

Consensus General Fund Revenue Outlook

Presentation to:
Legislative Finance Committee
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Office of the Governor

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Outline

- Consensus Revenue Estimating Group Overview
- US/Global Macroeconomic Outlook
- New Mexico Macroeconomic Outlook
- Oil and Natural Gas Outlook
- Gross Receipt Tax (GRT)
- Personal Income Tax (PIT)
- Corporate Income Tax (CIT)
- Severance & Rents & Royalties
- General Fund Overview

Consensus Revenue Estimating Group

Participating Agencies

New Mexico Department of Finance and Administration

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Legislative Finance Committee

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U.S. & N.M. Baseline Forecasts

➤ **Moody's Analytics (July 2025 Baseline)**

- U.S. GDP growth: 1.5% (2025), 1.3% (2026), 1.7% (2027). Consumer spending remains the primary driver; federal government will provide little support, and trade will be a drag on economic growth
- U.S. labor market: Hiring slows but remains positive; unemployment rises toward mid-4% range in 2025
- Inflation: Slightly elevated; the Fed is expected to hold the funds rate steady until September, with rate cuts anticipated in September and December 2025. A weakening economy is expected to outweigh inflation concerns
- Energy Prices: Global trade war's reduction to global demand and well-supplied markets expected to modestly reduce prices
- Tariffs: U.S. effective tariff rate peaks at 18% (2025Q2), easing to 13% in the second half of 2025
 - U.S. effective tariff rate was closer to 2% at the beginning of 2025
- Baseline includes the effects of the One Big, Beautiful Bill Act H.R. 1 (OBBBA)
- **The national economy will grow at below-trend growth in the near term and begin to rebound in 2027**

➤ **S&P Global (July 2025 forecast)**

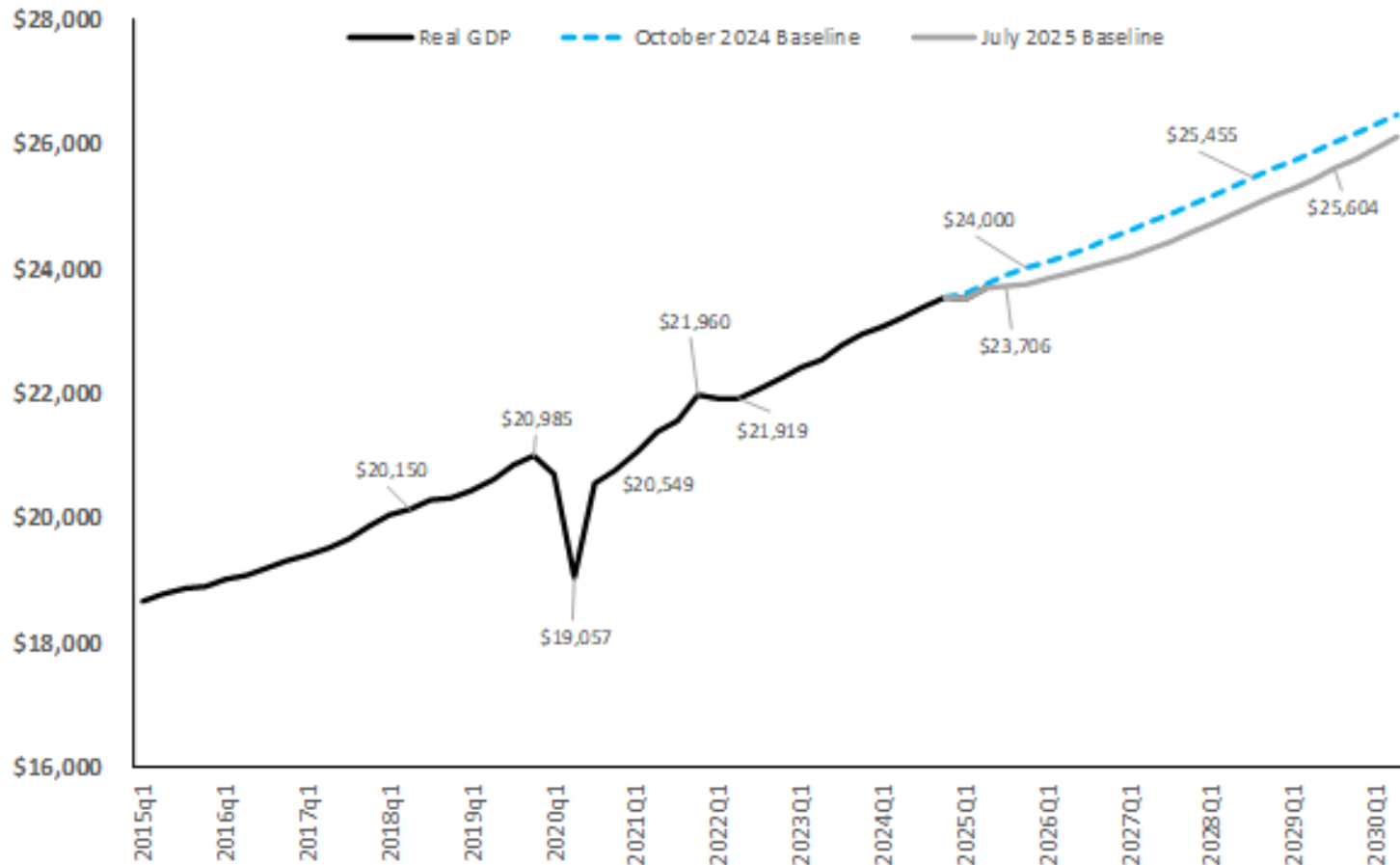
- Assumes the Fed holds the funds rate at the current level until December 2025 and then proceeds with 3 consecutive cuts of 25 basis points
- National GDP growth outlook for 2025 is forecasted at 1.4%, down from 2.1% in October 2024. GDP growth for 2026 of 2.0% is slightly above October 2024 expectations. GDP growth of 1.7% in 2027 and 1.6% in 2028 are unchanged
- Maintains national unemployment rate peak in 2027 at 4.6%
- H.R. 1 (OBBBA) is not incorporated into the forecast, but the forecast contains key assumptions that remained in the final bill (see forecast risks)

➤ **UNM BBER (July 2025)**

- N.M. employment growth in FY2025 through FY2027 remains close to the December forecast, declining from 1.1% to 0.2% by FY2027
- Unemployment peaks sooner than the October forecast at 4.8% in 2026 versus 4.7% in 2027

U.S. Real Gross Domestic Product (RGDP)

U.S. Real Gross Domestic Product: 2015Q1 to 2025Q2; Forecast 2025Q3-2030Q2
(billions of chained 2017 dollars)



Source: GDP in billions of chained 2017 dollars, retrieved from bea.gov.

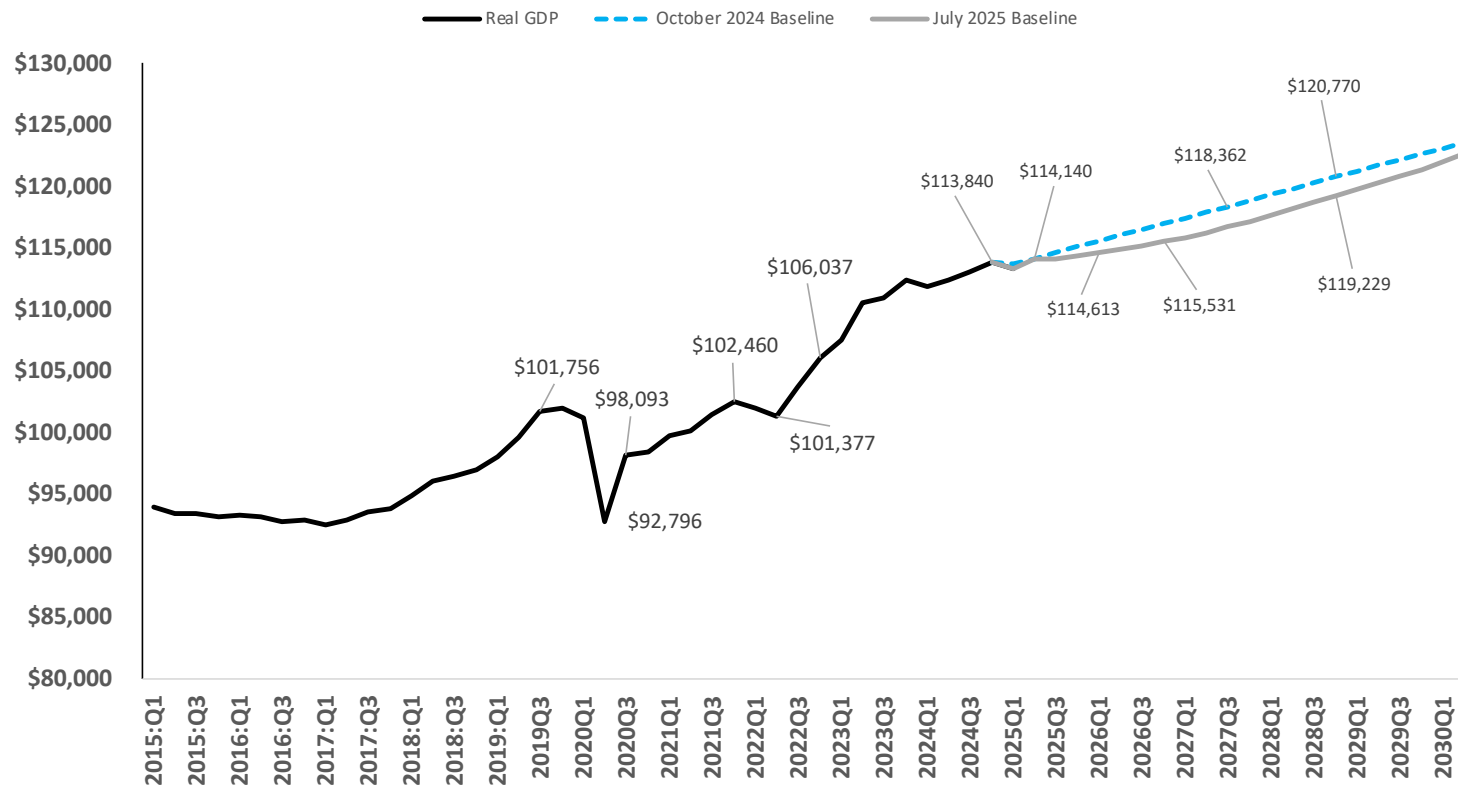
- The RGDP forecast for July 2025 has been adjusted downward compared to the October 2024 estimate
- CY 2025 Q2: Real GDP grew 3.0%, driven by increased consumer spending and reduced imports
- CY 2025 Q1: GDP contracted 0.3%, as import volumes surged over 40%
 - Spike in imports tied to front-loading purchases ahead of anticipated tariffs
 - Elevated imports exerted a negative drag on GDP
- The forecasted growth for RGDP in CY25 is estimated to be 1.5% and 1.3% in CY26

Reminder:

$$\text{GDP} = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Exports} - \text{Imports}$$

N.M. Real Gross State Product (RGSP)

New Mexico Real Gross State Product 2015Q1-2025Q1, Moody's Forecast 2025Q2-2030Q2

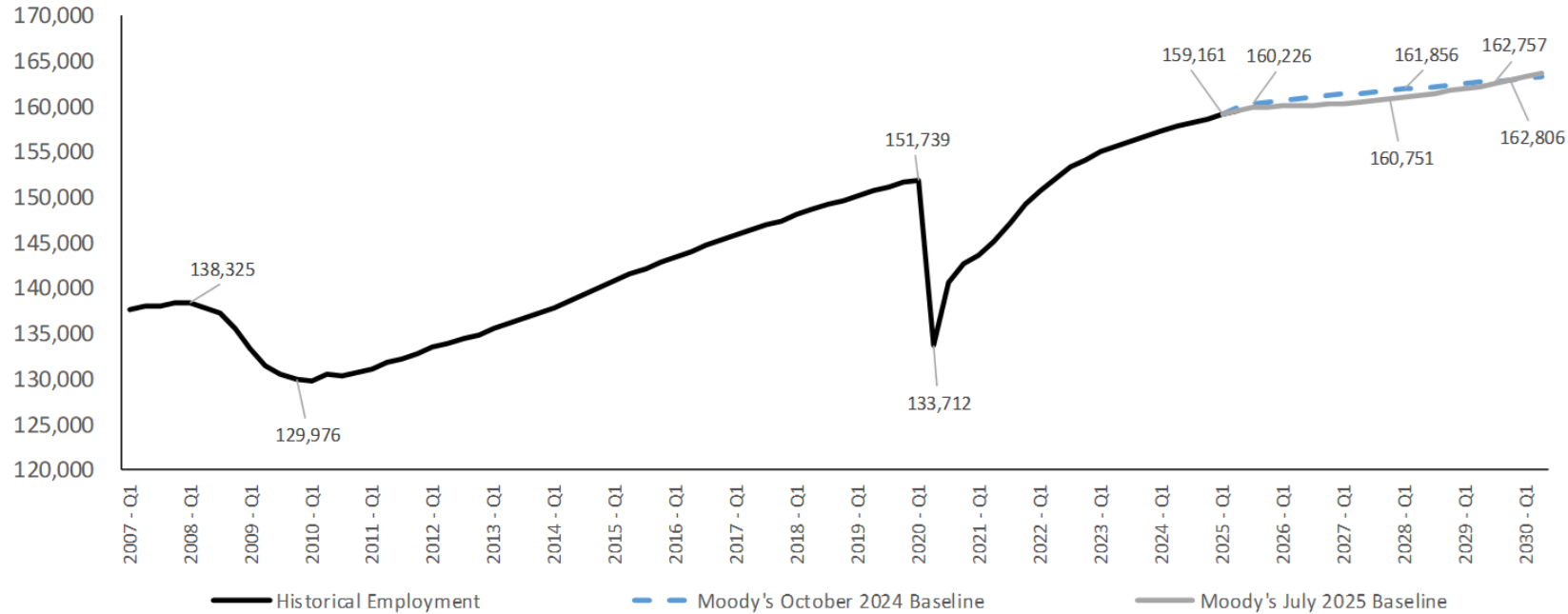


Source: Moody's July 2025 Baseline Scenario vs. Historical Values from the Bureau of Economic Analysis

- NM economic growth is more moderate compared to the October 2024 baseline
- Annualized growth from 2024Q4 to 2025Q1 was -2.1%
 - Leading contributors to the decline:
 - Agriculture, forestry, fishing and hunting
 - Mining, quarrying, and oil and gas extraction
 - Other services (except government and government enterprises)
- Not unique to NM: RGSP fell in 39 states in 2025Q1
- The forecasted annualized growth rates for RGSP through CY25 average 1.0%, slightly lower than the national annualized rate of 1.6% for CY25

U.S. Total Nonfarm Employment

U.S. Total Nonfarm Employment: 2007Q1 to 2025Q2, Moody's Forecast 2025Q3 to 2030Q2
(1,000s of jobs)

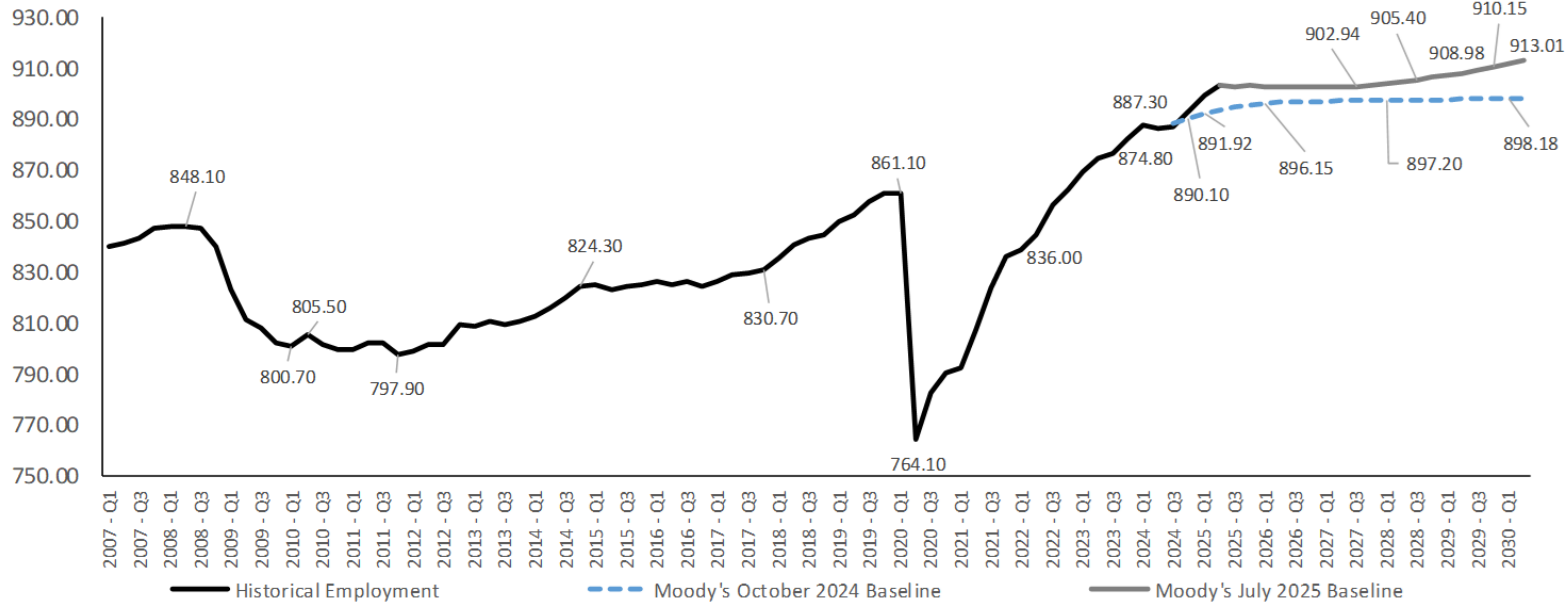


Source: Bureau of Labor Statistics

- Total nonfarm employment increased by 73,000 in July 2025
- Year-to-date national monthly average job growth is +85,300 (January 2025 to July 2025)
- Employment gains occurred primarily in:
 - Health Services
 - Social Assistance
 - Retail Trade
 - Financial Activities
- U.S. labor market is showing signs of moderation:
 - Trade war weighing heavily on labor market
 - Interest rates dampening hiring
 - Private sector adopting a more cautious outlook
- Labor force participation rate was 62.2% in July 2025 (vs. 62.7% in July 2024)

N.M. Total Nonfarm Employment

N.M.'s Quarterly Total Nonfarm Employment: 2007Q1 to 2025Q1, Moody's Forecast 2025Q2 to 2030Q2
(1,000s of jobs)

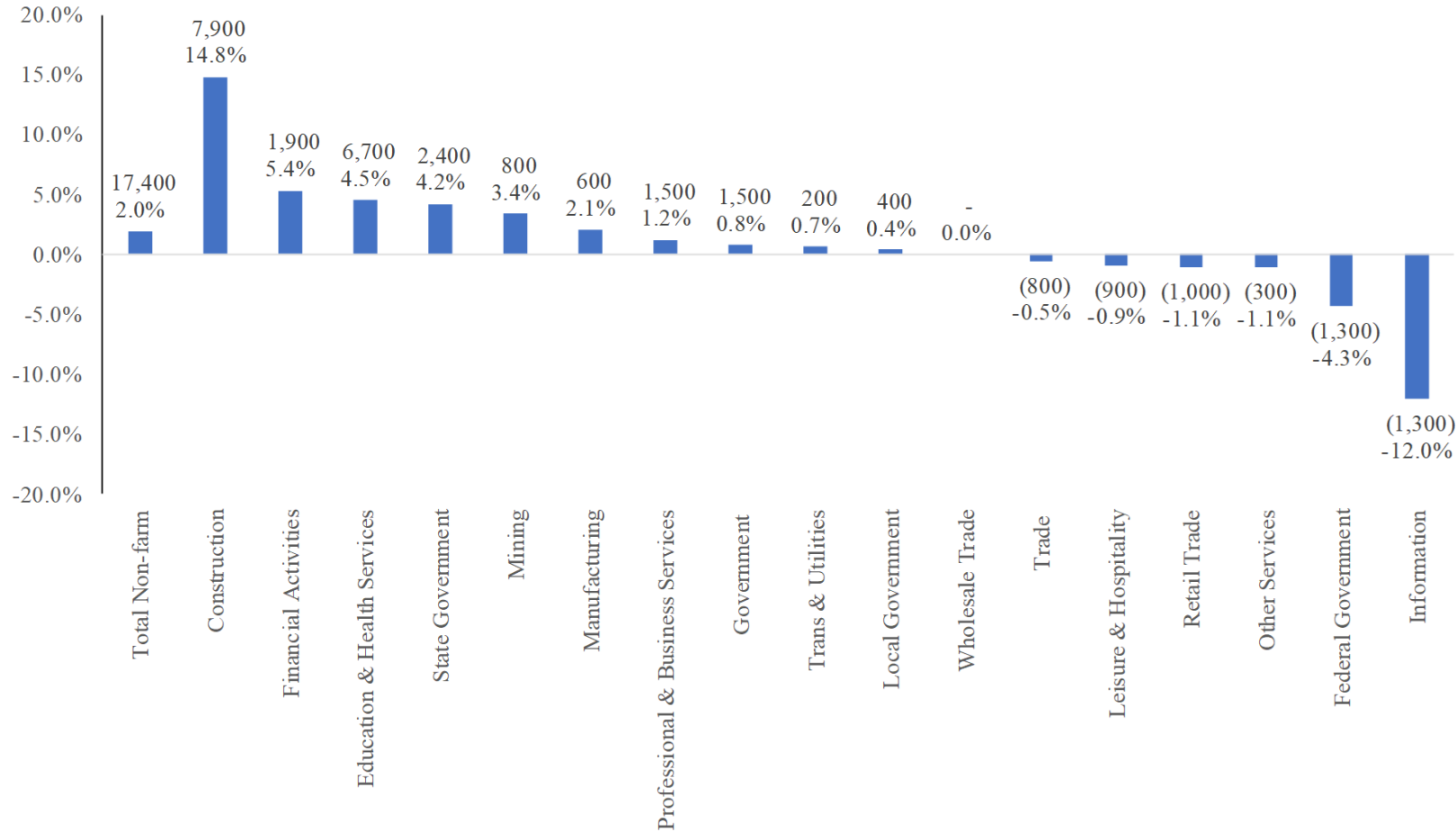


- NM forecasted and actual employment exceeded the previous estimate
- Employment gains averaged +1,817 jobs per month for CY2025 (Jan. 2025 to June 2025)
- New Mexico added 2,900 jobs in June 2025
- Employment grew by 1.5% in CY24, with projected growth of 1.5% in CY25, 0.1% in CY26, and 0.0% in CY27

Source: Bureau of Labor Statistics

N.M. Year-Over-Year Employment by Sector

Percent Change and Level Change in Nonfarm Employment in N.M. by Sector
June 2024 June 2025



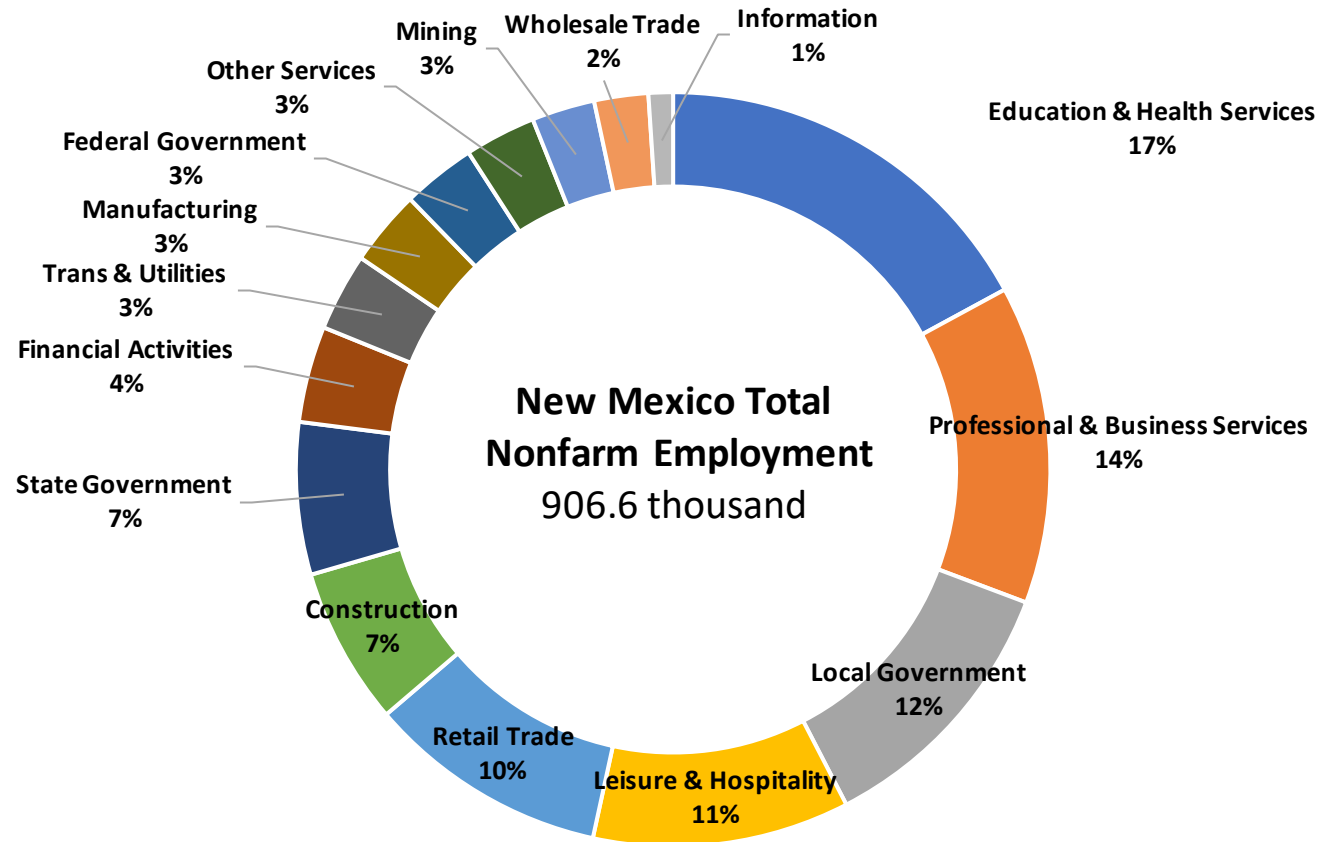
➤ NM employment grew by 2.0% (17,400 jobs) from June 2024 to June 2025

- Growth was across most sectors and notable gains were in:
 - Construction (+7,900)
 - Financial Activities (+1,900)
 - State Government (+2,400)
 - Education and Health Services (+6,700)
 - Mining (+800)
- Losses were in:
 - Trade (-800)
 - Leisure and Hospitality (-900)
 - Information (-1,300)
 - Federal Government (-1,300)

Source: bls.gov, CES seasonally adjusted

N.M. Employment Share by Sector

Industry Share of Total Nonfarm Employment in N.M. by Sector
June 2025



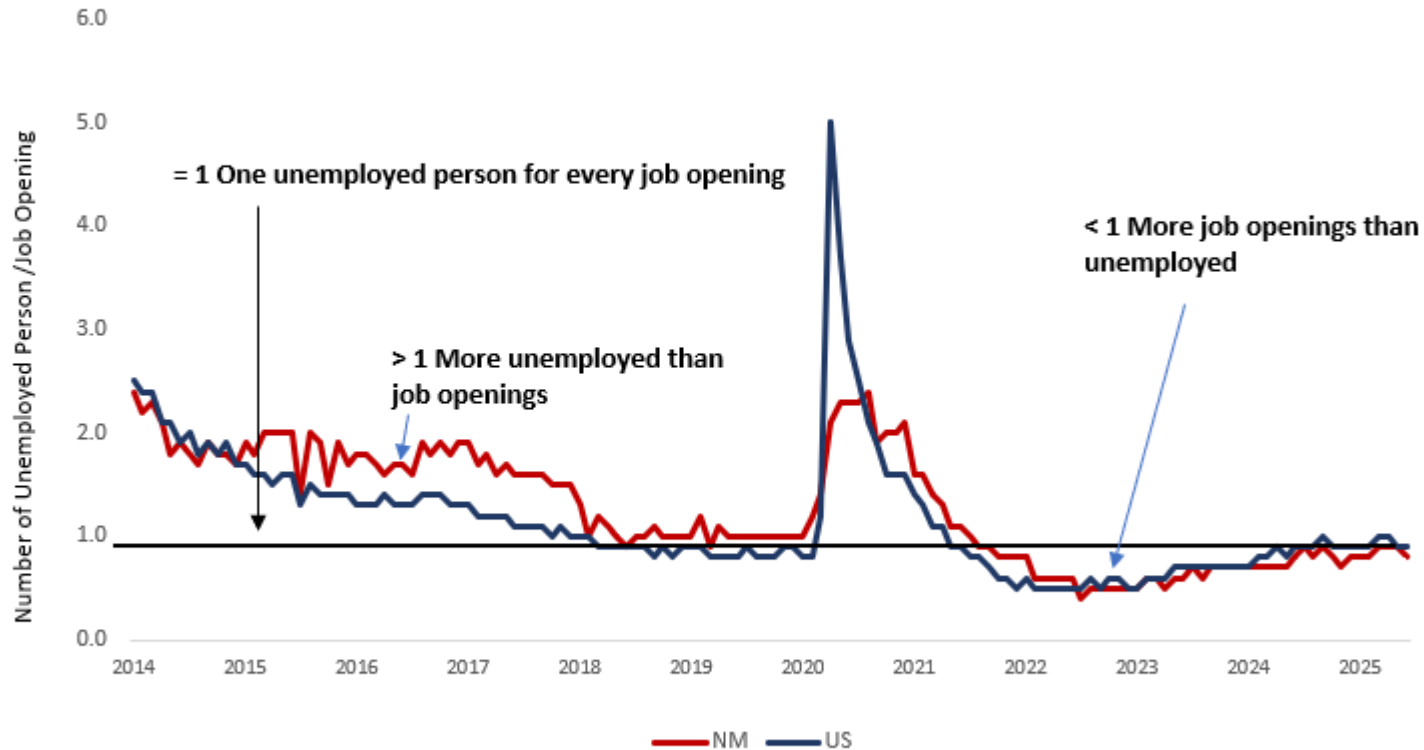
- New Mexico's nonfarm employment was 906,600 for June 2025
- Education and Health accounted for 17% of total employment or 154,900 jobs
- Construction accounted for 7% of total employment or 61,200 thousand jobs
- Federal government accounted for 3% of total employment or 28,600 jobs
- The information sector accounted for approximately 1% of total state employment or about 9,500 jobs¹

Source: bls.gov, CES seasonally adjusted

¹For a complete breakdown of the chart, view the chart on Appendix 8

Monitoring the Labor Market

New Mexico Unemployed per Job Opening



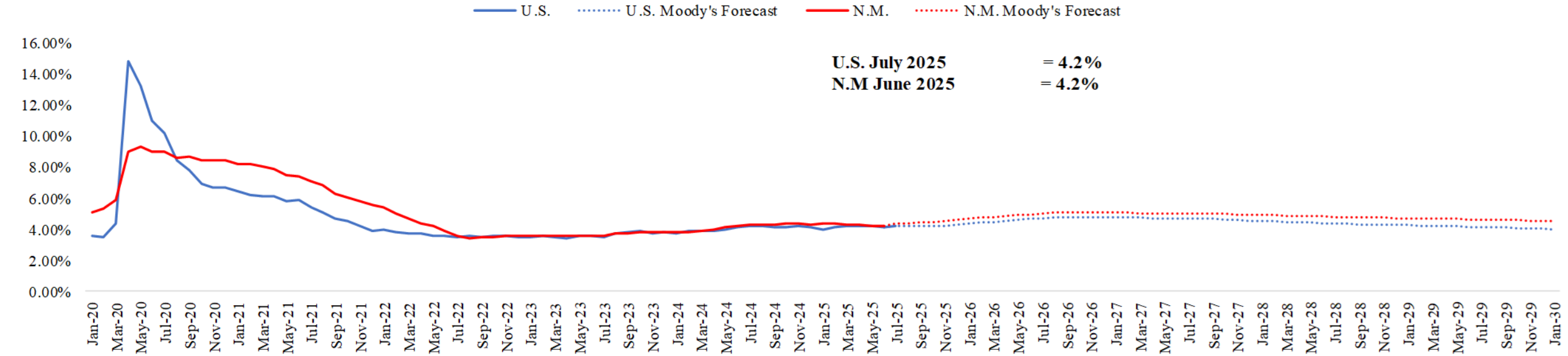
Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS), 2014-June 2025

- July's national labor market report reflects a softer job market
- The unemployed to job openings ratio tracks labor market conditions
- A ratio less than 1 signals a tight labor market, with fewer unemployed workers than job openings
- A ratio over 1 indicates a slack labor market, with more unemployed than job openings
- Historically, NM had a slack labor market, with more unemployed than job openings
- Now both NM and US have a tight labor market, with more job openings than unemployed

U.S. & N.M. Unemployment

U.S. and N.M. Unemployment Rate (percent) : January 2020 to Present

Moody's Forecast: July 2025 to December 2030



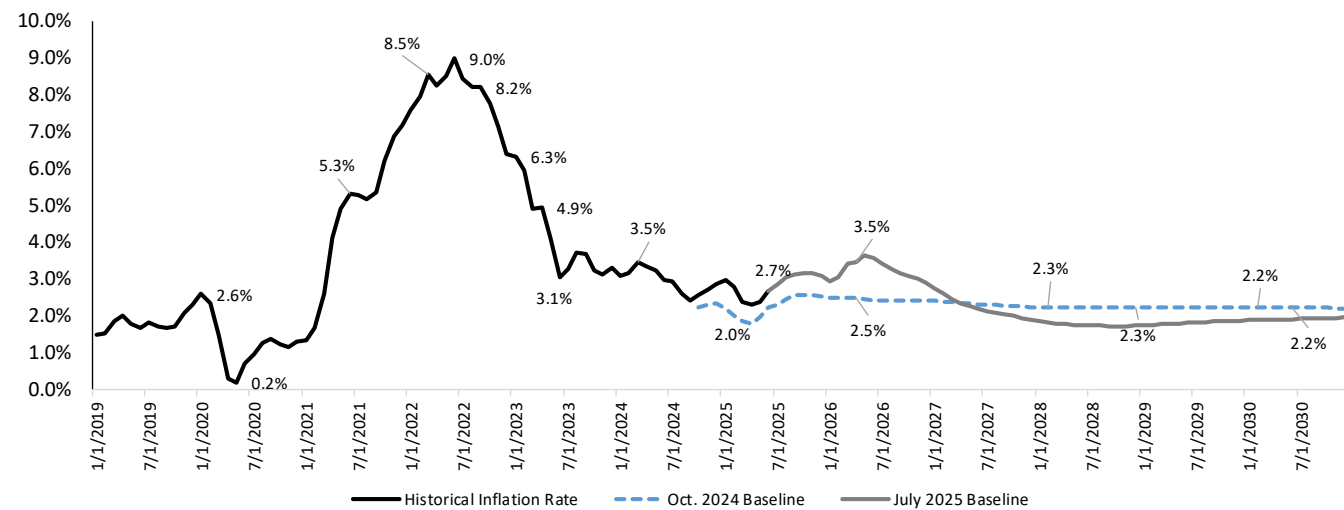
Source: bls.gov, seasonally adjusted

- New Mexico's unemployment rate (4.2%) was on par with the nation's unemployment rate in July 2025
- New Mexico's 2025Q1 unemployment rates by ethnicity were:
 - All: 4.4% White: 2.3% Hispanic: 4.6% Black: 6.0% Asian American and Pacific Islander: 3.9%
 - American Indian: 7.7 % (Census Bureau's 2023 Estimate for NM)

Inflation and Interest Rates

Consumer Price Index (CPI-all items) Year-over-year Change

January 2019 to June 2030

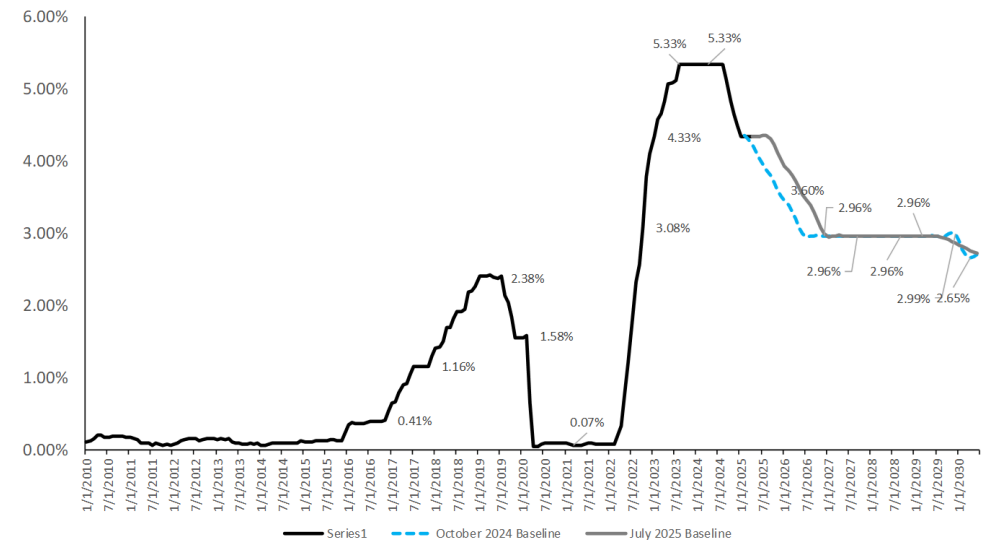


Source: Bureau of Labor Statistics

- The Consumer Price Index (CPI) has been higher than anticipated in the October 2024 forecast, but is expected to reduce further in 2027 and beyond
 - June 2025 CPI for all items increased by 2.7% compared to June 2024
 - Gasoline decreased by 8.3% compared to June 2024. Utility (piped) gas services increased by 14.2% compared to June 2024
 - Shelter continued rose 3.8% compared to June 2024

Federal Funds Rate

January 2010 to January 2030



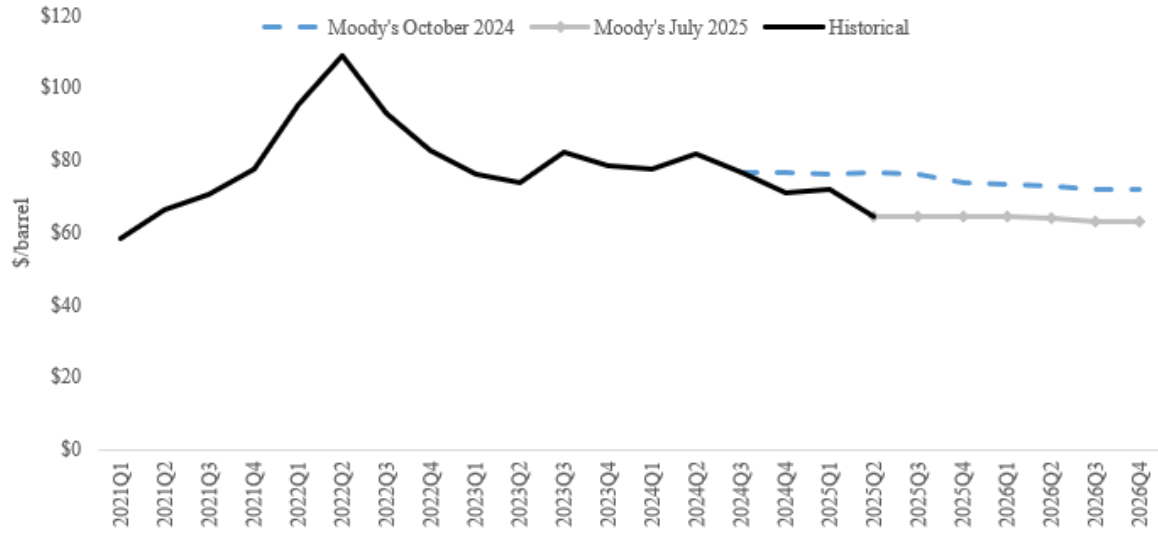
Source: Bureau of Labor Statistics

- Moody's anticipates the Fed will cut rates each quarter beginning in September 2025 until the rate reaches an equilibrium rate of about 2.7%
- In the latest FOMC meeting, the Federal Reserve held rates steady and telegraphed it will consider cutting rates by 25 basis points in September 2025 and December 2025

Oil & Natural Gas

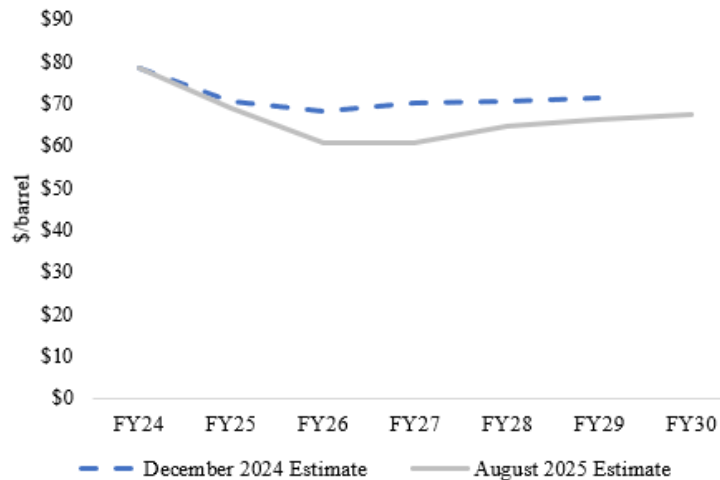
Oil Prices

Moody's Analytics West Texas Intermediate (WTI) Price Forecasts



Source: Moody's Analytics

CREG NM Oil Price Forecasts



Source: CREG

Oil Price Outlook

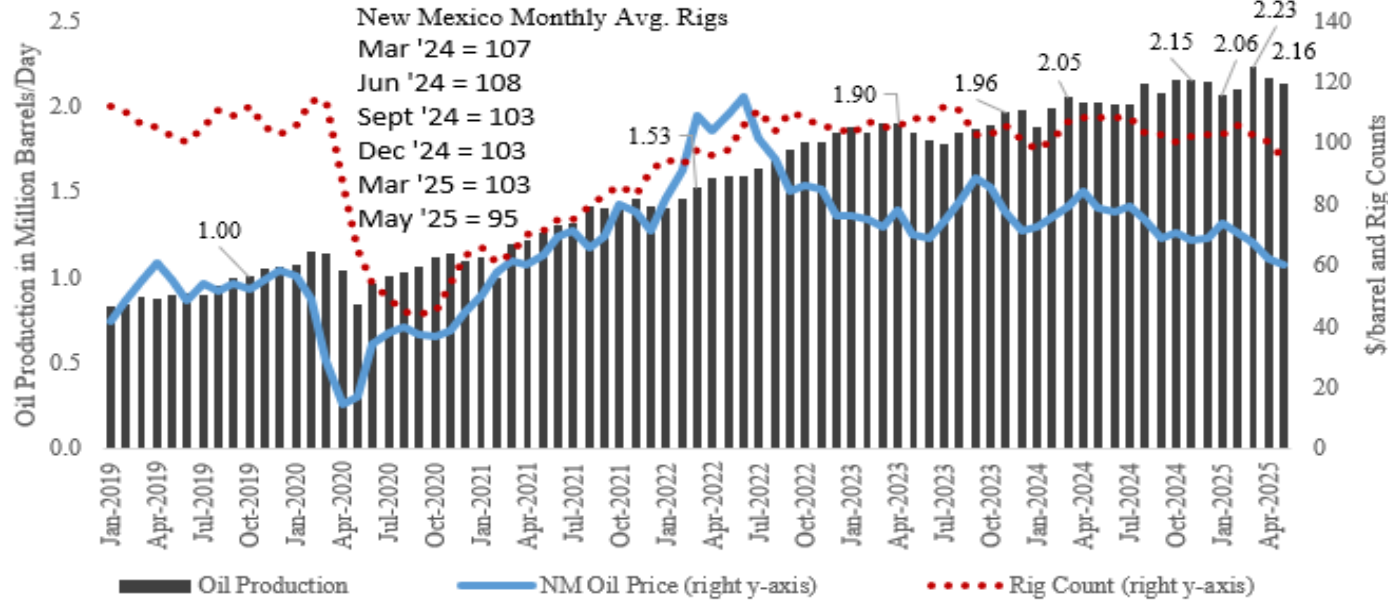
- Oil prices are influenced by global demand, OPEC+ policy, geopolitical events, and inventory levels
- Forecast revised downward considerably since December 2024:
 - FY25: ↓ \$1.50/barrel
 - FY26: ↓ \$7.50/barrel
 - FY27: ↓ \$9.50/barrel
- Out-year prices to average in the mid-to-high \$60s/barrel
- Key Factors Driving Price Outlook:
 - OPEC+ supply increases to maintain/gain market share
 - Rising North American production, especially in the Permian Basin
 - Weakened global demand and slower economic growth
 - U.S. trade policy uncertainty (e.g., tariffs) dampening consumption

Consensus Forecast	FY25	FY26	FY27	FY28	FY29	FY30
August 2025 Estimate	\$ 69.00	\$ 60.50	\$ 60.50	\$ 64.50	\$ 66.00	\$ 67.50
December 2024 Estimate	\$ 70.50	\$ 68.00	\$ 70.00	\$ 70.50	\$ 71.50	
Oil (\$/barrel)						

New Mexico Oil Prices, Production, & Rigs

N.M. Oil Production (MMb/d), N.M. Oil Price (\$ per barrel), & N.M. Rig Count (number)

January 2019 to May 2025



Source: Baker Hughes, TRD (Production and price through Jan 2025, Rigs through May 2025)

Consensus Forecast	FY25	FY26	FY27	FY28	FY29	FY30
August 2025 Estimate	775.0	800.0	825.0	845.0	845.0	840.0
December 2024 Estimate	745.0	780.0	810.0	835.0	835.0	
Oil (million barrels)						

New Mexico Oil Production Outlook

➤ Production volume forecast revised upward since December 2024:

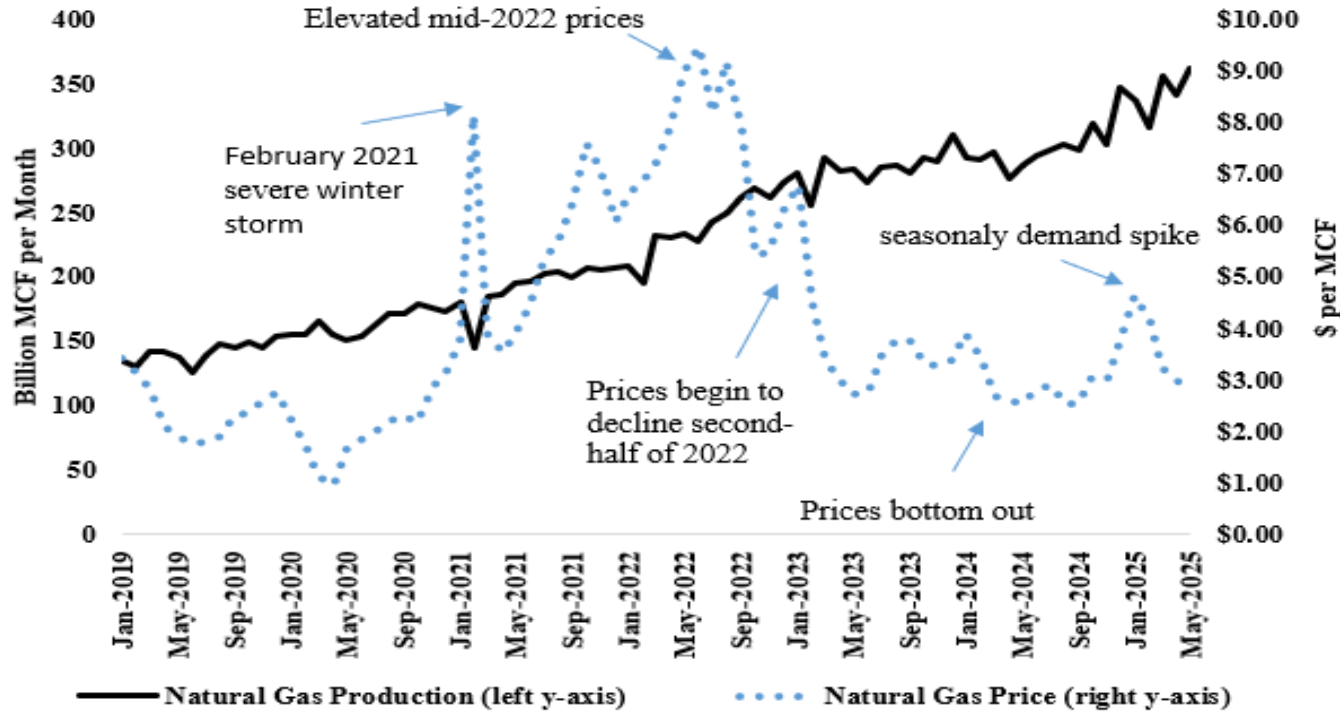
- +30 million barrels in FY25
- +20 million in FY26
- +15 million in FY27
- FY25 production projected to reach a record 775 million barrels (up from 710 million in FY24)
- Rig count has declined in 2025 but remains stable, down from over 100 to 96 rigs currently

➤ Key Factors Shaping the Outlook:

- Weak oil price expectations and high corporate breakevens
- Slower projected economic growth, uncertainty
- Capital discipline continues to constrain production
- New Mexico remains a key driver of future U.S. oil output

New Mexico Natural Gas Prices & Production

New Mexico Natural Gas Prices and Production
January 2019 to May 2025



New Mexico Natural Gas Outlook

- FY25 natural gas production to reach 3,915 Bcf
 - Average price: \$3.31/mcf
- Near-term production growth follows oil trends, but long-term growth driven by rising global demand, especially liquified natural gas (LNG) exports
- U.S. supply growth supports higher international demand, contributing to upward price pressure
 - FY26: ↑ \$0.16/mcf
 - FY27: ↑ \$0.22/mcf
- Natural gas prices are expected to gradually increase over time due to increased U.S. LNG export capacity in the future

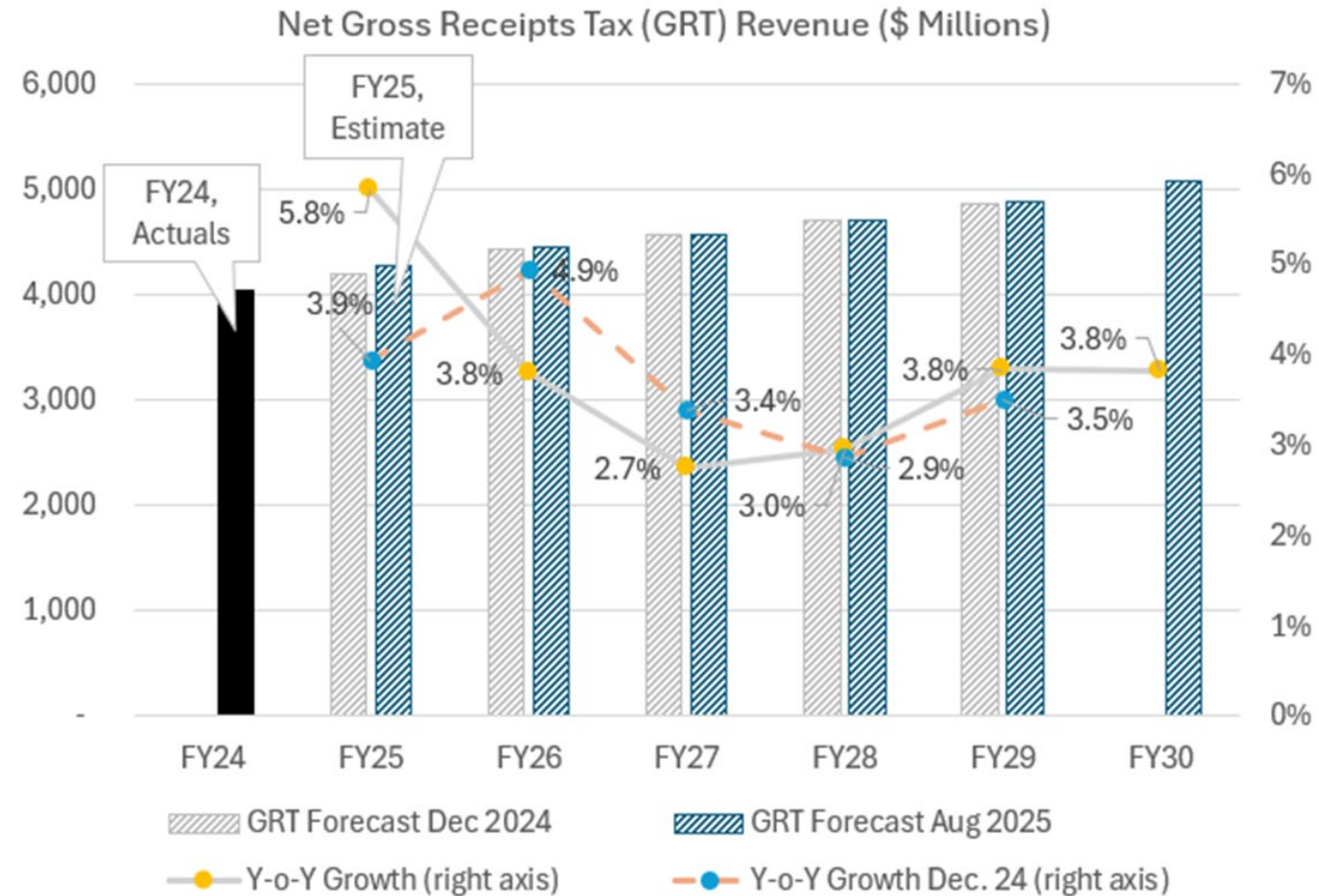
Source: NM TRD GenTax System

Consensus Forecast	FY25	FY26	FY27	FY28	FY29	FY30
August 2025 Estimate	\$ 3.31	\$ 4.42	\$ 4.77	\$ 4.49	\$ 4.42	\$ 4.32
December 2024 Estimate	\$ 3.29	\$ 4.26	\$ 4.50	\$ 4.45	\$ 4.46	
Natural Gas (\$/mcf)						

Consensus Forecast	FY25	FY26	FY27	FY28	FY29	FY30
August 2025 Estimate	3,915.0	4,200.0	4,335.0	4,485.0	4,640.0	4,845.0
December 2024 Estimate	3,680.0	3,775.0	3,855.0	3,955.0	4,085.0	
Natural Gas (BCF)						

Gross Receipts Tax

Gross Receipts Tax Outlook



➤ GRT estimate for FY25 increased \$76 million over December 2024 forecast

➤ The current August forecast outlook has lower Y-o-Y growth versus December, as economic activity moderating in the short term.

➤ FY26 Y-o-Y growth now at 3.8% versus 4.9%, FY27 growth at 2.7% versus 3.4%

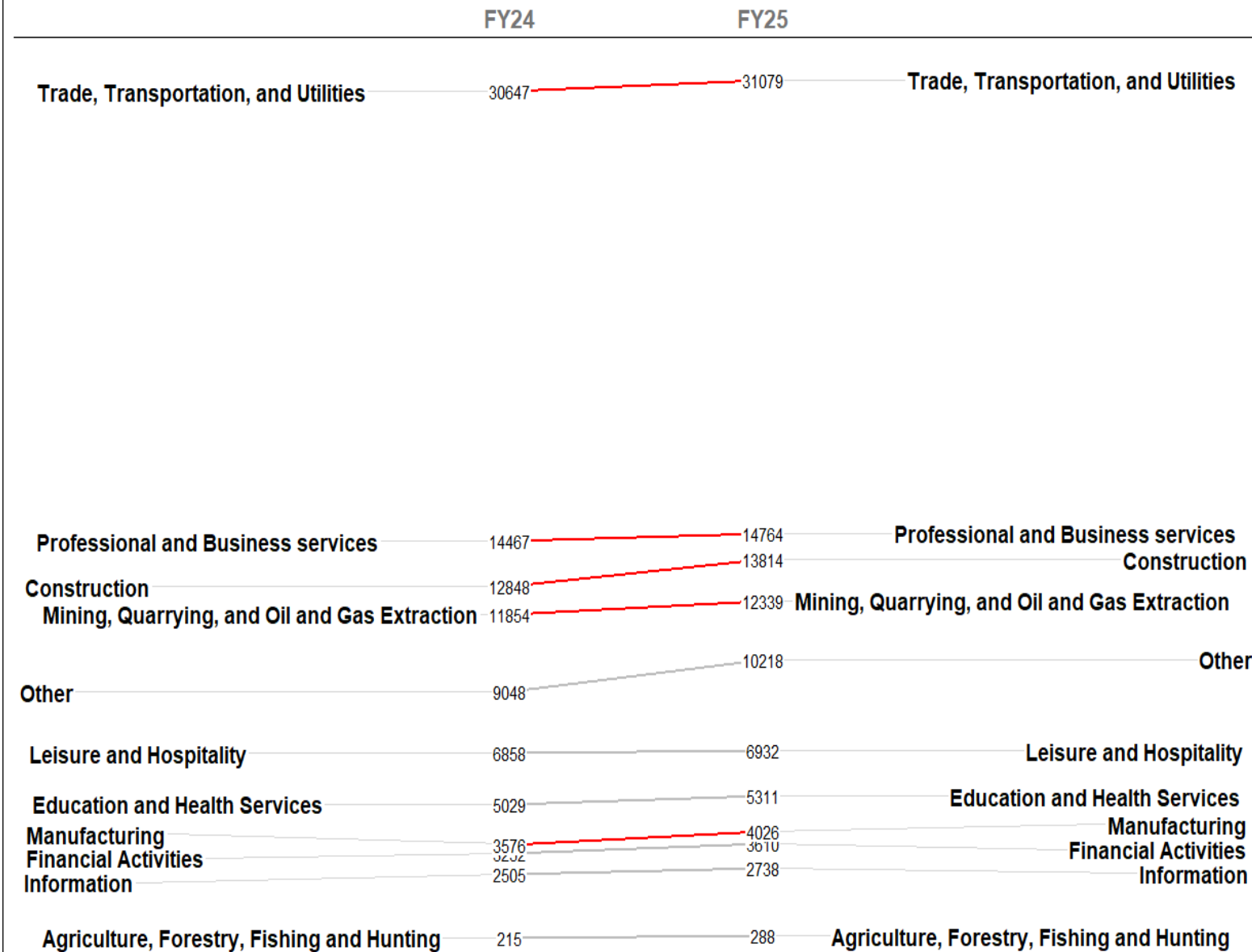
➤ Therefore FY26 forecast increased by just \$17 million, and FY27 and FY28 are marginally unchanged from the previous December forecast

➤ Underlying economic growth is still positive though with private consumption and the oil & natural gas industry leading the near-term growth rates

Source: Aug 2025 CREG Estimates

Tax Base by Sector

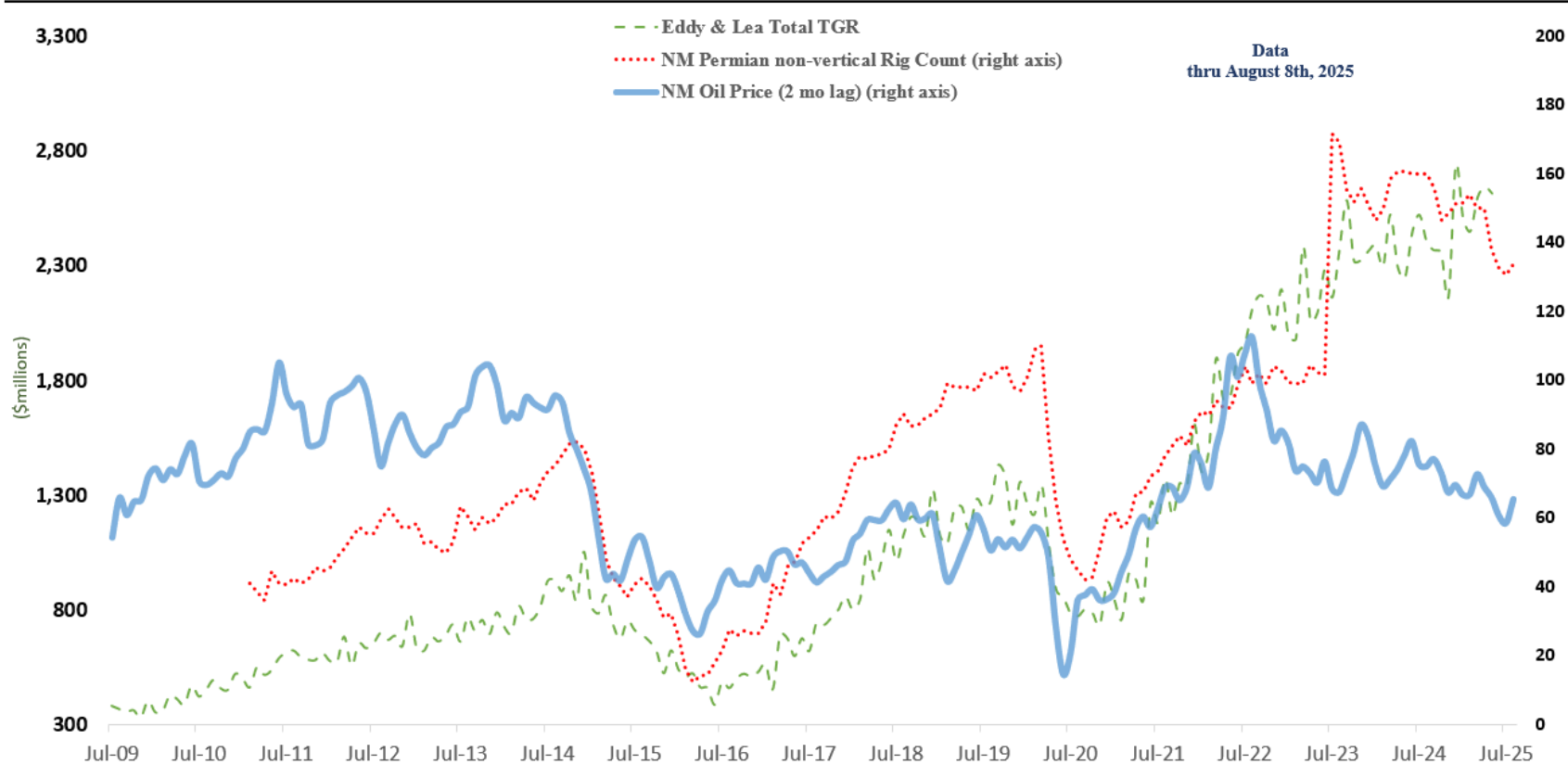
Matched Taxable Gross Receipts (MTGR) Recent Change by Sector
FY24-FY25 (\$ millions)



- Positive growth in most sectors compared to FY24, although moderating
- Retail trade is growing thanks to solid consumer spending and leading the tax base
- In FY24, oil and gas extraction GRT base grew by 4%
- Construction and Professional, Scientific and Technical Services are among the most dynamic sectors
- Manufacturing showed robust 12% growth in FY25

Matched Taxable Gross Receipts (MTGR) Eddy & Lea Counties

Total Matched Taxable Gross Receipts in Eddy and Lea Counties Compared to NM Oil Price and Permian Horizontal and Directional Rig Count

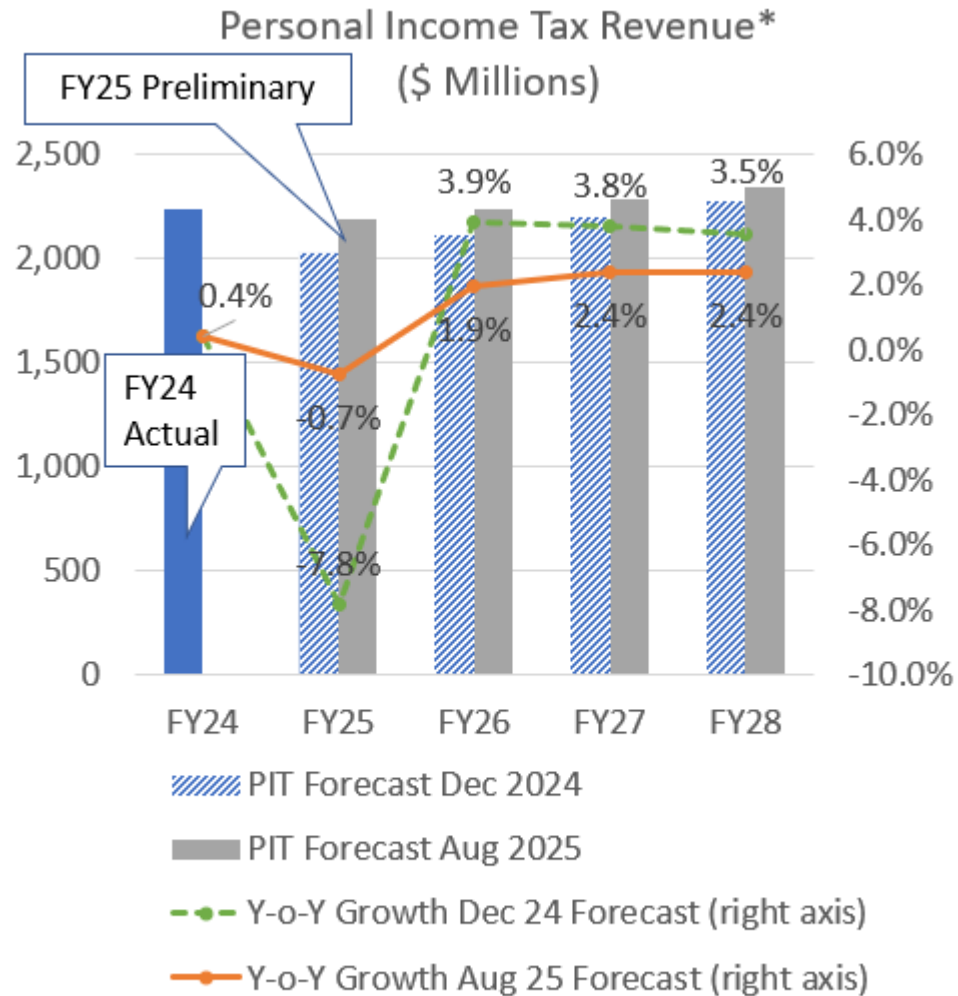


- Rig counts (red line) are a leading indicator for GRT in Eddy and Lea counties
- Strong relationship between oil price (blue line), production, rig activity, and MTGR (green line)
- Generally, price increases lead to increases in rig counts, which leads to higher GRT

Source: NM TRD RP-500

Personal Income Tax

Personal Income Tax (PIT) Outlook



Source: Aug 2025 CREG Estimates

*Recurring PIT revenue only

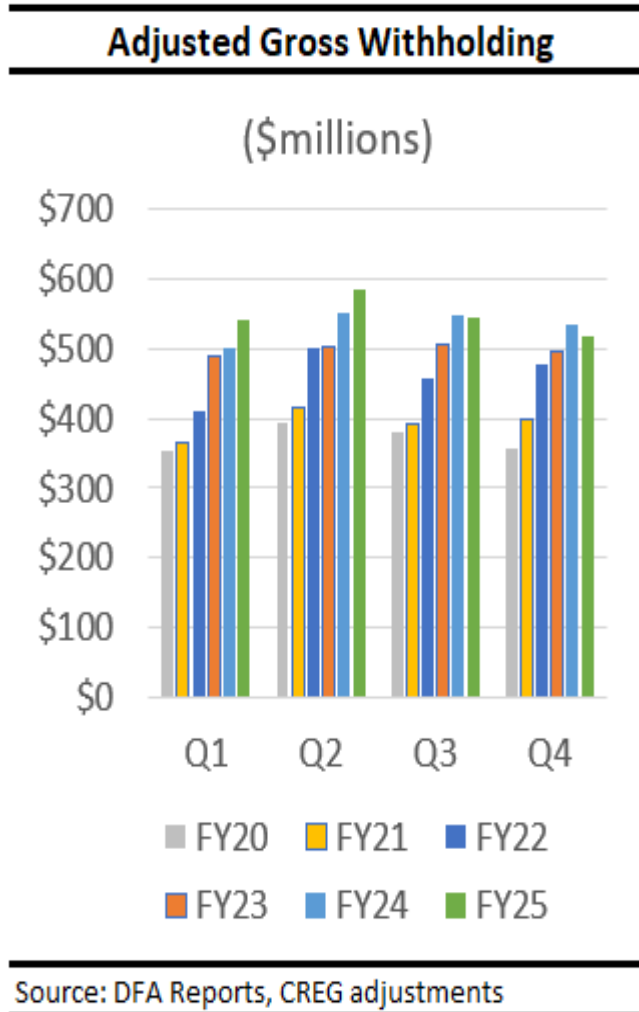
➤ FY25:

- PIT contracted 0.7% in FY25, better than the expected contraction of 7.8% in Dec. 2024 forecast
 - Estimate increased \$156 million from December forecast
- FY25 outperformed primarily due to lower rates of taxpayer uptake of legislative adjustments (see PIT Legislative Adjustments – see slide 26)

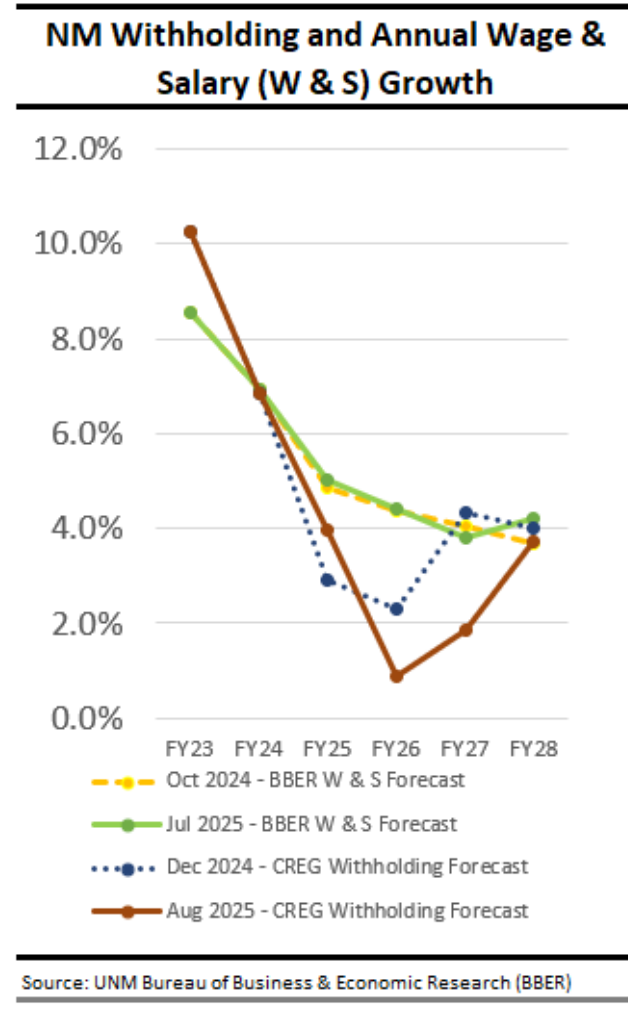
➤ FY26 through FY28:

- FY26 is up \$119 million, up \$91 million in FY27 and up \$68 million in FY28 from Dec. forecast
- PIT growth is still positive but at a lower rate compared to the Dec. 2024 forecast
 - Moderated growth largely driven by slowing withholding (see slide 25) and H.R.1 (OBBBA) impacts to PIT revenue (see slide 27)

Wage & Salary Outlook



Graph 1

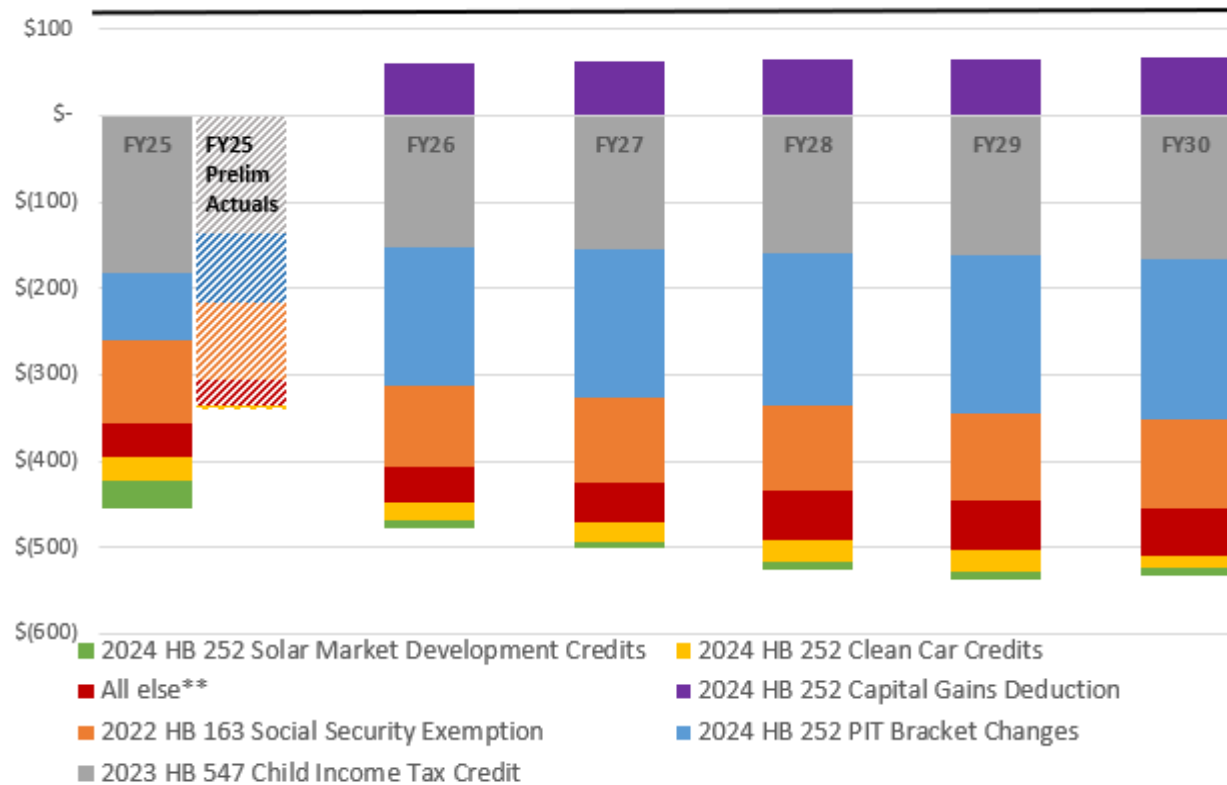


Graph 2

- Q1 & Q2 FY25 withholding continued strong growth around 7% over Q1 & Q2 FY24 (Graph 1)
- Potential directional shift in withholding (Graph 1)
 - Q3 FY25 withholding declined 0.3% compared to Q3 FY24
 - Q4 FY25 withholding declined 2.7%
 - **First year-over-year quarterly declines since 2020**
- FY26 & FY27 BBER forecast continues to show slow wage & salary growth (Graph 2)
 - Withholding growth rate forecasted to fall below wage & salary growth in FY26 & FY27

PIT Legislative Adjustments

Personal Income Tax Legislative Adjustments
(\$ Millions)

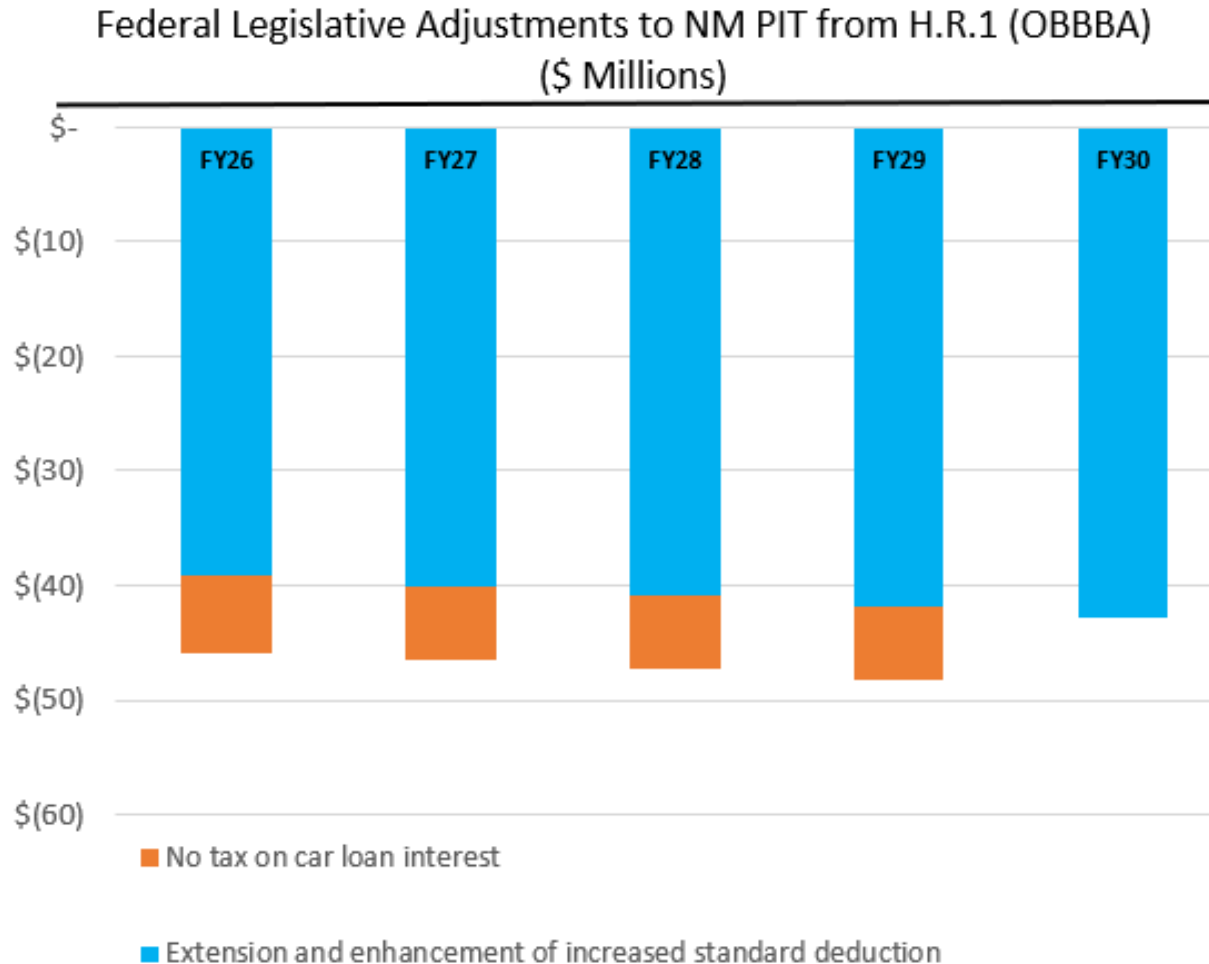


- FY25 saw an average 75% taxpayer uptake of recent legislative adjustments
- The forecast assumes lower legislative adjustments for FY26-FY29 on average by \$64 million
- Child Income Tax Credit (grey bar) accounts for 35% of adjustments
- PIT bracket changes (blue bar) account for 39% of adjustments
- Social Security exemption (orange bar) accounts for 22% of adjustments
- Narrowing the capital gains deduction and the sunset of two deductions raised revenue to partially offset PIT reductions

Source: Aug 2025 CREG Estimates

** Includes HB 163 - Military Pension Exemption, New Solar Market Tax Credit, HB 252 - Armed Services Retirement Pay Exemption, Rural Healthcare Practitioner Credit, Fire Recovery Credit, Geothermal Heat Pump Credit, Geothermal Electricity Generation Credit, Angel Investment Credit, Special Needs Adopted Child Credit, and Teacher-Purchased Supplies Deduction.
Also includes the sunset of Unreimbursed Medical Care Expenses Deduction and the Distribution to a Non-Resident Beneficiary Deduction.

H.R. 1 (OBBBA) PIT Adjustments



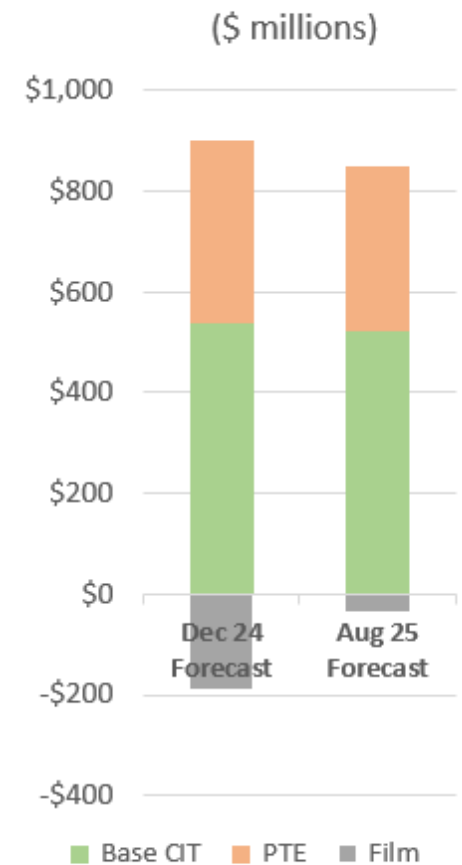
Source: Aug 2025 CREG Estimates

- Forecast reduces PIT in FY26-FY30 due to:
 - Extension and enhancement of the standard deduction: \$41 million
 - No tax on qualified car loan interest: \$5 million
 - Total estimated annual revenue loss of \$46 million

Corporate Income Tax

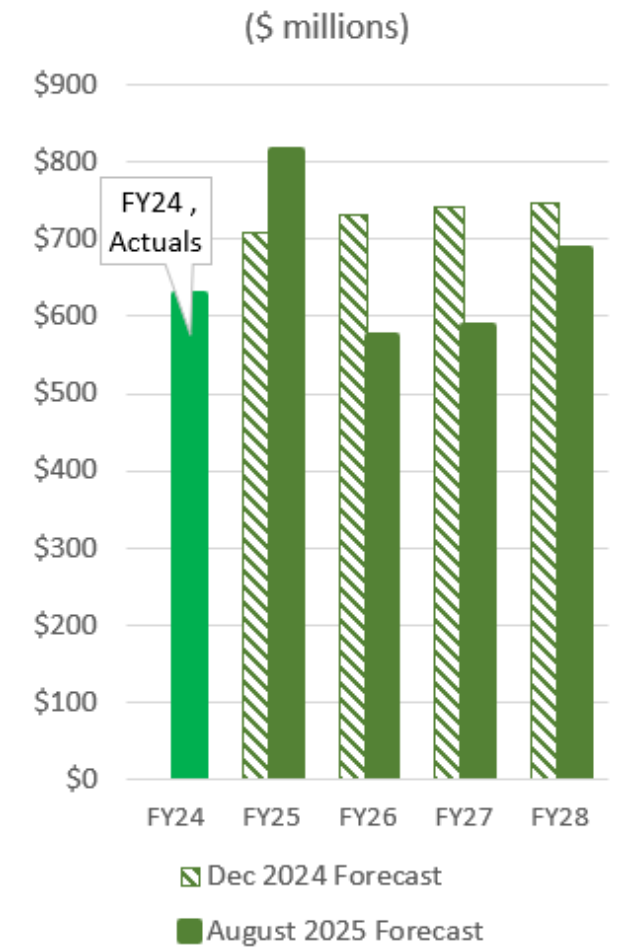
CIT Outlook

Gross CIT - FY2025 Forecasts



Source: CREG Dec 2024 and Aug 2025

Net CIT - August 2025 Forecast



Source: CREG Dec 2024 and Aug 2025

- FY25 CIT December forecast
 - Gross CIT decreased \$15 million over the previous forecast
 - PTE forecast decreased by \$35 million
 - film credit forecast reduced by \$155 million
 - Combined increase of \$104 million in net CIT

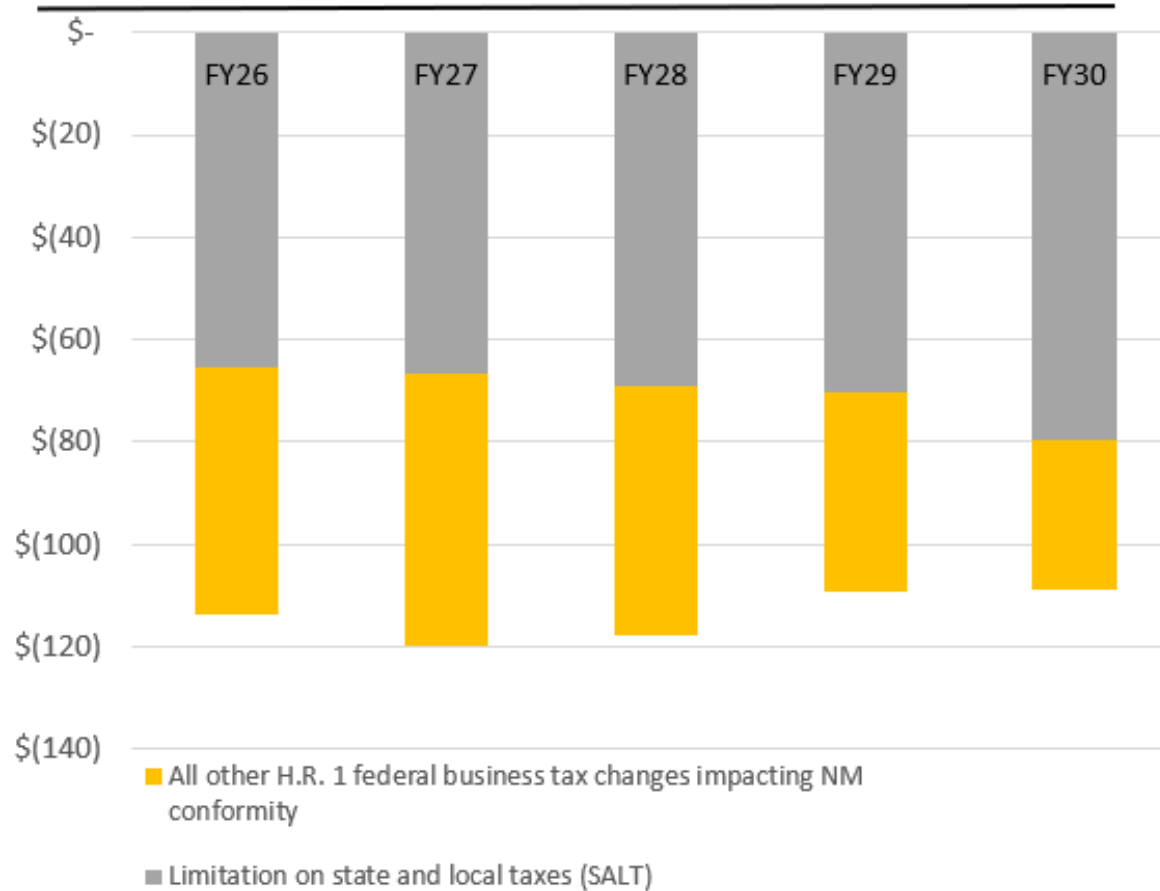
- Gross CIT/PTE forecasts revised downward for outlook, decreasing net CIT estimate by \$155 million per year in FY26 and FY27

- Legislative adjustments continue to include new CIT credits and a single 5.9% tax bracket
 - Shift in credit impacts shift decline in revenue to begin in FY28 vs. FY26, increasing net CIT estimate in near term

- Large decline in revenue outlook in near term driven by H.R. 1 (OBBBA) Impacts (next slide)

H.R.1 (OBBBA) CIT Adjustments

Federal Legislative Adjustments to NM CIT from H.R.1 (OBBBA)
(\$ Millions)



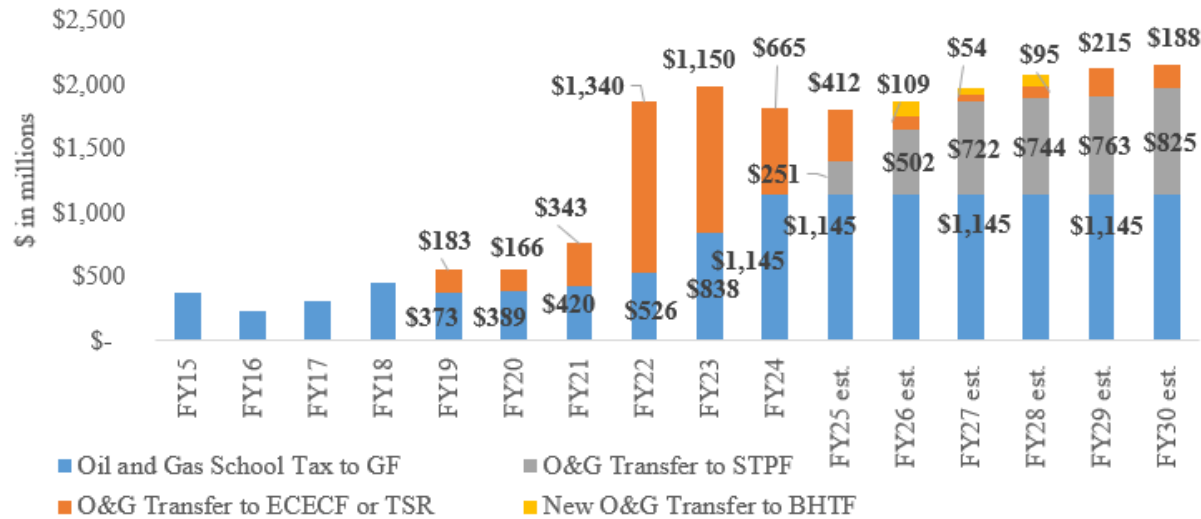
- Estimated average annual CIT revenue loss FY26-FY30
 - Limitation on state and local taxes (SALT): average \$70 million reduction to PTE revenue
 - All other H.R. 1 (OBBBA) federal business tax changes impacting NM conformity: \$44 million reduction
 - Total estimated annual CIT revenue loss of \$114 million

Source: Aug 2025 CREG Estimates

Severance Taxes & Rents & Royalties

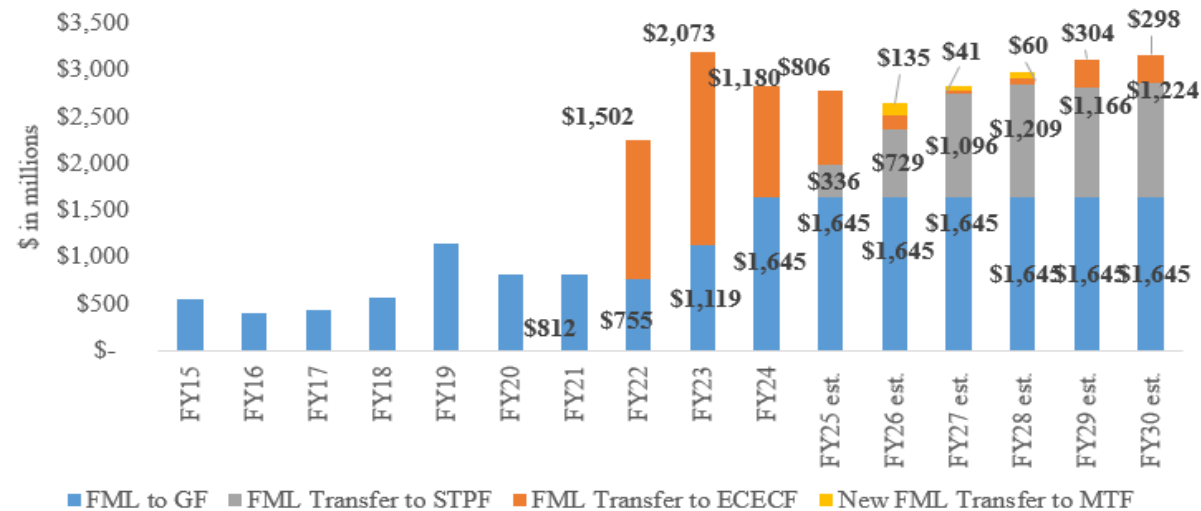
Severance Taxes & Rents and Royalties

Oil and Gas School Tax Revenues From FY15 to FY30



Source: DFA, CREG, Author's calculation

Federal Mineral Leasing from FY15 to FY30



Source: DFA, CREG, Author's calculation

- General Fund severance tax and royalty revenues capped at FY24 levels:
 - \$1.145B (severance tax) and \$1.645B (rents & royalties)
- General Fund insulated from August 2025 forecast changes; revenue impacts to reduce other fund transfers
- FY25 transfer to Early Childhood Education and Care Fund (ECECF):
 - \$1.2B from oil and gas school tax and federal mineral leasing (FML)
- FY26–FY28 ECECF transfers shared equally with:
 - Behavioral Health Trust Fund and Medicaid Trust Fund
- Oil & gas school tax shared transfers:
 - FY26: \$218M, FY27: \$109M, FY28: \$190M
- FML shared transfers:
 - FY26: \$270M, FY27: \$82M, FY28: \$119M
- STPF transfers from FML and school tax begin in FY25 and are expected to increase significantly through the forecast period

FML: Federal Royalty Resiliency Act of 2024 (RRA)

- Effective September 1, 2024
- Intended to streamline royalty payment process for producers on federal land
- Allows producers to use communitization agreements (CAs) and unit agreements (UAs) to allocate production-based royalties from multiple wells on federal land
- Companies propose estimated production allocations between federal and other land types, begin production more quickly, and pay royalties based on estimates
- Federal government approves reconciled payments based on estimated land types within 240 days
- New Mexico faces delays in federal reconciliation: 800+ CAs unreconciled at BLM may lead to retroactive clawbacks
- Estimated Impact: ~\$150 million in federal royalties from Sept. 2024–May 2025 could be clawed back; reflected in August 2025 forecast. Impacts FML transfers to other funds.

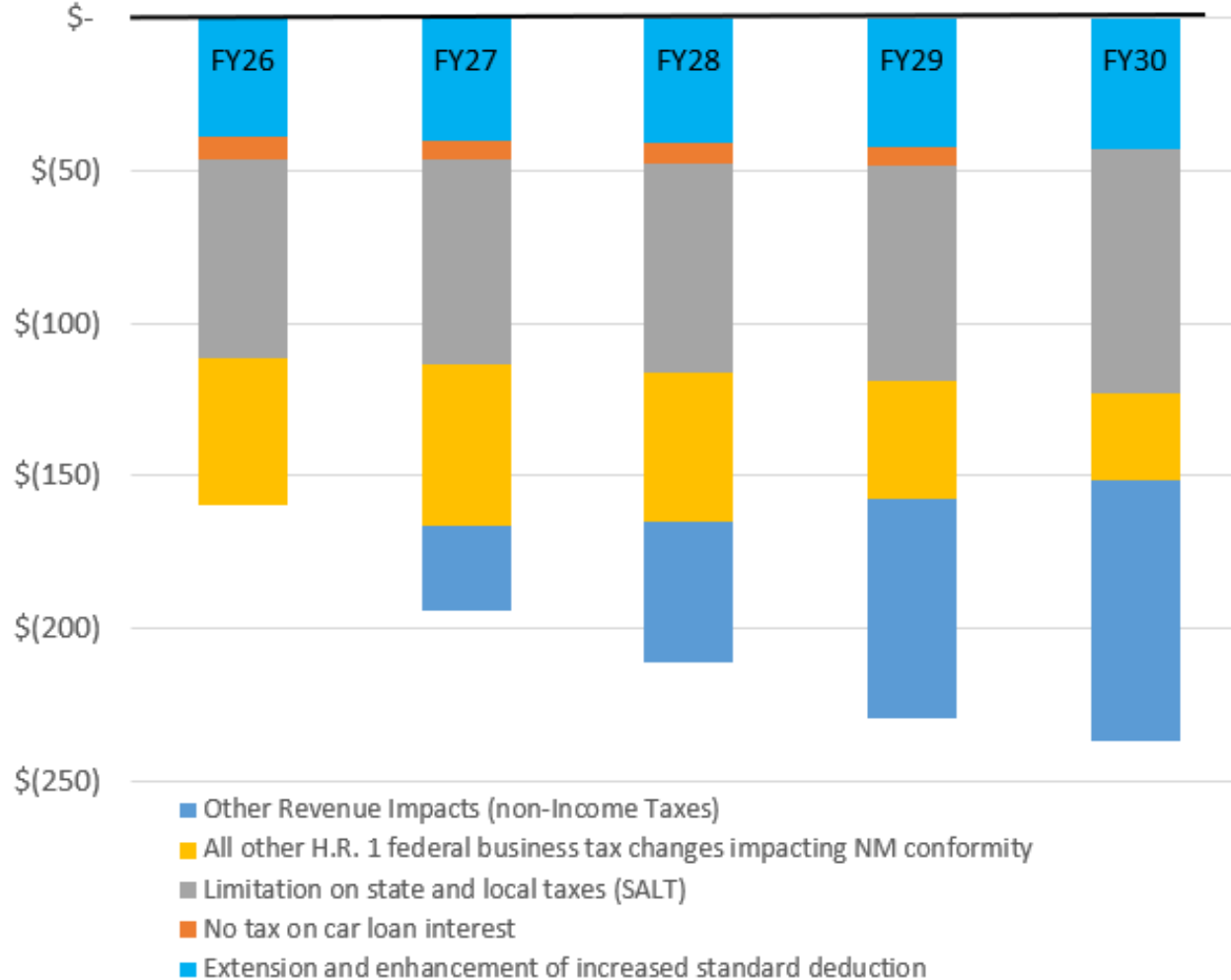
FML: H.R. 1 (OBBBA)

OBBBA: Federal Royalty Rate Reversal: Fiscal Impact on NM

- Before OBBBA: The Inflation Reduction Act of 2022 (IRA) raised the federal royalty rate from 12.5% to 16.67% for new onshore oil and gas leases until August 2032
 - New Mexico receives 48% (50% less a 2% admin fee)
- Effective July 4, 2025, OBBBA reversed the IRA royalty rate increase, restoring the rate to 12.5%
 - New Mexico will receive 48% of the reduced amount
- **Revenue Impact: CREG baseline uses a 12.5% rate, so the reversal does not lower current revenue estimates**
- However, NM will forego future gains:
 - Estimated \$1.7 billion in lost royalties over 10 years, or ~\$170 million annually, per updated Resource For the Future (RFF) analysis

N.M. Consensus Revenue Summary: H.R.1 (OBBBA)

Federal Legislative Adjustments from H.R.1 (OBBBA)
(\$ Millions)



- Estimated Annual GF Revenue Loss (FY26–FY30): \$206 million
- Standard deduction changes: \$41 million
- No tax on car loan interest: \$5 million
- SALT deduction limit: \$70 million
- All other H.R. 1 (OBBBA) federal business tax changes: \$44 million
- Other non–income tax impacts: \$46 million
- H.R. 1 (OBBBA) projected to be a drag on GF growth

Source: Aug 2025 CREG Estimates

General Fund Overview

N.M. Consensus Revenue Summary

Baseline General Fund Revenue Outlook

➤ FY25 Highlights

- Strong year-end performance across GRT, PIT, CIT, and investment revenues
- General sales tax: +5.7%, Income taxes: +6.0%, Investment income: +11.3%
- Oil and gas revenues capped at FY24 levels; excess flows to other funds
- Overall y-o-y growth of 4.6% or \$605 million in FY25 (vs 1.6% or \$213 million in the Dec 2024 est.)
- FY25 is now projected to close \$390 million above the Dec 2024 est.

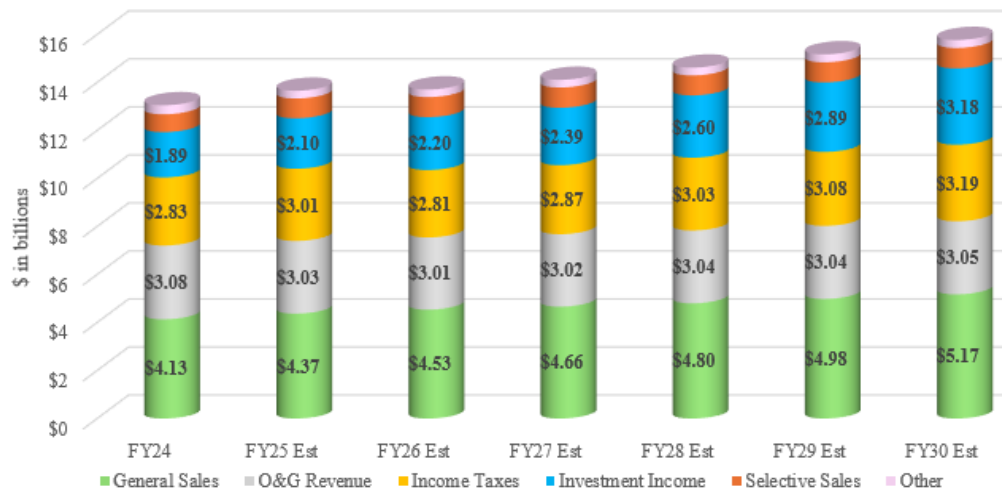
➤ FY26 Outlook

- General sales tax: +3.8% or \$163 million
- Income taxes: -6.5% or \$197 million (post-legislative impacts and softer growth)
- Investment income: +4.9% or \$103 million
- Overall y-o-y growth of 0.4% or \$51.3 million (vs 2.6% or \$350 million in Dec. 2024 est.) reflects state legislative changes, H.R. 1 impacts, and moderating economic conditions

➤ FY27 to FY30 Outlook

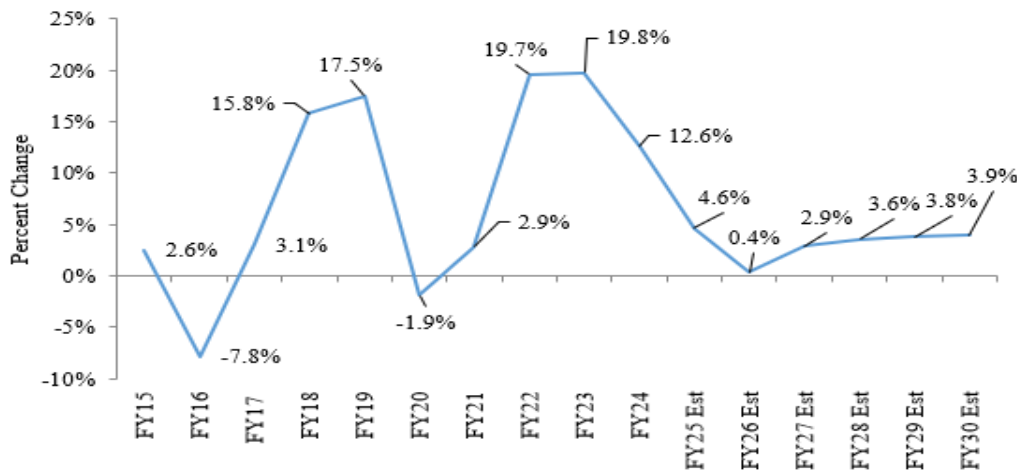
- Sales & income taxes: Return to moderate growth, but remain below 10-year trend
- Investment income: Increasingly key driver of GF growth
 - Share of GF revenue: 14.5% in FY24 → 20% by FY30

August 2025 Consensus General Fund Forecast



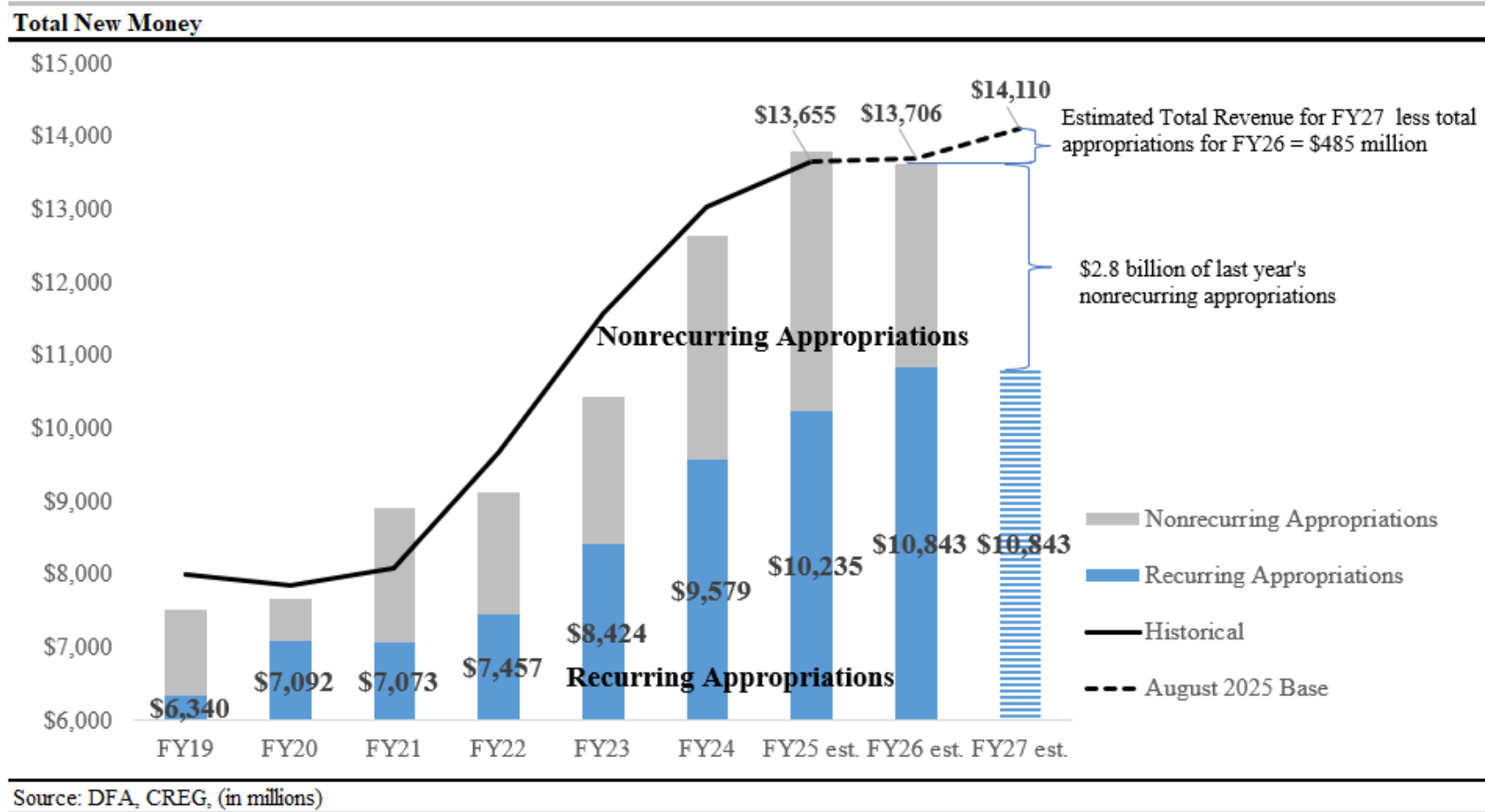
Source: DFA, CREG, amounts in billions

General Fund Total Recurring Revenue Percent Change (Y-o-Y)



Source: DFA

Total New Money



➤ **In FY2027:**

- Total estimated revenue for FY2027 less total appropriations in FY2026 equals “Total New Money of \$484.8 million”

General Fund Overview

FY25

- FY2025 GF Recurring Revenue is estimated to increase by 4.6% over FY2024
- FY25 revenue is \$390 million higher than expected in Dec. 2024
- FY2025 GF Reserves are estimated at \$3.47 billion or 33.9% of recurring appropriations (vs. \$2.98 billion or 29.2% at the end of the 2025 legislative session)

FY26

- FY2026 GF Recurring Revenue is estimated to increase slightly by 0.4% vs. FY2025
- FY2026 GF Reserves are estimated at \$3.95 billion or 36.4% of recurring appropriations* (vs. \$3.38 billion or 31.2% at the end of the 2025 legislative session)

FY27

- “Total New Money” for FY2027 is forecasted to be \$484.8 million

* Pending 2026 legislative appropriations

General Fund Financial Summary (\$ in millions)

	FY2025 Est.	FY2026 Est.	FY2027 Est.
Beginning Balance (General Fund Reserves)	\$3,164.2	\$3,473.5	\$3,945.4
Total Revenue (Recurring Revenue)	\$13,654.8	\$13,706.0	\$14,109.9
Spending (Recurring Appropriations)	(\$10,234.6)	(\$10,835.4)	
Spending (Nonrecurring Appropriations)	(\$3,559.0)	(\$2,789.6)	
Total Appropriations	(\$13,793.6)	(\$13,625.1)	
Reserve Transfers, etc.	(\$93.4)	\$80.9	
Ending Balance (General Fund Reserves)	\$3,473.5	\$3,945.4	
General Fund Reserves as a Percent of Recurring Appropriations	33.9%	36.4%*	

* Pending 2026 legislative appropriations

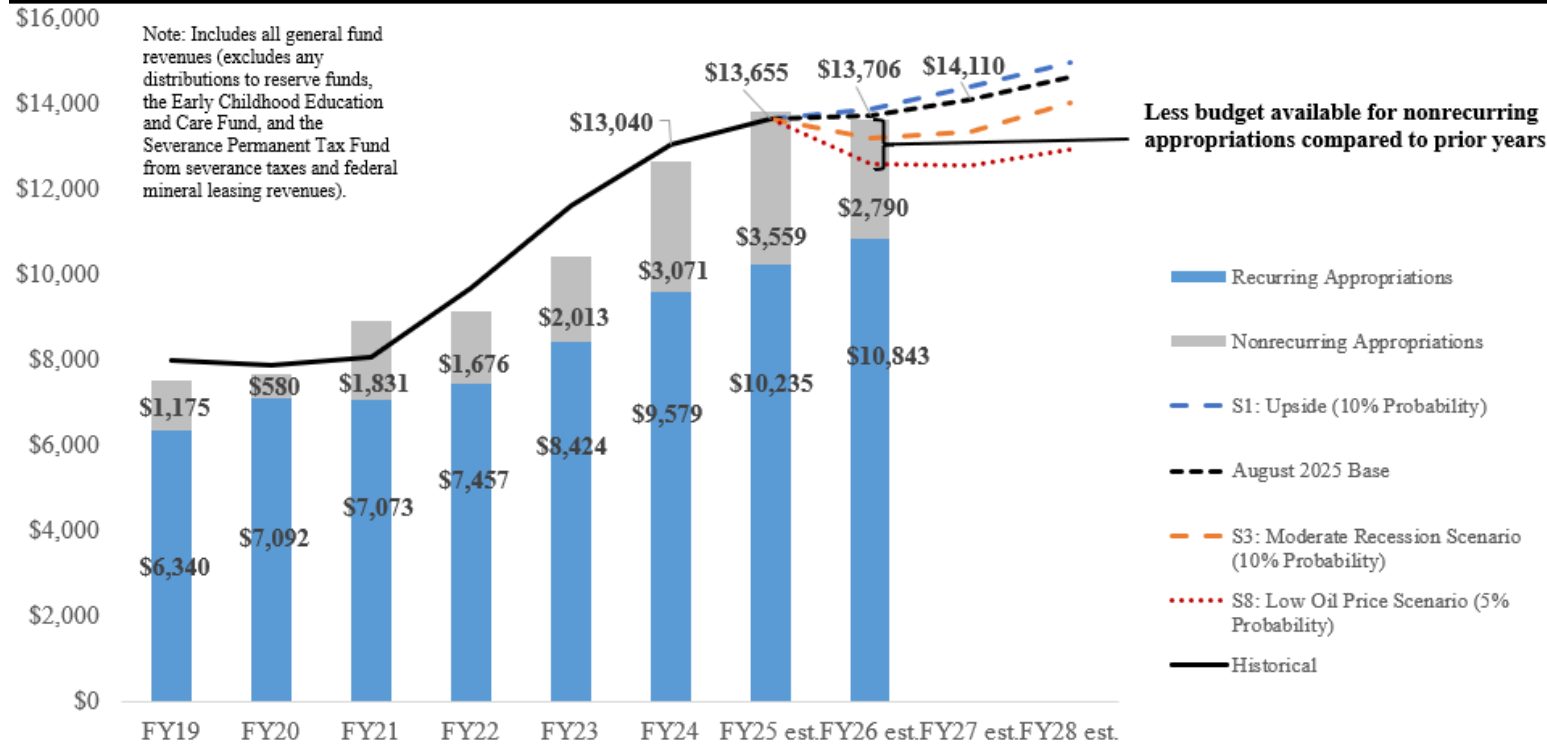
Risks to the Forecast

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Downside	Upside
<ul style="list-style-type: none"> ➤ Employment grows slower than forecast; employers hesitant to hire ➤ Loss of direct and secondary (contractor) federal jobs 	<ul style="list-style-type: none"> ➤ Labor market grows faster than forecast with inflation declining toward target ➤ Wage growth outpaces inflation, supporting consumption
<ul style="list-style-type: none"> ➤ Higher-than-expected tariffs curb consumer spending ➤ Business investment declines more than anticipated ➤ Economic growth weakens more than expected 	<ul style="list-style-type: none"> ➤ Faster labor force or productivity growth reduces inflation even if job gains are above expectations ➤ Fed rate cuts with target inflation reached support stronger economic growth
<ul style="list-style-type: none"> ➤ Higher-than-expected tariffs add to inflation pressures ➤ Persistent inflation with strong job growth slows Fed rate cuts ➤ Delayed Fed rate cuts erode confidence and curb credit-sensitive spending ➤ Potential trigger for recession 	<ul style="list-style-type: none"> ➤ Trade war ends faster than expected, boosting economic growth ➤ Tariff rates are reduced back to the effective rate of 2% at the beginning of 2025
<ul style="list-style-type: none"> ➤ Recession leads to job losses, higher unemployment, GDP contraction, reduced consumption, and tighter credit markets 	<ul style="list-style-type: none"> ➤ Impacts of the trade war and higher tariffs on the economy are less than expected
<ul style="list-style-type: none"> ➤ Oil price/supply shocks from Middle East conflict, Ukraine-Russia war, sanctions, OPEC+ supply shifts, or China's economic recovery 	<ul style="list-style-type: none"> ➤ OPEC+ production cuts stabilize or raise oil prices ➤ Oil and natural gas production exceeds expectations
<ul style="list-style-type: none"> ➤ H.R.1 revenue impact uncertain; analysis ongoing 	<ul style="list-style-type: none"> ➤ H.R. 1 revenue impact could be positive; analysis ongoing

Stress Test

Revenue Sensitivity Analysis



Source: DFA, CREG, Moody's Analytics, S&P, UNM Bureau of Business & Economic Research, (in millions)

- Stress test models revenue impacts under a moderate recession and low oil price scenario
- Demonstrates New Mexico's revenue sensitivity to energy market downturns and national recessions
- Underscores the importance of maintaining strong reserves to manage fiscal risk

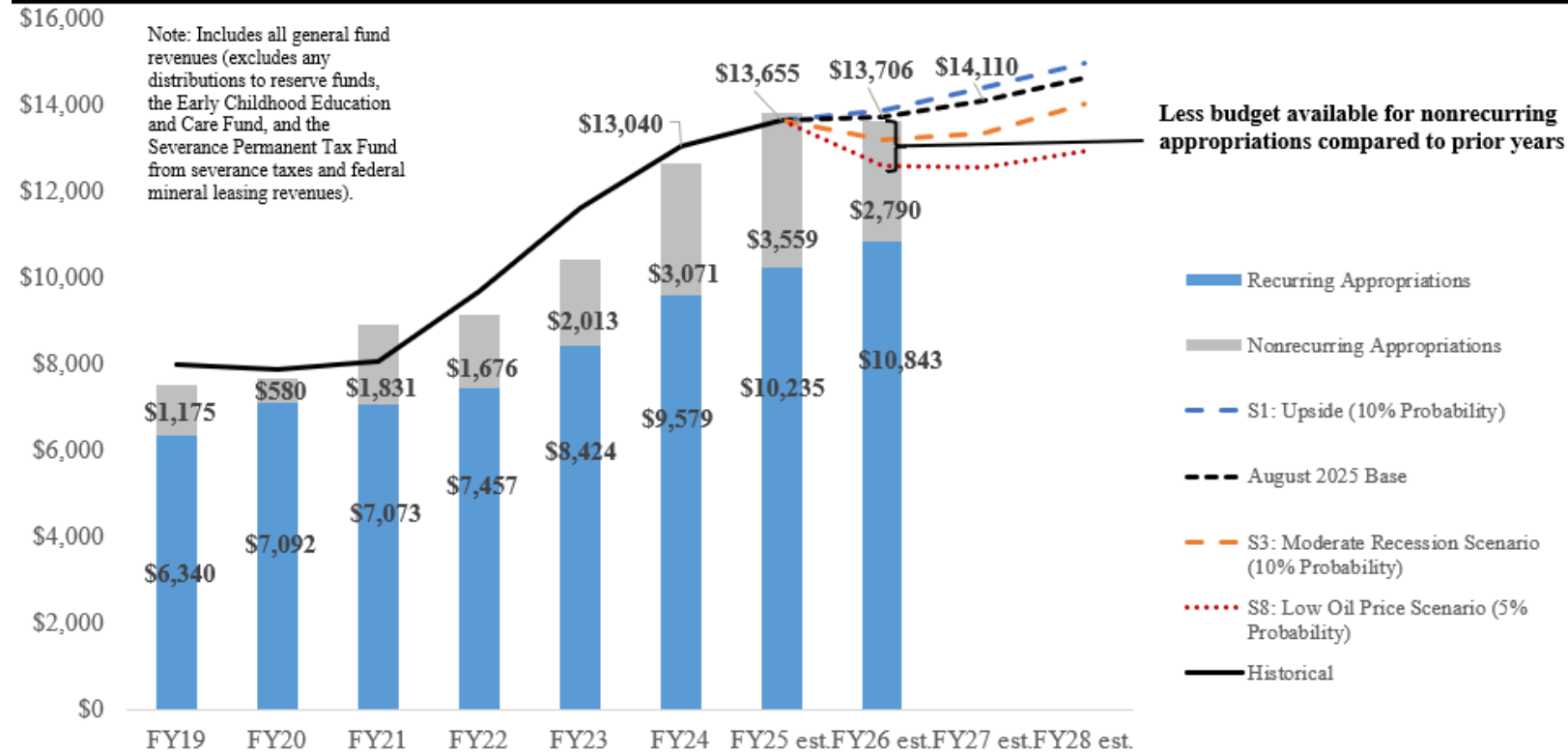
Upside Scenario (in millions)			
	FY26	FY27	FY28
GRT	\$ 117	\$ 205	\$ 257
PIT	\$ 17	\$ 38	\$ 43
CIT	\$ 20	\$ 27	\$ 36
Severance to GF	\$ 6	\$ 7	\$ 3
Severance to TSR or ECE	\$ 108	\$ 105	\$ 17
Severance to STPF	\$ 3	\$ 25	\$ 51
FML to GF	\$ -	\$ -	\$ -
FML to ECE	\$ 142	\$ 172	\$ 51
FML to STPF	\$ -	\$ 29	\$ 68
TOTAL	\$ 413	\$ 608	\$ 525
<i>Total GF</i>	<i>\$ 160</i>	<i>\$ 277</i>	<i>\$ 338</i>
<i>Total TSR/ECE/STPF</i>	<i>\$ 253</i>	<i>\$ 331</i>	<i>\$ 187</i>
% TSR/ECE/STPF	61%	54%	36%

Moderate Recession Scenario (in millions)			
	FY26	FY27	FY28
GRT	\$ (273)	\$ (434)	\$ (387)
PIT	\$ (126)	\$ (157)	\$ (105)
CIT	\$ (98)	\$ (149)	\$ (85)
Severance to TSR or ECE	\$ (219)	\$ (109)	\$ (164)
Severance to STPF	\$ (331)	\$ (537)	\$ (247)
FML to GF	\$ -	\$ -	\$ -
FML to ECE	\$ (287)	\$ (90)	\$ (130)
FML to STPF	\$ (388)	\$ (808)	\$ (509)
TOTAL	\$ (1,750)	\$ (2,316)	\$ (1,648)
<i>Total GF</i>	<i>\$ (526)</i>	<i>\$ (772)</i>	<i>\$ (597)</i>
<i>Total TSR/ECE</i>	<i>\$ (1,224)</i>	<i>\$ (1,544)</i>	<i>\$ (1,050)</i>
% TSR/ECE/STPF	70%	67%	64%

Low Oil Price Scenario (in millions)			
	FY26	FY27	FY28
GRT	\$ (407)	\$ (580)	\$ (699)
PIT	\$ (129)	\$ (171)	\$ (231)
CIT	\$ (140)	\$ (186)	\$ (195)
Severance to GF	\$ (289)	\$ (303)	\$ (272)
Severance to TSR or ECE	\$ (219)	\$ (109)	\$ (190)
Severance to STPF	\$ (502)	\$ (723)	\$ (745)
FML to GF	\$ (170)	\$ (338)	\$ (301)
FML to ECE	\$ (287)	\$ (90)	\$ (130)
FML to STPF	\$ (729)	\$ (1,099)	\$ (1,215)
TOTAL	\$ (2,872)	\$ (3,600)	\$ (3,978)
<i>Total GF</i>	<i>\$ (1,136)</i>	<i>\$ (1,579)</i>	<i>\$ (1,698)</i>
<i>Total TSR/ECE</i>	<i>\$ (1,736)</i>	<i>\$ (2,021)</i>	<i>\$ (2,280)</i>
% TSR/ECE/STPF	60%	56%	57%

Stress Test

Revenue Sensitivity Analysis



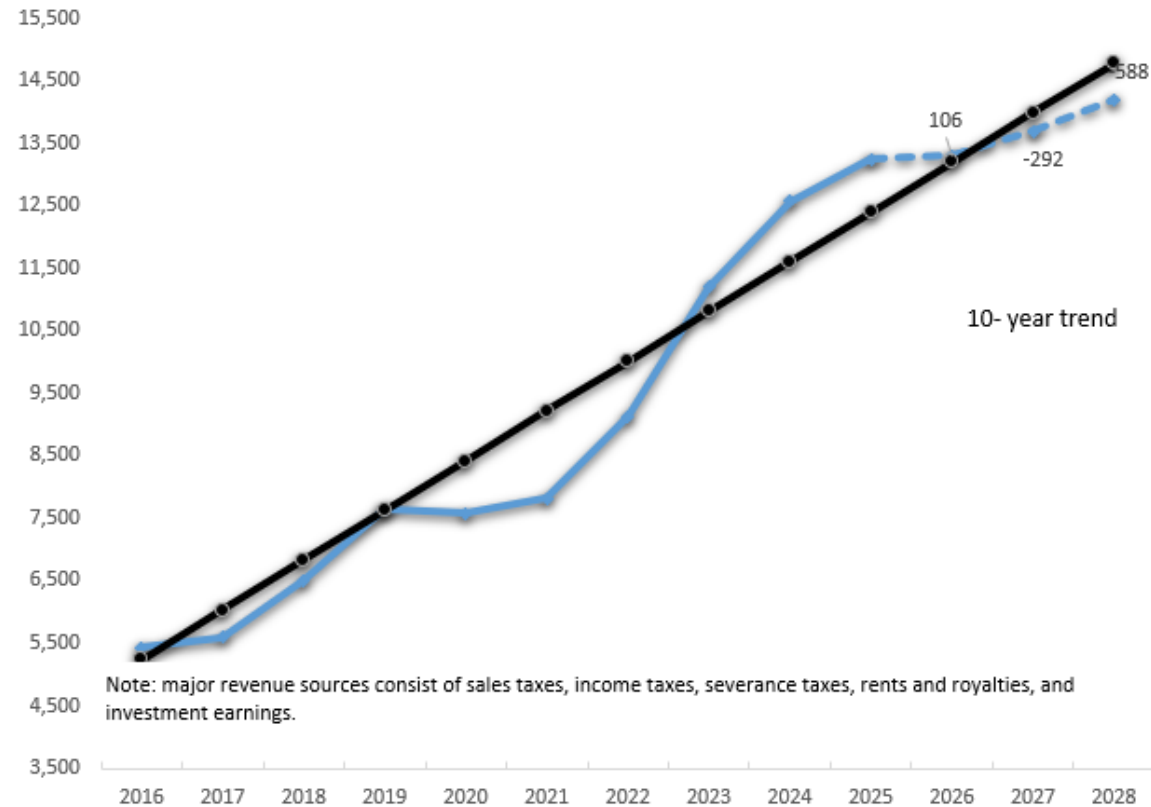
Source: DFA, CREG, Moody's Analytics, S&P, UNM Bureau of Business & Economic Research, (in millions)

- Under the low oil price scenario, the FY26 recurring appropriations remain well below the negative impact of an oil shock scenario
- Under the low oil price scenario, the estimated budget available for nonrecurring appropriations would be negatively impacted;
 - Estimated less budget available for nonrecurring appropriations:
 - \$1.06 billion in FY26

General Fund Revenue vs. 10 Year Trend

Volatility by Major Revenue Sources

Deviation from 10-year trend line (FY16-FY25)



Note: major revenue sources consist of sales taxes, income taxes, severance taxes, rents and royalties, and investment earnings.

Source: DOT, CREG August 2025 Revenue Estimate (\$ millions) Note: major revenue sources consist of sales taxes, income taxes, severance taxes, rents & royalties, and investment earnings.

- The trendline analysis illustrates how far revenues have deviated from the 10-year trend
- As energy prices have declined, and overall economic growth slows, revenues move closer to the 10-year trend and dip below the trendline
- General fund revenues are \$106M above the 10-year trend in FY26 and \$292M below in FY27
- New Mexico's general fund revenue average annual growth rate is 9.7% (2016-2025 trend)

Appendix

Appendix 1: CREG Memo

August 19, 2025

MEMORANDUM

TO: The Members of the Legislative Finance Committee

FROM: Staff Economists of the Department of Finance and Administration, Legislative Finance Committee, Taxation and Revenue Department, and Department of Transportation

THROUGH: Secretary Wayne Propst, Department of Finance and Administration
Secretary Stephanie Schardin Clarke, Taxation and Revenue Department
Secretary Ricky Serna, Department of Transportation
Director Charles Sallee, Legislative Finance Committee

SUBJECT: Consensus Revenue Estimating Group – August 2025 Forecast

The Consensus Revenue Estimating Group (CREG) meets several times throughout the state budget process to review economic indicators, analyze tax receipt data, and make modifications to previous revenue estimates to provide policymakers the best information on the New Mexico revenue outlook. This memorandum summarizes the work and conclusions of the CREG, comprised of economists from the Legislative Finance Committee (LFC), the Department of Finance and Administration (DFA), the Taxation and Revenue Department (Tax & Rev), and the Department of Transportation (DOT). After careful review of new economic data and general fund receipts, the CREG has reached a consensus estimate of general fund revenues. The consensus estimate is reflected in the attachment.

August 2025 Consensus General Fund, Recurring Revenue Outlook (in millions)

<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
\$13,654.8	\$13,706.0	\$14,109.9

As reflected in the attachment, total recurring revenues are expected to be \$13.7 billion in FY26 and \$14.1 billion in FY27 as follows:

- General sales tax receipts: \$4.5 billion in FY26 and \$4.7 billion in FY27
- Income tax receipts: \$2.8 billion in FY26 and \$2.9 billion in FY27
- Severance tax receipts: \$1.3 billion in FY26 and \$1.3 billion in FY27
- Interest revenues: \$2.2 billion in FY26 and \$2.4 billion in FY27
- Revenues associated with rent and royalty receipts: \$1.8 billion in FY26 and \$1.8 billion in FY27
- All other revenues: \$1.2 billion in FY26 and \$1.2 billion in FY27.

Appendix 2a:

Revenue Source	FY25					FY26					FY27				
	Dec 24 Est. (Legis-Adj.)	Aug 25 Est.	Change From Prior (Dec 24)	% Change from FY24	\$ Change from FY24	Dec 24 Est. (Legis-Adj.)	Aug 25 Est.	Change From Prior (Dec 24)	% Change from FY25	\$ Change from FY25	Dec 24 Est. (Legis-Adj.)	Aug 25 Est.	Change From Prior (Dec 24)	% Change from FY26	\$ Change from FY26
Base Gross Receipts Tax	4,311.6	4,405.1	93.5	4.9%	205.0	4,519.9	4,557.2	37.3	3.5%	152.1	4,653.2	4,670.3	17.1	2.5%	113.1
F&M Hold Harmless Payments	(103.4)	(121.1)	(17.7)	-12.7%	17.6	(90.3)	(110.1)	(19.8)	-9.1%	11.0	(81.9)	(101.2)	(19.3)	-8.1%	8.9
NET Gross Receipts Tax	4,208.2	4,284.0	75.8	5.8%	235.4	4,429.6	4,447.1	17.5	3.8%	163.1	4,571.3	4,569.1	(2.2)	2.7%	122.0
Compensating Tax	86.2	84.7	(1.5)	1.8%	1.5	89.5	87.7	(1.8)	3.6%	3.1	92.6	90.5	(2.1)	3.2%	2.8
TOTAL GENERAL SALES	4,294.4	4,368.7	74.2	5.7%	236.9	4,519.1	4,534.8	15.7	3.8%	166.2	4,663.9	4,659.6	(4.3)	2.8%	124.8
Tobacco Products and Cigarette Taxes	70.2	69.4	(0.8)	-2.4%	(1.7)	68.8	65.0	(3.8)	-6.3%	(4.4)	68.0	63.4	(4.6)	-2.5%	(1.6)
Liquor Excise	24.4	24.1	(0.3)	0.5%	0.1	24.7	24.3	(0.4)	0.8%	0.2	25.0	24.3	(0.7)	0.1%	0.0
Cannabis Excise	32.7	29.8	(2.9)	-8.9%	(2.9)	35.0	32.4	(2.6)	8.7%	2.6	37.3	35.5	(1.8)	9.6%	3.1
Insurance Taxes	464.2	455.9	(8.3)	23.2%	85.9	451.8	468.5	16.7	2.8%	12.6	467.5	471.2	3.7	0.6%	2.7
Motor Vehicle Excise	172.9	176.4	3.4	5.4%	9.1	177.6	181.9	4.3	3.2%	5.6	181.6	187.5	5.9	3.0%	5.5
Gaming Excise	64.4	64.9	0.5	-4.1%	(2.8)	61.0	55.5	(5.5)	-14.5%	(9.4)	63.2	58.6	(4.6)	5.6%	3.1
Leased Vehicle & Other	4.3	7.3	3.0	-35.8%	(4.1)	4.7	7.0	2.3	-3.8%	(0.3)	4.6	7.1	2.5	1.0%	0.1
TOTAL SELECTIVE SALES	833.2	827.8	(5.4)	11.2%	83.6	823.6	834.6	11.1	0.8%	6.9	847.2	847.6	0.4	1.5%	12.9
Personal Income Tax	2,034.8	2,191.1	156.3	-0.7%	(16.5)	2,114.6	2,233.5	118.9	1.9%	42.4	2,195.4	2,286.4	91.0	2.4%	52.9
Gross Corporate Income Tax	540.9	525.5	(15.4)	-1.7%	(9.3)	539.3	426.0	(113.4)	-18.9%	(99.5)	546.5	414.9	(131.6)	-2.6%	(11.1)
Pass-Through Entity Income Tax ¹	357.5	322.6	(34.9)	69.6%	132.4	370.5	330.9	(39.6)	2.6%	8.3	386.0	341.9	(44.1)	3.3%	11.0
CIT Refundable Credits	(188.6)	(34.0)	154.6	-66.7%	68.2	(179.1)	(182.0)	(2.9)	435.5%	(148.0)	(191.3)	(169.9)	(21.4)	-6.7%	12.1
Total Corporate Income Tax	709.8	814.1	104.3	29.8%	187.0	730.7	574.9	(155.8)	-29.4%	(239.2)	741.2	586.9	(154.3)	2.1%	12.1
TOTAL INCOME TAXES	2,744.6	3,005.2	260.6	6.0%	170.5	2,845.3	2,808.4	(36.9)	-6.5%	(196.8)	2,936.6	2,873.3	(63.3)	2.3%	65.0
Gross Oil and Gas School Tax	1,778.8	1,808.6	29.8	-0.1%	(2.0)	1,923.4	1,865.2	(58.2)	-3.1%	56.6	2,065.7	1,976.6	(89.2)	6.0%	111.3
Excess to TSR, ECTF, or BHTF	(382.6)	(412.2)	(29.6)	-38.0%	253.0	(282.3)	(218.0)	64.3	-47.1%	194.2	(192.3)	(109.0)	83.4	-50.0%	109.1
Excess to STPF	(251.0)	(251.0)	(0.0)	-	(251.0)	(495.9)	(501.8)	(5.9)	99.9%	(250.8)	(728.0)	(722.2)	5.8	43.9%	(220.4)
NET Oil & Gas School Tax	1,145.4	1,145.4	-	0.0%	-	1,145.4	1,145.4	-	0.0%	-	1,145.4	1,145.4	-	0.0%	-
Oil Conservation Tax	101.6	103.0	1.4	-3.0%	(3.2)	98.8	80.5	(18.3)	-21.8%	(22.5)	106.0	83.0	(23.0)	3.1%	2.5
Resources Excise Tax	7.9	8.2	0.3	4.2%	0.3	7.9	8.3	0.4	1.2%	0.1	7.7	8.0	0.3	-3.6%	(0.3)
Natural Gas Processors Tax	24.9	28.8	3.9	-46.2%	(24.7)	21.9	20.3	(1.6)	-29.5%	(8.5)	27.4	28.2	0.8	38.9%	7.9
TOTAL SEVERANCE TAXES	1,279.8	1,285.4	5.6	-2.1%	(27.6)	1,274.0	1,254.5	(19.6)	-2.4%	(30.9)	1,286.5	1,264.6	(21.9)	0.8%	10.1
LICENSE FEES	64.3	67.7	3.4	-7.1%	(5.1)	64.3	68.4	4.1	1.0%	0.7	64.5	67.5	2.9	-1.3%	(0.9)
LGPF Interest	1,349.9	1,349.6	(0.3)	11.8%	142.6	1,493.1	1,534.5	41.4	13.7%	184.9	1,649.6	1,698.8	49.2	10.7%	164.4
STO Interest	417.7	418.1	0.4	7.1%	27.6	279.7	290.6	10.9	-30.5%	(127.5)	262.8	257.1	(5.7)	-11.5%	(33.5)
STPF Interest	332.8	332.8	(0.0)	14.9%	43.2	373.5	378.3	4.8	13.7%	45.6	423.0	433.6	10.6	14.6%	55.3
TOTAL INTEREST	2,100.4	2,100.5	0.1	11.3%	213.4	2,146.3	2,203.4	57.1	4.9%	102.9	2,335.4	2,389.6	54.2	8.4%	186.2
Gross Federal Mineral Leasing	2,725.9	2,786.1	60.2	-1.4%	(38.6)	2,845.3	2,644.3	(201.0)	-5.1%	(141.8)	3,056.6	2,823.4	(233.2)	6.8%	179.1
Excess to ECTF or Medicaid TF	(745.4)	(805.6)	(60.2)	-31.7%	374.2	(483.1)	(270.1)	213.0	-66.5%	535.5	(287.6)	(82.5)	205.1	-69.5%	187.6
Excess to STPF	(335.6)	(335.6)	(0.0)	-	(335.6)	(717.3)	(729.4)	(12.1)	117.3%	(393.8)	(1,124.1)	(1,095.9)	28.2	50.2%	(366.5)
NET Federal Mineral Leasing	1,644.9	1,644.9	-	0.0%	(0.0)	1,644.9	1,644.9	-	0.0%	-	1,644.9	1,644.9	-	0.0%	-
State Land Office	71.3	101.4	30.1	-13.9%	(16.4)	74.3	109.5	35.2	8.1%	8.2	77.1	111.0	33.9	1.4%	1.5
TOTAL RENTS & ROYALTIES	1,716.2	1,746.3	30.1	-0.9%	(16.4)	1,719.2	1,754.4	35.2	0.5%	8.2	1,722.0	1,755.9	33.9	0.1%	1.5
TRIBAL REVENUE SHARING	84.0	84.7	0.7	1.3%	1.1	85.4	86.6	1.2	2.2%	1.9	87.0	88.9	1.9	2.7%	2.3
MISCELLANEOUS RECEIPTS	47.1	58.6	11.5	-24.8%	(19.3)	47.6	50.9	3.3	-13.2%	(7.7)	49.0	53.0	4.0	4.1%	2.1
REVERSIONS ²	100.0	110.0	10.0	-22.8%	(32.5)	100.0	110.0	10.0	0.0%	-	100.0	110.0	10.0	0.0%	-
TOTAL RECURRING	13,263.9	13,654.8	390.8	4.6%	604.5	13,624.8	13,706.0	81.2	0.4%	51.3	14,092.1	14,109.9	17.8	2.9%	403.9
Other Nonrecurring Revenue	-	45.5	-	900.0%	41.0	-	-	-	-	-	-	-	-	-	-
2023 Nonrecurring Legislation	-	-	-	-100.0%	9.8	-	-	-	-	-	-	-	-	-	-
2022 Nonrecurring Legislation	-	-	-	-100.0%	4.5	-	-	-	-	-	-	-	-	-	-
Other Nonrecurring Reversions	-	-	-	-100.0%	(149.6)	-	-	-	-	-	-	-	-	-	-
TOTAL NONRECURRING	-	45.5	-	-67.4%	(94.2)	-	-	-	-	(45.5)	-	-	-	-	-
GRAND TOTAL General Fund	13,263.9	13,700.3	436.4	3.9%	510.3	13,624.8	13,706.0	81.2	0.0%	5.7	14,092.1	14,109.9	17.8	2.9%	403.9

¹Legislative and administrative changes to the pass-through entity income tax changed how those receipts accrue to the general fund. Beginning tax year 2023, those receipts will accrue alongside corporate income tax receipts. The estimates presented here reflect estimates of pass-through entity income tax receipts according to that change.

² FY24 reversions include prior year reversions from the HCA and DOH of \$31 million and \$28 million, respectively.

General Fund Consensus Revenue Estimate - August 2025

Appendix 2b:

Revenue Source	FY28					FY29					FY30		
	Dec 24 Est. (Legis-Adj.)	Aug 25 Est.	Change From Prior (Dec 24)	% Change from FY27	\$ Change from FY27	Dec 24 Est. (Legis-Adj.)	Aug 25 Est.	Change From Prior (Aug 24)	% Change from FY28	\$ Change from FY28	Aug 25 Est.	% Change from FY29	\$ Change from FY29
Base Gross Receipts Tax	4,776.3	4,795.5	19.2	2.7%	125.2	4,932.4	4,965.9	33.5	3.6%	170.4	5,141.4	3.5%	175.5
F&M Hold Harmless Payments	(73.1)	(91.4)	(18.3)	-9.7%	9.8	(64.0)	(81.0)	(17.0)	-11.4%	10.4	(70.1)	-13.5%	10.9
NET Gross Receipts Tax	4,703.2	4,704.1	0.9	3.0%	135.0	4,868.4	4,884.9	16.5	3.8%	180.8	5,071.3	3.8%	186.4
Compensating Tax	95.5	93.4	(2.1)	3.2%	2.9	98.6	96.4	(2.2)	3.3%	3.0	99.8	3.6%	3.4
TOTAL GENERAL SALES	4,798.6	4,797.5	(1.2)	3.0%	137.9	4,967.0	4,981.3	14.3	3.8%	183.8	5,171.1	3.8%	189.8
Tobacco Products and Cigarette Taxes	67.5	62.9	(4.6)	-0.8%	(0.5)	67.4	62.6	(4.8)	-0.5%	(0.3)	62.3	-0.5%	(0.3)
Liquor Excise	25.3	24.5	(0.8)	0.5%	0.1	25.5	24.6	(0.9)	0.7%	0.2	24.8	0.7%	0.2
Cannabis Excise	39.7	37.6	(2.1)	5.9%	2.1	41.1	40.2	(0.9)	6.9%	2.6	42.7	6.2%	2.5
Insurance Taxes	484.6	449.5	(35.1)	-4.6%	(21.7)	501.2	447.6	(53.6)	-0.4%	(1.9)	452.2	1.0%	4.6
Motor Vehicle Excise	184.4	191.1	6.7	2.0%	3.7	188.8	197.9	9.1	3.5%	6.8	203.7	2.9%	5.8
Gaming Excise	66.5	59.3	(7.2)	1.2%	0.7	66.7	59.8	(6.9)	0.8%	0.5	60.2	0.7%	0.4
Leased Vehicle & Other	4.7	7.2	2.5	1.6%	0.1	4.8	7.4	2.6	2.2%	0.2	7.5	1.4%	0.1
TOTAL SELECTIVE SALES	872.7	832.1	(40.6)	-1.8%	(15.5)	895.5	840.1	(55.4)	1.0%	8.0	853.4	1.6%	13.3
Personal Income Tax	2,273.0	2,341.2	68.2	2.4%	54.8	2,365.5	2,394.6	29.1	2.3%	53.4	2,483.1	3.7%	88.5
Gross Corporate Income Tax	551.2	425.8	(125.4)	2.6%	10.9	566.3	450.8	(115.4)	5.9%	25.0	465.6	3.3%	14.8
Pass-Through Entity Income Tax ¹	399.9	356.5	(43.5)	4.3%	14.6	412.7	368.5	(44.3)	3.4%	12.0	380.0	3.1%	11.5
CIT Refundable Credits	(205.1)	(95.1)	110.0	-44.0%	74.7	(220.8)	(133.2)	87.7	40.0%	(38.0)	(140.5)	5.5%	(7.4)
Total Corporate Income Tax	746.0	687.2	(58.9)	17.1%	100.2	758.2	686.1	(72.0)	-0.1%	(1.0)	705.1	2.8%	18.9
TOTAL INCOME TAXES	3,019.0	3,028.4	9.3	5.4%	155.0	3,123.7	3,080.7	(42.9)	1.7%	52.4	3,188.2	3.5%	107.4
Gross Oil and Gas School Tax	2,131.6	2,079.9	(51.7)	5.2%	103.3	2,172.5	2,123.4	(49.1)	2.1%	43.5	2,158.9	1.7%	35.5
Excess to TSR, ECTF, or BHTF	(218.2)	(190.1)	28.1	74.5%	(81.2)	(230.4)	(215.2)	15.2	13.2%	(25.1)	(188.2)	-12.6%	27.1
Excess to STPF	(768.0)	(744.4)	23.6	3.1%	(22.2)	(796.7)	(762.8)	33.9	2.5%	(18.4)	(825.3)	8.2%	(6.5)
NET Oil & Gas School Tax	1,145.4	1,145.4	-	0.0%	-	1,145.4	1,145.4	-	0.0%	-	1,145.4	0.0%	-
Oil Conservation Tax	119.0	90.6	(28.4)	9.2%	7.6	121.1	92.7	(28.4)	2.3%	2.1	94.3	1.7%	1.6
Resources Excise Tax	7.7	8.0	0.3	0.0%	-	7.7	8.0	0.3	0.0%	-	8.0	0.0%	-
Natural Gas Processors Tax	33.5	36.4	2.9	29.1%	8.2	35.5	39.0	3.5	7.1%	2.6	39.0	0.0%	-
TOTAL SEVERANCE TAXES	1,305.6	1,280.4	(25.2)	1.2%	15.8	1,309.7	1,285.1	(24.6)	0.4%	4.7	1,286.7	0.1%	1.6
LICENSE FEES	65.1	67.9	2.9	0.7%	0.5	65.5	69.5	4.1	2.3%	1.6	68.7	-1.2%	(0.8)
LGPF Interest	1,795.9	1,853.0	57.1	9.1%	154.1	1,980.1	2,046.0	65.9	10.4%	193.1	2,235.1	9.2%	189.1
STO Interest	264.9	246.6	(18.3)	-4.1%	(10.5)	267.8	269.3	1.5	9.2%	22.7	274.5	1.9%	5.2
STPF Interest	480.0	498.2	18.2	14.9%	64.5	550.5	578.2	27.7	16.1%	80.0	668.4	15.6%	90.2
TOTAL INTEREST	2,540.8	2,597.7	56.9	8.7%	208.2	2,798.4	2,893.5	95.1	11.4%	295.8	3,178.0	9.8%	284.5
Gross Federal Mineral Leasing	3,180.4	2,973.4	(207.0)	5.3%	150.0	3,246.4	3,114.5	(131.9)	4.7%	141.1	3,166.8	1.7%	52.3
Excess to ECTF or Medicaid TF	(251.4)	(119.2)	132.2	44.5%	(36.7)	(319.9)	(304.2)	15.7	155.2%	(185.0)	(298.4)	-1.9%	5.8
Excess to STPF	(1,284.1)	(1,209.3)	74.8	10.3%	(113.4)	(1,281.7)	(1,165.5)	116.2	-3.6%	43.8	(1,223.5)	5.0%	(58.0)
NET Federal Mineral Leasing	1,644.9	1,644.9	-	0.0%	-	1,644.9	1,644.9	-	0.0%	-	1,644.9	0.0%	-
State Land Office	80.1	112.5	32.4	1.3%	1.5	82.8	114.0	31.2	1.3%	1.5	115.5	1.3%	1.5
TOTAL RENTS & ROYALTIES	1,725.0	1,757.4	32.4	0.1%	1.5	1,727.7	1,758.9	31.2	0.1%	1.5	1,760.4	0.1%	1.5
TRIBAL REVENUE SHARING	88.5	91.0	2.5	2.4%	2.1	90.1	93.4	3.3	2.6%	2.4	95.6	2.4%	2.2
MISCELLANEOUS RECEIPTS	50.5	55.0	4.5	3.8%	2.0	51.2	57.3	6.1	4.2%	2.3	56.1	-2.2%	(1.3)
REVERSIONS ²	100.0	110.0	10.0	0.0%	-	100.0	110.0	10.0	0.0%	-	110.0	0.0%	-
TOTAL RECURRING	14,565.7	14,617.3	51.6	3.6%	507.4	15,128.6	15,169.8	41.2	3.8%	552.5	15,768.1	3.9%	598.2
Other Nonrecurring Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
2023 Nonrecurring Legislation	-	-	-	-	-	-	-	-	-	-	-	-	-
2022 Nonrecurring Legislation	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Nonrecurring Reversions	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NONRECURRING	-	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL General Fund	14,565.7	14,617.3	51.6	3.6%	507.4	15,128.6	15,169.8	41.2	3.8%	552.5	15,768.1	3.9%	598.2

Appendix 3: Economic Indicators

U.S. and New Mexico Economic Indicators

		FY25		FY26		FY27		FY28		FY29		FY30	
		Dec 24 Forecast	Aug 25 Forecast	Dec 24 Forecast	Aug 25 Forecast	Dec 24 Forecast	Aug 25 Forecast	Dec 24 Forecast	Aug 25 Forecast	Dec 24 Forecast	Aug 25 Forecast	Dec 24 Forecast	Aug 25 Forecast
National Economic Indicators													
S&P Global	US Real GDP Growth (annual avg., % YOY)*	2.7	2.8	2.1	1.4	1.8	2.0	1.7	1.7	1.8	1.6	1.7	1.7
Moody's	US Real GDP Growth (annual avg., % YOY)*	2.3	2.3	2.2	1.1	2.0	1.5	2.2	2.0	2.3	2.3	2.2	2.5
S&P Global	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.5	2.5	2.2	2.5	2.1	2.4	2.4	2.1	2.2	2.1	2.3	2.2
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.4	2.6	2.5	3.2	2.4	2.8	2.3	1.9	2.3	1.8	2.2	1.9
S&P Global	Federal Funds Rate (%)	5.2	5.1	3.8	4.3	2.6	3.5	2.6	2.9	2.6	2.9	2.6	3.1
Moody's	Federal Funds Rate (%)	4.6	4.6	3.4	3.9	3.0	3.1	3.0	3.0	3.0	3.0	2.8	2.8
New Mexico Labor Market and Income Data													
BBER	NM Non-Agricultural Employment Growth (%)	1.2	1.1	0.5	0.6	0.2	0.2	0.2	0.2	0.5	0.3		0.5
Moody's	NM Non-Agricultural Employment Growth (%)	1.2	1.4	0.5	0.8	0.1	0.0	0.0	0.1	0.0	0.3	0.1	0.5
BBER	NM Nominal Personal Income Growth (%)***	4.8	4.8	5.0	5.0	4.8	5.1	4.6	5.0	4.7	4.9		4.7
Moody's	NM Nominal Personal Income Growth (%)***	4.4	4.7	4.3	5.2	4.2	4.7	4.1	3.9	4.2	3.5	4.2	3.7
BBER	NM Total Wages & Salaries Growth (%)	4.8	5.0	4.4	4.4	4.1	3.8	3.7	4.2	4.2	4.4		4.2
Moody's	NM Total Wages & Salaries Growth (%)	4.7	4.9	4.1	4.7	3.8	3.9	3.7	3.1	3.6	2.8	3.6	3.3
BBER	NM Private Wages & Salaries Growth (%)	4.6	4.8	4.5	4.7	4.2	4.0	3.8	4.5	4.4	4.6		4.4
BBER	NM Real Gross State Product (% YOY)	1.4	1.5	1.4	1.3	1.7	1.9	1.7	1.6	1.6	1.7		1.7
Moody's	NM Real Gross State Product (% YOY)	1.4	1.5	1.7	0.8	1.6	1.1	1.6	1.5	1.6	1.7	1.5	1.9
CREG	NM Gross Oil Price (\$/barrel)	\$70.50	\$69.00	\$68.00	\$60.50	\$70.00	\$60.50	\$70.50	\$64.50	\$71.50	\$66.00		\$67.50
CREG	NM Net Oil Price (\$/barrel)*****	\$61.90	\$60.51	\$59.70	\$53.06	\$61.46	\$53.06	\$61.90	\$56.57	\$62.78	\$57.88		\$59.20
BBER	Oil Volumes (million barrels)	716	775	714	770	718	765	720	767	721	771		773
CREG	NM Taxable Oil Volumes (million barrels)	745	775	780	800	810	825	835	845	835	845		840
	NM Taxable Oil Volumes (%YOY growth)	4.9%	9.2%	4.7%	3.2%	3.8%	3.1%	3.1%	2.4%	0.0%	0.0%		-0.6%
CREG	NM Gross Gas Price (\$ per thousand cubic feet)****	\$3.29	\$3.31	\$4.26	\$4.42	\$4.50	\$4.77	\$4.45	\$4.49	\$4.46	\$4.42		\$4.32
CREG	NM Net Gas Price (\$ per thousand cubic feet)*****	\$2.21	\$2.11	\$3.02	\$3.14	\$3.22	\$3.44	\$3.18	\$3.19		\$3.13		\$3.06
BBER	Gas Volumes (billion cubic feet)	3,667	3,888	3,655	3,920	3,653	3,919	3,656	3,933	3,655	3,949		3,955
CREG	NM Taxable Gas Volumes (billion cubic feet)	3,680	3,915	3,775	4,200	3,855	4,335	3,955	4,485	4,085	4,640		4,845
	NM Taxable Gas Volumes (%YOY growth)	3.1%	12.5%	2.6%	7.3%	2.1%	3.2%	2.6%	3.5%	3.3%	3.5%		4.4%

Notes

* Real GDP is BEA chained 2017 dollars, billions, annual rate

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

****The gross gas prices are estimated using a formula of NYMEX, EIA, and S&P Global future prices

*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties

Sources: BBER - July 2025 FOR-UNM baseline. S&P Global Insight - July 2025 baseline.

DFA Notes

* Real GDP is BEA chained 2012 dollars, billions, annual rate

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

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

****The gross gas prices are estimated using a formula of NYMEX, EIA, and Moody's January future prices

*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties

Sources: Moody's baseline

Appendix 4: Sources and Uses

Sources and Uses of Bonding Capacity Available for Authorization and Severance Tax Permanent Fund Transfer (in millions) August 2025						
Sources of Funds	FY26	FY27	FY28	FY29	FY30	5-Year
General Obligation Bonds	\$363.7		\$363.7		\$363.7	\$1,091.1
Senior STBs	\$1,116.9	\$1,160.4	\$1,180.5	\$1,210.0	\$1,214.0	\$5,881.8
Severance Tax Bonds Issued ¹	\$385.0	\$385.0	\$385.0	\$385.0	\$385.0	\$1,925.0
Severance Tax Notes	\$731.9	\$775.4	\$795.5	\$825.0	\$829.0	\$3,956.8
Supplemental STBs	\$742.6	\$797.1	\$838.6	\$888.2	\$916.6	\$4,183.2
Supplemental Severance Tax Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Supplemental Severance Tax Notes	\$742.6	\$797.1	\$838.6	\$888.2	\$916.6	\$4,183.2
TOTAL Sources of STB Funds	\$1,859.5	\$1,957.5	\$2,019.1	\$2,098.2	\$2,130.7	\$10,065.0
Uses of Funds	FY26	FY27	FY28	FY29	FY30	5-Year
General Obligation Bonds	\$363.7		\$363.7		\$363.7	\$1,091.1
Senior Severance Tax Bonds	\$1,116.9	\$1,957.5	\$2,019.1	\$2,098.2	\$2,130.7	\$9,322.4
Authorized but Unissued STB Projects	\$63.5	\$0.0	\$0.0	\$0.0	\$0.0	\$63.5
<u>Earmark Programs</u>						
9.0% of Senior STB for Water Projects	\$168.6	\$172.5	\$174.3	\$176.9	\$177.3	\$869.5
4.5% of Senior STB for Colonias Projects	\$84.3	\$86.2	\$87.1	\$88.5	\$88.6	\$434.8
4.5% of Senior STB for Tribal Projects	\$84.3	\$86.2	\$87.1	\$88.5	\$88.6	\$434.8
2.5% Housing Trust Fund Projects	\$46.8	\$47.9	\$48.4	\$49.1	\$49.2	\$241.5
<u>Capital Development Reserve & Program Funds²</u>						
Capital Dev. & Reserve Fund Contribution	\$174.8	\$268.0	\$361.2	\$454.4	\$547.6	\$1,805.9
New Senior STB Statewide Capital Projects	\$494.7	\$499.6	\$422.3	\$352.6	\$262.6	\$2,031.8
PSCOC Public School Capital	\$742.6	\$797.1	\$838.6	\$888.2	\$916.6	\$4,183.2
TOTAL STB Uses of Funds	\$1,859.5	\$1,957.5	\$2,019.1	\$2,098.2	\$2,130.7	\$10,065.0
Estimated Transfer to Severance Tax Permanent Fund & Capital Development Program Fund Disbursement						
	FY26	FY27	FY28	FY29	FY30	5-Year
Severance Tax Permanent Fund Transfer	\$642.9	\$705.2	\$769.1	\$784.1	\$878.5	\$3,779.8
Capital Dev. Program Fund Disbursement	\$26.5	\$30.6	\$40.3	\$54.6	\$74.1	\$226.1

¹ The State Board of Finance has calculated the "capped" debt capacity to be \$385 million annually.

² Per HB 253 (2024), SBOF shall distribute any cash savings resulting from reduced long-term bond issuance (also known as debt service savings) annually to the newly established Capital Development and Reserve Fund. Based on the traditional SBOF capacity calculation, estimated at \$1,140.9 million, and the issuance amount of \$385 million per HB253, average debt service savings are estimated to total \$93.2 million, which is applied for 10 years, compounding each year in which debt service savings are realized. This analysis assumes savings will be realized each year. Additionally, on January 1 of each year, a distribution from the Capital Development Reserve fund will be made to the Capital Development Program Fund for project and design and engineering appropriation.

Appendix 5a: GFFS

DFA GENERAL FUND FINANCIAL SUMMARY August 2025 Consensus Revenue Estimate (Dollars in Millions)

	Est. FY25	Est. FY26	Est. FY27
APPROPRIATION ACCOUNT			
Revenue:			
Recurring Revenue:			
<i>December 2024 Consensus Revenue Estimate</i>	\$ 13,263.9	\$ 13,624.8	\$ 14,092.1
<i>August 2025 Consensus Revenue Update</i>	\$ 390.8	\$ 81.2	\$ 17.8
Subtotal Recurring Revenue	\$ 13,654.8	\$ 13,706.0	\$ 14,109.9
Nonrecurring Revenue			
<i>August 2025 Consensus Revenue Estimate</i>	\$ 45.5		
Subtotal Nonrecurring Revenue	\$ 45.5	\$ -	
Total Revenue	\$ 13,700.3	\$ 13,706.0	\$ 14,109.9
Appropriations:			
Recurring Appropriations:			
<i>2024 Regular Session and Feed Bill</i>	\$ 10,219.5	\$ -	
<i>2025 Regular Session and Feed Bill</i>	\$ 15.1	\$ 10,835.4	
Subtotal Recurring Appropriations	\$ 10,234.6	\$ 10,835.4	
Nonrecurring:			
<i>2024 Regular Session Nonrecurring Appropriations</i>	\$ 1,468.0		
<i>2024 Regular Session General Fund Capital</i>	\$ 931.6		
<i>2024 Special Session General Fund</i>	\$ 103.0		
<i>2025 Regular Session Nonrecurring Appropriations</i>	\$ 1,056.4	\$ 1,991.1	
<i>2025 Regular Session General Fund Capital</i>	\$ 798.5		
Subtotal Nonrecurring Appropriations	\$ 3,559.0	\$ 2,789.6	
Subtotal Recurring and Nonrecurring Appropriations	\$ 13,793.6	\$ 13,625.1	
Total Appropriations	\$ 13,793.6	\$ 13,625.1	
Transfers to/(from Operating Reserves)	\$ (93.4)	\$ 80.9	

**FY27
Total New
Money**

**\$ 484.8
million
or 3.5%
of
Total
Approps.**

Appendix 5b: GFFS

GENERAL FUND FINANCIAL SUMMARY Reserve Detail (Dollars in Millions)

	Est. FY25	Est. FY26	Est. FY27
OPERATING RESERVE			
Beginning Balance	\$ 606.6	\$ 507.4	\$ 584.3
BOF Emergency Appropriations/Reversions	\$ (4.0)	\$ (4.0)	\$ (4.0)
Disaster Allotments	\$ (1.8)	\$ -	\$ -
Transfers from/to Appropriation Account	\$ (93.4)	\$ 80.9	\$ -
Transfers to Government Results & Opportunity (GRO) Expendable Trust ⁶	\$ -	\$ -	\$ -
Transfers from (to) ACF/Other Appropriations	\$ -	\$ -	\$ -
Transfers from Tax Stabilization Reserve (1% transfer from TSR)	\$ -	\$ -	\$ -
Transfers from Tax Stabilization Reserve	\$ -	\$ -	\$ -
Ending Balance	\$ 507.4	\$ 584.3	\$ 580.3
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	\$ 9.1	\$ 126.1	\$ 68.1
Disaster Allotments	\$ (16.0)	\$ (16.0)	\$ (16.0)
Other Appropriations ⁵	\$ (25.0)	\$ (50.0)	\$ -
Transfers In ⁴	\$ 150.0	\$ -	\$ -
Unnamed Federal Funds	\$ -	\$ -	\$ -
Revenue and Reversions	\$ 8.0	\$ 8.0	\$ 8.0
Ending Balance	\$ 126.1	\$ 68.1	\$ 60.1
STATE SUPPORT RESERVE			
Beginning Balance	\$ 0.4	\$ 0.4	\$ 0.4
Revenues/Transfers	\$ 40.0	\$ -	\$ (40.0)
Appropriations	\$ (40.0)	\$ -	\$ 40.0
Impact Aid Liability	\$ -	\$ -	\$ -
Ending Balance	\$ 0.4	\$ 0.4	\$ 0.4
TAX STABILIZATION RESERVE			
Beginning Balance	\$ 2,179.0	\$ 2,317.2	\$ 2,409.9
Revenues In ¹	\$ 412.2	\$ 109.0	\$ 54.5
Transfers In (from Operating Reserve)	\$ -	\$ -	\$ -
Transfer Out to Operating Reserve ³	\$ -	\$ -	\$ -
Transfers Out to Early Childhood Trust Fund ²	\$ (412.2)	\$ (109.0)	\$ (54.5)
Gains/Losses	\$ 138.2	\$ 92.7	\$ 96.4
Other appropriations/FY25 Transfer to Higher Education Trust Fund	\$ -	\$ -	\$ -
Audit Adjustments for Rounding	\$ -	\$ -	\$ -
Ending Balance	\$ 2,317.2	\$ 2,409.9	\$ 2,506.2
Government Results and Opportunity Expendable Trust⁸			
Beginning Balance	\$ 512.2	\$ 522.4	\$ -
Transfers In (from Operating Reserve) ⁶	\$ -	\$ -	\$ -
Transfer Out to Program Fund	\$ -	\$ (130.6)	\$ -
Gains/Losses	\$ 10.2	\$ 10.4	\$ -
Other appropriations/in flows	\$ -	\$ 265.3	\$ -
Ending Balance	\$ 522.4	\$ 667.5	\$ -
Behavioral Health Trust Fund⁹			
Beginning Balance	\$ 100.0	\$ 215.2	\$ 215.2
Transfers In (50% of OGAS in Excess of 5-year average)	\$ 109.0	\$ 54.5	\$ 54.5
Transfer Out to Program Fund	\$ -	\$ -	\$ -
Gains/Losses	\$ 6.2	\$ 8.6	\$ 8.6
Other appropriations/in flows	\$ -	\$ (10.8)	\$ (10.8)
Ending Balance	\$ 215.2	\$ 267.5	\$ 267.5
Total General Fund Ending Balances	\$ 3,473.5	\$ 3,945.4	
Percent of Recurring Appropriations	33.9%	36.4%	

1. Estimated transfers to TSR from excess oil and gas emergency tax revenues in excess of the rolling five-year average.

2. Laws 2020, Chapter 3 (HB883) established that if reserve balances exceed 25 percent of recurring appropriations the excess oil and gas emergency tax revenue in excess of the rolling five-year average be distributed to the Early Childhood Trust Fund.

3. Laws 2020, HB341 transfers a portion of the balance in the Tax Stabilization Reserve (TSR) if the General Fund Operating Reserve is less than one percent of aggregate appropriations. The amount transferred is equal to the lesser of the one percent of appropriations

4. Laws of 2025, transfers \$150 million of GF to the appropriation contingency fund in FY25.

5. Laws of 2025, appropriates \$25 million from the appropriation contingency fund in FY25 for CYFD. Also, Laws 2025, Chapter 157 (Senate Bill 31) requires transfers of up to \$50 million to the natural disaster revolving fund, or the amount necessary to bring the

6. Laws 2024, HB196 stipulates that when operating reserve fund hits 8 percent of the prior budget year's recurring appropriations, the excess must be transferred to the government results and opportunity (GRO) expendable trust. Under prior law, the excess funds were transferred from the operating reserve to the tax stabilization reserve. Because the bill did not have an effective date, it becomes effective May 15, 2024 - 90 days after the legislature adjourns.

7. Laws 2024, SB116 removes the Tobacco Settlement Permanent Fund from reserves in FY25.

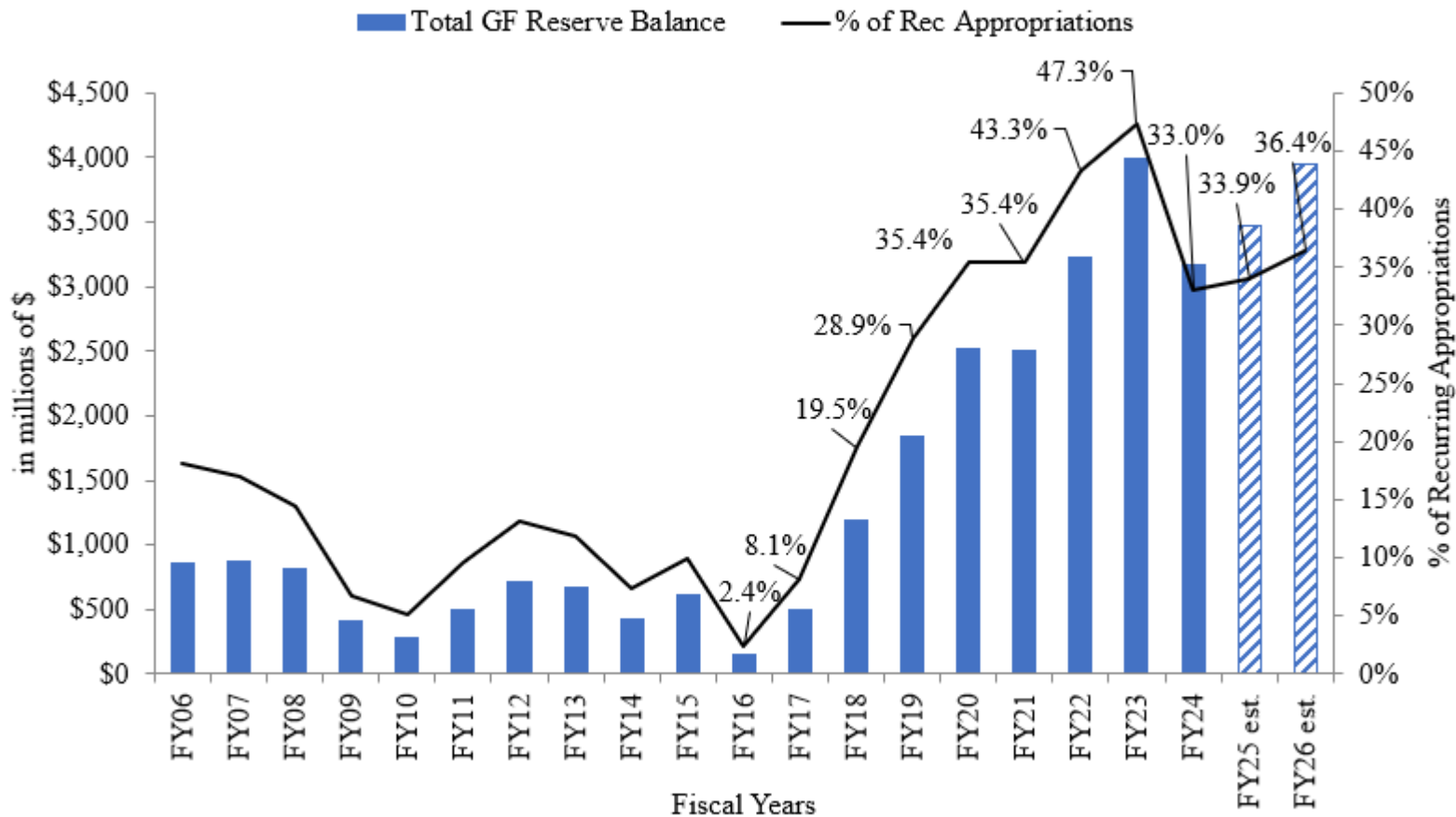
8. The Government Results and Opportunity Expendable Trust is considered a reserve fund for FY25 and FY26

9. Laws 2025, SB1 adds the Behavioral Health Trust Fund to reserves for FY26 and FY27.

Totals may not sum due to rounding

Appendix 6: General Fund Reserves

General Fund Reserve Balances as a Percent of Recurring Appropriations



Source: DFA, FCD, CREG

- FY24 general fund reserve balances are \$3.16 billion or 33% of recurring appropriations
- Estimated FY25 general fund reserves are at \$3.47 billion or 33.9% of recurring appropriations.
- Estimated FY26 general fund reserves are at \$3.95 billion or 36.4% of recurring appropriations.*
 - (*pending 2026 legislative appropriations)

Appendix 7: Other Funds

Early Childhood Education and Care Fund

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30
Beginning Balance	\$ 300.0	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,772.5	\$ 10,308.4	\$ 10,474.1	\$ 10,602.6	\$ 11,008.9
Gains & Losses	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 450.8	\$ 488.6	\$ 515.4	\$ 523.7	\$ 530.1	\$ 550.4
Excess FML	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 805.9	\$ 135.0	\$ 41.3	\$ 59.6	\$ 304.2	\$ 298.4
Excess OGAS School Tax	\$ -	\$ -	\$ 1,682.8		\$ 1,815.0		\$ 412.2	\$ 109.0	\$ 54.5	\$ 95.1	\$ 215.2
Distribution to ECE Program Fund		\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (500.0)	\$ (500.0)	\$ (500.0)	\$ (509.2)	\$ (523.1)	\$ (534.8)
Ending Balance (\$ in millions)	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,772.5	\$ 10,308.4	\$ 10,474.1	\$ 10,602.6	\$ 11,008.9	\$ 11,538.2

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Distribution to ECE Program Fund	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 509.2	\$ 523.1

Note: FML and OGAS distributions based on December 2024 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

Note: 2024's SB153 increased minimum distribution from \$155 million to \$250 million in FY25

Note: 2025's HB71 increased minimum distribution from \$250 million to \$500 million in FY26

Conservation Legacy Permanent Fund (CLPF)	FY24	FY25	FY26	FY27	FY28	FY29	FY30
beginning bal	\$	50,000	\$ 354,251	\$ 359,251	\$ 364,251	\$ 369,251	\$ 374,251
Gains & Losses	\$	4,251	\$ 38,175	\$ 26,944	\$ 27,319	\$ 27,694	\$ 28,069
Distribution to LELF			\$ 33,175	\$ 21,944	\$ 22,319	\$ 22,694	\$ 23,069
end bal	\$	54,251	\$ 359,251	\$ 364,251	\$ 369,251	\$ 374,251	\$ 379,251

\$ in thousands

Land of Enchantment Legacy Fund (LELF)	FY25	FY26	FY27	FY28	FY29	FY30
beginning bal	\$ 50,000	\$ 37,813	\$ 53,950	\$ 57,932	\$ 61,274	\$ 64,125
inflow from CLPF	\$ -	\$ 33,175	\$ 21,944	\$ 22,319	\$ 22,694	\$ 23,069
Gains & Losses	\$ 418	\$ 945	\$ 1,349	\$ 1,448	\$ 1,532	\$ 1,603
bal after inflows	\$ 50,418	\$ 71,933	\$ 77,242	\$ 81,699	\$ 85,500	\$ 88,797
Distribution rule from LELF to Agencies	\$ 12,604	\$ 17,983	\$ 19,311	\$ 20,425	\$ 21,375	\$ 22,199
ending bal	\$ 37,813	\$ 53,950	\$ 57,932	\$ 61,274	\$ 64,125	\$ 66,598

\$ in thousands

Estimated Distributions to Agencies	FY25	FY26 est.	FY27 est.	FY28 est.	FY29 est.	FY30 est.
22.5%	EMNRD: 50% to Forest Conservation Act	\$ 1,418	\$ 2,023	\$ 2,172	\$ 2,298	\$ 2,405
	EMNRD: 50% to National Heritage Conservation Act	\$ 1,418	\$ 2,023	\$ 2,172	\$ 2,298	\$ 2,405
22.5%	NMDA: Noxious Weed Mgt Act	\$ 2,836	\$ 4,046	\$ 4,345	\$ 4,596	\$ 4,809
22.0%	DGF: Support projects under Cultural Properties Protection Act	\$ 2,773	\$ 3,956	\$ 4,248	\$ 4,493	\$ 4,702
15.0%	EDD: 75% for special projects and programs	\$ 1,418	\$ 2,023	\$ 2,172	\$ 2,298	\$ 2,405
	EDD: 25% for outdoor equity grant program	\$ 473	\$ 674	\$ 724	\$ 766	\$ 802
10.0%	NMED: River Stewardship Program	\$ 1,260	\$ 1,798	\$ 1,931	\$ 2,042	\$ 2,137
8.0%	DCA: Cultural Properties Protection Act	\$ 1,008	\$ 1,439	\$ 1,545	\$ 1,634	\$ 1,710
100.0%	Total	\$ 12,604	\$ 17,983	\$ 19,311	\$ 20,425	\$ 21,375

\$ in thousands

Insurance - Premium Tax and Surtax Revenue - Other State Funds

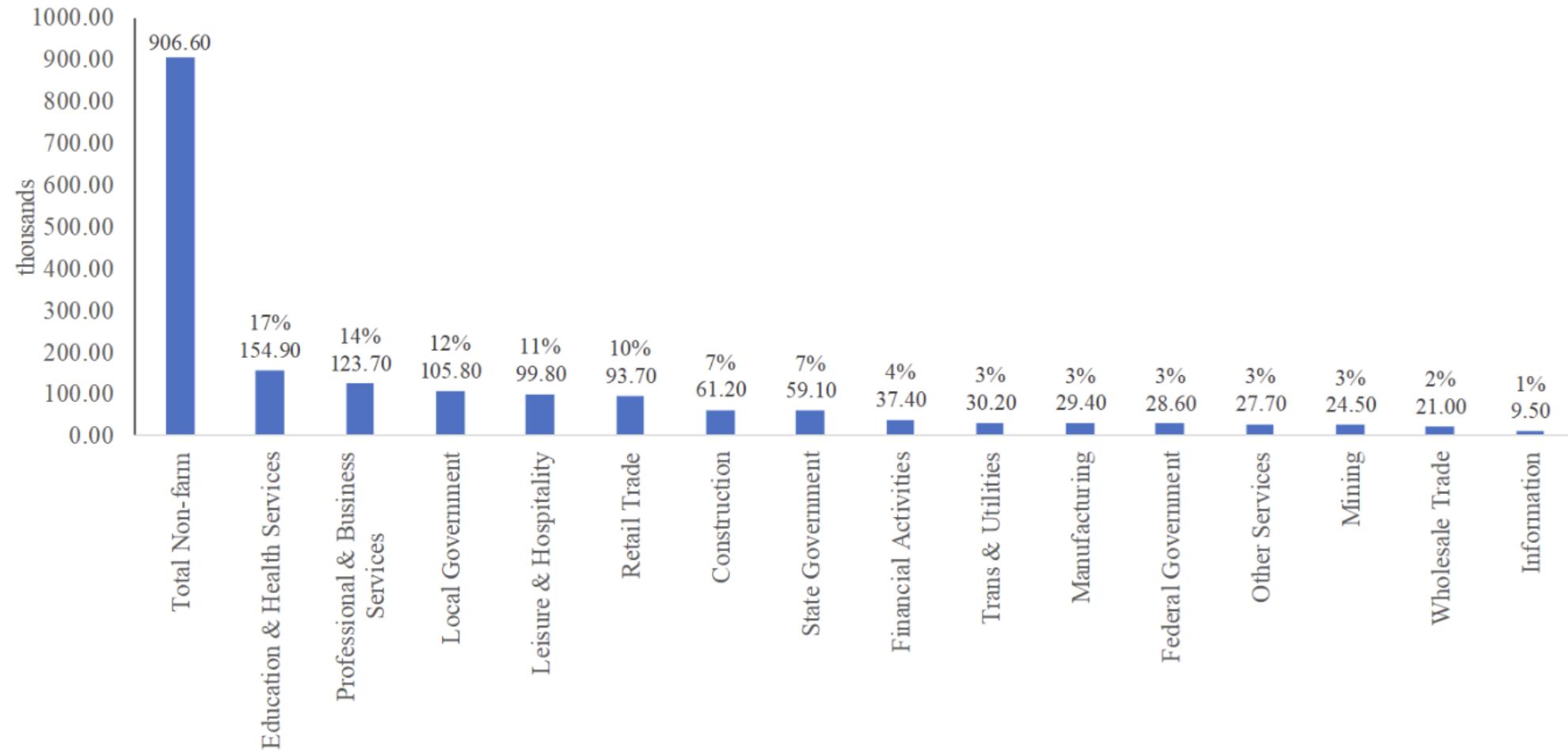
Fund Name	FY26	FY27	FY28	FY29	FY30
Health Care Affordability Fund (HCAF)	\$ 211.5	\$ 212.4	\$ 200.4	\$ 197.3	\$ 197.1
Law Enforcement Protection Fund (LEPF)	\$ 35.2	\$ 35.8	\$ 34.8	\$ 34.7	\$ 35.0
Fire Protection Fund (FPF)	\$ 152.3	\$ 162.2	\$ 170.5	\$ 178.9	\$ 187.0
Emergency Medical Services Fund (EMSF)	\$ 13.3	\$ 13.3	\$ 12.4	\$ 12.2	\$ 12.2

Source: CREG August 2025

Appendix 8: N.M. Employment Levels and Share of Total Employment

Employment Level and Share of Total Nonfarm Employment in N.M. by Sector (1000s)

June 2025



Source: bls.gov, CES seasonally adjusted

Appendix 9a: Rystad Energy

Key risks for US shale E&Ps outlined in Dallas Federal Reserve Survey

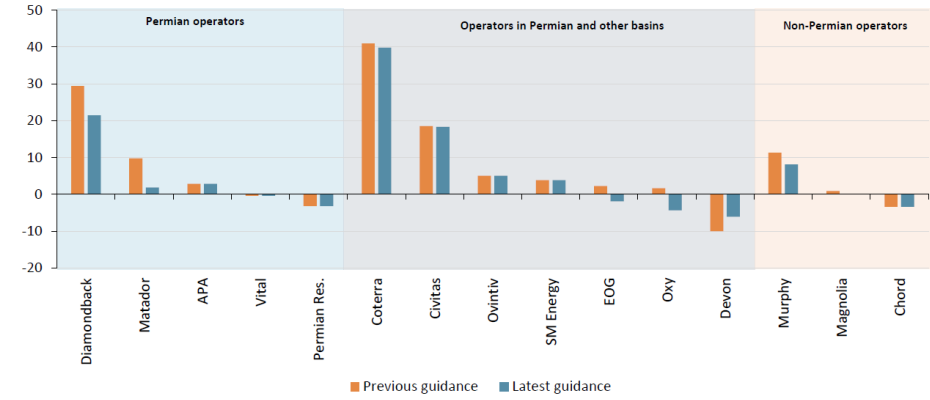
Risks	Likelihood	Impact	Rystad Energy view
Tariffs increase drilling and completion costs	High	Medium	<ul style="list-style-type: none"> Steel tariffs in place have increased input costs for drilling wells. Total impact on well costs likely to be offset by demand destruction and lower service prices. Global demand destruction from tariffs will be more impactful on E&Ps via lower oil prices.
'Liberation Day' tariffs on trade partners will hurt global demand for oil	High	Medium	<ul style="list-style-type: none"> WTI prices fell below \$60 per barrel following announcement of sweeping tariffs on April 2. While oil prices have recovered following pauses to negotiate deals, deadlines approaching in August. Even reduced tariff rates still likely to be above previous baseline, leading to lower global demand for oil (all else equal).
Renewed conflict with Iran will cause oil prices to spike if Strait of Hormuz blocked	High	Medium	<ul style="list-style-type: none"> US strikes on Iranian nuclear sites in June caused front end of the oil price curve to jump significantly. Ceasefire is holding, but US and Israel have warned of renewed strikes if Iran resumes nuclear program. In resumed conflict, uptick in 2026+ futures (which could occur in a scenario such as closure of Strait of Hormuz) needed to incentivize meaningful changes to activity.
OPEC+ policy and US administration's target for low prices will harm activity	High	Medium	<ul style="list-style-type: none"> OPEC+ has successfully brought back more barrels into the market without prices falling substantially thanks to high summer demand. Few direct policy options for US administration to lower prices, but tariffs have dented outlook. Rhetoric remains worrisome to producers, as \$50 per barrel WTI would make returns-based model unviable.

Source: Rystad Energy research and analysis

Macro view

Permian independents Diamondback, Matador make the largest guidance changes

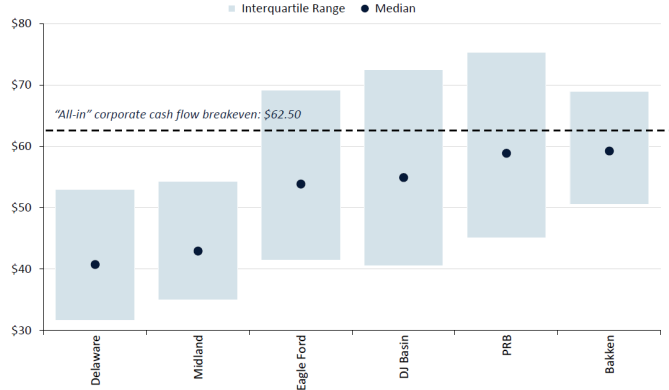
Sequential oil production growth guidance (2H25 vs 1Q25)
 Thousand barrels per day



Source: Rystad Energy research and analysis

Fundamental upstream breakevens do not show the full picture for oil E&Ps, but cause for extra concern in mature plays

Half-cycle well breakeven prices for 2H24 vintage wells* in US oil plays
 USD per barrel

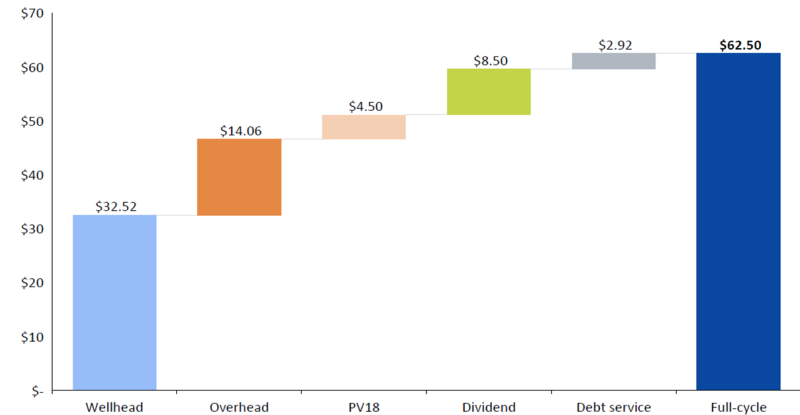


*Wells with at least three months of reported production
 Source: Rystad Energy ShaleWellCube

RystadEnergy

US oil producers will struggle to defend margins at \$60 per barrel WTI

'All-in' corporate cash flow WTI balancing point for US shale oil plays
 USD per barrel

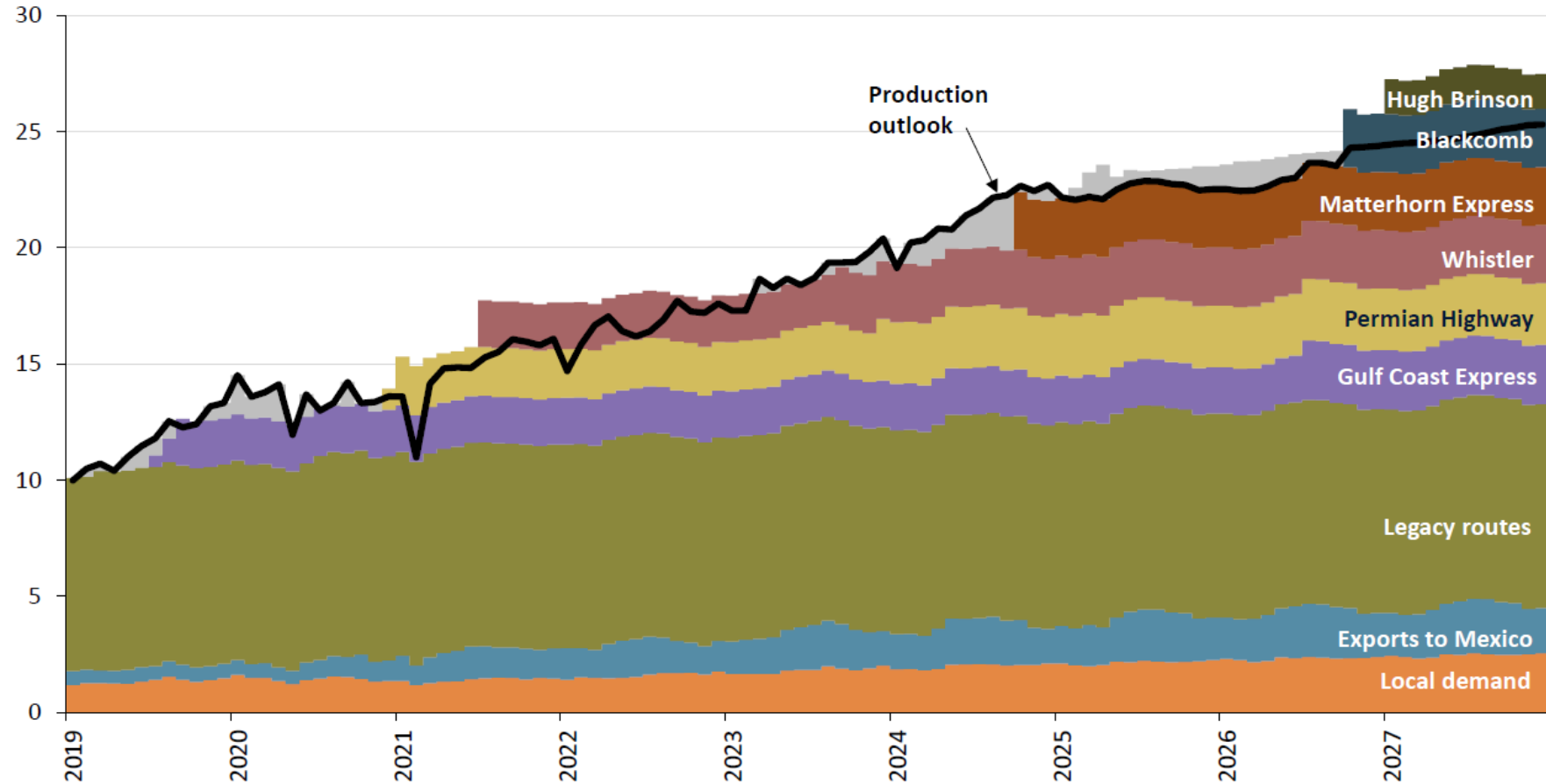


Source: Rystad Energy ShaleWellCube; Rystad Energy research and analysis, May 2025

RystadEnergy

Appendix 9b: Rystad Energy

Permian gas production and takeaway capacity
Billion cubic feet per day

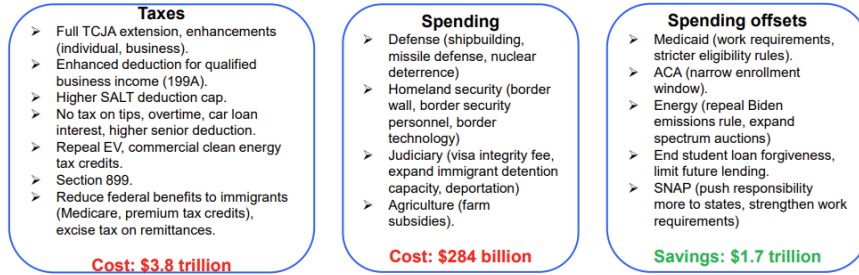


Source: Rystad Energy research and analysis



Appendix 10a: Moody's Analytics: Fiscal Policy Analysis June 2025

What's in the House GOP Reconciliation Package?



Total deficit impact (2025–2034):
+\$2.4 trillion

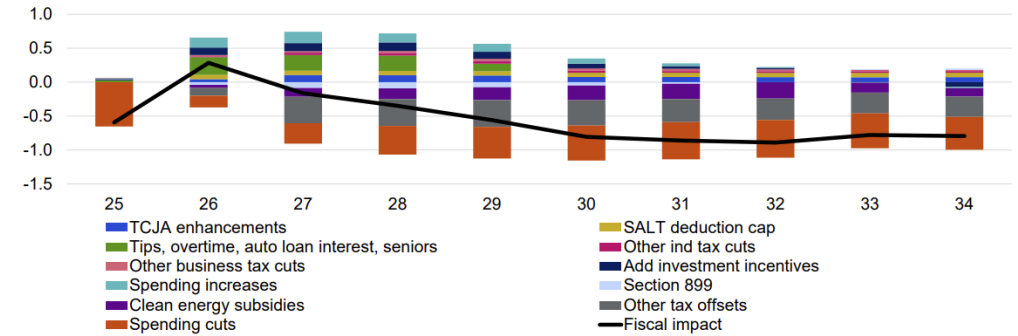
Sources: U.S. House of Representatives, CBO, Moody's Analytics

Moody's Analytics

3

Front-loaded Tax Cuts, Backloaded Spending Cuts

Fiscal impact of GOP reconciliation bill, % of GDP, current policy



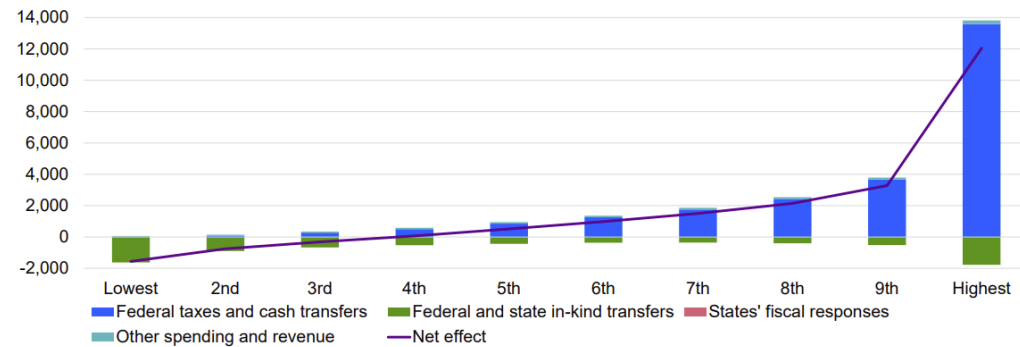
Sources: CBO, JCT, Moody's Analytics

Moody's Analytics

5

Wealthiest Households Win

Avg annual change in resources per household by income decile, 2026 to 2034



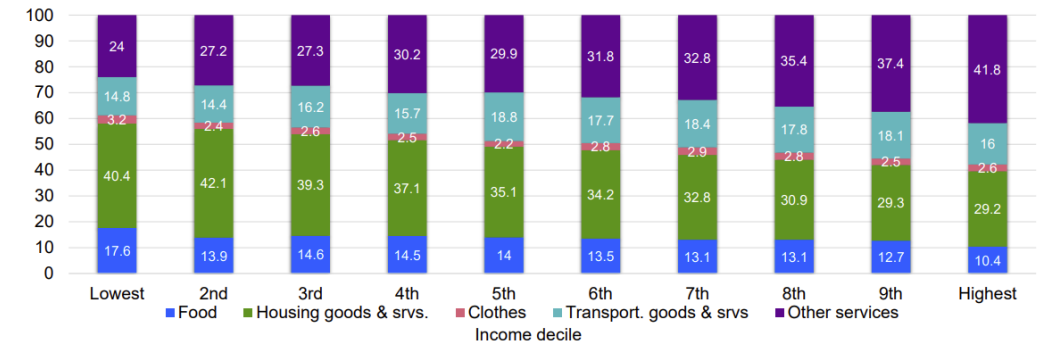
Sources: CBO, Moody's Analytics

Moody's Analytics

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Lower Income Households Are More Tariff Exposed

Share of household expenditure by type and income decile, 2023 annual avg, %



Sources: BLS, Moody's Analytics

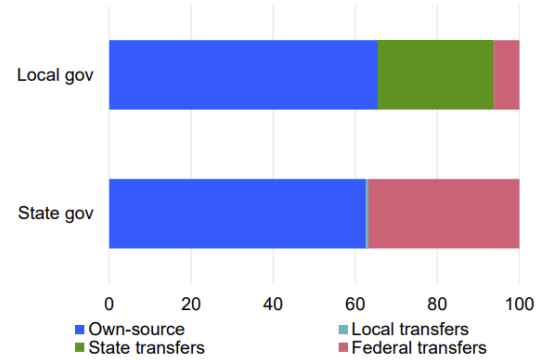
Moody's Analytics

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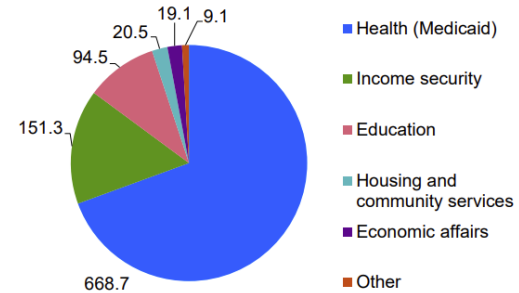
Appendix 10b: Moody's Analytics: Fiscal Policy Analysis June 2025

Federal Funds A Crucial Source of State Spending

% of total operational revenues, 2022



Federal grants-in-aid to state and local govts, \$ bil, 2024



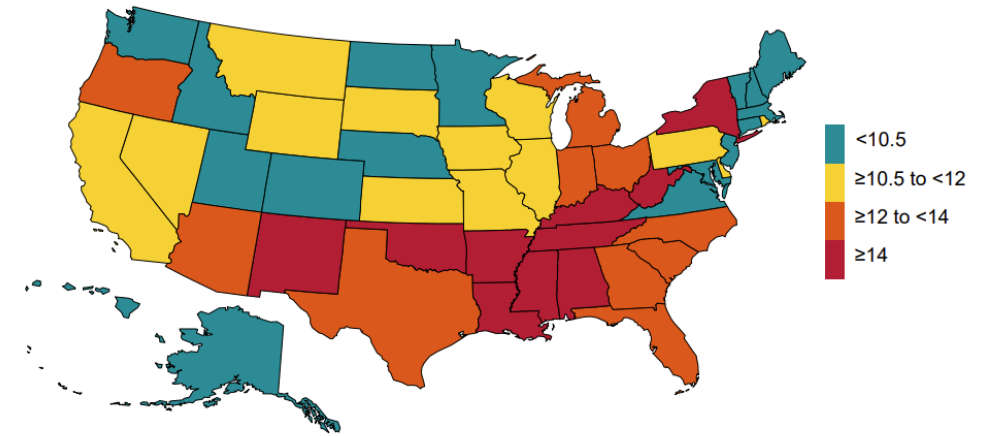
Sources: BEA, Moody's Analytics

Moody's Analytics

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Spending Cuts Will Test Needs-Tested Programs

Poverty rate, 2023, %



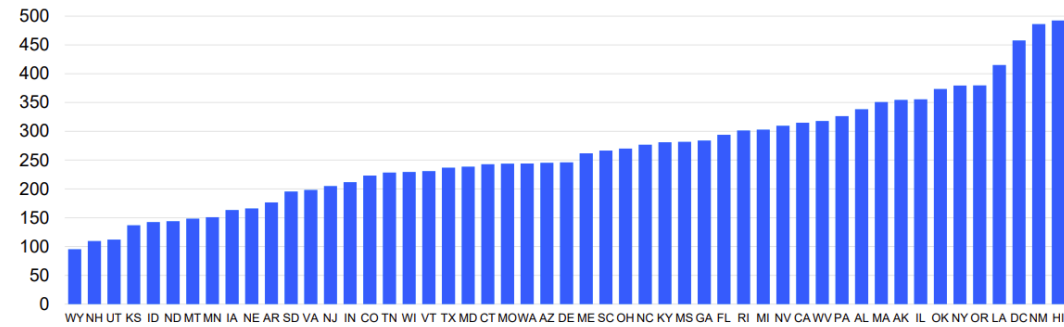
Sources: Census Bureau, Moody's Analytics

Moody's Analytics

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SNAP Changes Would Shift Cost to States, Reduce Beneficiaries

Annual value of SNAP benefits issued per capita, \$, 2024



Sources: BOC, USDA, Moody's Analytics

Moody's Analytics

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Appendix 11: Select Industry Employment by Gender in New Mexico, 2023

Industry	% Male	% Female	Industry	% Male	% Female
Full-time, year-round employed 16+	56.3%	43.7%	Information*	64.3%	35.7%
Agriculture, forestry, fishing & hunting ⁺	78.3%	21.7%	Finance & Insurance*	35.5%	64.5%
Mining, quarrying & oil and gas extraction*	87.8%	12.2%	Real estate & rental and leasing	54.0%	46.0%
Construction	91.4%	8.6%	Professional & business services*	62.7%	37.3%
Manufacturing	77.3%	22.7%	Private educational services ⁺	33.7%	66.3%
Wholesale trade	74.7%	25.3%	Health care & social assistance	24.9%	75.1%
Retail trade ⁺	58.2%	41.8%	Arts, entertainment & recreation ⁺	60.9%	39.1%
Transportation & warehousing	83.6%	16.4%	Accommodation & food services ⁺	51.3%	48.7%
Public administration*	54.6%	45.4%			

* Higher income jobs (for public administration, federal jobs only) + Lower income jobs

Appendix 12: New Mexico Poverty Levels by Ethnicity

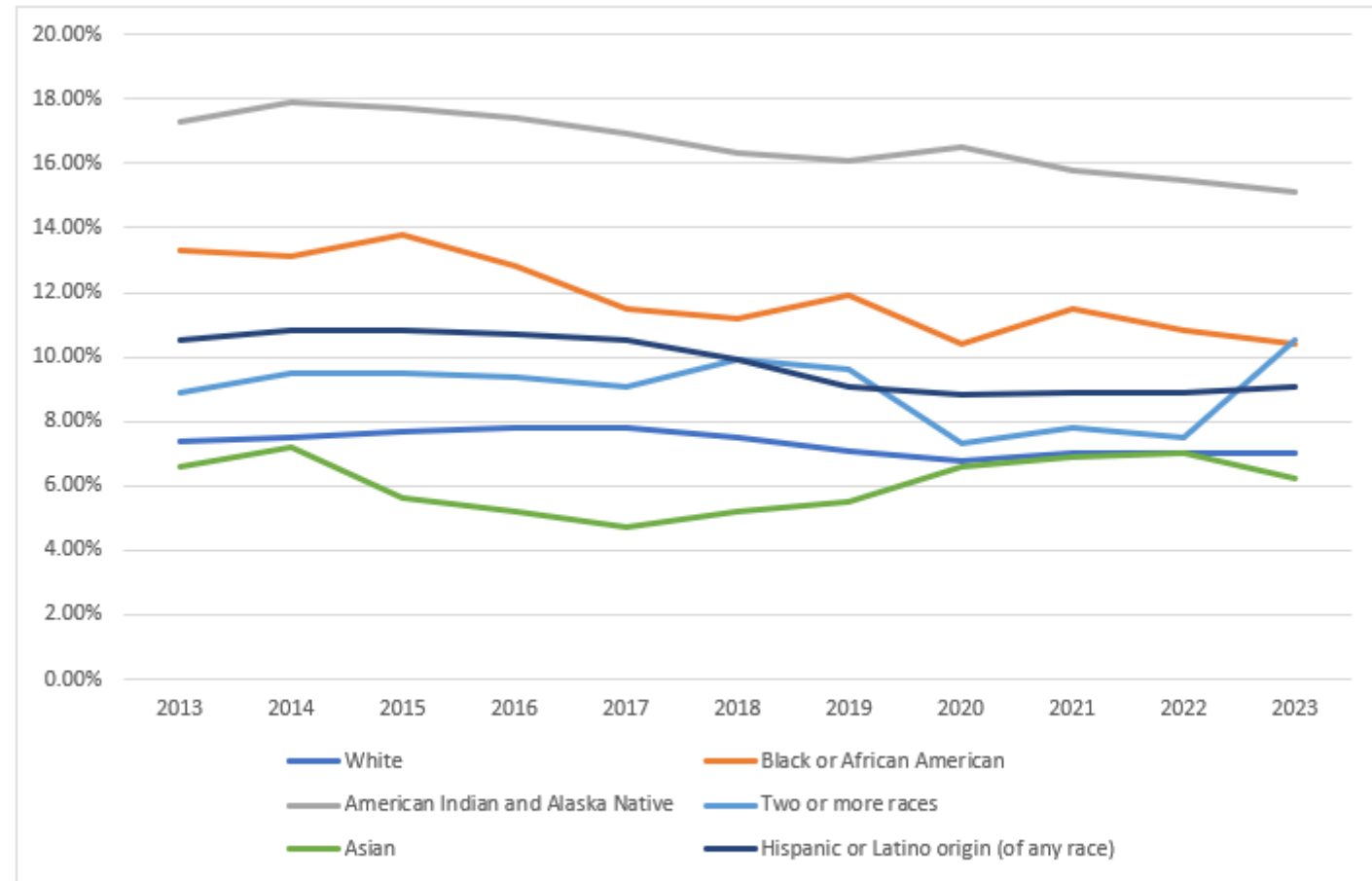
➤ 10 year average of % of population 50% or below the poverty threshold

- AM/AI: 16.6%
- Black or African American: 11.9%
- Hispanic or Latino: 10.0%
- 2+ Races: 9.0%
- White: 7.3%
- Asian: 6.1%

➤ Annual income at 50% of the poverty level (2024)

- Family of 4: \$15,600/yr
- Family of 6: \$20,980/yr

Percent of New Mexico's Population Earning 50% or Below the Poverty Threshold by Race or Ethnicity

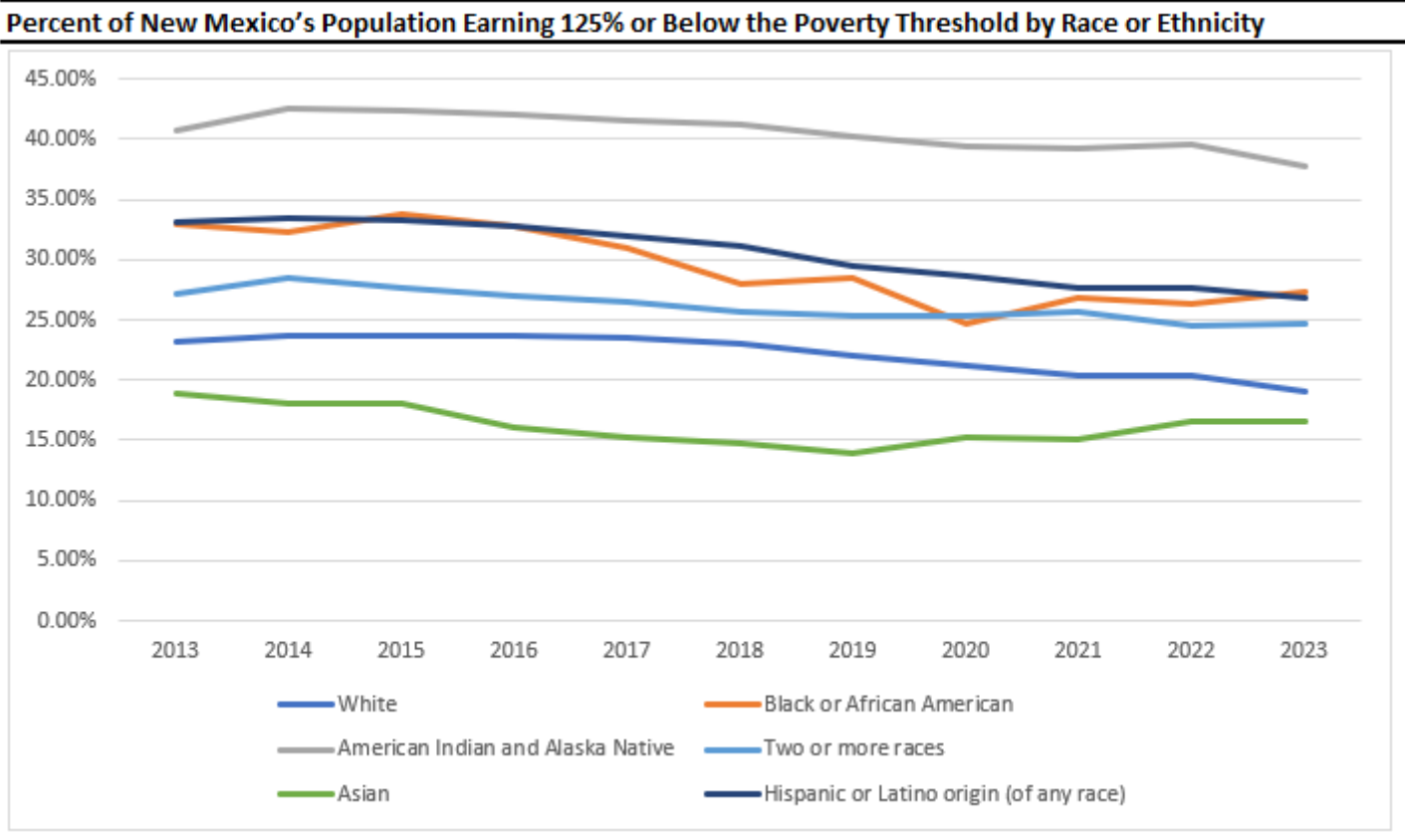


Source: U.S. Census Bureau, ACS 5-year Estimates; Table S1703, 2013-2023

Appendix 13: New Mexico Poverty by Ethnicity

- Annual income at 125% of the poverty threshold (2024)
 - Family of 4: \$39,000/yr
 - Family of 6: \$52,475/yr

- Transfer payments may have been sufficient to lower the poverty rates at a given threshold level



Source: U.S. Census Bureau, ACS 5-year Estimates; Table S1703, 2013-2023

OBBBA Direct Revenue Impacts to PIT: Standard Deduction

- Section 70102 - Extension and enhanced standard deduction
 - Makes TCJA increases in the standard deduction permanent
 - Increases base amount for Tax Year 2025, continues inflation adjustment
 - Effective Tax Year 2025
 - New Mexico conforms to federal standard deduction (7-2-2N(1) NMSA 1978)
 - General Fund average estimated loss of \$45 million per year for FY26 to FY30
- Tax Policy
 - A higher standard deduction reduces the number of taxpayers that itemize deductions. This lowers taxpayers' administrative burden and promotes simplicity and compliance.

1 – Selection from Tax & Rev presentation to Federal Funds Stabilization Committee, July 31, 2025

Appendix 14b: Overview of OBBBA Tax Implications to New Mexico

OBBBA Direct Revenue Impacts to PIT: Dependent Deduction

- Section 70103 – permanently terminates federal deduction for personal exemption other than temporary senior deduction
 - Effective Tax Year 2025
- Federal Conformity
 - In response to TCJA temporarily eliminating the federal personal exemption, New Mexico enacted a \$4,000 dependent deduction (7-2-39 NMSA 1978) to hold New Mexicans harmless from federal tax increase
 - Over 155,000 taxpayers claimed New Mexico dependent deduction in Tax Year 2023
 - General Fund annual revenue loss of about \$25 million now permanent
- Tax Policy
 - Federal termination of deductions for personal exemptions is less progressive; New Mexico's dependent deduction offsets this to a degree

Appendix 14c: Overview of OBBBA Tax Implications to New Mexico

OBBBA Direct Revenue Impacts to PIT: Itemized Deduction Limitation

- Section 70111 - Limitation on tax benefit of itemized deductions
 - Permanently repeals the “Pease limitation” on overall itemized deductions
 - Creates formula for new itemized deduction limitation applicable only to taxpayers with taxable income subject to the 37% marginal rate
 - Effective Tax Year 2026
- Federal Conformity
 - New Mexico conforms to itemized deductions (7-2-2N(2) NMSA 1978)
- May increase General Fund revenue, but no estimate is currently available – depends on taxpayer behavior
- New Mexico has relatively few high-income taxpayers that will benefit
- Tax Policy
 - Predominantly progressive – restricts itemized deductions for high income taxpayers, leaving more income subject to taxation

Appendix 14d: Overview of OBBBA Tax Implications to New Mexico

OBBBA Direct Revenue Impacts to New Mexico PIT: Car Loan Interest Deduction

- Section 70203 - Car loan interest deduction
 - New federal deduction for car loan interest payments made by individuals who purchase a qualified passenger vehicle for personal use; vehicles must have final assembly in the United States
 - Limited to \$10,000 and subject to a phase out based on AGI (\$200,000 for joint filers, \$100,000 for other filers)
 - Previous law did not allow deduction of 'personal interest.' Car loan interest will now be deductible
 - Effective Tax Years 2025 through 2028
- Federal Conformity
 - New Mexico conforms to the federal itemized deductions (7-2-2N(2) NMSA 1978)
- General Fund average estimated loss of \$7.6 million per year for FY26-FY29
- Tax Policy
 - Predominantly regressive: likely to be utilized by higher-income taxpayers who itemize deductions and can maximize the use of this deduction

Appendix 14e: Overview of OBBBA Tax Implications to New Mexico

OBBBA Direct Revenue Impacts to CIT: SALT Cap

- Section 70120 - Limitation on state and local taxes (SALT) deduction
 - Temporarily increases the federal deduction limitation for state and local taxes (SALT) paid to \$40,000 (\$20,000 for married individuals filing separately)
 - Phases out of the SALT cap for taxpayers with modified AGI over \$500,000 to a minimum of \$10,000
 - SALT cap and income thresholds adjusted for inflation for Tax Years 2026 through 2029
 - SALT cap reverts to \$10,000 in Tax Year 2030.
 - Restrictions on states from using pass-through entity taxes was removed from the final bill

Appendix 14f: Overview of OBBBA Tax Implications to New Mexico

OBBBA Direct Revenue Impacts to CIT: SALT Cap continued

- Federal Conformity
 - New Mexico does not conform to the SALT deduction (income deducted from federal returns is added back in to New Mexico taxable income)
 - In response to TCJA imposing a SALT cap of \$10,000, New Mexico enacted a new entity-level tax, which pass-through entities (PTEs) may elect to pay (7-3A-10 NMSA 1978). With an election by a PTE, the tax rate is 5.9% and is binding on all PTE owners. Owners may receive a credit on their PIT or CIT return for their owner's share of the entity tax.
- General Fund average estimated loss of \$52 million per year for FY26-FY30
- Federal Tax Policy
 - Violates tax policy concept of horizontal equity – taxpayers with same level of AGI not treated equally
 - Predominantly regressive: likely to be utilized by higher-income taxpayers that can maximize use of this deduction

Appendix 14g: Overview of OBBBA Tax Implications to New Mexico

OBBBA Direct Revenue Impacts to CIT: SALT Cap continued

- Federal Conformity
 - New Mexico does not conform to the SALT deduction (income deducted from federal returns is added back in to New Mexico taxable income)
 - In response to TCJA imposing a SALT cap of \$10,000, New Mexico enacted a new entity-level tax, which pass-through entities (PTEs) may elect to pay (7-3A-10 NMSA 1978). With an election by a PTE, the tax rate is 5.9% and is binding on all PTE owners. Owners may receive a credit on their PIT or CIT return for their owner's share of the entity tax.
- General Fund average estimated loss of \$52 million per year for FY26-FY30
- Federal Tax Policy
 - Violates tax policy concept of horizontal equity – taxpayers with same level of AGI not treated equally
 - Predominantly regressive: likely to be utilized by higher-income taxpayers that can maximize use of this deduction

Appendix 14h: Overview of OBBBA Tax Implications to New Mexico

OBBBA Direct Revenue Impacts to CIT: Other

- Extension of several TCJA provisions which New Mexico conforms, including:
 - Section 70105 - Extension and enhancement of deduction for qualified business income is made permanent effective Tax Year 2025
 - Section 70301 - Full expensing for certain business property is made permanent effective Tax Year 2026
 - Section 70303 - Modification of limitation of business interest is made permanent effective Tax Year 2026
- General Fund Revenue Impact
 - No estimated impact as these continue current law

Appendix 14i: Overview of OBBBA Tax Implications to New Mexico

OBBBA Direct Revenue Impacts to CIT: Other

- Modified federal provisions to which New Mexico conforms include:
 - Section 70306 - Increased dollar limitations for expensing of certain depreciable business assets effective Tax Year 2025
 - Section 70431 - Expansion of qualified small business stock gain exclusion. Effective to stock issued after date of OBBBA enactment
- General Fund Revenue Impact
 - Overall downward risk to CIT revenue but not estimated as dependent on taxpayer behavior
- Federal Tax Policy
 - Predominantly regressive

Appendix 14j: Overview of OBBBA Tax Implications to New Mexico

OBBBA Sections with indirect impacts to PIT & CIT

- Termination or phase-out of federal credits, including:
 - Clean vehicle credits (Sections 70501-70503)
 - Energy efficient building credits (Sections 70505 – 70508)
 - Advanced manufacturing production credit (Section 70514)
- Conformity
 - While New Mexico has similar credits, they are not dependent on federal credits
 - Exception – the new state Advanced Energy Equipment income tax credit (7-2-18.39 & 7-2A-19.3 NMSA 1978) has definitions tied to the IRC code under Section 45X modified by OBBBA
- General Fund Revenue Impact
 - Overall upward risk to PIT & CIT to the extent taxpayers planned on pairing federal and state credits and no longer plan certain purchases and seek the state credits