

#### General Fund Reserves Overview

Presentation to the Investments and Pensions
Oversight Committee
Ismael Torres, Chief Economist, LFC
July 30, 2024

#### Reserves are critical for supporting the state.

- Primary purpose is to backfill general fund revenues during downturns.
- Also acts as an overflow for nonrecurring revenues and catches surpluses.
- Bond rating agencies look at state reserves as an indicator of a state's financial health.
- Not intended to make up long-term, or multi-year structural deficits.



# General fund reserves are necessary because of the constitutional requirement for a balanced budget.



#### General Fund Financial Summary 2024 Special Legislative Session RESERVE DETAIL

(millions of dollars)

(millions of dollars)						
July 25, 2024			Totimete			stimate
3:21 PM	Estimate FY2023		Estimate FY2024		FY2025	
OPERATING RESERVE	_	112025	_	12024	_	12020
Beginning Balance	S	565.8	S	596.6	S	173.1
Transfers from tax stabilization reserve to restore balance to 1 percent <sup>3</sup>	S		5	-	S	-
BOF Emergency Appropriations/Reversions	s	(2.5)	S	(4.0)	s	(4.0)
Transfers from (to) Appropriation Account	5	829.0	\$	(331.6)	\$	120.1
Transfers to Tax Stabilization Reserve	\$	(723.9)	\$	-	\$	-
Disaster Allotments 1	\$	(71.9)	\$	(37.9)	\$	(1.8)
Transfer from (to) ACF/Other Appropriations	S	-	\$	(50.0)	\$	-
Revenues and Reversions	\$	-	\$	-	\$	-
Transfers from tax stabilization reserve					_	
Ending Balance	\$	596.6	\$	173.1	\$	287.4
APPROPRIATION CONTINGENCY FUND						
Beginning Balance	\$	460.7	\$	54.5	\$	(0.0)
Disaster Allotments <sup>5</sup>	\$	(12.8)	\$	(54.8)	\$	(16.0)
ARPA Appropriation from 2021 Second Special Session, 2024 Regular Session)	\$	-	\$	2.6	\$	-
Other ARPA Appropriations (including 2022, 2023, 2024 Regular Sessions)	S	(395.0)	\$	(57.1)	S	-
Transfers In  Revenue and Reversions	5	1.6	5	50.0	5	8.0
Audit and Pre-Audit Adjustments	•	1.0	•	4.0	3	8.0
Ending Balance	\$	54.5	\$	(0.0)	\$	(8.0)
STATE SUPPORT FUND						
Beginning Balance	S	49.5	S	10.4	S	10.4
Revenues	Š	-	S		s	-
Appropriations to State Support Reserve Fund	s	_	\$	_	s	_
Impact Aid Liability FY20	5	(39.1)				
Impact Aid Liability FY21	\$	-	\$	-	\$	-
Audit Adjustments	\$	-	\$	-	\$	-
Ending Balance	\$	10.4	\$	10.4	\$	10.4
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO) Beginning Balance					s	512.2
Revenues					\$	-
Appropriations to the Government Accountability Expendable Trust					S	-
Expenditures Audit Adjustments					S	-
Ending Balance					s	512.2
TODA CCO CETTI EMENT DEDMANDAT FIND (TCDE)						
TOBACCO SETTLEMENT PERMANENT FUND (TSPF) <sup>2</sup>	S	300.2		330.8		
Beginning Balance Transfers In	5	23.6	2	27.4		
Appropriation to Tobacco Settlement Program Fund	S	(11.5)	s	(13.7)		
Gains(Losses)	Š	18.5	s	18.2		
Additional Transfers from (to) TSPF	\$	-	\$	-		
Ending Balance	\$	330.8	\$	362.7		
TAX STABILIZATION RESERVE (RAINY DAY FUND)						
Beginning Balance	\$	2,303.4	\$	3,050.5	\$	2,213.5
Revenues from Excess Oil and Gas Emergency School Tax	\$	1,149.8	\$	672.4	\$	428.1
Gains(Losses)	\$	23.3	\$	122.0	\$	88.5
Transfers In (From Operating Reserve)	\$	723.9	\$	-	\$	-
Transfer Out to Operating Reserve <sup>3</sup>	\$	-	\$	-	\$	-
Transfer Out to Higher Education Endowment Fund	\$	-	\$	(959.0)		-
Transfer Out to Early Childhood Trust Fund 4	\$	(1,149.8)	\$	(672.4)		(428.1)
Ending Balance	\$	3,050.5	\$	2,213.5	\$	2,302.1
Percent of Recurring Appropriations		36.296		23.1%		22.5%
TOTAL GENERAL FUND ENDING BALANCES	\$	4,042.8	\$	2,759.7	5	3,104.1

48.096

28,896

30,496

Percent of Recurring Appropriations

# The operating reserve is the first line of defense and most comparable to a checking account.



(millions of dollars)						
July 20, 2024						
3:21 PM	Estimate		Estimate		Estimate	
OPERATING RESERVE	FY2023		FY2024		FY2025	
Beginning Balance	S	565.8	\$	596.6	S	173.1
Transfers from tax stabilization reserve to restore balance to 1 percent 3	S	505.0		390.0	s	
BOF Emergency Appropriations/Reversions	S	(2.5)	S	(4.0)	S	(4.0)
Transfers from (to) Appropriation Account	Š	829.0	Š	(331.6)	Š	120.1
Transfers to Tax Stabilization Reserve	\$	(723.9)	\$	-	\$	-
Disaster Allotments 1	\$	(71.9)	\$	(37.9)	\$	(1.8)
Transfer from (to) ACF/Other Appropriations	\$	-	\$	(50.0)	\$	-
Revenues and Reversions	\$	-	\$	-	\$	-
Transfers from tax stabilization reserve					_	
Ending Balance	\$	596.6	\$	173.1	5	287
APPROPRIATION CONTINGENCY FUND						
Beginning Balance	S	160.7		54.5	S	(0.0)
		(22.0)	2			
Disaster Allotments <sup>5</sup>	\$	(12.8)	\$	(54.8)	\$	(16.0)
ARPA Appropriation from 2021 Second Special Session, 2024 Regular Session) Other ARPA Appropriations (including 2022, 2023, 2024 Regular Sessions)	S	(395.0)	S	(57.1)	S	
Transfers In	Š	(333.0)	Š	50.0	Š	_
Revenue and Reversions	s	1.6	s	4.8	s	8.0
Audit and Pre-Audit Adjustments	•		•		•	(5.55)
Ending Balance	\$	54.5	\$	(0.0)	S	(8.0)
STATE SUPPORT FUND						
Beginning Balance	S	49.5	\$	10.4	\$	10.4
Revenues	\$	-	\$	-	S	-
Appropriations to State Support Reserve Fund	5	(30.1)	\$	-	\$	-
Impact Aid Liability FY20 Impact Aid Liability FY21	S	(39.1)	5		S	
Audit Adjustments	s		s	-	S	
Ending Balance	s	10.4	\$	10.4	s	10.4
	•	10.4	•	20.4	•	10.1
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO) Beginning Balance					s	512.2
Revenues Appropriations to the Government Accountability Expendable Trust					S	-
Expenditures					Š	2
Audit Adjustments					\$	-
Ending Balance					\$	512.2
,						
TOBACCO SETTLEMENT PERMANENT FUND (TSPF) <sup>2</sup>						
Beginning Balance	S	300.2	\$	330.8		
Transfers In	\$	23.6	\$	27.4		
Appropriation to Tobacco Settlement Program Fund Gains(Losses)	S	(11.5)	S	(13.7)		
Additional Transfers from (to) TSPF	S	18.5	Š	10.2		
Ending Balance	s	330.8	s	362.7		
Land Land	•	220.0	•	202.7		
TAX STABILIZATION RESERVE (RAINY DAY FUND)						
Beginning Balance	\$	2,303.4	\$	3,050.5	\$	2,213.5
Revenues from Excess Oil and Gas Emergency School Tax	\$	1,149.8	\$	672.4	\$	428.1
Gains(Losses)	5	23.3	\$	122.0	\$	88.5
Transfers In (From Operating Reserve)	\$	723.9	\$	-	\$	-
Transfer Out to Operating Reserve 3	\$	-	\$	-	\$	-
Transfer Out to Higher Education Endowment Fund	\$	-	\$	(959.0)	\$	-
Transfer Out to Early Childhood Trust Fund <sup>4</sup>	\$	(1,149.8)	\$	(672.4)	\$	(428.1)
Ending Balance	\$	3,050.5	\$	2,213.5	\$	2,302.1
Percent of Recurring Appropriations		36.296		23.1%		22.5%
TOTAL CENTRAL FIRM FURNIC DAY 1977	_	10:20		A 850 F	•	2.201.2
TOTAL GENERAL FUND ENDING BALANCES  Percent of Recurring Appropriations	S	48.0%	\$	2,759.7 28.8%	S	3,104.1 30.496
LARGERT OF RECUITING ADDITIONS		70.070		20.070		30.470



# The operating reserve is the state's primary reserve. This can be called upon quickly and is often used for nonrecurring spending.

- Primary purpose is to backfill general fund revenues during temporary downturns.
  - Not intended to make up long-term, or multi-year structural deficits.
- Also acts as an overflow for nonrecurring revenues and catches surpluses.
- Bond rating agencies look at state reserves as an indicator of a state's financial health.
- Capped at 8 percent, statutorily. Excess funds flow into the Government Results and Opportunity Fund (GRO).



# The Appropriation Contingency Fund (ACF) and State Support Fund are ancillary reserve funds.

#### General Fund Financial Summary 2024 Special Legislative Session RESERVE DETAIL

(millions of dollars)

July 25, 2024						
3:21 PM	Estimate FY2023			Estimate FY2024	Estimate FY2025	
OPERATING RESERVE						
Beginning Balance	\$	565.8	\$	596.6	5	173.1
Transfers from tax stabilization reserve to restore balance to 1 percent 3	5	-	5	-	5	_
BOF Emergency Appropriations/Reversions	\$	(2.5)	\$	(4.0)	\$	(4.0)
Transfers from (to) Appropriation Account	\$	829.0	\$	(331.6)	5	120.1
Transfers to Tax Stabilization Reserve	\$	(723.9)	\$	-	\$	-
Disaster Allotments	\$	(71.9)	\$	(37.9)	\$	(1.8)
Transfer from (to) ACF/Other Appropriations	\$	-	2	(50.0)	\$	-
Revenues and Reversions	S	-	2	-	\$	-
Transfers from tax stabilization reserve						
Ending Balance	\$	596.6	\$	173.1	\$	287.4
APPROPRIATION CONTINGENCY FUND						
Beginning Balance	\$	460.7	\$	54.5	\$	(0.0)
Disaster Allotments <sup>5</sup>	s	(12.8)	\$	(54.8)	s	(16.0)
ARPA Appropriation from 2021 Second Special Session, 2024 Regular Session)	s	-	s	2.6	s	- (20.0)
Other ARPA Appropriations (including 2022, 2023, 2024 Regular Sessions)	5	(395.0)	\$	(57.1)	5	-
Transfers In	5	-	\$	50.0	5	-
Revenue and Reversions	\$	1.6	\$	4.8	\$	8.0
Audit and Pre-Audit Adjustments	_	***	_	(0.0)	_	<b>40.0</b> 1
Ending Balance	\$	54.5	\$	(0.0)	2	(8.0)
STATE SUPPORT FUND						
Beginning Balance	2	49.5	\$	10.4	\$	10.4
Revenues	\$	-	2	-	S	-
Appropriations to State Support Reserve Fund	S	(20.1)	\$	-	\$	-
Impact Aid Liability FY20 Impact Aid Liability FY21	5	(39.1)	5		S	
And Lisothly F121 And Adjustments	s	-	s	-	S	
Ending Balance	s	10.4	\$	10.4	s	10.4
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO)						
Beginning Balance					5	512.2
Revenues Appropriations to the Government Accountability Expendable Trust					5	-
Expenditures					s	-
Audit Adjustments					\$	-
Ending Balance					\$	512.2
TOBACCO SETTLEMENT PERMANENT FUND (TSPF) <sup>2</sup>						
Beginning Balance	5	300.2	5	330.8		
Transfers In	s	23.6	S	27.4		
Appropriation to Tobacco Settlement Program Fund	s	(11.5)	\$	(13.7)		
Gains(Losses)	\$	18.5	\$	18.2		
Additional Transfers from (to) TSPF	5		\$	-		
Ending Balance	\$	330.8	\$	362.7		
TAX STABILIZATION RESERVE (RAINY DAY FUND)						
Beginning Balance	5	2,303.4	\$	3,050.5	5	2,213.5
Revenues from Excess Oil and Gas Emergency School Tax	\$	1,149.8	\$	672.4	\$	428.1
Gains(Losses)	\$	23.3	\$	122.0	\$	88.5
Transfers In (From Operating Reserve)	\$	723.9	\$	-	\$	-
Transfer Out to Operating Reserve 3	\$	-	\$	-	\$	-
Transfer Out to Higher Education Endowment Fund	\$	-	\$	(959.0)	\$	-
Transfer Out to Early Childhood Trust Fund <sup>4</sup>	\$	(1,149.8)	\$	(672.4)	\$	(428.1)
Ending Balance	\$	3,050.5	\$	2,213.5	\$	2,302.1
Percent of Recurring Appropriations		36.296		23.196		22.596
TOTAL GENERAL FUND ENDING BALANCES	\$	4,042.8	\$	2,759.7	\$	3,104.1

Percent of Recurring Appropriations



30.496

48.096

28.896

# With small balances, the Appropriation Contingency Fund and State Support Fund have little to no impact on reserves.

- The State Support Fund was created as a reserve for public school funds.
  - Balances over \$1 million in the public school district general obligation bonds loan fund are transferred here.
  - Balances are used to augment public schools' appropriations.
- The Appropriation Contingency Fund was created for disasters, emergencies, and other temporary holdings like one-time federal revenues.
  - The Legislature authorizes funds into and out of the fund.
  - The fund is also used by the Governor for emergency declaration spending.



# The Tobacco Settlement Permanent fund and the Government Recurring Opportunity (GRO) fund are no longer counted in reserves starting in FY26.

#### General Fund Financial Summary 2024 Special Legislative Session RESERVE DETAIL (millions of dollars)

(millions of dollars)						
July 25, 2024 3:21 PM	Estimate			Estimate		stimate
3.21 FM	FY2023		FY2024		FY2025	
OPERATING RESERVE	_	1 1 2 0 2 0	-	111014		12020
Beginning Balance	5	565.8	5	596.6	5	173.1
Transfers from tax stabilization reserve to restore balance to 1 percent <sup>3</sup>	S	_	5	_	s	
BOF Emergency Appropriations/Reversions	Š	(2.5)	Š	(4.0)	s	(4.0)
Transfers from (to) Appropriation Account	s	829.0	s	(331.6)	s	120.1
Transfers to Tax Stabilization Reserve	\$	(723.9)	5	-	5	-
Disaster Allotments 1	S	(71.9)	5	(37.9)	S	(1.8)
Transfer from (to) ACF/Other Appropriations	S	-	\$	(50.0)	\$	-
Revenues and Reversions	5	-	\$	-	5	-
Transfers from tax stabilization reserve						
Ending Balance	S	596.6	\$	173.1	S	287.4
APPROPRIATION CONTINGENCY FUND						
Beginning Balance	\$	460.7	\$	54.5	\$	(0.0)
Disaster Allotments <sup>5</sup>	\$	(12.8)	\$	(54.8)	\$	(16.0)
ARPA Appropriation from 2021 Second Special Session, 2024 Regular Session)	\$		\$	2.6	\$	-
Other ARPA Appropriations (including 2022, 2023, 2024 Regular Sessions)	S	(395.0)	\$	(57.1)	S	-
Transfers In Revenue and Reversions	S		2	50.0	5	-
Audit and Pre-Audit Adjustments	\$	1.6	\$	4.8	\$	8.0
Ending Balance	S	54.5	S	(0.0)	s	(8.0)
Enting Distance	•	34.3	•	(0.0)	-	(8.0)
STATE SUPPORT FUND						
Beginning Balance	\$	49.5	\$	10.4	\$	10.4
Revenues	5	-	\$	-	5	-
Appropriations to State Support Reserve Fund	5	-	\$	-	\$	-
Impact Aid Liability FY20	\$	(39.1)				
Impact Aid Liability FY21	S	-	2	-	S	-
Audit Adjustments	\$	10.4	S		\$	10.4
Ending Balance	\$	10.4	2	10.4	S	10.4
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO)	1					0.00
Seginning Balance					S	312.2
Revenues Appropriations to the Government Accountability Expendable Trust					S	
Expenditures					s	-
Audit Adjustments					\$	-
Ending Balance					\$	512.2
TOBACCO SETTLEMENT PERMANENT FUND (TSPF) <sup>2</sup>						
Beginning Balance	S	300.2	\$	330.8		
Transfers In	S	23.6	2	27.4		
Appropriation to Tobacco Settlement Program Fund Gains(Losses)	S	(11.5)	5	(13.7)		
Additional Transfers from (to) TSPF	Š	-	Š	-		
Endarz Balance	s	330.8	\$	362.7		
TAX STABILIZATION RESERVE (RAINY DAY FUND)						
Beginning Balance	2	2,303.4	\$	3,050.5	S	2,213.5
Revenues from Excess Oil and Gas Emergency School 1ax	S	1,149.8	2	672.4	5	428.1
Gains(Losses) Transfers In (From Operating Reserve)	S	23.3 723.9		122.0		88.5
Transfer Out to Operating Reserve)			\$	-	\$	-
	S	-	5		\$	-
Transfer Out to Higher Education Endowment Fund  Transfer Out to Early Childhood Trust Fund <sup>4</sup>		(1.140.8)	\$	(959.0)		(420.11
Ending Balance	\$	(1,149.8)	\$	(672.4)		(428.1)
•	\$	3,050.5	\$	2,213.5	2	2,302.1
Percent of Recurring Appropriations		36.2%		23.196		22.596
TOTAL CENERAL FIND ENDING BALANCES	•	10120	•	2.750.7	•	2 104 1

TOTAL GENERAL FUND ENDING BALANCES

Percent of Recurring Appropriations



3,104.1

30.496

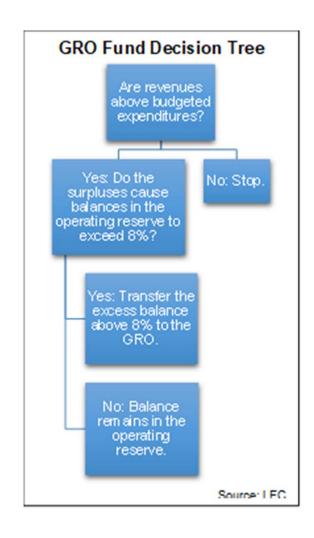
2,759.7

28.896

48.096

# The Tobacco Settlement Permanent Fund (TSPF) and Government Recurring Opportunity Fund (GRO) are not true reserves in purpose.

- The TSPF was created to invest payments to New Mexico from tobacco companies under the master settlement agreement of 1998 and provide long-term revenues to health programming.
  - The TSPF is invested by the State Investment Council with earnings deposited in the TSPF.
- The GRO was created so one-time surpluses could be used over several years and as an opportunity for unproven pilot programs receive funds and demonstrate effectiveness.
  - The GRO earns revenue from excess balances in general fund operating reserve. And each year, 25 percent is available for appropriation.





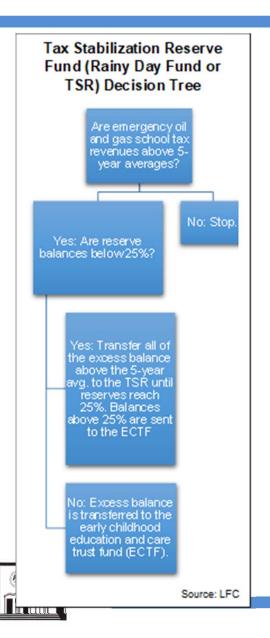
The Tax
Stabilization
Reserve operates
as the state's "rainy
day fund" and is
most like an
emergencies
savings account.



#### General Fund Financial Summary 2024 Special Legislative Session RESERVE DETAIL

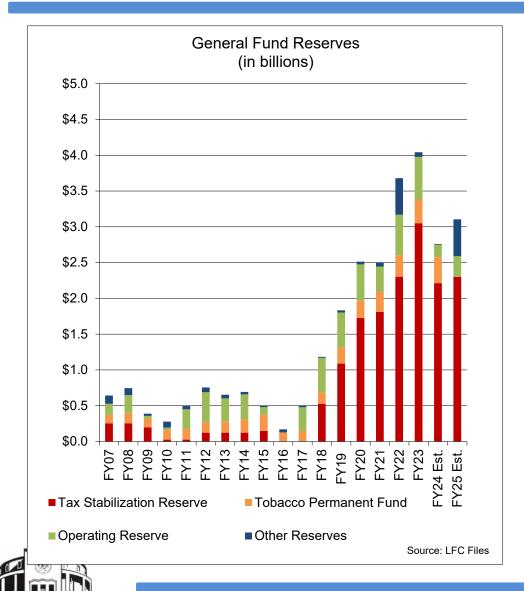
(millions of dollars)						
July 25, 2024 3:21 PM	F-64-					
3:21 PM	Estimate FY2023		Estimate FY2024		Estimate FY2025	
OPERATING RESERVE	_		_	12024	_	12020
Beginning Balance	\$	565.8	\$	596.6	5	173.1
Transfers from tax stabilization reserve to restore balance to 1 percent 3	S	_	\$	_	S	-
BOF Emergency Appropriations/Reversions	5	(2.5)	\$	(4.0)	5	(4.0)
Transfers from (to) Appropriation Account	\$	829.0	\$	(331.6)	5	120.1
Transfers to Tax Stabilization Reserve	\$	(723.9)	2	-	\$	1
Disaster Allotments	\$	(71.9)	\$	(37.9)	\$	(1.8)
Transfer from (to) ACF/Other Appropriations	S	-	\$	(50.0)	S	-
Revenues and Reversions	\$	-	\$	-	\$	-
Transfers from tax stabilization reserve	_	****	_		_	
Ending Balance	\$	596.6	\$	173.1	\$	287.4
APPROPRIATION CONTINGENCY FUND						
Beginning Balance	S	460.7	5	54.5	5	(0.0)
Disaster Allotments <sup>5</sup>	s	(12.8)	5	(54.8)	s	(16.0)
ARPA Appropriation from 2021 Second Special Session, 2024 Regular Session)	s	-	\$	2.6	s	-
Other ARPA Appropriations (including 2022, 2023, 2024 Regular Sessions)	5	(395.0)	\$	(57.1)	5	-
Transfers In	\$	-	2	50.0	\$	-
Revenue and Reversions	\$	1.6	\$	4.8	5	8.0
Audit and Pre-Audit Adjustments	_		_		_	40.00
Ending Balance	\$	54.5	\$	(0.0)	\$	(8.0)
STATE SUPPORT FUND						
Beginning Balance	5	49.5	5	10.4	5	10.4
Revenues	\$	-	\$	_	5	-
Appropriations to State Support Reserve Fund	5	-	\$	-	5	-
Impact Aid Liability FY20	5	(39.1)				
Impact Aid Liability FY21	S	-	2	-	S	-
Audit Adjustments	\$	-	\$		\$	-
Ending Balance	\$	10.4	\$	10.4	\$	10.4
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO)						
Beginning Balance					S	512.2
Revenues Appropriations to the Government Accountability Expendable Trust					5	-
Expenditures					5	-
Audit Adjustments					\$	-
Ending Balance					5	512.2
TODA COO CETTI ENTENT DEDINANTENT FIRM (TODE)						
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)		2000		220.0		
Beginning Balance Transfers In	5	300.2	\$	330.8		
Appropriation to Tobacco Settlement Program Fund	S	23.6 (11.5)	5	(13.7)		
Gains(Losses)	Š	18.5	Š	18.2		
Additional transfers from (to) TSPF	S	•				
Ending Balance	\$	330.8	\$	362.7		
TAX STABILIZATION RESERVE (RAINY DAY FUND)					_	
Beginning Balance	S	2,303.4		3,050.5		
Revenues from Excess Oil and Gas Emergency School Tax	S	1,149.8	2	672.4		428.1
Gains(Losses) Transfers In (From Operating Reserve)	5	23.3 723.9	2	122.0	S	88.5
Transfer Out to Operating Reserve 3	5	123.9	5	-	S	190
Transfer Out to Operating Reserve  Transfer Out to Higher Education Endowment Fund	S		5		Š	
Transfer Out to Early Childhood Trust Fund <sup>4</sup>	s	(1,149.8)	s	100000000000000000000000000000000000000	s	(428.1)
Ending Balance	\$	3,050.5	\$	2,213.5	S	2,302.1
Percent of Recurring Appropriations	•	36.296	*	23.196	•	22.5%
1 vicent of twenting Appropriations		30.276		23.176		22.370
TOTAL GENERAL FUND ENDING BALANCES	ç	4,042.8	\$	2,759.7	\$	3,104.1
Percent of Recurring Appropriations		48.096		28.8%		30.496

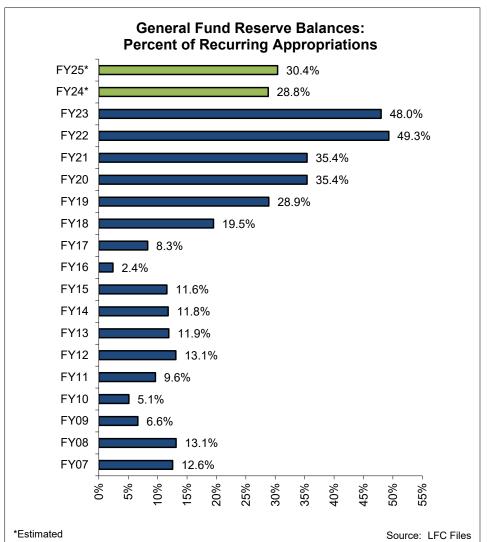
#### Tax Stabilization Reserve-Funding Mechanisms and Decision Tree



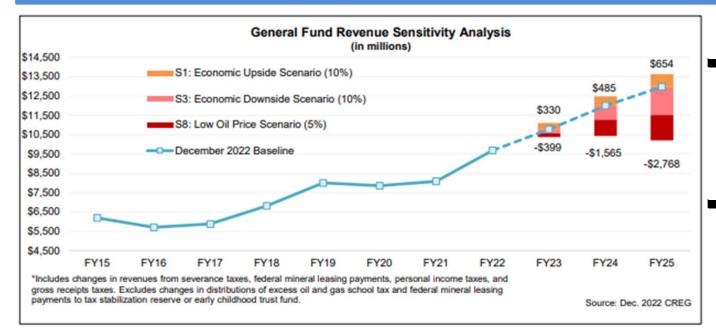
- Funds are deposited into the tax stabilization reserve from the oil and gas emergency tax if (a) annual revenue exceeds the five-year average AND (b) total reserves are LESS than 25% of the recurring budget.
- Money in the tax stabilization reserve may only be appropriated if (1) the governor declares it necessary because of a shortfall and the House and Senate approve it with a simple majority vote, or (2) twothirds vote of both the House and Senate.
- The fund grows with oil and gas transfers and investment earnings.

# Reserves have grown, though higher balances are needed for larger budgets and increasingly volatile revenues.





## New Mexico's revenue volatility and reliance on oil and gas revenues informs the need for reserves.



- New Mexico's revenues are the 6<sup>th</sup> most volatile in the nation.
- Stress-testing of the general fund revenues informs reserve needs.
- S8: Low Oil Price S3: Economic Downside S1: Economic Upside **FY23** FY24 FY25 FY23 FY24 **FY25** FY23 FY24 FY25 Scenario \$34 Severance Taxes to GF -\$432 -\$817 -\$76 -\$370 \$4 \$16 -\$38 -\$15 Federal Mineral Leasing to GF \$0 -\$212 -\$732\$0 -\$84 -\$316 \$0 \$10 \$66 -\$726 -\$969 -\$358 \$428 \$502 Gross Receipts Taxes -\$285 -\$140 -\$542 \$312 \$52 Personal Income Taxes -\$76 -\$195 -\$249 -\$51 -\$196 -\$222 \$14 \$31 \$654 General Fund Difference from Baseline -\$399 -\$1,565 -\$2,768 -\$206 -\$714 -\$1,451 \$330 \$485 53% General Fund Percent of Total Impact 47% 72% 25% 36% 57% 59% 22% 76% Severance Taxes to TSR or ECE -\$747 -\$474 -\$195 -\$577 \$62 -\$601 -\$474\$55 \$154 Federal Mineral Leasing to ECE -\$779 -\$1,041 -\$603 -\$419 -\$673 -\$603 \$50 \$269 \$432 TSR/ECE Transfers Diff. from Baseline -\$1,380 -\$1,788 -\$1,077 -\$613 -\$1,250 -\$1.077\$105 \$331 \$586 TSR/ECE Transfers Percent of Total Impact 78% 53% 28% 75% 64% 43% 24% 41% 47% Total Difference from Baseline -\$1,779 -\$3,353 -\$3,844 -\$819 -\$1,965 -\$2,528 \$435 \$816 \$1,240

Other national best practice guidelines for the average state recommend threemonths revenues for a baseline reserve target.

Note: in millions 13

#### Investing the Reserve Funds

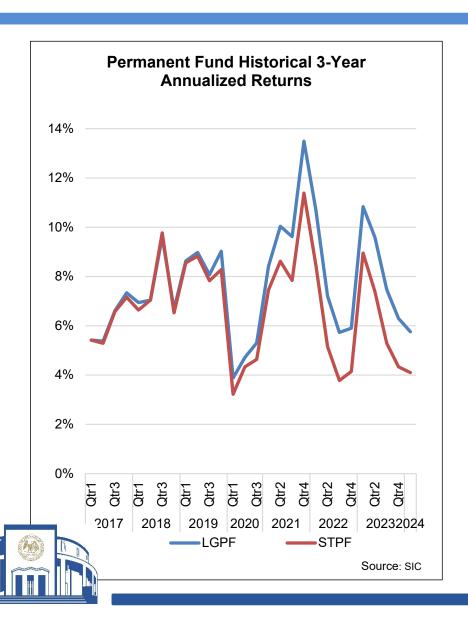


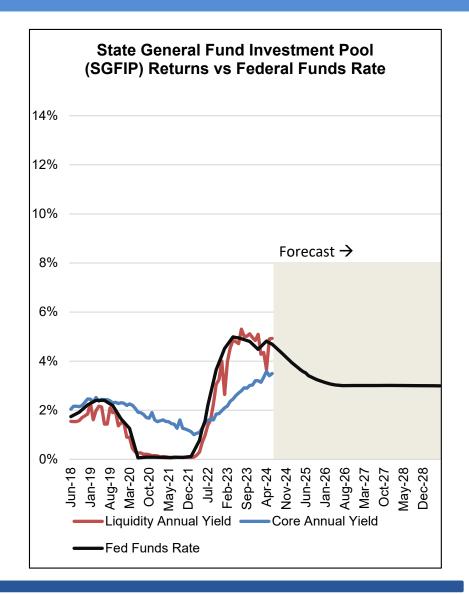
#### Reserves, permanent funds, and endowments.

	Long-term or Short-term Solution	Generate Revenue to Support Mission	Distribution Mechanism	Duration
Reserves	Short-Term	No	Nonrecurring appropriation	One to three years
Permanent Funds	Long-term	Yes	A percentage of the balance below its return target	Infinite – perpetual benefits
Endowments	Short-, medium-, or long-term	Maybe	A percentage of the balance which may be above or below return target	Sometimes perpetual, often insolvent or expiring
Trust Funds	Short-, medium-, or long-term	Maybe	A percentage of the balance which may be above or below return target	Sometimes perpetual, often insolvent or expiring

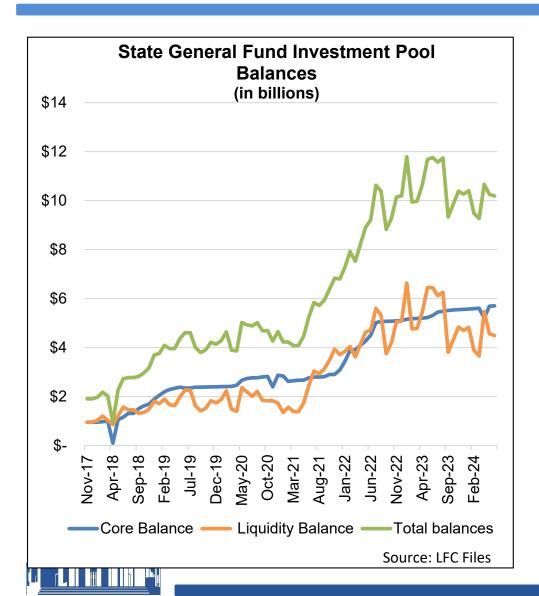


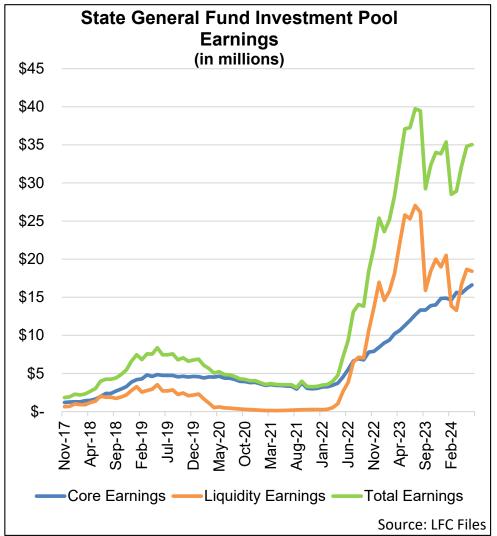
## Returns for different funds vary based on how they are used and should be considered when creating funds.



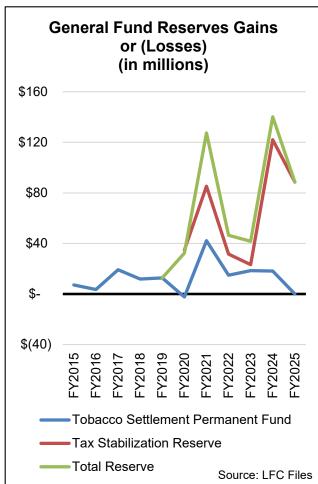


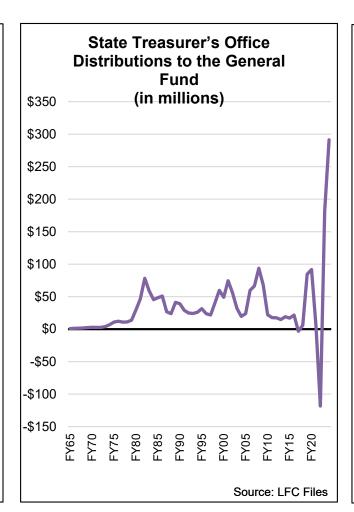
Reserves are invested in the state general fund investment pool (SGFIP), which earn higher returns with higher interest rates and balances.

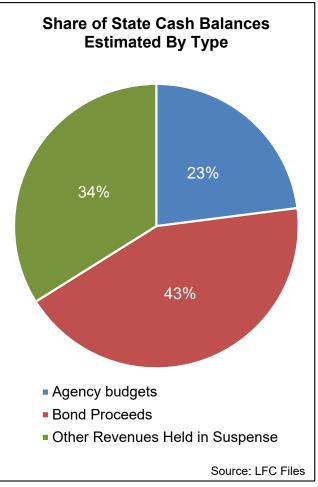




# Some reserve funds grow from their own investment earnings. Other reserve funds contribute to general fund earnings, though most general fund earnings are from other sources.









### Thank you!

For more information or questions:

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