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**TO:** Representative Larry A. Larranaga, House Appropriation and Finance Committee  
Senator John Arthur Smith, Senate Finance Committee

**FROM:** Thomas E. Clifford, PhD, Cabinet Secretary

**CC:** Keith Gardner, Chief of Staff, Governor’s Office

**SUBJECT:** Revised Consensus General Fund Revenue Outlook

**Overview:**

The consensus revenue estimating group met several times over the past week and have revised their outlook for General Fund revenue. Total recurring revenue in FY15 has been revised down by \$5.3 million, and total recurring revenue in FY16 has been revised down by \$57.8 million. After these adjustments, net “New Money,” the difference between FY16 recurring revenue and FY15 recurring appropriations, will be \$83.2 million. Balances in the General Fund Operating Reserve are adjusted down only by the \$5.3 million revision to FY15, leaving reserves in excess of 10 percent of recurring appropriations prior to actions of the 2015 Legislature. Details of the revised revenue outlook are presented in Table 1 attached to this report.

**Summary of important changes: Oil and Natural Gas**

The consensus group spent a great deal of time reviewing the outlook for energy markets in light of the recent declines in both crude oil and natural gas markets. In preparing their new estimates, in addition to the latest information from the State’s ONGARD system, they incorporated price expectations from the NYMEX energy futures market, and price forecasts by the U.S. Energy Information Administration, Moody’s Analytics and IHS Global Insight economic forecasting services. Their revised expectations for oil and gas are shown below.

	FY15		FY16	
	Dec. 2014 Forecast	Feb. 2015 Forecast	Dec. 2014 Forecast	Feb. 2015 Forecast
Oil Price (\$/barrel)	\$71.00	\$61.00	\$66.00	\$56.00
Oil Volume (million barrels)	122.0	125.0	127.0	128.0
Natural Gas Price (\$ per thous. Cu. Ft.)	\$4.90	\$4.30	\$4.90	\$4.10
Natural Gas Volume (bill. Cu. Ft.)	1,181	1,181	1,150	1,150

The net effects of these revisions on General Fund revenues from oil and gas production was a decrease of \$82.4 million in FY15 and of \$140.5 million in FY16.

## Summary of important changes: Other revenues

Due to time limitations, the consensus group only revisited their outlook for certain major revenues as shown in the following table. Attachment 1 includes a summary of all revenues.

### Changes to the Consensus Revenue Outlook in FY15 and FY16

(Million dollars)

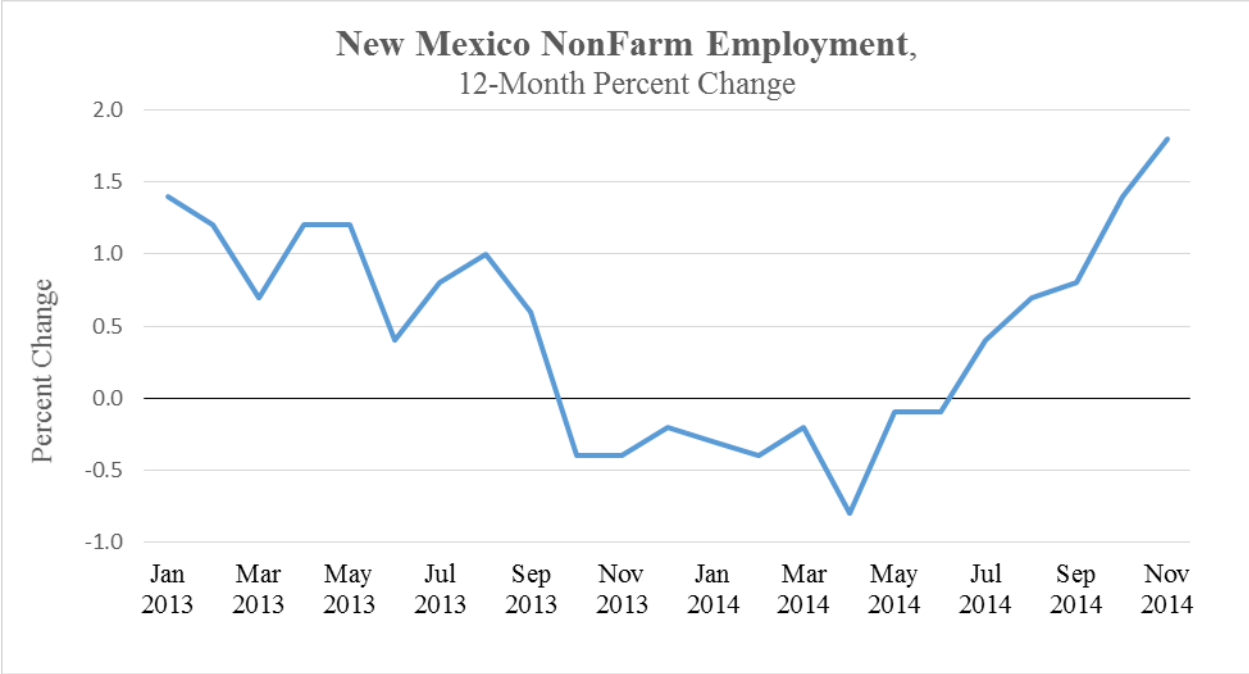
	FY15	FY16
Gross Receipts Tax	\$39.0	\$40.5
Compensating Tax	\$11.1	\$3.6
Motor Vehicle Excise Tax	\$2.0	\$1.0
Personal Income Tax	\$10.0	\$15.0
Corporate Income Tax	\$15.0	\$15.0
LGPF Distributions	\$0.0	\$7.6
O&G Taxes, Rents & Royalties	(\$82.4)	(\$140.5)
Total	(\$5.3)	(\$57.8)

The consensus group based their revisions to specific revenues on the realized performance of these revenues for the year-to-date, updated information on the State's job market from the Department of Workforce Solutions, and on revised expectations for the State and national economies provided by national economic forecasting services. Strong year-to-date performance of a number of revenues can be seen in the following table, which summarizes a tracking report maintained by the Department of Finance and Administration.

#### General Fund Revenue Tracking Report

(millions \$)	Dec 2014 Forecast	FY15 Estimated Total (1)	Forecast Year-to-Date Variance	% Difference to Forecast
Gross Receipts Tax	2,090.0	2,130.7	40.7	1.9%
Compensating Tax	63.9	85.2	21.3	33.4%
Insurance Premiums Tax	140.0	137.2	-2.8	-2.0%
Motor Vehicle Excise Tax	141.3	146.2	4.9	3.4%
Other Selective Excise Taxes	194.8	196.4	1.6	0.8%
Personal Income Tax	1,305.0	1,323.2	18.2	1.4%
Corporate Income Tax	215.0	260.3	45.3	21.1%
Estate Tax	0.0	0.0	0.0	0.0%
School Tax	421.1	436.8	15.7	3.7%
Other Mineral Taxes	54.4	55.6	1.2	2.2%
License Fees	51.6	51.6	0.0	0.0%
LGPF	496.2	498.1	1.9	0.4%
STO earnings	15.0	15.7	0.7	4.5%
STPF	182.7	182.7	0.0	0.0%
FML	532.0	541.1	9.1	1.7%
SLO	47.5	43.1	-4.4	-9.4%
Tribal Revenue Sharing	70.0	69.5	-0.5	-0.8%
Miscellaneous Revenues	46.6	45.6	-0.9	-2.0%
Reversions	53.0	53.4	0.4	0.7%
Recurring Total	6,120.0	6,272.3	152.3	2.5%

(1) Annual Total = Year-to-date collection plus remainder-of-year expected revenue based on December 2014 revenue forecast. Monthly collections are available for most revenues through October 2014. More recent information is available for some revenues.



Source: New Mexico Department of Workforce Solutions

Due to the decline in energy prices, the Severance Tax bonding capacity has been revised downward. A summary of the bonding capacity estimate can be found in Attachment 2.

General Fund Revenue Estimate  
February 2015

	FY14		FY15				FY16			
	A	B	C	D	E	F	G	H	I	J
\$Millions	Unaudited	% Change from FY13	Dec. 2014	Feb. 2015	Change from Prior	% Change from FY14	Dec. 2014	Feb. 2015	Change from Prior	% Change from FY15
1 Gross Receipts Tax	1,992.0	3.9%	2,090.0	2,129.0	39.0	6.9%	2,195.0	2,235.5	40.5	5.0%
2 Compensating Tax	78.4	54.0%	63.9	75.0	11.1	-4.3%	65.9	69.5	3.6	-7.3%
3 TOTAL GENERAL SALES	2,070.4	5.2%	2,153.9	2,204.0	50.1	6.5%	2,260.9	2,305.0	44.1	4.6%
4 Tobacco Taxes	78.5	-8.9%	79.0	79.0	-	0.7%	78.1	78.1	-	-1.1%
5 Liquor Excise	26.4	0.8%	26.7	26.7	-	1.1%	6.7	6.7	-	-74.9%
6 Insurance Taxes	115.1	7.1%	140.0	140.0	-	21.6%	183.0	183.0	-	30.7%
7 Fire Protection Fund Reversion	16.1	-12.0%	14.9	14.9	-	-7.5%	13.8	13.8	-	-7.4%
8 Motor Vehicle Excise	133.3	6.2%	141.3	143.3	2.0	7.5%	145.6	146.6	1.0	2.3%
9 Gaming Excise	66.5	5.4%	67.9	67.9	-	2.1%	68.1	68.1	-	0.3%
10 Leased Vehicle Surcharge	5.2	2.0%	5.2	5.2	-	0.0%	5.2	5.2	-	0.0%
11 Other	2.9	-208.9%	1.1	1.1	-	-64.3%	2.4	2.4	-	128.6%
12 TOTAL SELECTIVE SALES	443.9	3.5%	476.1	478.1	2.0	7.7%	502.9	503.9	1.0	5.4%
13 Personal Income Tax	1,254.9	1.1%	1,305.0	1,315.0	10.0	4.8%	1,345.0	1,360.0	15.0	3.4%
14 Corporate Income Tax	196.8	-26.3%	215.0	230.0	15.0	16.9%	210.0	225.0	15.0	-2.2%
15 TOTAL INCOME TAXES	1,451.7	-3.7%	1,520.0	1,545.0	25.0	6.4%	1,555.0	1,585.0	30.0	2.6%
16 Oil and Gas School Tax	500.7	31.8%	421.1	370.0	(51.1)	-26.1%	408.6	347.0	(61.6)	-6.2%
17 Oil Conservation Tax	27.2	30.8%	22.7	20.0	(2.7)	-26.5%	22.1	19.0	(3.1)	-5.0%
18 Resources Excise Tax	13.0	-3.7%	12.7	12.7	-	-2.3%	12.7	12.7	-	0.0%
19 Natural Gas Processors Tax	16.2	-33.1%	19.0	19.0	-	17.3%	21.0	20.0	(1.0)	5.3%
20 TOTAL SEVERANCE TAXES	557.1	27.1%	475.5	421.7	(53.8)	-24.3%	464.4	398.7	(65.7)	-5.5%
21 LICENSE FEES	51.7	3.4%	51.6	51.6	-	-0.2%	51.8	51.8	-	0.4%
22 LGPF Interest	449.4	1.9%	496.2	496.2	-	10.4%	545.6	553.2	7.6	11.5%
23 STO Interest	19.0	29.3%	15.0	15.0	-	-21.1%	35.0	35.0	-	133.3%
24 STPF Interest	170.5	-3.2%	182.7	182.7	-	7.2%	193.6	193.6	-	6.0%
25 TOTAL INTEREST	638.9	1.1%	693.9	693.9	-	8.6%	774.2	781.8	7.6	12.7%
26 Federal Mineral Leasing	569.9	24.0%	532.0	510.0	(22.0)	-10.5%	487.0	420.0	(67.0)	-17.6%
27 State Land Office	47.5	6.4%	47.5	40.9	(6.6)	-13.8%	47.5	39.7	(7.8)	-2.9%
28 TOTAL RENTS & ROYALTIES	617.3	22.4%	579.5	550.9	(28.6)	-10.8%	534.5	459.7	(74.8)	-16.6%
29 TRIBAL REVENUE SHARING	67.6	-4.4%	70.0	70.0	-	3.6%	53.3	53.3	-	-23.9%
30 MISCELLANEOUS RECEIPTS	45.0	9.0%	46.6	46.6	-	3.6%	49.9	49.9	-	7.1%
31 REVERSIONS	96.5	46.7%	53.0	53.0	-	-45.1%	45.0	45.0	-	-15.1%
32 TOTAL RECURRING	6,040.1	5.8%	6,120.0	6,114.7	(5.3)	1.2%	6,291.9	6,234.1	(57.8)	2.0%
33 TOTAL NON-RECURRING*	0.4				-				-	
34 GRAND TOTAL	6,040.5	5.8%	6,120.0	6,114.7	(5.3)	1.2%	6,291.9	6,234.1	(57.8)	2.0%

General Fund Revenue Estimate  
February 2015

\$Millions	FY17				FY18				FY19			
	K	L	M	N	O	P	Q	R	S	T	U	V
	Dec. 2014	Feb. 2015	Change from Prior	% Change from FY16	Dec. 2014	Feb. 2015	Change from Prior	% Change from FY17	Dec. 2014	Feb. 2015	Change from Prior	% Change from FY18
1 Gross Receipts Tax	2,292.0	2,333.8	41.8	4.4%	2,384.0	2,427.2	43.2	4.0%	2,483.0	2,529.1	46.1	4.2%
2 Compensating Tax	70.4	75.7	5.3	8.9%	70.5	74.9	4.4	-1.1%	72.7	73.4	0.7	-2.0%
3 TOTAL GENERAL SALES	2,362.4	2,409.5	47.1	4.5%	2,454.5	2,502.1	47.6	3.8%	2,555.7	2,602.5	46.8	4.0%
4 Tobacco Taxes	77.4	77.4	-	-0.9%	76.4	76.4	-	-1.3%	75.7	75.7	-	-0.9%
5 Liquor Excise	6.9	6.9	-	3.0%	26.1	26.1	-	278.3%	28.9	28.9	-	10.7%
6 Insurance Taxes	213.0	213.0	-	16.4%	226.0	226.0	-	6.1%	237.0	237.0	-	4.9%
7 Fire Protection Fund Reversion	12.8	12.8	-	-7.2%	11.9	11.9	-	-7.0%	10.7	10.7	-	-10.1%
8 Motor Vehicle Excise	149.9	149.9	-	2.3%	152.9	152.9	-	2.0%	156.0	156.0	-	2.0%
9 Gaming Excise	68.3	68.3	-	0.3%	68.5	68.5	-	0.3%	68.8	68.8	-	0.4%
10 Leased Vehicle Surcharge	5.2	5.2	-	0.0%	5.2	5.2	-	0.0%	5.2	5.2	-	0.0%
11 Other	2.4	2.4	-	0.0%	2.4	2.4	-	0.0%	2.4	2.4	-	0.0%
12 TOTAL SELECTIVE SALES	535.9	535.9	-	6.4%	569.4	569.4	-	6.3%	584.7	584.7	-	2.7%
13 Personal Income Tax	1,405.0	1,405.0	-	3.3%	1,465.0	1,453.0	(12.0)	3.4%	1,530.0	1,505.0	(25.0)	3.6%
14 Corporate Income Tax	217.0	235.0	18.0	4.4%	175.0	200.0	25.0	-14.9%	163.0	180.0	17.0	-10.0%
15 TOTAL INCOME TAXES	1,622.0	1,640.0	18.0	3.5%	1,640.0	1,653.0	13.0	0.8%	1,693.0	1,685.0	(8.0)	1.9%
16 Oil and Gas School Tax	435.1	387.0	(48.1)	11.5%	454.5	412.0	(42.5)	6.5%	471.6	437.0	(34.6)	6.1%
17 Oil Conservation Tax	23.8	21.0	(2.8)	10.5%	24.9	23.0	(1.9)	9.5%	26.0	24.0	(2.0)	4.3%
18 Resources Excise Tax	12.7	12.7	-	0.0%	12.7	12.7	-	0.0%	12.7	12.7	-	0.0%
19 Natural Gas Processors Tax	19.0	16.0	(3.0)	-20.0%	18.6	16.0	(2.6)	0.0%	17.9	15.0	(2.9)	-6.3%
20 TOTAL SEVERANCE TAXES	490.6	436.7	(53.9)	9.5%	510.7	463.7	(47.0)	6.2%	528.2	488.7	(39.5)	5.4%
21 LICENSE FEES	51.9	51.9	-	0.2%	52.0	52.0	-	0.2%	52.0	52.0	-	0.0%
22 LGPF Interest	540.2	547.2	7.0	-1.1%	595.1	602.0	7.0	10.0%	648.1	654.7	6.6	8.8%
23 STO Interest	65.0	65.0	-	85.7%	75.0	75.0	-	15.4%	80.0	80.0	-	6.7%
24 STPF Interest	203.5	203.5	-	5.1%	216.6	216.6	-	6.4%	227.2	227.2	-	4.9%
25 TOTAL INTEREST	808.7	815.7	7.0	4.3%	886.6	893.6	7.0	9.6%	955.3	961.9	6.6	7.6%
26 Federal Mineral Leasing	505.0	445.0	(60.0)	6.0%	528.0	480.0	(48.0)	7.9%	550.0	505.0	(45.0)	5.2%
27 State Land Office	47.5	39.7	(7.8)	0.0%	47.0	40.9	(6.1)	3.0%	47.0	43.1	(3.9)	5.4%
28 TOTAL RENTS & ROYALTIES	552.5	484.7	(67.8)	5.4%	575.0	520.9	(54.1)	7.5%	597.0	548.1	(48.9)	5.2%
29 TRIBAL REVENUE SHARING	56.2	56.2	-	5.4%	58.4	58.4	-	3.9%	60.5	60.5	-	3.6%
30 MISCELLANEOUS RECEIPTS	52.2	52.2	-	4.6%	53.0	53.0	-	1.5%	53.9	53.9	-	1.7%
31 REVERSIONS	40.0	40.0	-	-11.1%	40.0	40.0	-	0.0%	40.0	40.0	-	0.0%
32 TOTAL RECURRING	6,572.4	6,522.8	(49.6)	4.6%	6,839.6	6,806.1	(33.6)	4.3%	7,120.3	7,077.3	(43.0)	4.0%
33 TOTAL NON-RECURRING*			-				-				-	
34 GRAND TOTAL	6,572.4	6,522.8	(49.6)	4.6%	6,839.6	6,806.1	(33.6)	4.3%	7,120.3	7,077.3	(43.0)	4.0%

**Sources and Uses of Funds**  
**Bonding Capacity Available for Authorization**  
**February 2015 Estimate**

<b>Sources of Funds (millions)</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>Five-Year</b>
<b>General Obligation Bonds</b>	-	187.3	-	187.3	-	\$ 374.6
Severance Tax Bonds	168.6	168.6	168.6	168.6	168.6	\$ 843.0
Severance Tax Notes*	128.2	93.5	42.0	54.4	57.5	\$ 375.6
<b>Subtotal Senior STBs</b>	<b>296.8</b>	<b>262.1</b>	<b>210.6</b>	<b>223.0</b>	<b>226.1</b>	<b>\$ 1,218.6</b>
Supplemental Severance Tax Bonds	-	-	-	-	-	\$ -
Supplemental Severance Tax Notes	179.5	133.9	165.5	181.5	189.4	\$ 849.8
<b>Subtotal Supplemental STBs</b>	<b>179.5</b>	<b>133.9</b>	<b>165.5</b>	<b>181.5</b>	<b>189.4</b>	<b>\$ 849.8</b>
<b>Total Sources of Funds</b>	<b>\$476.4</b>	<b>\$583.3</b>	<b>\$376.1</b>	<b>\$591.8</b>	<b>\$415.5</b>	<b>\$ 2,443.0</b>
<b>Uses of Funds (millions)</b>						
<b>GOB Projects Approved by Referendum</b>	-	187.3	-	187.3	-	\$ 374.6
Authorized but Unissued STB Projects*	25.2	-	-	-	-	\$ 25.2
10% Water Projects	29.7	26.2	21.1	22.3	22.6	\$ 121.9
5% Colonias Projects	14.8	13.1	10.5	11.1	11.3	\$ 60.9
5% Tribal Projects	14.8	13.1	10.5	11.1	11.3	\$ 60.9
<b>New Senior STB Statewide Capital Projects</b>	<b>212.3</b>	<b>209.7</b>	<b>168.4</b>	<b>178.4</b>	<b>180.9</b>	<b>\$ 949.7</b>
Education Capital	179.5	133.9	165.5	181.5	189.4	\$ 849.8
<b>Total Uses of Funds</b>	<b>\$476.4</b>	<b>\$583.3</b>	<b>\$376.1</b>	<b>\$591.8</b>	<b>\$415.5</b>	<b>\$ 2,443.0</b>

\*Severance Tax Note capacity in Fiscal Year 2015 is reduced by \$4.98 million. Severance Tax Notes were overissued in Fiscal Year 2014 by \$4.98 million due to an accounting oversight related to debt service on Severance Tax Note 2013S-C.

\*\*Includes projects authorized in Laws 2012, 2013 and 2014 that have not yet met requirements for project funding.