

Consensus General Fund Revenue Outlook



New Mexico Department of Finance and Administration: December 12, 2018

Presented to the Legislative Education Study Committee

Overview

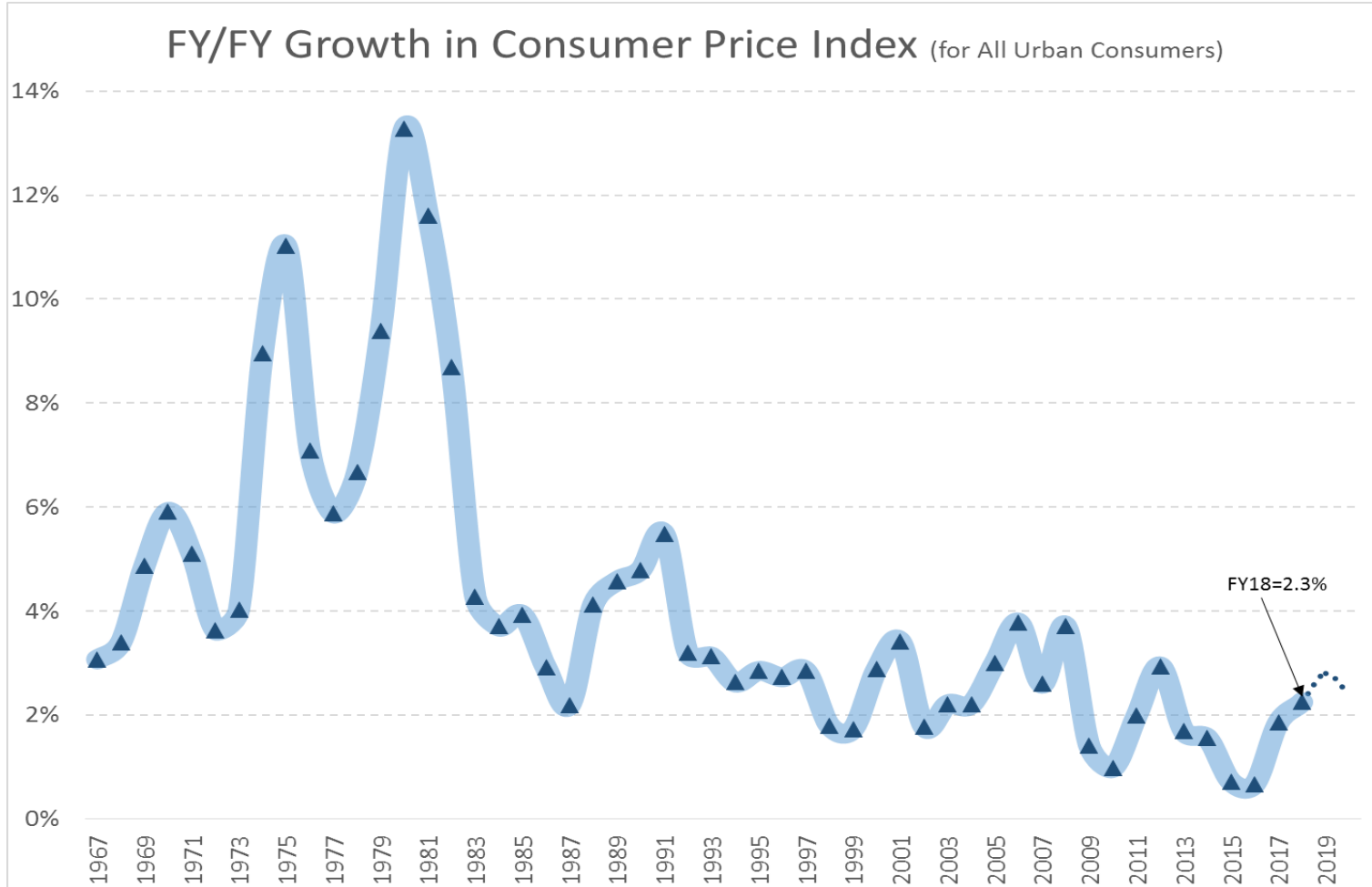
- This forecast remains similar to that presented in August apart from much higher Federal Mineral Leasing (FML) auction results in September that increased FY19 revenue by almost \$300 million and lower oil prices that have reduced severance revenue and moderated gross receipts tax expectations.
- FY18 revenue ended the year close to expectations with slightly lower Insurance Premiums Tax receipts, slightly higher severance revenues, and higher reversions.
- In FY19 General Fund revenues are expected to grow by 11% percent as they are inflated by last September's FML auction and higher oil prices in the first half of the fiscal year (July-October of calendar year 2018), for total revenue of \$7.6 billion.
- In the budget year, of FY20, overall General Fund revenues are expected to be 2% lower, as FML expectations return to prior norms while other revenues are expected to see more historic trend growth for total revenue of \$7.4 billion.
- The resulting "new money," or FY20 revenue above FY19 recurring appropriations, is forecast at \$1.1 billion.
- FY18 ended with 20% reserves and without additional mid-year spending FY19 ending reserves would now be expected to reach 40%
- Due to the volatility of revenues and the range and current magnitude of risks, our State should target at least 25% reserves currently and even higher reserves in future years as New Mexico's relative reliance on the oil sector continues to increase.

US/Global & New Mexico Macroeconomic Outlook

- Moderate macroeconomic growth is expected to continue nationally and in NM.
 - A near term US recession is not forecast in the baseline scenario, but expectations continue to grow that the next recession is more likely in the few years.
- Overall US Real GDP is expected to grow around 3% in FY19 and between 1% and 2% over the following two years. Tightening federal reserve monetary policy has been expected to slow growth; however, escalating trade conflicts and global uncertainty have caused some forecasters to lower growth and increase the probability for recession.
- With a direct link to most revenues, inflation returned to longer-term averages faster than expected. Future expectations are between 2% and 3% in FY19 and FY20.
- The impacts of federal tax reform (TCJA) estimated by the Congressional Budget Office appear to have begun to materialize with increased output, and increased near-term demand, partially offset by larger deficits created by the tax.
- After rebounding sharply Southeast NM has continued massive growth to new heights, setting new record levels for rig count, oil production, and taxable gross receipts.
- A dashboard of current US and New Mexico economic indicators can be found at:
<https://research.stlouisfed.org/dashboard/9235>



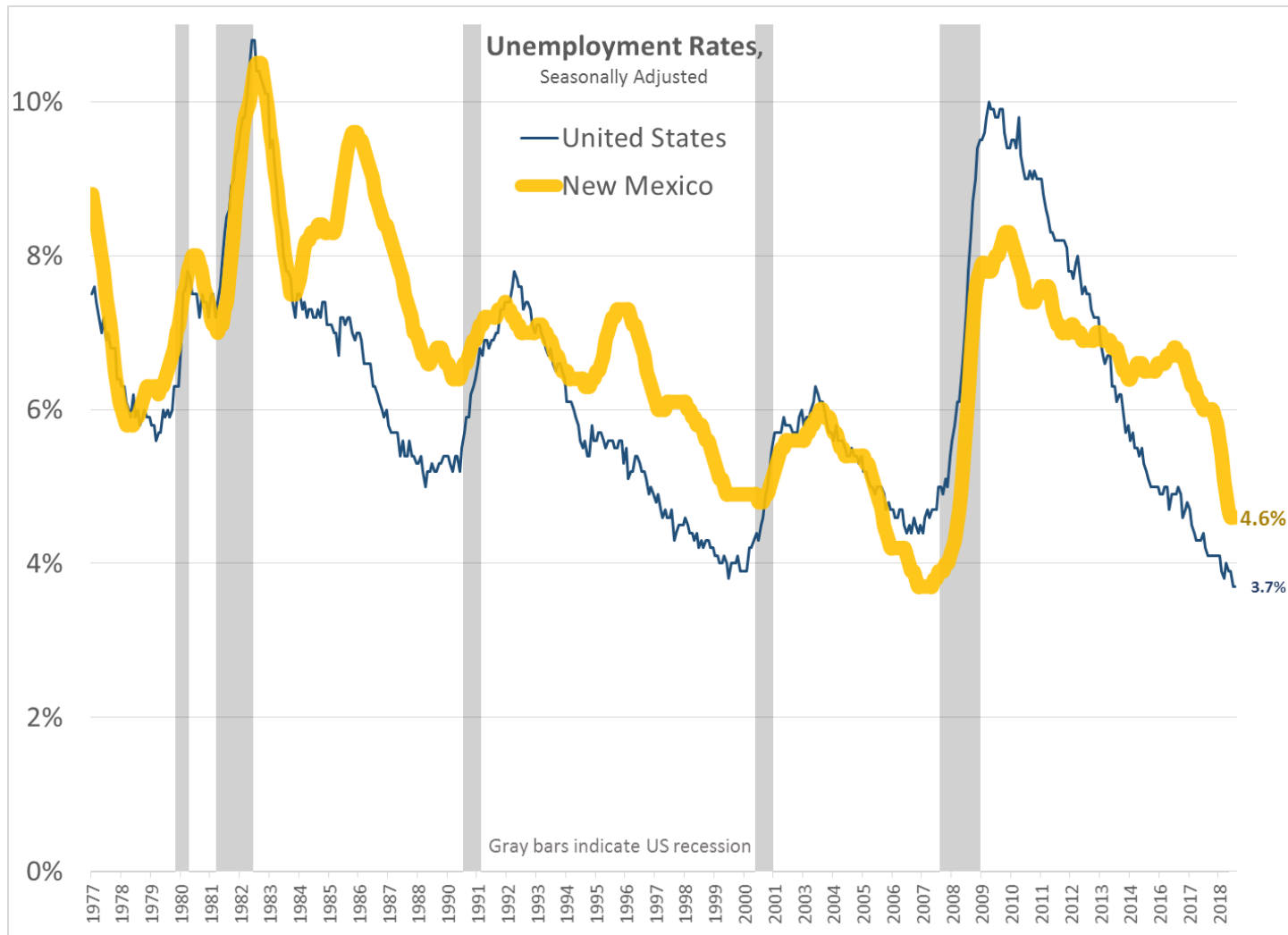
End of Historically Low Inflation = Higher Nominal Revenue Growth



- *Inflation had been relatively stable for decades 1995-2014 average =2.4%*
- *FY15 and FY16: endured lowest inflation in 60 years, at only 0.7%*
- *FY17: began to normalize at 1.9% and FY18 normalized at 2.3%*
- *FY19 and FY20: inflation alone expected to add around 2½% growth to majority of nominal General Fund revenues*

NM Outlook: Unemployment improvement

- The unemployment rate has significantly improved over the past year, reaching 4.6% in August – the lowest level in a decade.



Gross Receipts- *New heights for oil patch & continued core growth*

FY 18 Y/Y General Fund GRT \$millions

San Juan 6.5	Rio Arriba 0.3	Taos -1.2	Colfax 0.2	Union 0.0
McKinley -0.7	Sandoval 2.3	Los Alamos -2.6	Mora 0.1	Harding -0.2
Cibola 2.6	Bernalillo 35.0	Santa Fe 11.7	San Miguel 1.9	Curry -5.6
Catron -0.1	Valencia 8.1	Torrance -2.2	Guadalupe -0.2	De Baca -0.1
Grant 1.9	Sierra -1.1	Socorro -0.6	Lincoln 1.9	Lea 71.5
Luna 1.9	Doña Ana 7.9	Otero 0.6	Chaves 4.5	Eddy 89.6
Hidalgo 4.4	Out-of-State: 66.9			

FY19 Q1 Y/Y General Fund GRT \$millions

San Juan -3.0	Rio Arriba -0.4	Taos -0.2	Colfax -0.4	Union 0.1
McKinley 0.3	Sandoval 1.0	Los Alamos -2.0	Mora -0.1	Harding 0.1
Cibola -0.1	Bernalillo 4.4	Santa Fe 2.8	San Miguel -0.1	Curry 0.5
Catron -0.1	Valencia -0.9	Torrance -1.5	Guadalupe -0.2	De Baca 0.3
Grant 0.3	Sierra 0.3	Socorro 0.3	Lincoln 0.2	Lea 26.2
Luna -0.2	Doña Ana 2.0	Otero 0.4	Chaves 0.4	Eddy 28.7
Hidalgo -1.8	Out-of-State: 28.3			

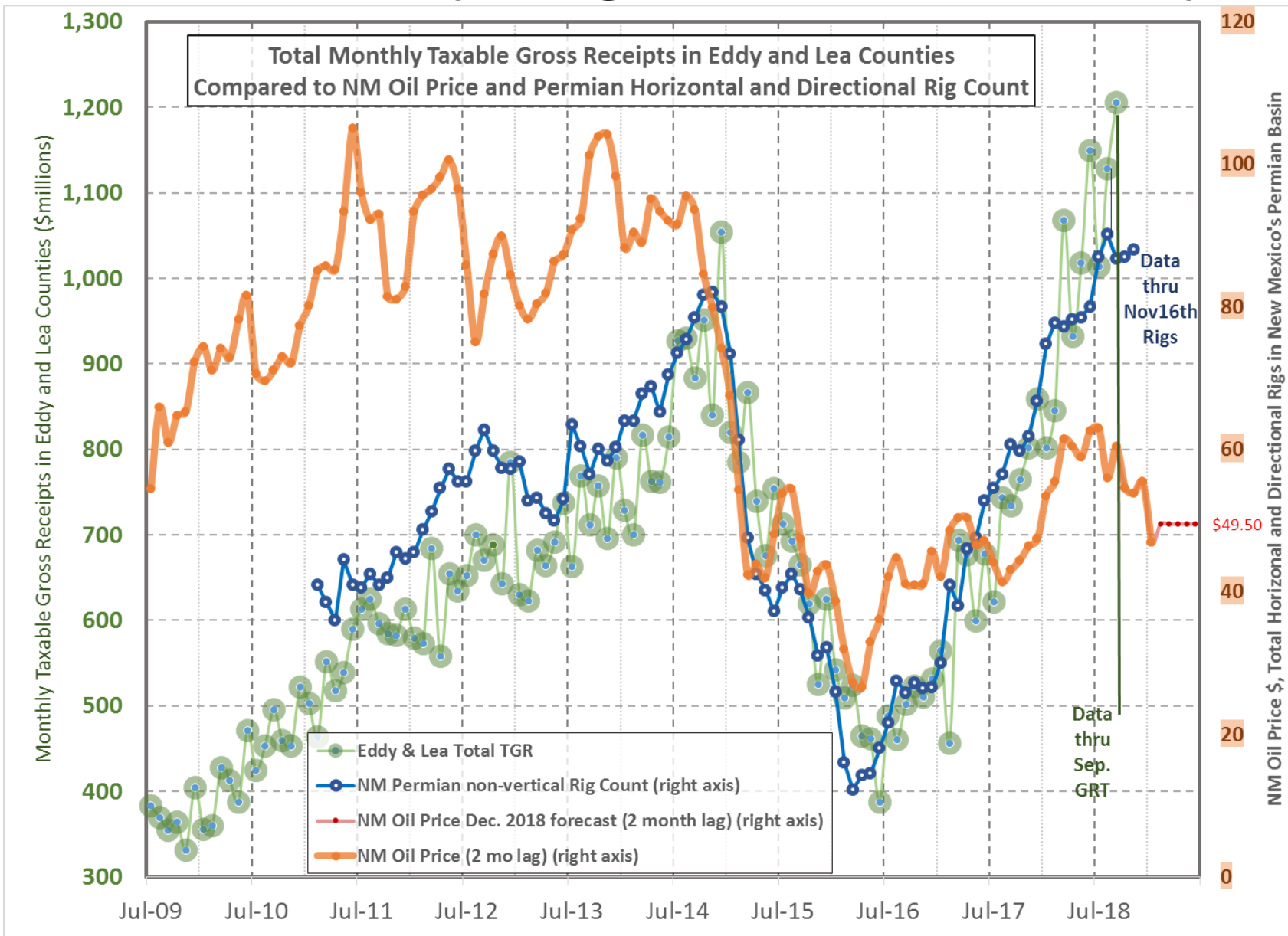
FY18: The decline in San Juan reversed. Diversified growth in core Rio Grande corridor more than doubled. Eddy, Lea, and Out-of-State grew substantially due to increased oil activity. Online sales also grew Out-of-State sourced sales. Rural NM continued to lag.

FY19 Q1: The decline in San Juan returns. Growth continues but moderates in Rio Grande corridor. Eddy, Lea, and Out-of-State are all on track to grow more than ever before.

Note: See Appendix 4 for calculation and additional detail



Oil Price Volatility → Rig Count and TGR Volatility

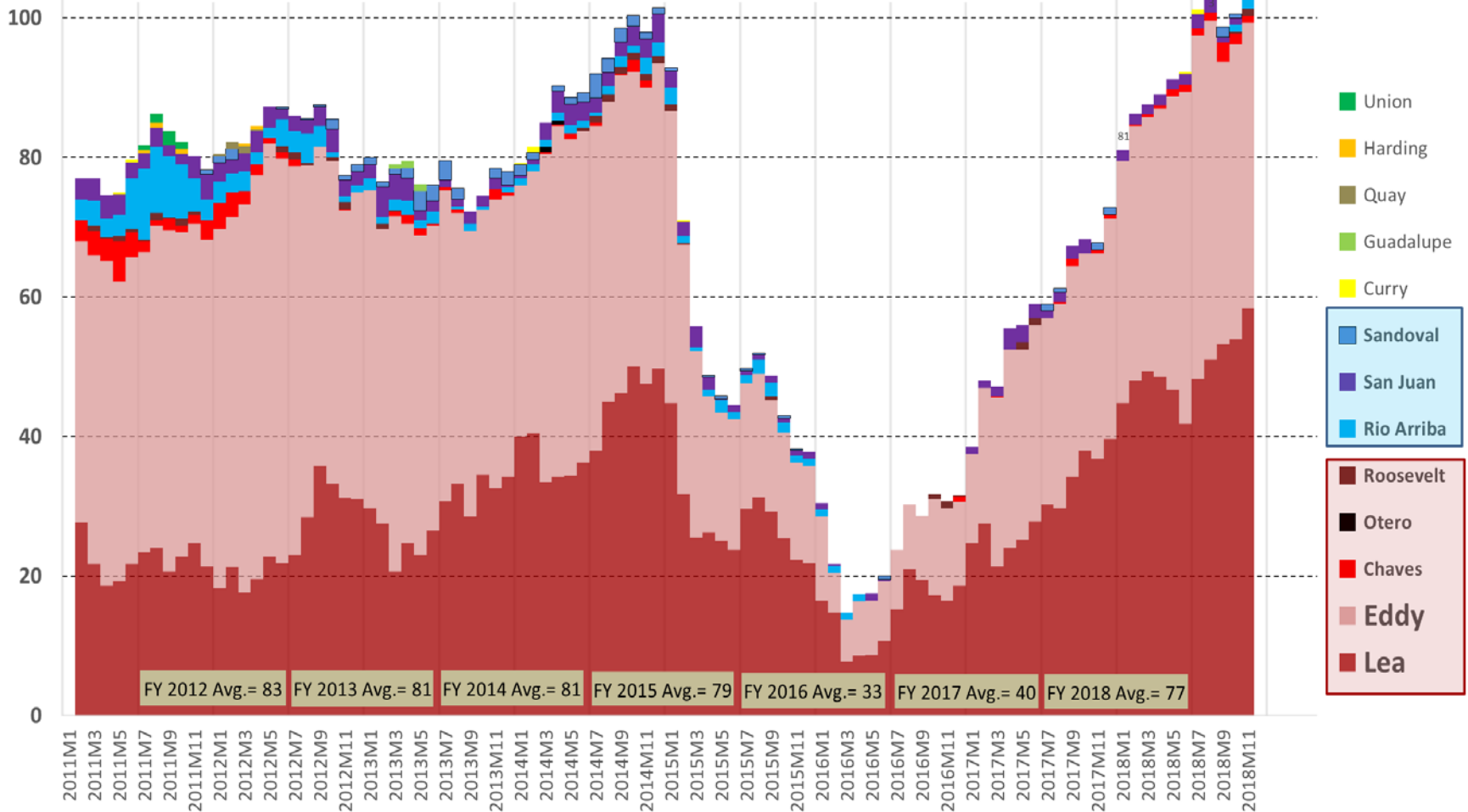


Rebounding Exploration Reaches New Heights:

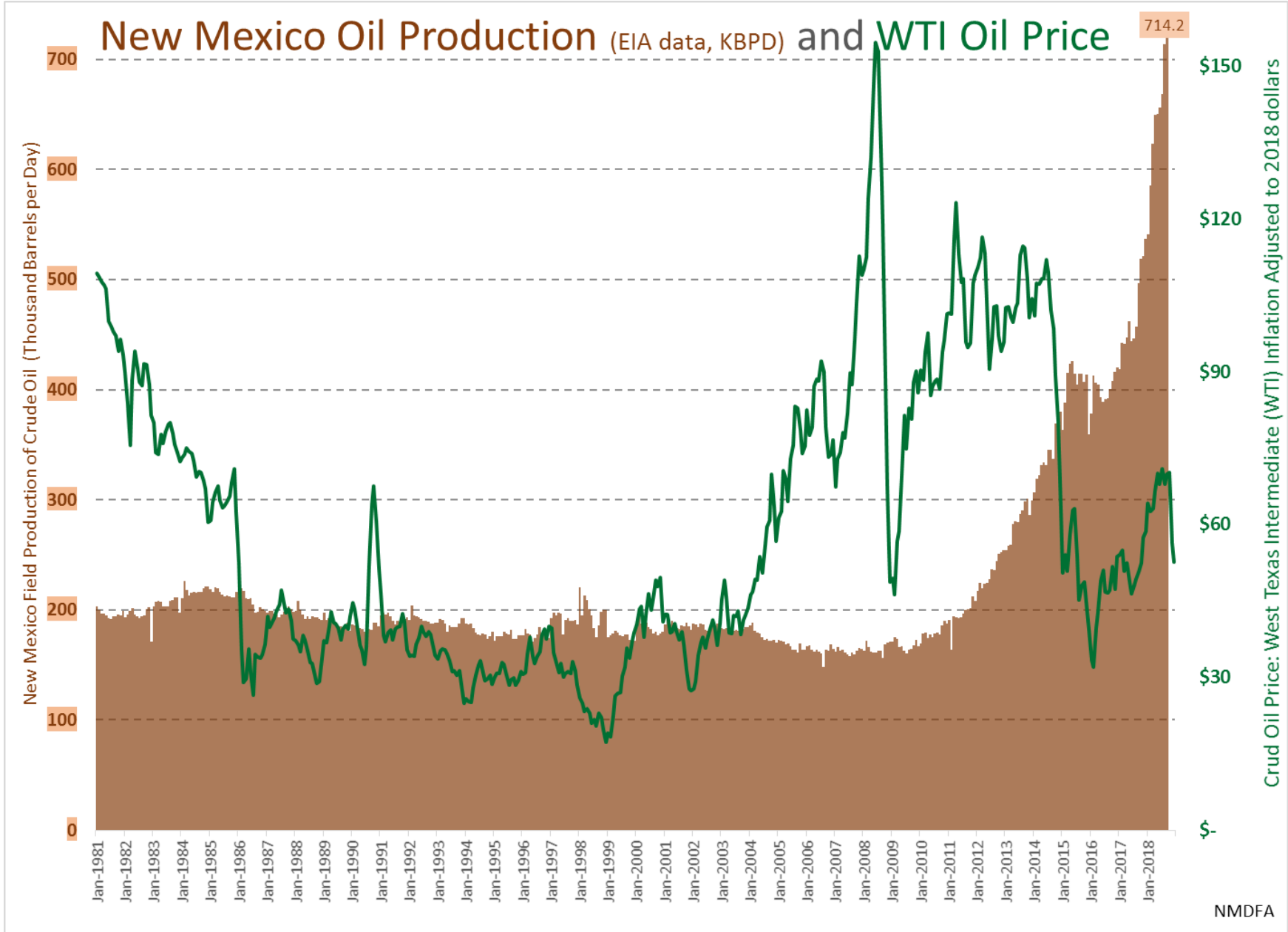
FY16: averaged 33 rigs & FY17: averaged 40 rigs

FY18: averaged 77 rigs (of higher productivity), FY19 on track for similar Y/Y increase (new 110 record in Dec.)

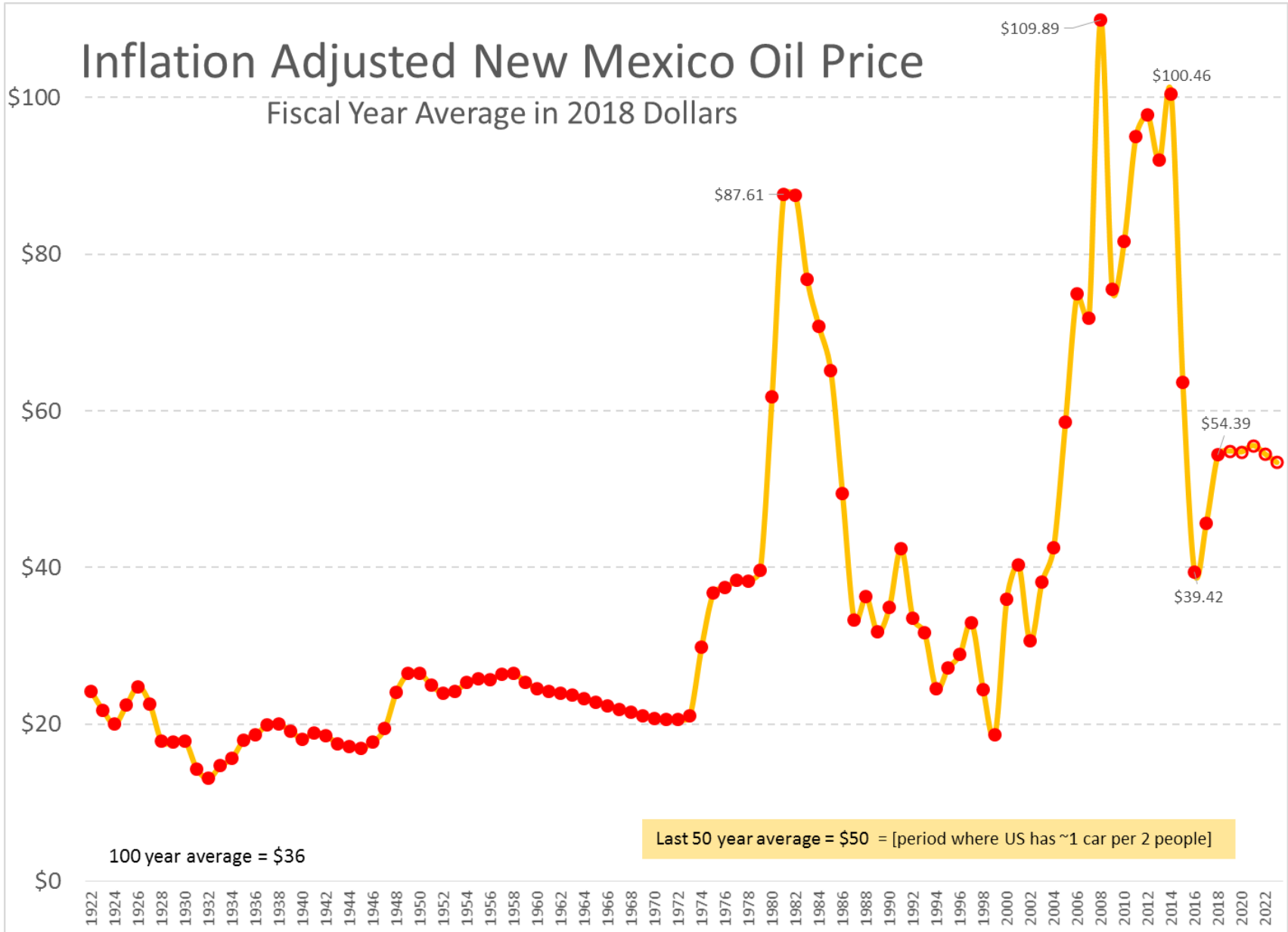
New Mexico Rig Count by County (monthly avg.)



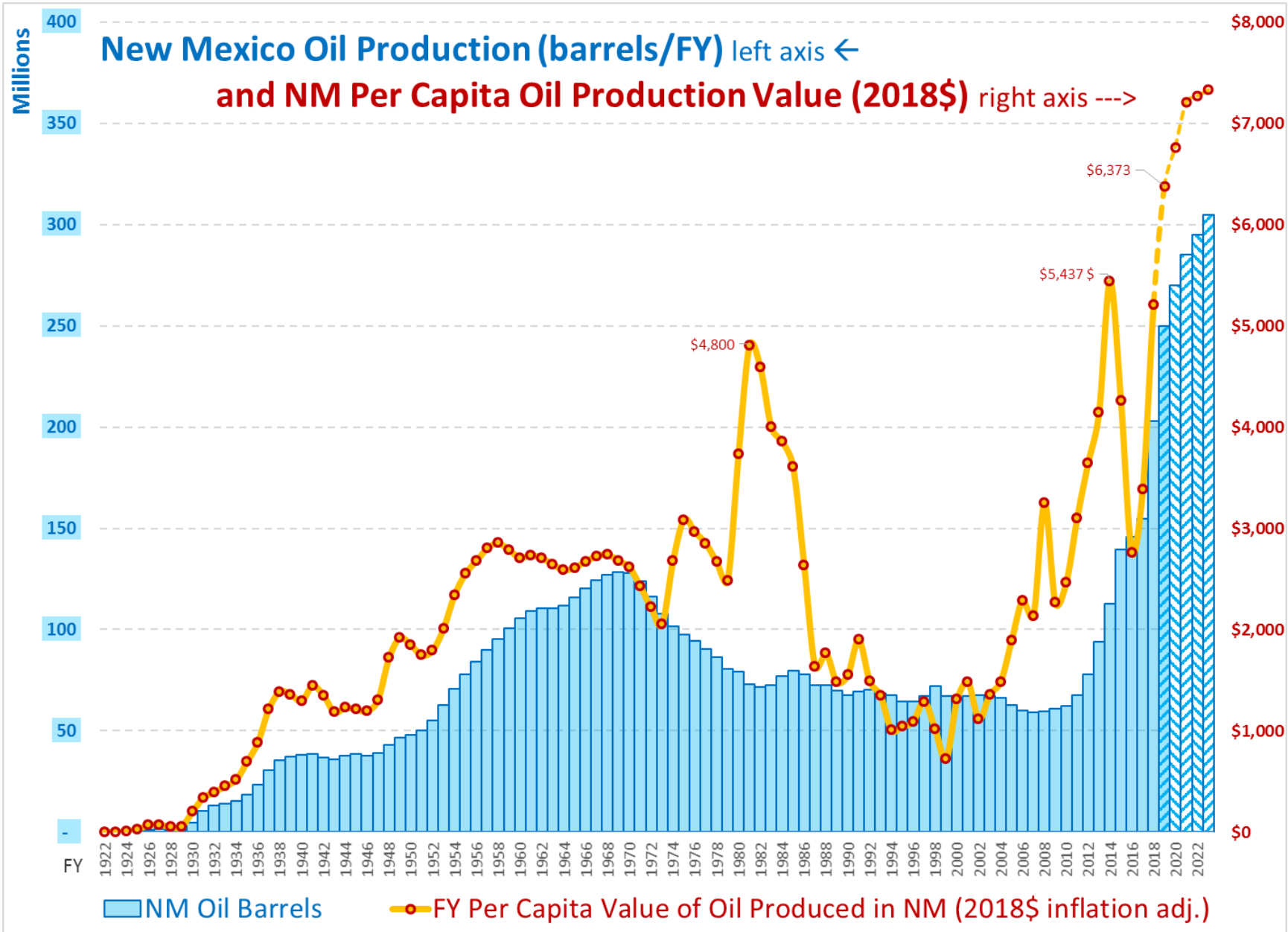
Record Shattering Levels of NM Oil Production



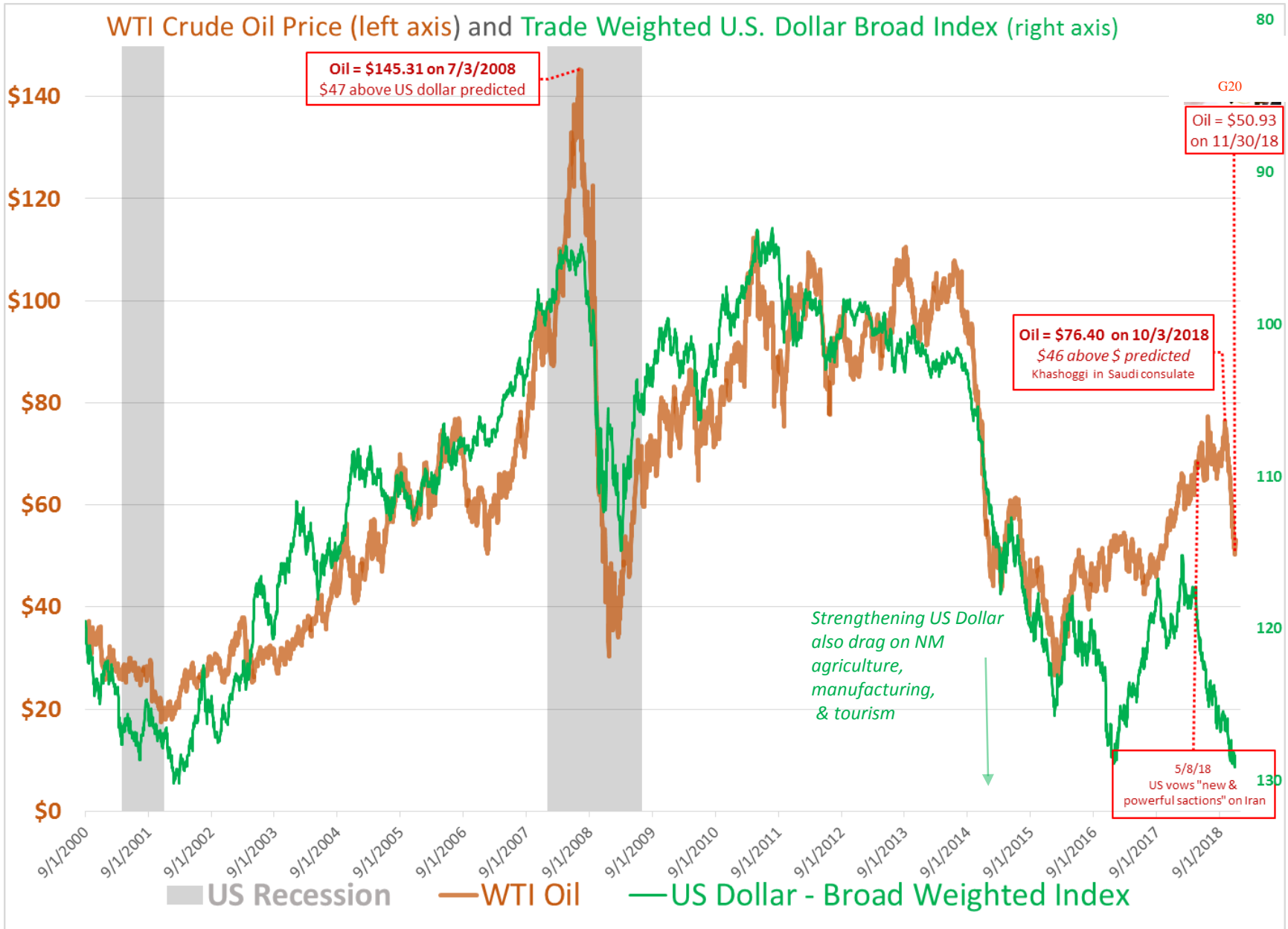
Historic Perspective of NM Oil Price



Historic Perspective of NM Oil Production and Relative Value



Oil Highly Volatile: US Dollar swings oil price along with commodity specific supply & demand



New Mexico Oil & Gas Outlook

	FY17	FY18	FY19	FY20
<u>Crude Oil:</u>				
Price (\$/barrel)	\$44.75	\$55.05	\$49.50	\$52.00
Production (mill. barrels)	156	204	250	270
<i>Oil Volume Growth</i>	6%	31%	22%	8%
<u>Natural Gas:</u>				
Price (\$/1,000 cu. ft.)	\$3.24	\$3.47	\$3.55	\$3.00
Production (Bill. cu. ft.)	1,236	1,361	1,470	1,515
<i>Gas Volume Growth</i>	5%	10%	8%	3%

Source: ONGARD; Consensus Revenue Estimating Group

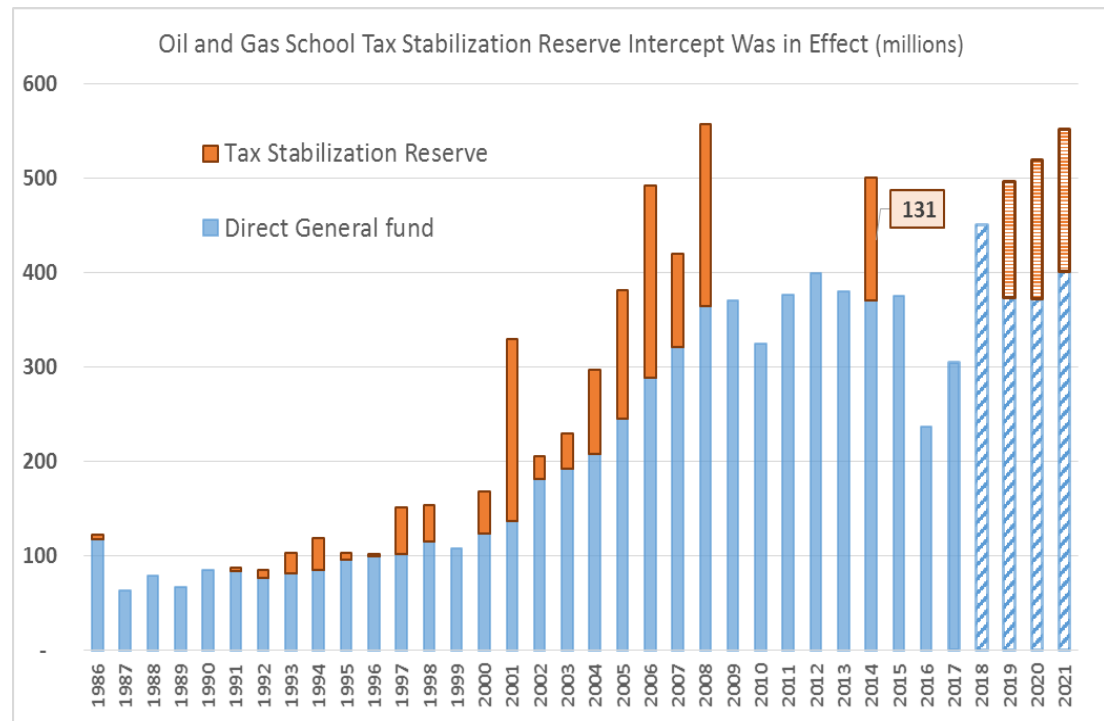
- *Oil prices revised down \$6.50 in FY19 and \$5.00 for FY20 vs August, while volume expectations remain similar.*
- *Natural gas prices and volumes revised higher for FY19 and FY20 increasing overall New Mexico natural gas value forecast by one-tenth.*

Oil & Gas School Tax to Stabilization Reserve: Passed in 2017 Special Session HB-2

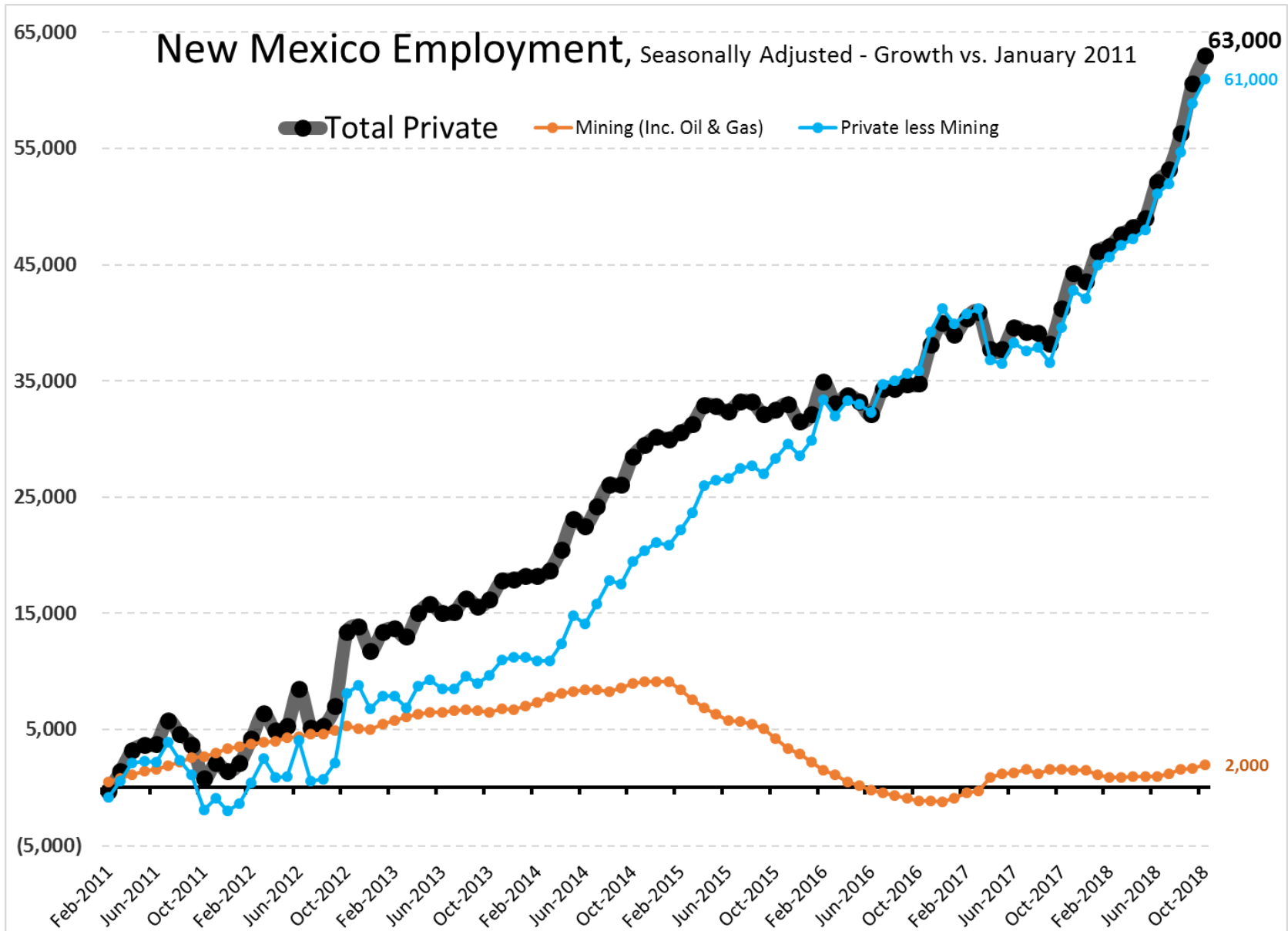
- This legislation removed a portion of the volatility in the oil and natural gas revenues into New Mexico's General Fund.
- Beginning in FY19, oil and gas emergency school tax revenue in excess of its prior five fiscal year annual average will be directed to the tax stabilization reserve fund.
- The graph below shows the past 30 year history of oil and gas school tax revenues and how much would have been diverted to the Tax Stabilization Reserve Fund if this legislation had been in place during these periods.

- If this legislation had been in place, \$131 million of the above average revenue in FY14 would have been set aside from the General Fund and been available to address a portion of the FY16 or FY17 shortfalls.

- This mechanism is expected to set aside \$123 million in FY19, \$147 million in FY20, and \$150 million in FY21.



Private Employment Growth



A Sampling of New NM Companies

Company	County	Industry	Jobs
Stampede Meat	Dona Ana	Manufacturing (Food)	1,295
Facebook	Valencia	Tech	100
Safelite AutoGlass	Sandoval	Insurance	900
Solaro	Socorro	Green Energy	25
Carenet Health Services	Bernalillo	Customer Support Center	244
Corrugated Synergies International	Dona Ana	Industrial	120
Keter Plastics	Valencia	Manufacturing	175

Examples of Business Retention & Expansion

Company	County	Industry	Jobs
Lavu	Bernalillo	Tech	46
Agmechtronix, LLC	Grant	Manufacturing	23
Vitality Works	Bernalillo	Manufacturing	80
Ideum	Sandoval	Tech	73
Amfab/Phat Steel	Sandoval	Manufacturing	86
Descartes Labs	Santa Fe	Tech	50
UbiQD	Los Alamos	Tech	20
Skorpios	Bernalillo	Tech	300
Southwest Cheese	Curry	Value Added Manufacturing	400
Compass	Luna	Manufacturing	142
PESCO	San Juan	Manufacturing	170

- Positive impact of JTIP, LEDA, etc.

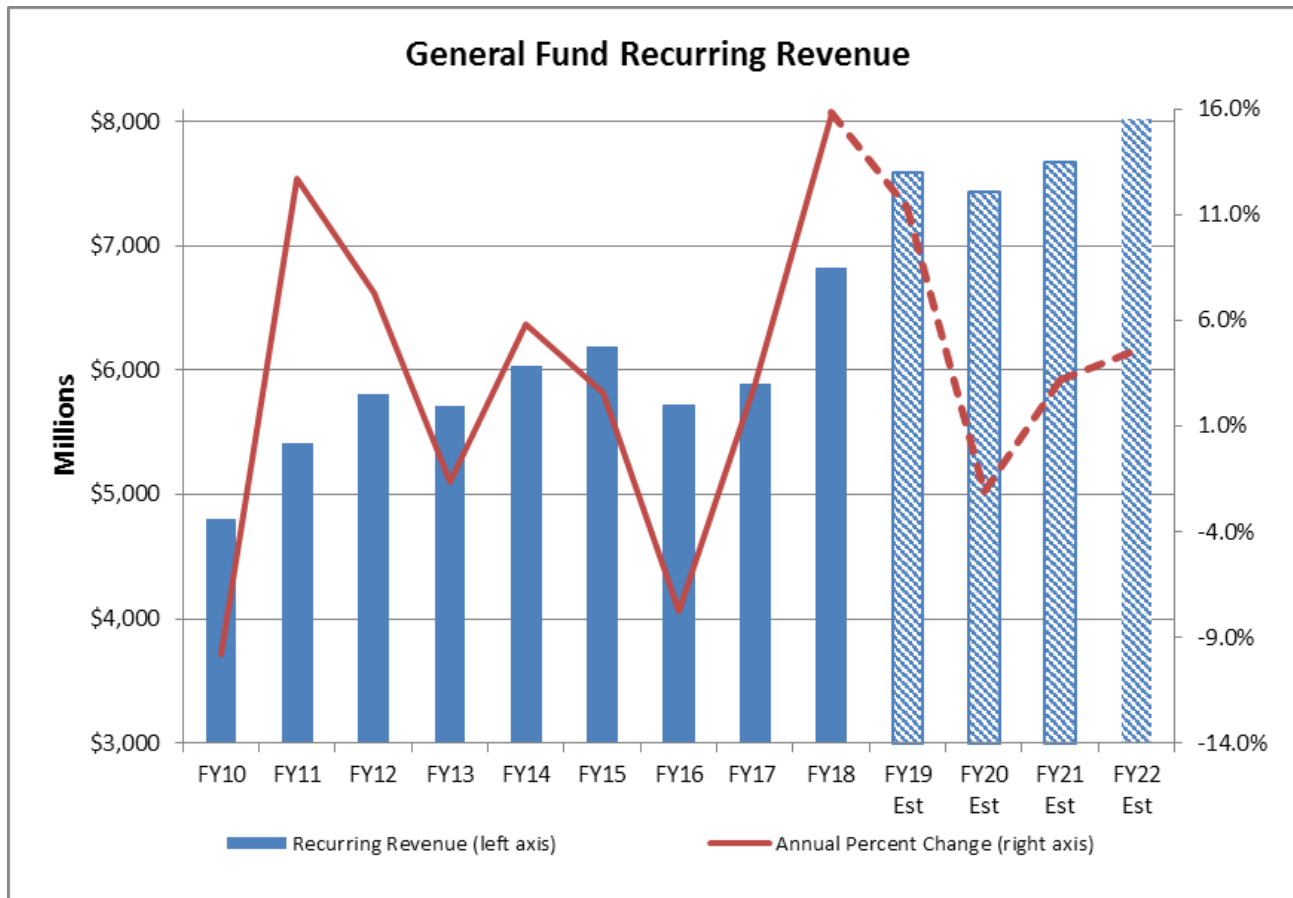
General Fund Forecast Summary

August 2018 Consensus General Fund Forecast						
	FY18		FY19		FY20	
	\$ Millions	% Change	\$ Millions	% Change	\$ Millions	% Change
General Sales	\$2,437	18.4%	\$2,653	8.6%	\$2,716	4.7%
Selective Sales	\$526	-3.2%	\$553	5.2%	\$562	1.6%
Income Taxes	\$1,626	12.0%	\$1,674	3.0%	\$1,721	2.8%
O&G Revenue	\$1,169	37.7%	\$1,604	37.2%	\$1,244	-22.5%
Investment Income	\$803	8.7%	\$885	10.3%	\$970	9.5%
Other	\$256	5.7%	\$220	-13.9%	\$222	0.6%
<u>Total Recurring Revenue</u>	<u>\$6,816</u>	<u>15.8%</u>	<u>\$7,590</u>	<u>11.3%</u>	<u>\$7,433</u>	<u>-2.1%</u>

- Beyond trend General Sales growth in FY18 and FY19 driven by oil exploration then closer to long run average growth rates in FY20.
- Personal Income Tax has \$54 million per year boost from federal tax reform.
- Oil and gas related revenue growth.
- FML bonus (lease auction) receipts spike in FY19 but normalize in FY20
- Details in Appendix 1 and Appendix 3.

General Fund Revenue Outlook

- Recurring revenue reached record high in FY15; was exceeded in FY18
- FY18 total grew by 15.8% to \$6.8 Billion.
- FY19 total growth estimated to be 11.3%.
- FY20 total growth estimated to be -2.1%



General Fund Financial Summary

(\$ in millions)

	FY18	FY19	FY20
Beginning Balance	\$505	\$1,193	\$2,547
Total Revenue	\$6,881	\$7,590	\$7,433
Spending	(\$6,191)	(\$6,378)	“New Money” \$1,103
Reserve Transfers, etc.	(\$2)	\$141	
Ending Balance	\$1,193	\$2,547	
Percent of Appropriations	19.6%	40.2%	

Risks to the Forecast

- Direct sensitivity to oil and gas price: severance, GRT, and income taxes.
 - More than ever before, NM severance revenues are driven predominately by the volatile global price of oil instead of a mix of commodities previously dominated by local natural gas prices.
- Substantial tax protest claims remain to be decided by pending hearings and/or litigation and may possibly be a major impact (beyond trend negative not incorporated into in this baseline forecast).
 - A higher level of refund requests have been identified by TRD than as of the August forecast.
 - A new lawsuit by local governments against the State has now been filed, but no reduction has yet been factored into this baseline revenue forecast.
- International trade uncertainty impacts both direct NM trade and overall global economic stability. The new NAFTA has not removed all uncertainty, the Chinese trade war has escalated along with Eurozone instability.
- Caution for US recession (half year away from longest gap between US recessions).
 - Predicting when and how severe is impossible but preparation is the same.
- Minimum 25% reserve target to help mitigate risks
 - A reserve of almost 17% in 2006 proved inadequate for NM with a major US recession. Then in FY14, a reserve of 12% proved inadequate with an oil bust softened by continued overall US economic growth (without any US recession).
 - Adequate reserves will help stabilize the state's bond ratings since Moody's Investors Service has indicated past NM revenue volatility necessitates a higher level of reserves.

Speed of “Turning Points” Significantly Impacting NM Revenue

- Immediate: Severance Value
 - Volatility in energy markets today will impact the price New Mexico energy producers receive tomorrow directly and immediately impacting severance revenues.
- 2-3 months: Direct GRT, Severance Volume
 - When energy companies perceive the prices they receive are less profitable or no longer profitable capital expenditure levels will be reduced directly and significantly lowering GRT and beginning to reduce production volume.
- Within current year: Personal Income Tax, Secondary GRT, Selective Sales
 - While businesses will initially resist layoffs, eventual reductions in workforce will reduce PIT via withholding and ripple through the broader revenue streams (secondary GRT, MVX, Liquor, Cigarette, Gaming, Tribal, etc.).
- Within Budget Cycle: Most revenues
 - While strong US economic data would make the declaration of a US recession within a year unexpected, it is definitely possible and has recently been more commonly predicted within this budget period. A US recession alone could impact revenues broadly. A US recession could consume a 15%-20% reserve even without a drop in the energy sector revenues.
- Multiple Year: Corporate Income Tax upward
 - Corporate Income Tax Receipts are impacted significantly by loss carryforwards, estimated payments, tax planning, and profit taking decisions of large corporations that are disconnected from their current profitability.
- Longer Term: Permanent Fund distributions
 - Distributions from New Mexico’s Land Grant Permanent Fund and Severance Tax Permanent Fund are the most stabilizing feature of our state’s revenue system. Our State has the lowest nationwide reliance on property taxes, so without the stability of our permanent funds the most recent downturn would have been exponentially more painful. About \$900 million in FY20 Permanent Fund distributions is not at significant risk even with a price collapse, compared to GRT and Severance which could both drop hundreds of millions.

General Fund Consensus Revenue Estimate December 2018

Revenue Source	FY18					FY19					FY20				
	Aug 2018 Prelim. Actual	Dec 2018 Unaudited Actual	Change from Prior	% Change from FY17	\$ Change from FY17	Aug 2018 Est.	Dec 2018 Est.	Change from Prior	% Change from FY18	\$ Change from FY18	Aug 2018 Est.	Dec 2018 Est.	Change from Prior	% Change from FY19	\$ Change from FY19
Base Gross Receipts Tax	2,557.7	2,525.9	(31.8)	16.4%	356.6	2,751.1	2,736.2	(14.9)	8.3%	210.3	2,873.1	2,783.7	(89.4)	1.7%	47.5
60-Day Money & Other Credits	(53.9)	(21.0)	32.9	-36.4%	12.0	(53.9)	(40.0)	13.9	90.5%	(19.0)	(53.9)	(30.0)	23.9	-25.0%	10.0
F&M Hold Harmless Payments	(118.8)	(123.8)	(5.0)	0.9%	(1.1)	(115.0)	(113.5)	1.5	-8.3%	10.3	(111.4)	(108.0)	3.4	-4.8%	5.5
NET Gross Receipts Tax	2,385.0	2,381.1	(3.9)	18.3%	367.5	2,582.2	2,582.7	0.5	8.5%	201.6	2,707.8	2,645.7	(62.1)	2.4%	63.0
Compensating Tax	57.0	56.1	(0.9)	15.6%	7.6	70.0	70.0	-	24.8%	13.9	70.0	70.0	-	0.0%	-
TOTAL GENERAL SALES	2,442.0	2,437.2	(4.8)	18.2%	375.1	2,652.2	2,652.7	0.5	8.8%	215.5	2,777.8	2,715.7	(62.1)	2.4%	63.0
Tobacco Taxes	79.3	78.4	(0.9)	0.6%	0.5	77.6	77.4	(0.2)	-1.2%	(1.0)	76.2	76.0	(0.2)	-1.8%	(1.4)
Liquor Excise	23.9	23.8	(0.1)	222.6%	16.4	25.2	25.6	0.4	7.5%	1.8	23.0	23.4	0.4	-8.6%	(2.2)
Insurance Taxes	201.0	179.5	(21.5)	-21.1%	(48.0)	217.7	209.7	(8.0)	16.8%	30.2	234.6	216.4	(18.2)	3.2%	6.7
Fire Protection Fund Reversion	17.8	20.0	2.2	6.9%	1.3	18.3	18.3	-	-8.3%	(1.7)	18.9	18.9	-	3.0%	0.6
Motor Vehicle Excise	154.0	154.0	0.0	6.0%	8.8	151.7	150.6	(1.1)	-2.2%	(3.4)	154.9	155.5	0.6	3.3%	4.9
Gaming Excise	61.5	62.1	0.6	4.3%	2.5	61.8	63.6	1.8	2.5%	1.5	63.1	63.7	0.6	0.2%	0.1
Leased Vehicle & Other	9.0	8.2	(0.8)	13.1%	0.9	8.0	8.0	-	-2.4%	(0.2)	8.0	8.0	-	0.0%	-
TOTAL SELECTIVE SALES	546.5	525.9	(20.5)	-3.2%	(17.5)	560.2	553.2	(7.0)	5.2%	27.3	578.7	561.9	(16.8)	1.6%	8.6
Personal Income Tax	1,492.0	1,519.0	27.0	10.0%	138.3	1,557.4	1,564.3	7.0	3.0%	45.4	1,604.4	1,605.0	0.6	2.6%	40.7
Corporate Income Tax	110.0	106.6	(3.4)	51.9%	36.4	110.0	110.0	-	3.2%	3.4	115.5	115.5	-	5.0%	5.5
TOTAL INCOME TAXES	1,602.0	1,625.6	23.6	12.0%	174.7	1,667.4	1,674.3	7.0	3.0%	48.8	1,719.9	1,720.5	0.6	2.8%	46.2
Oil and Gas School Tax	426.6	450.8	24.2	48.2%	146.5	368.6	373.6	5.0	-17.1%	(77.2)	369.0	372.7	3.7	-0.2%	(0.9)
Oil Conservation Tax	22.2	22.9	0.7	31.7%	5.5	26.3	25.5	(0.8)	11.4%	2.6	28.6	27.1	(1.5)	6.3%	1.6
Resources Excise Tax	8.5	8.6	0.1	-11.2%	(1.1)	7.3	7.5	0.2	-12.5%	(1.1)	7.1	7.4	0.3	-1.3%	(0.1)
Natural Gas Processors Tax	10.8	10.8	0.0	5.1%	0.5	14.4	15.3	0.9	41.1%	4.5	14.0	16.6	2.6	8.5%	1.3
TOTAL SEVERANCE TAXES	468.1	493.1	25.0	44.3%	151.5	416.6	421.9	5.3	-14.4%	(71.2)	418.7	423.8	5.1	0.5%	1.9
LICENSE FEES	62.2	61.0	(1.2)	14.4%	7.7	55.1	54.5	(0.6)	-10.7%	(6.5)	55.7	55.1	(0.6)	1.1%	0.6
LGPf Interest	584.9	586.6	1.7	8.3%	45.0	632.6	636.2	3.6	8.5%	49.7	678.6	682.1	3.5	7.2%	45.8
STO Interest	5.8	5.9	0.1	-284.1%	9.2	35.5	28.5	(7.0)	379.4%	22.6	66.5	57.8	(8.7)	102.8%	29.3
STPF Interest	210.4	210.4	(0.0)	5.0%	9.9	220.6	220.6	0.0	4.9%	10.2	229.0	229.8	0.8	4.2%	9.2
TOTAL INTEREST	801.1	802.9	1.8	8.7%	64.1	888.7	885.3	(3.4)	10.3%	82.5	974.1	969.7	(4.4)	9.5%	84.4
Federal Mineral Leasing	564.1	564.2	0.1	29.5%	128.5	815.0	1,098.0	283.0	94.6%	533.8	750.0	758.5	8.5	-30.9%	(339.5)
State Land Office	111.8	111.8	0.0	56.4%	40.4	62.7	84.4	21.7	-24.5%	(27.4)	62.9	61.5	(1.4)	-27.1%	(22.9)
TOTAL RENTS & ROYALTIES	675.9	676.1	0.2	33.3%	168.9	877.7	1,182.4	304.7	74.9%	506.3	812.9	820.0	7.1	-30.6%	(362.4)
TRIBAL REVENUE SHARING	65.0	68.1	3.1	8.6%	5.4	74.0	74.8	0.8	9.9%	6.7	74.8	76.2	1.4	1.9%	1.4
MISCELLANEOUS RECEIPTS	43.4	46.9	3.5	-5.2%	(2.6)	47.4	48.3	0.9	3.0%	1.4	48.8	50.2	1.4	3.9%	1.9
REVERSIONS	37.0	79.8	42.8	4.3%	3.3	40.0	42.5	2.5	-46.7%	(37.3)	40.0	40.0	-	-5.9%	(2.5)
TOTAL RECURRING	6,743.2	6,816.5	73.3	15.8%	930.6	7,279.4	7,590.0	310.6	11.3%	773.5	7,501.3	7,433.1	(68.2)	-2.1%	(156.9)
TOTAL NONRECURRING	65.5	64.8	(0.7)	-88.7%	(510.9)	-	-	-	0.0%	-	-	-	-	0.0%	-
GRAND TOTAL	6,808.7	6,881.3	72.6	6.5%	419.7	7,279.4	7,590.0	310.6	10.3%	708.7	7,501.3	7,433.1	(68.2)	-2.1%	(156.9)

Note: Columns in blue show difference between August 2018 Consensus Revenue Estimate and January 2018 Consensus Revenue Estimate

Note: Columns in red show year-over-year growth expected in the August 2018 Consensus Revenue Estimate

Oil & Gas School Tax to Tax Stab. Res.	134.5	122.6	(11.9)	0.0%	-	177.2	146.6	(30.6)	19.6%	24.0
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General Fund Consensus Revenue Estimate December 2018

Revenue Source	FY21					FY22					FY23				
	Aug 2018 Est.	Dec 2018 Est.	Change from Prior	% Change from FY20	\$ Change from FY20	Aug 2018 Est.	Dec 2018 Est.	Change from Prior	% Change from FY21	\$ Change from FY21	Aug 2018 Est.	Dec 2018 Est.	Change from Prior	% Change from FY22	\$ Change from FY22
Base Gross Receipts Tax	2,923.2	2,849.5	(73.7)	2.4%	65.8	3,023.7	2,970.9	(52.8)	4.3%	121.4	3,128.6	3,091.8	(36.8)	4.1%	120.9
60-Day Money & Other Credits	(53.9)	(30.0)	23.9	0.0%	-	(53.9)	(30.0)	23.9	0.0%	-	(53.9)	(30.0)	23.9	0.0%	-
F&M Hold Harmless Payments	(107.8)	(99.7)	8.1	-7.7%	8.3	(104.4)	(90.8)	13.6	-8.9%	8.9	(101.1)	(81.4)	19.7	-10.4%	9.4
NET Gross Receipts Tax	2,761.5	2,719.8	(41.7)	2.8%	74.1	2,865.4	2,850.1	(15.3)	4.8%	130.3	2,973.6	2,980.4	6.8	4.6%	130.3
Compensating Tax	70.0	70.0	-	0.0%	-	70.0	70.0	-	0.0%	-	70.0	70.0	-	0.0%	-
TOTAL GENERAL SALES	2,831.5	2,789.8	(41.7)	2.7%	74.1	2,935.4	2,920.1	(15.3)	4.7%	130.3	3,043.6	3,050.4	6.8	4.5%	130.3
Tobacco Taxes	74.7	74.5	(0.2)	-2.0%	(1.5)	72.9	72.7	(0.2)	-2.4%	(1.8)	71.2	70.8	(0.4)	-2.6%	(1.9)
Liquor Excise	23.1	23.6	0.5	0.9%	0.2	23.2	23.7	0.5	0.4%	0.1	23.3	23.9	0.6	0.8%	0.2
Insurance Taxes	243.1	224.9	(18.2)	3.9%	8.5	252.1	233.7	(18.4)	3.9%	8.8	260.9	242.4	(18.5)	3.7%	8.7
Fire Protection Fund Reversion	19.4	19.4	-	2.7%	0.5	19.9	19.9	-	2.8%	0.5	20.4	20.4	-	2.5%	0.5
Motor Vehicle Excise	158.0	159.2	1.2	2.4%	3.7	160.6	162.5	1.9	2.1%	3.3	163.5	165.6	2.2	1.9%	3.1
Gaming Excise	65.1	66.1	1.0	3.8%	2.4	65.4	67.2	1.8	1.7%	1.1	65.6	68.2	2.6	1.5%	1.0
Leased Vehicle & Other	8.0	8.0	-	0.0%	-	8.0	8.0	-	0.0%	-	8.0	8.0	-	0.0%	-
TOTAL SELECTIVE SALES	591.3	575.7	(15.7)	2.5%	13.8	602.1	587.7	(14.4)	2.1%	12.1	612.9	599.3	(13.6)	2.0%	11.6
Personal Income Tax	1,648.3	1,653.2	4.9	3.0%	48.2	1,695.6	1,702.8	7.1	3.0%	49.6	1,744.4	1,753.8	9.4	3.0%	51.1
Corporate Income Tax	121.3	121.3	-	5.0%	5.8	127.3	127.3	-	5.0%	6.1	133.7	133.7	-	5.0%	6.4
TOTAL INCOME TAXES	1,769.6	1,774.4	4.9	3.1%	53.9	1,823.0	1,830.1	7.1	3.1%	55.7	1,878.1	1,887.5	9.4	3.1%	57.4
Oil and Gas School Tax	403.2	401.5	(1.7)	7.7%	28.8	472.8	464.3	(8.5)	15.6%	62.8	534.9	518.6	(16.3)	11.7%	54.3
Oil Conservation Tax	30.7	28.8	(1.9)	6.3%	1.7	32.3	30.0	(2.3)	4.2%	1.2	33.8	31.0	(2.8)	3.3%	1.0
Resources Excise Tax	6.9	7.3	0.4	-1.4%	(0.1)	6.7	6.9	0.2	-5.5%	(0.4)	6.5	6.4	(0.1)	-7.2%	(0.5)
Natural Gas Processors Tax	13.3	15.5	2.2	-6.6%	(1.1)	13.0	14.4	1.4	-7.1%	(1.1)	13.3	14.5	1.2	0.7%	0.1
TOTAL SEVERANCE TAXES	454.1	453.1	(1.0)	6.9%	29.3	524.8	515.6	(9.2)	13.8%	62.5	588.5	570.5	(18.0)	10.6%	54.9
LICENSE FEES	56.3	55.7	(0.6)	1.1%	0.6	57.1	56.4	(0.7)	1.3%	0.7	57.9	57.2	(0.7)	1.4%	0.8
LGPF Interest	721.5	725.9	4.4	6.4%	43.8	773.7	776.3	2.6	6.9%	50.3	827.9	825.5	(2.4)	6.3%	49.2
STO Interest	74.6	71.4	(3.2)	23.5%	13.6	81.1	79.9	(1.2)	11.9%	8.5	81.1	80.7	(0.4)	1.0%	0.8
STPF Interest	236.6	239.2	2.6	4.1%	9.4	247.2	251.9	4.7	5.3%	12.7	257.8	264.9	7.1	5.2%	13.1
TOTAL INTEREST	1,032.7	1,036.5	3.8	6.9%	66.8	1,102.0	1,108.0	6.0	6.9%	71.5	1,166.8	1,171.1	4.3	5.7%	63.1
Federal Mineral Leasing	775.0	752.3	(22.7)	-0.8%	(6.2)	800.0	766.7	(33.3)	1.9%	14.4	825.0	792.7	(32.3)	3.4%	26.0
State Land Office	63.2	61.5	(1.7)	0.0%	-	63.6	62.0	(1.6)	0.8%	0.5	63.8	62.0	(1.8)	0.0%	-
TOTAL RENTS & ROYALTIES	838.2	813.8	(24.4)	-0.8%	(6.2)	863.6	828.7	(34.9)	1.8%	14.9	888.8	854.7	(34.1)	3.1%	26.0
TRIBAL REVENUE SHARING	76.1	77.8	1.7	2.1%	1.6	77.6	79.7	2.1	2.4%	1.9	79.2	80.9	1.7	1.5%	1.2
MISCELLANEOUS RECEIPTS	50.3	51.9	1.6	3.4%	1.7	51.7	53.2	1.5	2.5%	1.3	53.5	55.1	1.6	3.6%	1.9
REVERSIONS	40.0	40.0	-	0.0%	-	40.0	40.0	-	0.0%	-	40.0	40.0	-	0.0%	-
TOTAL RECURRING	7,740.0	7,668.7	(71.3)	3.2%	235.6	8,077.2	8,019.5	(57.7)	4.6%	350.8	8,409.3	8,366.8	(42.5)	4.3%	347.2
TOTAL NONRECURRING	-	-	-	0.0%	-	-	-	-	0.0%	-	-	-	-	0.0%	-
GRAND TOTAL	7,740.0	7,668.7	(71.3)	3.2%	235.6	8,077.2	8,019.5	(57.7)	4.6%	350.8	8,409.3	8,366.8	(42.5)	4.3%	347.2

Oil & Gas School Tax to Tax Stab. Res.	181.7	149.7	(32.0)	2.1%	3.1	142.0	111.1	(30.9)	-25.8%	(38.6)	110.1	77.3	(32.8)	-30.4%	(33.8)
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U.S. and New Mexico Economic Indicators		FY18		FY19		FY20		FY21		FY22		FY23	
		Prior Aug 18 Forecast	Dec 18 Forecast	Prior Aug 18 Forecast	Dec 18 Forecast	Prior Aug 18 Forecast	Dec 18 Forecast	Prior Aug 18 Forecast	Dec 18 Forecast	Prior Aug 18 Forecast	Dec 18 Forecast	Prior Aug 18 Forecast	Dec 18 Forecast
National Economic Indicators													
GI	US Real GDP Growth (annual avg.,% YOY)*	2.7	2.6	3.0	3.0	2.1	2.4	1.5	1.8	1.5	1.5	1.8	1.5
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.3	2.2	2.4	2.5	2.2	2.3	2.2	1.9	2.2	2.3	2.3	2.3
GI	Federal Funds Rate (%)	1.4	1.4	2.3	2.3	3.2	3.2	3.4	3.4	3.4	3.4	3.4	3.4
New Mexico Labor Market and Income Data													
BBER	NM Non-Agricultural Employment Growth (%)	0.8	0.9	1.4	1.4	1.4	1.5	1.3	1.3	1.2	1.2	1.0	1.0
BBER	NM Nominal Personal Income Growth (%)***	1.6	2.4	2.8	3.4	4.0	4.3	3.9	4.1	4.6	4.6	4.6	4.5
BBER	NM Total Wages & Salaries Growth (%)	2.6	3.4	3.8	4.1	4.5	4.8	4.7	4.7	4.5	4.5	4.2	4.2
BBER	NM Private Wages & Salaries Growth (%)	3.2	4.4	4.4	4.8	4.9	5.1	5.2	5.3	4.8	5.0	4.6	4.7
BBER	NM Real Gross State Product (% YOY)	2.1	2.1	2.5	2.8	2.2	2.3	1.8	1.9	1.6	1.7	1.6	1.6
New Mexico Energy Prices & Volumes													
CREG	NM Oil Price (\$/barrel)	\$54.39	\$55.05	\$56.00	\$49.50	\$57.00	\$52.00	\$59.00	\$53.00	\$59.00	\$54.00	\$59.00	\$54.50
BBER	Oil Volumes (million barrels)	199.8	203.6	238.3	247.9	262.1	284.5	282.6	307.2	297.0	320.9	311.0	336.4
CREG	NM Taxable Oil Volumes (million barrels)	202.0	204.4	245.0	250.0	270.0	270.0	285.0	285.0	300.0	295.0	315.0	305.0
	NM Taxable Oil Volumes (%YOY growth)	29.5%	31.0%	21.3%	22.3%	10.2%	8.0%	5.6%	5.6%	5.3%	3.5%	5.0%	3.4%
CREG	NM Gas Price (\$ per thousand cubic feet)****	\$3.25	\$3.47	\$3.10	\$3.55	\$2.95	\$3.00	\$2.90	\$3.00	\$3.00	\$3.00	\$3.10	\$3.00
BBER	Gas Volumes (billion cubic feet)	1,343	1,318	1,378	1,409	1,352	1,443	1,323	1,443	1,334	1,443	1,338	1,465
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,300	1,361	1,381	1,470	1,415	1,515	1,429	1,545	1,455	1,560	1,464	1,575
	NM Taxable Gas Volumes (%YOY growth)	5.2%	10.1%	6.2%	8.0%	2.5%	3.1%	1.0%	2.0%	1.8%	1.0%	0.6%	1.0%

Notes

* Real GDP is BEA chained 2009 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 gas prices are estimated using a formula of NYMEX, EIA, and Moody's (August) future prices as well as a liquid premium based on oil price forecast

Sources: BBER - October 2018 FOR-UNM baseline. IHS Global Insight - November 2018 baseline.

**General Fund Financial Summary:
December 2018 Consensus Revenue Forecast**
(millions of dollars)

	FY2018	Estimate FY2019	Estimate FY2020
<u>APPROPRIATION ACCOUNT</u>			
REVENUE			
Recurring Revenue			
2018 December Consensus Revenue Forecast - Recurring Revenue	\$ 6,816.5	\$ 7,590.0	\$ 7,433.1
Total Recurring Revenue	\$ 6,816.5	\$ 7,590.0	\$ 7,433.1
Nonrecurring Revenue			
2017 Regular & Special Sessions Nonrecurring Revenue Legislation ¹	\$ 21.1		
2018 December Consensus Revenue Forecast - Nonrecurring Revenue	\$ 43.7	\$ -	\$ -
Total Nonrecurring Revenue	\$ 64.8	\$ -	\$ -
TOTAL REVENUE	\$ 6,881.3	\$ 7,590.0	\$ 7,433.1
APPROPRIATIONS			
Recurring Appropriations			
2017 Regular & Special Session Legislation & Feed Bill ²	\$ 6,073.3		
2018 Session Legislation & Feed Bill ³	\$ 5.6	\$ 6,329.8	
Total Recurring Appropriations	\$ 6,078.8	\$ 6,329.8	
Nonrecurring Appropriations			
2017 Regular & Special Session Nonrecurring Appropriations ²	\$ 9.0		
2018 Session Nonrecurring Appropriations	\$ 113.1	\$ 47.8	
Total Nonrecurring Appropriations	\$ 122.1	\$ 47.8	
FY 2018 Ending Audit Adjustments	\$ (10.1)		
TOTAL APPROPRIATIONS	\$ 6,190.8	\$ 6,377.6	\$ -
Appropriation Account Transfer to (from) Reserves	\$ 690.5	\$ 1,212.4	
GENERAL FUND RESERVES			
Beginning Balances	\$ 505.3	\$ 1,193.6	\$ -
Transfers from (to) Appropriations Account	\$ 690.5	\$ 1,212.4	\$ -
Revenue and Reversions	\$ 52.3	\$ 176.9	\$ 201.8
Appropriations, Expenditures and Transfers Out	\$ (54.5)	\$ (36.0)	\$ (35.5)
Ending Balances	\$ 1,193.6	\$ 2,546.8	
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>19.6%</i>	<i>40.2%</i>	

New Money FY20
\$1,103 or 17%

Notes:

1) FY18 reflects remaining solvency transfers per Laws 2017, Chapter 1 (HB4, \$11.6 million fire protection fund adjusted reversion) and Laws 2017, First Special Session, Chapter 1 (SB1, \$9.5 million from NMFA public project revolving fund)

2) \$9 million was moved from FY18 recurring appropriations to nonrecurring appropriations to reflect Audit accounting for \$7 million LEDA special and \$2 million NMCD special

3)FY2019 Less \$2.5 million in FY19 for undistributed compensation from HB2 section 8

* Note: totals may not foot due to rounding

**General Fund Financial Summary:
December 2018 Consensus Revenue Forecast
RESERVE DETAIL**
(millions of dollars)

January 0, 1900

	FY2018	Estimate FY2019	Estimate FY2020
OPERATING RESERVE			
Beginning Balance	\$ 331.5	\$ 494.9	\$ 486.3
BOF Emergency Appropriations/Reversions	\$ (0.3)	\$ (2.0)	\$ (2.0)
Transfers from/to Appropriation Account	\$ 690.5	\$ 1,212.4	\$ -
Transfers to Tax Stabilization Reserve	\$ (526.8)	\$ (1,219.0)	\$ -
Transfer from (to) ACF/Other Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 494.9	\$ 486.3	\$ 484.3
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	\$ 26.0	\$ 12.3	\$ 4.3
Disaster Allotments	\$ (18.5)	\$ (16.0)	\$ (16.0)
Other Appropriations	\$ -	\$ -	\$ -
Transfers In	\$ -	\$ -	\$ -
Revenue and Reversions	\$ 4.8	\$ 8.0	\$ 8.0
Ending Balance	\$ 12.3	\$ 4.3	\$ (3.7)
STATE SUPPORT FUND			
Beginning Balance	\$ 1.0	\$ 1.0	\$ 1.0
Revenues	\$ -	\$ -	\$ -
Appropriations	\$ -	\$ -	\$ -
Ending Balance	\$ 1.0	\$ 1.0	\$ 1.0
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	\$ 146.8	\$ 158.7	\$ 187.0
Transfers In	\$ 35.7	\$ 36.0	\$ 35.0
Appropriation to Tobacco Settlement Program Fund	\$ (16.2)	\$ (18.0)	\$ (17.5)
Gains/Losses	\$ 11.9	\$ 10.3	\$ 12.2
Additional Transfers from TSPF	\$ (19.5)	\$ -	\$ -
Transfer to General Fund Appropriation Account	\$ -	\$ -	\$ -
Ending Balance	\$ 158.7	\$ 187.0	\$ 216.6
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	\$ -	\$ 526.8	\$ 1,868.3
Transfers In ¹	\$ -	\$ 122.6	\$ 146.6
Transfers In (From Operating Reserve)	\$ 526.8	\$ 1,219.0	\$ -
Transfer Out to Operating Reserve	\$ -	\$ -	\$ -
Ending Balance	\$ 526.8	\$ 1,868.3	\$ 2,014.9
<i>Percent of Recurring Appropriations</i>	8.7%	29.5%	
EMERGENCY RESERVES: RAINY DAY FUND & TSPF ENDING BALANCES			
<i>Percent of Recurring Appropriations</i>	\$ 685.4	\$ 2,055.3	
	11.3%	32.5%	
OTHER RESERVE FUND ENDING BALANCES			
<i>Percent of Recurring Appropriations</i>	\$ 508.2	\$ 491.6	
	8.4%	7.8%	
TOTAL GENERAL FUND ENDING BALANCES			
<i>Percent of Recurring Appropriations</i>	\$ 1,193.6	\$ 2,546.9	
	19.6%	40.2%	

Notes:

1) FY2019 and FY2020 Estimated transfer to tax stabilization reserve from excess oil and gas emergency school tax revenues above the five-year average

County Level Detail: Gross Receipts Tax Growth Impact on General Fund

Appendix 4

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	n	o
	FY2017	FY 2018				FY18 Q1	FY 2019 Q1				Approx. Effective Rate into General Fund Before Earmarks, HH Dist. Etc.	Current Census est. for Population as of July 1, 2017	Population % of NM	FY19 Q1 TGR % of NM	% of FY17 Natural Gas Vol.	% of FY17 NM Oil Volume
	FY17 TGR \$millions	FY18 TGR \$millions	TGR % Change from FY17	TGR level Change from FY17 \$millions	FY18 Y/Y General Fund GRT \$millions	FY18 Q1 TGR	FY19 Q1 TGR	TGR % Change from FY18 Q1	TGR \$ Change from FY18 Q1 \$millions	FY19 Q1 General Fund GRT \$millions						
Bernalillo	17,049	17,924	5.1%	875	35.0	4,515	4,625	2.5%	110.8	4.4	4.0%	676,773	32.4%	28.9%		
Catron	39	35	-9.1%	-4	-0.1	11	9	-20.6%	-2.3	-0.1	4.0%	3,587	0.2%	0.1%		
Chaves	1,145	1,257	9.8%	112	4.5	314	324	3.4%	10.7	0.4	4.0%	64,866	3.1%	2.0%	1%	1%
Cibola	315	381	21.0%	66	2.6	90	88	-2.9%	-2.6	-0.1	4.0%	26,853	1.3%	0.5%	0%	
Colfax	276	281	1.8%	5	0.2	84	74	-12.0%	-10.1	-0.4	4.0%	12,174	0.6%	0.5%	1%	
Curry	1,072	932	-13.0%	-139	-5.6	229	241	5.1%	11.8	0.5	4.0%	49,812	2.4%	1.5%		
De Baca	29	27	-6.9%	-2	-0.1	5	14	162.2%	8.7	0.3	4.0%	1,829	0.1%	0.1%		
Doña Ana	3,508	3,706	5.7%	199	7.9	885	935	5.6%	49.6	2.0	4.0%	215,579	10.3%	5.8%		
Eddy	3,194	5,185	62.3%	1,991	89.6	1,062	1,701	60.1%	638.6	28.7	4.5%	56,997	2.7%	10.6%	29%	40%
Grant	433	481	10.9%	47	1.9	115	124	7.0%	8.1	0.3	4.0%	27,687	1.3%	0.8%		
Guadalupe	103	99	-4.1%	-4	-0.2	26	22	-17.2%	-4.5	-0.2	4.0%	4,429	0.2%	0.1%		
Harding	20	16	-19.1%	-4	-0.2	4	6	52.9%	2.0	0.1	4.0%	692	0.0%	0.0%		
Hidalgo	82	192	134.0%	110	4.4	65	20	-70.0%	-45.7	-1.8	4.0%	4,305	0.2%	0.1%		
Lea	3,490	5,153	47.7%	1,663	71.5	1,037	1,647	58.9%	610.3	26.2	4.3%	68,759	3.3%	10.3%	25%	55%
Lincoln	473	520	9.9%	47	1.9	146	150	2.6%	3.8	0.2	4.0%	19,395	0.9%	0.9%		
Los Alamos	1,457	1,392	-4.5%	-65	-2.6	466	413	-11.2%	-52.4	-2.0	3.9%	18,738	0.9%	2.6%		
Luna	362	409	13.1%	47	1.9	105	99	-5.4%	-5.7	-0.2	4.0%	24,078	1.2%	0.6%		
McKinley	1,069	1,052	-1.6%	-17	-0.7	261	269	2.9%	7.6	0.3	4.0%	72,564	3.5%	1.7%	0%	0%
Mora	38	41	8.2%	3	0.1	13	10	-22.7%	-2.9	-0.1	4.0%	4,551	0.2%	0.1%		
Otero	913	928	1.7%	15	0.6	233	242	4.1%	9.6	0.4	4.0%	65,817	3.2%	1.5%		
Quay	145	147	1.0%	2	0.1	37	47	29.1%	10.6	0.4	4.0%	8,306	0.4%	0.3%		
Rio Arriba	406	413	1.6%	7	0.3	115	105	-8.1%	-9.3	-0.4	4.0%	39,159	1.9%	0.7%	18%	1%
Roosevelt	261	284	8.5%	22	0.9	73	65	-10.3%	-7.5	-0.3	4.0%	18,847	0.9%	0.4%	0%	0%
San Juan	2,977	3,141	5.5%	164	6.5	810	735	-9.2%	-74.6	-3.0	4.0%	126,926	6.1%	4.6%	25%	3%
San Miguel	331	379	14.5%	48	1.9	94	90	-3.3%	-3.1	-0.1	4.0%	27,748	1.3%	0.6%		
Sandoval	1,437	1,495	4.1%	59	2.3	370	394	6.5%	23.9	1.0	4.0%	142,507	6.8%	2.5%	1%	1%
Santa Fe	3,776	4,068	7.7%	292	11.7	1,029	1,098	6.7%	69.1	2.8	4.0%	148,750	7.1%	6.9%		
Sierra	191	164	-14.0%	-27	-1.1	40	47	17.9%	7.2	0.3	4.0%	11,116	0.5%	0.3%		
Socorro	206	191	-7.1%	-15	-0.6	47	56	18.2%	8.6	0.3	4.0%	16,798	0.8%	0.3%		
Taos	705	676	-4.1%	-29	-1.2	180	176	-2.2%	-4.0	-0.2	4.0%	32,795	1.6%	1.1%		
Torrance	264	208	-21.0%	-55	-2.2	79	42	-47.4%	-37.3	-1.5	4.0%	15,506	0.7%	0.3%		
Union	106	107	0.5%	1	0.0	30	32	5.9%	1.8	0.1	4.0%	4,187	0.2%	0.2%		
Valencia	850	1,053	23.9%	203	8.1	265	242	-8.6%	-22.8	-0.9	4.0%	75,940	3.6%	1.5%		
Out of State	4,713	6,193	31.4%	1,480	75.8	1,323	1,876	41.8%	553.0	28.3	5.125%			11.7%		
	51,435	58,532	13.8%	7,097	294.6	14,155	16,016	13.1%	1,861.3	77.3	4.2%	2,088,070	100%	100%	100%	100%
			(b-a)/a	b-a	(b-a)*k			(g-f)/f	g-f	(g-f)*k						

*Sources and Uses of Bonding Capacity Available for Authorization
and Severance Tax Permanent Fund Transfer (in millions)*

December 2018 Estimate

Sources of Funds	FY19	FY20	FY21	FY22	FY23	5-Year
General Obligation Bonds		171.5	-	171.5		\$ 343.0
Severance Tax Bonds	235.0	235.0	235.0	235.0	235.0	\$ 1,175.0
Severance Tax Notes	77.2	116.0	106.6	108.2	99.9	\$ 507.9
Subtotal Senior STBs	312.2	351.0	341.6	343.2	334.9	\$ 1,682.9
Supplemental Severance Tax Bonds	-	-	-	-	-	\$ -
Supplemental Severance Tax Notes	181.8	212.5	209.9	224.8	232.6	\$ 1,061.6
Subtotal Supplemental STBs	181.8	212.5	209.9	224.8	232.6	\$ 1,061.6
Total Sources of Funds	\$494.1	\$735.0	\$551.5	\$739.5	\$567.5	\$ 3,087.5
Uses of Funds	FY19	FY20	FY21	FY22	FY23	5-Year
GOB Projects Approved by Referendum		171.5	-	171.5		\$ 343.0
Authorized but Unissued STB Projects*	18.3	-	-	-	-	\$ 18.3
Reassigned STB Projects**	0.9	-	-	-	-	\$ 0.9
9% of Senior STB for Water Projects	28.1	31.6	30.7	30.9	30.1	\$ 151.5
4.5% of Senior STB for Colonias Projects	14.1	15.8	15.4	15.4	15.1	\$ 75.7
4.5% of Senior STB for Tribal Projects	14.1	15.8	15.4	15.4	15.1	\$ 75.7
New Senior STB Statewide Capital Projects	236.9	287.8	280.1	281.4	274.6	\$ 1,360.8
PSCOC Public School Capital	156.8	187.5	184.9	224.8	232.6	\$ 986.6
PED Instructional Materials/Transportation	25.0	25.0	25.0	-	-	\$ 75.0
Total Uses of Funds	\$494.1	\$735.0	\$551.5	\$739.5	\$567.5	\$ 3,087.5

*Includes projects authorized in Laws 2016 (one project) & 2018 that have not yet met requirements for project funding.

**Includes projects that have remained inactive for a period of at least 18 months following bond issuance for which the proceeds have been reassigned to ready projects.

Estimated Transfer to Severance Tax Permanent Fund

	FY19	FY20	FY21	FY22	FY23	5-Year
Severance Tax Permanent Fund Transfer	176.0	57.4	99.5	85.3	84.4	\$ 502.6