

General Fund Consensus Revenue Estimates

**Katherine Miller, Cabinet Secretary
N.M. Department of Finance and Administration**

and

**Jan Goodwin, Cabinet Secretary
N.M. Taxation and Revenue Department**

**Presentation to the
House Appropriations and Finance Committee
January 7, 2008**

Executive Summary

The revenue projections we present this morning are the same as we presented to the Revenue Stabilization and Tax Policy Interim Committee on December 11, 2007 and to the Legislative Finance Committee on December 3, with the exception of the General Fund Financial Summary (Appendix Table 3), which includes the proposed Executive budget appropriations. There have been a number of events occurring since December 11 that will change these revenue estimates. Pertaining to the FY07 base, these include: final audited General Fund results for FY07, extraordinary transfers of \$32 million accrued revenues by Taxation and Revenue Department and exceptionally high earnings for the Tobacco Settlement Permanent Fund. The economic picture is also changed. The national economy is now dealing with twin economic woes: (1) the collapse of the housing boom and the elevated national home foreclosure rate triggered by defaults and resets of sub-prime mortgages; and (2) gasoline and home heating oil prices in excess of \$3 per gallon. The consensus revenue estimating group will meet around January 25th for one final look at FY08 and FY09 revenues.

These revenue projections reflect a still-expanding state economy embedded in a national economy which faces significant headwinds toward the task of continuing the third-longest economic expansion in history. Despite the national and state economy's good recent showing, these estimates for fiscal years 2009 through 2012 are very slightly revised downwards from the October forecast.

Table ES1 – Changes from October Forecast						
(Dollars in millions)	FY07	FY08	FY09	FY10	FY11	FY12
October 2007 Revenue Forecast	5,748.6	5,943.6	6,062.6	6,248.6	6,400.0	6,574.5
December 2007 Forecast	5,754.5	5,949.3	6,044.1	6,225.0	6,387.2	6,547.1
Change from previous	5.9	5.7	-18.6	-23.6	-12.9	-27.4
Approximate "New Money"			368.9			
"New Money" available for recurring appropriations assumes total appropriations growth sufficient to consume the entire amount of recurring revenues.						

Crude oil revenue estimates have been revised upwards by approximately \$10 million for FY09, based on prices which have flirted with \$100/barrel, while natural gas revenues have been revised downwards by about the same amount. Despite the modest changes, these revenue estimates provide the Governor and the Legislature with opportunities to address critical needs in health care, education, transportation and corrections funding, even though there is less “new money” for FY09 than estimated in July or October.

Due to the upward revision to FY07 and FY08 revenues, nonrecurring General Fund money available for appropriation in the 2008 session has been increased to \$260 million while providing 10 percent reserves at the end of FY09, based on estimated recurring expenditures equal to the amount of revenue growth. The table below summarizes the bonding capacity available for authorization by the Legislature.

Table ES2 -- Core Bonding Program: Sources and Uses of Funds						
Bonding Capacity Available for Authorization by Legislature						
Sources of Funds (millions)	FY08	FY09	FY10	FY11	FY12	Five-Year
Supplemental Severance Tax Bonds and Notes	208.2	212.3	208.7	203.0	197.5	1,029.6
Senior Severance Tax Bonds and Notes	319.1	306.7	301.1	282.2	257.3	1,466.3
General Obligation Bonds	223.8	-	160.8	-	185.7	570.3
Total Sources of Funds	\$750.9	\$519.0	\$670.6	\$485.2	\$640.5	\$3,066.2
Uses of Funds (millions)	FY08	FY09	FY10	FY11	FY12	Five-Year
Supplemental STB: Public education capital	208.2	212.3	208.7	203.0	197.5	1,029.6
Senior STB:						
10% to the Water Project Fund	31.9	30.7	30.1	28.2	25.7	146.6
12.5% to Transportation ¹	39.9	38.3	-	-	-	78.2
Authorized but unissued STB projects ²	33.7	69.0	-	-	-	102.7
New Senior STB capital projects	213.6	168.7	271.0	254.0	231.5	1,138.8
GOB: New GOB projects approved by referendum ³	223.8	-	160.8	-	185.7	570.3
Total Uses of Funds	\$750.9	\$519.0	\$670.6	\$485.2	\$640.5	\$3,066.2
Total for new capital projects (GOB and Senior STB)	\$437.4	\$168.7	\$431.8	\$254.0	\$417.2	\$1,709.1

1. Of this amount 20% is for highway maintenance, 40% is for GRIP I and 40% is for GRIP II. Of the FY08 capacity, \$8.0 million is for highway maintenance, \$13.5 million is for GRIP I and \$13.5 million is for GRIP II. In December 2007, \$32.0 million of these bonds were issued.

2. Represents all projects authorized for 2007 and prior years, but unissued as of June 30, 2007. Includes \$29.0 million of bonds issued in December 2007, of this amount \$11.3 million were issued for the Spaceport.

3. Projects authorized in FY08 will typically be put before the voters during FY09.

The current estimate of severance tax (STBF) bond capacities is unchanged from the December Forecast

Table ES3 – Changes in Capacity						
	FY08		FY09		FY10	
	Dec. Est.	Jan. Est.	Dec. Est.	Jan. Est.	Dec. Est.	Jan. Est.
Senior STB Capacity, incl sponge	319.1	319.1	306.7	306.7	301.1	301.1
Supplemental STB Capacity, incl. supplemental sponge	208.2	208.2	212.3	212.3	208.7	208.7
GO bond (if approved by electorate)	223.8	223.8	-	-	160.9	160.8

Several statements in the full presentation with its detailed forecast in Appendix Table 2 are worthy of repeating in this summary. These include:

1. The national economic outlook is somewhat weaker for FY08 and FY09 than expected in October, despite unexpectedly robust growth during the third quarter of 2007. There is a significant chance

that the U.S. economy will experience a short and shallow recession between now and the middle of 2008. Domestically, the bust of the housing bubble and increasing sub-prime mortgage defaults are providing a drag on the economy while elevated crude oil prices are siphoning off money from consumers that could be used to support other purchases. Recent dollar devaluations against the Euro, the Yen and the aggregate trade-weighted currency,⁷ are expected to stimulate U.S. exports and limit U.S. imports. U.S. export growth is expected to top 10 percent for the next two years, while U.S. imports ~~will~~ are expected to slow significantly. These issues are of particular interest to individuals employed in the manufacturing sector because, among other things, manufacturing output is extremely sensitive to currency exchange rates. Due at least in part to concerns associated with the conditions mentioned above, the stock markets continue to oscillate over a broad range.

2. Job growth in the state through October has moderated from the near-record two years of job growth in excess of two percent which lasted from February 2005 through January 2007. October job growth was .9% year on year.

3. Although crude oil (West Texas Intermediate) traded at \$99.63/barrel on January 2, and the New Mexico (ONGARD) price for October is expected to exceed \$80/barrel for the first time in history, natural gas prices and tax revenues are forecast to be relatively flat. The traditional perspective that increases in oil prices are accompanied by corresponding increases in natural gas prices is increasingly untrue (see Figure 1).

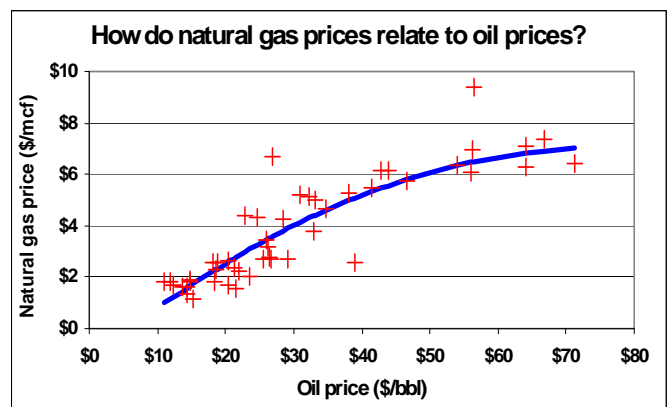


Figure 1

4. Gross receipts tax collections are forecasted to increase only slightly faster than overall revenue growth. Among other reasons, the medical services deduction (effective January 2005) is growing at a double-digit rate, although the food deduction growth has been slightly negative.¹ The conversion of Los Alamos National Laboratory management from state government (University of California) to a private consortium provided a one-time bump in gross receipts tax collections during FY07, but the growth of this component may well be negative in the future. Also, other credits against gross receipts taxes – such as the high-wage jobs credit, intergovernmental credits and up to ten others – are expected to increase at high single digit to low double digit rates throughout the forecast period.

¹ Food and medical deductions reduce revenues in two ways. First, collections are less because of the higher levels of deduction. Second, the counties and municipalities get a “hold-harmless” distribution of the amount of revenue each would have received prior to the food and medical deduction.

5. The final phase of 2003's personal income tax rate cuts will affect collections during FY08 and on into FY09. Thereafter, rather than returning to the traditional 6 percent growth level of underlying tax collections growth, PIT collections are expected to grow at an average 3.4 percent annual rate during the forecast period.
6. Corporate income tax collections continue to exceed expectations. FY07 anticipated collections are estimated at \$460.5 million. The consensus group developed and implemented a new model for CIT revenues for this forecast. This new model captures the influence of national corporate profits, as well as specific state effects, including net oil and gas sales and construction employment. Based on this model, CIT revenues are expected to be higher in FY08 and FY09 than expected in the October forecast. However, the success of the new film production credit has resulted in refund approvals of over \$30 million already this fiscal year. The consensus group could not agree to increase the forecast for corporate income tax until the extent of the higher level of claims for refunds from the film production credits has been thoroughly studied.
7. Federal mineral leasing continues to contribute revenues in excess of expectations, and this enhanced performance is likely to continue for some time. One source of higher revenues is the expiration of the stripper oil well royalty rate. This has increased the average amount of royalties for crude oil production on federal lands from about 9.5% to 12%. Balancing this up-side risk is a downside adjustment to the sharing rate. Prior to the recent conference committee report, New Mexico received 50% of royalties from oil and gas and other mineral production on federal lands in New Mexico. After the sanding agreement, New Mexico will now receive 49%. This is an \$11 million adjustment to revenues for FY08 and FY09.
8. As shown in Appendix Table 3 (General Fund Financial Summary), estimated General Fund reserves will remain 10.0 percent of current-year appropriations at the end of FY09. Although the expectation is that appropriations can be balanced to relatively modest levels of "new money", the structure of General Fund reserves should be reviewed jointly by the Executive and the Legislature. With the Governor's spending plan and forecasted revenues for FY09, the expected level of the General Fund Operating Reserve will be 1.9 percent of current year appropriations at the end of FY09. This maintains a total General Fund reserves level of 10 percent of FY09 appropriations at the end of FY09. The balance of the 10 percent reserve level outside of the General Fund Operating Reserve is located in the "Education Lockbox" of the Appropriation Contingency Fund, the Tax Stabilization Reserve and the Tobacco Settlement Fund. It would perhaps be prudent to make a contingency plan during this session to address actions in the case of a shortfall of revenues at the end of FY08.

General Fund Consensus Revenue Estimates

**Katherine Miller, Cabinet Secretary
N.M. Department of Finance and Administration**

and

**Jan Goodwin, Cabinet Secretary
N.M. Taxation and Revenue Department**

**Presentation to the
House Appropriations and Finance Committee
January 7, 2008**

1.0 Introductory Remarks

The revenue projections we present this morning are the same as we presented to the Revenue Stabilization and Tax Policy Interim Committee on December 11, 2007 and to the Legislative Finance Committee on December 3, with the exception of the General Fund Financial Summary Appendix Table 3, which includes the proposed Executive budget appropriations. A number of events that occurred since December 11 will change these revenue estimates. Issues affecting the FY07 base include: final audited General Fund results for FY07, extraordinary transfers of \$32 million accrued revenues by Taxation and Revenue Department and exceptionally high earnings for the Tobacco Settlement Permanent Fund. The economic picture is also changed. The national economy is now dealing with twin economic woes: (1) the housing boom collapse and resulting home foreclosure rate increases triggered by defaults and resets of sub -prime mortgages; and (2) gasoline and home heating oil prices in excess of \$3 per gallon. The consensus revenue estimating group will meet around January 25th for one final look at FY08 and FY09 revenues.

The revenue projections we present this morning reflect a still-expanding state economy embedded in a national economy which faces significant headwinds toward the task of continuing the third-longest economic expansion in post-WWII history. Despite the national and state economy's good recent showing, these estimates for fiscal years 2009 through 2012 are very slightly revised downwards from the October forecast. Crude oil revenue estimates have been revised upwards by approximately \$10 million for FY09, based on prices that have flirted with \$100/barrel, while the natural gas revenues forecast was revised downwards by about the same amount. Despite the modest changes, these revenue estimates provide the Governor and the Legislature with opportunities to address critical needs in health care, education, transportation and corrections funding, even though there is less "new money" for FY09 than estimated in July or October.

Table 1 – Changes from October Forecast (Dollars in millions)						
	FY07	FY08	FY09	FY10	FY11	FY12
October 2007 Revenue Forecast	5,748.6	5,943.6	6,062.6	6,248.6	6,400.0	6,574.5
December 2007 Forecast	5,754.5	5,949.3	6,044.1	6,225.0	6,387.2	6,547.1
Change from previous	5.9	5.7	-18.6	-23.6	-12.9	-27.4
Approximate "New Money"			368.9	181.0	174.2	169.6
"New Money" available for recurring appropriations assumes total recurring appropriations growth sufficient to consume the entire amount of recurring revenues.						

The current estimate of severance tax bond (STB) and general obligation bond (GOB) bond capacities as shown in Table 2 is unchanged. The details are shown in Table 3.

Table 2 – Changes in Bond Capacity						
	FY08		FY09		FY10	
	Dec. Est.	Jan. Est.	Dec. Est.	Jan. Est..	Dec. Est.	Jan. Est..
Senior STB Capacity, incl sponge	319.1	319.1	306.7	306.7	301.1	301.1
Supplemental STB Capacity, incl. supplemental sponge	208.2	208.2	212.3	212.3	208.7	208.7
GO bond (if approved by electorate)	223.8	223.8	-	-	160.9	160.8

Table 3 -- Core Bonding Program: Bonding Capacity Available for Authorization by Legislature Sources and Uses of Funds Bonding Capacity Available for Authorization by Legislature							
Sources of Funds (millions)	FY08	FY09	FY10	FY11	FY12	Five-Year	
Supplemental Severance Tax Bonds and Notes	208.2	212.3	208.7	203.0	197.5	1,029.6	
Senior Severance Tax Bonds and Notes	319.1	306.7	301.1	282.2	257.3	1,466.3	
General Obligation Bonds	223.8	-	160.8	-	185.7	570.3	
Total Sources of Funds	\$750.9	\$519.0	\$670.6	\$485.2	\$640.5	\$3,066.2	
Uses of Funds (millions)	FY08	FY09	FY10	FY11	FY12	Five-Year	
Supplemental STB: Public education capital	208.2	212.3	208.7	203.0	197.5	1,029.6	
Senior STB:							
10% to the Water Project Fund	31.9	30.7	30.1	28.2	25.7	146.6	
12.5% to Transportation ¹	39.9	38.3	-	-	-	78.2	
Authorized but unissued STB projects ²	33.7	69.0	-	-	-	102.7	
New Senior STB capital projects	213.6	168.7	271.0	254.0	231.5	1,138.8	
GOB: New GOB projects approved by referendum ³	223.8	-	160.8	-	185.7	570.3	
Total Uses of Funds	\$750.9	\$519.0	\$670.6	\$485.2	\$640.5	\$3,066.2	
Total for new capital projects (GOB and Senior STB)	\$437.4	\$168.7	\$431.8	\$254.0	\$417.2	\$1,709.1	
1. Of this amount 20% is for highway maintenance, 40% is for GRIP I and 40% is for GRIP II. Of the FY08 capacity, \$8.0 million is for highway maintenance, \$13.5 million is for GRIP I and \$13.5 million is for GRIP II. In December 2007, \$32.0 million of these bonds were issued.							
2. Represents all projects authorized for 2007 and prior years, but unissued as of June 30, 2007. Includes \$29.0 million of bonds issued in December 2007, of this amount \$11.3 million were issued for the Spaceport.							
3. Projects authorized in FY08 will typically be put before the voters during FY09.							

The statements made during this presentation in July, October and December can be repeated. "Policy decisions by Governor Richardson and the Legislature over the past five years have made New Mexico a better place to live, work and do business. Recent data, surveys and awards have confirmed that the State is moving in the right direction. The success of these decisions is reflected in the revenue

forecast. However, we must add the usual advice. Because energy prices are somewhat weaker compared to a year ago and continuing sub-par growth in the national economy will continue throughout the current fiscal year and into the budget year, we advise caution.”

This revenue estimate establishes targets for the Governor’s and the Legislative Finance Committee’s budget proposals for FY09. Despite the caution, this is not a deliberately conservative forecast, by any means. However, there is more than the usual level of uncertainty regarding the estimates for FY08, FY09 and beyond. This uncertainty is in the broad based taxes, including personal income and gross receipts taxes and in the taxes driven by energy prices, including the emergency school tax, federal mineral leasing revenues and the corporate income tax. A final mid-session forecast review will be conducted in January.

Forecast Highlights

- Total General Fund revenues for FY09 have been revised downwards by \$18.6 million from the October estimates due to a number of small technical changes. Crude oil revenues have been revised upwards by approximately \$10 million for FY09, based on national spot prices which have flirted with \$100/barrel, while natural gas revenues have been revised downwards by about the same amount. The motor vehicle excise tax was decreased because of weak year-to-date collections and a weaker national forecast for new car and truck sales. The personal income tax estimate has been adjusted down by about \$5 million, while the corporate income tax revenue estimate was not changed. Ta-

ble 1 shows the overall changes from the October forecast. Appendix Table 2 at the end of this written presentation shows the source-by-source details.

- The state’s economy continues to outperform the national economy, al-

though state job growth and General Fund revenues are beginning to soften, consistent with the weakness in the national economy. The national concerns over low consumer confidence, the tanking dollar relative to our trade partners, the bust of the housing bubble and the increase in

Table 4 – How are we doing?					
Recent Global Insight Rankings of the States					
Job Growth (Y/Y thru October)			Unemployment Rate (October)		
1	Utah	4.2%	1	Idaho	2.5%
31	New Mexico	0.9%	6	New Mexico	3.1%
51	Michigan	-1.7%	51	Michigan	7.7%
Total Personal Income Growth (Annualized, 2007q2)			Per-Capita Income as of (2007q2)		
1	Utah	8.2%	1	District of Columbia	\$60,660
7	New Mexico	6.7%	44	Utah	\$31,432
51	New York	-0.4%	45	New Mexico	\$31,161
			51	Mississippi	\$28,296

sub-prime mortgage foreclosures are somewhat muted in New Mexico. Of course, we are tracking these issues carefully.

- Recent per capita income data for 2007:Q2 shows New Mexico now ranks 45th nationally, above Kentucky, Idaho, South Carolina, Arkansas, West Virginia and Mississippi, although we have now slipped one ranking below Utah, our traditional rival in this statistic. As recently as 1999, New Mexico ranked 49th of 51 (including Washington, DC). Average New Mexico per capita income has surged to almost 82 percent of the national average.
- Despite a disappointing 0.6 percent first-quarter 2007 national GDP growth, second-quarter 2007 growth rebounded strongly to 4.9 percent – the highest level in four years. Global Insight's November 2007 forecast review calls for 1.9 percent real growth over the next three quarters (FY08). In the baseline, Global Insight expects that the housing downturn will extend at least through the end of 2008. The Dow Jones Industrial Average (DJIA) set a new record in September and then promptly lost 4.5 percent in value during late October. November and December stock market activity has been unusually volatile, with daily changes in excess of 1 percent of value – up or down – somewhat routine. Growth for the 2007 calendar year in both the DJIA and S & P 500 was still over 8 percent as of mid-December. Last Friday, the DJIA closed down 257 points, or 1.96 percent, at 12,800, Standard & Poor's 500 Index was down 36 points, or 2.46 percent, at 1,412 and NASDAQ Composite Index was down 98 points, or 3.77 percent, at 2,505, having fallen more than 3 percent earlier in the week. The NASDAQ index is now off more than 10 percent from its 52-week closing high set October 31.
- Both the British Pound and the Euro have set record highs in the exchange versus the dollar and the Japanese Yen has firmed. Offsetting this distressing news is that corporate incomes are expected to remain strong, corporations have good cash flow, national unemployment is expected to remain relatively low and we have positive trade numbers.

2.0 National Economic Outlook – Appendix Table 1

National and local economic headlines are mixed; there is good news and there is bad news. The December 2007 Global Insight description of its December forecast is particularly informative on the national outlook as shown as a sidebar below. The new forecast tables are included as Appendix Table 4.

U.S. Economy -- Global Insight

December 28, 2007

By Nigel Gault

The Economy Keeps Its Head Above Water. The economy appears to have kept its head above water in the fourth quarter—the risk of a decline in GDP has receded, and we now expect 1.1% growth. But the economy remains in a danger zone. The credit markets remain troubled, pointing to tighter credit for households and businesses. Housing activity continues to plunge, and the consumer remains vulnerable. Weakening orders for non-defense capital goods and rising unemployment insurance claims suggest that businesses are becoming more cautious in both capital equipment spending and hiring. We expect growth to be very soft in the first quarter (just 0.6%), before gradually improving over the rest of the year. Key ingredients for this improvement are continuing robust export growth, lower oil prices, and a bottoming-out of housing starts by mid-2008. We expect some more help from the Fed in lower interest rates, but stubborn core inflation is reducing its room for maneuver.

Fourth-Quarter Growth Upgraded. We have upgraded our fourth-quarter growth projection to 1.1% from zero. Consumer spending began the quarter much more strongly than had been thought, and even assuming a weak December, should come in at about 2.7%, compared with the 1.2% that we had expected last month. But the economy is far from out of the woods. We still expect weak growth in the first half of 2008 (averaging 1.1%), and maintain the odds of recession at 40%.

Housing Still Plunging. There is no magic solution to the overhang of unsold homes. We continue to expect a further drop of around 20% in housing starts, to below 1.0 million units in the first half of 2008. Recent evidence shows home prices falling even faster than before—bad news for consumer wealth, but necessary to improve affordability and create the conditions for a bottoming out in housing activity, which we expect in mid-2008.

Mixed Consumer Signals. Consumer sentiment is weak, and some holiday sales reports have been lackluster, yet consumer spending in the fourth quarter seems to have held up much better than expected. One explanation for the disconnect between sentiment and spending may be that those suffering the most are the least affluent, who have a bigger influence on sentiment measures than on spending. But we still see the consumer as highly vulnerable, squeezed by slower employment gains, falling home prices, tighter credit availability, and high energy prices. We expect a dip in real spending in December, and then just a 1.2% annualized growth rate for consumer spending in the first half of 2008.

Oil Remains a Key Risk. Oil prices have climbed again into the high-\$90s per barrel. The forecast continues to assume that the price eases, to \$76/barrel by the second quarter of 2008, based in large part on slower growth in the global economy. A key downside risk to the outlook would arise if this does not materialize.

Export Surge Supports Growth. Strong improvements in foreign trade, helped by the huge cumulative decline in the dollar since 2002, are a crucial part of the story for 2008. We expect domestic spending growth of just 1.1% in 2008, but GDP growth will be much stronger than that, at 1.9%, helped by export growth of around 10%.

Inflation Still Troubling. Headline CPI inflation of over 4% year-on-year in November mainly reflected energy and food costs, but the Fed will be nervous that core inflation has also moved up. Core PCE inflation is now outside the Fed's 1–2% comfort zone. We still expect it to fall back in 2008 as the economy slows, but only to the top end of the comfort zone at 2.0%.

Fed To Loosen Further. We still expect the Fed to cut interest rates again to combat recession risks, and assume two 25-basis-point rate cuts in the first quarter, taking the federal funds rate down to 3.75%. But stubborn core inflation has led us to remove the further cut to 3.50% that we had assumed in our December forecast.

In summary:

- (1) A previous consensus of economists was that the trough occurred in 2007:Q1 with announced real GDP growth of 0.6 percent. Global Insight has recognized and discounted the strong rebound to 4.9 percent real growth for 2007:Q3 and is forecasting 1.1 percent for 2007:Q4 and 0.6 percent for 2008:Q1. Thereafter, the economy will rebound to 1.9 percent for the whole of 2008, 2.7 percent for 2009 and 2.8 percent for 2010. These estimates are not greatly changed from the December forecast. The current expansion, which began December 2001, is likely to continue well beyond its current 72 months. However, Global Insight has increased the probability of recession from 30 percent in October and 35 percent in November to 40 percent as of December 5. The alternative recession scenario, however, would have only a brief and shallow recession. We are anxiously awaiting the January Global Insight national forecast to update this assessment.
- (2) The well-publicized crash of the “housing bubble” and the collapse of the sub-prime lending market will hold down GDP growth. The vast majority of business economists believe that the problems will continue as the full effects of the sub-prime lending market collapse continue to fan out into other sectors of the economy. Some housing markets – principally in California and Florida – were apparently overvalued and are currently and will in the near future experience significant declines in new home construction, sales of pre-owned homes and median prices of new and pre-owned homes. Other markets, including Albuquerque and the rest of New Mexico, will experience a more modest slowing of shorter duration in new home construction, modest or no absolute decline in median prices and relatively quick recovery to pre-2004 trend growth. Of course, the crystal ball is very hazy in this area where history is not a reliable guide to the future. Moody’s Economy.com experts agree with Global Insight economists that the spin-off problems will persist through the end of 2008.
- (3) High personal debt levels, high rate of mortgage defaults and the end of the “housing bubble” have apparently slowed personal consumption. September’s bull market in the various U.S. stock markets briefly bolstered consumer confidence, even though the increase in household net worth was largely on paper. Currently, the University of Michigan’s Consumer Sentiment Index fell to 76.1 in November and is expected to average 78 for 2007:Q4. This is the lowest sentiment since October 2005. Consumers apparently acted on this depressed sentiment and kept away from the stores during the Christmas retail season of 2007. Post-Christmas sales rebounded somewhat. Overall, this may be the worst Christmas selling season for retail profits since 2002.
- (4) Last month, the Federal Reserve Board made a third cut in the federal funds rate of 25 basis points to add to the 50 basis point cut in October and 25 basis point cut in November. The rate

now stands at 4.25 percent. Many observers, including Global Insight, are expecting the Federal Open Market Committee to cut the federal funds rate by another 25 to 50 basis points. Inflation will, as a matter of course, increase slightly, but the bigger worry right now is recession. Global Insight expects that the CPI will finish 2007 at a relatively high 4.2 percent for the quarter and gradually relax to about 1.6 percent in 2010.

- (5) The economic expansion, which began December 2001, will shortly reach its 73rd month. This is the third longest expansion since WWII. The longest was the “Clinton expansion” which extended 120 months from March 1991 to February 2001 and the second longest expansion ended in November 1970 after 106 months of expansion.
- (6) Oil prices have firmed a little (+\$5/barrel for FY09) and natural gas prices are down slightly (\$.10/mcf for FY09). West Texas Intermediate (WTI) spot price closed on November 23rd at \$98.18 per barrel and on Jan. 2, 2008 at \$99.63. While \$10 to \$12 of this extraordinary strength can be attributed to speculation, the strength appears to be persistent. The consensus group has forecasted New Mexico prices of \$80/barrel for FY08, \$75/barrel for FY09 and a long-term price of \$75/barrel throughout the forecast period and beyond. New Mexico prices tend to run at least \$4 per barrel below the Cushing Hub WTI price. Natural gas prices, however, are not similarly buoyant. In October, we expected that New Mexico prices would peak at \$6.65/mcf in FY09 and relax somewhat to \$6.35/mcf by FY12. In the December estimating round, the peak is expected to be \$6.60/ mcf in FY09. Prices should relax to \$6.35/mcf by FY12. Because the direct impact on the General Fund of changes in natural gas prices is about \$12 million per 10¢ a mcf, the downward reduction of \$.05/mcf contributes to a \$6 million reduction in General Fund revenues.²

3.0 The New Mexico Economic Outlook – Appendix Table 1

New Mexico job growth fell a bit in October. However, with the exception of manufacturing and construction, the problem may be labor supply rather than labor demand. The seasonally adjusted unemployment rate was 3.1 percent in October, the lowest it has been since at least 1976. By the end of FY07,

² In addition to the direct impact of energy prices on General Fund revenues, there are indirect impacts. New drilling rigs contribute to compensating tax; drilling activity by contractors contributes to General Fund Gross Receipts Taxes. Oil and gas withholding revenues have become important for Personal Income Tax and there is a long-lag impact of oil and gas net values on corporate profitability and corporate income tax. New models explicitly capturing these indirect impacts of oil and gas values are being developed and may be ready for use by the mid-session review in January or later in the spring of 2008.

the New Mexico economy will have added over 80,000 jobs³ (10.7 percent) since 2002:Q4. With August's 1.8 percent year-over-year job growth, New Mexico had the 14th fastest growing economy in the U.S. However, high job gains in October in other states depressed New Mexico's October ranking to 34th. The Bureau of Business and Economic Research expects 2006:Q3 to be the peak of job growth for New Mexico, with a 3.1 percent increase year-on-year. Job growth for FY08 and FY09 is expected to hold at the 1.7 percent level. See Appendix Table 1 for more details.

Employment growth is spotty, with services growing and goods-producing sectors shrinking. Construction, manufacturing, information services and the federal government lost jobs in October, while the remaining 10 industry groups expanded. Education and Health Services account for almost 50 percent of the net gains in employment for October.

	Preliminary Oct-07	Revised Oct-06	Change	% of Growth
Total	851,300	843,700	7,600	
Natural resources and mining	20,000	19,300	700	9.2%
Construction	60,200	61,000	-800	-10.5%
Manufacturing	37,200	38,900	-1,700	-22.4%
Wholesale	23,900	23,700	200	2.6%
Retail	95,800	94,600	1,200	15.8%
Transportation, Warehousing and Utilities	25,200	24,400	800	10.5%
Information Services	16,100	16,200	-100	-1.3%
Financial Activities	35,400	35,000	400	5.3%
Professional and Business Services	108,900	108,500	400	5.3%
Education and Health Services	113,300	109,600	3,700	48.7%
Leisure and Hospitality	87,400	86,200	1,200	15.8%
Other Services	29,100	28,900	200	2.6%
Government	198,800	197,400	1,400	18.4%
Federal Government	30,200	30,400	-200	-2.6%
State Government	61,700	60,600	1,100	14.5%
Local Government	106,900	106,400	500	6.6%

Source: Labor Market Review, October 2007 (November 21, 2007)

Natural resources and mining industry employment is likely to continue at historically high levels, although there is little room for growth in the industry. Oil and natural gas drilling rigs working in the state peaked in late November 2006 at 101, hit a trough at 71 rigs at the end of March 2007 and finished the fiscal year at 87. After a brief foray to 89 rigs in late August 2007, the most recent week showed 70 rigs drilling in the state. There is some evidence of scarce labor resources in the oil patch. The work

³ The job gains reported here compare the quarterly average (actual) for 2002:Q4 with the FOR-UNM forecasted quarterly average for 2007:Q4. This is 83,217 jobs gained.

force is highly mobile and can move to the “hot play” in another state (or even abroad) with only a few weeks notice. This effect is not in the estimate but must be considered for the future.

New Mexico’s personal income growth was recently revised. We now think that personal income growth for CY2006 was 7.9 percent, up strongly from 6.0 percent reported earlier.⁴ Wage and salary growth for FY07 was 7.6 percent. Most of the growth occurred in the private sector with growth of 11.2 percent. Government sector income growth for FY07 was 3.9 percent. The forecast for income growth is a strong 6.5 percent for FY08 slowing to 5.2 percent for FY09.

The best news for the New Mexico economy is that the bust of the housing bubble nationally will not unduly disadvantage New Mexico’s home sellers and home buyers. A recent report from the Office of Federal Enterprise Oversight intimates that the housing crisis may be largely restricted to California, Florida, Nevada and Michigan. Through 2007:Q3, average house prices in the OFHEO index rose 7% year-on-year, putting New Mexico in 4th place nationally.

New Mexico Department of Workforce Solutions November 21, 2007

New Mexico’s seasonally adjusted unemployment rate was 3.1 percent in October 2007, down from 3.4 percent in September. The October unemployment rate hit another historic low, the third so far this year and the lowest the state’s unemployment has been since the current series began in 1976. The national unemployment rate, at 4.7 percent, was considerably higher than ours. A year ago, the state’s unemployment rate was 3.9 percent. (New Mexico’s 3.1 percent unemployment rate ranks it sixth in the nation for October.)

The rate of year-over-year job growth, comparing October 2007 with October 2006, is 0.9 percent. The state has added 7,600 jobs over the last year and we rank 30th highest for job growth among the states. Job growth has weakened since peaking at 3.6 percent in June 2006. The state saw more than two years of job growth above two percent from October 2004 to January 2007. Current levels are below the long-term trend and the lowest we have seen in over four years.

The good-producing sectors of mining, manufacturing and construction account for most of the slowing growth, while the service-providing industries exhibit only a slight loss of momentum. Current conditions show construction employment 1.3 percent lower than last year, compared to double-digit growth a year ago.

Three industries stand out by having growth rates above three percent. Natural resources and mining, despite slowing growth, still managed to grow 3.6 percent, adding 700 jobs. The education and health services industry is always reliable for adding jobs, up 3.4 percent adding 3,700 jobs. The transportation, warehousing and utilities industry reported growth of 3.3 percent over the year, adding 800 jobs.

⁴ Because personal income is used to predict Personal Income Tax collections, we report and discuss calendar or tax year personal income growth, not fiscal year growth as is the case for wages and salaries which are used to predict gross receipts and Motor Vehicle Excise Taxes.

Office of Federal Enterprise Oversight

November 29, 2007

HOUSE PRICES WEAKEN FURTHER IN MOST RECENT QUARTER

First Quarterly Price Decline for U.S. since 1994

Washington, DC – For the first time in nearly thirteen years, U.S. home prices experienced a quarterly decline. The OFHEO House Price Index (HPI), which is based on data from sales and refinance transactions, was 0.4 percent lower in the third quarter than in the second quarter of 2007. This is similar to the quarterly decline of 0.3 percent (seasonally-adjusted) shown in the purchase-only index. The annual price change, comparing the third quarter of 2007 to the same period last year showed an increase of 1.8 percent, the lowest four-quarter increase since 1995.

OFHEO Director James B. Lockhart, as part of the quarterly report analyzing housing price appreciation trends, said, “While select markets still maintain robust rates of appreciation, our newest data show price weakening in a very significant portion of the country. Indeed, in the third quarter, more than 20 states experienced price declines and, in some cases, those declines are substantial.”

Many of the cities and states experiencing the sharpest declines this quarter were the same cities and states experiencing the sharpest increases just a couple of years ago, suggesting some price corrections in those markets.

Selected Significant Findings

1. The states with the greatest rates of appreciation between the third quarter of 2006 and the third quarter of 2007 were: Utah (12.9%), Wyoming (11.8%), Montana (7.7%), New Mexico (7.4%), and Washington (7.0%). The states with the largest depreciation for the same period were: Michigan (-3.7%), California (-3.6%), Nevada (-2.4%), Massachusetts (-2.3%), and Rhode Island (-2.2%).
3. Seventeen of the 20 cities having the most depreciation were in Florida and California. The other three were in Michigan.
4. Twenty-four of the 26 California cities on the ranked list experienced price declines between the third quarter of 2006 and the third quarter of 2007. Thirteen of the 24 evidenced price declines of 5 percent or more.

Specific Results for New Mexico's MSAs

Price Increases	Most recent Ranking	Quarter	1 Year	5 Year	Since 1980
State Total	4/51	1.43%	7.39%	56.8%	236.8%
Albuquerque MSA	33/284	1.33%	6.5%	57.4%	
Santa Fe MSA	56/284	.55%	5.6%	57.4%	
Las Cruces MSA			7.7%	57.4%	
Farmington MSA			5.5%	58.2%	

Oil and Natural Gas Outlook – Appendix Table 1

While natural gas prices have declined from peak levels reached during mid-summer 2006, crude oil prices continue to astound observers. With the 2007 hurricane season over, gas prices have moderated significantly from the July forecast, but held about constant from the October forecast. Recent performance of San Juan gas continues to be mixed. The consensus group decreased the average price for FY08 from \$6.50/mcf to \$6.40/mcf. For

FY09, the decrease was from \$6.65/mcf in October to \$6.60/mcf in this forecast. Over the longer term, gas prices are expected to average in the \$6.35/mcf to \$6.57/mcf range. On the other hand, the consen-

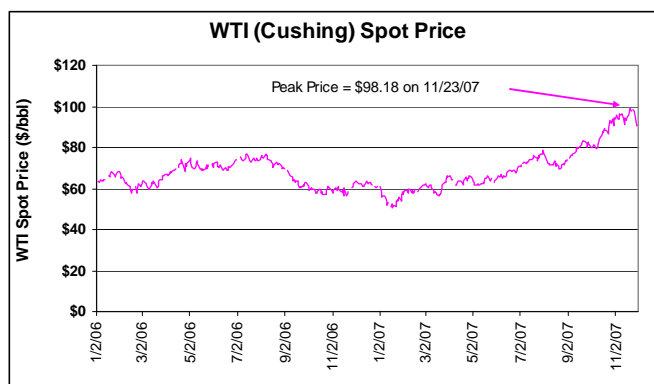


Figure 1

sus group increased the estimate for crude oil by \$8/barrel for FY08 and \$4 to \$5/barrel for the rest of the forecast period. Figure 1 exhibits the record highs recorded for crude oil in recent weeks.

Regional factors may hold down prices for New Mexico natural gas producers. Production in the northern Rocky Mountain region continues to grow faster than the pipeline capacity for carrying that fuel to markets. Producers have bid down prices in the effort to get their gas into the scarce pipeline space available. This pressure will affect New Mexico producers because some Rocky Mountain gas is exported through the San Juan Basin.

Natural gas and crude oil production in New Mexico has continued to decline in recent years, despite sharp increases in the number of drilling rigs operating in the state. The high rig count has served to maintain aggregate production levels. The consensus outlook assumes that natural gas production will have a long-term decline rate of 2.0 percent per year. This is a somewhat steeper decline than has been assumed in the past and up somewhat from the 1.6 percent assumed in the October forecast. The outlook for natural gas prices and volumes is illustrated in Figure 2 based on the current forecast.

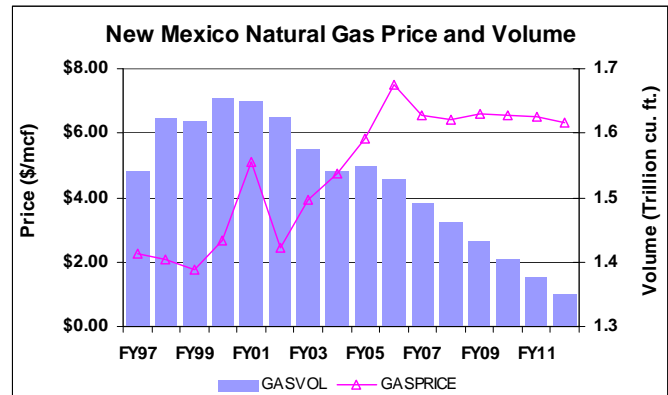


Figure 2

The outlook for natural gas prices and volumes is illustrated in Figure 2 based on the current forecast.

Crude oil prices have increased somewhat over the last four months from a trough near \$65/barrel to almost \$100/barrel in recent weeks. On January 3, 2008, the WTI spot price closed at \$99.63 per barrel, the highest closing price in history. October 2007 may be the first time in history that ONGARD (New Mexico) oil prices will average over \$80/barrel. Permian oil prices, however, are not expected to increase further, however, because market fundamentals remain mixed. These factors include: disappointing supply results from non-OPEC producers, generally strong worldwide economic growth and the unwillingness of consumers to significantly reduce their demand for refined products in the face of higher prices. A significant portion of the record spot prices can be attributed to speculation. Figure 3 exhibits the recent price movement.

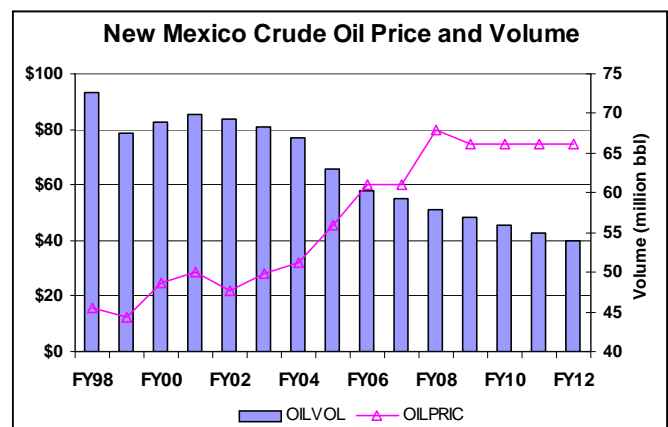


Figure 3

Countering these bullish influences is the continuing high consumer prices for gasoline and diesel fuel. The consensus group increased its outlook for FY08 from \$72/barrel in October to \$80/barrel in this forecast and estimated that prices will decline slightly throughout the forecast period to \$75/barrel. As with natural gas production, crude oil production has been declining in New Mexico in recent years. The oil production decline is now estimated at less than that for natural gas. The outlook is for a decline of 1.8 percent per year in oil production. The outlook for oil prices and volumes is illustrated in Figure 3 based on the current forecast.

We used to think that when crude oil prices increased by 10 percent, natural gas prices would increase by the same 10 percent (with some substantial variation). However, Figure 4 shows that the relationship between oil prices and gas prices has changed markedly from the old linear relationship. If oil prices increase to \$80/barrel, gas prices will stay flat – on average – at about \$7/mcf. This is a profound change in our understanding of the future revenue growth likely to occur from the combination of crude oil and natural gas production.

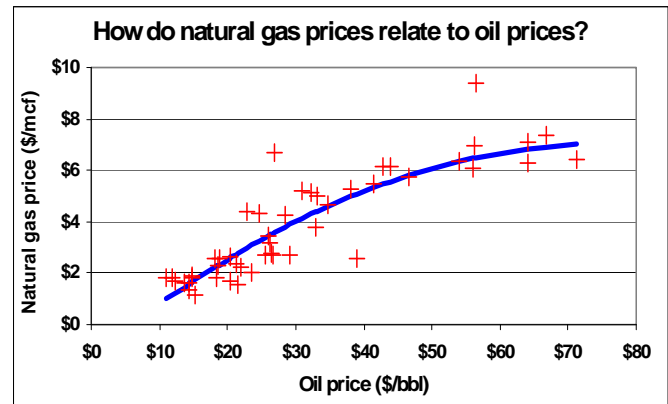


Figure 4

5.0 Revenue Outlook—Appendix Table 2

Consensus revenue estimates were revised upward from the October estimates for FY07 and FY08, but revised slightly downwards for FY09 through FY12. Unlike the experience over the past several years, the revenue changes cannot be attributable to changed oil and gas revenues. The simplest explanation for the changes is that they are the net of many small changes due to the changes in the economic forecast, actual revenues received in FY07 and to-date in FY08 and changes in the econometric forecasting models. The critical gross receipts tax has been adjusted upwards by \$22.0 million in FY08 and \$8.0 million for FY09, slightly reversing the large downward adjustments in October. Personal and corporate income taxes are expected to be about \$5.7 million lower in FY09 than the October estimates. Corporate income tax may have some up-side potential for both FY08 and FY09, but unexpected refund claims from film production companies advise caution in this area. Federal mineral leasing receipts are expected to be \$17.7 million greater FY09 than estimated in October. In addition, there are significant risk factors for higher revenues from this source. Total recurring revenue was increased by \$5.9 million

in FY07, \$12.7 million in FY08 and decreased by \$10.1 million in FY09. After the revisions, recurring revenue will increase by about 2.6 percent in FY08 and by 2.4 percent in FY09. Table 1 on page 2 lists these increases in recurring revenue by fiscal year.

5.1 Gross Receipts Tax

Gross receipts tax (GRT) collections posted another strong year in FY07, growing by almost 8.5 percent after almost 12 percent growth in FY06. Growth in the aggregated business and professional services was a major factor, contributing over 45 percent of total growth. Other sectors making major contributions were retail trade and construction. Table 6 presents a summary of the contribution to total GRT tax base growth by each major industry group. Note that the most recent growth for 2007:Q3 over 2006:Q3 shows an unexpected increase in construction taxable gross receipts (TGR) growth, an expected increase in TGR from oil and gas drilling and mining, and a significant increase in retail TGR. Part of the explanation of these effects is the decrease in business and professional services attributable to an entire year of gross receipts tax payments from Los Alamos National Laboratory (LANL).

GRT growth is expected to slow to 4.2 percent in FY08 and to 3.3 percent in FY09. Tax base growth is assumed to be 4.2 percent in each year, which is somewhat less than the long-term trend. Although the construction sector is expected to slow from the very high growth rates of the recent past, the deceleration is not evident in tax returns received in the last three months. Construction receipts are up 10.1 percent for the July through September period of 2007 compared with the same period last year. Strong oil and gas prices should continue to provide support for the gross receipts tax base. GRT revenue is also reduced to reflect new statutory provisions adopted by the 2007 Legislature. These include a new tax credit for hospitals, new health care provider deductions and a new distribution to the State Aviation Fund. These provisions reduce net General Fund revenue by \$12 million in FY08 and by \$18 million in FY09. One important source of decrease in the GRT collections is the very high growth of medical deductions. This is actually a double hit. First, collections are less because of the higher levels of deduction. Secondly, the counties and municipalities get a “hold-harmless” distribution of the amount of revenue each would have received prior to the food and medical deduction. A recent snapshot implies that the growth of the medical deduction exceeds 20 percent per year. Fortunately, the food deduction which is a very large amount has been slightly declining over the last year.

Table 6 – Taxable Gross Receipts Growth by Sector

Major Sectors – Taxable Gross Receipts	FY06	FY07	Annual Growth	Most Recent Growth	% of Total Growth
Mining and Oil and Gas Extraction	1,808,415,208	1,951,784,451	7.90%	10.02%	6.70%
Utilities	1,993,395,097	1,927,936,688	-3.30%	1.70%	-3.00%
Construction	6,499,565,088	7,053,017,837	8.50%	10.10%	25.70%
Manufacturing	930,268,695	988,192,761	6.20%	-1.81%	2.70%
Wholesale Trade	2,159,665,595	2,003,921,311	-7.20%	-6.33%	-7.20%
Retail Trade	10,792,559,755	11,242,087,132	4.20%	8.12%	20.90%
Business and Professional Services	4,249,883,045	5,234,621,257	23.20%	9.65%	45.70%
Health Care and Social Assistance	1,521,124,603	1,698,229,306	11.60%	-0.75%	8.20%
Accommodation and Food Services	2,715,130,576	3,021,590,221	11.30%	7.18%	14.20%
All other sectors	8,740,937,949	8,442,891,595	-3.40%	0.86%	-13.80%
Total	41,410,945,612	43,564,272,558	5.20%	5.04%	

Note: "All other sectors include (1) Agriculture, Forestry, Fishing and Hunting, (2) Finance and Insurance, (3) Management of Companies and Enterprises, (4) Educational Services, (5) Arts, Entertainment and Recreation, (6) Public Administration, (7) Unclassified Establishments, (8) Other Services (except Public Admin), (9) Real Estate and Rental and Leasing, (10) Information and Cultural Industries, (11) Transportation and Warehousing and (12) Admin and Support and Waste Mgt and Remediation

5.2 Compensating Tax

Net receipts from the compensating tax posted another strong year in FY07, growing by 15.4 percent after 17.5 percent growth in FY06. Industries making major contributions to this revenue were mining, utilities and transportation. Table 5 shows this sectoral contribution. The outlook for FY08 and FY09 can be summarized as “more of the same, only less so”. FY08 is expected to grow by 7%, while FY09 will grow by 4.3%. Compensating tax, as shown in Table 7, is paid by the mining industry on drilling rigs, by the utilities industry on generators, transformers, wire and steel used in the state, but purchased outside the state.

Table 7

Compensating Tax Payments by Industry: July 2006 through May 2007

Industry	Total Payments	Percent of Total Payments
Mining	\$13,207,307	18.8%
Utilities	\$10,668,054	15.2%
Transportation	\$8,022,718	11.4%
Retail	\$7,530,439	10.7%
Manufacturing	\$7,445,652	10.6%
Other Services	\$4,899,277	7.0%

Industry	Total Payments	Percent of Total Payments
Wholesale Trade	\$3,541,707	5.0%
Public Administration	\$3,315,292	4.7%
Professional Services	\$2,840,610	4.0%
Health Care	\$2,558,132	3.6%
Construction	\$2,035,363	2.9%
Other	\$4,283,787	6.1%
Total	\$70,348,338	100.0%

5.3 Personal Income Tax

Net personal income tax (PIT) collections for FY07 are up by a minuscule \$1.8 million compared with the October forecast, reflecting actual collections. Net PIT collections are expected to continue to grow – even after adjustment for significant revenue reductions due to legislation passed in recent legislative sessions; however, growth rates of 3 percent to 4 percent are low by historical standards. We speculate that a long-term implication of the many PIT rate and base changes is a lower elasticity and responsiveness to changes in household income. Estimating the current elasticity of personal income tax collections to changes in personal income is on the research agenda for the consensus group.

5.4 Corporate Income Tax

Net corporate income tax (CIT) collections in FY07 are up slightly over the October forecast amount, while the forecast for FY08 through FY12 has been held at the October forecast levels. This reflects a slightly cautious approach to the large amount of refunds claimed on behalf of film production companies for the state’s film production credit. At least some of the recent collections (\$460.5 million net in FY07) is attributable to collection activity undertaken by TRD. Total CIT collections generated by compliance initiatives were \$27 million in FY07, \$23 million higher than the baseline amount expected for that revenue. The majority of this revenue is attributable to the denial of deductions for payments to holding companies for the use of intangible assets like franchise rights. Since some of the larger collections reflected liabilities accrued over several years, and also because a significant portion of the collections were due to just a few large taxpayers, TRD expects total CIT collections from compliance activity to decrease in FY08 and FY09.

Since inception in FY03, the state’s film production tax credits have grown and continue to grow. Table 8 exhibits this growth. Because of this increase in credit claims, analysts decided to take a cautious approach to the corporate income tax revenue. The new model for CIT net collections forecasts growth in this revenue, but all this expected growth could be devoted to paying the additional credits.

Table 8 – Approved Film Production Tax Credits, FY03 - FY08 (through 11/26/07)						
	FY03	FY04	FY05	FY06	FY07	FY08 YTD
Number of Approved Applications	4	88	13	35	34	18
Approved Film Credits (\$000)	\$1,220	\$3,405	\$2,073	\$10,742	\$17,578	\$30,376

A review by TRD of CIT payments received during FY07 indicates that almost two-thirds of total payments were from businesses in the mineral extraction industries. This is an increase from about one-half of all payments in the preceding twelve months. The contribution by the manufacturing sector was down significantly in the latest period. Results of the TRD review are presented in the tables 9 and 10.

Table 9 – Top 100 New Mexico Corporate Income Taxpayers – Distribution of Payments Made between May 1, 2006 and May 1, 2007 by Industry			
Industry	Payments	Percent of Total	Number of Firms
Communications	7,515,557	2.5	7
Construction	4,420,026	1.5	4
Finance, Insurance and Real Estate	7,229,040	2.4	8
Manufacturing	25,637,172	8.5	12
Mineral Extraction*	197,904,337	65.3	41
Retail	19,493,268	6.4	9
Service	19,905,027	6.6	10
Transportation	12,401,516	4.1	3
Utility	4,352,112	1.4	3
Wholesale	4,244,389	1.4	3
Totals	303,102,443	100.0	100
*Mostly oil and natural gas, but includes approximately \$21 million in payments by hard mineral extraction firms.			

Forecast CIT revenue is not expected to grow over the next two years. In part, this is due to the relatively flat consensus outlook for crude oil and natural gas prices, since these industries represent a large portion of the revenue base. In addition, revenue from TRD compliance activity is expected to drop from the high levels realized in FY07.

Table 10 – Top 100 New Mexico Corporate Income Taxpayers – Distribution of Payments Made between June 22, 2005 and June 22, 2006 by Industry			
Industry	Payments	Percent of Total	Number of Firms
Communications	5,290,200	1.7	6
Construction	8,242,390	2.7	5
Finance, Insurance and Real Estate	9,884,453	3.2	11
Manufacturing	89,178,499	28.8	12
Mineral Extraction*	157,300,956	50.8	37
Retail	9,351,683	3.0	7
Service	12,617,632	4.1	12
Transportation	13,086,983	4.2	5
Utility	3,558,650	1.1	4
Wholesale	981,383	0.3	1
Totals	309,492,829	100.0	100
*Mostly oil and natural gas, but includes approximately \$21 million in payments by hard mineral extraction firms.			

5.5 Earnings on State Balances

Earnings on state balances have been revised downwards to \$68.4 million in FY07 – substantially under the estimate made last December of \$108.7 million. For this forecast, earnings have been decreased from the October forecast by \$8.0 million for FY08 and \$5.0 million for FY09. These earnings are depressed because of a change in investment policy – laddering out the investments and matching maturities of investments to anticipated dates of cash needs. Until we understand whether the drop in earnings for FY07 was a structural issue or a lag, we are using two new models to forecast FY09 and subsequent earnings. This component may be revised during the January review. The June 2007 ending portfolio balance is about \$2.3 billion, somewhat higher than previous years when the average was about \$2.0 billion. Earnings on state balances are extremely sensitive to the federal funds rate. The Federal Reserve Board has recently decreased the federal funds rate by 100 basis points to 4.25 percent. Global Insight expects the federal funds rate to fall further to 3.75 percent by the end of 2008:Q2, hence treasurer’s earnings will remain moderate. The State Treasurer has been engaged in a continuous effort to accommodate investment policies so that maturities will more quickly adjust to changes in the yield curve. The State Treasurer has been adjusting maturities to maximize investment yields.

6.0 General Fund Financial Summary—Appendix Table 3

Appendix Table 3 exhibits the net effect of revenue change and appropriations activity for the 2007 regular and special sessions. The table also includes the executive recommendations for revenue measures and appropriations. “New Money” is expected to be \$368.9 million, while nonrecurring money available for appropriation will be \$260 million. This will leave the General Fund operating reserve with almost \$116 million in balances, which is 1.92% of FY09 appropriations. Total reserves, including tobacco settlement fund, appropriation contingency reserve, state support reserve and the tax stabilization reserve, will equal 10.0%

More than 80 percent of the 10 percent General Fund reserve balances is in restricted funds, including the “Education Lockbox” within the Appropriation Contingency Fund, the Tobacco Settlement Permanent Fund and the Tax Stabilization Reserve. As mentioned above, If all the “new money” and available nonrecurring General Fund revenue is appropriated, the General Fund Operating Reserve is estimated to close out FY09 at 1.9 percent of current year recurring appropriations (FY09). This issue bears close attention during this period of relatively slow revenue growth.

7.0 Risks to the Forecast

The principal risk to this forecast is the 40 percent or greater chance that the housing bust will drive the national economy into a brief recession. Virtually all business economists surveyed have said

that the housing problem will get worse before it gets better. On the other hand, New Mexico housing price data from the Federal Office of Housing Enterprise Oversight (OFHEO) and the Mortgage Delinquency Survey produced by the National Association of Mortgage Bankers do not, as yet, indicate a major problem for New Mexicans. We have tracked movements in this area closely and, working closely with LFC economists, have given the Governor and Legislature the best and most current information on this issue prior to finalizing budget proposals for FY09.

In the process of developing appropriation levels for federal fiscal year 2008, the U.S. House of Representatives has approved significant cuts in Department of Energy spending in New Mexico. A last minute deal was mostly good news for the State. The job shrinkage at the national labs will apparently be less than 1,000 workers. The small bit of bad news was that Federal Mineral Leasing royalty payments to the state will be cut by about \$11 million for FY08 and, probably, for the future.

Although energy price volatility is always a risk, there is a new risk that natural gas prices will plateau even as international crude oil prices are rising. There is a low likelihood that natural gas will repeat as a major driver of revenue increases. Of the 70 rigs drilling for oil and gas in the State, more than 40% are drilling for oil in the Permian basin. Previous, the majority of rigs were drilling for natural gas in the Raton and San Juan basins. This may mean that decline rates for crude oil will moderate, but that the decline rate for natural gas volumes will increase. Some of this shift is in the current estimate, but the change in trend is still somewhat uncertain.

Gross receipts tax economic development incentives are anticipated to grow aggressively for a few more years before any significant feedback from corporate income tax or gross receipts tax on the additional economic activity will be noticed. Mesa del Sol's first distribution of Tax Increment Development District revenue is scheduled for March 2008.

As noted in the discussion above, there are two areas where unanticipated additional revenues may be realized – treasurer's earnings and corporate income tax. With the new federal policy of decreasing royalty payments to the state by 2%, it is unlikely that federal mineral leasing receipts will expand significantly.

**APPENDIX TABLE 1: U.S. and New Mexico Economic Indicators
December 2007**

	FY2007	FY2008		FY2009		FY2010		FY2011		FY2012	
	Prelim	Oct. 07 Estimate	Dec. 07 Estimate	Oct. 07 Estimate	Dec. 07 Estimate	Oct. 07 Estimate	Dec. 07 Estimate	Oct. 07 Estimate	Dec. 07 Estimate	Oct. 07 Estimate	Dec. 07 Estimate
NATIONAL ECONOMIC INDICATORS											
US Real GDP Growth (% SAAR)	1.9	1.8	1.9	3.0	2.9	2.8	2.9	2.8	2.8	2.7	2.6
US Inflation Rate (CPI, %, SAAR)*	2.7	1.6	1.9	1.7	1.6	1.9	1.9	1.8	1.8	1.8	1.8
Overnight Yield (%)**	5.25	4.53	4.56	4.32	4.31	4.75	4.75	4.75	4.75	4.75	4.75
NEW MEXICO LABOR MARKET AND INCOME											
NM Non-Agricultural Employment Growth (%)	2.4	1.5	1.7	1.8	1.7	1.6	1.6	1.5	1.5	1.4	1.5
NM Personal Income Growth (%)***	7.6	5.9	6.5	5.3	5.2	5.2	4.8	4.6	4.8	4.7	4.9
NM Private Wages & Salaries Growth (%)	11.9	4.5	5.8	4.1	3.8	4.0	3.8	3.9	3.8	3.8	3.6
CRUDE OIL AND NATURAL GAS OUTLOOK											
Oil Price (\$/barrel) Gross Sales Value	\$60.23	\$72.00	\$80.00	\$71.00	\$75.00	\$70.50	\$75.00	\$70.00	\$75.00	\$70.00	\$75.00
Taxable Oil Sales (million barrels)	57.8	56.1	58.0	54.4	57.0	52.7	55.9	51.2	54.9	49.6	53.9
Gas Price (\$ per thousand cubic feet) Gross Value	\$6.54	\$6.50	\$6.40	\$6.65	\$6.60	\$6.65	\$6.57	\$6.50	\$6.50	\$6.35	\$6.35
Taxable Gas Sales (billion cubic feet)	1,493	1,469	1,463	1,445	1,434	1,422	1,405	1,400	1,377	1,377	1,349

*CPI is all-Urban consumers.

**Overnight Yield = Federal Funds Rate

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

Sources: December 2007 economic indicators based on November 2007 Global Insight (national) and November 2007 FOR-UNM (state).

<..\..\Revenues\Estimates\FY 2008\December 2007 Estimates\Economic Indicators December 2007 112807.xls>

<..\..\Revenues\Estimates\FY 2008\December 2007 Estimates\December 2007 Estimate Final Corrected 12307.xls>

<..\..\Revenues\Financial Summary\FY 2008\GFFS FY 08 Dec Final Corrected with Executive Recommendations.xls>

APPENDIX TABLE 2: CONSENSUS REVENUE FORECAST

December 2007

(dollars in millions) (1)

	FY 2007				FY 2008				FY 2009			
			Chng. from	% Chng			Chng. from	% Chng			Chng. from	% Chng
	Oct. 07	Dec. 07	Prev.	From	Oct. 07	Dec. 07	Prev.	From	Oct. 07	Dec. 07	Prev.	From
	Prelim.		Est.	FY06	Estimate	Estimate	Est.	FY07	Estimate	Estimate	Est.	FY08
Gross Receipts	1,833.1	1,833.1	0.0	8.5%	1,888.0	1,910.0	22.0	4.2%	1,965.0	1,973.0	8.0	3.3%
Compensating	59.8	59.8	0.0	15.4%	63.2	64.0	0.8	7.0%	70.0	66.8	-3.3	4.3%
General Sales Taxes	1,892.9	1,892.9	0.0	8.7%	1,951.2	1,974.0	22.8	4.3%	2,035.0	2,039.8	4.8	3.3%
Bed surtax	0.6	0.6	0.0	-95.5%	0.0	0.0	0.0		0.0	0.0	0.0	
Tobacco	45.7	45.3	-0.4	-6.4%	46.2	46.2	0.0	2.0%	46.2	46.2	0.0	0.0%
Alcohol	27.0	27.0	0.0	-8.0%	25.8	25.8	0.0	-4.4%	26.2	26.2	0.0	1.6%
Insurance	107.6	107.6	0.0	4.4%	105.7	105.7	0.0	-1.7%	108.5	108.5	0.0	2.6%
Fire Protection Fund	22.9	19.9	-3.0	-18.9%	21.3	19.1	-2.2	-4.2%	19.6	18.4	-1.3	-3.9%
Motor Vehicle Excise	131.5	131.5	0.0	7.9%	138.9	136.0	-2.9	3.4%	146.0	141.8	-4.2	4.3%
Gaming tax	65.2	65.2	0.0	15.0%	68.1	68.3	0.2	4.7%	71.4	71.6	0.2	4.9%
Leased Vehicle Surcharge	5.9	5.9	0.0	-6.7%	4.7	4.7	0.0	-21.3%	4.7	4.7	0.0	0.6%
Other (2)	2.3	2.3	0.0	22.0%	2.0	2.0	0.0	-13.0%	2.1	2.1	0.0	5.0%
Selective Sales Taxes	408.7	405.3	-3.4	0.0%	412.7	407.8	-4.9	0.6%	424.7	419.5	-5.2	2.9%
Personal Income	1,162.0	1,163.8	1.8	3.5%	1,157.0	1,147.8	-9.2	-1.4%	1,180.0	1,174.4	-5.7	2.3%
Corporate & Franchise Income	457.0	460.5	3.5	22.1%	440.0	440.0	0.0	-4.5%	450.0	450.0	0.0	2.3%
Estate	0.1	0.1	0.0	-96.8%	0.0	0.0	0.0	-100.0%		0.0	0.0	
Income Taxes	1,619.1	1,624.4	5.3	8.0%	1,597.0	1,587.8	-9.2	-2.3%	1,630.0	1,624.4	-5.7	2.3%
Oil & Gas School Tax	431.8	431.8	0.0	-10.6%	441.6	427.9	-13.7	-0.9%	435.9	420.7	-15.2	-1.7%
Oil Conservation Tax	19.5	19.8	0.3	-12.2%	20.9	19.7	-1.2	-0.6%	20.6	19.3	-1.3	-2.1%
Resources Excise	11.8	13.2	1.4	44.2%	10.4	13.2	2.8	0.0%	10.1	13.2	3.1	0.0%
Natural Gas Processors	35.6	35.6	0.0	32.6%	33.5	35.3	1.8	-0.7%	41.0	32.2	-8.9	-9.0%
Mineral Production Taxes	498.7	500.4	1.7	-7.6%	506.4	496.2	-10.2	-0.8%	507.6	485.4	-22.2	-2.2%
License Fees	49.4	49.4	0.0	0.8%	50.9	49.7	-1.2	0.7%	52.4	52.0	-0.4	4.7%
Land Grant Permanent Fund	364.8	364.7	-0.1	3.0%	389.1	390.7	1.6	7.1%	436.0	433.8	-2.2	11.1%
Earnings on State Balances	68.4	68.4	0.0	6.4%	87.0	79.0	-8.0	15.6%	75.0	70.0	-5.0	-11.4%
Severance Tax Permanent Fund	170.9	171.0	0.1	-0.5%	177.2	177.2	0.0	3.6%	191.6	191.6	0.0	8.1%
Investment Income	604.1	604.0	-0.1	2.3%	653.3	646.8	-6.5	7.1%	702.6	695.4	-7.2	7.5%
Federal Mineral Leasing	501.0	501.0	0.0	-10.0%	543.4	553.7	10.3	10.5%	517.9	535.6	17.7	-3.3%
State Land Office	50.4	50.4	0.0	-4.4%	49.4	47.3	-2.1	-6.2%	49.0	46.3	-2.7	-2.1%
Rents, Royalties and Bonuses	551.4	551.4	0.0	-9.5%	592.8	601.0	8.2	9.0%	566.9	581.9	15.0	-3.2%
Miscellaneous Receipts	35.6	35.6	0.0	-9.5%	35.1	35.4	0.3	-0.5%	36.1	35.7	-0.4	0.9%
Tribal Revenue Sharing	54.1	54.1	0.0	9.3%	61.2	64.5	3.3	19.1%	69.0	69.2	0.2	7.4%
Tobacco Settlement Revenue		0.0	0.0	-100.0%								
Reversions	34.6	36.9	2.3	157.5%	36.0	39.1	3.1	6.1%	37.1	40.8	3.7	4.3%
Total Recurring Revenue	5,748.6	5,754.5	5.9	3.1%	5,896.6	5,902.3	5.7	2.6%	6,062.6	6,044.0	-18.6	2.4%
Adjustments & Non-Recurring	0.0	0.0	0.0	-100.0%	47.0	47.0	0.0			0.0	0.0	
Grand Total Revenue	5,748.6	5,754.5	5.9	4.3%	5,943.6	5,949.3	5.7	3.4%	6,062.6	6,044.0	-18.6	1.6%

(1) Detail may not add to column totals due to independent rounding.

(2) Other selective sales taxes include racing, private car, boat excise, gasoline excise, and telecommunications relay surcharge 3% administrative fee.

APPENDIX TABLE 2: CONSENSUS REVENUE FORECAST

December 2007

(dollars in millions) (1)

	FY 2010				FY 2011				FY 2012			
	Oct. 07	Dec. 07	Chng. from	% Chng	Oct. 07	Dec. 07	Chng. from	% Chng	Oct. 07	Dec. 07	Chng. from	% Chng
	Est.	Est.	Prev. Est.	From FY09	Estimate	Estimate	Est.	FY10	Estimate	Estimate	Est.	FY11
Gross Receipts	2,029.0	2,034.2	5.2	3.1%	2,099.0	2,101.3	2.3	3.3%	2,170.0	2,170.7	0.7	3.3%
Compensating	73.0	69.6	-3.4	4.3%	76.1	72.6	-3.5	4.3%	79.4	75.7	-3.7	4.3%
General Sales Taxes	2,102.0	2,103.8	1.8	3.1%	2,175.1	2,173.9	-1.2	3.3%	2,249.4	2,246.4	-3.0	3.3%
Bed surtax	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0	
Tobacco	46.2	46.2	0.0	0.0%	46.2	46.2	0.0	0.0%	46.2	46.2	0.0	0.0%
Alcohol	26.7	26.6	-0.1	1.7%	27.1	27.1	0.0	1.7%	27.6	27.6	0.0	1.7%
Insurance	115.5	116.6	1.1	7.5%	124.2	123.1	-1.1	5.5%	133.7	130.1	-3.7	5.7%
Fire Protection Fund	18.0	17.5	-0.5	-4.7%	16.4	16.4	0.0	-6.4%	14.7	14.7	0.0	-10.1%
Motor Vehicle Excise	152.5	147.9	-4.6	4.3%	159.4	154.0	-5.4	4.1%	166.6	160.5	-6.1	4.2%
Gaming tax	73.1	73.4	0.3	2.4%	74.9	75.2	0.3	2.4%	76.7	77.0	0.3	2.4%
Leased Vehicle Surcharge	4.7	4.7	0.0	0.6%	4.7	4.7	0.0	0.4%	4.8	4.8	0.0	0.4%
Other (2)	2.1	2.1	0.0	0.0%	2.1	2.1	0.0	0.0%	2.2	2.2	0.0	4.8%
Selective Sales Taxes	438.8	435.1	-3.7	3.7%	455.0	448.8	-6.2	3.2%	472.5	463.0	-9.5	3.2%
Personal Income	1,250.8	1,245.2	-5.6	6.0%	1,291.0	1,287.5	-3.5	3.4%	1,332.0	1,330.0	-2.0	3.3%
Corporate & Franchise Income	450.0	450.0	0.0	0.0%	447.0	447.0	0.0	-0.7%	444.0	444.0	0.0	-0.7%
Estate		0.0	0.0			0.0	0.0			0.0	0.0	
Income Taxes	1,700.8	1,695.2	-5.6	4.4%	1,738.0	1,734.5	-3.5	2.3%	1,776.0	1,774.0	-2.0	2.3%
Oil & Gas School Tax	425.5	409.4	-16.1	-2.7%	409.5	400.3	-9.2	-2.2%	395.0	385.0	-10.0	-3.8%
Oil Conservation Tax	20.1	18.8	-1.3	-2.6%	19.4	18.4	-1.0	-2.2%	18.7	17.7	-1.0	-3.6%
Resources Excise	9.9	13.2	3.3	0.0%	9.9	13.2	3.3	0.0%	9.6	13.2	3.6	0.0%
Natural Gas Processors	40.4	31.7	-8.8	-1.6%	38.5	31.4	-7.1	-0.7%	37.8	30.6	-7.2	-2.8%
Mineral Production Taxes	495.9	473.1	-22.8	-2.5%	477.3	463.3	-14.0	-2.1%	461.1	446.5	-14.6	-3.6%
License Fees	54.0	54.5	0.5	4.7%	55.6	57.1	1.5	4.7%	57.3	59.8	2.5	4.7%
Land Grant Permanent Fund	479.0	472.8	-6.3	9.0%	523.7	513.1	-10.6	8.5%	571.6	556.4	-15.2	8.4%
Earnings on State Balances	65.0	65.0	0.0	-7.1%	60.0	65.0	5.0	0.0%	68.0	65.0	-3.0	0.0%
Severance Tax Permanent Fund	206.0	203.5	-2.5	6.2%	219.5	215.6	-3.9	6.0%	234.2	228.9	-5.3	6.2%
Investment Income	750.0	741.2	-8.8	6.6%	803.2	793.7	-9.5	7.1%	873.8	850.3	-23.5	7.1%
Federal Mineral Leasing	511.3	525.5	14.2	-1.9%	496.0	514.4	18.4	-2.1%	480.1	501.2	21.1	-2.6%
State Land Office	47.9	45.3	-2.6	-2.2%	46.1	44.1	-2.0	-2.6%	44.4	42.6	-1.8	-3.4%
Rents, Royalties and Bonuses	559.2	570.7	11.5	-1.9%	542.1	558.5	16.4	-2.2%	524.5	543.7	19.2	-2.6%
Miscellaneous Receipts	36.1	36.1	-1.2	0.9%	38.3	36.4	-1.9	1.0%	39.5	36.7	-2.7	0.9%
Tribal Revenue Sharing	72.5	72.7	0.2	5.0%	76.1	76.3	0.2	5.0%	80.0	80.2	0.2	5.0%
Tobacco Settlement Revenue												
Reversions	38.2	42.7	4.5	4.7%	39.3	44.7	5.4	4.7%	40.5	46.5	6.0	4.0%
Total Recurring Revenue	6,225.0	6,225.0	-23.6	3.0%	6,400.0	6,387.2	-12.9	2.6%	6,574.5	6,547.1	-27.4	2.5%
Adjustments & Non-Recurring		0.0	0.0			0.0	0.0		0.0	0.0	0.0	
Grand Total Revenue	6,225.0	6,225.0	-23.6	3.0%	6,400.0	6,387.2	-12.9	2.6%	6,574.5	6,547.1	-27.4	2.5%

(1) Detail may not add to column totals due to independent rounding.

(2) Other selective sales taxes include racing, private car, boat excise, gasoline excise, and telecommunications relay surcharge 3% administrative fee.

**Appendix Table 3 – General Fund Financial Summary
December 2007 Revenue Estimate (2007 Unaudited)
(Dollars in Millions)**

	Preliminary FY07	Estimated FY08	Estimated FY09
Appropriation Account			
REVENUE			
Recurring revenue, October 2007 consensus estimates	5,754.5	5,902.3	6,044.1
Executive revenue recommendations		(1.3)	(6.7)
Nonrecurring revenue, October 2007 consensus estimates		47.0	-
TOTAL REVENUE	5,754.5	5,948.0	6,037.4
APPROPRIATIONS			
Recurring appropriations	5,113.1	5,675.1	6,037.2
Nonrecurring appropriations	814.3	290.7	-
TOTAL APPROPRIATIONS	5,927.4	5,965.8	6,037.2
Transfer to/from General Fund Operating Reserve	(173.0)	(17.8)	0.1
General Fund Operating Reserve			
Beginning Balance			
Appropriations	359.5	136.5	117.1
Transfers In appropriation account	(10.1)	(1.5)	(1.5)
Transfers out appropriation account	-	-	0.1
Internal transfer – emergency fund	(173.0)	(17.8)	-
Other			
Ending Balance	136.5	117.1	115.8
Ending balances as a percentage of current recurring appropriations	2.7%	2.1%	1.9%
Appropriation Contingency Fund			
Beginning Balance, Excluding Education Reform	19.9	33.4	18.4
Expenditures	(26.4)	(15.0)	(15.0)
Revenue, Transfers and Reversions	40.0	-	-
Ending Balance, Excluding Education Reform	33.4	18.4	3.4
Education Reform, Beginning Balance	79.8	74.9	56.4
Transfers In	-	-	-
Transfers Out	(4.9)	(18.5)	-
Ending Balance, Education Reform	74.9	56.4	56.4
Ending Balance	108.4	74.9	59.9
Tax Stabilization Reserve			
Beginning Balance	254.4	254.4	254.4
Transfers In	-	-	-
Transfers Out	-	-	-
Ending Balance	254.4	254.4	254.4
Ending Balances as % of Prior Year Recurring Appropriations	5.4%	5.0%	4.5%
Tobacco Settlement Permanent Fund			
Beginning Balance	85.0	110.3	140.1
Transfers In, December 2006 Consensus Estimate	36.2	40.8	41.5
Transfers Out	(18.1)	(20.4)	(20.7)
Gains or (Losses)	7.2	9.4	11.9
Ending Balance	110.3	140.1	172.7
Total Balances	610.5	587.4	603.7
Reserves as a Percentage of Current-year Recurring Appropriations	11.9%	10.4%	10.0%

Appendix Table 4 -- December 2007 Global Insight Forecast

	Quarterly			Annual				
	7:03	7:04	8:01	2007	2008	2009	2010	2011
Real GDP (Percent change)	4.9	1.1	0.6	2.2	1.9	2.7	2.8	2.9
Federal Funds Rate (Percent)	5.07	4.53	4.05	5.03	3.82	4.03	4.75	4.75
Ten-Year Treasury Yield (Percent)	4.73	4.26	4.08	4.63	4.06	4.65	5.3	5.3
Oil Prices, WTI (Dollars/barrel)	75.19	90.88	85.33	72.28	77.37	74.33	74.02	73.42
Consumer Price Index (Percent change)	1.9	4.2	2.6	2.9	2.2	1.6	1.9	1.9
Housing Starts (Millions)	1.3	1.17	0.98	1.35	1.03	1.31	1.54	1.71
Consumer Sentiment (Univ. of Michigan)	86	78	80	86	85	88	88	90
Unemployment Rate (Percent)	4.6	4.7	4.9	4.6	5.1	5.1	5.0	4.8

Region	Rank	1 Quarter	1 Year	5 Years	Since 1980
Utah, (UT)	1	2.12	12.89	54.36	288.87
Wyoming, (WY)	2	2.80	11.77	66.17	191.37
Montana, (MT)	3	1.64	7.74	61.94	290.33
New Mexico, (NM)	4	1.43	7.39	56.82	236.75
Washington, (WA)	5	1.01	6.98	67.32	411.89
Idaho, (ID)	6	1.62	6.87	64.10	256.59
North Carolina, (NC)	7	1.01	6.51	32.24	245.00
Texas, (TX)	8	1.14	6.30	26.03	127.92
North Dakota, (ND)	9	1.53	6.25	40.59	158.22
Tennessee, (TN)	10	0.93	5.96	32.03	221.29
Oregon, (OR)	11	0.37	5.55	68.60	367.82
Oklahoma, (OK)	12	2.12	5.54	27.70	108.78
Louisiana, (LA)	13	1.17	5.35	41.10	151.63
Alabama, (AL)	14	0.56	5.32	33.13	194.79
District of Columbia, (DC)	15	1.58	5.23	96.23	573.96
Mississippi, (MS)	16	1.32	5.14	32.17	168.45
South Carolina, (SC)	17	0.35	5.14	33.13	224.89
South Dakota, (SD)	18	1.67	5.02	32.73	195.12
Vermont, (VT)	19	1.56	4.82	59.24	373.78
Alaska, (AK)	20	-0.05	4.59	51.33	186.24
Pennsylvania, (PA)	21	0.65	4.09	50.54	313.21
Arkansas, (AR)	22	0.23	4.08	32.19	162.27
Kansas, (KS)	23	0.38	3.88	22.69	148.17
Kentucky, (KY)	24	0.63	3.75	23.52	193.33
Delaware, (DE)	25	0	3.71	62.13	421.87
West Virginia, (WV)	26	1.22	3.58	34.26	132.53
Georgia, (GA)	27	-0.01	3.54	25.55	238.89
Iowa, (IA)	28	0.43	3.17	22.37	154.30
Maine, (ME)	29	0.15	2.88	47.04	416.01
Virginia, (VA)	30	0.04	2.86	70.15	377.28
Missouri, (MO)	31	-0.09	2.73	28.44	205.06
Wisconsin, (WI)	32	-0.03	2.52	31.33	233.47
Maryland, (MD)	33	-0.45	2.51	85.05	444.36
Illinois, (IL)	34	0.02	2.48	37.11	283.44
Hawaii, (HI)	35	-0.06	2.30	99.90	453.87
Colorado, (CO)	36	0.05	2.23	18.28	270.17
Indiana, (IN)	37	-0.02	2.04	15.08	159.77
Nebraska, (NE)	38	-0.17	1.66	18.81	159.43
New York, (NY)	39	-0.82	1.39	53.44	557.91
Connecticut, (CT)	40	-0.06	0.97	46.29	377.45
New Jersey, (NJ)	41	-0.28	0.86	61.59	480.09
Ohio, (OH)	42	-0.88	-5.99	12.11	168.40
Minnesota, (MN)	43	-1.15	-5.99	30.72	267.61
Arizona, (AZ)	44	-0.98	-0.20	85.27	325.64
New Hampshire, (NH)	45	-1.55	-0.41	37.55	398.29
Florida, (FL)	46	-2.08	-2.12	85.92	378.13
Rhode Island, (RI)	47	-1.40	-2.24	56.10	485.69
Massachusetts, (MA)	48	-1.67	-2.31	30.16	603.09
Nevada, (NV)	49	-0.70	-2.41	84.28	302.44
California, (CA)	50	-1.76	-3.58	80.38	525.43
Michigan, (MI)	51	-2.50	-3.74	6.61	205.62