

# **Consensus General Fund Revenue Estimate**

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## **SUMMARY:**

- The consensus revenue estimating group has reviewed and updated the General Fund revenue outlook that was prepared last December. The consensus group is comprised of career economists from the executive and legislative branches.
- Compared with the last consensus forecast in December 2012, Personal Income Taxes and oil and gas revenues have come in above estimate, while Gross Receipts and Corporate Income Tax are below forecast. Federal cutbacks appear to be a major factor causing the below-forecast growth.
- After these revisions, total recurring revenue is estimated to have fallen 3.3 percent in FY13, but is projected to grow by 4.5 percent in FY14 and by 5.5 percent in FY15.
- “New money” – FY15 revenue less FY14 appropriations – is estimated at \$296 million, equivalent to 5 percent of FY14 appropriations.
- The long-delayed jobs recovery finally arrived in New Mexico this spring. Employment growth has averaged 1 percent over the last four months, the first sustained growth since the recession.
- Prudent spending restraint exercised by the Legislature and Executive over the last three sessions means the state will have adequate revenue to accommodate modest spending growth and at the same time add to reserves to help replace revenue lost due to federal spending cutbacks.

## **NATIONAL ECONOMIC OUTLOOK:**

U.S. economic output (GDP) during FY13 was slowed by “fiscal drag” from federal spending cuts and tax increases. One consequence is that the federal deficit has fallen dramatically, which has reduced the risks of inflation and depreciation of the dollar. Consumer spending has grown at a modest pace, in part due to the wealth effect of improved house values and higher stock prices. Low interest rates have reduced household debt burdens, and also strengthened the demand for housing and automobiles. Job growth has been steady, and layoffs have fallen to pre-recessionary levels.

GDP growth is expected to improve in FY14 and FY15 as the effects of fiscal drag diminish and the housing recovery gathers momentum. The absence of inflationary pressure enables the Federal Reserve to maintain low interest rates, supporting business investment, housing and demand for autos and other durable

goods. Job growth will improve and the national unemployment rate will approach 6 percent by the end of FY15.

Risks have diminished over the last year as the U.S. has navigated the fiscal cliff and Europe has begun to turn from contraction to expansion. A budget impasse over extending the debt ceiling is still a significant risk however. The Federal Reserve Board faces a major challenge in achieving a successful exit strategy from the unprecedented amount of liquidity being provided to the economy.

## **NEW MEXICO ECONOMY:**

The New Mexico economy turned the corner from stagnation to growth in the spring of 2013. The housing market is improving, with the number of building permits up 15 percent in the first 6 months of 2013 compared with 2012. Taxable Gross Receipts in the construction sector have exhibited ongoing strength. Job growth in the private sector has been encouraging in recent months. New Mexico's unemployment rate at 6.7 percent continues to be significantly lower than the national average of 7.6 percent. The low unemployment rate in part reflects discouraged workers leaving the job market; however, this trend has begun to reverse itself, a necessary step in the rebuilding of the labor market. The government sector continues to drag on employment growth, and federal spending cuts remain a potential impediment to a more robust New Mexico economy.



## **ENERGY MARKETS:**

New Mexico crude oil prices are expected to average \$87.00 per barrel (bbl) in FY13, \$94.00 in FY14 and \$87.50 in FY15. These prices are slightly higher than the December outlook. Political upheaval in producing regions and a strengthening global economy have pushed prices above \$100 per barrel in recent

months. New pipeline capacity has improved West Texas Intermediate prices relative to other world benchmarks. Supply growth due to the fracking revolution has not been enough to push prices down, in part because of supply disruptions among key OPEC producers Iraq and Libya.

Natural gas prices in New Mexico are expected to average \$4.50 per thousand cubic feet (mcf) in FY13, about \$0.50 per mcf below FY12. These average prices are about \$1.00 per mcf higher than dry gas prices due to the value of natural gas liquids. The consensus forecast has natural gas prices averaging \$5.00 in FY14 and \$5.40 in FY15. These prices are unchanged from the December forecast. Downside risk comes from oversupply due to the shale gas boom, mitigated somewhat by the sharp decline in gas-directed drilling as prices have fallen. On the positive side, a growing economy and expansions targeting export markets should provide support for prices in the \$5.00 to \$5.50 range.

| <b>Crude Oil and Natural Gas Outlook</b>    | <b>FY13</b> | <b>FY14</b> | <b>FY15</b> | <b>FY16</b> | <b>FY17</b> | <b>FY18</b> |
|---------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| NM Oil Price (\$/barrel)                    | \$87.00     | \$94.00     | \$87.50     | \$85.00     | \$84.00     | \$84.00     |
| NM Taxable Oil Volumes (million barrels)    | 90.0        | 93.0        | 97.0        | 100.0       | 101.0       | 102.0       |
| NM Gas Price (\$ per thousand cubic feet)   | \$4.50      | \$5.00      | \$5.40      | \$5.50      | \$5.50      | \$5.50      |
| NM Taxable Gas Volumes (billion cubic feet) | 1,165       | 1,110       | 1,070       | 1,030       | 1,000       | 960.0       |

Source: Consensus Revenue Estimating Group.

Crude oil production in New Mexico increased by 16 percent in FY13, reaching approximately 90.0 million barrels. Production is expected to increase gradually over the next few years. Natural gas production fell again in FY13, at a faster rate than in the recent past. The FY13 decline is now estimated at about 5 percent. Given the unfavorable financial outlook for gas, the consensus group is expecting total production to decline by 4.7 percent in FY14 and about 3.6 percent in FY15. Natural gas rig counts have fallen sharply both nationally and in New Mexico, while oil rig counts have plateaued, shown in figures 4 and 5 in Appendix 4.

## AUGUST FORECAST REVISIONS:

Table 1 provides a summary of the revisions to previously estimated revenues contained in the most recent consensus forecast.

**Table 1**  
**August 2013 Consensus General Fund Revenue Estimate**  
(Million Dollars)

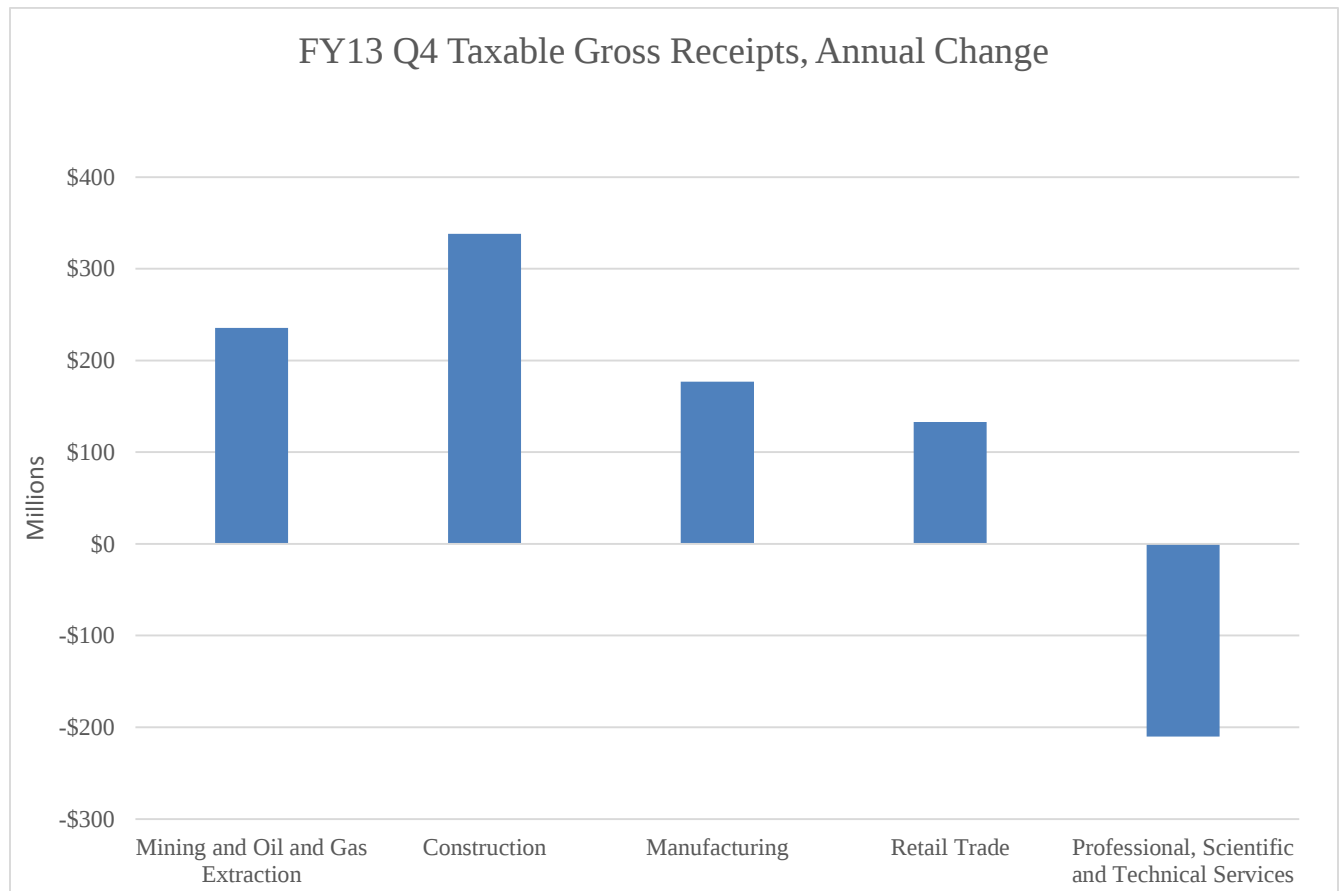
|                                | <u><b>FY13</b></u> | <u><b>FY14</b></u> | <u><b>FY15</b></u> | <u><b>FY16</b></u> | <u><b>FY17</b></u> |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <i>Recurring revenue:</i>      |                    |                    |                    |                    |                    |
| December 2012 Estimates        | 5,707              | 5,933              | 6,244              | 6,467              | 6,597              |
| 2013 Legislation               | 0                  | 5                  | 2                  | (51)               | (80)               |
| August 2013 forecast revisions | (96)               | (73)               | (55)               | (106)              | (84)               |
| <b>August 2013 Estimates</b>   | <b>5611</b>        | <b>5865</b>        | <b>6189</b>        | <b>6361</b>        | <b>6514</b>        |
| Annual percent change          | -3.30%             | 4.50%              | 5.50%              | 2.80%              | 2.41%              |
| Non-recurring revenue:         | 45                 | (86)               | 0                  | 0                  | 0                  |
| <b>Total revenue</b>           | <b>5,656</b>       | <b>5,779</b>       | <b>6,189</b>       | <b>6,361</b>       | <b>6,514</b>       |

Once again, the forecast is marked by significant uncertainty. Federal fiscal sequestration and indecision on long term solutions form a significant drag on New Mexico's economy contributing to further reductions from previous forecasts in most areas. Table 2 summarizes the major sector changes from the December 2012 revenue estimates.

**Table 2**  
**August 2013 Major Forecast Revisions by Revenue**  
(Comparison to December 2012 Forecast, Million Dollars)

|                                | <u><b>FY13</b></u> | <u><b>FY14</b></u> | <u><b>FY15</b></u> | <u><b>FY16</b></u> | <u><b>FY17</b></u> |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Gross Receipts Tax             | (59.1)             | (45.8)             | (51.0)             | (19.9)             | (15.5)             |
| Compensating Tax               | (14.0)             | (11.3)             | (9.2)              | (8.5)              | (9.9)              |
| Insurance Taxes                | (21.5)             | 5.5                | (16.9)             | (51.2)             | (52.4)             |
| Personal Income Tax            | (1.6)              | (14.1)             | (4.5)              | 2.0                | 3.7                |
| Corporate Income Tax           | (20.0)             | (57.0)             | (13.0)             | (30.0)             | (20.0)             |
| Severance Taxes                | 20.6               | 26.9               | 16.0               | 4.6                | 3.6                |
| Rents & Royalties              | 9.1                | 4.2                | (1.2)              | (7.0)              | (1.7)              |
| Other                          | (9.5)              | 44.7               | 38.2               | (0.2)              | 8.7                |
| <b>Total Recurring Revenue</b> | <b>(96.0)</b>      | <b>(46.9)</b>      | <b>(41.6)</b>      | <b>(110.2)</b>     | <b>(83.5)</b>      |

Slow growth in GRT is dragging on the state's tax receipts. With the federal sequester, contracting dollars, which form a large part of the New Mexico economy, have slowed down. Professional, scientific and technical services taxable gross receipts (TGR) likewise decreased.



On the other side, the largest increases included the oil and gas extraction and mining and construction sectors. Manufacturing TGR also increased significantly, but this is most likely a shift from the utilities sector (which has a more than offsetting decrease) as the manufacturing consumables deduction enacted in the 2012 legislative session has shifted the incidence of gross receipts tax on electricity used in manufacturing from the seller (utilities) to the purchaser (manufacturers).

Expiring payroll tax cuts dampened revenue growth in 2013, amounting to a direct reduction in disposable income of about \$500 million. Indirect effects of the tax cut expiration through reduced wages and salaries have impacted gross receipts tax revenues. Another important factor is the effect that federal sequestration has had on gross receipts from government contracts.

Unforeseen increases in the High Wage Jobs Tax Credit (HWJTC) significantly reduced the GRT forecast in FY14. In anticipation of potential changes to the HWJTC statute, TRD received a large influx of applications from businesses attempting to “beat the buzzer” and have claims evaluated before the new statute took effect. Of these claims, most of the impact, about \$90 million in credits will be felt in FY14.

Approximately \$22 million in credits is estimated to impact FY13. Going forward, however, the new statutory

language should significantly tighten the scope of the credit, reducing the impact and also returning it to something closer to the original intent, as well as increasing threshold wages to a level more representative of “high wage jobs.”

The revisions for insurance tax premiums reflect a large degree of uncertainty surrounding the implementation of the Patient Protection and Affordable Care Act (PPACA). There is a potential for significant increases in the premium tax, but having already experienced postponement of the employer mandate and not having a firm grasp on the timing of other portions of the act, expected premium tax revenue has been lowered. In fact, the decreases are largely a timing issue – too many uncertainties remain about when portions of PPACA will actually be enacted to forecast this revenue with much certainty.

FY13 saw a one-time increase in personal income as a result of changes in federal law which encouraged some individuals to realize capital gains in Tax Year 2012 (FY13) that they would have otherwise realized in later years. This shift has caused a small decrease in expectations in FY2014. Otherwise, personal income tax forecasts are not much changed from the previous forecast.

Claims for film credits reached the \$50 million dollar cap in FY13, reducing Corporate Income Tax somewhat from FY12. However, corporate income tax in FY13 has come in at a lower level than forecast in December 2012. Nationally, total industrial production growth for 2013 has been revised down from previous forecasts, according to the national forecasting service, Global Insight. Poor export growth has led to stalled manufacturing output, and the federal spending sequester will only add to this decline over the rest of the year.

2013 legislative session changes will begin to affect corporate income tax collections in FY14. The top corporate tax rate, long one of the highest in the region<sup>1</sup>, will be reduced from 7.6% to 5.9% over five years, beginning in Tax Year 2014. In addition, manufacturers, with certain limitations, will be allowed to elect to apportion income based on sales alone, rather than payroll, property and sales. These changes will reduce corporate income taxes by increasing amounts over the next several years, however, they create a more favorable environment for businesses to locate in New Mexico, which should contribute to a greater corporate tax base, as well as increasing other revenues, such as personal income tax and gross receipts taxes, as relocating businesses employ more New Mexicans.

The oil and gas revenue forecast increased due to much higher oil production volumes and prices, which appear to provide a sustainable base-level of production through the forecast period. Revenues from natural gas

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<sup>1</sup> Among New Mexico (7.6%), Arizona (6.968%), California (8.84%), Colorado (4.63%), Kansas (7.0%), Oklahoma (6.0%) and Utah (5.0%), only California has a higher top corporate income tax rate than New Mexico’s prior to the changes. Texas’ tax system is substantially enough different from New Mexico to make direct comparison difficult, but Texas has no corporate income tax.

production continue to be somewhat lower than had previously been expected. However, the continuing development of multi-lateral wells throughout New Mexico is a substantial source of optimism moving forward.

#### **FORECAST RISKS:**

Negative risks to the forecast include potential federal legislative changes, such as sequestration and the Affordable Care Act. The August forecast does not adjust for a potential sequestration of Federal Mineral Leasing in federal Fiscal Year 2014. This could decrease the forecast by an additional \$18 million in FY14 and \$6 million in FY15. The extension of sequestration could also impact gross receipts revenues and personal income growth in FY14 and beyond. The delay in implementation of some of the features of ACA could also affect the insurance premiums forecast. The FY14 forecast assumes strong oil and natural gas prices. If the economic recovery slows, energy markets could show weaker growth than forecast.

Positive risks to the forecast include potential for stronger growth in Personal Income and Corporate Income Tax revenues than forecast. Interest rate increases resulting from the expiration of expansionary monetary policy could lead to higher earnings on state balances.

#### **GENERAL FUND FINANCIAL SUMMARY: (Appendix 2)**

With the revised revenue forecast, FY13 appropriations exceeded revenues by \$97 million, leaving FY13 ending balances of \$571 million or 10.1 percent of appropriations. FY15 recurring revenue of \$6,189 million less FY14 recurring appropriations of \$5,893 million leaves “new money” of \$296 million.

#### **BOND CAPACITY UPDATE: (Appendix 3)**

Estimated Severance Tax Bonding capacity over the next five years was decreased from the December forecast as a result of lower expectations for severance tax collections. Total Senior Severance Tax Bond capacity in Fiscal Year 2014 is estimated to be \$286.4 million. Of that, \$186.2 million will be available for new capital projects authorized during the 2014 Legislative Session. Earmarked appropriations for Fiscal Year 2014 total \$28.6 million for water trust board projects, \$14.3 million each for Colonias and tribal infrastructure projects, \$38 million for previously authorized projects for which bonds have not yet been issued, and \$5 million for projects funded in August 2013 through Series 2013S-C. Total Supplemental Severance Tax Bond capacity available for public school facilities is expected to be \$175 million in Fiscal Year 2014.

Targeting a flat property tax mill levy of 1.36 mills, the amount available for appropriation from the General Obligation Bond program during the 2014 Legislative Session is estimated to be \$165 million. Although Constitutional capacity would be much higher, the Executive recommends continuing the appropriate to target a flat mill as has been the practice in recent years.

General Fund Revenue Estimate  
August 2013

|                                    | FY13                              |                  |                         |                       | FY14                              |                  |                         |                       | FY15                              |                  |                      |                       |
|------------------------------------|-----------------------------------|------------------|-------------------------|-----------------------|-----------------------------------|------------------|-------------------------|-----------------------|-----------------------------------|------------------|----------------------|-----------------------|
|                                    | Dec 2012<br>Est. Adj.<br>for Leg. | Prelim<br>Actual | \$ Change<br>from Prior | % Change<br>from FY12 | Dec 2012<br>Est. Adj.<br>for Leg. | Aug 2013<br>Est. | \$ Change<br>from Prior | % Change<br>from FY13 | Dec 2012<br>Est. Adj.<br>for Leg. | Aug 2013<br>Est. | Change<br>from Prior | % Change<br>from FY14 |
| Gross Receipts Tax                 | 1,981.1                           | 1,922.0          | (59.1)                  | -0.3%                 | 2,056.8                           | 2,011.0          | (45.8)                  | 4.6%                  | 2,156.0                           | 2,105.0          | (51.0)               | 4.7%                  |
| Compensating Tax                   | 66.5                              | 52.5             | (14.0)                  | -15.4%                | 59.6                              | 48.3             | (11.3)                  | -8.0%                 | 62.5                              | 53.3             | (9.2)                | 10.4%                 |
| <b>TOTAL GENERAL SALES</b>         | <b>2,047.6</b>                    | <b>1,974.5</b>   | <b>(73.1)</b>           | <b>-0.8%</b>          | <b>2,116.4</b>                    | <b>2,059.3</b>   | <b>(57.1)</b>           | <b>4.3%</b>           | <b>2,218.6</b>                    | <b>2,158.3</b>   | <b>(60.3)</b>        | <b>4.8%</b>           |
| Tobacco Taxes                      | 84.3                              | 84.4             | 0.1                     | -1.1%                 | 83.2                              | 83.2             | -                       | -1.4%                 | 82.2                              | 82.3             | 0.1                  | -1.1%                 |
| Liquor Excise                      | 26.5                              | 26.4             | (0.1)                   | 1.0%                  | 26.7                              | 26.7             | 0.0                     | 1.1%                  | 26.7                              | 26.9             | 0.2                  | 0.7%                  |
| Insurance Taxes                    | 122.5                             | 101.0            | (21.5)                  | -11.5%                | 137.4                             | 142.9            | 5.5                     | 41.5%                 | 177.8                             | 160.9            | (16.9)               | 12.6%                 |
| Fire Protection Fund Reversion     | 18.3                              | 17.5             | (0.8)                   | -7.0%                 | 17.7                              | 16.6             | (1.1)                   | -5.1%                 | 17.0                              | 15.7             | (1.3)                | -5.4%                 |
| Motor Vehicle Excise               | 123.0                             | 125.2            | 2.2                     | 9.1%                  | 126.0                             | 133.1            | 7.1                     | 6.3%                  | 131.0                             | 136.6            | 5.6                  | 2.6%                  |
| Gaming Excise                      | 64.8                              | 63.2             | (1.6)                   | -3.6%                 | 65.8                              | 63.8             | (2.0)                   | 0.9%                  | 66.9                              | 64.6             | (2.3)                | 1.3%                  |
| Leased Vehicle Surcharge           | 5.4                               | 5.3              | (0.1)                   | -1.2%                 | 5.5                               | 5.5              | 0.0                     | 3.8%                  | 5.5                               | 5.5              | (0.0)                | 0.0%                  |
| Other                              | (2.5)                             | (2.5)            | (0.0)                   | -133.3%               | 2.4                               | 2.4              | -                       | -196.0%               | 2.0                               | 2.4              | 0.4                  | 0.0%                  |
| <b>TOTAL SELECTIVE SALES</b>       | <b>442.3</b>                      | <b>420.5</b>     | <b>(21.8)</b>           | <b>-3.9%</b>          | <b>464.7</b>                      | <b>474.2</b>     | <b>9.5</b>              | <b>12.8%</b>          | <b>509.1</b>                      | <b>494.9</b>     | <b>(14.2)</b>        | <b>4.4%</b>           |
| Personal Income Tax                | 1,166.6                           | 1,165.0          | (1.6)                   | 1.3%                  | 1,219.1                           | 1,205.0          | (14.1)                  | 3.4%                  | 1,274.5                           | 1,270.0          | (4.5)                | 5.4%                  |
| Corporate Income Tax               | 280.0                             | 260.0            | (20.0)                  | -7.5%                 | 334.8                             | 277.8            | (57.0)                  | 6.8%                  | 350.7                             | 337.7            | (13.0)               | 21.6%                 |
| <b>TOTAL INCOME TAXES</b>          | <b>1,446.6</b>                    | <b>1,425.0</b>   | <b>(21.6)</b>           | <b>-0.5%</b>          | <b>1,553.9</b>                    | <b>1,482.8</b>   | <b>(71.1)</b>           | <b>4.1%</b>           | <b>1,625.2</b>                    | <b>1,607.7</b>   | <b>(17.5)</b>        | <b>8.4%</b>           |
| Oil and Gas School Tax             | 366.0                             | 382.3            | 16.3                    | -4.3%                 | 388.0                             | 413.7            | 25.7                    | 8.2%                  | 404.0                             | 417.2            | 13.2                 | 0.8%                  |
| Oil Conservation Tax               | 19.5                              | 20.7             | 1.2                     | -3.5%                 | 20.6                              | 22.3             | 1.7                     | 7.7%                  | 21.4                              | 22.5             | 1.1                  | 0.9%                  |
| Resources Excise Tax               | 10.0                              | 13.0             | 3.0                     | 8.2%                  | 10.0                              | 11.5             | 1.5                     | -11.5%                | 10.0                              | 11.5             | 1.5                  | 0.0%                  |
| Natural Gas Processors Tax         | 23.9                              | 24.0             | 0.1                     | 2.8%                  | 17.5                              | 15.5             | (2.0)                   | -35.4%                | 18.4                              | 18.6             | 0.2                  | 20.0%                 |
| <b>TOTAL SEVERANCE TAXES</b>       | <b>419.4</b>                      | <b>440.0</b>     | <b>20.6</b>             | <b>-3.6%</b>          | <b>436.1</b>                      | <b>463.0</b>     | <b>26.9</b>             | <b>5.2%</b>           | <b>453.8</b>                      | <b>469.8</b>     | <b>16.0</b>          | <b>1.5%</b>           |
| LICENSE FEES                       | 50.4                              | 50.0             | (0.4)                   | 0.8%                  | 51.6                              | 51.6             | 0.0                     | 3.2%                  | 51.9                              | 52.8             | 0.9                  | 2.3%                  |
| LGPF Interest                      | 438.8                             | 438.3            | (0.5)                   | -5.1%                 | 443.8                             | 445.0            | 1.2                     | 1.5%                  | 481.6                             | 486.0            | 4.4                  | 9.2%                  |
| STO Interest                       | 16.0                              | 12.3             | (3.7)                   | -29.4%                | 19.0                              | 16.0             | (3.0)                   | 30.1%                 | 19.6                              | 17.0             | (2.6)                | 6.3%                  |
| STPF Interest                      | 176.2                             | 176.2            | -                       | -3.9%                 | 168.5                             | 170.5            | 2.0                     | -3.2%                 | 175.7                             | 179.4            | 3.7                  | 5.2%                  |
| <b>TOTAL INTEREST</b>              | <b>631.0</b>                      | <b>626.8</b>     | <b>(4.2)</b>            | <b>-5.4%</b>          | <b>631.3</b>                      | <b>631.5</b>     | <b>0.2</b>              | <b>0.7%</b>           | <b>676.9</b>                      | <b>682.4</b>     | <b>5.5</b>           | <b>8.1%</b>           |
| Federal Mineral Leasing            | 440.0                             | 465.0            | 25.0                    | -7.5%                 | 465.0                             | 483.8            | 18.8                    | 4.0%                  | 480.0                             | 495.0            | 15.0                 | 2.3%                  |
| State Land Office                  | 60.5                              | 44.6             | (15.9)                  | -51.8%                | 63.2                              | 48.6             | (14.6)                  | 9.0%                  | 64.9                              | 48.7             | (16.2)               | 0.2%                  |
| <b>TOTAL RENTS &amp; ROYALTIES</b> | <b>500.5</b>                      | <b>509.6</b>     | <b>9.1</b>              | <b>-14.4%</b>         | <b>528.2</b>                      | <b>532.4</b>     | <b>4.2</b>              | <b>4.5%</b>           | <b>544.9</b>                      | <b>543.7</b>     | <b>(1.2)</b>         | <b>2.1%</b>           |
| TRIBAL REVENUE SHARING             | 72.0                              | 68.7             | (3.3)                   | 0.7%                  | 73.0                              | 69.8             | (3.2)                   | 1.6%                  | 76.0                              | 70.9             | (5.1)                | 1.6%                  |
| MISCELLANEOUS RECEIPTS             | 46.2                              | 45.1             | (1.1)                   | 0.0%                  | 42.7                              | 52.9             | 10.2                    | 17.3%                 | 47.9                              | 53.5             | 5.6                  | 1.1%                  |
| REVERSIONS                         | 51.0                              | 51.0             | -                       | -22.6%                | 40.0                              | 47.3             | 7.3                     | -7.3%                 | 40.0                              | 55.0             | 15.0                 | 16.3%                 |
| <b>TOTAL RECURRING</b>             | <b>5,707.2</b>                    | <b>5,611.2</b>   | <b>(96.0)</b>           | <b>-3.3%</b>          | <b>5,937.9</b>                    | <b>5,864.7</b>   | <b>(73.2)</b>           | <b>4.5%</b>           | <b>6,244.3</b>                    | <b>6,189.1</b>   | <b>(55.2)</b>        | <b>5.5%</b>           |
| <b>TOTAL NON-RECURRING</b>         | <b>(5.1)</b>                      | <b>40.0</b>      | <b>45.0</b>             | <b>172.1%</b>         | <b>(0.9)</b>                      | <b>(85.9)</b>    | <b>(85.0)</b>           | <b>-315.0%</b>        | <b>-</b>                          | <b>-</b>         | <b>-</b>             | <b>-100.0%</b>        |
| <b>GRAND TOTAL</b>                 | <b>5,702.1</b>                    | <b>5,651.2</b>   | <b>(51.0)</b>           | <b>-2.9%</b>          | <b>5,937.0</b>                    | <b>5,778.8</b>   | <b>(158.2)</b>          | <b>2.3%</b>           | <b>6,244.3</b>                    | <b>6,189.1</b>   | <b>(55.2)</b>        | <b>7.1%</b>           |

\* Non-recurring revenues: FY13 \$45 million due to accelerated Personal Income Tax payments. FY14 high-wage jobs tax credit is one-time decrease in Combined Reporting System (GRT, PIT,

General Fund Revenue Estimate  
August 2013

|                                    | FY16                              |                  |                         |                       | FY17                              |                  |                         |                       | FY18             |                       |
|------------------------------------|-----------------------------------|------------------|-------------------------|-----------------------|-----------------------------------|------------------|-------------------------|-----------------------|------------------|-----------------------|
|                                    | Dec 2012<br>Est. Adj.<br>for Leg. | Aug 2013<br>Est. | \$ Change<br>from Prior | % Change<br>from FY15 | Dec 2012<br>Est. Adj.<br>for Leg. | Aug 2013<br>Est. | \$ Change<br>from Prior | % Change<br>from FY16 | Aug 2013<br>Est. | % Change<br>from FY17 |
| Gross Receipts Tax                 | 2,227.9                           | 2,208.0          | (19.9)                  | 4.9%                  | 2,327.5                           | 2,312.0          | (15.5)                  | 4.7%                  | 2,418.0          | 4.6%                  |
| Compensating Tax                   | 61.8                              | 53.3             | (8.5)                   | 0.0%                  | 63.2                              | 53.3             | (9.9)                   | 0.0%                  | 53.3             | 0.0%                  |
| <b>TOTAL GENERAL SALES</b>         | <b>2,289.7</b>                    | <b>2,261.3</b>   | <b>(28.4)</b>           | <b>4.8%</b>           | <b>2,390.7</b>                    | <b>2,365.3</b>   | <b>(25.4)</b>           | <b>4.6%</b>           | <b>2,471.3</b>   | <b>4.5%</b>           |
| Tobacco Taxes                      | 81.2                              | 81.5             | 0.3                     | -1.0%                 | 80.3                              | 80.7             | 0.4                     | -1.0%                 | 80.0             | -0.9%                 |
| Liquor Excise                      | 26.9                              | 27.2             | 0.3                     | 1.1%                  | 27.3                              | 27.6             | 0.3                     | 1.5%                  | 28.0             | 1.4%                  |
| Insurance Taxes                    | 223.5                             | 172.3            | (51.2)                  | 7.1%                  | 235.6                             | 183.2            | (52.4)                  | 6.3%                  | 193.8            | 5.8%                  |
| Fire Protection Fund Reversion     | 15.5                              | 14.8             | (0.7)                   | -5.7%                 | 13.8                              | 13.7             | (0.1)                   | -7.4%                 | 12.0             | -12.4%                |
| Motor Vehicle Excise               | 136.0                             | 140.8            | 4.8                     | 3.1%                  | 141.0                             | 145.8            | 4.8                     | 3.6%                  | 149.2            | 2.3%                  |
| Gaming Excise                      | 68.1                              | 65.2             | (2.9)                   | 0.9%                  | 69.5                              | 66.0             | (3.5)                   | 1.2%                  | 67.0             | 1.5%                  |
| Leased Vehicle Surcharge           | 5.6                               | 5.6              | 0.0                     | 1.8%                  | 5.6                               | 5.6              | (0.0)                   | 0.0%                  | 5.7              | 1.8%                  |
| Other                              | 1.6                               | 2.4              | 0.8                     | 0.0%                  | 1.6                               | 2.4              | 0.8                     | 0.0%                  | 2.4              | 0.0%                  |
| <b>TOTAL SELECTIVE SALES</b>       | <b>558.4</b>                      | <b>509.8</b>     | <b>(48.6)</b>           | <b>3.0%</b>           | <b>574.7</b>                      | <b>525.0</b>     | <b>(49.7)</b>           | <b>3.0%</b>           | <b>538.1</b>     | <b>2.5%</b>           |
| Personal Income Tax                | 1,323.0                           | 1,325.0          | 2.0                     | 4.3%                  | 1,376.3                           | 1,380.0          | 3.7                     | 4.2%                  | 1,435.0          | 4.0%                  |
| Corporate Income Tax               | 328.2                             | 298.2            | (30.0)                  | -11.7%                | 298.4                             | 278.4            | (20.0)                  | -6.6%                 | 258.5            | -7.1%                 |
| <b>TOTAL INCOME TAXES</b>          | <b>1,651.2</b>                    | <b>1,623.2</b>   | <b>(28.0)</b>           | <b>1.0%</b>           | <b>1,674.7</b>                    | <b>1,658.4</b>   | <b>(16.3)</b>           | <b>2.2%</b>           | <b>1,693.5</b>   | <b>2.1%</b>           |
| Oil and Gas School Tax             | 411.0                             | 414.1            | 3.1                     | -0.7%                 | 406.0                             | 408.6            | 2.6                     | -1.3%                 | 404.2            | -1.1%                 |
| Oil Conservation Tax               | 21.7                              | 22.4             | 0.7                     | -0.4%                 | 21.6                              | 22.1             | 0.5                     | -1.3%                 | 22.0             | -0.5%                 |
| Resources Excise Tax               | 10.0                              | 11.5             | 1.5                     | 0.0%                  | 10.0                              | 11.5             | 1.5                     | 0.0%                  | 11.5             | 0.0%                  |
| Natural Gas Processors Tax         | 19.6                              | 18.9             | (0.7)                   | 1.6%                  | 19.9                              | 18.9             | (1.0)                   | 0.0%                  | 18.3             | -3.2%                 |
| <b>TOTAL SEVERANCE TAXES</b>       | <b>462.3</b>                      | <b>466.9</b>     | <b>4.6</b>              | <b>-0.6%</b>          | <b>457.5</b>                      | <b>461.1</b>     | <b>3.6</b>              | <b>-1.2%</b>          | <b>456.0</b>     | <b>-1.1%</b>          |
| LICENSE FEES                       | 52.9                              | 54.1             | 1.2                     | 2.5%                  | 53.8                              | 55.2             | 1.4                     | 2.0%                  | 56.6             | 2.5%                  |
| LGPF Interest                      | 515.5                             | 521.0            | 5.5                     | 7.2%                  | 496.6                             | 503.0            | 6.4                     | -3.5%                 | 541.0            | 7.6%                  |
| STO Interest                       | 29.4                              | 28.0             | (1.4)                   | 64.7%                 | 44.0                              | 47.0             | 3.0                     | 67.9%                 | 50.0             | 6.4%                  |
| STPF Interest                      | 180.8                             | 185.5            | 4.7                     | 3.4%                  | 185.1                             | 190.1            | 5.0                     | 2.5%                  | 197.3            | 3.8%                  |
| <b>TOTAL INTEREST</b>              | <b>725.6</b>                      | <b>734.5</b>     | <b>8.9</b>              | <b>7.6%</b>           | <b>725.7</b>                      | <b>740.1</b>     | <b>14.4</b>             | <b>0.8%</b>           | <b>788.3</b>     | <b>6.5%</b>           |
| Federal Mineral Leasing            | 485.0                             | 495.0            | 10.0                    | 0.0%                  | 475.0                             | 490.0            | 15.0                    | -1.0%                 | 485.0            | -1.0%                 |
| State Land Office                  | 66.0                              | 49.0             | (17.0)                  | 0.6%                  | 65.5                              | 48.8             | (16.7)                  | -0.4%                 | 48.8             | 0.0%                  |
| <b>TOTAL RENTS &amp; ROYALTIES</b> | <b>551.0</b>                      | <b>544.0</b>     | <b>(7.0)</b>            | <b>0.1%</b>           | <b>540.5</b>                      | <b>538.8</b>     | <b>(1.7)</b>            | <b>-1.0%</b>          | <b>533.8</b>     | <b>-0.9%</b>          |
| TRIBAL REVENUE SHARING             | 80.0                              | 73.4             | (6.6)                   | 3.5%                  | 84.0                              | 74.5             | (9.5)                   | 1.5%                  | 75.7             | 1.6%                  |
| MISCELLANEOUS RECEIPTS             | 56.0                              | 54.2             | (1.8)                   | 1.3%                  | 55.8                              | 55.5             | (0.3)                   | 2.4%                  | 56.8             | 2.3%                  |
| REVERSIONS                         | 40.0                              | 40.0             | -                       | -27.3%                | 40.0                              | 40.0             | -                       | 0.0%                  | 40.0             | 0.0%                  |
| <b>TOTAL RECURRING</b>             | <b>6,467.1</b>                    | <b>6,361.4</b>   | <b>(105.7)</b>          | <b>2.8%</b>           | <b>6,597.4</b>                    | <b>6,513.9</b>   | <b>(83.5)</b>           | <b>2.4%</b>           | <b>6,710.1</b>   | <b>3.0%</b>           |
| <b>TOTAL NON-RECURRING</b>         | <b>-</b>                          | <b>-</b>         | <b>-</b>                | <b>#DIV/0!</b>        | <b>-</b>                          | <b>-</b>         | <b>-</b>                | <b>#DIV/0!</b>        | <b>-</b>         | <b>-</b>              |
| <b>GRAND TOTAL</b>                 | <b>6,467.1</b>                    | <b>6,361.4</b>   | <b>(105.7)</b>          | <b>2.8%</b>           | <b>6,597.4</b>                    | <b>6,513.9</b>   | <b>(83.5)</b>           | <b>2.4%</b>           | <b>6,710.1</b>   | <b>3.0%</b>           |

**Department of Finance and Administration**  
**GENERAL FUND FINANCIAL SUMMARY**  
**August 2013 Consensus Forecast**  
**(Dollars in Millions)**

|                                                          | <b>Prelim<br/>FY2013</b> | <b>Estimated<br/>FY2014</b> | <b>Estimated<br/>FY2015</b>        |
|----------------------------------------------------------|--------------------------|-----------------------------|------------------------------------|
| <b>APPROPRIATION ACCOUNT</b>                             |                          |                             |                                    |
| <b>REVENUE</b>                                           |                          |                             |                                    |
| Recurring Revenue                                        |                          |                             |                                    |
| December 2012 adjusted for Legislation                   | \$ 5,707.2               | \$ 5,937.9                  | \$ 6,244.3                         |
| <i>August 2013 forecast revisions</i>                    | <i>\$ (96.0)</i>         | <i>\$ (73.2)</i>            | <i>\$ (55.2)</i>                   |
| Total Recurring Revenue                                  | \$ 5,611.2               | \$ 5,864.7                  | \$ 6,189.1                         |
| Nonrecurring Revenue                                     |                          |                             |                                    |
| December 2012 adjusted for Legislation                   | \$ (5.1)                 | \$ (0.9)                    | \$ -                               |
| <i>August 2013 forecast revisions</i>                    | <i>\$ 45.0</i>           | <i>\$ (85.0)</i>            | <i>\$ -</i>                        |
| Total Non-Recurring Revenue                              | \$ 40.0                  | \$ (85.9)                   | \$ -                               |
| <b>TOTAL REVENUE</b>                                     | <b>\$ 5,651.2</b>        | <b>\$ 5,778.8</b>           | <b>\$ 6,189.1</b>                  |
| <b>APPROPRIATIONS</b>                                    |                          |                             |                                    |
| Recurring Appropriations                                 |                          |                             |                                    |
| Recurring Appropriations                                 | \$ 5,635.5               | \$ 5,878.6                  | FY15 "new money" is \$296 million. |
| 2011 & 2012 Sessions - Feed Bill*                        | 14.1                     |                             |                                    |
| <i>2013 Regular Session - Feed Bill*</i>                 | <i>9.3</i>               | <i>14.4</i>                 |                                    |
| Total Recurring Appropriations                           | \$ 5,658.9               | \$ 5,892.9                  |                                    |
| Nonrecurring Appropriations                              |                          |                             |                                    |
| 2011 & 2012 Sessions                                     | \$ -                     |                             |                                    |
| 2012 Audit                                               | \$ 23.7                  |                             |                                    |
| <i>2013 Regular Session</i>                              | <i>\$ 65.7</i>           | <i>\$ -</i>                 | <i>\$ -</i>                        |
| Total Nonrecurring Appropriations                        | \$ 89.4                  | \$ -                        | \$ -                               |
| <b>TOTAL APPROPRIATIONS</b>                              | <b>\$ 5,748.3</b>        | <b>\$ 5,892.9</b>           | <b>\$ -</b>                        |
| Transfer to (from) Reserves                              | \$ (97.1)                | \$ (114.1)                  |                                    |
| <b>GENERAL FUND RESERVES</b>                             |                          |                             |                                    |
| Beginning Balances                                       | \$ 712.9                 | \$ 570.9                    |                                    |
| Transfers from (to) Appropriations Account               | (97.1)                   | (114.1)                     |                                    |
| Revenue and Reversions                                   | 71.3                     | 51.5                        |                                    |
| <i>Appropriations, expenditures and transfers out</i>    | <i>(116.2)</i>           | <i>(57.5)</i>               |                                    |
| <b>Ending Balances</b>                                   | <b>\$ 570.9</b>          | <b>\$ 450.8</b>             |                                    |
| <i>Reserves as a Percent of Recurring Appropriations</i> | <i>10.1%</i>             | <i>7.6%</i>                 |                                    |

\*Legislative session expenses treated as recurring revenue.

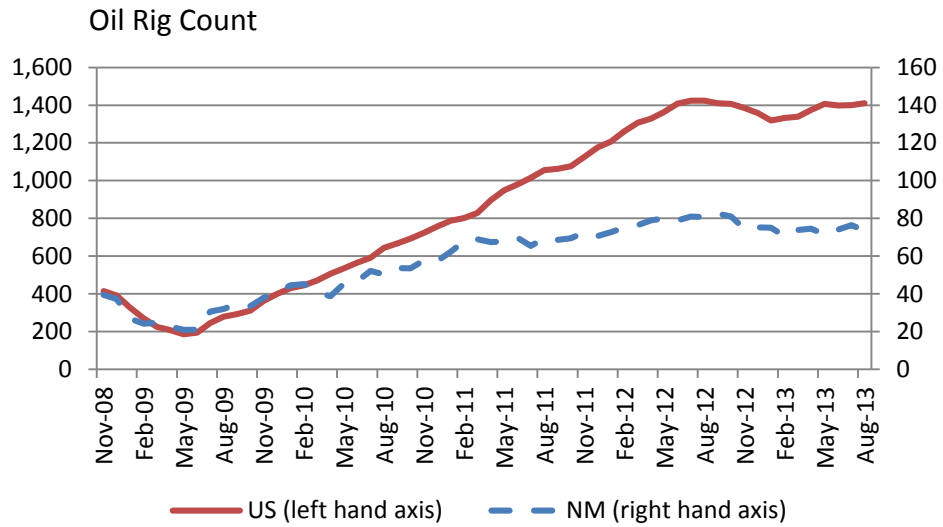
**Department of Finance and Administration**  
**GENERAL FUND FINANCIAL SUMMARY (Continued)**  
**RESERVE DETAIL**  
**(Dollars in Millions)**

|                                                              | <b>Prelim<br/>FY2013</b> | <b>Estimated<br/>FY2014</b> | <b>Estimated<br/>FY2015</b> |
|--------------------------------------------------------------|--------------------------|-----------------------------|-----------------------------|
| <b>OPERATING RESERVE</b>                                     |                          |                             |                             |
| Beginning balance                                            | \$ 346.8                 | \$ 231.0                    | \$ 114.8                    |
| BOF Emergency Fund and reversions                            | (1.75)                   | (2.0)                       | (2.0)                       |
| Transfer to ACF for sequestration (2013 GAA)                 | (17.0)                   |                             |                             |
| Transfers from (to) appropriation account                    | (97.1)                   | (114.1)                     | -                           |
| Ending balance                                               | \$ 231.0                 | \$ 114.8                    | \$ 112.8                    |
| <b>APPROPRIATION CONTINGENCY FUND</b>                        |                          |                             |                             |
| Beginning balance                                            | \$ 29.5                  | \$ 22.1                     | \$ 6.1                      |
| Disaster allotments                                          | (28.4)                   | (16.0)                      | (16.0)                      |
| Transfer from Oper Reserve to ACF (2012 & 2013 GAA)          | 17.0                     | -                           | -                           |
| Revenue and reversions                                       | 4.1                      | -                           | -                           |
| Ending Balance                                               | \$ 22.1                  | \$ 6.1                      | \$ (9.9)                    |
| <b>Education Lock Box</b>                                    |                          |                             |                             |
| Beginning balance                                            | \$ 39.1                  | \$ 9.1                      | \$ 9.1                      |
| Appropriations (2010, 2011 and 2012 GAA Section 5)           | (30.0)                   | -                           | -                           |
| Transfers in (out)                                           | -                        | -                           | -                           |
| Ending balance                                               | \$ 9.1                   | \$ 9.1                      | \$ 9.1                      |
| <b>STATE SUPPORT FUND</b>                                    |                          |                             |                             |
| Beginning balance                                            | \$ 1.0                   | \$ 1.0                      | \$ 1.0                      |
| Revenues                                                     | \$ -                     | \$ -                        | \$ -                        |
| Appropriations                                               | \$ -                     | \$ -                        | \$ -                        |
| Ending balance                                               | \$ 1.0                   | \$ 1.0                      | \$ 1.0                      |
| <b>TOBACCO PERMANENT FUND</b>                                |                          |                             |                             |
| Beginning balance                                            | \$ 149.0                 | \$ 160.2                    | \$ 172.2                    |
| Transfers in                                                 | 39.0                     | 39.5                        | 39.5                        |
| Appropriation to tobacco settlement program fund             | (19.5)                   | (19.8)                      | (19.8)                      |
| Gains/Losses                                                 | 11.2                     | 12.0                        | 12.9                        |
| Additional transfers to Program Fund                         | (19.5)                   | -                           | -                           |
| SB113 - Tobacco Fund for CYFD Programs & Lottery Scholarship |                          | (19.8)                      |                             |
| Ending balance                                               | \$ 160.2                 | \$ 172.2                    | \$ 204.9                    |
| <b>TAX STABILIZATION RESERVE</b>                             |                          |                             |                             |
| Beginning balance                                            | \$ 147.5                 | \$ 147.5                    | \$ 147.5                    |
| Transfers in                                                 | -                        | -                           | -                           |
| Ending balance                                               | \$ 147.5                 | \$ 147.5                    | \$ 147.5                    |
| <b>GENERAL FUND ENDING BALANCES</b>                          | <b>\$ 570.9</b>          | <b>\$ 450.8</b>             |                             |
| Percent of Recurring Appropriations                          | 10.1%                    | 7.6%                        |                             |

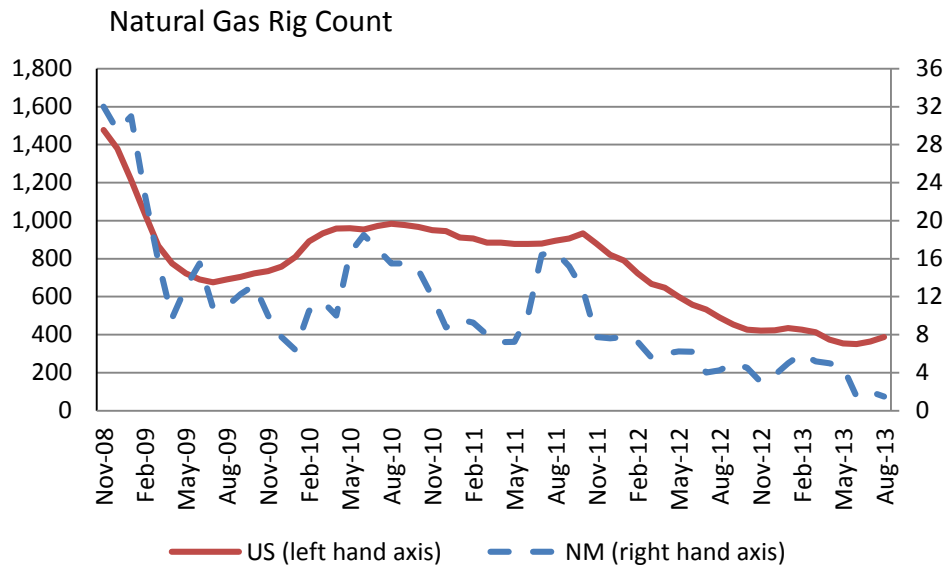
| <i>August 2013 Bonding Estimate</i>                                                                         |                |                |                |                |                |                  |
|-------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <b>Sources of Funds (millions)</b>                                                                          | <b>FY14</b>    | <b>FY15</b>    | <b>FY16</b>    | <b>FY17</b>    | <b>FY18</b>    | <b>Five-Year</b> |
| <b>General Obligation Bonds</b>                                                                             | 165.0          | -              | 175.0          | -              | 280.0          | 620.0            |
| Severance Tax Bonds                                                                                         | 201.1          | 196.1          | 196.1          | 196.1          | 196.1          | 985.5            |
| Severance Tax Notes                                                                                         | 85.3           | 101.3          | 82.2           | 66.1           | 57.5           | 392.4            |
| <b>Subtotal Senior STBs</b>                                                                                 | <b>286.4</b>   | <b>297.4</b>   | <b>278.3</b>   | <b>262.2</b>   | <b>253.6</b>   | <b>1,377.9</b>   |
| Supplemental Severance Tax Bonds                                                                            | -              | -              | -              | -              | -              | -                |
| Supplemental Severance Tax Notes                                                                            | 175.0          | 200.0          | 200.6          | 197.5          | 195.4          | 968.5            |
| <b>Subtotal Supplemental STBs</b>                                                                           | <b>175.0</b>   | <b>200.0</b>   | <b>200.6</b>   | <b>197.5</b>   | <b>195.4</b>   | <b>968.5</b>     |
| <b>Total Sources of Funds</b>                                                                               | <b>\$626.4</b> | <b>\$497.4</b> | <b>\$653.9</b> | <b>\$459.6</b> | <b>\$729.0</b> | <b>\$2,966.3</b> |
|                                                                                                             |                |                |                |                |                |                  |
|                                                                                                             |                |                |                |                |                |                  |
| <b>Uses of Funds (millions)</b>                                                                             | <b>FY14</b>    | <b>FY15</b>    | <b>FY16</b>    | <b>FY17</b>    | <b>FY18</b>    | <b>Five-Year</b> |
| <b>GOB Projects Approved by Referendum</b>                                                                  | 165.0          | -              | 175.0          | -              | 280.0          | 620.0            |
| Authorized but Unissued STB Projects*                                                                       | 38.0           | -              | -              | -              | -              | 38.0             |
| Series 2013S-C Funded Projects                                                                              | 5.0            |                |                |                |                |                  |
| 10% Water Projects                                                                                          | 28.6           | 29.7           | 27.8           | 26.2           | 25.4           | 137.8            |
| 5% Colonias Projects                                                                                        | 14.3           | 14.9           | 13.9           | 13.1           | 12.7           | 68.9             |
| 5% Tribal Projects                                                                                          | 14.3           | 14.9           | 13.9           | 13.1           | 12.7           | 68.9             |
| <b>New Senior STB Statewide Capital Projects</b>                                                            | <b>186.2</b>   | <b>237.9</b>   | <b>222.7</b>   | <b>209.7</b>   | <b>202.9</b>   | <b>1,059.3</b>   |
| Education Capital                                                                                           | 175.0          | 200.0          | 200.6          | 197.5          | 195.4          | 968.5            |
| <b>Total Uses of Funds</b>                                                                                  | <b>\$626.4</b> | <b>\$497.4</b> | <b>\$653.9</b> | <b>\$459.6</b> | <b>\$729.0</b> | <b>\$2,966.3</b> |
|                                                                                                             |                |                |                |                |                |                  |
| *Includes projects authorized in Laws 2012 and 2013 that have not yet met requirements for project funding. |                |                |                |                |                |                  |

## Appendix 4 NM and US Rig Counts

**Figure 4**



**Figure 5**



**Appendix 5**  
**New Mexico Taxable Gross Receipts**

| Taxable Gross Receipts by Sector<br>FY13 YTD through May 2013 | FY13 YTD<br>(\$ millions) | FY12 YTD<br>(\$ millions) | Y/Y<br>% Change |
|---------------------------------------------------------------|---------------------------|---------------------------|-----------------|
| Agriculture, Forestry, Fishing and Hunting                    | \$52.8                    | \$51.2                    | 3.1%            |
| Mining and Oil and Gas Extraction                             | \$3,339.0                 | \$3,127.8                 | 6.8%            |
| Utilities                                                     | \$2,074.2                 | \$2,009.3                 | 3.2%            |
| Construction                                                  | \$5,075.1                 | \$4,696.8                 | 8.1%            |
| Manufacturing                                                 | \$1,828.3                 | \$1,661.8                 | 10.0%           |
| Wholesale Trade                                               | \$2,109.9                 | \$2,071.9                 | 1.8%            |
| Retail Trade                                                  | \$11,140.1                | \$10,968.4                | 1.6%            |
| Transportation and Warehousing                                | \$802.7                   | \$795.9                   | 0.9%            |
| Information and Cultural Industries                           | \$2,205.6                 | \$2,169.4                 | 1.7%            |
| Finance and Insurance                                         | \$255.9                   | \$226.3                   | 13.1%           |
| Real Estate and Rental and Leasing                            | \$929.6                   | \$791.5                   | 17.4%           |
| Professional, Scientific and Technical Services               | \$3,854.2                 | \$4,270.1                 | -9.7%           |
| Management of Companies and Enterprises                       | \$36.4                    | \$30.2                    | 20.6%           |
| Admin and Support, Waste Mgt and Remed                        | \$1,636.0                 | \$1,768.6                 | -7.5%           |
| Educational Services                                          | \$182.0                   | \$208.1                   | -12.5%          |
| Health Care and Social Assistance                             | \$1,939.1                 | \$1,938.5                 | 0.0%            |
| Arts, Entertainment and Recreation                            | \$182.7                   | \$183.1                   | -0.2%           |
| Accommodation and Food Services                               | \$3,190.8                 | \$3,122.9                 | 2.2%            |
| Other Services (except Public Admin)                          | \$4,444.8                 | \$4,324.9                 | 2.8%            |
| Public Administration                                         | \$168.3                   | \$207.4                   | -18.9%          |
| Unclassified Establishments                                   | \$184.6                   | \$122.3                   | 50.9%           |
| <br>All Industries                                            | <br>\$45,632.1            | <br>\$44,746.4            | <br>2.0%        |
| <br>Excluding O&G                                             | <br>\$42,293.1            | <br>\$41,618.6            | <br>1.6%        |