General Fund Consensus Revenue Estimate

Presented to
Legislative Finance Committee
December 5, 2011
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N.M. Taxation and Revenue Department
Thomas Clifford, Cabinet Secretary Designate
N.M. Department of Finance and Administration

“In recent months, growth in tax revenues has been significantly and unsustainably stronger than growth in the economy. If the economy continues to show weakness ... into early 2012, revenue growth will likely soften as well.”
Rockefeller Institute of Government, October 26, 2011.

SUMMARY:

- The consensus revenue estimating group has reviewed and updated the General Fund revenue outlook that was prepared at the beginning of October. 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 October Outlook:
  - FY12 total recurring revenue has been revised up by $20.9 million.
  - FY13 total recurring revenue has been revised up by $8.6 million.

- After these revisions, total recurring revenue growth was 12.3 percent in FY11, but falls to 2.4 percent in FY12 and to 2.8 percent in FY13. About 4 percent of the FY11 growth was due to legislated tax increases.

- After revision, FY12 ending balances will be $599 million, or 11 percent of recurring appropriations.

- FY13 “new money”, FY13 recurring revenue less FY12 recurring appropriations, is $254 million.
General Obligation bond capacity for authorization by the 2012 legislature will be $299 million. Senior severance bond capacity will be $130 million.

Table 1

December 2011 Consensus Forecast: Total Recurring Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
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<tbody>
<tr>
<td>Post-session estimate</td>
<td>5,164.3</td>
<td>5,413.2</td>
<td>5,637.5</td>
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<td>July 2011 Revisions</td>
<td>110.6</td>
<td>120.2</td>
<td>164.8</td>
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<td>October 2011 Revisions</td>
<td>113.0</td>
<td>(21.5)</td>
<td>(122.7)</td>
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<tr>
<td>December 2011 Revisions</td>
<td>14.5</td>
<td>20.9</td>
<td>8.6</td>
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<tr>
<td>December 2011 Consensus Estimate</td>
<td>5,402.4</td>
<td>5,532.8</td>
<td>5,688.2</td>
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<tr>
<td>% change versus prior year</td>
<td>12.6%</td>
<td>2.4%</td>
<td>2.8%</td>
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</table>

ECONOMIC INDICATORS: [Appendix 1]

- U.S. economic output (GDP) grew by 2.6 percent during FY11, but growth is now expected to be only 1.7 percent in FY12. This is up slightly from with the October forecast of 1.3 percent. While consumer spending and business investment are expected to grow at a modest pace in 2012, government spending is forecast to decrease.
- New Mexico’s total payroll employment fell by 0.3 percent in FY11. This is a slightly worse performance than was estimated in October, but is based on a more reliable data source. Growth is now forecast at 0.7 percent in FY12 and 1.0 percent in FY13. These are roughly equivalent to the growth rates forecast in October.
- U.S. inflation has fallen to about 2 percent in recent months as energy and food prices have come down. Core inflation, which excludes these components, has been fairly steady around 1.5 percent.
- While some recent economic indicators have improved, others continue to point to weak economic growth:
  - New claims for unemployment insurance have fallen and private employers are adding to payrolls, but the total number of unemployed persons remains
elevated. The unemployment rate has begun to decrease, but this is partly due to discouraged workers leaving the labor force.

○ The housing market remains mired in recession as falling prices and tighter lending standards have forced many households to wait to purchase homes. A modest increase in new home construction is expected in 2012, but activity remains well below healthy levels.

ENERGY MARKETS: [Appendix 1]

- New Mexico crude oil prices have fluctuated in a range from $70 to $100 per barrel since the beginning of the fiscal year. In recent weeks prices have been boosted in part by improved pipeline access to national markets. The prospect of weakness in the global economy is a significant downside risk for oil prices in coming months. The consensus group now expects New Mexico oil prices to average $86.75 in FY12 and $87.75 in FY13. These prices are increased from the October 2011 forecast by $4.75 in FY12 and by $3.75 in FY13.

- Natural gas prices in New Mexico started the fiscal year around $6 per thousand cubic feet. These average prices were boosted by almost $2 per thousand cubic feet thanks to the natural gas liquids associated with the dry gas. Prices have fallen throughout the fall in response to the lack of weather-related demand and the gradual build-up to record reserve levels. The consensus group now expects New Mexico gas prices to average $5.20 in FY12 and $5.60 in FY13. These prices are decreased from the October 2011 forecast by $0.15 in FY12 and by $0.20 in FY13.

- Crude oil production continues to increase in New Mexico. FY11 production reached 68.8 million barrels, a 7 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 fell 4 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 near term variation in the pace of decline with production falling 3 percent in FY12 and thereafter.
DECEMBER FORECAST REVISIONS BY REVENUE:

No revisions were made to the October 2011 forecast of the most broad-based revenues, Gross Receipts Tax (GRT) and Personal Income Tax (PIT). Recent collections have been generally consistent with the October forecast. In addition, the latest national and state economic forecasts are very close to those that were used as the basis for the October forecast. In particular, the forecast of New Mexico Personal Income, used in the PIT forecast, and of Private Wages and Salaries, used in the GRT forecast, are essentially identical to those used in October. The resulting forecasts are for modest growth – GRT growth in the range of 3% to 4% and PIT growth of 2% to 2.5%. This is consistent with the expectation of a sluggish economic recovery.

- The revisions to oil and gas prices in the new forecast are largely offsetting, but the net result is an increase of $24 million in FY12 and $16 million in FY13.
- Insurance premiums tax revenue, included in the Selective Sales Tax category, was revised down $3.7 million in FY12 but revised up by $3.6 million in FY13. Premiums tax collections fell in the last half of FY11 due to the sluggish payroll growth, while tax credits for New Mexico Medical Insurance Pool Assessments are expected to continue rising.
- Investment earnings from the permanent funds (included in “Other” revenue) were reduced by $6.9 million in FY13 due to the downturn in stock and bond markets over the last several months.
- FY11 reversions increased by $17 million as completed reports were received from State agencies. Increased reversions were seen from a number of different agencies.
Table 2
December 2011 Revisions to October Estimate by Major Revenues

<table>
<thead>
<tr>
<th>December 2011 Revisions to October Estimate by Major Revenues</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
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<tr>
<td>(Dollar amounts in millions)</td>
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<tr>
<td>General Sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Selective Sales</td>
<td>-</td>
<td>(4.3)</td>
<td>0.2</td>
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<tr>
<td>Income Taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Oil and Gas Revenues</td>
<td>-</td>
<td>24.0</td>
<td>16.1</td>
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<tr>
<td>Other</td>
<td>14.5</td>
<td>1.1</td>
<td>(7.6)</td>
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<tr>
<td>Total Revenue</td>
<td>14.5</td>
<td>20.9</td>
<td>8.6</td>
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</table>

RISKS TO THE FORECAST:

- Negative risks include the possibility of another U.S. recession, which has been put at 35 percent by the Global Insight forecasting service. In addition, the current Global Insight forecast assumes the 2 percent payroll tax reduction and emergency unemployment benefits will remain in place in 2012. If those policies are not extended, that would reduce growth by 1 percent.
- Positive risks include a stronger recovery of business and consumer confidence. Also, a successful resolution of the European debt crisis could add growth compared to the current forecast.

GENERAL FUND FINANCIAL SUMMARY: (Appendix 3)

- With the revised revenue forecast, FY11 revenue exceeded appropriations by $238 million.
- FY12 revenue exceeds current appropriations by $114 million leaving FY12-ending balances of $599 million or 11 percent of appropriations. This amount will be reduced by needed deficiency and supplemental appropriations for Medicaid and other programs.
- FY13 recurring revenue of $5,684.9 million less FY12 recurring appropriations of $5,431.3 million leaves “new money” of $253.6 million. Under this forecast, the retirement “swap”
would trigger off, so present law requires General Fund appropriations to increase by about $50 million. This would leave net new money of just over $200 million.

**BOND CAPACITY UPDATE: (Appendix 4)**

- After subtracting the $81 million authorized during the 2011 special session, $130 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.
- $299 million will be available for projects to be funded through general obligation bonds subject to voter approval.
### APPENDIX 1

#### U.S. and New Mexico Economic Indicators

<table>
<thead>
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<td><strong>National Economic Indicators</strong></td>
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<td>US Real GDP Growth (annual avg., % YOY)*</td>
<td>2.6</td>
<td>2.6</td>
<td>1.3</td>
<td>1.7</td>
<td>2.0</td>
<td>1.8</td>
<td>2.9</td>
<td>3.2</td>
<td>3.6</td>
<td>3.6</td>
<td>3.1</td>
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<td>US Inflation Rate (CPI-U, annual avg., % YOY)**</td>
<td>2.2</td>
<td>2.2</td>
<td>2.3</td>
<td>2.3</td>
<td>2.4</td>
<td>2.3</td>
<td>2.4</td>
<td>2.4</td>
<td>2.4</td>
<td>2.4</td>
<td>2.4</td>
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<td>Federal Funds Rate (%)</td>
<td>0.16</td>
<td>0.16</td>
<td>0.10</td>
<td>0.09</td>
<td>0.10</td>
<td>0.10</td>
<td>0.42</td>
<td>0.42</td>
<td>2.27</td>
<td>2.27</td>
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<td><strong>New Mexico Labor Market and Income Data</strong></td>
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<td>NM Non-Agricultural Employment Growth (%)</td>
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<td>-0.3</td>
<td>0.5</td>
<td>0.7</td>
<td>1.2</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
<td>1.4</td>
<td>1.3</td>
<td>1.5</td>
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<td>NM Personal Income Growth (%)***</td>
<td>4.1</td>
<td>4.5</td>
<td>4.3</td>
<td>4.2</td>
<td>3.3</td>
<td>3.1</td>
<td>3.1</td>
<td>3.0</td>
<td>4.3</td>
<td>4.4</td>
<td>4.7</td>
<td>4.9</td>
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<td>NM Private Wages &amp; Salaries Growth (%)</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
<td>3.0</td>
<td>2.8</td>
<td>3.2</td>
<td>3.4</td>
<td>3.3</td>
<td>3.6</td>
<td>3.7</td>
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<td><strong>Crude Oil and Natural Gas Outlook</strong></td>
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<tr>
<td>NM Oil Price ($/barrel)</td>
<td>$84.20</td>
<td>$84.60</td>
<td>$82.00</td>
<td>$86.75</td>
<td>$84.00</td>
<td>$87.75</td>
<td>$84.50</td>
<td>$88.50</td>
<td>$85.00</td>
<td>$89.50</td>
<td>$85.00</td>
<td>$89.75</td>
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<td>NM Taxable Oil Volumes (million barrels)</td>
<td>67.0</td>
<td>68.8</td>
<td>69.7</td>
<td>69.5</td>
<td>68.6</td>
<td>68.9</td>
<td>67.6</td>
<td>68.4</td>
<td>66.9</td>
<td>68.1</td>
<td>65.9</td>
<td>67.0</td>
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<tr>
<td>NM Gas Price ($/ per thousand cubic feet)****</td>
<td>$5.50</td>
<td>$5.50</td>
<td>$5.35</td>
<td>$5.20</td>
<td>$5.80</td>
<td>$5.60</td>
<td>$6.20</td>
<td>$5.90</td>
<td>$6.25</td>
<td>$6.05</td>
<td>$6.25</td>
<td>$6.15</td>
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<tr>
<td>NM Taxable Gas Volumes (billion cubic feet)</td>
<td>1,224</td>
<td>1,239</td>
<td>1,184</td>
<td>1,173</td>
<td>1,147</td>
<td>1,188</td>
<td>1,111</td>
<td>1,069</td>
<td>1,077</td>
<td>1,020</td>
<td>1,055</td>
<td>991</td>
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</table>

* 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 NIMEX, EIA, and Global Insight future prices as well as a liquid premium based on oil prices.

Sources: November BIS Global Insight, BBER FOR-UNM revised
### General Fund Consensus Revenue Estimate
#### December 2011

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th></th>
<th></th>
<th>% Change from FY10</th>
<th>% Change from FY12</th>
<th>% Change from FY13</th>
<th>% Change from FY11</th>
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<tr>
<td></td>
<td>Oct 2011</td>
<td>Dec 2011</td>
<td>Change from Prior</td>
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<tr>
<td></td>
<td>Est. Prelim</td>
<td>Actual</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Gross Receipts Tax</td>
<td>1,811.4</td>
<td>1,811.4</td>
<td>-</td>
<td>10.0%</td>
<td></td>
<td></td>
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<td>Compensating Tax</td>
<td>69.2</td>
<td>69.2</td>
<td>-</td>
<td>35.9%</td>
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<td>TOTAL GENERAL SALES</td>
<td>1,880.6</td>
<td>1,880.6</td>
<td>-</td>
<td>11.6%</td>
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<tr>
<td>Tobacco Taxes</td>
<td>88.2</td>
<td>88.2</td>
<td>-</td>
<td>98.0%</td>
<td></td>
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<tr>
<td>Liquor Excise</td>
<td>25.7</td>
<td>25.7</td>
<td>-</td>
<td>0.4%</td>
<td></td>
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<tr>
<td>Insurance Taxes</td>
<td>137.2</td>
<td>137.2</td>
<td>-</td>
<td>1.8%</td>
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<td>Fire Protection Fund Reversion</td>
<td>17.6</td>
<td>17.6</td>
<td>-250.0%</td>
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<td>6.8%</td>
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<td>Motor Vehicle Excise</td>
<td>105.7</td>
<td>105.7</td>
<td>-</td>
<td>12.4%</td>
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<td>Gaming Excise</td>
<td>65.8</td>
<td>65.8</td>
<td>-</td>
<td>1.1%</td>
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<td>Leased Vehicle Surcharge</td>
<td>5.0</td>
<td>5.0</td>
<td>-12.3%</td>
<td>5.1</td>
<td>5.2</td>
<td>4.0%</td>
<td>5.4</td>
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<td>Other</td>
<td>2.5</td>
<td>2.5</td>
<td>-21.1%</td>
<td>2.8</td>
<td>2.8</td>
<td>18.2%</td>
<td>3.0</td>
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<td>TOTAL SELECTIVE SALES</td>
<td>441.2</td>
<td>441.2</td>
<td>-18.3%</td>
<td>446.6</td>
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<td>449.7</td>
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<td>1,066.2</td>
<td>-11.5%</td>
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<td>1,090.0</td>
<td>-2.2%</td>
<td>1,115.0</td>
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<td>Corporate Income Tax</td>
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<td>229.8</td>
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<td>310.0</td>
<td>94.9%</td>
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<td>1,296.0</td>
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<td>-20.1%</td>
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<td>18.5</td>
<td>-20.1%</td>
<td>23.2</td>
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<td>9.9</td>
<td>9.9</td>
<td>-5.5%</td>
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<td>10.0</td>
<td>0.0%</td>
<td>10.0</td>
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<td>Natural Gas Producers Tax</td>
<td>18.2</td>
<td>18.2</td>
<td>-55.0%</td>
<td>22.1</td>
<td>22.0</td>
<td>0.9%</td>
<td>23.6</td>
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<td>TOTAL SEVERANCE TAXES</td>
<td>426.5</td>
<td>426.5</td>
<td>-9.2%</td>
<td>409.9</td>
<td>409.1</td>
<td>-4.1%</td>
<td>422.8</td>
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<td>LICENSE FEES</td>
<td>49.8</td>
<td>49.8</td>
<td>-1.0%</td>
<td>51.5</td>
<td>51.5</td>
<td>3.4%</td>
<td>54.4</td>
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<td>LGAP Interest</td>
<td>446.2</td>
<td>446.2</td>
<td>-2.1%</td>
<td>459.7</td>
<td>459.7</td>
<td>-3.0%</td>
<td>458.1</td>
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<td>STO Interest</td>
<td>17.6</td>
<td>14.8 (2.8)</td>
<td>-33.0%</td>
<td>18.6</td>
<td>17.3 (1.3)</td>
<td>16.9%</td>
<td>20.0</td>
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<td>STIP Interest</td>
<td>184.6</td>
<td>184.6</td>
<td>-1.5%</td>
<td>183.4</td>
<td>183.4</td>
<td>-0.7%</td>
<td>174.3</td>
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<td>TOTAL INTEREST</td>
<td>648.4</td>
<td>645.6 (2.8)</td>
<td>-0.1%</td>
<td>661.7</td>
<td>660.4 (1.3)</td>
<td>2.3%</td>
<td>638.4</td>
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<td>Federal Mineral Leasing</td>
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<td>411.8</td>
<td>-15.9%</td>
<td>398.0</td>
<td>420.0</td>
<td>2.0%</td>
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<td>State Land Office</td>
<td>65.6</td>
<td>65.6</td>
<td>-3.1%</td>
<td>55.8</td>
<td>58.6</td>
<td>10.7%</td>
<td>43.9</td>
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<td>TOTAL RENTS &amp; ROYALTIES</td>
<td>477.4</td>
<td>477.4</td>
<td>-12.9%</td>
<td>453.8</td>
<td>478.6</td>
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<td>456.4</td>
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<td>-2.8%</td>
<td>70.4</td>
<td>70.4</td>
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<td>52.1</td>
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<td>43.5</td>
<td>46.0</td>
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<td>50.0</td>
<td>67.3 (17.3)</td>
<td>68.2%</td>
<td>40.0</td>
<td>40.0</td>
<td>0.0%</td>
<td>40.0</td>
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<tr>
<td>TOTAL RECURRING</td>
<td>5,387.9</td>
<td>5,402.4 (14.5)</td>
<td>12.8%</td>
<td>5,511.9</td>
<td>5,532.8</td>
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<td>66.8</td>
<td>66.8</td>
<td>-0.1%</td>
<td>18.3</td>
<td>18.3</td>
<td>-72.6%</td>
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<tr>
<td>GRAND TOTAL</td>
<td>5,454.7</td>
<td>5,469.2 (14.5)</td>
<td>3.6%</td>
<td>5,559.2</td>
<td>5,551.1</td>
<td>1.5%</td>
<td>5,676.3</td>
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### General Fund Consensus Revenue Estimate

**December 2011**

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<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
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<td></td>
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<td>Dec 2011</td>
<td>Change</td>
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<tr>
<td></td>
<td>Est.</td>
<td>Est.</td>
<td>from FY13</td>
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<td></td>
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<td>Gross Receipts Tax</td>
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<td>Compensating Tax</td>
<td>75.9</td>
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<td></td>
<td><strong>2,087.3</strong></td>
<td><strong>2,087.3</strong></td>
<td><strong>-</strong></td>
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<td>TOTAL GENERAL SALES</td>
<td>2,087.3</td>
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<td></td>
<td>2,095.8</td>
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<td>Liquor Excise</td>
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<td>Gaming Excise</td>
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<td>Leased Vehicle Surcharge</td>
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<td>(0.3)</td>
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<td>Other</td>
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<td></td>
<td>452.8</td>
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<td></td>
<td>1,615.0</td>
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<td></td>
<td>1,630.0</td>
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<td>Oil and Gas School Tax</td>
<td>571.8</td>
<td>365.7</td>
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<td>Oil Conservation Tax</td>
<td>25.4</td>
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<td>Resources Excl. Tax</td>
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<td>Natural Gas Processors Tax</td>
<td>24.6</td>
<td>22.6</td>
<td>(2.0)</td>
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<td>TOTAL SEVERANCE TAXES</td>
<td>429.8</td>
<td>417.1</td>
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<td>LICENSE FEES</td>
<td>57.1</td>
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<td>LGPF Interest</td>
<td>439.7</td>
<td>427.6</td>
<td>(11.1)</td>
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<td>STO Interest</td>
<td>41.4</td>
<td>35.3</td>
<td>(2.1)</td>
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<td>STPF Interest</td>
<td>164.0</td>
<td>160.1</td>
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<td>TOTAL INTEREST</td>
<td>641.4</td>
<td>627.0</td>
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<td>Federal Mineral Leasing</td>
<td>423.1</td>
<td>423.7</td>
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<td>State Land Office</td>
<td>43.9</td>
<td>46.2</td>
<td>2.3</td>
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<td>TOTAL RENTS &amp; ROYALTIES</td>
<td>467.0</td>
<td>469.9</td>
<td>2.9</td>
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<td></td>
<td><strong>455.7</strong></td>
<td><strong>470.0</strong></td>
<td><strong>14.3</strong></td>
</tr>
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<td>TRIBAL REVENUE SHARING</td>
<td>78.2</td>
<td>81.2</td>
<td>-3.7%</td>
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<td>MISCELLANEOUS RECEIPTS</td>
<td>44.0</td>
<td>47.1</td>
<td>3.1</td>
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<td>REVERSIONS</td>
<td>40.0</td>
<td>40.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>6,059.8</strong></td>
<td><strong>6,041.8</strong></td>
<td><strong>(8.0)</strong></td>
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<tr>
<td>TOTAL RECURRING</td>
<td>6,039.3</td>
<td>6,036.8</td>
<td>(2.4)</td>
</tr>
<tr>
<td>TOTAL NON-RECURRING</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td>-72.7%</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td><strong>6,058.9</strong></td>
<td><strong>6,040.9</strong></td>
<td><strong>(18.0)</strong></td>
</tr>
</tbody>
</table>

* MDIV/OI
# APPENDIX 3

**GENERAL FUND FINANCIAL SUMMARY**

Reflecting December 2011 Consensus Revenue Forecast  
(Dollars in Millions)

## APPROPRIATION ACCOUNT

### REVENUE

<table>
<thead>
<tr>
<th></th>
<th>Preliminary FY2011</th>
<th>Estimated FY2012</th>
<th>Estimated FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurring Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 2011 consensus forecast</td>
<td>$ 5,387.9</td>
<td>$ 5,511.9</td>
<td>$ 5,679.6</td>
</tr>
<tr>
<td>December 2011 revisions</td>
<td>14.5</td>
<td>20.9</td>
<td>8.6</td>
</tr>
<tr>
<td>December 2011 Consensus forecast</td>
<td>$ 5,402.4</td>
<td>$ 5,532.8</td>
<td>$ 5,688.2</td>
</tr>
<tr>
<td><strong>Nonrecurring Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 2011 Consensus forecast</td>
<td>$ 66.8</td>
<td>$ 18.3</td>
<td>$ (3.3)</td>
</tr>
</tbody>
</table>

**TOTAL REVENUE**

|                              | $ 5,469.2          | $ 5,551.1        | $ 5,684.9        |

## APPROPRIATIONS

### Recurring Appropriations

<table>
<thead>
<tr>
<th></th>
<th>Preliminary FY2011</th>
<th>Estimated FY2012</th>
<th>Estimated FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring Appropriations</td>
<td>$ 5,202.8</td>
<td>$ 5,416.7</td>
<td>$ 5,431.3</td>
</tr>
<tr>
<td>Recurring Appropriations - Feed Bill</td>
<td>8.9</td>
<td>14.6</td>
<td>-</td>
</tr>
<tr>
<td>2011 Recurring Appropriation Bills</td>
<td>1.3</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Recurring Appropriations</strong></td>
<td>$ 5,212.9</td>
<td>$ 5,431.3</td>
<td>$ 5,431.3</td>
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</tbody>
</table>

### Nonrecurring Appropriations

<table>
<thead>
<tr>
<th></th>
<th>Preliminary FY2011</th>
<th>Estimated FY2012</th>
<th>Estimated FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 &amp; 2010 Nonrecurring Appropriations</td>
<td>$ 1.1</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Laws 2011, Chapter 1, Nonrecurring Appropriation</td>
<td>$ 1.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011 Nonrecurring Appropriation Bills</td>
<td>$ 15.7</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>2011 Special Session</td>
<td>$ 5.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Nonrecurring Appropriations</strong></td>
<td>$ 18.3</td>
<td>$ 5.8</td>
<td>$ -</td>
</tr>
</tbody>
</table>

**TOTAL APPROPRIATIONS**

|                                | $ 5,231.2          | $ 5,437.1        | $ 5,431.3        |

Transfer to(from) Reserves

|                                | $ 238.0            | $ 114.0          | $ 253.6          |

## GENERAL FUND RESERVES

<table>
<thead>
<tr>
<th></th>
<th>Preliminary FY2011</th>
<th>Estimated FY2012</th>
<th>Estimated FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balances</td>
<td>$ 278.0</td>
<td>$ 499.4</td>
<td>$ 598.9</td>
</tr>
<tr>
<td>Transfers from (to) Appropriations Account</td>
<td>238.0</td>
<td>114.0</td>
<td>253.6</td>
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<tr>
<td>Revenue and Reversions</td>
<td>58.9</td>
<td>40.1</td>
<td>49.8</td>
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<tr>
<td>Appropriations, expenditures and transfers out</td>
<td>(75.5)</td>
<td>(54.6)</td>
<td>(54.6)</td>
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<td><strong>Ending Balances</strong></td>
<td>$ 499.4</td>
<td>$ 598.9</td>
<td>$ 847.7</td>
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</table>

**Reserves as a Percent of Recurring Appropriations**

|                                    | 9.6%               | 11.0%            | 15.6%            |

Flat FY13 budget figures shown for illustrative purposes. These figures do not reflect an Executive Budget Recommendation.
### APPENDIX 3 (CONTINUED)

**GENERAL FUND FINANCIAL SUMMARY**

**RESERVE DETAIL**

<table>
<thead>
<tr>
<th></th>
<th>Preliminary FY2011</th>
<th>Estimated FY2012</th>
<th>Estimated FY2013</th>
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</thead>
<tbody>
<tr>
<td><strong>OPERATING RESERVE</strong></td>
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<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$36.2</td>
<td>$274.5</td>
<td>$388.5</td>
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<td>BOF Emergency Appropriations (net of undibursed)</td>
<td>$(1.0)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BOF Emergency Repayments</td>
<td>$1.3</td>
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<td></td>
</tr>
<tr>
<td>Transfers from/to appropriation account</td>
<td>$238.0</td>
<td>$114.0</td>
<td>$253.6</td>
</tr>
<tr>
<td>Chapter 3, Laws 2009 - SS (HB6)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$274.5</td>
<td>$388.5</td>
<td>$642.1</td>
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<td><strong>APPROPRIATION CONTINGENCY FUND</strong></td>
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<tr>
<td>Beginning balance</td>
<td>$29.6</td>
<td>$5.2</td>
<td>$(10.8)</td>
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<td>Disaster allotments</td>
<td>$(28.8)</td>
<td>$(16.0)</td>
<td>$(16.0)</td>
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<td>Other appropriations</td>
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<tr>
<td>Transfers in</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revenue and reversions</td>
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<td>Ending balance</td>
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<td>$(26.8)</td>
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<td><strong>Education Lock Box</strong></td>
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<td>Appropriations (2010 and 2011 GAA Section 5)</td>
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<td>Transfers in/out</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ending balance</td>
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<td>$44.6</td>
<td>$44.6</td>
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<td><strong>STATE SUPPORT FUND</strong></td>
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<td>Beginning balance</td>
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<td>$1.0</td>
<td>$1.0</td>
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<tr>
<td>Revenues</td>
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<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Appropriations</td>
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<td>$-</td>
<td>$-</td>
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<tr>
<td>Ending balance</td>
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<td>$1.0</td>
<td>$1.0</td>
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<td><strong>TOBACCO PERMANENT FUND</strong></td>
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<td>Beginning balance</td>
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<td>$(19.3)</td>
<td>$(19.3)</td>
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<td>$(19.3)</td>
<td>$(19.3)</td>
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<td>$160.7</td>
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<td><strong>TAX STABILIZATION RESERVE</strong></td>
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<tr>
<td>Beginning balance</td>
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<td>$26.1</td>
<td>$26.1</td>
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<tr>
<td>Transfers in</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Chapter 3, Laws 2009 - SS (HB6)</td>
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</tr>
<tr>
<td>2010 Special Session reserve transfers</td>
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<td>-</td>
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<tr>
<td>2011 Session reserve transfers</td>
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<td>-</td>
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<td>Ending balance</td>
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<td>$26.1</td>
<td>$26.1</td>
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<td><strong>GENERAL FUND ENDING BALANCES</strong></td>
<td><strong>$499.4</strong></td>
<td><strong>$598.9</strong></td>
<td><strong>$847.7</strong></td>
</tr>
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</table>

*Percent of Recurring Appropriations*

|                | 9.6% | 11.0% | 15.6% |

(differences from rounding)
## Appendix 4

### December 2011 Bond Capacity Estimate

**Core Bonding Programs**

**Sources and Uses of Funds**

**Bonding Capacity Available for Authorization**

**December 2011 Estimate**

<table>
<thead>
<tr>
<th>Sources of Funds (millions)</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>Five-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>298.9</td>
<td>-</td>
<td>181.9</td>
<td>-</td>
<td>207.4</td>
<td>688.2</td>
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<tr>
<td>Severance Tax Bonds</td>
<td>187.7</td>
<td>187.7</td>
<td>187.7</td>
<td>187.7</td>
<td>187.7</td>
<td>938.5</td>
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<tr>
<td>Severance Tax Notes</td>
<td>76.5</td>
<td>82.8</td>
<td>82.2</td>
<td>65.2</td>
<td>50.9</td>
<td>357.5</td>
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<tr>
<td><strong>Subtotal Senior STBs</strong></td>
<td>264.2</td>
<td>270.5</td>
<td>269.9</td>
<td>252.9</td>
<td>238.6</td>
<td>1,296.0</td>
</tr>
<tr>
<td>Supplemental Severance Tax Bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Supplemental Severance Tax Notes</td>
<td>148.7</td>
<td>168.5</td>
<td>182.0</td>
<td>179.5</td>
<td>179.8</td>
<td>858.6</td>
</tr>
<tr>
<td><strong>Subtotal Supplemental STBs</strong></td>
<td>148.7</td>
<td>168.5</td>
<td>182.0</td>
<td>179.5</td>
<td>179.8</td>
<td>858.6</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>711.8</td>
<td>439.0</td>
<td>633.7</td>
<td>432.4</td>
<td>625.8</td>
<td>2,842.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds (millions)</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>Five-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects approved by referendum</td>
<td>298.9</td>
<td>-</td>
<td>181.9</td>
<td>-</td>
<td>207.4</td>
<td>688.2</td>
</tr>
<tr>
<td>New Statewide Capital Projects</td>
<td>130.3</td>
<td>216.4</td>
<td>215.9</td>
<td>202.3</td>
<td>190.9</td>
<td>955.8</td>
</tr>
<tr>
<td>Authorized Projects - Series 2011A-1 and 2011S-C*</td>
<td>67.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>67.4</td>
</tr>
<tr>
<td>Authorized but Unissued STB Projects*</td>
<td>13.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13.6</td>
</tr>
<tr>
<td>10% Water Projects</td>
<td>26.4</td>
<td>27.0</td>
<td>27.0</td>
<td>25.3</td>
<td>23.9</td>
<td>129.6</td>
</tr>
<tr>
<td>5% Colonias Projects</td>
<td>13.2</td>
<td>13.5</td>
<td>13.5</td>
<td>12.6</td>
<td>11.9</td>
<td>64.8</td>
</tr>
<tr>
<td>5% Tribal Projects</td>
<td>13.2</td>
<td>13.5</td>
<td>13.5</td>
<td>12.6</td>
<td>11.9</td>
<td>64.8</td>
</tr>
<tr>
<td>Education Capital</td>
<td>148.7</td>
<td>168.5</td>
<td>182.0</td>
<td>179.5</td>
<td>179.8</td>
<td>858.6</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td>711.8</td>
<td>439.0</td>
<td>633.7</td>
<td>432.4</td>
<td>625.8</td>
<td>2,842.7</td>
</tr>
</tbody>
</table>

*Reflects projects authorized during the 2011 special session.