



STATE OF NEW MEXICO  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
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**KATHERINE MILLER**  
CABINET SECRETARY

October 17, 2009

Representative Luciano "Lucky" Varela, Chairman  
and  
Senator John Arthur Smith, Vice-Chairman  
Legislative Finance Committee  
State Capitol Building  
Santa Fe, NM 87501

Dear Representative Varela and Senator Smith:

The October consensus revenue estimate indicates that projected revenue has declined since the August estimate.

***FY09***

FY09 recurring revenue is down \$98.3 million from the August projection, resulting in a total shortfall in the Appropriation Account of \$208.5 million. As a result of the revenue decline the most recent calculation indicates that the state ended FY09 with approximately 6.4% reserves.

***FY10***

FY10 recurring revenue is down \$218.5 million from the August estimate. Before taking any corrective action in the Special Session, recurring appropriations for the current fiscal year are expected to exceed projected recurring revenues by \$660.1 million. An additional \$105.7 million is needed to fund nonrecurring appropriations. Of this amount, \$75 million will be used to replenish funds that were taken as part of the FY09 solvency plan, and \$25 million will be transferred to the Appropriation Contingency Fund which will be held in reserves until the funds are needed for emergency efforts.

***Targets for the Special Session***

The first order of business in the Special Session should be to address any FY09 revenue shortfall, currently estimated at \$208.5 million, by providing the authority to transfer funds from the General Fund Operating Reserve, the Appropriation Contingency Fund and/or the Tax Stabilization Reserve to the General Fund to close out FY09.

The target for reductions in the Special Session should be set by aiming to maintain an acceptable level of operating reserves. Reserves are calculated as the ratio between current-year revenues and current-year appropriations, therefore reducing FY10 appropriations will naturally increase the percentage of operating reserves for the year.

Policy-makers can take several different actions to cut expenses and free up General Fund in the Special Session, including reducing appropriations, sweeping cash balances from other funds, de-authorizing past capital outlay appropriations, and authorizing uses for severance tax bonds.

Based on current FY10 appropriations, in order to maintain 6% reserves for the year ending June 30, 2010 the total value of all the actions taken in the Special Session would need to equal \$646 million. For 8% reserves the target would be \$756 million, and for 10% reserves the target would be \$866 million.

***Significant Factors***

The reduction in FY09 revenue is largely the result of declines in personal income tax (PIT) and corporate income tax (CIT) revenue, which were down 28.5% from FY08 levels. In total, declines in PIT and CIT account for \$94.0 million of the \$98.3 million drop in FY09 revenue between the August and October estimates. Decreases in PIT and CIT also reduced the FY10 revenue estimate by \$119.7 million since the August projection.

Gross receipts tax (GRT), which typically experiences steady growth related to inflation, saw a year-over-year loss of 1.4% in FY09. GRT is expected to lose an additional 4.8% in FY10, bringing in \$87.9 million less than in FY09. In FY11 GRT is predicted to rebound back to FY09 levels with a growth rate of 5.3%, though this is down from the previous estimate.

Amidst the bad news it is important to draw attention to the fact that the shortfall would have been about \$17 million larger had executive agencies not made additional efforts to identify and expedite reversions to the General Fund. Typically state agencies revert approximately \$40 million each fiscal year, although the agencies have exceeded this level over the last few years. This year, DFA staff spent additional time working with agencies to revert unspent dollars yielding a total of \$57 million in reversions, which is \$26 million more than anticipated in August before the aggressive efforts were implemented.

Currently FY10 is predicted to be the low point for state revenues. Though the forecast is down from the previous estimate, GRT, PIT and CIT are expected to rise next year, and FY11 is predicted to experience a 7% growth in recurring revenue.

Sincerely,

Katherine B Miller  
Cabinet Secretary

Cc: Legislative Finance Committee Members  
Representative Ben Lujan, Speaker of the House of Representatives  
Senator Timothy Jennings, President Pro-Tem of the Senate  
David Abbey, Director, Legislative Finance Committee

	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
	Final	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Recurring Revenues (Dollars in millions)</b>						
August 2009 Forecast	5,417.9	5,052.0	5,397.8	5,660.8	5,828.0	5,987.5
October 2009 Forecast	5,319.6	4,833.6	5,173.6	5,513.7	5,741.6	5,966.7
Change from August forecast	-98.3	-218.5	-224.2	-147.1	-86.4	-20.8
<b>Total Revenues (Dollars in millions)</b>						
August 2009 Forecast	5,845.4	5,052.0	5,397.8	5,660.8	5,828.0	5,987.5
October 2009 Forecast	5,745.1	4,833.6	5,173.6	5,513.7	5,741.6	5,966.7
Change from August forecast	-100.3	-218.5	-224.2	-147.1	-86.4	-20.8
<b>Approximate current year shortfall in appropriation account (before actions by the Governor and Legislature)</b>	-208.5	-765.8	0.0			

FY09 Revisions by Tax Source	Aug_09 Est	Oct_09 Est	Chg frm prev.
<b>Total General Sales Taxes</b>	1,910.0	1,901.9	(8.1)
<b>Total Selective Sales Taxes</b>	401.3	405.0	3.7
<b>Total Income Taxes</b>	1,215.0	1,121.0	(94.0)
<b>Total Mineral Production Taxes</b>	440.2	440.2	0.0
<b>Total License Fees</b>	53.8	50.1	(3.7)
<b>Total Investment Income</b>	690.9	692.5	1.6
<b>Total Rents, Royalties and Bonuses</b>	543.4	543.7	0.3
<b>Total Miscellaneous Receipts</b>	47.4	42.7	(4.7)
<b>Tribal Revenue Sharing</b>	64.9	65.4	0.5
<b>Reversions</b>	51.0	57.1	6.1
<b>Total Recurring Revenue</b>	5,417.9	5,319.6	(98.3)
<b>Total Adjustments &amp; Non-Recurring</b>	427.5	425.5	(2.0)
<b>Grand Total Revenue</b>	5,845.4	5,745.1	(100.3)

## Appendix Table 1 Economic Assumptions -- October 2009

October 2009	FY2009	FY2010		FY2011		FY2012		FY2013		FY2014	
	Oct 09 Prelim.	Aug 09 Est.	Oct 09 Est.	Aug 09 Est.	Oct 09 Est.	Aug 09 Est.	Oct 09 Est.	Aug 09 Est.	Oct 09 Est.	Aug 09 Est.	Oct 09 Est.
<b>NATIONAL ECONOMIC INDICATORS</b>											
<b>US Real GDP Growth (level annual avg, % yoy)*</b>	-2.3	-0.8	0.3	2.5	2.3	3.6	3.5	3.4	3.3	2.7	2.6
<b>US Inflation Rate (CPI, annual avg, % yoy)**</b>	1.4	0.5	0.5	2.2	1.6	2.3	2.4	2.1	1.9	2.1	2.0
<b>Federal Funds Rate (%)</b>	0.70	0.13	0.13	0.78	0.78	2.69	2.69	3.50	3.50	4.02	4.02
<b>NEW MEXICO LABOR MARKET AND INCOME DATA</b>											
<b>NM Non-Agricultural Employment Growth (%)</b>	-1.1	-0.9	-1.4	1.6	1.6	1.9	1.6	1.8	1.7	1.4	1.5
<b>NM Personal Income Growth (%)***</b>	5.8	2.2	2.4	2.7	3.0	4.5	3.8	4.8	4.3	5.1	4.4
<b>NM Private Wages &amp; Salaries Growth (%)</b>	2.2	1.2	1.1	3.3	3.7	3.8	3.9	4.0	4.4	3.9	4.4
<b>NEW MEXICO CRUDE OIL AND NATURAL GAS OUTLOOK</b>											
<b>NM Oil Price (\$/barrel)</b>	\$64.73	\$63.00	\$64.00	\$70.00	\$70.00	\$72.00	\$73.00	\$76.00	\$76.00	\$80.00	\$80.00
<b>NM Taxable Oil Sales (million barrels)</b>	62.2	60.9	61.0	59.6	60.0	58.5	59.3	57.5	58.4	56.5	57.6
<b>NM Gas Price (\$ per thousand cubic feet)</b>	\$5.65	\$4.30	\$4.15	\$5.60	\$5.20	\$6.50	\$5.90	\$6.70	\$5.95	\$7.10	\$6.20
<b>NM Taxable Gas Sales (billion cubic feet)</b>	1,380	1,358	1,365	1,324	1,345	1,289	1,310	1,251	1,280	1,216	1,255
* 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: Oct 2009 economic indicators based on September (3) IHS Global Insight (GI, national), Aug/Sept FOR-UNM, BEA,BLS (state, Aug GI), energy forecast on Sept PIRA, NYMEX, Global Insight and DOE/EIA.											
Aug 2009 economic indicators based on July (2) Global Insight (GI, national), May/June FOR-UNM (state, May GI), energy forecast on July PIRA, NYMEX, Global Insight and DOE/EIA.											

**TABLE 2: GENERAL FUND CONSENSUS REVENUE ESTIMATE**  
**October 2009 (dollars in millions)**

	FY2008	FY 2009				FY 2010				FY 2011			
	Jan 09	Aug-09	Oct-09	Chg from Previous Estimate	% Chng From FY08	Aug-09	Oct-09	Chg from Previous Estimate	% Chng From FY09	Aug-09	Oct-09	Chg from Previous Estimate	% Chng From FY10
	Final	Prelim	Semi-Final			Estimate	Estimate			Estimate	Estimate		
Gross Receipts	1,858.4	1,840.0	1,831.9	-8.1	-1.4%	1,825.4	1,744.0	-81.4	-4.8%	1,900.1	1,836.1	-64.0	5.3%
Compensating	64.5	70.0	69.9	-0.1	8.4%	65.0	64.0	-1.0	-8.5%	62.5	67.4	4.8	5.3%
<b>Total General Sales Taxes</b>	<b>1,922.9</b>	<b>1,910.0</b>	<b>1,901.9</b>	<b>-8.1</b>	<b>-1.1%</b>	<b>1,890.4</b>	<b>1,808.0</b>	<b>-82.4</b>	<b>-4.9%</b>	<b>1,962.6</b>	<b>1,903.5</b>	<b>-59.2</b>	<b>5.3%</b>
Tobacco	48.2	48.1	49.6	1.5	2.8%	45.8	47.2	1.5	-4.7%	46.0	47.5	1.5	0.5%
Alcohol	25.1	26.2	25.8	-0.4	2.9%	26.8	26.5	-0.4	2.4%	27.3	26.9	-0.4	1.6%
Insurance	109.8	124.0	121.9	-2.1	11.0%	131.0	134.0	3.0	9.9%	137.9	136.8	-1.1	2.1%
Fire Protection Fund	21.1	23.6	30.8	7.2	46.0%	24.5	28.9	4.4	-6.3%	19.7	25.6	6.0	-11.3%
Motor Vehicle Excise (3)	127.6	100.5	100.5	0.0	-21.3%	98.0	91.2	-6.8	-9.3%	105.3	99.8	-5.5	9.4%
Gaming tax	56.1	70.0	69.2	-0.8	23.3%	75.0	69.1	-6.0	-0.2%	86.0	79.9	-6.1	15.7%
Leased Vehicle Surcharge	8.5	6.2	4.9	-1.3	-42.7%	6.2	5.5	-0.7	11.8%	6.2	5.4	-0.8	-1.3%
Other (2)	3.8	2.8	2.3	-0.50	-39.3%	2.9	2.4	-0.52	4.1%	3.0	3.0	0.0	25.5%
<b>Total Selective Sales Taxes</b>	<b>400.4</b>	<b>401.3</b>	<b>405.0</b>	<b>3.7</b>	<b>1.2%</b>	<b>410.2</b>	<b>404.7</b>	<b>-5.5</b>	<b>-0.1%</b>	<b>431.3</b>	<b>424.9</b>	<b>-6.41</b>	<b>5.0%</b>
<b>General and Selective Sales Taxes</b>	<b>2,323.3</b>	<b>2,311.3</b>	<b>2,306.9</b>	<b>-4.4</b>	<b>-0.7%</b>	<b>2,300.6</b>	<b>2,212.7</b>	<b>-87.9</b>	<b>-4.1%</b>	<b>2,393.9</b>	<b>2,328.3</b>	<b>-65.6</b>	<b>5.2%</b>
Personal Income	1,213.5	1,015.0	958.5	-56.5	-21.0%	1,034.0	985.0	-49.0	2.8%	1,097.9	1,061.0	-36.9	7.7%
Corporate & Franchise Income	354.6	200.0	162.5	-37.5	-54.2%	200.7	130.0	-70.7	-20.0%	242.5	167.0	-75.5	28.5%
Estate	0.0	0.0	0.0	0.0	-9.1%		0.0	0.0	-100.0%		0.0	0.0	
<b>Total Income Taxes</b>	<b>1,568.1</b>	<b>1,215.0</b>	<b>1,121.0</b>	<b>-94.0</b>	<b>-28.5%</b>	<b>1,234.7</b>	<b>1,115.0</b>	<b>-119.7</b>	<b>-0.5%</b>	<b>1,340.4</b>	<b>1,228.0</b>	<b>-112.4</b>	<b>10.1%</b>
Oil & Gas School Tax	557.7	370.0	370.4	0.35	-33.6%	281.5	282.7	1.25	-23.7%	347.3	340.9	-6.40	20.6%
Oil Conservation Tax	27.1	18.4	18.3	-0.14	-32.5%	14.9	14.8	-0.05	-18.9%	17.5	17.1	-0.39	15.7%
Resources Excise	10.6	11.6	11.2	-0.36	6.0%	8.5	10.0	1.50	-11.0%	8.8	10.0	1.25	0.0%
Natural Gas Processors	30.6	40.2	40.3	0.19	31.8%	41.9	42.3	0.35	4.8%	20.3	17.9	-2.38	-57.6%
<b>Total Mineral Production Taxes</b>	<b>625.9</b>	<b>440.2</b>	<b>440.2</b>	<b>0.0</b>	<b>-29.7%</b>	<b>346.8</b>	<b>349.8</b>	<b>3.1</b>	<b>-20.5%</b>	<b>393.9</b>	<b>386.0</b>	<b>-7.9</b>	<b>10.3%</b>
<b>Total License Fees</b>	<b>50.7</b>	<b>53.8</b>	<b>50.1</b>	<b>-3.7</b>	<b>-1.1%</b>	<b>56.4</b>	<b>47.0</b>	<b>-9.40</b>	<b>-6.2%</b>	<b>59.1</b>	<b>48.3</b>	<b>-10.8</b>	<b>2.8%</b>
Land Grant Permanent Fund	390.5	433.2	433.5	0.3	11.0%	436.5	436.5	0.0	0.7%	438.3	438.3	0.0	0.4%
Earnings on State Balances	93.7	66.4	67.8	1.4	-27.7%	20.0	20.0	0.0	-70.5%	27.0	18.0	-9.0	-10.0%
Severance Tax Permanent Fund	177.2	191.3	191.3	0.0	8.0%	187.1	187.1	0.0	-2.2%	181.5	181.5	0.0	-3.0%
<b>Total Investment Income</b>	<b>661.4</b>	<b>690.9</b>	<b>692.5</b>	<b>1.6</b>	<b>4.7%</b>	<b>643.6</b>	<b>643.6</b>	<b>0.0</b>	<b>-7.1%</b>	<b>646.8</b>	<b>637.8</b>	<b>-9.0</b>	<b>-0.9%</b>
Federal Mineral Leasing	564.2	507.0	507.2	0.2	-10.1%	290.0	285.9	-4.1	-43.6%	378.0	357.9	-20.1	25.2%
State Land Office	46.1	36.4	36.4	0.0	-20.9%	31.7	32.4	0.7	-11.2%	35.0	35.3	0.3	9.1%
<b>Total Rents, Royalties and Bonuses</b>	<b>610.3</b>	<b>543.4</b>	<b>543.7</b>	<b>0.3</b>	<b>-10.9%</b>	<b>321.7</b>	<b>318.3</b>	<b>-3.4</b>	<b>-41.5%</b>	<b>413.0</b>	<b>393.2</b>	<b>-19.8</b>	<b>23.5%</b>
<b>Total Miscellaneous Receipts</b>	<b>50.3</b>	<b>47.4</b>	<b>42.7</b>	<b>-4.65</b>	<b>-15.0%</b>	<b>43.6</b>	<b>42.5</b>	<b>-1.07</b>	<b>-0.4%</b>	<b>43.8</b>	<b>45.1</b>	<b>1.3</b>	<b>6.0%</b>
Tribal Revenue Sharing	66.6	64.9	65.4	0.5	-1.8%	64.7	64.7	0.0	-1.0%	65.7	65.7	0.0	1.5%
Reversions	59.0	51.0	57.1	6.1	-3.2%	40.0	40.0	0.0	-29.9%	41.2	41.2	0.0	3.0%
<b>Total Recurring Revenue</b>	<b>6,015.5</b>	<b>5,417.9</b>	<b>5,319.6</b>	<b>-98.3</b>	<b>-11.6%</b>	<b>5,052.0</b>	<b>4,833.6</b>	<b>-218.5</b>	<b>-9.1%</b>	<b>5,397.8</b>	<b>5,173.6</b>	<b>-224.2</b>	<b>7.0%</b>
Other non-recurring			0.0										
Rebate (Sept. 2008)		-55.7	-57.0	-1.3				0.0				0.0	
<b>Solvency:</b>													
CIT estimate acceleration		30.0	30.0	0.0									
SEG credit -- fed impact aid and forest reserve		40.2	40.2	0.0									
DoH/HSD ARRA funds		133.9	133.3	-0.6									
<b>Solvency transfers, reversions, other</b>		<b>279.1</b>	<b>279.0</b>	<b>-0.1</b>									
<b>Total Adjustments &amp; Non-Recurring</b>	<b>47.2</b>	<b>427.5</b>	<b>425.5</b>	<b>-2.0</b>	<b>802.3%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Grand Total Revenue</b>	<b>6,062.6</b>	<b>5,845.4</b>	<b>5,745.1</b>	<b>-100.3</b>	<b>-5.2%</b>	<b>5,052.0</b>	<b>4,833.6</b>	<b>-218.5</b>	<b>-12.1%</b>	<b>5,397.8</b>	<b>5,173.6</b>	<b>-224.2</b>	<b>11.7%</b>
OGAS % of recurring revenue excl. interest	21.2%	17.9%	18.3%			13.1%	13.6%			14.8%	14.9%		

(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.

**TABLE 2: GENERAL FUND CONSENSUS REVENUE ESTIMATE**  
**October 2009 (dollars in millions)**

	FY 2012				FY2013				FY2014			
	Aug-09	Oct-09	Chg from Previous Estimate	% Chng From FY11	Aug-09	Oct-09	Chg from Previous Estimate	% Chng From FY12	Aug-09	Oct-09	Chg from Previous Estimate	% Chng From FY13
	Estimate	Estimate	Estimate		Estimate	Estimate	Estimate		Estimate	Estimate	Estimate	
Gross Receipts	1,960.1	1,925.1	-35.0	4.8%	2,020.1	2,025.1	5.0	5.2%	2,080.1	2,127.1	47.0	5.0%
Compensating	65.3	70.6	5.3	4.8%	68.2	74.3	6.1	5.2%	71.2	78.0	6.8	5.0%
<b>Total General Sales Taxes</b>	<b>2,025.4</b>	<b>1,995.7</b>	<b>-29.7</b>	<b>4.8%</b>	<b>2,088.3</b>	<b>2,099.4</b>	<b>11.1</b>	<b>5.2%</b>	<b>2,151.3</b>	<b>2,205.1</b>	<b>53.8</b>	<b>5.0%</b>
Tobacco	46.2	47.7	1.5	0.4%	46.5	48.0	1.5	0.6%	46.7	48.2	1.5	0.4%
Alcohol	27.8	27.4	-0.4	1.9%	28.3	27.9	-0.4	1.9%	28.8	28.4	-0.4	1.9%
Insurance	145.2	140.1	-5.1	2.4%	152.9	143.9	-9.0	2.7%	161.0	147.8	-13.3	2.7%
Fire Protection Fund	18.0	22.6	4.6	-11.6%	16.4	19.9	3.6	-12.0%	14.7	17.4	2.7	-12.6%
Motor Vehicle Excise (3)	108.5	110.0	1.5	10.2%	111.8	113.3	1.5	3.0%	115.1	116.7	1.6	3.0%
Gaming tax	89.0	81.5	-7.5	2.0%	90.0	82.8	-7.2	1.6%	92.0	84.1	-7.9	1.6%
Leased Vehicle Surcharge	6.2	5.4	-0.8	-0.7%	6.2	5.3	-0.9	-0.6%	6.2	5.3	-0.9	-0.7%
Other (2)	3.0	3.1	0.1	4.7%	3.1	3.3	0.17	3.8%	3.2	3.4	0.28	5.2%
<b>Total Selective Sales Taxes</b>	<b>443.9</b>	<b>437.8</b>	<b>-6.1</b>	<b>3.0%</b>	<b>455.1</b>	<b>444.3</b>	<b>-10.8</b>	<b>1.5%</b>	<b>467.7</b>	<b>451.3</b>	<b>-16.4</b>	<b>1.6%</b>
<b>General and Selective Sales Taxes</b>	<b>2,469.3</b>	<b>2,433.5</b>	<b>-35.8</b>	<b>4.5%</b>	<b>2,543.4</b>	<b>2,543.7</b>	<b>0.3</b>	<b>4.5%</b>	<b>2,619.0</b>	<b>2,656.4</b>	<b>37.5</b>	<b>4.4%</b>
Personal Income	1,153.9	1,131.0	-22.9	6.6%	1,208.9	1,206.0	-2.9	6.6%	1,258.9	1,281.0	22.1	6.2%
Corporate & Franchise Income	292.5	219.0	-73.5	31.1%	332.5	267.0	-65.5	21.9%	352.5	285.0	-67.5	6.7%
Estate	0.0	40.7	40.7		0.0	56.7	56.7	39.3%	0.0	59.3	59.3	4.6%
<b>Total Income Taxes</b>	<b>1,446.4</b>	<b>1,390.7</b>	<b>-55.7</b>	<b>13.2%</b>	<b>1,541.4</b>	<b>1,529.7</b>	<b>-11.7</b>	<b>10.0%</b>	<b>1,611.4</b>	<b>1,625.3</b>	<b>13.9</b>	<b>6.2%</b>
Oil & Gas School Tax	378.1	369.4	-8.7	8.4%	385.9	369.1	-16.9	-0.1%	398.0	379.2	-18.8	2.7%
Oil Conservation Tax	18.9	18.4	-0.5	7.3%	19.2	18.4	-0.9	0.0%	19.8	18.8	-1.0	2.4%
Resources Excise	9.0	10.0	1.0	0.0%	9.3	10.0	0.8	0.0%	9.5	10.0	0.5	0.0%
Natural Gas Processors	24.2	22.9	-1.3	27.6%	27.9	24.9	-2.9	9.0%	27.1	24.5	-2.6	-1.9%
<b>Total Mineral Production Taxes</b>	<b>430.1</b>	<b>420.7</b>	<b>-9.5</b>	<b>9.0%</b>	<b>442.3</b>	<b>422.4</b>	<b>-19.9</b>	<b>0.4%</b>	<b>454.4</b>	<b>432.5</b>	<b>-21.9</b>	<b>2.4%</b>
<b>Total License Fees</b>	<b>62.0</b>	<b>49.8</b>	<b>-12.2</b>	<b>3.1%</b>	<b>65.0</b>	<b>51.6</b>	<b>-13.5</b>	<b>3.6%</b>	<b>68.3</b>	<b>53.4</b>	<b>-15.0</b>	<b>3.4%</b>
Land Grant Permanent Fund	438.8	438.8	0.0	0.1%	410.2	410.2	0.0	-6.5%	401.8	401.8	0.0	-2.0%
Earnings on State Balances	33.4	22.0	-11.4	22.2%	33.5	25.0	-8.5	13.6%	33.6	30.0	-3.6	20.0%
Severance Tax Permanent Fund	175.8	175.8	0.0	-3.1%	166.8	166.8	0.0	-5.1%	156.7	156.7	0.0	-6.1%
<b>Total Investment Income</b>	<b>648.0</b>	<b>636.6</b>	<b>-11.4</b>	<b>-0.2%</b>	<b>610.5</b>	<b>602.0</b>	<b>-8.5</b>	<b>-5.4%</b>	<b>592.1</b>	<b>588.5</b>	<b>-3.6</b>	<b>-2.2%</b>
Federal Mineral Leasing	414.0	388.7	-25.3	8.6%	429.0	391.9	-37.1	0.8%	440.0	402.8	-37.2	2.8%
State Land Office	36.9	37.0	0.1	4.8%	37.3	37.1	-0.2	0.3%	38.1	37.8	-0.3	1.9%
<b>Total Rents, Royalties and Bonuses</b>	<b>450.9</b>	<b>425.7</b>	<b>-25.3</b>	<b>8.3%</b>	<b>466.3</b>	<b>429.0</b>	<b>-37.3</b>	<b>0.8%</b>	<b>478.1</b>	<b>440.6</b>	<b>-37.5</b>	<b>2.7%</b>
<b>Total Miscellaneous Receipts</b>	<b>44.0</b>	<b>46.6</b>	<b>2.7</b>	<b>3.4%</b>	<b>44.2</b>	<b>48.4</b>	<b>4.2</b>	<b>3.9%</b>	<b>44.5</b>	<b>50.3</b>	<b>5.8</b>	<b>3.8%</b>
Tribal Revenue Sharing	67.7	67.7	0.0	3.0%	71.1	71.1	0.0	5.0%	74.7	74.7	0.0	5.1%
Reversions	42.4	42.4	0.0	2.9%	43.7	43.7	0.0	3.1%	45.1	45.1	0.0	3.2%
<b>Total Recurring Revenue</b>	<b>5,660.8</b>	<b>5,513.7</b>	<b>-147.1</b>	<b>6.6%</b>	<b>5,828.0</b>	<b>5,741.6</b>	<b>-86.4</b>	<b>4.1%</b>	<b>5,987.5</b>	<b>5,966.7</b>	<b>-20.8</b>	<b>3.9%</b>
Other non-recurring												
Rebate (Sept. 2008)												
<b>Solvency:</b>												
CIT estimate acceleration												
SEG credit -- fed impact aid and forest reserve												
DoH/HSD ARRA funds												
<b>Solvency transfers, reversions, other</b>												
<b>Total Adjustments &amp; Non-Recurring</b>												
<b>Grand Total Revenue</b>	<b>5,660.8</b>	<b>5,513.66</b>	<b>-147.1</b>	<b>4.9%</b>	<b>5,828.0</b>	<b>5,741.6</b>	<b>-86.4</b>	<b>3.0%</b>	<b>5,987.5</b>	<b>5,966.7</b>	<b>-20.8</b>	<b>2.7%</b>
OGAS % of recurring revenue excl. interest	15.4%	15.2%			15.4%	14.7%			15.4%	14.5%		

(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.

**Appendix Table 3: 2009 Solvency Activity**

	FY 2009		
	Aug-09 Prelim	Oct-09 Semi-Final	Chg from Previous Estimate
Other non-recurring		0.0	
Rebate (Sept. 2008)	-55.7	-57.0	-1.3
SEG credit -- fed impact aid and forest reserve	40.2	40.2	0.0
DoH/HSD ARRA funds	133.9	133.3	-0.6
<b>Solvency:</b>			
CIT estimate acceleration	30.0	30.0	0.0
Transfers (posted as reversions)			
Chapter 2/HB 10 Reversions	2.8	2.8	0.0
Chapter 3/SB 79, Section 1 Reversions	0.5	0.5	0.0
Chapter 3/SB 79, Section 2 Reversions	0.5	0.5	0.0
Chapter 5/HB 9 Reversions	87.7	87.7	0.0
SB-79, Section 4, Fund Transfers	105.1	105.0	-0.1
HB-2, Section 12 Fund Transfers	2.3	2.3	0.0
Unclaimed property **	7.9	7.9	0.0
Section 8, TANF Contingency Fund	16.6	16.6	0.0
Section 10, Transfer from Tax Stabilization Reserve	55.7	55.7	0.0
Return uncashed rebate warrants to general fund			0.0
<b>Solvency transfers, reversions, other</b>	<b>279.1</b>	<b>279.0</b>	<b>-0.1</b>
<b>Total Adjustments &amp; Non-Recurring</b>	<b>427.5</b>	<b>425.5</b>	<b>-2.0</b>

**Appendix Table 4: General Fund Financial Summary**  
**Semi-Final -- October 2009 Revenue Estimate (Dollars in Millions)**

	Audited	Preliminary	Estimated	Estimated
	FY08	FY09	FY10	FY11
<b>APPROPRIATION ACCOUNT</b>				
<b>REVENUE</b>				
Recurring Revenue, October 2009 Consensus Estimates	6,015.5	5,319.6	4,833.6	5,173.6
Nonrecurring Revenue, October 2009 Consensus Estimates	47.2	425.5	0.0	
<b>TOTAL REVENUE</b>	<b>6,062.6</b>	<b>5,745.1</b>	<b>4,833.6</b>	<b>5,173.6</b>
<b>APPROPRIATIONS</b>				
Recurring Appropriations	5,675.0	6,035.1	5,493.7	5,173.6
Nonrecurring Appropriations	295.1	-81.5	105.7	0.0
<b>TOTAL APPROPRIATIONS</b>	<b>5,970.0</b>	<b>5,953.6</b>	<b>5,599.4</b>	<b>5,173.6</b>
Transfer to/from General Fund Operating Reserve	92.6	-208.5	-765.8	0.0
<b>GENERAL FUND OPERATING RESERVE</b>				
Beginning Balance	156.1	247.2	37.4	-730.7
Reversions				
Appropriations	-1.5	-1.4	-2.3	-2.3
Transfers In Appropriation Account	92.6	0.0	0.0	0.0
Transfers Out Appropriation Account	0.0	-208.5	-765.8	0.0
Internal transfer -- emergency fund				
<b>Ending Balance</b>	<b>247.2</b>	<b>37.4</b>	<b>-730.7</b>	<b>-733.0</b>
Ending Balances as a Percentage of Prior Year Recurring Appropriations	4.8%	0.7%	-12.1%	-13.3%
<b>APPROPRIATION CONTINGENCY FUND</b>				
<b>Beginning Balance, Excluding Education Reform</b>	47.7	27.5	11.5	24.5
Expenditures	-26.9	-24.3	-17.4	-16.0
Revenue, Transfers and Reversions	6.7	8.3	30.3	5.3
<b>Ending Balance, Excluding Education Reform</b>	<b>27.5</b>	<b>11.5</b>	<b>24.5</b>	<b>13.8</b>
<b>Education Reform, Beginning Balance</b>	74.9	69.1	19.0	59.0
Transfers In	0.0	0.0	40.0	0.0
Transfers Out	-5.9	-50.0	0.0	0.0
<b>Ending Balance, Education Reform</b>	<b>69.1</b>	<b>19.0</b>	<b>59.0</b>	<b>59.0</b>
<b>Ending Balance</b>	<b>96.6</b>	<b>30.6</b>	<b>83.5</b>	<b>72.9</b>
<b>TAX STABILIZATION RESERVE</b>				
Beginning Balance	254.4	254.4	198.7	198.7
Transfers In	0.0	0.0	0.0	0.0
Transfers Out	0.0	-55.7	0.0	0.0
<b>Ending Balance</b>	<b>254.4</b>	<b>198.7</b>	<b>198.7</b>	<b>198.7</b>
Ending Balances as a Percentage of Prior Year Recurring Appropriations	0.0	0.0	0.0	0.0
<b>TOBACCO SETTLEMENT PERMANENT FUND</b>				
Beginning Balance	116.7	135.9	121.0	130.9
Transfers In, December 2008 Consensus Estimate	44.9	48.9	45.5	44.6
Transfers Out	-22.4	-48.9	-45.5	-22.3
Gains or (Losses)	-3.3	-14.9	9.9	10.7
<b>Ending Balance</b>	<b>135.9</b>	<b>121.0</b>	<b>130.9</b>	<b>163.9</b>
<b>TOTAL BALANCES</b>	<b>735.1</b>	<b>388.6</b>	<b>-316.7</b>	<b>-296.6</b>
Reserves as a Percentage of Current-year Recurring Appropriations	13.0%	6.4%	-5.8%	-5.7%
Deficit (Reserving 10% of current year recur. Approps)		(214.9)	(866.0)	(813.9)
Deficit (Reserving 8% of current year recur. Approps)		(94.2)	(756.2)	(710.5)
Deficit (Reserving 6% of current year recur. Approps)		26.5	(646.3)	(607.0)

## Notes to General Fund Financial Summary:

**"Reserves as a Percentage of Current-year Recurring Appropriations"** is calculated by dividing each year's ending total reserve balance by the total recurring appropriations for that year. E.G. for FY09,  $475.5/6,002.3 = 7.9\%$

**"New Money -- recurring"** is calculated by subtracting *previous* year's recurring appropriations from *current* year's recurring revenue. E.G. for FY11,  $5,397.8 - 5,487.7 = (89.9)$

**"Deficit for current year (Reserving 10% of current year recur. approps)"** is calculated by subtracting 10% of current year's appropriations from the level of total reserve balance for that year. E.G., for FY09,  $475.5 - 10\% \times 6,002.3 = (124.7)$ . Similarly, for FY10,  $(-4.0 + 124.7) - 10\% \times 5,487.7 = (428.0)$

**"Nonrecurring subject to appropriation"** is calculated by subtracting total reserve balances for the budget year from 10% of the same year's total recurring revenue. E.G. for FY10,  $225.8 - 10\% \times 5,733.3 = (347.5)$

**"Restricted sub-accounts"** is calculated by summing the final balance for the fiscal year in the "Education Lockbox", the Tax Stabilization Reserve and the Tobacco Settlement Permanent Fund and dividing by the total reserve balances for the fiscal year. E.G., for FY08,  $(19.0 + 198.7 + 121.0) / 475.5 = 71.2\%$ .

**Further note that the budget for FY10 must be balanced and the Governor and Legislature apparently agree that spending and revenues must result in 10% General Fund reserve balances at the end of FY10.**

## Appropriation Account, Nonrecurring Appropriations:

**FY05 includes** \$8.9 million from the General Appropriation Act of 2004; \$69.813 million HB2, \$7.429 million SB190, \$238.592 million HB885.

**FY06 includes** \$0.06 million from the General Appropriation Act of 2005 (Laws 2005, Chapter 33, Item 43); \$0.817 million from SB 190 (Laws 2005, Chapter 34); \$0.2562 million from HB901 (Laws 2005, Chapter 284); \$37.5 million for LIHEAP (Laws 2005 (1st SS), Chapter 2); \$158.6 million from the General Appropriation Act of 2006 (Laws 2006, Chapter 109, Sections 5 and 6); \$4.3 million from HB1 (Laws 2006, Chapter 1); and \$454.6 million from HB622 (Laws 2006, Chapter 111).

**FY07 includes** \$68.6809 million from the General Appropriation Act of 2006 (Laws 2006, Chapter 109); and \$0.2835 million from HB337 for judgeships (Laws 2006, Chapter 99, Sections 5 and 12); \$2.093 million from the "Junior" bill (Laws 2006, Chapter 110); and \$743.411 million from various bills from the Laws of 2007.

**FY08 includes** \$15 million water trust fund transfer from General Appropriation Act of 2007 (Laws 2007, Chapter 28); \$8 million for development training programs (Laws 2007, Chapter 363), \$0.188 million for judgeships (Laws 2007, Chapter 140), \$12 million for faculty endowments (Laws 2007, Chapter 364), \$3.2153 million for breast cancer research (Laws 2007, Chapter 26), \$10.7676 million from the "Junior" bill (Laws 2007, Chapter 21), \$118.3488 million from Sections 4, 5 and 6 of the General Appropriation Act of 2008 (Laws 2008, Chapter 3), \$5.8982 million for expenses of the Legislature (Laws 2008, Chapter 1), and \$121.4613 million for capital outlay (Laws 2008, Chapter 92).

**Fiscal Year 2009 includes** \$18.8 million from the General Appropriation Act of 2008 (Laws 2008, Chapter 3); \$0.5 million from HB140 (Laws 2008, Chapter 78); \$8.5 million from SB 165 (Laws 2008, Chapter 6); \$1.5 million from SB 471 (Laws 2008, Chapter 92); and \$45.8 million from Special Session Laws 2008, Chapters 3-10; \$8.3 million for expenses of the Legislature (Laws 2009, Chapter 1); \$(90.2) million from HB 9 (Laws 2009, Chapter 5); \$(139.3) million from HB 10 (Laws 2009, Chapter 2), \$(28.1) million from SB79 (Laws, 2009, Chapter 3); \$41.6 million from the General Appropriation Act of 2009 (Laws 2009, Chapter 124, Sections 5 and 6); and \$0.2 million from HB 85 (Laws 2009, Chapter 94).

**FY10 includes** \$100 million transferred to various funds (Laws 2009, Chapter 124, Section 12).

## General Fund Operating Reserve Appropriations:

**FY04 includes** \$0.434 million for BOF Emergency Fund, \$18.911 million for capital outlay (Laws 2004, Chapter 126), \$5.0 million for Economic Development Department for X-Prize (Laws 2004, Chapter 114, Section 5), \$1.5 million for Economic Development Department for X-Prize (Laws 2001, Chapter 64, Section 6), and \$0.972 to New Mexico State University.

**FY05 includes** \$1.144 million for BOF Emergency Fund and \$1.5 million contingency for corrections.

**FY06 includes** \$1.5 million for BOF Emergency Fund (Laws 2005, Chapter 33, Section 4, Subsection C); and \$0.2774 million for the Corrections Department (Laws 2005, Chapter 33, Section 4, Subsection G).

**FY07 includes** \$1.533 million for BOF Emergency Fund (Laws 2006, Chapter 109), \$0.7 million contingency for water litigation (Laws 2002, Chapter 4 (1st E.S.) as reauthorized by Laws 2006, Chapter 109); and \$8.6 million contingency for the spaceport (Laws 1998 (1st SS), Chapter 13, Laws 1998 (1st SS), Chapter 11 and Laws 2005, Chapter 347, Section 173).

**FY08 includes** \$1.5 million for BOF Emergency Fund.

**FY09 includes** \$1.5 million for BOF Emergency Fund.

**FY10 includes** \$2.25 million for BOF Emergency Fund.

## Year-ending Balances in the Operating Reserve:

Annually, if the balance in the General Fund Operating Reserve exceeds 8% of the previous year's recurring appropriations, the excess over 8% is transferred to the Tax Stabilization Reserve.

**FY06 --** On the date the excess over 8.0% was calculated, \$8.73 million in FY07 activity in the General Fund Operating Reserve had been recorded. The transfer of \$121,303,940 from the Operating Reserve to the Tax Stabilization Reserve brought the balance in the Operating Reserve to 8.2% as of the end of FY06, but to 8.0% on the date of the transfer.

## State Support Reserve (See Section 22-8-31 NMSA 1978):

**FY07 includes** \$1 million transfer from the Appropriation Account (Laws 2007, Chapter 28, Section 5).

**Appropriation Contingency Fund Appropriations:**

**FY05 includes** \$8.113 million for disasters, \$0.548 million for the Secretary of State (Laws 2004, Chapter 114, Section 5, Item 28), \$0.63 million for the Department of Public Safety (Laws 2004, Chapter 114, Section 5, Subsection G), \$5.0 million to Public Education Department for emergency supplemental funds to public schools (Laws 2005, Chapter 33, Section 5, Item 109). Education Reform Initiatives include \$14.65 million to Public Education Department (Laws 2005, Chapter 33, Section 5 Subsection 5, Items 104, 105, 106, & 128). Includes reversions of \$6.664 million for federal reimbursements for fire season 2003-2005.

**FY06 includes** \$13.309 million for disaster allotments and \$0.525 million to Department of Public Safety for criminal background check contingency (Laws 2005, Chapter 33, Section 4 Subsection G). \$4.5 million for Interstate Stream Commission (ISC) for land and water rights for augmentation; \$4.5 million to ISC for augmentation services (Laws 2006, Chapter 111); and \$25.522 million for Public Education Reform.

**FY07 includes** \$18.161 million for disaster allotments; \$2.0 million for DOH Behavioral Health Services Program (Laws 2006, Chapter 109); \$1.9125 million for Santa Fe Community College (Laws 2006, Chapter 109); \$4.9 million to PED for education reform initiatives (Laws 2007, Chapter 28); \$0.750 million contingency to Corrections Department (Laws 2005, Chapter 33, Section 4) for FY06; and \$9 million appropriation reduction prior period adjustment for water rights appropriations (Laws 2006, Chapter 111, Sec 78 (HB 622)).

**FY08 includes** \$17.9 million for disaster allotments; \$9 million contingency appropriation for water rights appropriations (Laws 2006, Chapter 111, Sec 78 (HB 622; see prior period adjustment in FY07); \$7.527 million for education reform appropriations from the General Appropriation Act of 2008 (Laws 2008, Chapter 3, Section 5); and \$1.65 million deleted from FY08 and added to FY09 for an unexpended appropriation from education reform for a PED IT system.

**FY09 includes** \$16 million for disaster allotments; and \$13 million contingency for PED (Laws 2008, Chapter 3, Section 5, Item 98); \$35.7536 million for the State Equalization Guarantee (Laws 2009, Chapter 3, Section 9); and \$12.6 million for education reform appropriations from the General Appropriation Act of 2009 (Laws 2009, Chapter 124, Section 5); and \$1.65 million deleted from FY08 and added to FY09 for an unexpended appropriation from education reform for a PED IT system.

**FY10 includes** \$16 million for disaster allotments; \$1 million contingency appropriation for the Department of Public Safety (Laws 2009, Chapter 124, Section 4); \$25 million transferred from the general fund for general purposes (Laws 2009, Chapter 124); and \$40 million transferred from the Appropriation Account for education reform (Laws 2009, Chapter 124).

**Year-ending Balances in the Tax Stabilization Reserve:**

Annually, if the balance in the Tax Stabilization Reserve exceeds 6.0% of the previous year's recurring appropriations, the excess over 6% is transferred to the Taxpayer's Dividend Fund.

**FY06** -- \$121.3 million was transferred from the General Fund Operating Reserve, the excess in that fund of 8% of prior year recurring appropriations prior to the date of the transfer.

**FY06** -- if the transfer of amounts in excess over 8.0% in the Operating Reserve had been done as of the end of FY06, the transfer would have been \$130,033,940 -- \$8,730,000 more than the actual transfer calculated in December 2006. However, even if the transfer had been calculated earlier, the balance in the Tax Stabilization reserve would have been 5.996% of prior year's recurring appropriation. There would not have been a sequential transfer of any excess in the Tax Stabilization Reserve to the Taxpayer's Dividend Fund.

**Fiscal Year 2009 includes** \$55.7 million transfer from the Tax Stabilization Reserve into the Appropriation Account (Laws 2009, Chapter 3).

**Tobacco Settlement Permanent Fund Reserve** established (see Laws 2003, Chapter 312).

**Fiscal Year 2009** -- an additional \$22.4 million was transferred from the Tobacco Settlement Permanent Fund Reserve to the Tobacco Settlement Program Fund (Laws 2009, Chapter 3)

**Fiscal Year 2010 includes** amendments to tobacco statutes that transfer the second half of annual payment to the Tobacco Settlement Program Fund for appropriation to Medicaid (Laws 2009, Chapter 3).