

# **General Fund Consensus Revenue Estimates**

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**Presentation to the Legislative Finance Committee**

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## **Introduction**

Today's testimony updates the revenue estimate presented to the Legislative Finance Committee on December 3, 2009, repeated for the Revenue Stabilization and Tax Policy Committee on December 11, 2009 and reviewed and extended for the House Appropriations and Finance Committee on January 11, 2010. The Consensus Revenue Estimating Group recently revised its revenue projections. The new estimates are discussed in what follows.

The national and state economies have experienced weaker recoveries than most analysts expected. Nationally, the recession began in December 2007 and is thought to have ended in June 2009. GDP is expected to grow by 3.1% in 2010 and 2.7% in 2011. Inflation is expected to remain low -- 1.5% in 2010 and 1.4% in 2011, as commodity prices correct downwards and wage growth remains weak. Although the unemployment rate is expected to improve, it is likely to remain high for the next couple of years at 9.7% in 2010 and 9.2% in 2011, respectively.

Analysts are uncertain whether the economy is clearly on the rebound, or whether a "double-dip" recession is in the offing. The \$787 billion federal fiscal stimulus package continues to roll out. New Mexico is expected to receive \$3.7 billion in American Reinvestment and Recovery Act (ARRA) funds. Although recurring revenues are likely to rebound slowly, the state has prepared for continued slow growth in revenue and will take additional measures as necessary to control spending in FY11. Through its FY11 operating budget instructions and guidance on the "50% Rule," which generally restricts a state agency's expenditures to one-half of its appropriation or approved budget for the first six months of each odd-numbered fiscal year, the Governor and DFA have been preparing agencies for the possibility of reduced revenue estimates for FY11. All agencies were asked to prepare for a potential 3% to 5% budget reduction mid-year. While the final numbers for FY10 are not in yet, this July revenue estimate shows that there is a small net shortfall in revenues and the need to use authorized reserves to close the 2010 fiscal year. Based on the revenue estimate presented here, revenues and authorized transfers will be insufficient to meet general fund appropriations for FY11. Consequently, the Governor will

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allocate \$20 million of ARRA state fiscal stabilization funds to FY10 and will reduce allotments pursuant to the provisions of Section 14 of the General Appropriation Act of 2010.

	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Recurring Revenues (Dollars in millions)</b>						
December 2009 Forecast (Adj. for Legislation)	4,831.3	5,306.9	5,596.4	5,785.0	5,993.2	6,224.3
July 2010 Forecast	4,798.9	5,149.0	5,429.5	5,695.5	5,924.4	6,190.4
Change from December Forecast	32.5	157.9	166.8	89.5	68.8	33.9
<b>Total Revenues (Dollars in millions)</b>						
December 2009 Forecast (Adj. for Legislation)	5,452.4	5,353.2	5,603.2	5,781.7	5,992.3	6,224.3
July 2010 Forecast	5,452.4	5,203.5	5,436.4	5,692.2	5,923.5	6,190.4
Change from December Forecast	0.0	149.7	166.8	89.5	68.8	33.9
<b>Approximate current year shortfall (before actions by the Governor and Legislature -- 5% reserves)*</b>		-223.7				

Table 1 above shows the magnitude of the revenue changes for FY10 through FY15.

In addition to the lower forecast of revenues reported here, there is also substantial concern whether Congress and the President will actually extend by two quarters the FMAP (Medicaid match) bonus provisions of the ARRA before the fall election. These funds were included in balancing the FY11 state budget. If Congress fails to extend the enhanced FMAP by two quarters, New Mexico's General Fund budget shortfall for Medicaid is \$160 million, and the overall reduction in the program is \$614 million when coupled with the loss of federal funds. Also under consideration by Congress are proposals to step down the enhanced FMAP, which would result in a lesser General Fund budget shortfall for Medicaid of \$56 million. If the Human Services Department is required to implement reductions to the Medicaid program as a consequence of Congress not extending the FMAP bonus, the department would have to consider eliminating programs in their entirety or pursuant to requirements of ARRA maintenance of effort and recent health reform legislation, consider declaring a "budget deficit" for the state and requesting permission from the U.S. Department of Health and Human Services to allow a change in the eligibility threshold for adults and possibly children.

### Review of the National Economy

- The national economy shows mixed signs of a weak recovery from the recession, with some signs that subsequent growth may continue to be weak with possible setbacks, although output has shown two quarters of growth, and some months of job gains as U.S. employment turns around. Before employment turned around, the national unemployment rate peaked above 10%.
- The July IHS Global Insight forecast reflected national job losses in each of the 26 months preceding their June forecast, with negative GDP growth for four consecutive quarters (2008:Q3, 2008:Q4,

2009:Q1 and 2009:Q2). Consumer price growth is expected to remain low, with consumer demand too weak to support large increases.

- Since the December revenue estimate was made, changes to the national economic outlook are minimal for the most recent IHS Global Insight forecasts for U.S. real GDP and inflation.
- As national consumer spending and sentiment grow, yet remain weak, the trend of personal savings rates has fallen after a dramatic rebound. This is an interesting development, as personal savings can be loaned by banks and other investors to start and expand businesses and purchase cars, homes and consumer goods. However, as the savings rate decreases, consumption rises. From a revenue standpoint, consumption generates more gross receipts tax revenue than does capital spending.

### **Review of the New Mexico Economy**

While IHS Global Insight reports job gains nationally have begun to occur in the second quarter of 2010, UNM's Bureau of Business and Economic Research (BBER) – our State's macroeconomic forecaster – reports job losses in New Mexico through that same quarter. This job weakness in New Mexico is reflected in substantial reductions in expected General Fund revenues from recent years and slow growth through FY14. The root causes are well known: mortgage defaults and home foreclosures, which led to a national financial crisis; falling house prices and resulting severe decreases in household net wealth; falling stock market prices; and a national and world-wide recession. The recession, causing the national unemployment rate to peak at more than 10.0%, is now causing secondary problems in the credit and housing markets. The good news is that the recession in output has recently ended. Because of the depth of the recession, jobs and General Fund revenues will take several years to achieve the peak levels of FY08. This revenue forecast does not indicate that there will be sufficient revenue in FY12 to make up for the loss of ARRA funding.

- Based on recent data, job growth has slowed in New Mexico from over 3 percent in mid-2006 to -1.5 percent as of preliminary May 2010 reports. Oklahoma, Texas and Utah and Arizona grew faster than New Mexico in the region for the period October 2008 to October 2009, while New Mexico grew faster than Colorado, California, Wyoming, Nevada and Arizona. The preliminary U.S. average growth for the May 2009 – May 2010 period was -0.4 percent. New Mexico ranked 44<sup>th</sup> among all states in job growth for this period. New Mexico's preliminary May 2010 unemployment rate was 8.4 percent, up 1.6 percent year-over-year, but down 0.3 percent from the prior month. The national preliminary May 2010 unemployment rate was 9.7 percent, up 0.3 percent year-over-year and down 0.2 percent from the prior month.

- BBER reported in its state review that the economy is losing fewer jobs, with all sectors other than educational services and health care showing substantial improvement in the first quarter of 2010<sup>1</sup>.

**New Mexico Employment Situation**

New Mexico's seasonally adjusted unemployment rate was 8.4 percent in May 2010, down from 8.7 percent in April, but up from 6.8 percent a year ago. The national unemployment rate dropped to 9.7 percent.

The rate of over-the-year job growth, comparing May 2010 with May 2009, was negative 1.5 percent, representing a loss of 12,300 jobs. Four of the state's 13 industries have posted job growth since last year, while nine others reported employment declines. Government employment added more jobs than any individual private industry, with the largest increase resulting from the federal government hiring thousands of temporary Census workers. Those workers are expected to remain employed for several months. Federal government showed an overall gain of 2,000 jobs. The other branches of government also reported gains, with state government showing 1,800 more jobs than year ago (primarily in higher education) and local government employment 500 jobs higher. The total government gain over the year was 4,300 jobs, growing just over 2 percent.

Three private sector industries have added jobs. The leisure and hospitality industry added the most jobs, up 2,200 since this time last year. By most accounts, the ski season that ended a few months ago was a good one, and the industry benefited as a result. This industry group also includes a large number of eating and drinking establishments.

The educational & health services industry also continued to add jobs, but not at the rapid pace to which we have become accustomed. This large private industry group has added 1,400 jobs over the last 12 months. This is a significant number of jobs, but a growth rate that is not much more than 1 percent. The last of the gaining industries—manufacturing—had not added jobs in more than three years. Having lost thousands of jobs over the course of the national recession, the industry now reports 300 more jobs than a year ago.

The remaining nine industries have each lost jobs over the year. Construction was down 5,500 jobs over the year, while mining slipped by 1,200.

The professional and business services industry, often considered a barometer for the rest of the economy, reported employment that was down by 3,800 jobs from last year. The transportation, warehousing & utilities industry lost 2,700 jobs, down 11.8 percent. Retail trade reported losses of 3,900, while the much smaller wholesale trade industry contracted by 700.

The miscellaneous other services category reported 1,000 fewer jobs. The financial activities industry also lost jobs, declining by 900 since last May. Finally, the information industry reported numbers that were 800 jobs lower than year-ago levels, likely from fluctuations within the state's film industry.

**FY10 Revenue Estimate Update**

FY10 General Fund recurring revenues are expected to be \$32.5 million in recurring and \$43.5 million in total less than estimated in the December forecast. There is a small net shortfall in revenues – less than 1%. Strong mineral extraction tax revenues will somewhat offset weak sales and income taxes, however, Table 1 details these FY10 differences. Note in the Table 1 exhibit that DFA has applied a portion of the 83 million transfer authority to balance revenues and expenditures. While FY10 revenues have not closed, further adjustments should not create problems and the fiscal year can be closed within available transfer authority.

**FY11 through FY15 Revenue Forecasts**

The general revenue outlook has not changed substantially from December 2009. These economic assumptions are shown in Appendix Table 1. The FY11 budget forecast expects near-term weakness in natural gas-related revenues, followed by slowly growing natural gas prices, and moderate growth in gross receipts, personal income, corporate income, motor vehicle excise taxes and investment income.

<sup>1</sup> Based on the FOR-UNM report dated May\_2010. Federal Government and military employment were positive, local government employment was almost flat, and state government employment was negative for the first quarter of 2009.

**General Fund Consensus Revenue Estimate**

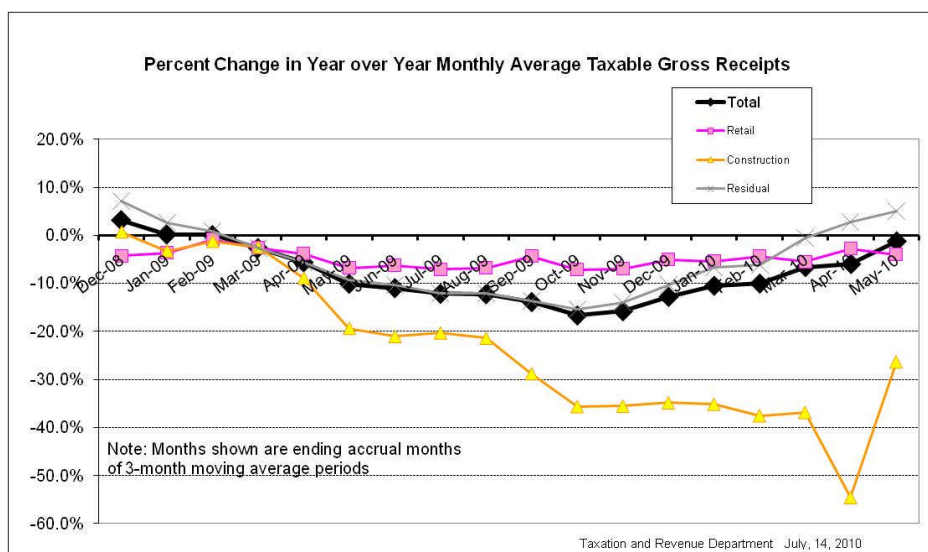
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Appendix Table 2 contains summarized forecasts for each General Fund revenue source. The changes are summarized in Table 2 below.

<b>Table 2 -- FY10 Revisions by Tax Source</b>				
	<b>Dec_09 Est Adj. for Legislation</b>	<b>Jul_10 Est</b>	<b>Chg Dec to Jul</b>	<b>% Change</b>
<b>Total General Sales Taxes</b>	1,760.0	1,687.2	(72.8)	-4.1%
<b>Total Selective Sales Taxes</b>	394.5	393.3	(1.2)	-0.3%
<b>Personal Income Tax</b>	997.5	945.0	(52.5)	-5.3%
<b>Corporate Income Tax</b>	160.0	120.0	(40.0)	-25.0%
<b>Total Mineral Production Taxes</b>	357.1	394.3	37.2	10.4%
<b>Total License Fees</b>	47.5	52.0	4.6	9.6%
<b>Total Investment Income</b>	645.1	643.9	(1.2)	-0.2%
<b>Total Rents, Royalties and Bonuses</b>	334.8	421.6	86.8	25.9%
<b>Total Miscellaneous Receipts</b>	41.8	42.5	0.7	1.6%
<b>Tribal Revenue Sharing</b>	63.1	63.1	0.0	0.0%
<b>Reversions</b>	30.0	36.0	6.0	20.0%
<b>Total Recurring Revenue</b>	4,831.3	4,798.9	(32.5)	-0.7%
<b>Total Adjustments &amp; Non-Recurring</b>	450.0	458.9	8.9	2.0%
<b>Transfer from Tax Stabilization Reserve</b>	171.1	194.6	23.5	13.8%
<b>Use ARRA to supplant General Fund Expenditures</b>	0.0	20.0	20.0	
<b>Grand Total Revenue</b>	5,452.4	5,452.4	(0.0)	0.0%

**Gross Receipts and Compensating Taxes**

Gross receipts and compensating taxes are the largest source of General Fund revenues and generate over one-third of total recurring revenue. In FY09, these tax revenues fell by 1.1% year-over-year. Figure 1 shows that monthly taxable gross receipts growth patterns were mixed at the end of FY08 and then



**Figure 1 -- % Change y-o-y Monthly Average TGR by Sector**

turned increasingly negative. The momentum in taxable gross receipts deteriorated rapidly in calendar year 2009. The rate of decline began to slow last winter and continued to slow throughout calendar year 2010 but has yet to see sustained positive overall growth. In FY10, the overall gross receipts and compensating tax collections are expected to drop by 10.7% from FY09, the largest drop in decades; this is

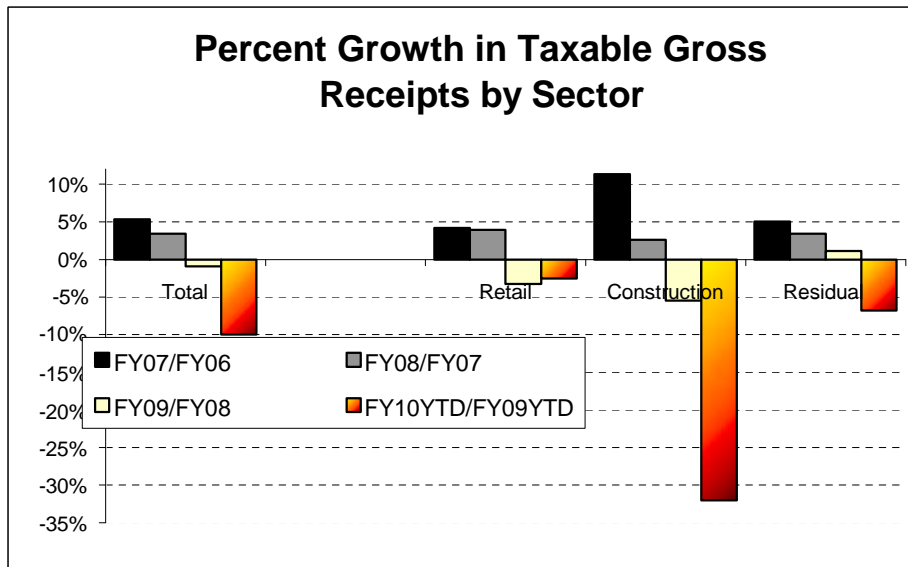


Figure 2 -- % Growth in FY taxable Gross Receipts

12% below FY08’s peak level.

Figure 2 illustrates the negative effect of the construction sector on growth of gross receipts. In FY07, it was one of the biggest drivers of growth. In FY08 it contributed to the slowing of growth. In FY09 it became a significant drag on the economy, helping to pull revenues lower year-over-year for the first time in decades; and in FY10 year-to-date construction fell by over 30% year-over-year, an unprecedented drop. The contraction of the construction sector is changing the composition of the gross receipts tax revenue base. Revenue from the construction sector made up almost one-sixth of total gross receipts in the past. In recent years, however, it has been contributing as little as one-twelfth.

Revenue growth is expected to return, albeit slowly, during FY11. The base level is expected to grow by 2.6% and will be augmented by the recently enacted 1/8<sup>th</sup> % rate increase. Overall revenue growth is therefore expected to grow by 5.7%. More robust growth is expected to return in FY12 to 6.1% and in FY13 to 6.2% and then begin to moderate slightly in FY14 to 5.6% and in FY15 to 5.0% . Thus, even with the recently passed tax increase, gross receipts tax revenue is not expected to surpass its FY08 levels until FY13.

**Personal Income Tax**

Personal income taxes comprise approximately 20% of General Fund recurring revenues. The recession has negatively affected personal income tax revenues in a variety of ways, including the slowing of personal income growth, reduced capital gains and higher unemployment levels. Since the December 2009 forecast, the economy has continued to weaken, further reducing personal income tax revenues. Projected FY10 revenues are now 22% below FY08 peak levels. However, the decline has been partially offset by revenue enhancements passed during the 2010 special legislative session. Forecasted FY11 personal income tax revenues (prior to legislative changes) are 8% above expected FY10 revenues. When adjusted for legislative changes, FY11 revenues are 14% above expected FY10 revenues.

**Corporate Income Tax**

In December 2009 corporate income tax revenue estimates were \$160 million in FY10 and \$200 million in FY11. While final figures for FY10 are still unavailable, revenues are expected to be roughly \$120 million – 25% below the December forecast.

The FY11 July estimate for corporate income tax revenues is \$175.5 million (\$160 million prior to adjustment for legislation). It suggests that corporate income taxes, in absence of legislation, will grow by about 30 percent between FY10 and FY11. This result is consistent with forecasts for corporate profits, federal corporate income taxes and other indicators produced by IHS Global Insight and the Congressional Budget Office. Similar reasoning suggests corporate income taxes will total about \$230 million in FY12.

**Selective Excises Taxes**

Selective excise taxes, particularly the motor vehicle excise tax, are sensitive measures of consumer sentiment. These taxes are expected to decline by 1.2 percent in FY10, primarily due to large declines in the Fire Protection Fund, motor vehicle excise and gaming revenues, only partially offset by a large increase in insurance revenues. For FY11, insurance revenues are expected to continue to grow, while motor vehicle excise and gaming revenues will also grow, but from the lower FY10 base.

Excise taxes are collected on the sale of motor vehicles. The recession nationally as well as here in New Mexico has strongly affected the automotive industry. Revenue peaked in FY07 at \$131.3 million. Motor vehicle excise tax collections are expected to fall to \$91.8 million in FY10, declining almost \$39 million or 30% in only three years. The consensus group does not expect the FY07 level will be reached again until FY15.

**Oil and Natural Gas Revenues**

Oil and gas taxes and royalties are expected to decline in their percentage contribution to the General Fund from FY10 to FY15. In FY10, oil and gas revenues made up 16.8% of the General Fund's revenue; by FY15 they are expected to contribute only 14.6%. The historical peak of the contribution was in

FY08, when oil and natural gas revenues were 21.2% of General Fund total revenue. Since the December 2009 forecast, oil and natural gas prices have only slightly changed. These prices and volumes are detailed in Appendix Table 1. The price of natural gas is estimated at \$5.12 per mcf in FY10 and expected to rise incrementally to \$7.00 per mcf by FY15. Oil prices are estimated to be \$71.35 per barrel for FY10 and expected to increase gradually to \$90 per barrel by FY15. These estimates are consistent with industry projections and estimates provided by industry experts, PIRA and IHS Global Insight. The estimates for both oil and gas volumes were adjusted from the December 2009 forecast; oil volumes are expected to increase by 1.3 million barrels to 60.4 million barrels for FY12, while natural gas is expected to trend slightly more downward than forecast in December. Details of these small volume changes are included in Appendix Table 1. New Mexico producers continue to receive a premium against daily spot prices. However, processing and gathering costs continue to be higher on average in New Mexico than reported in prior years – particularly in the San Juan basin. These costs affect revenues because processing and gathering costs are deductible from reported severance tax liabilities. As previously reported to this committee the long-term prospect for natural gas is a gradual decrease in volumes produced and reported. While earlier in the decade, volumes peaked at an excess of 1,600 bcf (billion cubic feet), future total production volumes are expected to decline to less than 1,100 bcf by FY15. Based on the numerous factors affecting these complicated revenues, analysts increased FY11 revenue estimates by \$19.1 million and FY12 revenue estimates by \$22.7 million from the December forecast.

Looking ahead, we do not expect the BP oil spill in the Gulf of Mexico to have a significant effect on New Mexico's future oil and gas revenues. On the positive side for New Mexico, there are now three horizontal rigs drilling in the San Juan basin. This new technology has largely replaced conventional vertical and directional drilling in the Marcellus and Barnett oil shale plays (Texas and Pennsylvania) and made significant inroads in the discovery of new production wells in the more mature fields of the San Juan and Permian basins.

### **Reversions**

Over the past six years, reversions have averaged about \$41 million per year to the General Fund and about \$5.0 million to the Appropriation Contingency Fund. However, the usual pattern has been for agencies to wait until after their agency audit has been completed to remit the amount of reversion calculated by the auditors. On average, 27% of reversions from any particular fiscal year are remitted and booked timely – by September 30 of the fiscal year following the allotment. Approximately 57% of reversions are remitted with a one-year lag, as agencies remit reversions pursuant to completed audits. Because of the need to balance the FY09 budget, a year-ending effort by DFA staff to accelerate the timing of reversions generated approximately \$26.1 million for the General Fund over levels estimated in Au-

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gust 2009. These additional amounts of revenue were scored as recurring because of the difficulty of determining whether a particular reversion is recurring or nonrecurring, timely or delinquent. Regular reversions for FY10 are estimated at \$36 million based on a survey recently conducted by budget division staff of large Executive agencies and programs.

**Solvency**

**Table 3 -- FY10 Non-Recurring Actions**

	FY 2010			FY 2011		
	Dec '09 Adj. for '10 legis	Jul-10 Estimate	Chg from Prev Est	Dec '09 Adj. for '10 legis	Jul-10 Estimate	Chg from Prev Est
<b>October 2009 Special Session/Executive Order:</b>						0.0
Chapter 4, 1st SS, 2009/HB 16 (reversions)	0.7	0.7	0.0	0.0	0.0	0.0
Chapter 7, 1st SS, 2009/SB 29 (reversions)	109.0	109.0	0.0	0.0	0.0	0.0
Chapter 5, 1st SS, 2009/HAFC/S HB17 & HB 33 (reversions)	3.7	3.7	0.0	0.0	0.0	0.0
Chapter 2, 1st SS/HB 3 (operating transfers)	107.8	107.8	0.0	0.0	0.0	0.0
Chapter 5, 1st SS 2009/HB 17 Education Stabilization (ARRA)	0.0	0.0	0.0	0.0	0.0	0.0
Executive Order 2009-044, Expenditure Reductions (reversions)	79.0	79.0	0.0	0.0	0.0	0.0
Executive Order 2009-044, Furloughs (reversions)	8.6	8.6	0.0	0.0	0.0	0.0
<b>January 2010 Session/March 2010 Special Session:</b>						0.0
Chapter 105, 2009/SB 182, Capital Outlay Reversions for Solvency	141.1	130.0	-11.1			0.0
Chapter 2, 2nd SS/SB 2, Temporary Tax Amnesty Program				2.1	2.1	0.0
Use ARRA to supplant General Fund Expenditures	0.0	20.0	20.0			
<b>Subtotal, Solvency</b>	<b>450.0</b>	<b>438.9</b>	<b>-11.1</b>	<b>2.1</b>	<b>2.1</b>	<b>0.0</b>
<b>Authorized Transfers From Reserves</b>						
Chapter 3, 1st SS, 2009/T transfer from Tax Stabilization Reserve	115.0	115.0	0.0	0.0		0.0
Ch 6, 2nd SS/HB 2 Transfer from Tax Stabilization Reserve	56.1	79.6	23.5	27.0	3.4	-23.6
Ch 6, 2nd SS/HB 2 Transfer from Appropriation Contingency Fund			0.0	17.2	49.0	31.8
<b>Subtotal, authorized Transfers from Reserves</b>	<b>171.1</b>	<b>79.6</b>	<b>23.5</b>			
<b>Total Adjustments &amp; Non-Recurring</b>	<b>621.0</b>	<b>653.5</b>	<b>32.5</b>	<b>46.3</b>	<b>54.5</b>	<b>8.2</b>

Table 3 details the portions of the solvency package enacted in October 2009, February 2010 and March 2010 that will be recorded on the revenue side of the ledger.

For the agencies whose budget reductions were vetoed in Laws 2009, Chapter 5, 1<sup>st</sup> Special Session, but for which the Governor ordered a reduction of expenditures in Executive Order 2009-044, the Administration established within each affected state agency’s operating fund, a liability to the General Fund and a corresponding expenditure. The savings expected from the executive order total \$87.6 million, with \$8.6 million coming from five furlough days taken by executive employees. By the end of September, these liabilities will be discharged upon the reversion of these savings to the General Fund.

Another component of the FY10 solvency package includes Laws 2010, Chapter 105, entitled Capital Outlay Reversions for Solvency. Upon gubernatorial action on the bill, the Department of Finance and Administration estimated it would provide \$141.1 million in nonrecurring transfers to the General Fund. However, valid commitments and expenditures made prior to the effective date of the legislation and other provisions of the bill lowered the transfers by \$11.1 million to \$130.0 million.

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Amounts shown as “Transfer from Tax Stabilization Reserve” and “Transfer from Appropriation Contingency Fund” have been calculated to account for the transfer authority granted by legislation enacted in the October 2009 special session and the General Appropriation Act of 2010.

## **General Fund Financial Summary**

Appendix Table 3 shows the General Fund financial summary based on this current revenue estimates updated for legislation. This summary shows the amount of the reduction required by Section 14 of the General Appropriation Act of 2010. That section requires the Governor to proportionately reduce General Fund allotments to certain entities receiving General Fund appropriations. These include legislative agencies named in certain sections of House Bill 1 of the regular 2010 session and, except for the Human Services Department’s Medicaid programs and the Department of Health’s developmentally disabled services programs, agencies named in Section 4 of House Bill 2 of the 2<sup>nd</sup> special session in 2010. After the Governor’s commitment to use \$20 million of ARRA/State fiscal Stabilization Fund dollars is applied, the reductions mandated by Section 14 translate to 3.2% across all remaining entities, or \$150.3 million.

## **Tobacco Settlement Fund Revenues and Balances**

The FY11 estimate for tobacco settlement revenues was lowered by \$4.6 million to \$40 million, based on actual receipts for the program received in April 2010. Receipts for FY10 were \$7.9 million less than the receipts in FY09. As a result, the forecast was rebased and adjusted down. Work continues to improve the forecasting of this revenue source.

As was true for FY09 and FY10, the Legislature temporarily distributed 100% of the annual payment to the Tobacco Settlement Program Fund to fund health-related programs including Medicaid. The FY11 appropriation for the Program Fund totals \$44.6 million, 10.3% more than the revenue estimate. To keep spending within available resources, DFA will require the affected agencies to reduce their budgets pursuant to section 3(F) of the General Appropriation Act of 2010. If the actual April payment comes in higher than today’s estimate, the budget can be increased, up to the amount of the appropriation.

FY10 tobacco settlement revenues were \$4 million less than appropriations, requiring the affected agencies to reduce their budgets from this source by 7.9% million and DFA to claw back previous allotted amounts.

**Risks to the Forecast**

Downside risks to the forecast include the recent poor performance of European economies due partially to debt problems of Greece and Spain. Because they are members of The European Union, they are unable to pursue an independent monetary policy or devalue their currencies. One result is that the US has once again become a safe haven with the value of the dollar rising relative to the Euro. A strong dollar tends to erode U.S. exports. Another result is instability of financial markets and potential impacts on many economic variables, including consumption and investment.

The energy revenues forecast also contains a number of risks. The mineral extraction industry has been using horizontal drilling rigs and chemical fracturing to engage in extraction from oil shale. These new technologies are only slowly being adopted (and adapted) in New Mexico. This may cause prices to decline as new supplies in other states are developed and New Mexico's volume declines become steeper.

On the positive side, there is considerable recent strength in consumer spending, and many other factors suggest the "double-dip" recession is unlikely to occur.<sup>2</sup> These include improved conditions in the housing sector, recent rises in industrial productions, and that economic growth in China is continuing. Moreover, as mentioned in the discussion of oil and natural gas revenues above, horizontal drilling is beginning to develop in the San Juan Basin.

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<sup>2</sup> For details, please "Double Dip? Seven Reasons Why Not" in the Wall Street Journal, July 19, 2010.

Appendix Table 1 -- Economic Assumptions, July 2010

July 2010	FY2010		FY2011		FY2012		FY2013		FY2014		FY2015
	Dec. 09	July 10	Dec. 09	July 10	Dec. 09	July 10	Dec. 09	July 10	Dec. 09	July 10	July 10
	Est.	Prelim.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.
<b><i>NATIONAL ECONOMIC INDICATORS</i></b>											
US Real GDP Growth (level annual avg, % yoy)*	0.4	0.8	2.4	3.0	3.5	2.9	3.4	3.0	2.6	2.7	3.0
US Inflation Rate (CPI, annual avg, % yoy)**	0.9	1.0	1.5	1.1	2.1	1.8	1.9	2.1	1.8	2.1	2.1
Federal Funds Rate (%)	0.13	0.15	0.78	0.16	2.69	0.87	3.50	3.31	4.02	3.59	4.67
<b><i>NEW MEXICO LABOR MARKET AND INCOME DATA</i></b>											
NM Non-Agricultural Employment Growth (%)	-3.5	-3.2	1.6	1.0	2.0	2.0	1.8	2.0	1.5	1.7	1.4
NM Personal Income Growth (%)***	-0.5	-0.1	3.2	3.3	4.5	4.3	4.4	4.5	4.3	4.8	5.5
NM Private Wages & Salaries Growth (%)	-3.1	-3.2	3.8	3.1	4.1	4.6	4.2	4.6	4.2	4.4	4.2
<b><i>NEW MEXICO CRUDE OIL AND NATURAL GAS OUTLOOK</i></b>											
NM Oil Price (\$/barrel)	\$70.00	\$71.35	\$75.00	\$74.25	\$79.00	\$80.00	\$83.00	\$83.00	\$87.00	\$86.00	\$90.00
NM Taxable Oil Sales (million barrels)	61.3	61.8	60.2	61.1	59.1	60.4	58.0	59.8	57.0	59.1	58.4
NM Gas Price (\$ per thousand cubic feet)	\$4.30	\$5.12	\$5.40	\$5.60	\$5.65	\$6.00	\$5.90	\$6.45	\$6.10	\$6.75	\$7.00
NM Taxable Gas Sales (billion cubic feet)	1,325	1,285	1,270	1,234	1,220	1,197	1,190	1,161	1,160	1,126	1,092

\* real GDP base is BEA chained 2005 dollars, billions, annual rate.

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

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

Sources: July 2010 economic indicators based on July (6-9) IHS Global Insight (GI, national), May final FOR-UNM, BEA, BLS (state, May GI), energy forecast on June/July PIRA, NYMEX, Global Insight and DOE/EIA.

Dec 2009 economic indicators based on November (5-9) IHS Global Insight (GI, national), November final FOR-UNM, BEA, BLS (state, Nov GI), energy forecast on November PIRA, NYMEX, Global Insight and DOE/EIA.

July 2010 Revenue Estimate, Adjusted for 2010 Regular Session and Special Session Legislation/Revenue Actions (Dollars in Millions)											
	FY 2010			FY 2011				FY 2012			
	Dec '09 Adj. for '10 legis	Jul-10 Estimate	Chg from Prev Est	Dec '09 Adj. for '10 legis	Jul-10 Estimate	Chg from Prev Est	% Chng From FY10	Dec '09 Adj. for '10 legis	Jul-10 Estimate	Chg from Prev Est	% Chng From FY11
Gross Receipts	1,702.0	1,636.0	-66.0	1,808.2	1,729.4	-78.8	5.7%	1,911.4	1,834.8	-76.6	6.1%
Compensating	58.0	51.2	-6.8	73.4	65.4	-8.0	27.7%	78.7	69.0	-9.7	5.5%
<b>Total General Sales Taxes</b>	<b>1,760.0</b>	<b>1,687.2</b>	<b>-72.8</b>	<b>1,881.6</b>	<b>1,794.8</b>	<b>-86.8</b>	<b>6.4%</b>	<b>1,990.1</b>	<b>1,903.8</b>	<b>-86.3</b>	<b>6.1%</b>
Tobacco	47.2	45.1	-2.1	83.3	78.9	-4.4	74.9%	83.5	79.0	-4.5	0.1%
Alcohol	26.5	25.8	-0.7	26.9	26.7	-0.2	3.5%	27.4	27.0	-0.4	1.1%
Insurance	133.9	133.9	0.0	137.3	137.3	0.0	2.5%	142.2	142.2	0.0	3.6%
Fire Protection Fund	21.7	21.7	0.0	24.1	24.1	0.0	11.1%	22.7	22.7	0.0	-5.8%
Motor Vehicle Excise (3)	92.5	91.8	-0.7	103.0	99.0	-4.0	7.8%	113.0	112.0	-1.0	13.1%
Gaming tax	65.3	66.5	1.2	74.0	64.9	-9.1	-2.4%	75.6	66.0	-9.5	1.8%
Leased Vehicle Surcharge	5.48	5.561	0.1	5.41	5.81	0.4	4.5%	5.37	5.61	0.2	-3.4%
Other (2)	1.88	2.890	1.01	2.44	2.96	0.5	2.4%	2.56	3.01	0.5	1.7%
<b>Total Selective Sales Taxes</b>	<b>394.5</b>	<b>393.3</b>	<b>-1.2</b>	<b>456.4</b>	<b>439.7</b>	<b>-16.72</b>	<b>11.8%</b>	<b>472.3</b>	<b>457.56</b>	<b>-14.7</b>	<b>4.1%</b>
Personal Income	997.5	945.0	-52.5	1,123.0	1,079.0	-44.0	14.2%	1,160.5	1,128.0	-32.5	4.5%
Corporate & Franchise Income	160.0	120.0	-40.0	215.7	175.7	-40.0	46.4%	260.2	230.2	-30.0	31.0%
Estate	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	32.5	0.0	-32.5	0.0%
<b>Total Income Taxes</b>	<b>1,157.5</b>	<b>1,065.0</b>	<b>-92.5</b>	<b>1,338.8</b>	<b>1,254.7</b>	<b>-84.1</b>	<b>17.8%</b>	<b>1,453.2</b>	<b>1,358.2</b>	<b>-95.0</b>	<b>8.2%</b>
Oil & Gas School Tax	290.8	328.0	37.2	341.0	340.0	-1.00	3.7%	349.4	355.4	6.00	4.5%
Oil Conservation Tax	15.3	15.4	0.1	17.7	16.2	-1.52	5.2%	19.4	18.0	-1.43	11.1%
Resources Excise	10.0	10.0	0.0	10.0	10.0	0.00	0.0%	10.0	10.0	0.00	0.0%
Natural Gas Processors	41.0	40.9	-0.1	17.2	17.9	0.70	-56.2%	20.9	23.1	2.20	29.1%
<b>Total Mineral Production Taxes</b>	<b>357.1</b>	<b>394.3</b>	<b>37.2</b>	<b>385.9</b>	<b>384.1</b>	<b>-1.8</b>	<b>-2.6%</b>	<b>399.7</b>	<b>406.5</b>	<b>6.8</b>	<b>5.8%</b>
<b>Total License Fees</b>	<b>47.5</b>	<b>52.0</b>	<b>4.6</b>	<b>48.8</b>	<b>54.6</b>	<b>5.8</b>	<b>4.8%</b>	<b>50.8</b>	<b>55.42</b>	<b>4.6</b>	<b>1.6%</b>
Land Grant Permanent Fund	436.5	436.5	0.0	437.8	445.2	7.4	2.0%	438.2	451.6	13.4	1.4%
Earnings on State Balances	21.5	20.3	-1.2	30.0	17.9	-12.1	-11.8%	36.0	21.5	-14.5	20.1%
Severance Tax Permanent Fund	187.1	187.1	0.0	181.6	184.6	3.0	-1.3%	176.1	180.9	4.8	-2.0%
<b>Total Investment Income</b>	<b>645.1</b>	<b>643.9</b>	<b>-1.2</b>	<b>649.4</b>	<b>647.7</b>	<b>-1.7</b>	<b>0.6%</b>	<b>650.3</b>	<b>654.0</b>	<b>3.7</b>	<b>1.0%</b>
Federal Mineral Leasing	301.0	353.9	52.9	370.0	378.0	8.0	6.8%	388.0	397.0	9.0	5.0%
State Land Office	33.8	67.7	33.9	36.8	48.7	11.9	-28.1%	37.0	43.9	6.9	-9.9%
<b>Total Rents, Royalties and Bonuses</b>	<b>334.8</b>	<b>421.6</b>	<b>86.8</b>	<b>406.8</b>	<b>426.7</b>	<b>19.9</b>	<b>1.2%</b>	<b>425.0</b>	<b>440.9</b>	<b>15.9</b>	<b>3.3%</b>
<b>Total Miscellaneous Receipts</b>	<b>41.8</b>	<b>42.5</b>	<b>0.7</b>	<b>44.2</b>	<b>49.2</b>	<b>5.0</b>	<b>15.7%</b>	<b>46.5</b>	<b>45.87</b>	<b>-0.6</b>	<b>-6.7%</b>
Tribal Revenue Sharing	63.1	63.1	0.0	64.1	63.0	-1.1	-0.2%	66.1	64.9	-1.2	3.0%
Tobacco Settlement Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Reversions	30.0	36.0	6.0	31.0	34.0	3.0	-5.6%	42.4	42.4	0.0	24.7%
<b>Total Recurring Revenue</b>	<b>4,831.3</b>	<b>4,798.9</b>	<b>-32.5</b>	<b>5,306.9</b>	<b>5,148.3</b>	<b>-158.6</b>	<b>7.3%</b>	<b>5,596.4</b>	<b>5,429.5</b>	<b>-166.8</b>	<b>5.5%</b>
<b>Subtotal, Solvency</b>	<b>450.0</b>	<b>438.9</b>	<b>-11.1</b>	<b>2.1</b>	<b>2.1</b>	<b>0.0</b>		<b>6.9</b>	<b>6.9</b>	<b>0.0</b>	
<b>Authorized Transfers From Reserves</b>											
Chapter 3, 1st SS, 2009/Transfer from Tax Stabilization Reserve	115.0	115.0	0.0	0.0		0.0		0.0			
Ch 6, 2nd SS/HB 2 Transfer from Tax Stabilization Reserve	56.1	79.6	23.5	27.0	3.4	-23.6		0.0			
Ch 6, 2nd SS/HB 2 Transfer from Appropriation Contingency Fund			0.0	17.2	49.0	31.8					
<b>Subtotal, authorized Transfers from Reserves</b>	<b>171.1</b>	<b>79.6</b>	<b>23.5</b>								
<b>Total Adjustments &amp; Non-Recurring</b>	<b>621.0</b>	<b>653.5</b>	<b>32.5</b>	<b>46.3</b>	<b>54.5</b>	<b>8.2</b>		<b>6.9</b>	<b>6.9</b>	<b>0.0</b>	<b>-87.4%</b>
<b>Grand Total Revenue</b>	<b>5,452.4</b>	<b>5,452.4</b>	<b>0.0</b>	<b>5,353.2</b>	<b>5,202.9</b>	<b>-150.4</b>	<b>-4.6%</b>	<b>5,603.2</b>	<b>5,436.4</b>	<b>-166.8</b>	<b>4.5%</b>
OGAS % of recurring revenue excl. interest	449.99	458.90									
	14.1%	16.8%		14.7%	15.6%			14.6%	15.4%		

(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.

General Fund Consensus Revenue Estimate

Appendix Table 2

July 2010

July 2010 Revenue Estimate, Adjusted for 2010 Regular Session and Special Session Legislation/Revenue Actions

(Dollars in Millions)

	FY 2013				FY 2014				FY 2015			
	Dec '09 Adj. for '10 legis	Jul-10 Estimate	Chg from Prev Est	% Chng From FY12	Dec '09 Adj. for '10 legis	Jul-10 Estimate	Chg from Prev Est	% Chng From FY13	Dec '09 Adj. for '10 legis	Jul-10 Estimate	Chg from Prev Est	% Chng From FY14
Gross Receipts	1,995.9	1,949.8	-46.1	6.3%	2,085.8	2,058.2	-27.6	5.6%	2,238.1	2,161.5	-76.6	5.0%
Compensating	82.2	72.4	-9.9	4.9%	95.4	75.1	-20.4	3.7%	108.7	77.6	-31.1	3.4%
<b>Total General Sales Taxes</b>	<b>2,078.1</b>	<b>2,022.2</b>	<b>-55.9</b>	<b>6.2%</b>	<b>2,181.2</b>	<b>2,133.3</b>	<b>-48.0</b>	<b>5.5%</b>	<b>2,346.8</b>	<b>2,239.1</b>	<b>-107.7</b>	<b>5.0%</b>
Tobacco	83.8	78.9	-4.9	-0.1%	84.0	79.0	-5.0	0.1%	84.2	78.7	-5.5	-0.4%
Alcohol	27.9	27.3	-0.6	1.1%	28.4	27.6	-0.8	1.1%	29.0	28.1	-0.9	1.8%
Insurance	148.3	147.3	-1.0	3.6%	155.6	152.6	-2.9	3.6%	155.6	158.1	2.5	3.6%
Fire Protection Fund	21.4	21.4	0.0	-5.7%	20.1	20.1	0.0	-6.1%	18.9	18.9	0.0	-6.0%
Motor Vehicle Excise (3)	117.0	120.9	3.9	7.9%	122.0	125.4	3.4	3.7%	127.0	131.6	4.6	4.9%
Gaming tax	77.0	67.2	-9.8	1.7%	78.1	68.4	-9.7	1.8%	79.2	69.6	-9.6	1.8%
Leased Vehicle Surcharge	5.34	5.66	0.3	0.9%	5.30	5.61	0.3	-0.9%	5.06	5.50	0.4	-2.0%
Other (2)	2.65	3.17	0.5	5.3%	2.75	3.30	0.6	4.1%	2.9	3.4	0.6	3.0%
<b>Total Selective Sales Taxes</b>	<b>483.3</b>	<b>471.84</b>	<b>-11.5</b>	<b>3.1%</b>	<b>496.25</b>	<b>482.00</b>	<b>-14.3</b>	<b>2.2%</b>	<b>501.7</b>	<b>493.9</b>	<b>-7.81</b>	<b>2.5%</b>
Personal Income	1,207.3	1,176.0	-31.3	4.3%	1,254.7	1,228.0	-26.7	4.4%	1,300.7	1,279.0	-21.7	4.2%
Corporate & Franchise Income	299.5	289.5	-10.0	25.8%	330.1	320.1	-10.0	10.6%	360.1	350.1	-10.0	9.4%
Estate	45.2	0.0	-45.2		47.3	0.0	-47.3		49.4	0.0	-49.4	
<b>Total Income Taxes</b>	<b>1,552.0</b>	<b>1,465.5</b>	<b>-86.5</b>	<b>7.9%</b>	<b>1,632.1</b>	<b>1,548.1</b>	<b>-84.0</b>	<b>5.6%</b>	<b>1,710.2</b>	<b>1,629.1</b>	<b>-81.1</b>	<b>5.2%</b>
Oil & Gas School Tax	357.7	368.6	10.90	3.7%	363.6	375.7	12.10	1.9%	369.5	382.0	12.50	1.7%
Oil Conservation Tax	17.1	18.6	1.51	3.3%	18.1	18.9	0.83	1.6%	18.4	19.3	0.93	2.1%
Resources Excise	10.0	10.0	0.00	0.0%	10.0	10.0	0.00	0.0%	10.0	10.0	0.00	0.0%
Natural Gas Processors	22.6	23.0	0.40	-0.4%	22.0	22.3	0.30	-3.0%	21.4	25.2	3.80	13.0%
<b>Total Mineral Production Taxes</b>	<b>407.4</b>	<b>420.2</b>	<b>12.8</b>	<b>3.4%</b>	<b>413.7</b>	<b>426.9</b>	<b>13.2</b>	<b>1.6%</b>	<b>419.3</b>	<b>436.5</b>	<b>17.2</b>	<b>2.2%</b>
<b>Total License Fees</b>	<b>50.8</b>	<b>58.8</b>	<b>8.0</b>	<b>6.2%</b>	<b>53.6</b>	<b>61.39</b>	<b>7.8</b>	<b>4.3%</b>	<b>55.8</b>	<b>63.4</b>	<b>7.7</b>	<b>3.3%</b>
Land Grant Permanent Fund	409.6	429.8	20.2	-4.8%	401.1	429.3	28.2	-0.1%	392.6	460.3	67.7	7.2%
Earnings on State Balances	41.0	33.1	-7.9	54.0%	43.0	39.1	-3.9	18.1%	19.6	46.7	27.1	19.4%
Severance Tax Permanent Fund	167.2	174.0	6.8	-3.8%	157.3	166.1	8.8	-4.5%	147.4	173.6	26.2	4.5%
<b>Total Investment Income</b>	<b>617.8</b>	<b>636.9</b>	<b>19.1</b>	<b>-2.6%</b>	<b>601.4</b>	<b>634.5</b>	<b>33.1</b>	<b>-0.4%</b>	<b>559.6</b>	<b>680.6</b>	<b>121.0</b>	<b>7.3%</b>
Federal Mineral Leasing	396.0	418.0	22.0	5.3%	408.0	427.0	19.0	2.2%	420.0	431.0	11.0	0.9%
State Land Office	37.9	42.8	4.9	-2.5%	38.4	45.2	6.8	5.6%	38.9	44.0	5.1	-2.7%
<b>Total Rents, Royalties and Bonuses</b>	<b>433.9</b>	<b>460.8</b>	<b>26.9</b>	<b>4.5%</b>	<b>446.4</b>	<b>472.2</b>	<b>25.8</b>	<b>2.5%</b>	<b>458.9</b>	<b>475.0</b>	<b>16.1</b>	<b>0.6%</b>
<b>Total Miscellaneous Receipts</b>	<b>48.5</b>	<b>48.7</b>	<b>0.1</b>	<b>6.1%</b>	<b>50.6</b>	<b>50.8</b>	<b>0.2</b>	<b>4.3%</b>	<b>49.1</b>	<b>52.5</b>	<b>3.4</b>	<b>3.3%</b>
Tribal Revenue Sharing	39.4	66.9	27.5	3.1%	72.9	70.2	-2.7	4.9%	76.4	73.8	-2.6	5.1%
Reversions	43.7	43.7	0.0	3.1%	45.1	45.1	0.0	3.2%	46.5	46.5	0.0	3.1%
<b>Total Recurring Revenue</b>	<b>5,785.0</b>	<b>5,695.5</b>	<b>-89.5</b>	<b>4.9%</b>	<b>5,993.2</b>	<b>5,924.4</b>	<b>-68.8</b>	<b>4.0%</b>	<b>6,224.3</b>	<b>6,190.4</b>	<b>-33.9</b>	<b>4.5%</b>
<b>Subtotal, Solvency</b>	<b>-3.3</b>	<b>-3.3</b>	<b>0.0</b>		<b>-0.9</b>	<b>-0.9</b>	<b>0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Authorized Transfers From Reserves</b>												
Chapter 3, 1st SS, 2009/Transfer from Tax Stabilization Reserve	0.0				0.0				0.0			
Ch 6, 2nd SS/HB 2 Transfer from Tax Stabilization Reserve	0.0				0.0				0.0			
Ch 6, 2nd SS/HB 2 Transfer from Appropriation Contingency Fund												
<b>Subtotal, authorized Transfers from Reserves</b>												
<b>Total Adjustments &amp; Non-Recurring</b>	<b>-3.3</b>	<b>-3.3</b>	<b>0.0</b>	<b>-148.7%</b>	<b>-0.9</b>	<b>-0.9</b>	<b>0.0</b>	<b>-113.2%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Grand Total Revenue</b>	<b>5,781.7</b>	<b>5,692.2</b>	<b>-89.5</b>	<b>4.7%</b>	<b>5,992.3</b>	<b>5,923.5</b>	<b>-68.8</b>	<b>9.0%</b>	<b>6,224.3</b>	<b>6,190.4</b>	<b>-33.9</b>	<b>4.5%</b>
OGAS % of recurring revenue excl. interest	14.4%	15.3%			14.2%	15.0%		-2.7%	13.9%	14.6%		

(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.

## Appendix Table 3 General Fund Financial Summary

July 2010 Consensus Revenue Estimate

(Dollars in Millions)

	Audited FY09	Estimated FY10	Estimated FY11	Estimated FY12
<b>APPROPRIATION ACCOUNT</b>				
<b>REVENUE</b>				
Recurring Revenue	5,319.7	4,798.8	5,148.3	5,429.5
Nonrecurring Revenue	426.9	653.5	54.5	6.9
<b>TOTAL REVENUE</b>	<b>5,746.6</b>	<b>5,452.3</b>	<b>5,202.9</b>	<b>5,436.4</b>
<b>APPROPRIATIONS</b>				
Recurring Appropriations	6,035.1	5,358.0	5,353.7	5,429.5
Nonrecurring Appropriations	(80.1)	94.4	-	-
<b>TOTAL APPROPRIATIONS</b>	<b>5,955.1</b>	<b>5,452.4</b>	<b>5,353.7</b>	<b>5,429.5</b>
<b>Transfer to/from General Fund Operating Reserve</b>	<b>(208.4)</b>	<b>(0.0)</b>	<b>(150.9)</b>	<b>6.9</b>
<b>GENERAL FUND OPERATING RESERVE</b>				
Beginning Balance	247.2	37.5	35.2	(117.2)
Appropriations	(1.4)	(2.3)	(1.5)	-
Transfers In From Appropriation Account	-	-	-	6.9
Transfers Out To Appropriation Account	(208.4)	(0.0)	(150.9)	-
<b>Ending Balance</b>	<b>37.5</b>	<b>35.2</b>	<b>(117.2)</b>	<b>(110.3)</b>
Ending Balances as a Percentage of Prior Year Recurring Appropriations	0.7%	0.6%	-2.2%	-2.1%
<b>STATE SUPPORT RESERVE</b>				
Beginning Balance	1.0	1.0	1.0	1.0
<b>Ending Balance</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>APPROPRIATION CONTINGENCY FUND</b>				
<b>Beginning Balance, Excluding Education Reform</b>	27.5	11.5	27.8	17.2
Expenditures	(24.3)	(10.4)	(16.0)	(16.0)
Revenue, Transfers and Reversions	8.3	26.7	5.3	5.3
<b>Ending Balance, Excluding Education Reform</b>	<b>11.5</b>	<b>27.8</b>	<b>17.2</b>	<b>6.5</b>
<b>Education Reform, Beginning Balance</b>	69.1	19.0	53.0	0.0
Transfers In	-	40.0	-	-
Transfers Out	(50.0)	(6.0)	(53.0)	-
<b>Ending Balance, Education Reform</b>	<b>19.0</b>	<b>53.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Ending Balance</b>	<b>30.6</b>	<b>80.9</b>	<b>17.2</b>	<b>6.6</b>
<b>TAX STABILIZATION RESERVE</b>				
Beginning Balance	254.4	198.7	4.1	0.7
Transfers Out	(55.7)	(194.6)	(3.4)	-
<b>Ending Balance</b>	<b>198.7</b>	<b>4.1</b>	<b>0.7</b>	<b>0.7</b>
Ending Balances as a Percentage of Prior Year Recurring Appropriations	3.5%	0.1%	0.0%	0.0%
<b>TOBACCO SETTLEMENT PERMANENT FUND</b>				
Beginning Balance	135.9	121.0	132.0	142.9
Transfers In, December 2008 Consensus Estimate	48.9	40.9	40.0	39.5
Transfers Out	(48.9)	(40.9)	(40.0)	(19.8)
Gains or (Losses)	(14.9)	11.1	10.8	13.4
<b>Ending Balance</b>	<b>121.0</b>	<b>132.0</b>	<b>142.9</b>	<b>176.0</b>
<b>TOTAL GENERAL FUND RESERVES</b>	<b>388.6</b>	<b>253.2</b>	<b>44.6</b>	<b>73.9</b>
<b>Reserves as a Percentage of Current-year Recurring Appropriations</b>	<b>6.4%</b>	<b>4.7%</b>	<b>0.8%</b>	<b>1.4%</b>

Note: FY11 balances exclude the effect of the implementation of Section 14 of the General Appropriation Act of 2010; implementation of Section 14 raises FY11 reserves to 3.6% of current year recurring appropriations.

**Appendix Table 4**

**Nonagricultural Wage and Salary Employment**

NEW MEXICO	Preliminary May-10	Revised Apr-10	Revised May-09	Change	
				Monthly	Yearly
<b>TOTAL NONAGRICULTURAL EMPLOYMENT</b>	<b>804,200</b>	<b>801,200</b>	<b>816,500</b>	<b>3,000</b>	<b>-12,300</b>
GOODS-PRODUCING	88,800	88,000	95,200	800	-6,400
SERVICE-PROVIDING	715,400	713,200	721,300	2,200	-5,900
MINING & LOGGING	16,200	16,200	17,400	0	-1,200
CONSTRUCTION	42,600	42,400	48,100	200	-5,500
MANUFACTURING	30,000	29,400	29,700	600	300
WHOLESALE TRADE	21,000	21,000	21,700	0	-700
RETAIL TRADE	87,000	86,900	90,900	100	-3,900
TRANSPORTATION, WAREHOUSING & UTILITIES	20,100	20,300	22,800	-200	-2,700
INFORMATION	14,000	13,900	14,800	100	-800
FINANCIAL ACTIVITIES	32,900	33,000	33,800	-100	-900
PROFESSIONAL & BUSINESS SERVICES	97,600	98,600	101,400	-1,000	-3,800
EDUCATIONAL & HEALTH SERVICES	121,200	121,300	119,800	-100	1,400
LEISURE & HOSPITALITY	87,600	85,000	85,400	2,600	2,200
OTHER SERVICES	27,500	27,100	28,500	400	-1,000
<b>GOVERNMENT</b>	<b>206,500</b>	<b>206,100</b>	<b>202,200</b>	<b>400</b>	<b>4,300</b>
Federal Government	34,400	34,300	32,400	100	2,000
State Government	62,200	62,200	60,400	0	1,800
<i>State Government Education</i>	<i>29,800</i>	<i>29,800</i>	<i>29,200</i>	<i>0</i>	<i>600</i>
Local Government	109,900	109,600	109,400	300	500
<i>Local Government Education</i>	<i>60,300</i>	<i>60,300</i>	<i>59,700</i>	<i>0</i>	<i>600</i>