gas volume reduces revenue by about \$20 million.

**Consensus Natural Gas Price**





**FORECAST COMPARISON**

	<b>NATURAL GAS</b>				<b>OIL</b>	
	Wyoming*		New Mexico		Wyoming*	New Mexico
calendar years	2008	\$ 6.50	\$ 8.50	\$ 90.00	\$ 97.00	
	2009	\$ 3.75	\$ 3.90	\$ 40.00	\$ 46.00	
	2010	\$ 4.25	\$ 5.40	\$ 50.00	\$ 51.00	
	2011	\$ 4.75	\$ 6.30	\$ 60.00	\$ 58.00	
	2012	\$ 5.25	\$ 6.80	\$ 70.00	\$ 66.00	

source: Wyoming consensus forecast January 2009

- There was a large increase in Federal Mineral Leasing for FY09 due to a 3-month lag from ONGARD data. Oil and gas prices for ONGARD hit an all-time high in July 2008 and the three months preceding July were also quite high. Normally those high months preceding July would have been captured in FY08 but because of the 3-month lag for FML, these high revenues were captured in FY09. Unfortunately this is also the reason for such a large decrease in FML revenues for FY10. The low prices we are expecting to see from ONGARD at the end of FY09 won't be calculated for FML until FY10 thus decreasing revenues.

**INTEREST EARNINGS:**

- Interest earnings by the State Treasurer's Office have come in significantly higher than expected throughout the first half of FY09. Based upon this strength, earnings on state balances are expected to be \$60 million in FY09, an upward revision from December of approximately \$38 million. The strength is expected to continue into FY10 were expected interest earnings were also revised upwards by approximately \$33 million.
- The state's two largest permanent funds, the Land Grant and Severance Tax Permanent Funds (LGPF and STPF), suffered combined losses of more than \$4.3 billion during calendar year 2008. However, because the funds' distributions are based upon their five-

year calendar year end average the losses will have only a marginal impact upon FY09 general fund distributions. Although the five year averaging protects current year distributions, it will cause the losses suffered in 2008 to affect the funds' distributions for a number of years to come. The estimate forecasts FY10 through FY12 to suffer the largest impacts due to 2008 losses. Distributions for FY12 were revised downward by a combined \$25.4 million relative to the December 2008 estimate.

**OTHER REVENUES:**

- Tribal casino revenue was revised downwards and now shows a year over year contraction of 1.5 percent. Although Buffalo Thunder opened in October, the net wins for casinos as a whole have dropped dramatically in FY09. There were only two tribes that had Y/Y increases during the first half of FY09 (Laguna and Pojoaque – Buffalo Thunder). The remaining tribes saw Y/Y decreases with an average of -11% in net wins for the first half of FY09. This dramatic decrease in net wins is not expected to continue in FY10 however, deteriorating economic conditions will still have an impact on this revenue and thus FY10 was also revised downward by 6% from December estimates.
- Reversions were unchanged but there is a strong possibility of significant nonrecurring reversions from the Medicaid program depending on the mechanics of the federal stimulus.

**FEDERAL STIMULUS**

- Currently, New Mexico will receive \$1.65 billion in economic stimulus from the federal government during FY09 and FY10 with roughly 2/3 of the relief coming in FY09 and the final 1/3 in FY10.
- The Fiscal Stabilization portion of the stimulus will allocate \$266 million for education and \$57.7 million for general purpose (flex fund).
- Medicaid - \$630 million.
- Highways and Bridges - \$272 million
- Transit Capital Grants - \$34.9 million
- Drinking and Clean Water SRF - \$39.2 million
- Weatherization - \$39 million
- Child Care - \$17.9 million
- Title I - \$106.4 million
- Special Education - \$90.6

**General Fund Consensus Revenue Estimate  
February 2009**

	<b>FY08</b>		<b>FY09</b>					<b>FY10</b>				
	Actual	% Change from FY07	Dec. 07 Adj.	Dec. 08	Feb. 09	Change from Prior	% Change from FY08	Dec. 07 Adj.	Dec. 08	Feb. 09	Change from Prior	% Change from FY09
Gross Receipts Tax	1,858.4	1.0%	1,973.0	1,900.0	1,900.0	-	2.2%	2,034.2	1,914.0	1,910.0	(4.0)	0.5%
Compensating Tax	64.5	5.1%	66.3	70.0	73.0	3.0	13.2%	74.1	66.8	70.0	3.2	-4.1%
<b>TOTAL GENERAL SALES</b>	<b>1,922.9</b>	<b>1.1%</b>	<b>2,039.3</b>	<b>1,970.0</b>	<b>1,973.0</b>	<b>3.0</b>	<b>2.6%</b>	<b>2,108.3</b>	<b>1,980.8</b>	<b>1,980.0</b>	<b>(0.8)</b>	<b>0.4%</b>
Tobacco Taxes	48.2	3.1%	46.2	47.8	47.0	(0.8)	-2.6%	46.2	47.9	44.7	(3.3)	-4.9%
Liquor Excise	25.1	-6.1%	26.1	25.7	25.7	-	2.4%	26.3	26.3	26.3	-	2.4%
Insurance Taxes	109.8	1.6%	108.5	121.5	122.1	0.6	11.2%	116.6	135.0	139.5	4.5	14.3%
Fire Protection Fund Reversion	21.1	5.9%	18.4	19.2	19.2	-	-9.3%	17.5	18.0	18.0	-	-6.0%
Motor Vehicle Excise	127.6	-2.8%	141.8	115.0	98.7	(16.3)	-22.7%	147.9	120.0	100.7	(19.3)	2.0%
Gaming Excise	56.1	-20.8%	71.6	80.4	83.2	2.7	48.1%	73.4	75.0	79.9	4.9	-3.9%
Leased Vehicle Surcharge	8.5	41.6%	4.7	5.5	6.2	0.7	-27.1%	4.7	5.9	6.6	0.7	5.9%
Other	3.8	24.2%	2.1	2.5	3.2	0.7	-16.2%	2.1	2.5	3.2	0.7	0.3%
<b>TOTAL SELECTIVE SALES</b>	<b>400.4</b>	<b>-3.1%</b>	<b>419.4</b>	<b>417.6</b>	<b>405.2</b>	<b>(12.4)</b>	<b>1.2%</b>	<b>434.7</b>	<b>430.6</b>	<b>418.9</b>	<b>(11.8)</b>	<b>3.4%</b>
Personal Income Tax	1,213.5	2.8%	1,174.4	1,220.0	1,213.5	(6.5)	0.0%	1,245.2	1,250.0	1,230.0	(20.0)	1.4%
Corporate Income Tax	354.6	-22.9%	451.6	338.0	293.0	(45.0)	-17.4%	451.6	320.0	275.0	(45.0)	-6.1%
<b>TOTAL INCOME TAXES</b>	<b>1,568.1</b>	<b>-4.4%</b>	<b>1,626.0</b>	<b>1,558.0</b>	<b>1,506.5</b>	<b>(51.5)</b>	<b>-3.9%</b>	<b>1,696.8</b>	<b>1,570.0</b>	<b>1,505.0</b>	<b>(65.0)</b>	<b>-0.1%</b>
Oil and Gas School Tax	557.7	32.7%	420.7	394.0	349.5	(44.5)	-37.3%	409.4	382.5	280.6	(101.9)	-19.7%
Oil Conservation Tax	27.1	35.8%	19.3	18.2	16.1	(2.1)	-40.5%	18.8	17.5	12.9	(4.6)	-20.0%
Resources Excise Tax	10.6	-1.6%	13.2	13.6	11.7	(1.9)	10.4%	13.2	14.8	8.4	(6.4)	-27.9%
Natural Gas Processors Tax	30.6	-14.1%	32.2	32.3	33.7	1.4	10.1%	31.7	32.4	32.7	0.3	-3.1%
<b>TOTAL SEVERANCE TAXES</b>	<b>625.9</b>	<b>28.6%</b>	<b>485.4</b>	<b>458.0</b>	<b>411.0</b>	<b>(47.0)</b>	<b>-34.3%</b>	<b>473.1</b>	<b>447.2</b>	<b>334.6</b>	<b>(112.6)</b>	<b>-18.6%</b>
LICENSE FEES	50.7	3.5%	52.0	50.4	50.4	-	-0.5%	54.5	51.4	51.4	-	2.0%
LGPF Interest	390.5	7.1%	433.8	433.2	433.2	-	10.9%	472.8	441.7	436.2	(5.5)	0.7%
STO Interest	93.7	41.0%	70.0	22.0	60.0	38.0	-36.0%	65.0	20.0	53.0	33.0	-11.7%
STPF Interest	177.2	3.6%	191.6	191.3	191.3	-	8.0%	203.5	189.5	186.9	(2.6)	-2.3%
<b>TOTAL INTEREST</b>	<b>661.4</b>	<b>9.8%</b>	<b>695.4</b>	<b>646.5</b>	<b>684.5</b>	<b>38.0</b>	<b>3.5%</b>	<b>741.2</b>	<b>651.2</b>	<b>676.1</b>	<b>24.9</b>	<b>-1.2%</b>
Federal Mineral Leasing	564.2	12.6%	535.6	411.5	506.0	94.5	-10.3%	525.5	409.4	301.5	(108.0)	-40.4%
State Land Office	46.1	-8.6%	46.3	37.4	34.7	(2.6)	-24.6%	45.3	36.7	30.8	(5.9)	-11.3%
<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>610.3</b>	<b>10.6%</b>	<b>581.9</b>	<b>448.9</b>	<b>540.7</b>	<b>91.9</b>	<b>-11.4%</b>	<b>570.7</b>	<b>446.1</b>	<b>332.3</b>	<b>(113.9)</b>	<b>-38.6%</b>
TRIBAL REVENUE SHARING	66.6	18.5%	69.2	72.0	65.6	(6.4)	-1.5%	72.7	73.1	68.4	(4.7)	4.3%
MISCELLANEOUS RECEIPTS	50.3	35.8%	36.1	42.6	43.2	0.5	-14.1%	36.4	42.9	44.3	1.3	2.5%
REVERSIONS	59.0	60.0%	40.8	39.3	39.3	-	-33.4%	42.7	40.0	40.0	-	1.8%
<b>TOTAL RECURRING</b>	<b>6,015.5</b>	<b>4.2%</b>	<b>6,045.4</b>	<b>5,703.3</b>	<b>5,719.3</b>	<b>16.1</b>	<b>-4.9%</b>	<b>6,231.1</b>	<b>5,733.3</b>	<b>5,450.9</b>	<b>(282.5)</b>	<b>-4.7%</b>
TOTAL NON-RECURRING (2)	47.2		-	(55.7)	(55.7)	-	-218.1%	-	-	-	-	
<b>GRAND TOTAL</b>	<b>6,062.6</b>	<b>5.0%</b>	<b>6,045.4</b>	<b>5,647.59</b>	<b>5,663.6</b>	<b>16.1</b>	<b>-6.6%</b>	<b>6,231.1</b>	<b>5,733.3</b>	<b>5,450.9</b>	<b>(282.5)</b>	<b>-3.8%</b>

**General Fund Consensus Revenue Estimate**  
**February 2009**

	FY11					FY12					FY13			
	Dec. 07 Adj.	Dec. 08	Feb. 09	Change from Prior	% Change from FY10	Dec. 07 Adj.	Dec. 08	Feb. 09	Change from Prior	% Change from FY11	Dec. 08	Feb. 09	Change from Prior	% Change from FY12
Gross Receipts Tax	2,101.3	1,973.0	1,970.0	(3.0)	3.1%	2,170.7	2,050.0	2,055.0	5.0	4.3%	2,138.0	2,145.0	7.0	4.4%
Compensating Tax	72.1	64.4	67.4	3.0	-3.7%	75.2	67.2	70.2	3.0	4.2%	70.1	73.1	3.0	4.1%
<b>TOTAL GENERAL SALES</b>	<b>2,173.4</b>	<b>2,037.4</b>	<b>2,037.4</b>	<b>(0.0)</b>	<b>2.9%</b>	<b>2,245.9</b>	<b>2,117.2</b>	<b>2,125.2</b>	<b>8.0</b>	<b>4.3%</b>	<b>2,208.1</b>	<b>2,218.1</b>	<b>10.0</b>	<b>4.4%</b>
Tobacco Taxes	46.2	48.1	44.9	(3.2)	0.5%	46.2	48.4	45.1	(3.3)	0.6%	48.6	45.4	(3.2)	0.6%
Liquor Excise	26.7	26.8	26.8	-	1.6%	27.2	27.3	27.3	-	1.9%	27.8	27.8	-	1.9%
Insurance Taxes	123.1	142.2	146.8	4.7	5.3%	130.1	149.7	154.7	5.0	5.3%	157.6	163.0	5.4	5.4%
Fire Protection Fund Reversion	16.4	16.4	16.4	-	-9.2%	14.7	14.7	14.7	-	-10.1%	13.1	13.1	-	-10.9%
Motor Vehicle Excise	154.0	123.6	103.7	(19.9)	3.0%	160.5	127.3	106.8	(20.5)	3.0%	131.1	110.0	(21.1)	3.0%
Gaming Excise	75.2	80.7	87.3	6.6	9.3%	77.0	81.3	89.4	8.1	2.3%	81.6	90.8	9.2	1.6%
Leased Vehicle Surcharge	4.7	5.8	6.5	0.7	-2.3%	4.8	5.8	6.5	0.7	1.2%	5.8	6.5	0.7	0.2%
Other	2.1	2.5	3.2	0.7	0.3%	2.2	2.5	3.2	0.7	0.3%	2.5	3.2	0.7	0.3%
<b>TOTAL SELECTIVE SALES</b>	<b>448.4</b>	<b>445.9</b>	<b>435.5</b>	<b>(10.4)</b>	<b>4.0%</b>	<b>462.6</b>	<b>457.0</b>	<b>447.6</b>	<b>(9.4)</b>	<b>2.8%</b>	<b>468.1</b>	<b>459.8</b>	<b>(8.3)</b>	<b>2.7%</b>
Personal Income Tax	1,287.5	1,290.0	1,260.0	(30.0)	2.4%	1,330.0	1,350.0	1,320.0	(30.0)	4.8%	1,420.0	1,380.0	(40.0)	4.5%
Corporate Income Tax	448.6	330.0	290.0	(40.0)	5.5%	445.6	340.0	310.0	(30.0)	6.9%	350.0	340.0	(10.0)	9.7%
<b>TOTAL INCOME TAXES</b>	<b>1,736.1</b>	<b>1,620.0</b>	<b>1,550.0</b>	<b>(70.0)</b>	<b>3.0%</b>	<b>1,775.6</b>	<b>1,690.0</b>	<b>1,630.0</b>	<b>(60.0)</b>	<b>5.2%</b>	<b>1,770.0</b>	<b>1,720.0</b>	<b>(50.0)</b>	<b>5.5%</b>
Oil and Gas School Tax	400.3	421.8	344.5	(77.3)	22.8%	385.0	432.0	374.0	(58.0)	8.6%	430.2	382.0	(48.2)	2.1%
Oil Conservation Tax	18.4	19.3	15.7	(3.6)	22.0%	17.7	19.9	17.1	(2.8)	8.8%	19.9	17.5	(2.4)	2.2%
Resources Excise Tax	13.2	16.1	8.4	(7.7)	0.0%	13.2	17.3	8.4	(8.9)	0.0%	18.6	8.4	(10.2)	0.0%
Natural Gas Processors Tax	31.4	27.4	23.9	(3.5)	-26.8%	30.6	28.9	24.7	(4.2)	3.3%	28.4	26.1	(2.3)	5.7%
<b>TOTAL SEVERANCE TAXES</b>	<b>463.3</b>	<b>484.6</b>	<b>392.6</b>	<b>(92.0)</b>	<b>17.3%</b>	<b>446.5</b>	<b>498.1</b>	<b>424.3</b>	<b>(73.9)</b>	<b>8.1%</b>	<b>497.1</b>	<b>434.0</b>	<b>(63.0)</b>	<b>2.3%</b>
LICENSE FEES	57.1	52.8	52.8	-	2.7%	59.8	54.8	54.8	-	3.8%	57.7	57.7	-	5.3%
LGPF Interest	513.1	445.2	434.0	(11.2)	-0.5%	556.4	448.5	431.2	(17.3)	-0.6%	423.0	400.5	(22.5)	-7.1%
STO Interest	65.0	30.0	67.0	37.0	26.4%	65.0	60.0	71.0	11.0	6.0%	65.6	75.0	9.4	5.6%
STPF Interest	215.6	184.7	179.4	(5.3)	-4.0%	228.9	179.7	171.6	(8.1)	-4.3%	171.5	160.4	(11.1)	-6.5%
<b>TOTAL INTEREST</b>	<b>793.7</b>	<b>659.9</b>	<b>680.4</b>	<b>20.5</b>	<b>0.6%</b>	<b>850.3</b>	<b>688.2</b>	<b>673.8</b>	<b>(14.4)</b>	<b>-1.0%</b>	<b>660.1</b>	<b>635.9</b>	<b>(24.2)</b>	<b>-5.6%</b>
Federal Mineral Leasing	514.4	451.0	374.3	(76.7)	24.2%	501.2	462.6	416.1	(46.5)	11.2%	462.1	428.0	(34.1)	2.9%
State Land Office	44.1	39.0	34.3	(4.6)	11.5%	42.6	39.8	36.2	(3.7)	5.4%	39.7	36.7	(3.0)	1.4%
<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>558.5</b>	<b>489.9</b>	<b>408.7</b>	<b>(81.3)</b>	<b>23.0%</b>	<b>543.7</b>	<b>502.5</b>	<b>452.3</b>	<b>(50.2)</b>	<b>10.7%</b>	<b>501.8</b>	<b>464.7</b>	<b>(37.1)</b>	<b>2.7%</b>
TRIBAL REVENUE SHARING	76.3	79.0	71.9	(7.2)	5.0%	80.2	83.0	75.5	(7.5)	5.0%	87.2	79.3	(7.9)	5.1%
MISCELLANEOUS RECEIPTS	36.8	43.2	45.3	2.1	2.4%	37.1	43.5	46.4	2.9	2.4%	43.8	47.6	3.7	2.5%
REVERSIONS	41.8	41.2	41.2	-	3.0%	45.5	42.4	42.4	-	3.0%	43.7	43.7	-	3.0%
<b>TOTAL RECURRING</b>	<b>6,385.3</b>	<b>5,954.0</b>	<b>5,715.6</b>	<b>(238.3)</b>	<b>4.9%</b>	<b>6,547.1</b>	<b>6,176.7</b>	<b>5,972.3</b>	<b>(204.4)</b>	<b>4.5%</b>	<b>6,337.6</b>	<b>6,160.8</b>	<b>(176.8)</b>	<b>3.2%</b>
TOTAL NON-RECURRING (2)	-	-	-	-		-	-	-	-		-	-	-	
<b>GRAND TOTAL</b>	<b>6,385.3</b>	<b>5,953.96</b>	<b>5,715.6</b>	<b>(238.3)</b>	<b>4.9%</b>	<b>6,547.1</b>	<b>6,176.7</b>	<b>5,972.3</b>	<b>(204.4)</b>	<b>4.5%</b>	<b>6,337.6</b>	<b>6,160.8</b>	<b>(176.8)</b>	<b>3.2%</b>

**U.S. AND NEW MEXICO ECONOMIC INDICATORS**

	FY2008	FY2009		FY2010		FY2011		FY2012		FY2013		
	Prelim	Dec. 2007 Estimate	Dec. 2008 Estimate	Feb. 2009 Estimate								
<b>NATIONAL ECONOMIC INDICATORS</b>												
US Real GDP Growth (% , SAAR)	2.4	2.2	(0.4)	(1.4)	0.1	(0.5)	2.6	3.3	3.4	2.9	3.3	2.7
US Inflation Rate (CPI, %, SAAR)*	2.3	1.4	1.6	1.8	0.2	0.9	3.1	1.8	2.6	2.1	2.3	2.1
Federal Funds Rate (%)	3.7	3.6	1.0	0.7	0.6	0.3	2.3	2.0	4.7	4.4	4.8	4.8
<b>NEW MEXICO LABOR MARKET AND INCOME DATA</b>												
<i>New Mexico</i>												
NM Non-Agricultural Employment Growth (%)	1.0	1.5	(0.1)	(0.6)	0.6	(0.1)	1.3	1.7	1.6	1.7	1.9	1.7
NM Personal Income Growth (%)**	6.0	5.2	5.4	5.2	1.9	0.8	3.2	2.4	4.7	4.6	5.2	4.9
NM Private Wages & Salaries Growth (%)	6.0	3.7	2.5	1.8	2.0	0.9	3.1	3.5	3.9	4.1	4.7	4.3
<b>CRUDE OIL AND NATURAL GAS OUTLOOK</b>												
Oil Price (\$/barrel) - NM Producers	\$ 92.61	\$ 75.00	\$ 69.00	\$ 62.00	\$ 59.00	\$ 47.00	\$ 68.00	\$ 53.00	\$ 77.00	\$ 58.00	\$ 82.00	\$ 65.00
Taxable Oil Sales (million barrels)	60.1	57.0	60.0	60.0	59.4	59.4	58.8	58.8	58.2	58.2	57.8	57.8
Gas Price (\$ per thousand cubic feet) - NM Producers	\$ 8.28	\$ 6.60	\$ 6.05	\$ 5.60	\$ 6.35	\$ 4.80	\$ 7.10	\$ 6.20	\$ 7.20	\$ 6.90	\$ 7.20	\$ 7.00
Taxable Gas Sales (billion cubic feet)	1,433.0	1,434.0	1,415.0	1,350.0	1,380.0	1,300.0	1,345.0	1,280.0	1,312.0	1,250.0	1,280.0	1,220.0

\*CPI is all Urban.

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

Sources: *Global Insight, FOR-UNM and PIRA*

**GENERAL FUND FINANCIAL SUMMARY - FEBRUARY REVENUE UPDATE**  
**(Dollars in Millions)**

APPROPRIATION ACCOUNT	Preliminary FY2008	Estimated FY2009	Estimated FY2010
<b>REVENUE</b>			
Recurring Revenue			
December 2008 Revenue Estimate	\$ 5,994.6	\$ 5,703.3	\$ 5,733.3
<i>February Adjustment</i>	\$ 20.8	\$ 16.1	\$ (282.5)
<i>Revenue Enhancements</i>		\$ 6.0	\$ 37.2
<b>Total Recurring Revenue</b>	<b>\$ 6,015.5</b>	<b>\$ 5,725.3</b>	<b>\$ 5,488.1</b>
Nonrecurring Revenue			
December 2008 Revenue Estimate	\$ 47.2	\$ (55.7) (1)	\$ -
<i>Laws 2009, Ch 3 (SB79)</i>		\$ 55.7	\$ 31.6
<i>Laws 2009, Ch. 3 (SB79), Laws 2009, Ch. 4 (SB80)</i>		\$ 135.5	\$ -
<b>Total Non-Recurring Revenue</b>	<b>\$ 47.2</b>	<b>\$ 135.5</b>	<b>\$ 31.6</b>
<b>TOTAL REVENUE</b>	<b>\$ 6,062.6</b>	<b>\$ 5,860.8</b>	<b>\$ 5,519.7</b>
<b>APPROPRIATIONS</b>			
Recurring Appropriations			
Recurring Appropriations - General	\$ 5,675.0	\$ 6,026.8	\$ 5,865.5
Recurring Appropriations - Laws 2009, Ch 1 (Feed Bill)		\$ 8.3	\$ 16.1
2008 Special Session		\$ 34.1	
<i>Laws 2009, Ch. 3 (SB79) - repeal 2008 SS</i>		\$ (27.0)	
<b>Total Recurring Appropriations</b>	<b>\$ 5,675.0</b>	<b>\$ 6,042.3</b>	<b>\$ 5,881.6</b>
Nonrecurring Appropriations			
2008 Nonrecurring Appropriations (incl. 2008 S.S.)		\$ 25.6	\$ -
Audit Adjustments (2)	\$ (17.9)	\$ 15.1	
<i>2009 Nonrecurring-Specials, Supplementals and IT (HAFC Scenario)</i>		\$ 37.2	\$ -
<i>Laws 2009, Ch. 2 (HB10) and Laws 2009, Ch. 3 (SB79)</i>		\$ (165.0)	\$ -
<i>Laws 2009, Ch. 5 (HB9) and Laws 2009, Ch. 3 (SB79)</i>		\$ (150.0)	
<b>Total Nonrecurring Appropriations</b>	<b>\$ 295.1</b>	<b>\$ (237.1)</b>	<b>\$ -</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 5,970.0</b>	<b>\$ 5,805.1</b>	<b>\$ 5,881.6</b>
Transfer to Reserves	\$ 92.6	\$ 55.7	\$ (361.9)
<b>GENERAL FUND RESERVES</b>			
Beginning Balances	\$ 650.8	\$ 735.1	\$ 633.2
Transfers in from Appropriations Account	\$ 92.6	\$ 55.7	\$ (361.9)
Revenue and Reversions	\$ 48.3	\$ 6.8	\$ 47.8
Appropriations, expenditures and transfers out	\$ (56.7)	\$ (164.4)	\$ (93.0)
<b>Ending Balances</b>	<b>\$ 735.1</b>	<b>\$ 633.2</b>	<b>\$ 226.1</b>
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>13.0%</i>	<i>10.5%</i>	<i>3.8%</i>

(1) Personal income tax credit enacted in special session 2008.

(2) The following were moved from FY08 to FY09: \$10.6 million IT lacking certification, \$1.5 million capital outlay, \$1.2 million for air service, \$2 million PED federal funds issue. In FY08, DOIT failed to meet conditions on \$2.8 million.

**GENERAL FUND FINANCIAL SUMMARY - FEBRUARY REVENUE UPDATE - RESERVE DETAIL**  
(Dollars in Millions)

	<b>Preliminary FY2008</b>	<b>Estimated FY2009</b>	<b>Estimated FY2010</b>
<b>OPERATING RESERVE</b>			
Beginning balance	\$ 156.1	\$ 247.2	\$ 301.5
BOF Emergency Appropriations	\$ (1.5)	\$ (1.5)	\$ (1.5)
Transfers from/to appropriation account	\$ 92.6	\$ 55.7	\$ (361.9)
Transfers to Tax Stabilization Reserve (1)	\$ -	\$ -	\$ -
Ending balance	\$ 247.2	\$ 301.5	\$ (61.9)
<i>Percent of previous fiscal year's recurring appropriations</i>	<i>4.8%</i>	<i>5.3%</i>	<i>-1.0%</i>
<b>APPROPRIATION CONTINGENCY FUND</b>			
Beginning balance (2)	\$ 47.7	\$ 27.5	\$ 0.9
Disaster allotments	\$ (17.9)	\$ (15.0)	\$ (15.0)
Other expenditures-2008 (3)	\$ (9.0)	\$ (11.6)	\$ -
Revenue and reversions	\$ 6.7	\$ -	\$ -
Ending Balance	\$ 27.5	\$ 0.9	\$ (14.1)
<b>Education Lock Box</b>			
Beginning balance	\$ 74.9	\$ 69.1	\$ 33.3
Appropriations	\$ (5.9)	\$ -	\$ -
Transfer to GF appropriation account <i>Laws 2009, Ch. 3 (SB79)</i>		\$ (35.8)	\$ (31.6)
Ending balance	\$ 69.1	\$ 33.3	\$ 1.7
<b>STATE SUPPORT FUND</b>			
Ending balance	\$ 1.0	\$ 1.0	\$ 1.0
<b>TOBACCO PERMANENT FUND</b>			
Beginning balance	\$ 116.7	\$ 135.9	\$ 97.8
Transfers in	\$ 44.9	\$ 44.9	\$ 44.9
Appropriation to tobacco settlement program fund	\$ (22.4)	\$ (22.4)	\$ (22.4) (4)
Gains/Losses (5)	\$ (3.3)	\$ (38.0)	\$ 2.9
<i>Laws 2009, Ch. 3 (SB79)</i>		\$ (22.4)	\$ (22.4)
Ending balance	\$ 135.9	\$ 97.8	\$ 100.8
<b>TAX STABILIZATION RESERVE</b>			
Beginning balance	\$ 254.4	\$ 254.4	\$ 198.7
Transfers in	\$ -	\$ -	\$ -
<i>Laws 2009, Ch. 3 (SB79)</i>		\$ (55.7)	
Ending balance	\$ 254.4	\$ 198.7	\$ 198.7
<i>Percent of previous fiscal year's recurring appropriations</i>	<i>5.0%</i>	<i>3.5%</i>	<i>3.3%</i>
<b>GENERAL FUND ENDING BALANCES</b>			
	\$ 735.1	\$ 633.2	\$ 226.1
<i>Percent of Recurring Appropriations</i>	<i>13.0%</i>	<i>10.5%</i>	<i>3.8%</i>

Notes:

- (1) NMSA 6-4-4 1978 requires that if the operating reserve balance exceeds 8 percent of the prior fiscal year's recurring appropriations, the excess of 8 percent must be transferred to the tax stabilization reserve.
- (2) FY07 was adjusted in FY08 audit for a prior year material failed contingency re water rights appropriations.
- (3) FY08 includes \$9 million for water rights shifted from FY07; FY09 includes \$11.6 million for previous federal draws contingent on review by DFA and approval of BOF.
- (4) Excludes possible payment of withheld money from participating tobacco product manufacturers. The amount and the timing of the payment are uncertain.
- (5) Investment performance for FY09 is assumed to be -28% and 3% for FY10.

**GENERAL FUND FINANCIAL SUMMARY - LFC RECOMMENDATION  
DETAIL  
(Dollars in Millions)**

	FY09		FY10		FY11	Reserve Accounts ACF		TSR	
	Recurring	Non-rec	Recurring	Non-rec	Recurring	FY09	FY10	FY09	FY10
<b>General Appropriation Bills</b>									
GAA (LFC) Section 4			5,865.49						
Section 5		8.41							
Section 6		13.41							
Section 8									
<b>Subtotal</b>	<b>0.0</b>	<b>21.8</b>	<b>5,865.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.00</b>
<b>FY09 Solvency Bills</b>									
Ch. 2 Sand Medicaid 1%		(8.00)							
Ch. 2 Sand p.s. transportation		(4.00)							
Ch. 2 Sand courts 1.35%		(2.11)							
Ch. 3 Sand Legislature		(0.58)							
Ch. 2 Sand other agencies varying percents (incl. higher ed)		(124.20)							
Ch. 2 Sand Compensation by 2.5%		(1.10)							
Stop unspent special appropriations		-							
Ch. 2 SHARE		-							
Ch. 3 SB165 (Junior)		(0.50)							
Ch. 3 Reduce GF Medicaid and replace with Tobacco Settlement		(24.55)							
<b>Subtotal</b>	<b>0.0</b>	<b>(165.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.00</b>
Ch. 3 SEG distribution for public ed						35.75	31.60	55.70	
Ch. 3 Transfer from tax stabilization reserve to fund rebate (SB24 2008 s.s.)									
Ch. 3 2008 SS Medicaid (DD expansion)		(27.00)							
<b>Subtotal</b>	<b>0.0</b>	<b>(27.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>35.8</b>	<b>31.6</b>	<b>55.70</b>	<b>0.00</b>
<b>Total GAA</b>	<b>0.0</b>	<b>(170.2)</b>	<b>5,865.5</b>	<b>0.0</b>	<b>0.0</b>	<b>35.8</b>	<b>31.6</b>	<b>55.70</b>	<b>0.00</b>
<b>All Other Appropriation Bills:</b>									
Ch. 1 Feed bill	8.33		16.10						
Ch. 5 Reauthorize capital outlay - projects >\$1 million		(91.62)							
Ch. 3 Public School Capital Outlay - 2006 high priority schools		(58.40)							
<b>Total Other Bills</b>	<b>8.3</b>	<b>(150.0)</b>	<b>16.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total Appropriations</b>	<b>8.3</b>	<b>(320.2)</b>	<b>5,881.6</b>	<b>0.0</b>	<b>0.0</b>	<b>35.8</b>	<b>31.6</b>	<b>55.70</b>	<b>0.00</b>

	FY09		FY10		FY11	Reserve Accounts ACF		TSR	
	Recurring	Non-rec	Recurring	Non-rec	Recurring	FY09	FY10	FY09	FY10
<b>Additional Revenue Sources:</b>									
GAA TRD Revenue Enhancement			21.3						
<b>Subtotal</b>	<b>0.0</b>	<b>0.0</b>	<b>21.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>
Ch. 4 Accelerate CIT Payments		58.0	(3,000)		2,000				
Ch. 3 Freeze fire protection fund		1.6	3,269						
Ch. 3 TANF funds transferred to TAA for WFTC		22.1							
Unclaimed property		7.1							
MVD enforcement (mvex)	6.0		12,000		12,000				
Hospital GRT Credit			3,651		4,016				
Ch. 3 Reduce Corpus of College Affordability		14.5							
Ch. 3 Public Election Fund		1.8							
Ch. 3 Public Pre K		0.8							
Ch. 3 Juvenile Continuum (regional services)		0.5							
Ch. 3 Day Care Fund		1.5							
Ch. 3 Telecom Access Fund		8.0							
Ch. 3 Corrections Intensive Supervision Fund		1.0							
Ch. 3 Workers' Compensation Fund		5.0							
Ch. 3 Juvenile Community Corrections Fund		3.0							
Ch. 3 Youth Conservation Corps		0.5							
Ch. 3 Nursing Board		1.0							
Ch. 3 Water rights adjudication (AOC)		1.0							
Ch. 3 Electronic voting machine fund		1.5							
Ch. 3 SB9 public school infrastructure		5.5							
Ch. 3 PRC insurance fraud fund		0.4							
Ch. 3 Motor boat Fuels Fund		0.1							
Ch. 3 2007 Faculty Endowment		0.6							
<b>Subtotal</b>	<b>6.00</b>	<b>135.5</b>	<b>15.9</b>	<b>0.0</b>	<b>18.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.000</b>	<b>0.000</b>
<b>Grand Total Revenue</b>	<b>6.0</b>	<b>135.5</b>	<b>37.2</b>	<b>0.0</b>	<b>18.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.00</b>