



General Fund Consensus Revenue Estimate

August 2023 Consensus General Fund Recurring Revenue Estimate			
(in millions)			
	FY23	FY24	FY25
December 2022 Consensus	\$10,774.9	\$11,820.3	\$12,143.4
August 2023 Adjustments	\$866.2	\$790.7	\$907.6
August 2023 Consensus	\$11,641.1	\$12,611.0	\$13,051.0
Annual amount change	\$1,965.8	\$969.8	\$440.1
Annual percent change	20.3%	8.3%	3.5%

Note: Parentheses () denotes a negative number; General fund amounts above do not include oil and gas emergency school tax revenues in excess of the five-year average distributed to the tax stabilization reserve.

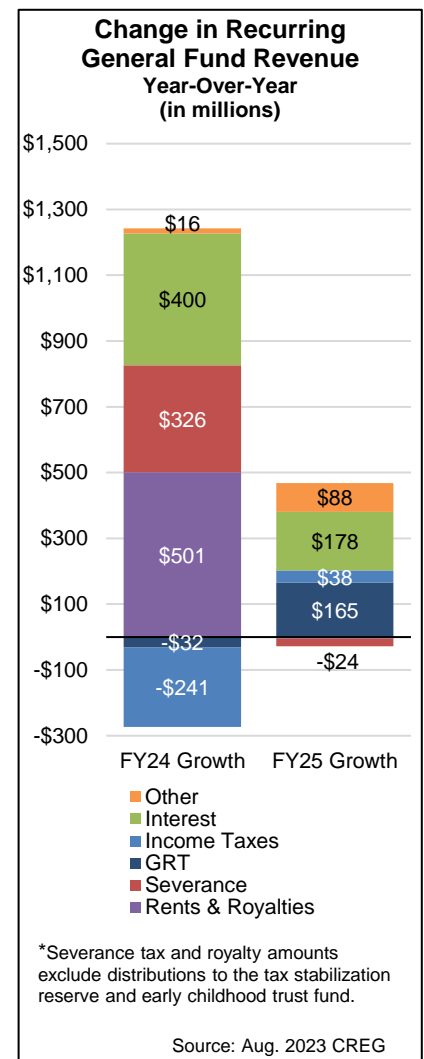
Summary

Estimated recurring revenues for FY24 are \$12.611 billion, up \$790.7 million from the December estimate. Recurring revenues for FY25 are estimated at \$13.051 billion. “New money,” or projected recurring revenue for the coming fiscal year less current year recurring appropriations, is estimated at \$3.482 billion for FY25, or 36.4 percent growth from the FY24 recurring budget.

Recurring revenues for FY23 are estimated at \$11.641 billion, up \$1.966 billion, or 20.3 percent, from FY22. Consumer spending remained strong despite resilient inflation, wage growth was robust, and high oil and gas revenues were supported by supply-side constraints that raised prices and encouraged production expansion. Oil and gas revenue strength pushed severance tax and federal royalty collections to record-breaking levels, resulting in larger transfers to the early childhood trust fund in FY23 than were expected in December (see discussion on page 7). However, legislative changes have improved the stability of the general fund by insulating against swings in oil and gas revenues by distributing windfalls in FY25 and beyond to the severance tax permanent fund (STPF).

General Fund Reserves and Transfers of Higher-Than-Expected Revenue. After distribution of personal income tax rebates at a cost of \$695 million and nonrecurring legislative expenditures of \$2.01 billion, FY23 total revenues are estimated to be \$596.9 million more than FY23 appropriations. General fund revenues, outside of those from the federal American Rescue Plan Act, exceeded non-ARPA general fund appropriations by \$991.9 million, which will be transferred to the operating reserve and the tax stabilization reserve fund. Any FY23 general fund reversions are also expected to be distributed to the tax stabilization reserve because funds in the operating reserve are estimated to reach its cap of 8 percent of recurring spending. (The general fund financial summary detailed in Attachment 1 illustrates the impact of the August 2023 revenue estimates on reserve levels.)

The Consensus Revenue Estimating Group (CREG), comprising the Legislative Finance Committee (LFC), Department of Finance and Administration (DFA), Taxation and Revenue Department (TRD), and Department of Transportation (DOT), reached consensus on the revenue estimates presented in this brief. The recurring revenue update table presents a reconciliation of recurring revenues through the current revenue estimating cycle.



General Fund Financial Summary (in millions)		
	FY23	FY24
	Prelim.	Est.
Recurring Revenue	\$11,641.1	\$12,611.0
Nonrecurring Revenue*	(\$782.6)	(\$9.3)
Total General Fund Revenue	\$10,858.5	\$12,601.7
Recurring Appropriations	\$8,424.0	\$9,568.7
Nonrecurring Appropriations*	\$2,011.5	\$1,845.4
Net Undistrib. Approps. and Audit Adj.	(\$173.9)	\$622.0
Total General Fund Appropriations	\$10,261.6	\$12,036.1
Transfer to (from) Reserves	\$596.9	\$565.6
*Includes federal stimulus funds and offsets		
Ending Reserve Balance	\$4,335.0	\$5,078.9
Percent of Recurring Appropriations	51.7%	53.1%

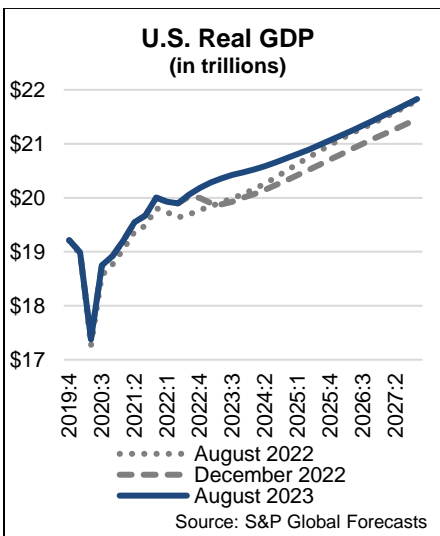
Source: LFC Files

Ending reserve balances for FY23 are estimated at \$4.36 billion, or 51.7 percent of recurring appropriations. Because total reserve balances exceed 25 percent of recurring appropriations, the excess of the five-year average of oil and gas school tax—\$1.18 billion—will go to the early childhood education and care trust fund (ECTF) instead of the tax stabilization reserve.

Ending reserve balances for FY24 are estimated at \$5.08 billion, or 53.1 percent of FY24 recurring spending, prior to legislative action in the 2024 session. Again, because reserves are expected to exceed 25 percent of recurring appropriations in FY24, excess oil and gas school tax collections, estimated at about \$622.4 million, will flow into the early childhood trust fund. Excess federal oil and gas royalty payments above the five-year average, estimated at about \$999 million in FY24, will also flow into the early childhood trust fund (see Attachment 5).

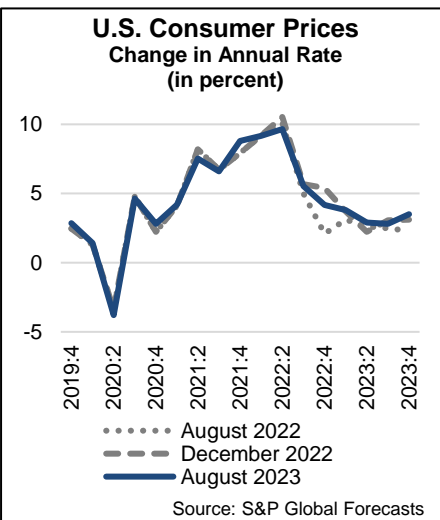
Economic Forecast

The economic forecast has improved with resilient consumer spending and a robust labor market taming worries of a recession as the Federal Reserve battles inflation. A growing oil production outlook and elevated oil prices in the short term further contribute to a positive revenue forecast. LFC and TRD economists use national data from S&P Global and local data from the University of New Mexico Bureau of Business and Economic Research (BBER) to develop the forecast. DFA economists use forecasts from Moody’s Analytics. Selected economic indicators from forecasts are shown in attachment 3.



U.S. Outlook

While experts warned of a recession, the U.S. economy showed resilience, with real gross domestic product (GDP), the inflation-adjusted value of all goods and services, growing 2.4 percent year-over-year in 2023, slowing from the 4 percent growth seen in 2022 but above expectations of more abrupt slowing. Other strong economic indicators, such as job growth, low unemployment, and strong consumer spending, suggest the Federal Reserve, despite implementing sharp increases in interest rates to curb inflation, may be on track to achieve a “soft landing,” where inflation cools without the economy tipping into recession. S&P Global is expecting GDP growth of 1.1 percent through FY24 and 1.5 percent in FY25 as inflation persists, a higher interest rate from the Federal Reserve that stifles borrowing, and a marginal rise in unemployment.



U.S. employment remains strong. Peaking at 14.7 percent at the start of the pandemic, the unemployment rate had stabilized to the near prepandemic level of around 3.5 percent in July 2023, although it is expected to rise to 4.8 percent by 2026 as the labor market cools. Labor force participation, the share of the working age population with jobs, has yet to recover fully from pandemic lows and is stable at around 62.6 percent, down from the prepandemic level of 63.3 percent.

Inflation surged worldwide as demand recovered faster than the supply of commodities, and production was suppressed, first by labor disrupted by the pandemic, then by the war in Ukraine and China’s lockdown measures. In addition, rents have accelerated in response to soaring housing prices. S&P Global expects these pressures to moderate as tightening monetary policy pushes the U.S. unemployment rate higher, reversing the direction of inflation through labor markets. Forecasters predict interest rates will reach 5.6 percent by early 2024.

Significant uncertainty in the economic outlook remains (see “Forecast Risks”). The recent and forthcoming monetary policy from the Federal Reserve could significantly slow economic growth as rising interest rates dampen economic demand. On the other hand, a failure to slow inflation rates discourages consumer sentiment and erodes real purchasing power, leading to a downturn.

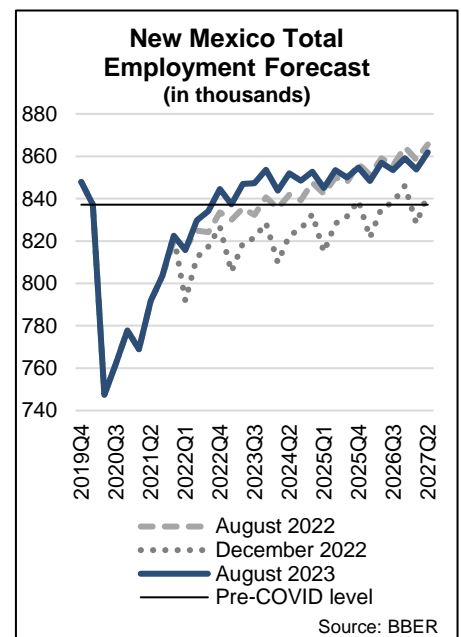
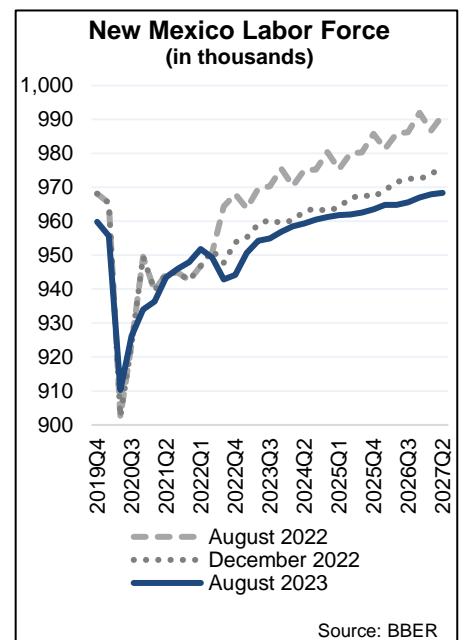
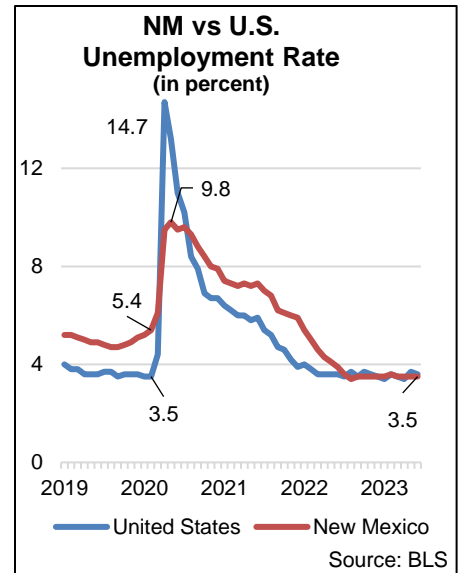
Neither S&P Global nor Moody’s Analytics includes a recession in their baseline forecast. Both S&P Global and Moody’s forecasts include the impact of the federal Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act. Both estimators assume a continued tightening of monetary policy by the Federal Reserve as they attempt slowing the economy and inflation.

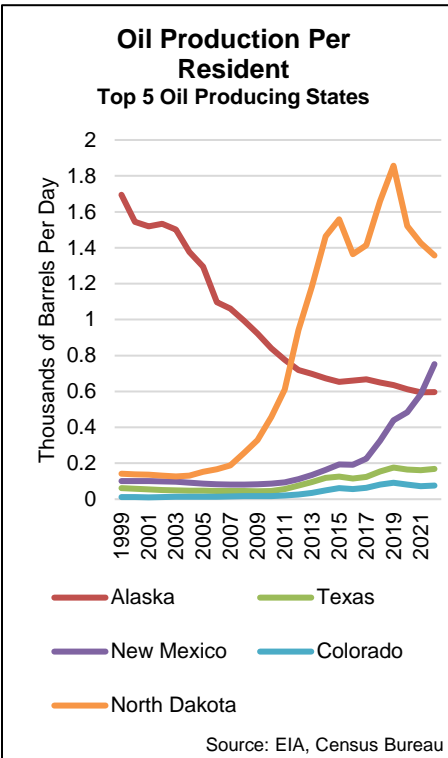
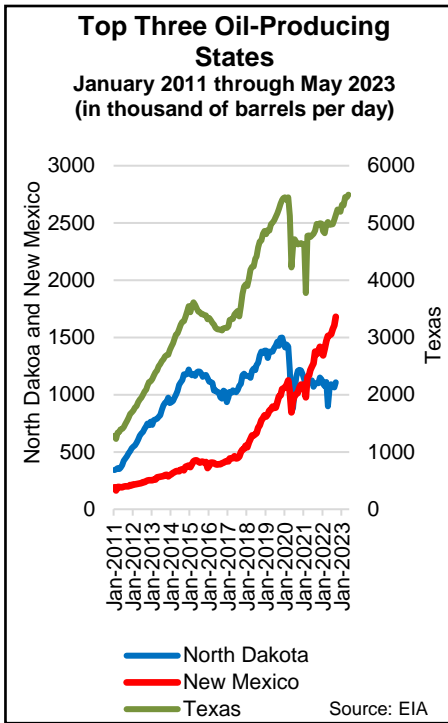
New Mexico Outlook

The estimates used in the consensus revenue forecast expect the New Mexico economy will grow at a slower rate than that of the United States in 2023 but will grow at a rate slightly faster than the that of the United States beginning in 2024. Like the national outlook, the state’s economic outlook is tied to inflation, monetary policy, and other broader economic mechanisms.

Employment. After reaching the last employment peak in January 2020, employment contracted by 12.2 percent because of the pandemic. In that period, the leisure and hospitality sector experienced the largest losses of any industry, losing over 38 percent of jobs. While strong gains have been made, the sector is still 1.3 percent below 2019 figures, according to the Bureau of Labor Statistics. Retail and wholesale trade, other hard-hit industries, are experiencing divergent recoveries. Retail trade has recovered more than all its lost jobs, while wholesale trade is still 8.4 percent below prior levels. Other lagging industries including mining, still down 2.8 percent, and financial activities, down 4.7 percent. By June 2023, data from the Bureau of Labor Statistics indicates total employment is up 11.3 thousand jobs, or 1.3 percent, from the prepandemic peak. BBER expects slow employment growth, nearing stagnancy, beginning in 2024. In total, New Mexico employment regained all jobs lost during the pandemic by March 2023 and is expected to grow by 29.5 thousand jobs, or 3.5 percent, by the end of the forecast period.

Currently, New Mexico’s labor force participation rate is 57 percent, significantly lower than the national rate and still 1.7 percentage points below prepandemic levels. Labor force participation is projected to grow by 1.4 percent in 2023, 0.4 percent in 2024, 0.2 percent in 2025, and then an of average about 0.35 percent per year in the following years.





Wages and Salaries. While employment had a longer road to recovery, total wages and salaries in New Mexico reached prepandemic levels in the last quarter of 2020. Wages and salaries experienced 10.5 percent growth in FY22 and 7.1 percent growth in FY23. BBER expects to see average growth of 3.7 percent in FY25 through FY27 after an expected 4.7 percent growth in FY24.

Total personal income growth in New Mexico reached record heights during the pandemic. Driven by inflationary pressures and a competitive labor market, personal income expanded in FY22 and FY23 with 3.2 percent and 6.4 percent growth, respectively. Growth in personal income is expected to remain elevated through FY24 at 5 percent but return to an average of about 4.4 percent starting in FY25.

Oil and Gas

After the pandemic, global oil consumption surged, driving up both prices and production for New Mexico. Additionally, the Russian invasion of Ukraine in early 2022 further disrupted global oil supply, spiking prices due to severe sanctions impacting Russian energy deliveries. Now, global economic activity is cooling, Russian oil deliveries have resumed with sanctions lowering the price, and warming winters combine to reduce upward pressure on prices. Despite this, New Mexico's energy companies have continued to expand production rates and enhance well productivity, consistently breaking monthly production records.

Notably, the record production levels are counterbalancing the downward price trend, resulting in elevated severance tax and federal royalty payments. These payments constitute a significant portion of the general fund's growth forecast for FY23 and FY24, accounting for around 62 percent and two-thirds of growth, respectively. However, due to this robust revenue growth, the mechanisms designed to stabilize excess oil and gas-related collections for the tax stabilization reserve or early childhood trust fund are losing effectiveness.

New Mexico's oil prices have neared an average of \$80.50 per barrel (bbl) in FY23 and are estimated to average \$74.50/bbl in FY24. Prices fell as low as \$67/bbl in the second quarter of 2023 but rallied to over \$80/bbl in the third quarter following an attack on a Russian oil export hub and extended production cuts by OPEC. Prices are expected to stay elevated and above \$70/bbl during the forecast period because of moderate but persistent inventory drawdowns and improving market demand. S&P Global and the

Fiscal Year	2023	2024	2025
	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Gross Oil Price (\$/bbl)	\$80.50	\$74.50	\$73.00
Oil Volume (MMbbls)	659	695	725
Oil Volume (MMbbls/day)	1.8	1.9	2.0
Gross Natural Gas Price (\$/mcf)	\$5.65	\$3.60	\$3.95
Net Natural Gas Price (\$/mcf)*	\$4.28	\$2.49	\$2.78
Natural Gas Volume (bcf)	3,230	3,410	3,555
Natural Gas Volume (bcf/day)	8.8	9.3	9.7

* Net prices are based on the taxable value of the product after deductions for transportation, processing, and royalties

U.S. Energy Information Administration project West Texas Intermediate (WTI) prices to average \$74/bbl over FY24 and FY25. The differential of New Mexico oil prices below WTI is estimated at about \$0.95/bbl for the forecast period.

Drilling and completion activity in the Permian Basin picked up in early 2021, grew through the first half of 2022, and stabilized above 100 active rigs on average though FY23. Analysis by Rystad Energy, an energy analytics firm, suggests a rig count of 90 average active rigs is sufficient to maintain current levels of production in New Mexico. As rigs and well completions continue to exceed maintenance levels, New Mexico continues to hit oil production records, with the latest peak production of 1.9 million barrels per day in April 2023. To date, New Mexico is the only top oil producing state to have exceeded pre-pandemic production levels. In May 2023, Texas' daily oil production finally reached its pre-pandemic peak production, and North Dakota's was down 21 percent while New Mexico's daily oil production was up 60 percent.

The state is estimated to have produced 603.6 million barrels of oil in FY23, a 13 percent increase from total FY22 production but a slowdown from the rate of growth of 30 percent in FY22. At current levels of daily oil production, the state would produce 670.5 million barrels of oil in FY24. In FY24, the consensus estimate expects oil production will grow 2.9 percent from current levels, resulting in 690 million barrels.

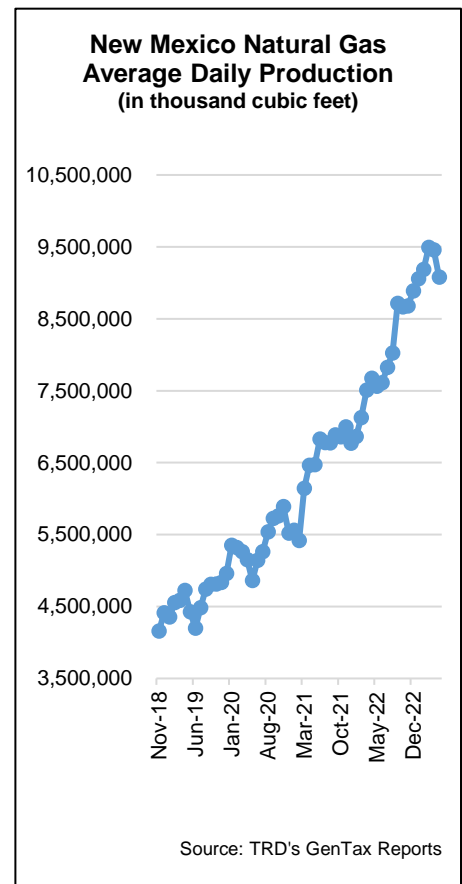
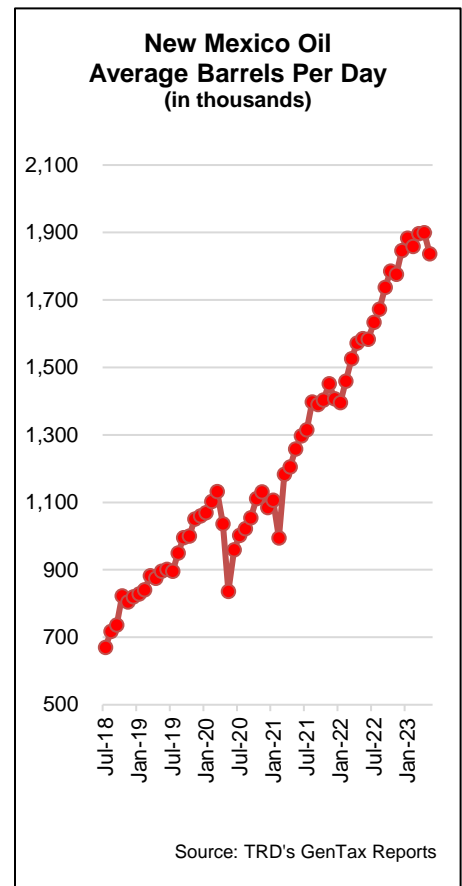
New Mexico's natural gas production has accelerated as well. In March 2023, the state produced a record of 9.5 billion cubic feet (bcf) of natural gas per day, but production has since slowed to 9.1 bcf per day. New Mexico produced 2.95 trillion cubic feet of natural gas in FY23, an increase of 13 percent from FY22. The consensus forecast estimates natural gas production will average 9.3 bcf/day in FY24 and 9.7 bcf/day in FY25, resulting in estimated production of 3.4 trillion cubic feet in FY24 and 3.6 trillion cubic feet in FY25, reflecting the volatile nature of associated gas production and limited pipeline capacity for the removal and delivery of gas produced in the Permian Basin. New Mexico gas production represents about 6.9 percent of daily U.S. production and is the sixth most productive state in the country, with production nearly reaching that of West Virginia.

Natural gas prices are lower than in the previous estimate, averaging \$5.65 per thousand cubic feet (mcf) in FY23, \$3.60/mcf in FY24, and \$3.95/mcf in FY25. S&P Global and the Energy Information Administration project Henry Hub prices to remain below \$4/mcf through 2025 as higher inventories, warm winters, and high production stabilize prices in the short-term. New Mexico's natural gas prices averaged \$2.73/mcf higher than Henry Hub prices in FY22, but the differential shrunk to \$0.64/mcf in FY23 and is expected to further fall and become negative in FY24 and beyond as pipeline capacity constraints weigh on prices.

General Fund Revenue Forecast

Gross Receipts Taxes

Data from TRD shows matched taxable gross receipts (MTGR)—a better indicator of overall economic activity in the state than other tax data because



Matched Taxable Gross Receipts by Industry - FY23 vs FY22			
Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$11,337,803,009	\$3,449,174,195	43.7%
Utilities	\$3,363,180,194	\$333,879,976	11.0%
Construction	\$11,282,618,587	\$1,088,558,387	10.7%
Manufacturing	\$3,216,705,008	\$453,813,155	16.4%
Wholesale Trade	\$4,981,041,174	\$965,279,207	24.0%
Retail Trade	\$20,218,115,403	\$1,442,208,955	7.7%
Transportation and Warehousing	\$1,600,970,298	\$461,785,474	40.5%
Information	\$2,323,534,972	\$133,122,334	6.1%
Real Estate and Rental and Leasing	\$2,538,431,246	\$172,239,530	7.3%
Professional, Scientific, and Technical Services	\$8,391,524,867	\$1,210,250,404	16.9%
Administrative/Support & Waste Management/Remediation	\$4,609,101,946	\$824,297,925	21.8%
Health Care and Social Assistance	\$4,498,089,927	\$172,320,511	4.0%
Leisure and Hospitality Services	\$6,510,127,331	\$560,754,623	41.9%
Other Industries	\$9,418,510,189	\$756,386,738	8.7%
Total	\$94,289,754,149	\$12,024,071,414	14.6%

Source: RP500

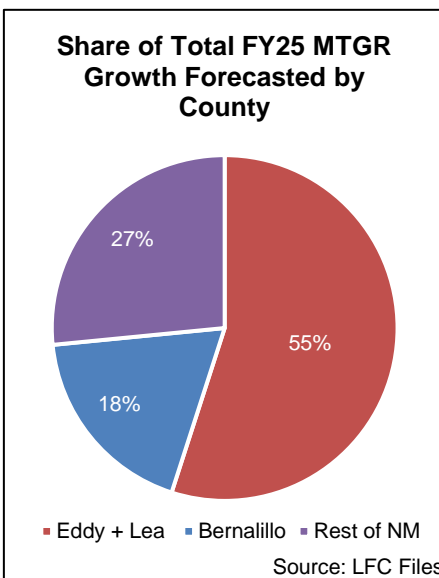
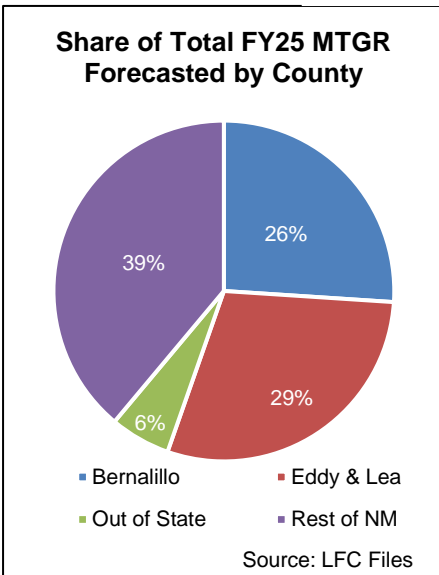
it matches taxable gross receipts to tax payments—were up 14.6 percent in FY23 compared with FY22, despite an already high FY22. Total gross receipts tax collections in FY23 were up about \$480.5 million over FY22, or 13.6 percent, and \$186.1 million above expectations from the December 2022 consensus forecast. Strong collections are the result of higher spending in the mining sector, record public investments in construction, high consumer savings, strong wage and consumption growth, and relatively high inflation.

Surging collections are driven mostly from activity in Eddy and Lea counties and, more specifically, activity in the mining industry. In FY23, mining activity subject to the gross receipts tax was up 43.7 percent, year-over-year, a slowdown from the over 80 percent growth in FY22. Total MTGR growth has been driven by drilling activity but also by increasing prices for mining services. Rystad Energy reports drilling, maintenance, and completion service prices have faced steep inflation, climbing up to 75 percent in the last year.

Retail trade and construction are also contributing to strong GRT collections, with the sectors' activity growing 7.7 percent and 10.7 percent in FY23 over FY22, respectively. Consumer spending is expected to continue growing into FY24, as forecasts indicate strong wage growth and savings are underpinning consumer activity as well as burgeoning construction investments by both the private and public sectors.

Of the total activity resulting in GRT revenue growth, over 55 percent is occurring in Eddy and Lea counties. Driven by activity in the Permian Basin, GRT revenue is growing increasingly volatile, with more than a third of all GRT revenue now related to the oil and gas industry. As GRT revenue grows from the industry, the risk of losses that would result from an oil and gas industry bust grows as well.

Gross receipts tax revenue is expected to decline marginally in FY24 because of legislative changes. The largest reduction in tax revenue is from a one-eighth reduction in the statewide gross receipts tax rate estimated to result in a loss of about \$122.3 million. The total loss of the quarter percent reduction



fully implemented in FY24 is about \$244.6 million. Another change causing FY24 revenues to decline is the creation of the medical provider GRT deduction for co-pays and deductibles.

Destination Sourcing. While the consensus forecast estimates the state-level impact of destination-based sourcing of GRT collections—an approach that bases the tax on the rates of the location where the good or service is used rather than on the rates of the location of its source—the impact of the portion sourced to municipalities or county areas outside of municipalities is significantly uncertain. The final effects of the change are still unclear because significant out-of-state reporting remains even for industries where no out-of-state receipts are expected. Those taxes still reporting as out-of-state indicate poor taxpayer understanding and compliance. Should sourcing differ from the estimate, it would be a risk to the GRT forecast.

Severance Taxes and Federal Royalties

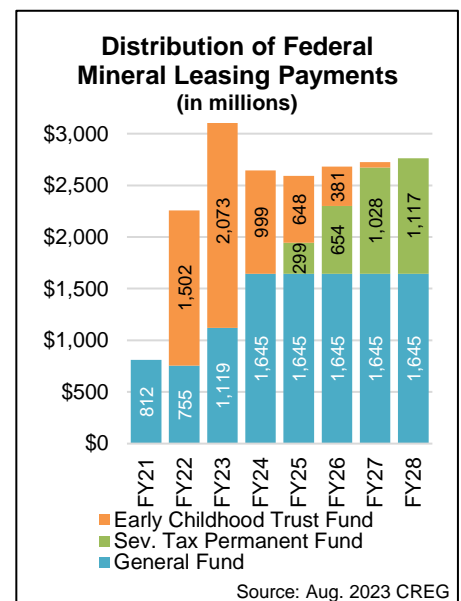
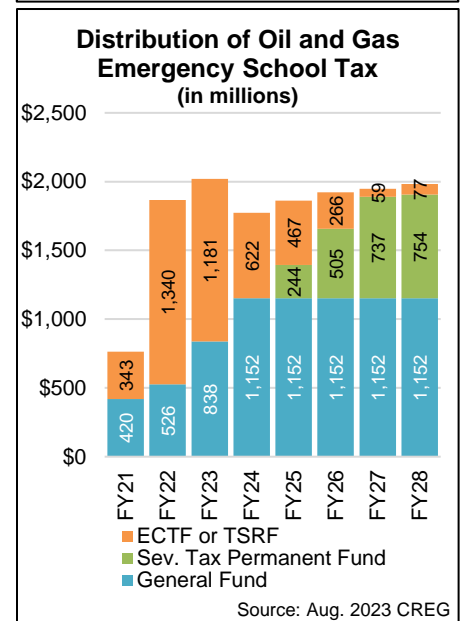
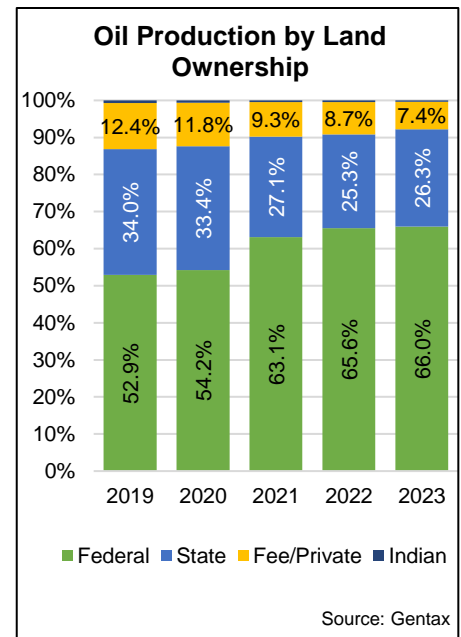
Severance tax collections—which include the oil and gas emergency school tax, oil conservation tax, resources excise tax, and natural gas processors tax—totaled an estimated \$2.173 billion in FY23. Oil and gas emergency school tax revenue in excess of the five-year average is sent to the tax stabilization reserve, or, if general fund reserves exceed 25 percent of recurring appropriations, to the early childhood education and care trust fund (ECTF). Because FY23 reserves are above 25 percent, the excess school tax revenue of \$1.2 billion will be deposited into the early childhood trust fund.

Levels of production are expected to remain strong in FY24 while prices moderate. Severance tax collections are projected to be \$1.94 billion in FY24, of which \$622.4 million will be distributed to the early childhood trust fund if general fund reserves continue to be at least 25 percent of recurring appropriations. The sidebar chart shows the projected distribution of oil and gas school tax collections.

Federal mineral leasing payments—the royalties for oil and gas production on federal lands and bonus payments for federal land leases—is the most volatile revenue source following severance taxes and has similarly been subjected to a five-year average cap with payments in excess reaching the early childhood trust fund. Of the estimated \$3.192 billion in federal royalty revenue in FY23, an estimated \$2.073 billion will be distributed to the ECTF.

Together, school tax and federal royalty distributions to the early childhood trust fund are estimated to total \$1.621 billion in FY24. From FY24 to FY28, an additional \$2.079 billion of federal royalties and \$1.492 billion of severance taxes are estimated to reach the early childhood trust fund because of the stabilization mechanism (see Attachment 5).

Production in New Mexico has grown significantly faster than historic growth, and record oil prices from the Russian war in Ukraine has generated record federal mineral leasing and severance tax revenues in FY22 and FY23. With higher collections, the five-year average mechanisms loses efficacy and no longer insulates the general fund from volatile swings in collections. Furthermore, the growing reliance on the industry poses a long-term threat to the general fund because production is estimated to fall irreversibly over time.



To address these issues, the Legislature passed and the governor signed Senate Bill 26 (Laws 2023, Chapter 22), which caps the amount of oil- and gas-related revenues reaching the general fund from the oil and gas emergency school tax and federal mineral leasing payments, the two largest sources of oil and gas revenues. Revenues collected above the cap but below the five-year moving average will be distributed to the severance tax permanent fund (STPF) beginning in FY25.

Because of this new mechanism, an estimated \$2.24 billion in school tax and \$3.1 billion in federal royalty distributions is estimated to reach the severance tax permanent fund from FY25 to FY28. Because the new distributions to the permanent fund are only those revenues below the five-year average, the early childhood trust fund is not affected and will also continue to grow. These distributions are an inherent buffer for the consensus forecast because declines in severance tax and federal royalty revenue collections first reduce transfers to reserves or the trust fund, then reduce transfers to the severance tax permanent fund before any reductions are made to the general fund.

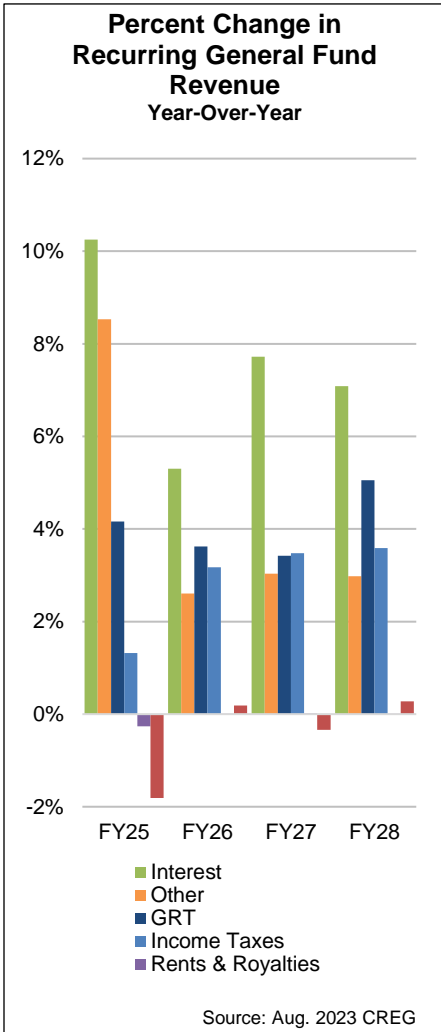
Investment Earnings

The continued strength of oil and gas production resulted in 2022 contributions of \$2.65 billion to the land grant permanent fund (LGPF), which receives royalty payments for oil and gas production on state lands. Combined with strong interest earnings, the value of the LGPF was over \$25.77 billion at the end of 2022. The severance tax permanent fund also participated in strong gains from severance taxes in 2022, receiving over \$1.659 billion.

Although the permanent funds receive income from oil and gas production, distributions to the general fund are set as a percentage of the five-year average ending balance of the fund, mitigating the effects of energy market booms and busts. Distributions to the general fund from both the LGPF and the STPF will grow by an average of \$152.1 million a year and \$36 million a year, respectively. The estimated growth in the general fund for these sources is about 12.3 percent, well over the long-term historical general fund growth of about 4.5 percent. These distributions are the most stable revenue source in the general fund and are growing at the fastest rate of all major general fund revenues, powering general fund growth through the forecast period.

In the 2022 general election, voters approved a constitutional amendment to increase the distribution from the permanent school fund—the largest component of the LGPF—from 5 percent of the five-year average to 6.25 percent. The additional distribution will flow to the general fund, earmarked at 60 percent for early childhood education and 40 percent for public school initiatives and teacher salaries. The additional distributions are estimated to be \$239.2 million in FY24, \$262.7 million in FY25, and \$285.6 million in FY26.

Revenue from the State Treasurer’s Office (STO) resulted in general fund transfers for FY23 totaling an estimated \$180.9 million, a record high after posting a \$118.3 loss to the general fund in FY22. Fund balances have reached record levels due to higher-than-expected revenues and a lag in transferring excess oil and gas money to the early childhood trust fund. These high balances are invested at high interest rates, making up for negative mark-to-market adjustments. The fund expects to see positive returns from mark-to-market adjustments caused by sinking interest rates beginning in FY24. When interest rates decrease, the market value of existing fixed-rate bond holdings increases.



Given the higher interest rate expected, the slow-down of interest rate hikes predicted through FY24 and FY25, and continued high balances, STO interest earnings are estimated to increase to \$247.9 million in FY24 and \$271.5 million in FY25.

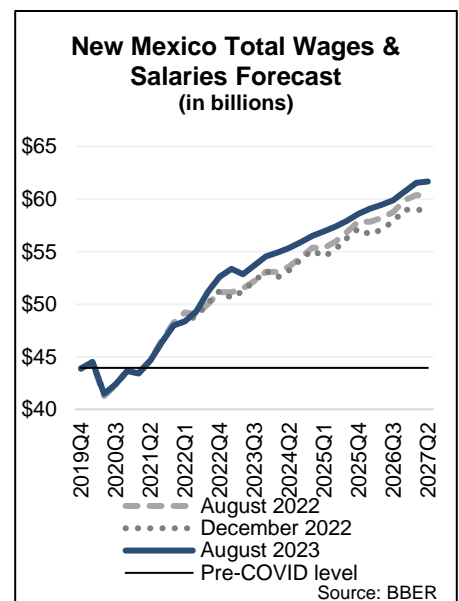
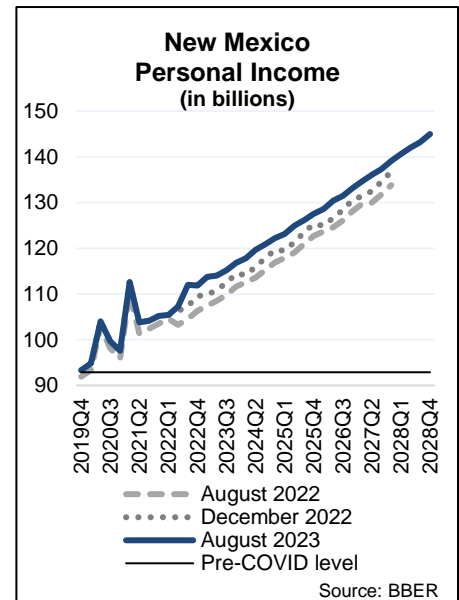
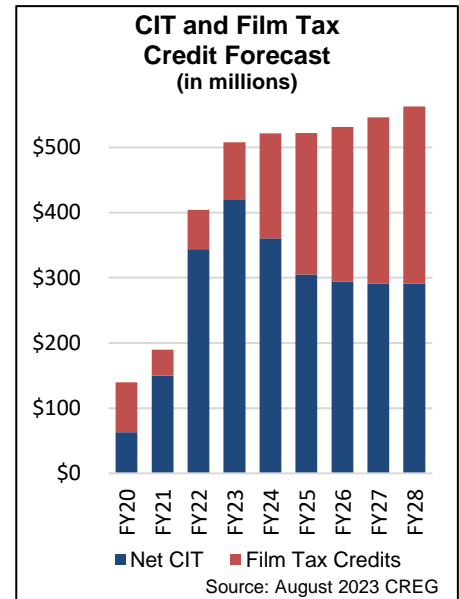
Income Taxes

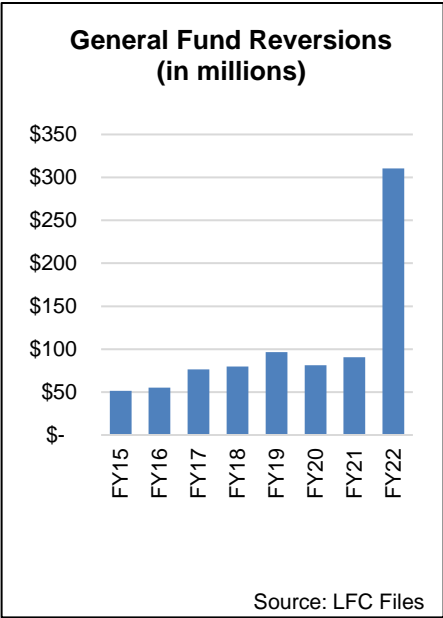
Corporate Income Taxes (CIT). Preliminary FY23 data show gross CIT generated \$534.4 million in FY23, up 32.2 percent from FY22, as companies continue to see strong profits. Because film tax credit payouts are deducted from CIT, net CIT distributed to the general fund are lower than total receipts. Due to the pandemic-related shutdowns in 2020, film tax credits were lower in FY21 and FY22. Film tax credits are expected to grow to an estimated \$160.9 million in FY24 and \$216.6 million in FY25 as current film partners (those with facilities that are purchased or leased long term) reach production spending goals, non-partners near cap levels, the number of productions in the state grows, and new incentives enacted in 2023 come into effect.

The labor dispute between film studios and striking writers and actors is not estimated to have an impact on film tax credits in this forecast. Should the dispute end within the calendar year, pent-up demand for productions could ramp up quickly once an agreement is reached, resulting in net equal film tax credit activity. However, the revenue impact of a deepening conflict and delayed resolution remains an upside risk to the forecast, as delays could also delay payout of film tax credits or destroy demand for new productions. In general, film tax credits remain a risk to the CIT forecast, particularly if the state attracts new film partners not subject to the cap, resulting in new, large payouts from the general fund (see “Forecast Risks” on page 10).

Personal Income Tax (PIT). Personal income tax collections continue to grow, outpacing prior expectations. While the cause of some of the growth in income tax collections is unclear, some growth is attributable to inflation, stimulus and other relief, strong capital, and labor-market-fueled spikes in wages and salaries, especially in high-wage jobs. Additionally, preliminary tax data shows prior estimates of recurring expansions and additions to PIT credits and deductions were overestimated in prior forecasts, deflating the estimates. Overestimates for the working families tax credit, the low-income comprehensive tax rebate, the social security income exemption, the armed forces retirement exemption, and the nurses credit total an estimated \$50 million of upside in FY23. Personal income tax revenues grew at an estimated annual rate of 14 percent in FY23 to \$2.65 billion, \$261 million above the December estimate. Of that increase, about 70 percent is attributable to increased receipts associated with oil and gas and pass-through entity withholdings, which are both volatile and influenced by oil and gas activity.

Underlying PIT revenues are expected to continue to grow along with wages and salaries, albeit at slower rates. In the 2019 through 2023 legislative sessions, significant changes were made to the personal income tax, primarily through targeted credits, deductions, and exemptions, contributing to an expected decrease of 5.8 percent in FY24 even though underlying growth is positive. PIT revenues in FY24 and FY25 are projected at \$2.5 billion and \$2.6 billion, respectively. The most recent recurring tax change to PIT is expanding the child tax credit, resulting in estimated revenue decreases of over \$100 million in FY24 and beyond (see Attachment 9 for all tax changes). PIT revenues return to moderate growth in FY25 through FY28.





Nonrecurring Revenue

The Legislature passed a series of bills during the 2021 through 2023 legislative sessions that resulted in an estimated nonrecurring revenue loss of \$782.6 million in FY23 and \$9.3 million in FY24. Most of this impact is from the tax rebates included in the 2023 omnibus tax package, costing an estimated \$695 million in FY23 and \$9.1 million in FY24, an upward revision from the initial estimate. In FY23, an estimated \$54 million revenue loss is composed of late filer payments of tax rebates passed during the 2022 special session, and the remaining \$32.8 million revenue loss is from the 2022 tax package, including some late payments of another one-time rebate, a one-time nurses’ credit, and a sustainable building tax credit expansion (see Attachment 9 for details on tax changes).

Additionally, FY22 was a record year for general fund reversions, with \$310.4 million sent back to the general fund for FY23, a growth of over \$219.8 million from FY21. Because spending grew in FY23, reversions are expected to continue to grow, though FY23 reversions are not available at the time of publication. In FY22, about \$82.7 million of the total was due to agencies’ use of federal Coronavirus Aid, Relief, and Economic Security Act funds in place of general fund revenues, but \$62 million were the result of Federal Emergency Management Agency reimbursements, which may remain elevated in FY23, and from DOH because state funds were offset by enhanced federal matching for the Medicaid program. In FY22, \$165 million in reversions was from unspent general fund appropriations made to agencies for general operations, which is expected to grow in FY23.

Effect of Changes in Oil and Gas Prices and Volumes

Based on projected FY24 direct oil and gas revenues (severance taxes and federal royalties):

- A \$1 change in the annual average NM price of oil has about a \$45.5 million impact;
- A 10-cent change in the annual average New Mexico price of natural gas has about a \$27.2 million impact;
- Each additional million barrels of oil generates about \$4.9 million in severance taxes and federal royalties; and
- Each additional 10 billion cubic feet of natural gas generates about \$3.4 million in severance taxes and federal royalties.

Because the consensus forecast projects large transfers to the early childhood trust fund in FY24, the impact of price and production changes would first affect those transfers before affecting the general fund.

These general rules do not consider indirect impacts of prices and production changes on the general fund, such as gross receipts tax revenue from drilling activity or income taxes from production employment.

Forecast Risks

Oil and Natural Gas Market Dynamics

New Mexico’s dependence on the energy sector (see Attachment 5) makes oil market volatility the largest, most significant downside risk to the general fund forecast. Strong oil and gas prices and increased production necessitate an upward revision to the consensus revenue estimate for transfers to the early childhood trust fund and the severance tax permanent fund. A significant downside remains not only in falling severance and royalty revenues, but also through gross receipts tax and income taxes. Forecasters note higher input prices have driven breakeven prices significantly higher from an average oil price of \$29.60/bbl to \$37.60/bbl. The growing breakeven price increases the risk of production declines as oil prices need not fall as far before generating production declines.

Recession Risks

Fresh economic data has reinforced optimism the federal reserve can pull off a soft landing, where inflation eases without the United States suffering a recession. Gross domestic product grew in the second quarter of 2023 at a seasonally and inflation-adjusted 2.4 percent annual rate, faster than the 2 percent growth from the first quarter of the year. The personal-consumption expenditures price index, the federal reserve’s preferred inflation measure, rose 3 percent in June from a year earlier, down from a 3.8 percent rise a month earlier. From April to June, wages and benefits grew by 4.5 percent, a slowdown from the 4.8 percent increase in the prior quarter. Combined, the

economic indicators offer the clearest sign yet of a long-anticipated slowdown in price pressures while the economy maintains growth.

Neither Moody’s nor S&P Global’s baseline economic forecast includes a recession within the forecast period. Because the baseline forecasts are the underpinnings for the consensus revenue forecast, the risk is similarly excluded from the revenue projections.

However, the risk of a recession remains. Economists now estimate the risk of a recession at 54 percent, according to the most recent survey of business and academic economists polled by the *Wall Street Journal* in July 2023. This is lower than in recent surveys but is still high by historical comparison.

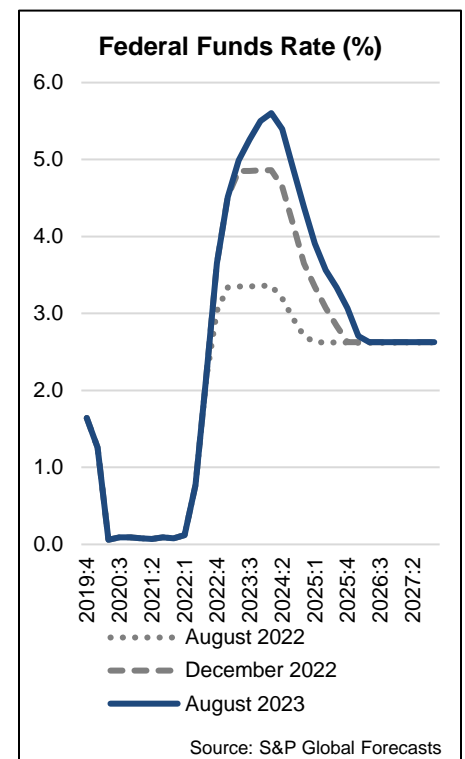
The pessimistic scenario used in the sensitivity analysis includes a U.S. recession and a slower recovery due to a prolonged Russian invasion of Ukraine, heightened tensions between China and Taiwan, oil and gas shortages, and continued inflation. Under these scenarios, the recovery could take significantly longer, with full employment in the United States postponed until 2026. A recession would dampen wages and salaries and consumer spending, posing serious downside risks to both income tax and GRT collections.

Inflation and Federal Policies

The path of inflation and federal policies aimed at bringing it to lower, sustainable levels will greatly affect the forecast. Inflation has remained much higher than forecasted expectations from Moody’s and S&P Global and has resulted in higher PIT and GRT collections than was estimated based on those expectations. If inflation remains more stubborn than currently reflected in the forecast, revenues could continue to beat expectations. Conversely, success in taming inflation more quickly could lower revenues below current expectations. As the Federal Reserve continues to tighten monetary policy to reign in prices, the likelihood that policy will be tightened past the optimal point, triggering a recession, has decreased significantly since the last forecast but has not disappeared completely.

Continued inflation also poses a risk to the forecast in real terms. If prices rise, costs will rise alongside them, dampening consumer spending and reducing real revenue growth. While revenues will rise, the effective use of those revenues will be diminished.

Other Forecast Risks. Additional forecast risks include an uncapped growth in film tax credit payments to New Mexico film partners, uncertainty in insurance tax receipts reporting and distributions, higher than expected municipal distributions due to destination-based sourcing of GRT, indeterminate general fund reversions, state and federal regulatory changes for oil and gas, taxpayer compliance, and TRD enforcement.

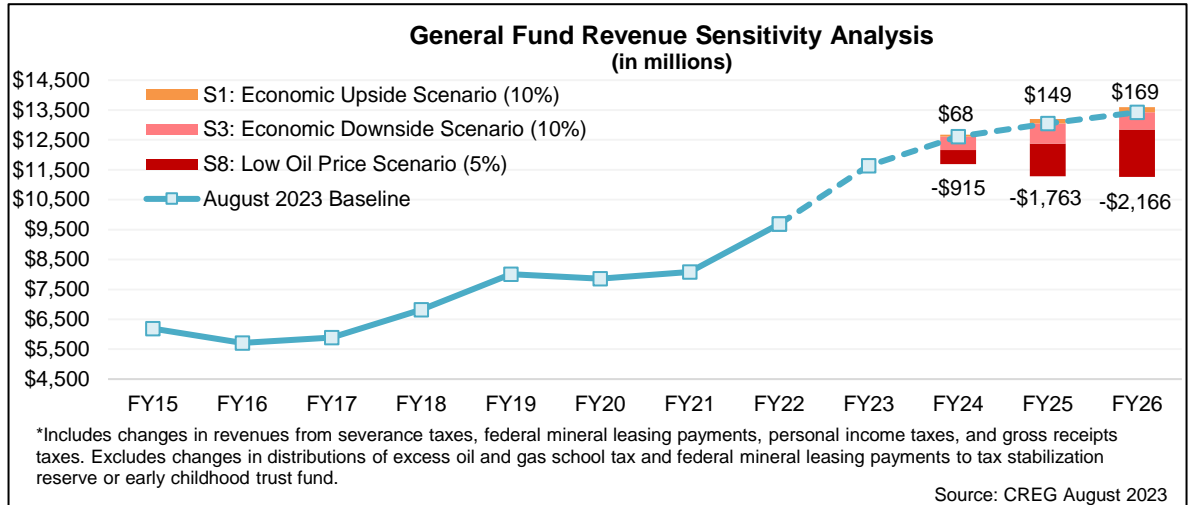


Stress Testing the Revenue Estimate

While the revenue forecast inherently faces upside and downside risk, stress testing helps the Legislature prepare for these risks by looking at a range of alternative outcomes and contextualizing the current estimate with historical trends. These sensitivity and trend analyses can help determine target reserve levels and inform the recurring budget process.

Sensitivity Analysis

The sensitivity analysis uses alternative macroeconomic scenarios from Moody’s Analytics—an economic upside (S1), economic downside (S3), and low-oil price scenario (S8). The CREG used these scenarios to determine the sensitivity of the state’s largest revenue sources—including severance taxes, federal mineral leasing payments, personal income taxes, and gross receipts taxes—to the scenarios’ changes in the forecast’s underlying assumptions.



Scenario	S8: Low Oil Price			S3: Economic Downside			S1: Economic Upside		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
1 Severance Taxes to GF	-\$372	-\$413	-\$422	-\$31	-\$41	-\$35	\$3	\$2	\$5
2 Federal Mineral Leasing to GF	-\$83	-\$455	-\$534	-\$22	-\$22	-\$22	\$0	\$0	\$0
3 Gross Receipts Taxes	-\$310	-\$683	-\$939	-\$256	-\$416	-\$359	\$45	\$114	\$118
4 Personal Income Taxes	-\$150	-\$212	-\$271	-\$137	-\$197	-\$164	\$20	\$33	\$46
5 General Fund Difference from Baseline	-\$915	-\$1,763	-\$2,166	-\$446	-\$676	-\$580	\$68	\$149	\$169
6 General Fund Percent of Total Impact	39%	51%	54%	37%	34%	32%	26%	49%	41%
7 Severance Taxes to TSR or ECE	-\$622	-\$467	-\$266	-\$431	-\$467	-\$266	\$57	\$21	\$71
8 Severance Taxes to STPF	0	-\$218	-\$458	0	-\$123	-\$229	0	\$11	\$18
9 Federal Mineral Leasing to ECE	-\$795	-\$701	-\$425	-\$326	-\$678	-\$425	\$143	\$96	\$111
10 Federal Mineral Leasing to STPF	\$0	-\$295	-\$660	\$0	-\$70	-\$336	\$0	\$24	\$44
11 TSR/ECE Transfers Diff. from Baseline	-\$1,418	-\$1,682	-\$1,810	-\$756	-\$1,337	-\$1,256	\$200	\$152	\$243
12 TSR/ECE Transfers Percent of Total Impact	61%	49%	46%	63%	66%	68%	74%	51%	59%
13 Total Difference from Baseline	-\$2,333	-\$3,444	-\$3,976	-\$1,203	-\$2,013	-\$1,836	\$268	\$301	\$412

Note: in millions

Distributions of Excess Oil and Gas Revenue Mitigates Initial Effects of an Oil Market Decline.

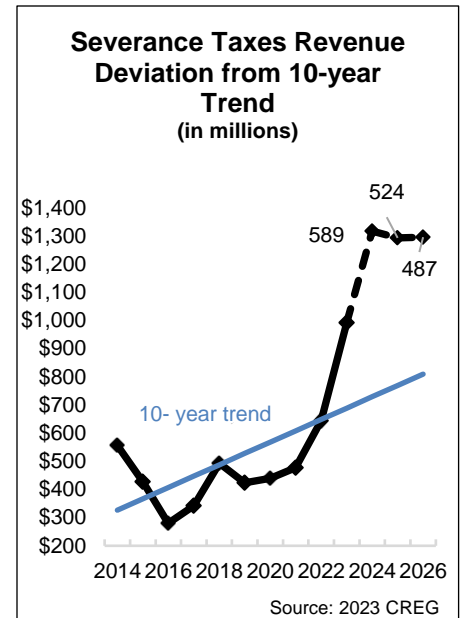
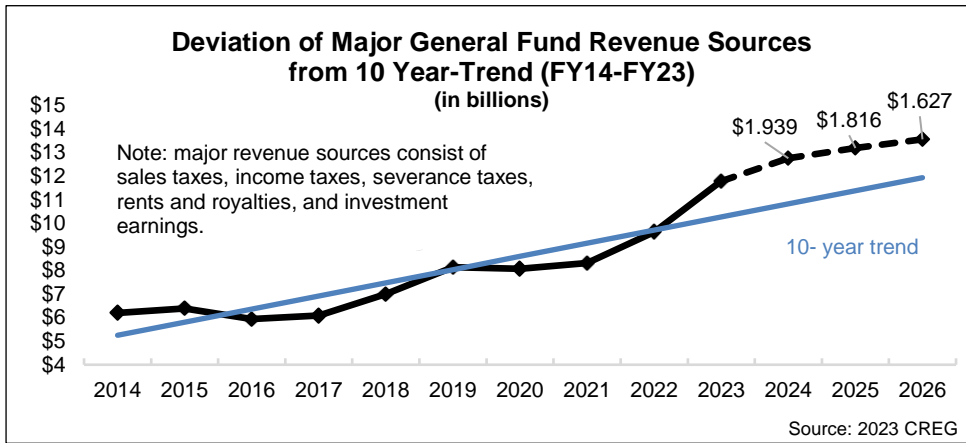
In the low oil price scenario, Moody’s assumes West Texas Intermediate prices would fall to the low \$40s/bbl in FY24, then to the high-\$30s/bbl in FY24 and FY25. Low prices would result in oil and gas production declines, losses in drilling-related GRT receipts, and related employment losses. Should this occur, severance tax and federal royalty collections would fall substantially below the baseline forecast; however, most of the loss in these revenues would be first absorbed through reduced distributions to the early childhood trust fund and severance tax permanent fund. The general fund would primarily experience losses in GRT on oil and gas drilling and completion activity and reduced income taxes from related jobs losses and oil and gas pass-through withholding.

Although the low oil price scenario results in tax collections that are \$2.333 billion below the consensus forecast for FY24, about 61 percent of that impact

would be to the early childhood trust fund and severance tax distributions. Still, the scenario results in general fund revenues that would be about \$915 million below the consensus forecast in FY24 and \$1.8 billion below the consensus forecast in FY25. In this scenario, the state would need \$4.8 billion in reserves to avoid spending cuts through FY26.

Trend Analysis and Long-Term Outlook

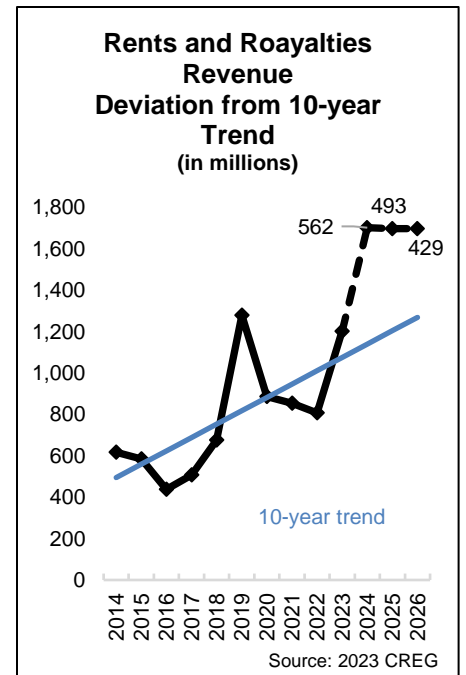
In addition to the sensitivity analysis, the CREG calculated a 10-year trend for major revenues by source and compared current revenue estimates against that trend, to identify outlier revenues and years. The trend analysis demonstrates the variation in New Mexico’s major sources of revenue: gross receipts taxes, income taxes, severance taxes, investment income, and rents and royalty payments. Using historical data from these sources for FY14 to FY23, a 10-year trend line is carried forward through FY26.



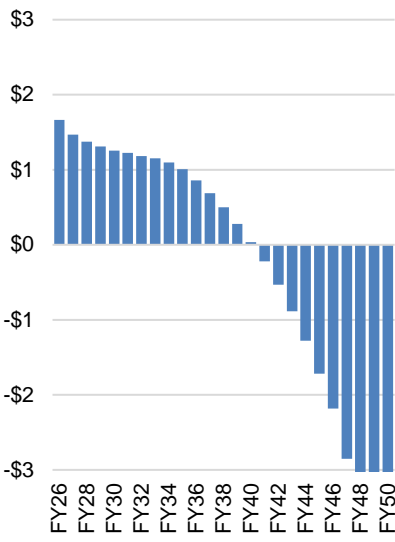
Above-Trend Revenue Forecast. Because the trend analysis shows variation in general fund revenues, the analysis excludes estimated distributions of excess oil and gas school tax and federal royalty payments to the early childhood trust fund or the severance tax permanent fund. The trend analysis shows the general fund revenue forecasts are significantly above the 10-year trend for the next three fiscal years, including in FY24 by \$1.939 billion, FY25 by \$1.816 billion, and FY26 by \$1.627 billion.

Despite the distribution of excess severance taxes and federal royalty payments to other funds, those revenues are the largest contributors to the above-trend general fund revenue forecast. The current oil and gas production boom has resulted in a large increase in tax distributed to the general fund. Despite new distributions to the severance tax permanent fund capping general fund revenues from these sources, the capped rate remains far above the trend. If excess collections were not distributed to the rainy-day fund, early childhood trust fund, or severance tax permanent fund, the general fund revenue estimates would exceed the trend by even more.

The current above-trend forecast and the escalation of budgetary dependence on volatile revenues indicates that policymakers should proceed cautiously when apportioning the current revenue surge to recurring expenditures. Budget best practices recommended by Pew, the Volcker Alliance, and others include budget mechanisms like Virginia, Utah, and Louisiana, which use above-trend revenue only for nonrecurring uses to prevent volatility in budget-making.



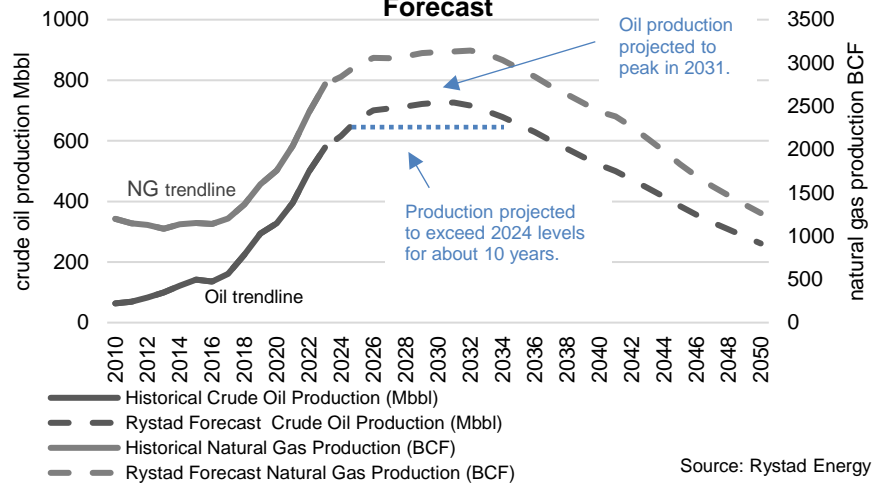
Baseline Recurring Revenues less Recurring Appropriation Outlook (in billions)



Source: July 2023 CREG Analysis

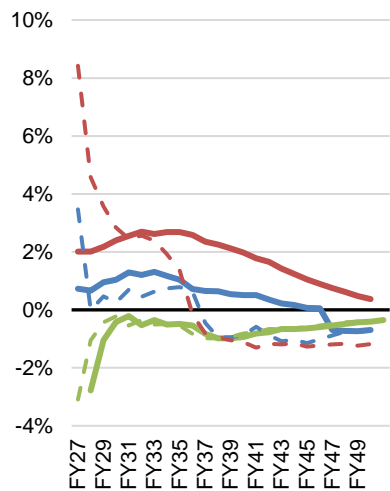
Short-Term Surpluses and Long-Term Deficits. As the state enters a short- to medium-term revenue surge, the Legislature has initiated long-term revenue and budget planning in accordance with national best practices. In July 2023, the consensus revenue estimating group found long-term revenues would be sufficient to keep up with the current budgetary trends depending on the rate of recurring spending in the near-term. The estimate highlights oil and gas strength as driving current revenues while later becoming a drag on revenue growth as global demand wanes.

New Mexico Crude Oil and Natural Gas Production Forecast



Source: Rystad Energy

Real General Fund Growth (inflation adjusted)



Source: July 2023 CREG analysis

The resulting long-term forecast underlines the importance of using current revenue strength to bolster the state’s long-term financial stability by looking for opportunities to turn the excess of current revenue into future revenue. The state can do so through investments in the economy that generate long-term tax benefits and by using permanent funds, trust funds, and endowments.

Of the financial mechanisms, the highest return and benefit to the state’s future revenue stability is through increased distributions or one-time payments into the state’s permanent funds, which grow the general fund faster and reduce New Mexicans’ tax liability. Investments made in the 2023 legislative session, including the legislation that sends excess revenue from the oil and gas emergency school tax and federal mineral leasing payments to the severance tax permanent fund, are the largest contributors towards stabilizing the state’s future revenues and delaying future recurring deficits.

Challenges in Capital Outlay Funding. The July 2023 long-term estimates also showed the estimated debt ratios for New Mexico are expected to soar. By adhering to debt ratios in line with the national average, a state demonstrates prudent fiscal management, instills investor confidence, and reduces the risk of default from an excess of debt repayment per person. New Mexico’s rising debt ratios and long-term unsustainability of severance tax bonding revenues will create challenges for maintenance of infrastructure in the future. This challenge will weigh on the general fund as it becomes a replacement revenue at a time when general fund revenues will already face headwinds from declining oil and gas production. To avoid the fiscal strain on the state in future years, additional long-term planning and preparation for the state’s capital outlay program in the future is needed.

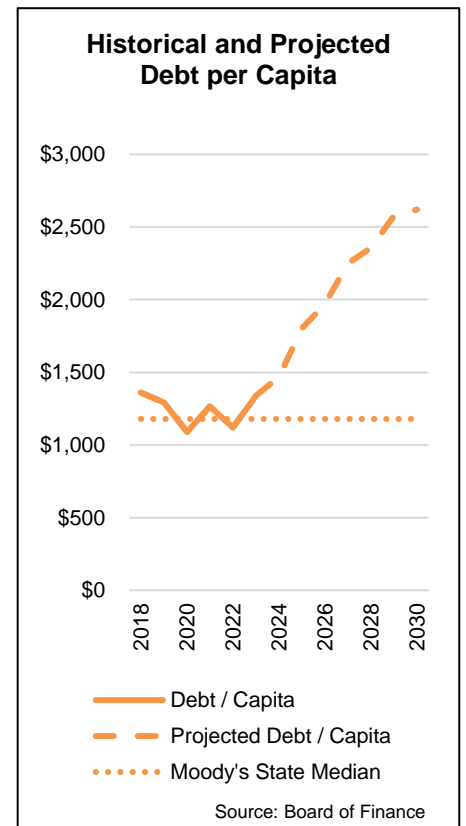
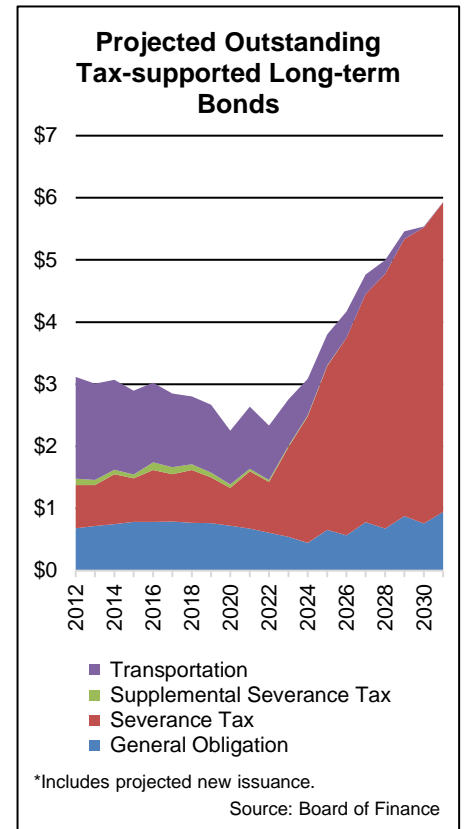
General Fund Financial Summary

Used as a guide for policymakers, the financial summary conveys complex audit reports into a high-level overview of the state’s general fund transactions. The summary is also useful to investors interested in the state’s financial health and should present an accurate picture of the revenues, spending, and reserves to those interested.

Currently, five accounts are counted in the state’s reserves: the operating reserve, the appropriation contingency fund, the state support fund, the tobacco settlement permanent fund, and the tax stabilization reserve. As reserves are intended to be liquid and ready to cover shortfalls in revenues, these accounts earn inferior investment returns compared to other investments made by the state and are often identified and used for nonrecurring spending. Only two funds, the operating reserve and the tax stabilization reserve, are true reserve funds in that their purpose is to backfill general fund revenues during downturns.

By including ancillary funds, the state’s reserve position is inflated as a significant portion of the funds are not intended to be available for general fund revenue replacement. Furthermore, the tobacco settlement permanent fund has been unable to provide increasing distributions to tobacco use treatment, cessation, and prevention efforts due to low returns resulting from its reserve fund status. In the 2023 regular session, the Legislature passed legislation that sought to remove the tobacco settlement permanent fund from reserves, but the bill was pocket vetoed.

Finally, undistributed appropriations continue to result in unintended consequences for the state’s general fund. When appropriating nonrecurring funds, agencies must first request disbursement from the Department of Finance and Administration before funds are removed from reserves. In FY22 and FY23, over \$1 billion of appropriations were not requested by agencies in the year they became available, resulting in automatic transfers of an estimated \$1.1 billion to the tax stabilization reserve over those two years. Appropriators may choose to require appropriation disbursement to avoid unintended spillovers into more restrictive accounts in the future.



General Fund Consensus Revenue Estimate - August 2023

Revenue Source	FY23					FY24					FY25				
	Dec 22 Est.	Aug 23 Est.	Change from Prior (Dec 22)	% Change from FY22	\$ Change from FY22	Dec 22 Est.	Aug 23 Est.	Change from Prior (Dec 22)	% Change from FY23	\$ Change from FY23	Dec 22 Est.	Aug 23 Est.	Change from Prior (Dec 22)	% Change from FY24	\$ Change from FY24
Base Gross Receipts Tax	3,830.8	4,016.9	186.1	13.6%	480.5	3,753.3	3,978.1	224.8	-1.0%	(38.8)	3,855.4	4,130.9	275.5	3.8%	152.8
F&M Hold Harmless Payments	(107.7)	(111.5)	(3.8)	2.8%	(3.0)	(99.0)	(103.7)	(4.7)	-7.0%	7.8	(90.0)	(94.9)	(4.9)	-8.5%	8.8
NET Gross Receipts Tax	3,723.1	3,905.4	182.3	13.9%	477.5	3,654.3	3,874.4	220.1	-0.8%	(31.0)	3,765.4	4,036.0	270.6	4.2%	161.6
Compensating Tax	68.4	94.2	25.8	49.3%	31.1	67.9	93.3	25.4	-1.0%	(0.9)	69.7	96.9	27.2	3.8%	3.6
TOTAL GENERAL SALES	3,791.5	3,999.6	208.1	14.6%	508.6	3,722.2	3,967.7	245.6	-0.8%	(31.9)	3,835.1	4,132.9	297.8	4.2%	165.2
Tobacco Products and Cigarette Taxes	79.3	80.7	1.4	-2.6%	(2.1)	77.4	80.0	2.6	-0.9%	(0.7)	75.9	78.7	2.8	-1.6%	(1.3)
Liquor Excise	24.9	24.5	(0.3)	-2.0%	(0.5)	25.1	24.9	(0.1)	1.7%	0.4	25.3	25.1	(0.2)	0.6%	0.2
Cannabis Excise	23.3	24.5	1.2	382.5%	19.4	25.1	26.5	1.4	8.2%	2.0	27.1	28.5	1.4	7.5%	2.0
Insurance Taxes	344.8	388.7	43.9	21.1%	67.9	341.3	411.4	70.1	5.8%	22.7	408.5	496.2	87.7	20.6%	84.8
Motor Vehicle Excise	162.6	163.2	0.6	5.1%	8.0	164.6	164.7	0.1	0.9%	1.4	167.7	163.9	(3.8)	-0.4%	(0.7)
Gaming Excise	67.9	72.5	4.6	6.0%	4.1	66.9	65.3	(1.6)	-9.9%	(7.2)	66.2	65.9	(0.3)	0.9%	0.6
Leased Vehicle & Other	5.1	4.1	(1.0)	-44.3%	(3.2)	5.3	4.2	(1.1)	3.5%	0.1	5.4	4.5	(0.9)	6.8%	0.3
TOTAL SELECTIVE SALES	707.9	758.2	50.4	14.1%	93.5	705.8	777.0	71.3	2.5%	18.8	776.1	862.8	86.8	11.0%	85.8
Personal Income Tax	2,392.5	2,653.5	261.0	14.0%	325.9	2,219.1	2,499.2	280.1	-5.8%	(154.3)	2,299.6	2,592.4	292.8	3.7%	93.2
Gross Corporate Income Tax	393.8	534.4	140.6	32.2%	130.0	409.4	521.6	112.2	-2.4%	(12.8)	416.3	521.9	105.6	0.1%	0.3
CIT Refundable Credits	(101.8)	(87.1)	14.7	44.0%	(26.6)	(144.9)	(160.9)	(16.0)	84.7%	(73.8)	(226.0)	(216.6)	9.4	34.6%	(55.7)
NET Corporate Income Tax	292.0	447.3	155.3	30.1%	103.4	264.5	360.7	96.2	-19.4%	(86.6)	190.3	305.3	114.9	-15.4%	(55.4)
TOTAL INCOME TAXES	2,684.5	3,100.8	416.3	16.1%	429.3	2,483.6	2,859.9	376.3	-7.8%	(240.9)	2,489.9	2,897.7	407.7	1.3%	37.8
Gross Oil and Gas School Tax	2,091.2	2,019.0	(72.2)	8.2%	153.2	1,912.9	1,774.0	(138.9)	-12.1%	(245.0)	1,620.3	1,862.0	241.7	5.0%	88.0
Excess to TSR or Early Childhood Trust Fund	(1,253.2)	(1,181.0)	72.2	-11.9%	159.1	(746.9)	(622.4)	124.4	-47.3%	558.6	(473.9)	(466.7)	7.1	-25.0%	155.7
Excess to STPF	-	-	-	N/A	-	-	-	-	N/A	-	-	(243.7)	N/A	N/A	(243.7)
NET Oil & Gas School Tax	838.0	838.0	(0.0)	59.4%	312.3	1,166.1	1,151.5	(14.5)	37.4%	313.6	1,146.5	1,151.5	5.1	0.0%	-
Oil Conservation Tax	113.6	111.2	(2.4)	11.6%	11.5	105.4	101.1	(4.3)	-9.1%	(10.1)	105.9	105.2	(0.7)	4.1%	4.1
Resources Excise Tax	7.8	8.1	0.3	-7.1%	(0.6)	7.8	8.5	0.7	4.9%	0.4	7.8	8.9	1.1	4.7%	0.4
Natural Gas Processors Tax	42.0	34.8	(7.2)	241.3%	24.6	63.4	56.7	(6.7)	62.9%	21.9	64.2	28.3	(35.9)	-50.1%	(28.4)
TOTAL SEVERANCE TAXES	1,001.4	992.1	(9.3)	54.0%	347.8	1,342.6	1,317.8	(24.8)	32.8%	325.8	1,324.4	1,293.9	(30.5)	-1.8%	(23.9)
LICENSE FEES	56.8	60.1	3.3	5.9%	3.4	56.7	58.4	1.7	-2.9%	(1.8)	56.6	58.6	2.0	0.3%	0.2
LGPF Interest	875.4	887.1	11.7	12.6%	99.3	1,173.9	1,196.2	22.3	34.8%	309.1	1,284.4	1,313.6	29.2	9.8%	117.4
STO Interest	26.6	180.9	154.3	-252.9%	299.2	196.9	247.9	51.0	37.0%	67.0	193.0	271.5	78.5	9.5%	23.6
STPF Interest	265.8	265.8	0.0	7.9%	19.4	279.2	289.6	10.4	9.0%	23.8	302.4	326.3	23.9	12.7%	36.7
TOTAL INTEREST	1,167.8	1,333.8	166.0	45.6%	417.9	1,649.9	1,733.7	83.8	30.0%	399.9	1,779.8	1,911.4	131.6	10.2%	177.7
Gross Federal Mineral Leasing	3,036.3	3,192.3	156.0	41.5%	935.6	2,727.2	2,644.0	(83.2)	-17.2%	(548.4)	2,246.3	2,591.8	345.6	-2.0%	(52.1)
Excess to Early Childhood Trust Fund	(1,917.1)	(2,073.1)	(156.0)	38.1%	(571.5)	(1,113.5)	(999.0)	114.5	-51.8%	1,074.1	(612.9)	(647.5)	(34.6)	-35.2%	351.5
Excess to STPF	-	-	-	-	-	-	-	-	-	-	-	(299.3)	-	-	-
NET Federal Mineral Leasing	1,119.3	1,119.3	(0.0)	48.2%	364.1	1,613.7	1,645.0	31.3	47.0%	525.7	1,633.4	1,645.0	11.6	0.0%	-
State Land Office	54.4	82.4	28.0	55.7%	29.5	50.0	57.5	7.5	-30.3%	(24.9)	50.6	52.9	2.3	-8.0%	(4.6)
TOTAL RENTS & ROYALTIES	1,173.7	1,201.7	28.0	48.7%	393.6	1,663.6	1,702.5	38.8	41.7%	500.8	1,684.0	1,697.9	13.9	-0.3%	(4.6)
TRIBAL REVENUE SHARING	76.9	80.2	3.3	12.3%	8.8	78.7	79.3	0.6	-1.1%	(0.9)	80.7	80.6	(0.1)	1.6%	1.3
MISCELLANEOUS RECEIPTS	39.5	39.6	0.1	-4.0%	(1.6)	42.1	39.7	(2.5)	0.2%	0.1	41.8	40.2	(1.6)	1.4%	0.6
REVERSIONS	75.0	75.0	-	-75.8%	(235.4)	75.0	75.0	-	0.0%	-	75.0	75.0	-	0.0%	-
TOTAL RECURRING	10,774.9	11,641.1	866.2	20.3%	1,965.8	11,820.3	12,611.0	790.7	8.3%	969.8	12,143.4	13,051.0	907.6	3.5%	440.1
2023 Nonrecurring Legislation	(666.8)	(695.2)	(28.4)	-	-	(6.8)	(9.3)	(2.5)	-	-	-	-	-	-100.0%	9.3
2022 Nonrecurring Legislation	(68.2)	(86.8)	(18.6)	-90.3%	810.8	-	-	-	-	-	-	-	-	N/A	-
2021 Nonrecurring Legislation	(0.6)	(0.6)	-	-88.5%	4.6	-	-	-	-	-	-	-	-	N/A	-
Other Nonrecurring	-	-	-	N/A	-	-	-	-	-	-	-	-	-	N/A	-
TOTAL NONRECURRING	(735.6)	(782.6)	(47.0)	-13.3%	120.3	(6.8)	(9.3)	(2.5)	-98.8%	773.3	-	-	-	-100.0%	9.3
GRAND TOTAL General Fund	10,039.3	10,858.5	819.2	23.8%	2,086.1	11,813.5	12,601.7	788.2	16.1%	1,743.1	12,143.4	13,051.0	907.6	3.6%	449.4

General Fund Consensus Revenue Estimate - August 2023

Revenue Source	FY26					FY27					FY28		
	Dec 22 Est.	Aug 23 Est.	Change from Prior (Dec 22)	% Change from FY25	\$ Change from FY25	Dec 22 Est.	Aug 23 Est.	Change from Prior (Dec 22)	% Change from FY26	\$ Change from FY26	Aug 23 Est.	% Change from FY27	\$ Change from FY27
<i>Base Gross Receipts Tax</i>	3,986.1	4,269.2	283.1	3.3%	138.3	4,077.7	4,405.0	327.3	3.2%	135.8	4,615.6	4.8%	210.6
<i>F&M Hold Harmless Payments</i>	(81.0)	(86.6)	(5.6)	-8.7%	8.3	(72.8)	(79.1)	(6.3)	-8.7%	7.5	(70.9)	-10.4%	8.2
NET Gross Receipts Tax	3,905.1	4,182.6	277.5	3.6%	146.6	4,004.9	4,325.9	321.0	3.4%	143.3	4,544.7	5.1%	218.8
Compensating Tax	72.0	100.2	28.1	3.3%	3.2	74.3	103.3	29.0	3.2%	3.2	108.3	4.8%	4.9
TOTAL GENERAL SALES	3,977.2	4,282.8	305.6	3.6%	149.8	4,079.2	4,429.2	350.0	3.4%	146.5	4,653.0	5.1%	223.7
Tobacco Products and Cigarette Taxes	74.5	77.8	3.3	-1.1%	(0.9)	73.5	77.8	4.3	0.0%	-	79.0	1.5%	1.2
Liquor Excise	25.6	25.3	(0.2)	0.8%	0.2	25.8	25.5	(0.2)	0.9%	0.2	25.8	0.9%	0.2
Cannabis Excise	31.1	32.5	1.4	14.0%	4.0	34.8	34.9	0.1	7.4%	2.4	37.8	8.3%	2.9
Insurance Taxes	416.7	514.8	98.1	3.7%	18.6	429.1	535.7	106.6	4.1%	20.9	559.5	4.4%	23.8
Motor Vehicle Excise	173.9	168.8	(5.1)	3.0%	4.9	178.4	176.0	(2.4)	4.3%	7.2	182.5	3.7%	6.5
Gaming Excise	65.7	65.8	0.1	-0.2%	(0.1)	68.9	68.3	(0.6)	3.8%	2.5	68.6	0.4%	0.3
Leased Vehicle & Other	5.5	4.6	(0.9)	2.8%	0.1	5.6	4.7	(0.9)	2.1%	0.1	4.3	-8.4%	(0.4)
TOTAL SELECTIVE SALES	792.9	889.7	96.7	3.1%	26.8	816.1	923.0	106.9	3.7%	33.3	957.5	3.7%	34.5
Personal Income Tax	2,387.0	2,695.4	308.4	4.0%	103.0	2,472.9	2,802.5	329.6	4.0%	107.1	2,913.8	4.0%	111.3
<i>Gross Corporate Income Tax</i>	429.6	531.5	101.9	1.8%	9.6	446.5	546.1	99.6	2.7%	14.6	562.7	3.0%	16.6
<i>CIT Refundable Credits</i>	(242.0)	(237.3)	4.7	9.6%	(20.7)	(253.4)	(255.1)	(1.7)	7.5%	(17.8)	(272.1)	6.7%	(17.0)
NET Corporate Income Tax	187.6	294.2	106.6	-3.6%	(11.1)	193.1	291.0	97.9	-1.1%	(3.2)	290.6	-0.1%	(0.4)
TOTAL INCOME TAXES	2,574.6	2,989.6	415.0	3.2%	91.9	2,666.0	3,093.5	427.5	3.5%	103.9	3,204.4	3.6%	110.9
<i>Gross Oil and Gas School Tax</i>	1,383.7	1,922.9	539.1	3.3%	60.9	1,163.1	1,947.6	784.5	1.3%	24.7	1,982.4	1.8%	34.8
<i>Excess to TSR or Early Childhood Trust Fund</i>	(231.0)	(266.2)	(35.1)	-43.0%	200.6	(17.3)	(59.0)	(41.7)	-77.8%	207.2	(77.4)	31.2%	(18.4)
<i>Excess to STPF</i>	-	(505.2)	N/A	107.3%	(261.4)	-	(737.1)	N/A	45.9%	(231.9)	(753.5)	2.2%	(16.4)
NET Oil & Gas School Tax	1,152.7	1,151.5	(1.2)	0.0%	-	1,145.8	1,151.5	5.8	0.0%	-	1,151.5	0.0%	-
Oil Conservation Tax	107.7	108.2	0.5	2.9%	3.0	100.6	100.5	(0.1)	-7.1%	(7.7)	102.2	1.7%	1.7
Resources Excise Tax	7.8	9.3	1.5	4.5%	0.4	7.8	9.8	2.0	5.4%	0.5	10.2	4.1%	0.4
Natural Gas Processors Tax	52.4	27.3	(25.1)	-3.5%	(1.0)	50.6	30.1	(20.5)	10.3%	2.8	31.6	5.0%	1.5
TOTAL SEVERANCE TAXES	1,320.6	1,296.3	(24.2)	0.2%	2.4	1,304.7	1,291.9	(12.8)	-0.3%	(4.4)	1,295.5	0.3%	3.6
LICENSE FEES	57.4	59.4	2.0	1.4%	0.8	57.0	59.9	2.9	0.8%	0.5	60.1	0.3%	0.2
LGPFF Interest	1,389.5	1,427.9	38.4	8.7%	114.3	1,496.9	1,547.7	50.9	8.4%	119.8	1,647.7	6.5%	100.0
STO Interest	141.0	223.7	82.7	-17.6%	(47.8)	126.1	219.3	93.2	-2.0%	(4.4)	228.1	4.0%	8.8
STPF Interest	321.7	361.1	39.4	10.7%	34.8	341.1	401.1	60.0	11.1%	40.0	445.9	11.2%	44.8
TOTAL INTEREST	1,852.1	2,012.7	160.6	5.3%	101.3	1,964.0	2,168.1	204.1	7.7%	155.4	2,321.7	7.1%	153.6
<i>Gross Federal Mineral Leasing</i>	1,848.0	2,680.5	832.4	3.4%	88.6	1,634.0	2,724.6	1,090.6	1.6%	44.1	2,762.1	1.4%	37.5
<i>Excess to Early Childhood Trust Fund</i>	(220.9)	(381.2)	(160.3)	-41.1%	266.3	-	(51.5)	-	-86.5%	329.6	-	-100.0%	51.5
<i>Excess to STPF</i>	-	(654.3)	-	-	-	-	(1,028.1)	-	-	-	(1,117.1)	-	-
NET Federal Mineral Leasing	1,627.1	1,645.0	17.9	0.0%	-	1,634.0	1,645.0	11.0	0.0%	0.0	1,645.0	0.0%	(0.0)
State Land Office	51.3	53.0	1.8	0.2%	0.1	52.0	53.2	1.2	0.3%	0.2	53.3	0.3%	0.1
TOTAL RENTS & ROYALTIES	1,678.3	1,698.0	19.7	0.0%	0.1	1,686.0	1,698.2	12.2	0.0%	0.2	1,698.3	0.0%	0.1
TRIBAL REVENUE SHARING	82.5	81.7	(0.8)	1.4%	1.1	84.6	82.8	(1.8)	1.3%	1.1	83.6	1.0%	0.8
MISCELLANEOUS RECEIPTS	42.7	40.4	(2.4)	0.4%	0.2	42.4	40.3	(2.1)	-0.2%	(0.1)	39.9	-0.9%	(0.4)
REVERSIONS	75.0	75.0	-	0.0%	-	75.0	75.0	-	0.0%	-	75.0	0.0%	-
TOTAL RECURRING	12,453.4	13,425.5	972.1	2.9%	374.5	12,775.0	13,861.9	1,086.9	3.3%	436.4	14,389.0	3.8%	527.1
<i>2023 Nonrecurring Legislation</i>	-	-	-	N/A	-	-	-	-	N/A	-	-	N/A	-
<i>2022 Nonrecurring Legislation</i>	-	-	-	N/A	-	-	-	-	N/A	-	-	N/A	-
<i>2021 Nonrecurring Legislation</i>	-	-	-	N/A	-	-	-	-	N/A	-	-	N/A	-
<i>Other Nonrecurring</i>	-	-	-	N/A	-	-	-	-	N/A	-	-	N/A	-
TOTAL NONRECURRING	-	-	-	N/A	-	-	-	-	N/A	-	-	N/A	-
GRAND TOTAL General Fund	12,453.4	13,425.5	972.1	2.9%	374.5	12,775.0	13,861.9	1,086.9	3.3%	436.4	14,389.0	3.8%	527.1

General Fund Financial Summary
Consensus Revenue Estimate, August 2023

(millions of dollars)

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	Estimate FY2023	Estimate FY2024	Estimate FY2025
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2022 Consensus Revenue Estimate - Adjusted for 2023 Legislation	\$ 10,774.9	\$ 11,820.3	\$ 12,143.4
August 2023 Consensus Revenue Update	\$ 866.2	\$ 790.7	\$ 907.6
Total Recurring Revenue	\$ 11,641.1	\$ 12,611.0	\$ 13,051.0
Percent Change in Recurring Revenue	20.3%	8.3%	3.5%
Nonrecurring Revenue			
Nonrecurring Reversions from the Federal CRF/CARES	\$ -	\$ -	\$ -
2021/2022 Nonrecurring Revenue Legislation	\$ (87.4)	\$ -	\$ -
2023 Legislative Session Nonrecurring Revenue Legislation	\$ (695.2)	\$ (9.3)	\$ -
August 2023 Consensus Revenue Update			
Total Nonrecurring Revenue	\$ (782.6)	\$ (9.3)	\$ -
TOTAL REVENUE	\$ 10,858.5	\$ 12,601.7	\$ 13,051.0
APPROPRIATIONS			
Recurring Appropriations			
2022 Regular Session Recurring Legislation & Feed Bill	\$ 8,404.3	\$ -	FY25 New Money: \$3.482 billion or 36.4%
2023 Regular Session Recurring Legislation & Feed Bill	\$ 19.7	\$ 9,568.7	
2024 Regular Session Recurring Legislation & Feed Bill			
Total Operating Budget	\$ 8,424.0	\$ 9,568.7	
Nonrecurring Appropriations			
2022 Regular Session ARPA Related Nonrecurring	\$ 309.5	\$ -	
2022 Regular Session Nonrecurring	\$ 100.0	\$ -	
2023 Regular Session ARPA Related Nonrecurring ²	\$ 85.5	\$ -	
2023 Regular Session Nonrecurring	\$ 1,516.5	\$ 1,845.4	
2024 Regular Session Nonrecurring Legislation			
Total Nonrecurring Appropriations	\$ 2,011.5	\$ 1,845.4	
Subtotal Recurring and Nonrecurring Appropriations	\$ 10,435.5	\$ 11,414.1	
Audit Adjustments			
Estimated 2023 GAA Undistributed Nonrecurring Appropriations ¹	\$ (622.0)	\$ 622.0	
2022 GAA Undistributed Nonrecurring Appropriations ¹	\$ 448.1		
TOTAL APPROPRIATIONS	\$ 10,261.6	\$ 12,036.1	
Transfer to (from) Operating Reserves	\$ 991.9	\$ 565.6	
Transfer to (from) Appropriation Contingency Fund (ARPA Funds)	\$ (395.0)	\$ -	
TOTAL REVENUE LESS TOTAL APPROPRIATIONS	\$ 596.9	\$ 565.6	
GENERAL FUND RESERVES			
Beginning Balances	\$ 3,679.6	\$ 4,355.0	
Transfers from (to) Appropriations Account	\$ 991.9	\$ 565.6	
Revenue and Reversions	\$ 1,333.3	\$ 867.0	
Appropriations, Expenditures and Transfers Out	\$ (1,649.9)	\$ (708.7)	
Ending Balances	\$ 4,355.0	\$ 5,078.9	
Reserves as a Percent of Recurring Appropriations	51.7%	53.1%	

Notes:

1) Many nonrecurring appropriations, including specials and supplementals in the GAA, had authorization to spend in multiple fiscal years - amounts that were not distributed in the first year become encumbrances for the next year.

2) HB2 included \$227.5 million of spending from ARPA funds in FY23 and \$95 million of swaps of previous ARPA appropriations to general fund sources for a net spending of \$132.5 million of ARPA. The governor vetoed language sourcing \$23 million of appropriations to ARPA funds for GSD. Legal authority is unclear for those funds to then be general fund. This report assumes the \$23 million appropriation is vetoed with language veto.

* Note: totals may not foot due to rounding

General Fund Financial Summary
Consensus Revenue Estimate, August 2023

RESERVE DETAIL

(millions of dollars)

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	Estimate FY2023	Estimate FY2024	Estimate FY2025
OPERATING RESERVE			
Beginning Balance	\$ 565.8	\$ 596.6	\$ 673.9
Transfers from tax stabilization reserve to restore balance to 1 percent ⁴	\$ -	\$ -	\$ -
BOF Emergency Appropriations/Reversions	\$ (2.5)	\$ (4.0)	\$ (4.0)
Transfers from (to) Appropriation Account ⁹	\$ 991.9	\$ 565.6	\$ -
Transfers to Tax Stabilization Reserve	\$ (958.7)	\$ (434.3)	\$ -
Disaster Allotments ¹	\$ -	\$ -	\$ -
Transfer from (to) ACF/Other Appropriations	\$ -	\$ (50.0)	\$ -
Revenues and Reversions	\$ -	\$ -	\$ -
Transfers from tax stabilization reserve ⁵	\$ -	\$ -	\$ -
Ending Balance	\$ 596.6	\$ 673.9	\$ 669.9
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	\$ 460.7	\$ 57.7	\$ 99.7
Disaster Allotments	\$ (16.0)	\$ (16.0)	\$ (16.0)
ARPA Appropriation from 2021 Second Special Session	\$ -	\$ -	\$ -
Other ARPA Appropriations (including 2022, 2023 Regular Sessions)	\$ (395.0)	\$ -	\$ -
Transfers In ⁹	\$ -	\$ 50.0	\$ -
Revenue and Reversions	\$ 8.0	\$ 8.0	\$ 8.0
Audit and Pre-Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 57.7	\$ 99.7	\$ 91.7
STATE SUPPORT FUND			
Beginning Balance	\$ 49.5	\$ 10.4	\$ 10.4
Revenues ²	\$ -	\$ -	\$ -
Appropriations to State Support Reserve Fund ⁶	\$ -	\$ -	\$ -
Impact Aid Liability FY20	\$ (39.1)	\$ -	\$ -
Impact Aid Liability FY21	\$ -	\$ -	\$ -
Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 10.4	\$ 10.4	\$ 10.4
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)⁸			
Beginning Balance	\$ 300.2	\$ 333.0	\$ 367.5
Transfers In ³	\$ 32.5	\$ 32.5	\$ 32.5
Appropriation to Tobacco Settlement Program Fund ³	\$ (16.3)	\$ (16.3)	\$ (16.3)
Gains(Losses)	\$ 16.5	\$ 18.3	\$ 20.2
Additional Transfers from (to) TSPF	\$ -	\$ -	\$ -
Ending Balance	\$ 333.0	\$ 367.5	\$ 404.0
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	\$ 2,303.4	\$ 3,357.4	\$ 3,927.4
Revenues from Excess Oil and Gas Emergency School Tax	\$ 1,181.0	\$ 622.4	\$ 466.7
Gains(Losses)	\$ 95.3	\$ 135.7	\$ 157.1
Transfers In (From Operating Reserve)	\$ 958.7	\$ 434.3	\$ -
Transfer Out to Operating Reserve ^{4,5}	\$ -	\$ -	\$ -
Transfer Out to Early Childhood Trust Fund ⁷	\$ (1,181.0)	\$ (622.4)	\$ (466.7)
Ending Balance	\$ 3,357.4	\$ 3,927.4	\$ 4,084.5
<i>Percent of Recurring Appropriations</i>	<i>39.9%</i>	<i>41.0%</i>	
TOTAL GENERAL FUND ENDING BALANCES	\$ 4,355.0	\$ 5,078.9	\$ 5,260.5
<i>Percent of Recurring Appropriations</i>	<i>51.7%</i>	<i>53.1%</i>	

Notes:

- 1) DFA using operating reserve to cover disaster allotments due to low balance in the appropriation contingency fund. FY20 includes \$35.5 million for COVID-19 related responses.
- 2) Laws 2021, Chapter 137 (HB2, Section 10-11) includes a \$15.5 million transfer from the repealed K-3 Plus Program Fund to the state support reserve.
- 3) Laws 2021, Chapter 60 (SB 187) allows use of 100% of revenue for tobacco program fund in FY22.
- 4) Laws 2020, Chapter 34 (House Bill 341) transfers from the tax stabilization reserve to the operating reserve if operating reserve balances are below one percent of appropriations, up to an amount necessary for the operating reserve to be one percent of total appropriations. Transfer shown here in future year as the transfer occurs after all appropriations and revenues during the audit and cannot be used for spending in the current year.
- 5) 2022 GAA authorized a transfer of up to \$120 million from the TSR in FY23 to cover shortfalls.
- 6) Laws 2022, Chapter 34 (HB2, Section 5-112) includes a \$30 million appropriation to the state support reserve fund.
- 7) Laws 2020, Chapter 3 (HB83, Section 4) provides that oil and gas school tax revenue in excess of the five-year average be transferred to the Early Childhood Trust Fund instead of the tax stabilization reserves if reserve balances exceed 25 percent of recurring appropriations.
- 8) The LFC recommendation includes removal of the Tobacco Settlement Permanent Fund from reserve calculations.
- 9) Laws 2022, Chapter 54 includes authority of up to \$120 million from the operating reserve to the appropriation account to cover expenses. SB192 of the 2023 regular session includes authority for an additional \$430 million.

* Note: totals may not foot due to rounding

U.S. and New Mexico Economic Indicators

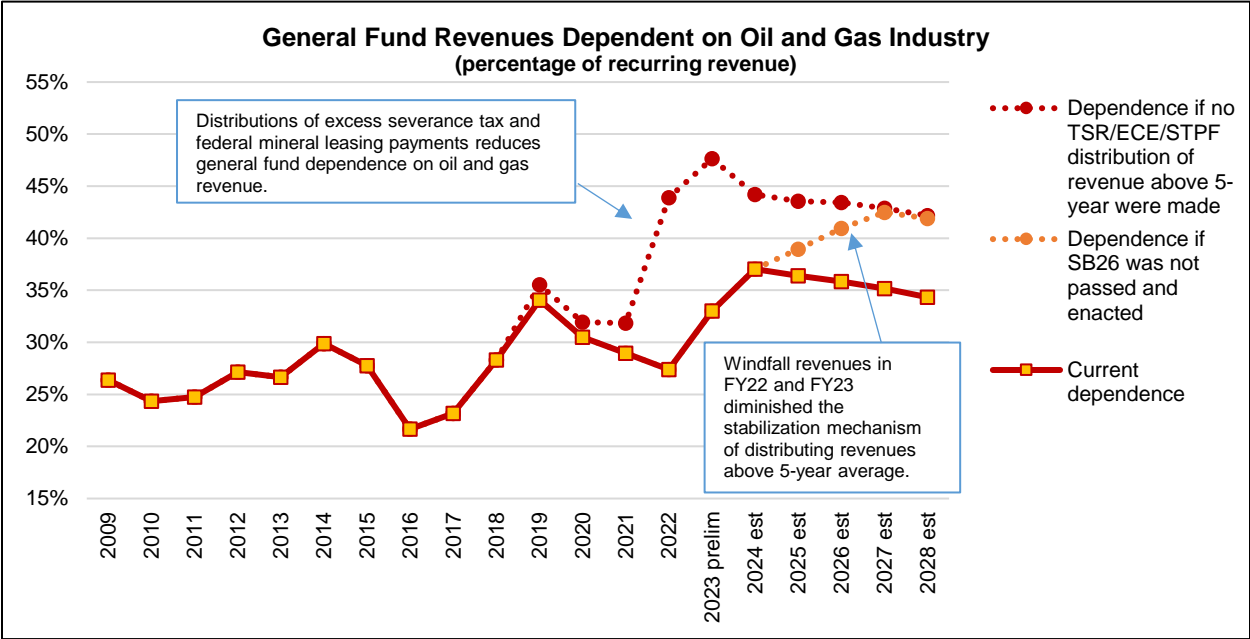
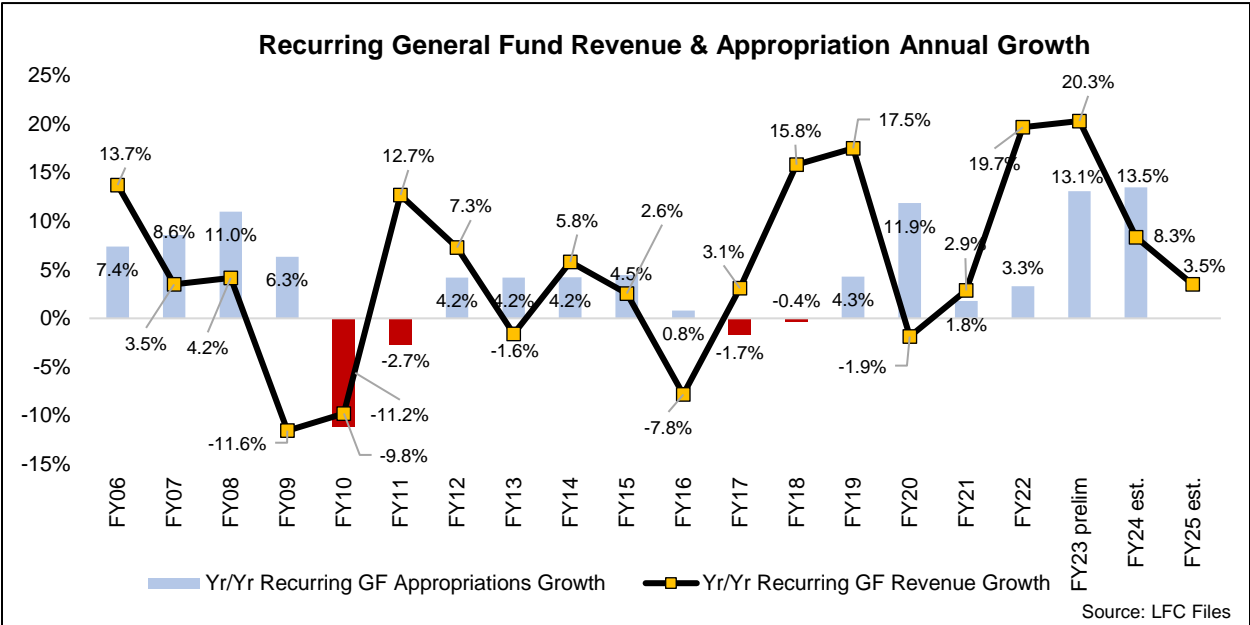
		FY23		FY24		FY25		FY26		FY27		FY28	
		Dec 22 Forecast	Aug 23 Forecast	Dec 22 Forecast	Aug 23 Forecast	Dec 22 Forecast	Aug 23 Forecast	Dec 22 Forecast	Aug 23 Forecast	Dec 22 Forecast	Aug 23 Forecast	Dec 22 Forecast	Aug 23 Forecast
National Economic Indicators													
S&P Global	US Real GDP Growth (annual avg.,% YOY)*	0.4	2.3	0.4	1.1	1.7	1.5	1.9	1.7	1.8	1.8	1.7	1.8
Moody's	US Real GDP Growth (annual avg., % YOY)*	0.8	1.7	1.4	1.1	2.5	1.8	2.9	2.7	3.0	2.7	2.7	2.6
S&P Global	US Inflation Rate (CPI-U, annual avg., % YOY)**	6.6	4.1	3.0	2.8	2.5	2.5	2.2	2.3	2.2	2.3	2.2	2.2
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	6.4	6.3	2.8	3.1	2.3	2.3	2.1	2.0	2.1	2.0	2.1	2.0
S&P Global	Federal Funds Rate (%)	3.8	5.0	4.8	5.4	3.6	3.6	2.7	2.6	2.6	2.6	2.6	2.6
Moody's	Federal Funds Rate (%)	3.8	3.8	4.4	5.3	3.5	3.9	2.6	2.7	2.5	2.5	2.5	2.5
New Mexico Labor Market and Income Data													
BBER	NM Non-Agricultural Employment Growth (%)	1.2	2.8	0.4	1.0	0.6	0.1	0.8	0.3	0.8	0.5	0.8	0.6
Moody's	NM Non-Agricultural Employment Growth (%)	2.8	2.8	1.0	1.5	0.9	0.5	0.5	0.5	0.2	0.2	0.3	0.2
BBER	NM Nominal Personal Income Growth (%)***	0.7	2.5	4.4	5.4	4.5	4.5	4.7	4.4	4.3	4.3	4.8	4.5
Moody's	NM Nominal Personal Income Growth (%)***	0.9	2.5	6.4	6.4	5.0	4.6	4.2	4.0	4.5	4.2	4.2	4.1
BBER	NM Total Wages & Salaries Growth (%)	6.1	9.3	3.9	4.0	3.8	3.8	3.7	3.7	3.3	3.7	3.5	3.7
Moody's	NM Total Wages & Salaries Growth (%)	8.1	10.1	6.8	6.1	5.5	4.4	4.9	3.9	4.3	3.5	4.3	3.4
BBER	NM Private Wages & Salaries Growth (%)	7.2	9.3	3.9	4.4	3.7	3.7	3.7	3.7	3.3	3.7	3.5	3.7
BBER	NM Real Gross State Product (% YOY)	1.1	1.7	1.1	1.2	1.9	1.9	1.8	1.6	2.1	1.7	2.1	1.7
Moody's	NM Real Gross State Product (% YOY)	1.5	1.9	1.8	1.2	2.0	1.4	2.5	2.5	2.6	2.4	2.4	2.3
CREG	NM Gross Oil Price (\$/barrel)	\$85.00	\$80.50	\$76.50	\$74.50	\$72.50	\$73.00	\$70.50	\$71.00	\$69.00	\$70.00		\$70.00
CREG	NM Net Oil Price (\$/barrel)*****	\$74.63	\$70.52	\$67.17	\$65.41	\$63.66	\$64.09	\$61.90	\$62.34	\$60.58	\$61.46		\$61.46
BBER	Oil Volumes (million barrels)	556	656	551	652	554	648	560	648	564	653		659
CREG	NM Taxable Oil Volumes (million barrels)	620	659	660	695	710	725	745	760	775	775		785
	NM Taxable Oil Volumes (%YOY growth)	16.7%	24.0%	6.5%	5.5%	7.6%	4.3%	4.9%	4.8%	4.0%	2.0%		1.3%
CREG	NM Gross Gas Price (\$ per thousand cubic feet)****	\$7.05	\$5.65	\$5.60	\$3.60	\$5.15	\$3.95	\$5.05	\$4.20	\$4.95	\$4.30		\$4.40
CREG	NM Net Gas Price (\$ per thousand cubic feet)*****	\$5.49	\$4.28	\$4.26	\$2.49	\$3.89	\$2.78	\$3.79	\$2.99	\$3.69	\$3.08		\$3.17
BBER	Gas Volumes (billion cubic feet)	2,662	3,187	2,641	3,094	2,642	3,042	2,674	3,048	2,680	3,082		3,141
CREG	NM Taxable Gas Volumes (billion cubic feet)	2,875	3,230	3,015	3,410	3,120	3,555	3,200	3,580	3,255	3,615		3,635
	NM Taxable Gas Volumes (%YOY growth)	11.2%	24.4%	4.9%	5.6%	3.5%	4.3%	2.6%	0.7%	1.7%	1.0%		0.6%

Notes

* Real GDP is BEA chained 2012 dollars, billions, annual rate
 ** CPI is all urban, BLS 1982-84=1.00 base
 ***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
 ****The gross gas prices are estimated using a formula of NYMEX, EIA, and S&P Global future prices
 *****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
 Sources: BBER - July 2023 FOR-UNM baseline. S&P Global Insight - July 2023 baseline.

DFA Notes

* Real GDP is BEA chained 2012 dollars, billions, annual rate
 ** CPI is all urban, BLS 1982-84=1.00 base.
 ***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
 ****The gross gas prices are estimated using a formula of NYMEX, EIA, and Moodys January future prices
 *****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
 Sources: Moody's baseline



Early Childhood Trust Fund Forecast - August 2023

(in millions)

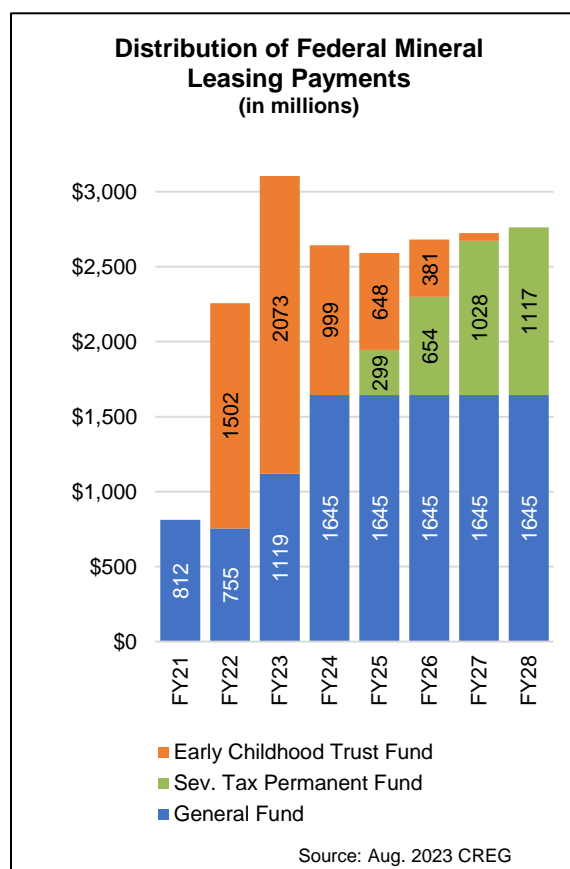
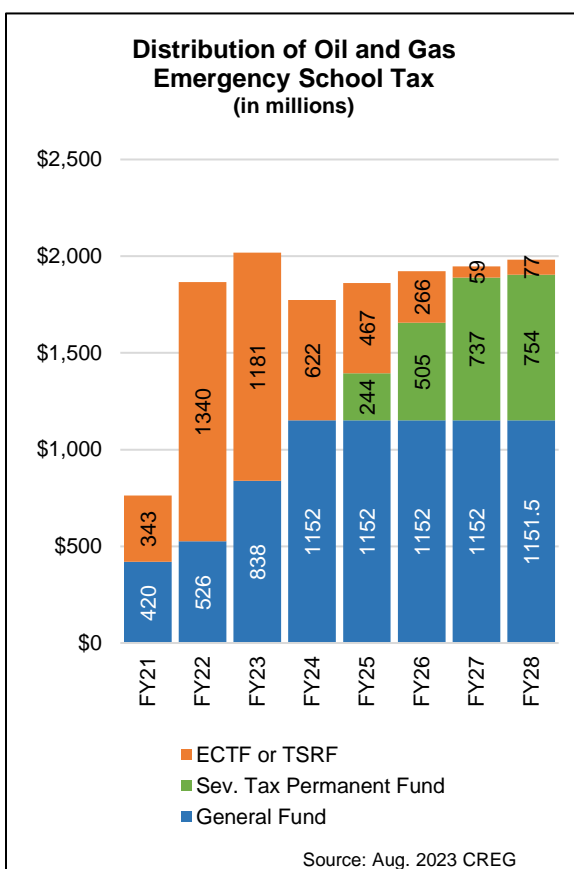
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$300.0	\$314.1	\$3,462.0	\$5,523.6	\$7,769.6	\$9,071.3	\$9,909.5	\$10,177.7
Gains & Losses	\$6.1	\$34.1	(\$6.4)	\$138.5	\$220.9	\$310.8	\$362.9	\$396.4	\$407.1
Excess Federal Mineral Leasing	\$0.0	\$0.0	\$1,501.5	\$2,073.1	\$999.1	\$647.8	\$381.5	\$51.6	\$0.0
Excess OGAS School Tax*	\$0.0	\$0.0	\$1,682.8	\$0.0	\$1,181.0	\$622.4	\$466.7	\$266.1	\$58.9
Distribution to ECE Program Fund	\$0.0	(\$20.0)	(\$30.0)	(\$150.0)	(\$155.0)	(\$279.3)	(\$372.7)	(\$445.8)	(\$486.0)
Ending Balance	\$306.1	\$314.1	\$3,462.0	\$5,523.6	\$7,769.6	\$9,071.3	\$9,909.5	\$10,177.7	\$10,157.7

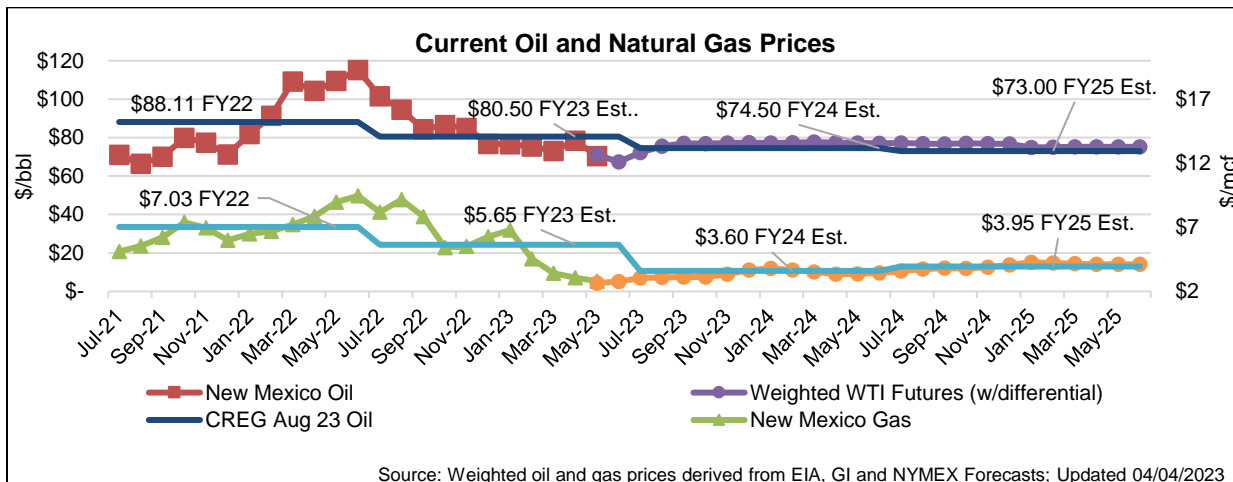
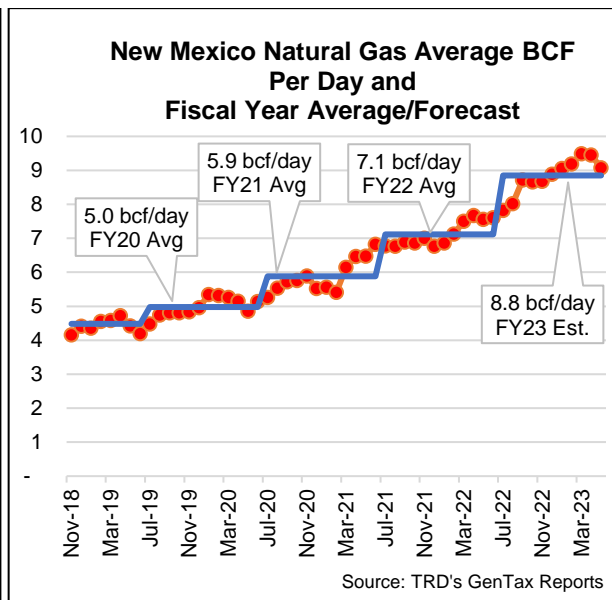
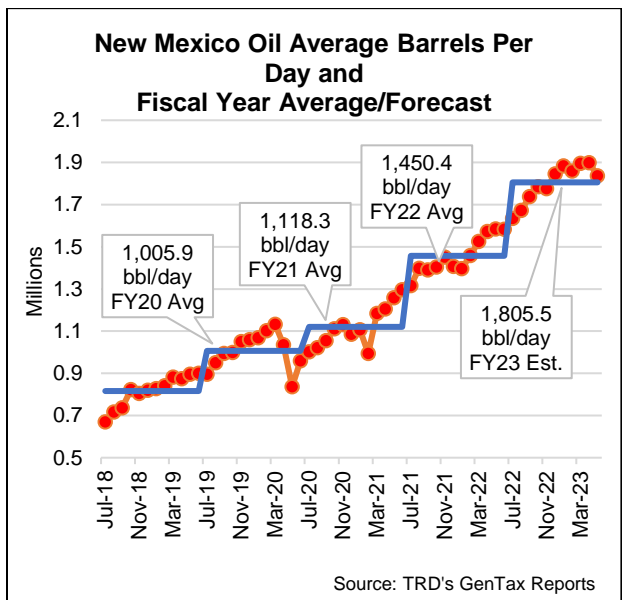
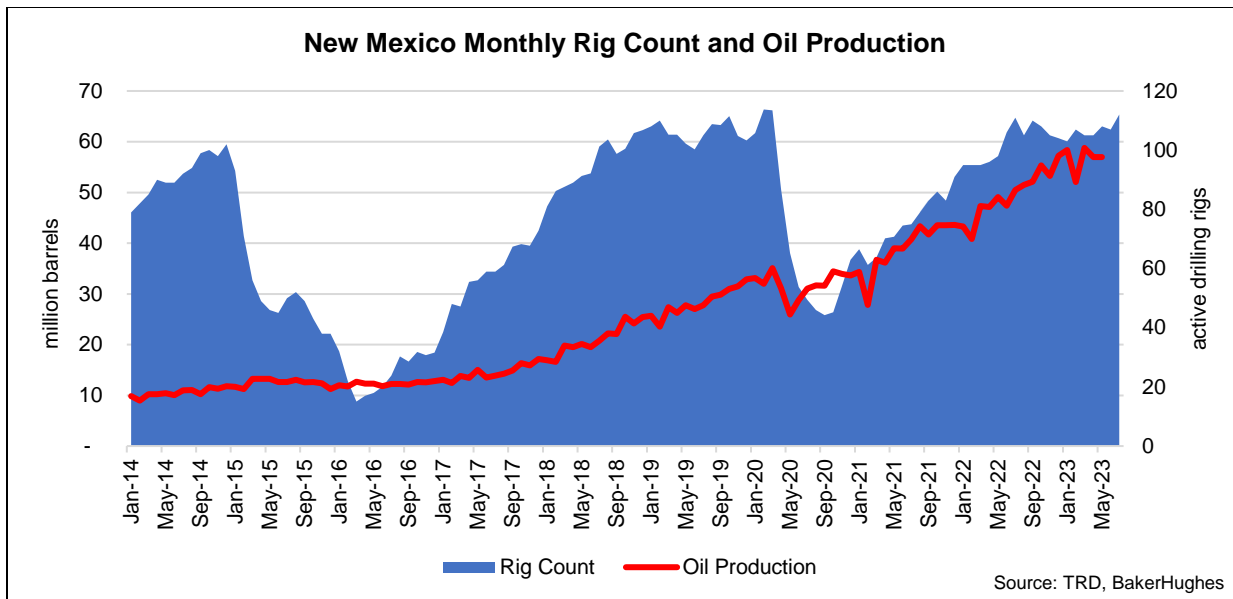
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.

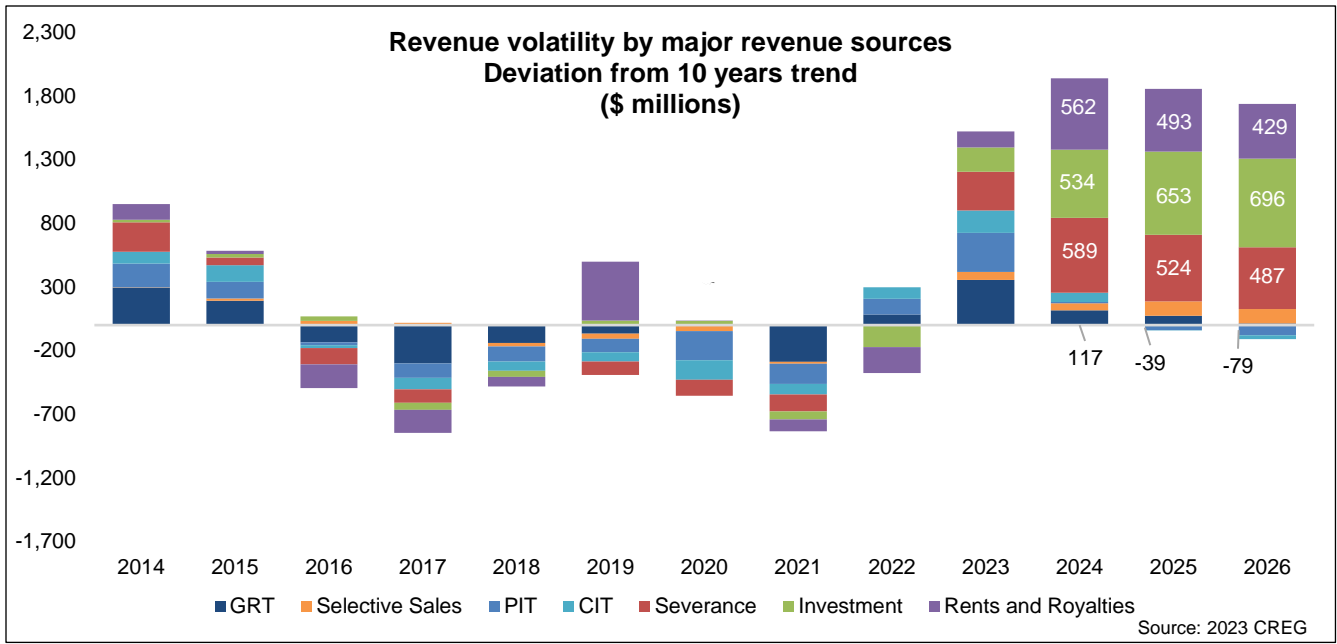
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Distribution to ECE Program Fund	\$0.00	\$20.00	\$30.00	\$150.00	\$154.99	\$279.25	\$372.74	\$445.84

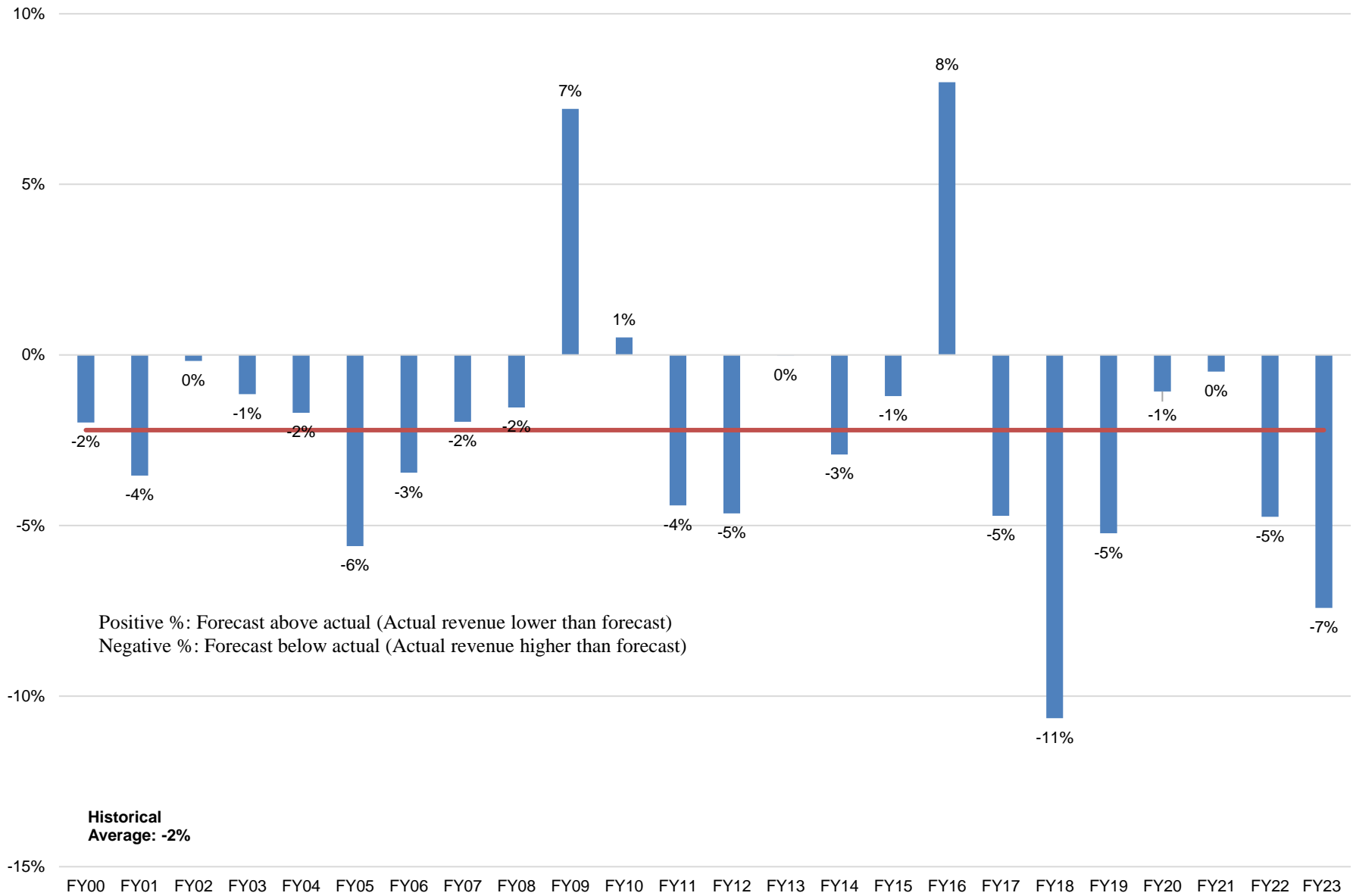
Source: August 2023 Consensus Revenue Forecast







**Consensus Revenue Estimate
Recurring Revenue Difference from Previous Forecast**



25

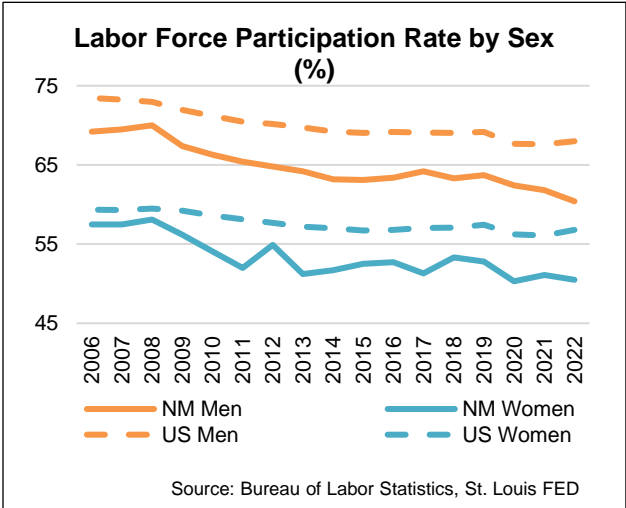
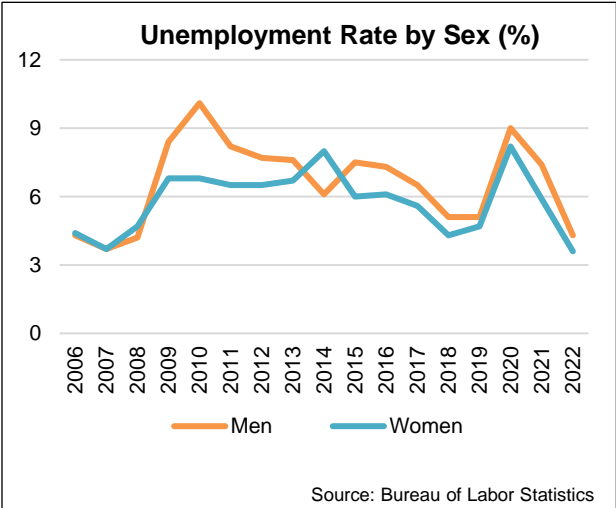
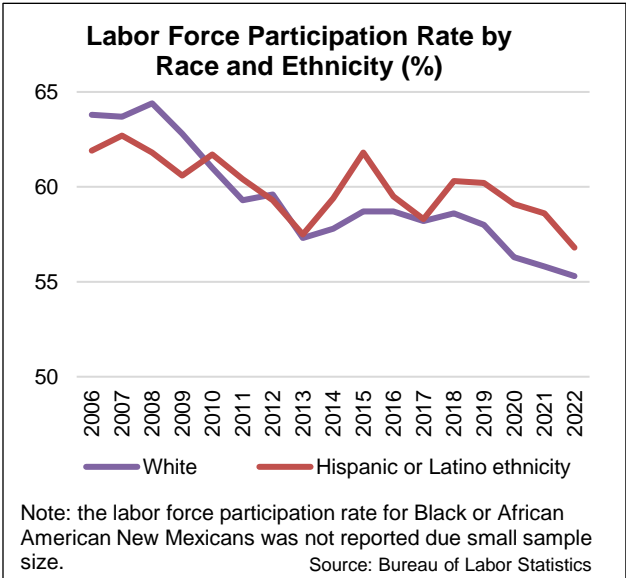
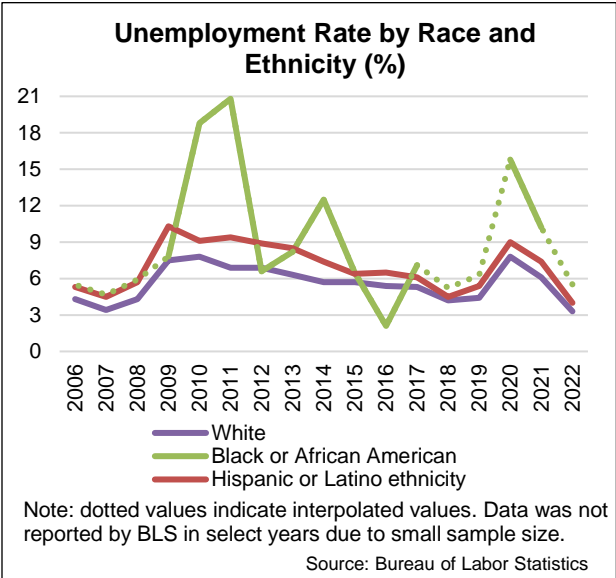
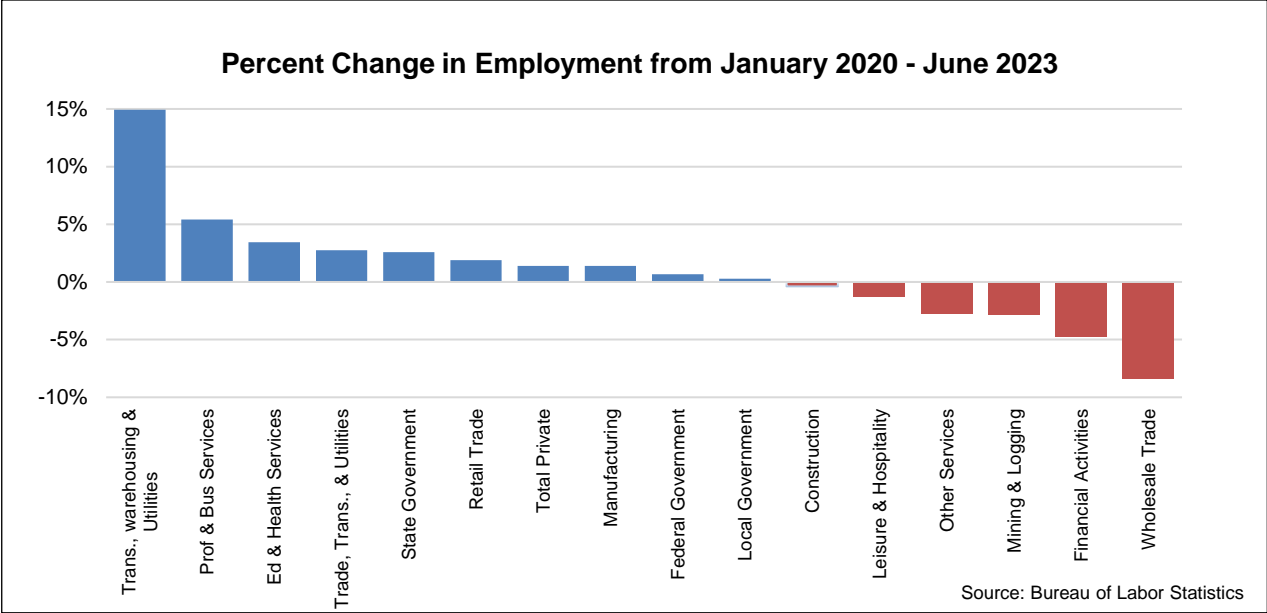
Tax Changes Over \$5 Million: Legislative Sessions 2019-2023

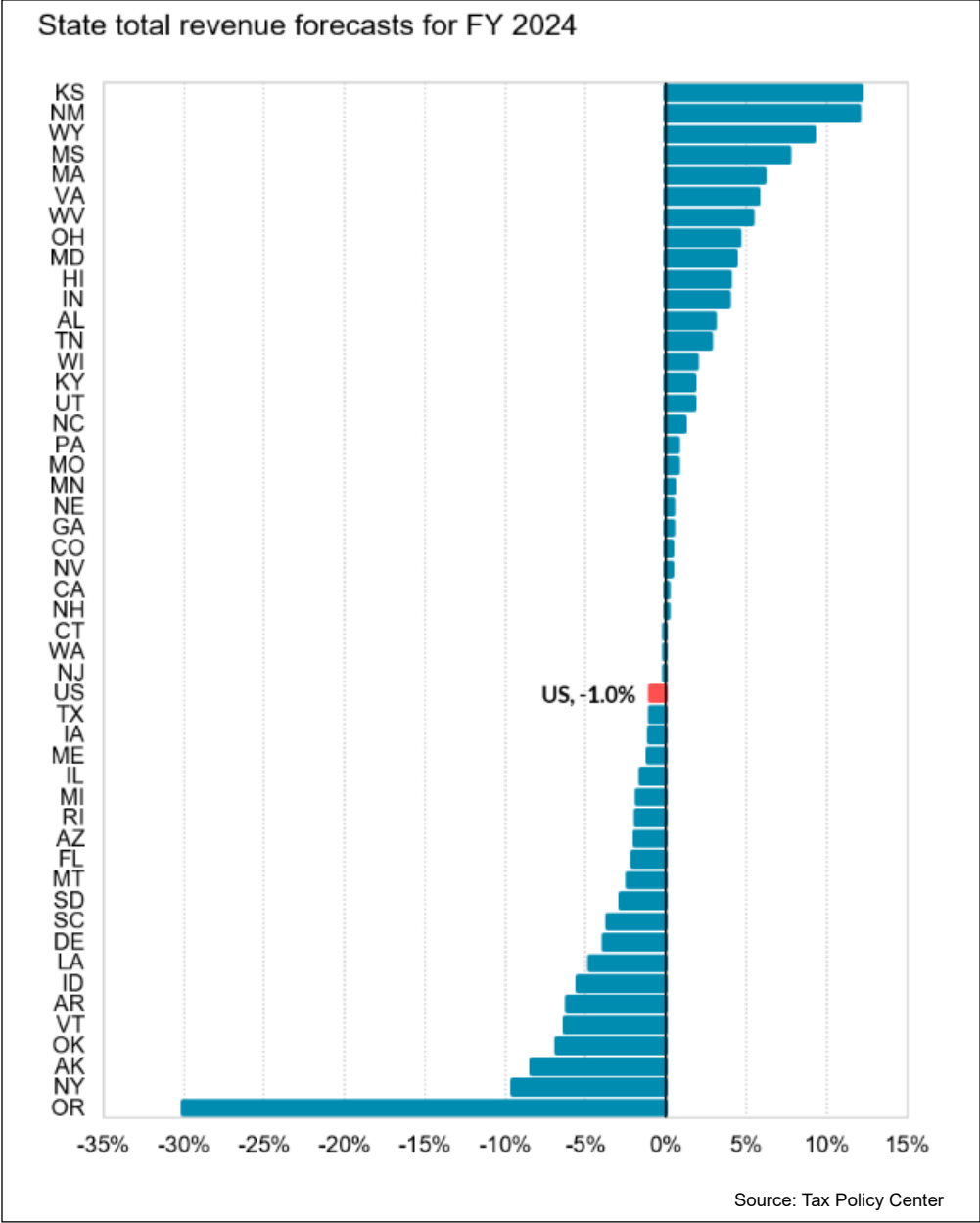
(in millions of dollars)

	FY23		FY24		FY25		FY26		FY27		
	Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring	
Gross Receipts and Compensating Tax	2023 Regular Session										
	HB 353 South Campus TIDD			\$ (5.5)		\$ (5.5)		\$ (5.5)		\$ (5.5)	
	HB 547 Omnibus Tax Package										
	Healthcare Practitioner Copay/Deductible Deduction			\$ (39.3)		\$ (38.9)		\$ (38.6)		\$ (38.5)	
	2022 Regular Session										
	HB 163 Tax Changes										
	GRT Rate Cut	\$ (94.1)		\$ (194.1)		\$ (199.9)		\$ (206.2)		\$ (206.2)	
	B to B Manufacturers	\$ (5.6)		\$ (5.8)		\$ (6.0)		\$ (6.2)		\$ (6.2)	
	2021 First Special Session										
	HB 2 Cannabis Regulation Act										
	Medical Cannabis GRT Deduction	\$ (11.6)		\$ (13.9)		\$ (13.9)		\$ (13.9)		\$ (13.9)	
	GRT Revenue	\$ 10.8		\$ 15.4		\$ 15.4		\$ 15.4		\$ 15.4	
	2019 Regular Session										
	HB6 Tax Changes										
	Hospital Tax Reform	\$ 100.0		\$ 100.0		\$ 100.0		\$ 100.0		\$ 100.0	
Remote Sales	\$ 46.0		\$ 46.0		\$ 46.0		\$ 46.0		\$ 46.0		
Remote Sales: State loss from local sharing	\$ (22.0)		\$ (22.0)		\$ (22.0)		\$ (22.0)		\$ (22.0)		
Remote sales: State loss from DBS out-of-state	\$ (42.0)		\$ (42.0)		\$ (42.0)		\$ (42.0)		\$ (42.0)		
HB 165 Modifying High Wage Jobs Tax Credit	\$ (10.0)		\$ (10.0)		\$ (10.0)		\$ (10.0)		\$ (10.0)		
TOTAL GRT	\$ (44.7)	\$ (0.2)	\$ (196.7)	\$ (0.2)	\$ (206.4)	\$ -	\$ (214.4)	\$ -	\$ (214.5)	\$ -	
Personal and Corporate Income Tax	2023 Regular Session										
	HB 547 Omnibus Tax Package										
	2021 Income Tax Rebates		\$ (695.0)		\$ (9.1)						
	Child Income Tax Credit			\$ (102.6)		\$ (106.6)		\$ (108.9)		\$ (111.1)	
	Film Tax Credits					\$ (61.5)		\$ (75.9)		\$ (87.3)	
	2022 Third Special Session										
	HB 2 Tax Rebates		\$ (54.0)								
	2022 Regular Session										
	HB 163 Tax Changes										
	Child Credit			\$ (74.0)		\$ (74.7)		\$ (75.4)		\$ (75.4)	
	Military Pension Exemption	\$ (7.4)		\$ (13.5)		\$ (17.8)		\$ (18.6)		\$ (18.8)	
	Social Security Exemption	\$ (84.1)		\$ (89.4)		\$ (94.4)		\$ (99.5)		\$ (99.5)	
	Nurses Credit		\$ (6.0)								
	2021 Rebate		\$ (24.3)								
	HB 291 Tax Changes										
	Low Income Comprehensive Tax Rebate	\$ (49.9)		\$ (50.9)		\$ (52.0)		\$ (52.0)		\$ (52.0)	
	Working Families Tax Credit	\$ (22.6)		\$ (49.2)		\$ (49.2)		\$ (49.2)		\$ (49.2)	
	2019 Regular Session										
	SB 2 Film Tax Credit Changes	\$ (95.9)		\$ (95.9)		\$ (95.9)		\$ (95.9)		\$ (95.9)	
HB6 Tax Changes											
New PIT Brackets	\$ 41.0		\$ 41.0		\$ 41.0		\$ 41.0		\$ 41.0		
Increase WFTC to 17%	\$ (41.0)		\$ (41.0)		\$ (41.0)		\$ (41.0)		\$ (41.0)		
Dependent Deduction	\$ (28.0)		\$ (28.0)		\$ (28.0)		\$ (28.0)		\$ (28.0)		
Change PIT Deduction for Capital Gains	\$ 10.0		\$ 10.0		\$ 10.0		\$ 10.0		\$ 10.0		
TOTAL PIT/CIT	\$ (290.2)	\$ (782.4)	\$ (505.7)	\$ (9.1)	\$ (582.8)	\$ -	\$ (606.5)	\$ -	\$ (620.3)	\$ -	
Other Taxes	2023 Regular Session										
	SB 26 Excess Oil & Gas Funds to Severance Tax Fund					\$ (587.6)		\$ (1,204.0)		\$ (1,681.7)	
	SB 491 Health Premium Tax for Law Enforcement			\$ (22.5)		\$ (21.8)		\$ (22.2)		\$ (22.6)	
	2021 Regular Session										
	SB 3 Small Business Recovery Act	\$ (5.0)		\$ (10.4)		\$ (16.1)		\$ (22.2)		\$ (22.2)	
	2021 First Special Session										
	HB 2 Cannabis Regulation Act					\$ 3.0		\$ 3.0		\$ 3.0	
	Cannabis Excise	\$ 20.0		\$ 28.6		\$ 28.6		\$ 28.6		\$ 28.6	
	2020 Regular Session										
	HB 83 Early Childhood Education and Care Fund	\$ (32.8)		\$ (7.6)							
	SB3 Small Business Recovery Loan Act	\$ (8.6)		\$ (13.2)		\$ (17.8)		\$ (22.6)		\$ (22.6)	
2019 Regular Session											
HB6 Tax Changes											
MVEX GF Distribution	\$ (28.0)		\$ (28.0)		\$ (28.0)		\$ (28.0)		\$ (28.0)		
Tax E-Cigs and Increase Cig tax	\$ 14.0		\$ 14.0		\$ 14.0		\$ 14.0		\$ 14.0		
TOTAL OTHER	\$ (43.9)	\$ -	\$ (44.8)	\$ -	\$ (631.4)	\$ -	\$ (1,259.0)	\$ -	\$ (1,734.1)	\$ -	
TOTAL CHANGES	\$ (378.8)	\$ (782.6)	\$ (747.2)	\$ (9.3)	\$ (1,420.6)	\$ -	\$ (2,850.8)	\$ -	\$ (3,353.6)	\$ -	

*House bill 6 (HB 6) of the 1st special session of 2020 implements temporary provisions to waive penalties and interest for tax liabilities related to (1) personal and corporate income taxes, (2) withholding taxes, (3) oil and gas proceeds and pass-through entity withholding taxes, (4) gross receipts and compensating taxes, and (5) managed audits.

Note: This list represents tax revenue changes of greater than \$5 million. All tax changes, including those less than \$5 million, are included in totals.





Attachment 12

**Sources and Uses of Bonding Capacity Available for Authorization
and Severance Tax Permanent Fund Transfer (in millions)**

AUGUST 2023 Estimate

Sources of Funds	FY24	FY25	FY26	FY27	FY28	5-Year
General Obligation Bonds	\$309.0		\$309.0		\$309.0	\$927.0
Senior STBs	\$1,474.8	\$1,478.4	\$1,446.4	\$1,402.5	\$1,336.8	\$7,138.9
Severance Tax Bonds	\$785.3	\$785.3	\$785.3	\$785.3	\$785.3	\$3,926.3
Severance Tax Notes	\$689.5	\$693.2	\$661.1	\$617.2	\$551.6	\$3,212.7
Supplemental STBs	\$733.7	\$733.7	\$768.7	\$802.7	\$812.4	\$3,851.2
Supplemental Severance Tax Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Supplemental Severance Tax Notes	\$733.7	\$733.7	\$768.7	\$802.7	\$812.4	\$3,851.2
TOTAL Sources of Funds	\$2,517.5	\$2,212.2	\$2,524.1	\$2,205.2	\$2,458.2	\$11,917.1

Uses of Funds	FY24	FY25	FY26	FY27	FY28	5-Year
GOB Projects Approved by Referendum	\$309.0		\$309.0		\$309.0	\$927.0
Authorized but Unissued STB Projects	\$15.7	\$0.0	\$0.0	\$0.0	\$0.0	\$15.7
9.0% of Senior STB for Water Projects	\$132.7	\$133.1	\$130.2	\$126.2	\$120.3	\$642.5
4.5% of Senior STB for Colonias Projects	\$66.4	\$66.5	\$65.1	\$63.1	\$60.2	\$321.3
4.5% of Senior STB for Tribal Projects	\$66.4	\$66.5	\$65.1	\$63.1	\$60.2	\$321.3
2.5% Housing Trust Fund Projects	\$36.9	\$37.0	\$36.2	\$35.1	\$33.4	\$178.5
New Senior STB Statewide Capital Projects	\$1,156.7	\$1,175.3	\$1,149.9	\$1,115.0	\$1,062.8	\$5,659.7
PSCOC Public School Capital	\$733.7	\$733.7	\$768.7	\$802.7	\$812.4	\$3,851.2
TOTAL Uses of Funds	\$2,517.5	\$2,212.2	\$2,524.1	\$2,205.2	\$2,458.2	\$11,917.1

Estimated Transfer to Severance Tax Permanent Fund

	FY24	FY25	FY26	FY27	FY28	5-Year
Severance Tax Permanent Fund Transfer	\$564.5	\$396.1	\$392.1	\$349.6	\$364.8	\$2,067.1

Note: The estimated annual permanent fund transfer includes the mandatory annual transfer of \$23.69 million for FY24 through FY28, pursuant to the Laws of 2019, Section 2, Chapter 273 and \$92.0 million for FY24 through FY33, pursuant to the Laws of 2023, Section 2, Chapter 124