Money Matters
Analysis by the LFC Economists
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

General Fund Consensus Revenue Estimate

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 table below presents a reconciliation of recurring revenues through the current revenue estimating cycle.

December 2020 Consensus General Fund Recurring Revenue Outlook
(in millions)

	FY20	FY21	FY22	FY23
December 2019 Consensus*	$7,776.4	$7,870.5	$7,925.6	$8,287.1
December 2020 Adjustments	$83.4	($868.1)	($547.1)	($512.3)
December 2020 Consensus	**$7,859.8**	**$7,002.5**	**$7,378.5**	**$7,774.8**
Annual amount change	($149.6)	($857.4)	$376.0	$396.3
Annual percent change	-1.9%	-10.9%	5.4%	5.4%
Distributions to Tax Stabilization Reserve				
December 2019 Consensus	$470.1	$173.2	$119.0	$91.8
December 2020 Consensus	$448.3	$52.9	$49.3	$48.2
Adjustment from Prior	($21.8)	($120.3)	($69.7)	($43.6)

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.
* December 2019 consensus estimate adjusted for legislation

Summary

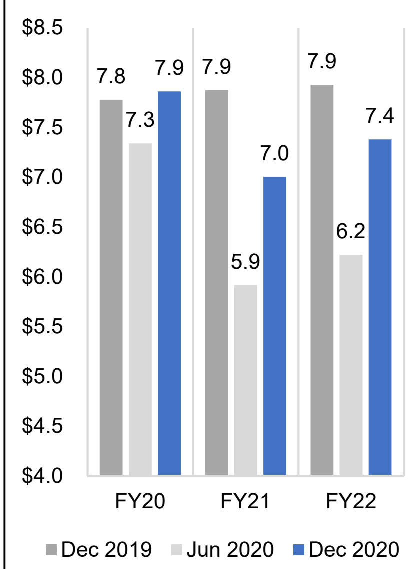
General fund recurring revenues ended FY20 at $7.86 billion, down $149.6 million, or 1.9 percent, from FY19. Recurring revenues for FY21 are estimated at $7.002 billion, a decline of $857.1 million, or 10.9 percent, from FY20. Some of the decline is in income tax and gross receipts tax (GRT) collections caused by the Covid-19 pandemic-induced restrictions on business activity and associated layoffs. However, most of the decline in FY21 is due to the pandemic's severe effects on the oil market, with low prices causing a sharp drop in gross receipts tax collections on drilling activity and in production-related revenues.

Including federal stimulus funds to offset general fund expenditures by $750 million and federal funds swaps of $146.6 million enacted in the June 2020 special session, FY21 total general fund revenues are expected to fall short of total FY21 appropriations by $182 million. Had federal funds not been available to offset general fund expenditures in FY21, the state would have needed to pull nearly $1.1 billion from reserves to cover the current budget.

"New money," defined as projected recurring revenues for the following fiscal year less current year recurring appropriations, is estimated at $169 million for FY22, or 2.3 percent growth from the FY21 recurring budget. Prior to the June 2020 special session, the recurring budget was $7.621 billion; with current FY22 revenues projected at $7.378 billion, had the Legislature not acted in the June special session, the new money would have been negative $243 million, requiring spending adjustments or a draw from reserves.

General Fund Reserves. The general fund financial summary shown in Attachment 1 illustrates the impact of the December 2020 revenue estimates

Consensus General Fund Recurring Revenue Estimates
(in billions)



Although up from the June 2020 consensus estimate, the current recurring revenue projections for FY21 through FY23 are a combined $1.9 billion below the pre-pandemic forecast, demonstrating the effects of a simultaneous recession and oil price collapse on the general fund.

General Fund Revenues and Appropriations
(in millions)

	FY20	FY21
Recurring Revenue	$7,859.3	$7,002.5
Nonrecurring Revenue*	$322.3	$767.0
Total General Fund Revenue	$8,181.6	$7,769.4
Recurring Appropriations	$7,092.1	$7,209.5
Nonrecurring Appropriations**	$833.4	$482.6
Undistributed 2020 GAA Appropriations	($259.5)	$259.5
Undistributed 2019 GAA Appropriations	($2.1)	
Total General Fund Appropriations	$7,663.9	$7,951.6
Transfer to(from) Reserves	$517.7	($182.2)

*Includes solvency actions taken during the June 2020 special session, enhanced reversions due to federal funds offsets, and CARES Act funding

**Includes appropriation reductions and federal funds swaps enacted in the June 2020 special session and new appropriations made in the November 2020 special session.

Source: LFC Files

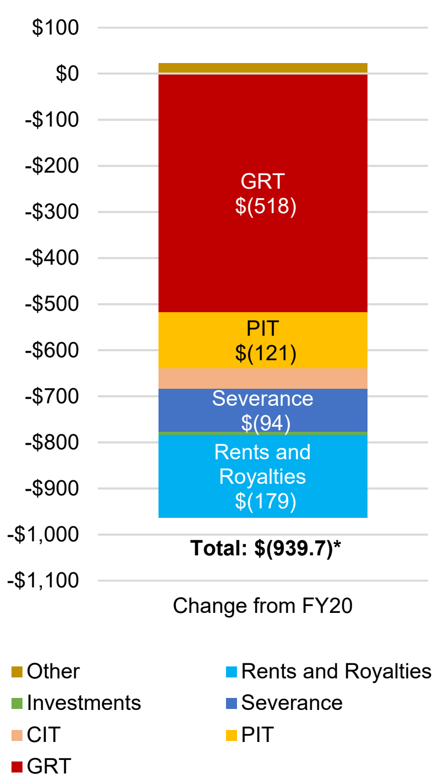
on reserve levels. Ending reserve balances for FY20 were $2.513 billion, or 35.4 percent of recurring appropriations.

Reserve balances for FY20 were propped up by three main factors: (1) less-than-expected declines in GRT and income tax collections during the fourth quarter of FY20, (2) solvency actions taken during the June 2020 special session and federal funds offsets to general fund expenditures causing enhanced reversions from various state agencies and resulting in $322 million nonrecurring revenue in FY20, and (3) about $260 million in nonrecurring appropriations (largely road project funding and special appropriations) authorized in the 2020 regular session not allotted in FY20 and instead are encumbered for FY21.

For the reasons listed above, revenues exceeded expenditures in FY20 by $517.7 million. The operating reserve cap – which transfers any amount in excess of 8 percent of the prior year's recurring appropriation – was reached, resulting in a $448.3 million transfer to the tax stabilization reserve (i.e. the "rainy day fund"). Combined with a $166.1 million transfer of excess oil and gas school tax revenue, the ending balance of the rainy day fund at the end of FY20 was $1.727 billion, or 24.4 percent of FY20 recurring appropriations.

Appropriations in FY21 are expected to exceed revenues by $182 million, requiring a transfer from reserves to cover the budget. Prior to any additional spending, ending balances are projected at $2.4 billion in FY21, or 33.4 percent of recurring appropriations.

FY21 Recurring Revenue Changes, by Income Source
(in millions)



*Severance tax amounts include changes to general fund revenue and school tax distributions to the tax stabilization reserve in excess of the five-year average

Economic Forecast

LFC and TRD economists use national data from IHS Markit and local data from the University of New Mexico Bureau of Business and Economic Research (BBER) to develop the economic assumptions on which the forecast is based. DFA Economists use national forecast data from Moody's Analytics. Selected economic indicators from these forecasts are shown in Attachment 5.

United States

Although improving from a trough in April, economic activity across the country has yet to recover to pre-pandemic levels. Over May and June, real gross domestic product (GDP) rose at an average pace of about 5 percent per month, but since then, the recovery has slowed, with GDP rising 1.6 percent in July and at an average monthly pace of 0.8 percent per month over August and September. By September, GDP recovered roughly three-quarters of the spring decline but was still 3.4 percent below the February level. The economic forecast is characterized by the further deceleration of economic growth as consumer spending has stalled, corporate debt remains high, restaurants are empty, hotel revenues have plateaued, airport passenger traffic has turned lower, and job postings remain well below the January average.

Still, there are some signs of improvement in the economy. Vaccine producers began filing for FDA approval and are expected to begin distribution of vaccines beginning in December. Depending on the efficacy of the treatment, the rate of vaccinations, and the resulting decrease in viral transmission, economic and social activity may return to previous norms by mid-2021. Driven by low mortgage rates, single-family housing permits and starts have passed their pre-pandemic levels. Light vehicle sales have also been above 16 million for two consecutive months, helping to drive up vehicle assemblies. Manufacturers' orders and shipments of nondefense capital goods excluding aircraft have also surged past their pre-pandemic levels, setting up expectations for robust growth of future investment.

A number of factors, including the transition of the federal administration, the possibility of further stimulus, evolving monetary policy, the future of tariffs, and most importantly, the path of the virus leaves significant uncertainty in the outlook. For example, a significant federal stimulus package could bolster consumption and significantly affect revenue estimates by increasing consumption and motivating oil demand, but potentially discourage employment recovery through enhanced unemployment benefits. The baseline scenario for IHS Markit assumes no new federal stimulus while Moody's Analytics assumes a $1.5 trillion stimulus package in the first quarter of 2021. Both IHS Markit and Moody's Analytics do not include another US recession in their baseline forecast. Yet, current economic conditions could result in a second or prolonged recession that reverses the most recent economic progress (see *Recession Risk* discussion on page 11).

Pandemic and Recession Reduced the Size of the Labor Force

Unemployment rates mask a key component of labor-market health. Part of the reduction in the unemployment rate in recent months is because fewer people are looking for a job. The U.S. labor force was 2.5 percent smaller in November than in February, a loss of 4 million workers. The supply of workers and their productivity are the building blocks of economic growth.

Labor force participation declines are also disproportionately affecting three groups – older workers, working parents, and workers with less education and skills (see Attachment 13 for U.S. labor market demographic data).

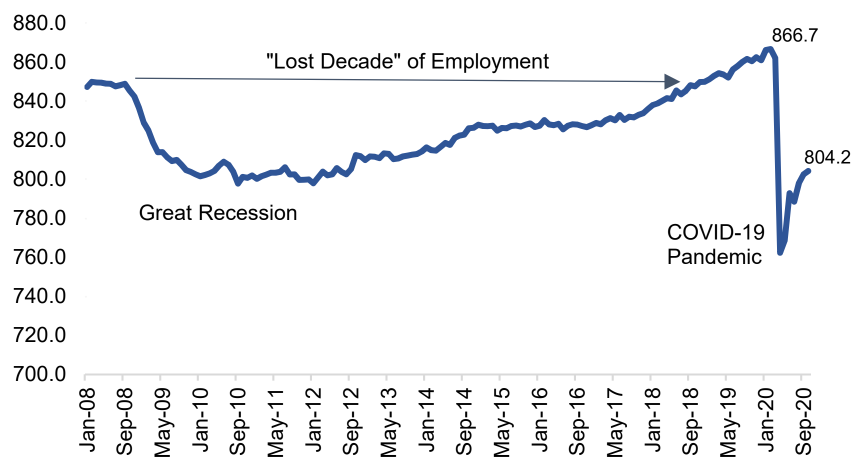
The New Mexico labor-force participation rate, or the share of people 16 years and over working or seeking work, was 56 percent in October, down from about 58.4 percent in February, or a loss of 36.6 thousand New Mexicans.

New Mexico

The state's economic outlook is similarly tied to the success in fighting Covid-19. After continued employment growth in 2019 (12,700 jobs or 1.5 percent), the pandemic arrived and, according to preliminary employer survey data from the Bureau of Labor Statistics (BLS), New Mexico employment is estimated to have contracted 10.7 percent year-over-year in April before recovering to a loss of an estimated 6.5 percent in October. BBER estimates the state lost 80.2 thousand jobs, year-over-year, in the second quarter with more than half of all losses experienced in accommodations and food services (20.4 thousand jobs, or 23.6 percent), trade (12.7 thousand jobs, or 11.7 percent), and mining (7.8 thousand jobs, or 19.8 percent). By October, preliminary data from BLS indicates the state regained roughly 40 percent of the jobs lost from February to April.

While employment collapsed in the second quarter, total personal income in New Mexico soared. According to the Bureau of Economic Analysis, total personal income increased by 12 percent (or $10.4 billion) in the second quarter of 2020, compared with a year earlier. The increase was due to a 59.5 percent increase, or $12.8 billion, in personal transfer payments from the federal CARES Act, which provided stimulus checks, enhanced food stamps, unemployment bonus checks of $600 per

New Mexico Total Nonfarm Employment



Source: Bureau of Labor Statistics (seasonally adjusted) week, unemployment assistance to self-employed New Mexicans, and payroll supports to businesses.

BBER estimates the New Mexico economy will experience slower but steady economic growth through the forecast period, with the state gaining 1.4 percent and 1.3 percent in employment in 2021 and 2022, respectively. However, BBER expects employment will not reach pre-pandemic levels until 2025. With the expiration of CARES Act programs at the end of 2020, personal income growth is expected to plateau in 2021 before returning to moderate growth in 2022 and beyond.

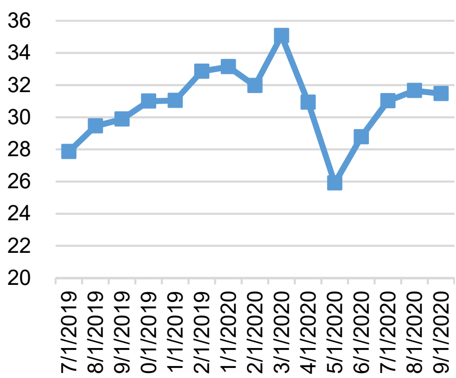
FY	2020	2021	2022
	Actual	Forecast	Forecast
Gross Oil Price ($/bbl)	44.01	38.00	43.50
Net Oil Price ($/bbl)*	38.64	33.36	38.19
Oil Volume (MMbbls)	368	340	330
Gross Natural Gas Price ($/mcf)	1.90	2.55	2.65
Net Natural Gas Price ($/mcf)*	1.01	1.61	1.72
Natural Gas Volume (bcf)	1,829	1,760	1,715

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

Oil and Gas Industry Impacts

The impact on general fund revenues related to oil and gas activity accounts for over 70 percent of the $857 million projected decline in FY21 recurring revenues. This decline is primarily in gross receipts tax collections on drilling activity and royalty revenues from production on federal lands. Had the Legislature not enacted a provision that sends excess oil and gas school tax revenue to the tax stabilization reserve, the impact to the general fund would be even greater (see discussion in the *Severance Taxes* section on page 8).

New Mexico Monthly Oil Production
(millions of barrels)

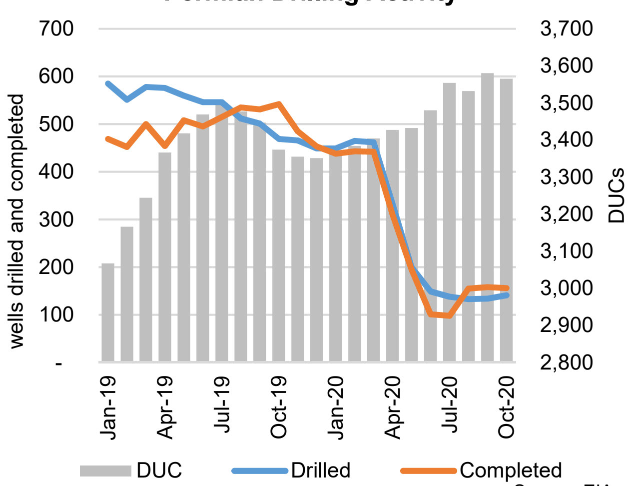


Source: TRD's GenTax Reports

The oil price crash caused by the pandemic's shock to global oil demand led Permian producers to slash spending plans and shut-in wells in the second quarter of 2020. New Mexico's average oil price fell to below $15/bbl in April and recovered to just $37/bbl by September. Active drilling rigs in New Mexico fell from a peak of 117 rigs in March to a low of 41 rigs in September. By the first week of December, the state had 58 active drilling rigs. In May, oil production fell to 25.9 million barrels, down 26 percent from a peak of 35.1 million barrels produced in March. Production began recovering in the following months as shut-in wells came back online, but reduced drilling activity was unable to offset production declines in legacy wells. The state's oil production in September was 31.5 million barrels, up 5.3 percent from the same month last year but still down 7 percent from the March 2020 peak.

Production declines are expected to continue in the fourth quarter of 2020 and first half of 2021 before leveling off; however, updated analysis from energy analytics firms indicate declines in the Permian basin will be less severe than other basins in the U.S. due to lower production costs. In a presentation to LFC last month, Enverus reported portions of the Delaware basin – a sub basin of the Permian that is largely located in New Mexico – have an average breakeven cost of less than $35/bbl, and the energy analytics firm projected only a 7 percent decline in Permian production in FY21 (see Attachment 7). Other updated energy forecasts from the Energy Information Administration and Rystad Energy have similar expectations, along with expectations of resumed production growth in the Permian by late 2021 or early 2022.

Permian Drilling Activity



Source: EIA

Revenue estimators projected in September that New Mexico's FY21 oil production could fall between 13 percent and 30 percent from the 368 million barrels of oil produced in

FY20. However, based on the updated analyses, the current forecast projects state's oil production will drop 7 percent to 340 million barrels in FY21. To meet this forecast, drilling activity will have to increase from current levels, which is a risk to the forecast if this does not occur (see discussion in *Forecast Risks* section on page 8). Although oil production growth is expected to resume in the latter half of 2021, muted growth from a lower base is expected to result in a total of 330 million barrels produced in FY22, a drop of 3 percent from FY21. The forecast assumes New Mexico's oil price will average $38/bbl in FY21 and $43.50/bbl in FY22, with an average differential of about $3-$4/bbl below West Texas Intermediate prices. The potential for prices to be higher or lower than these assumptions presents another risk to the forecast.

Major energy forecasting agencies are also projecting a rise in natural gas prices during the winter months of 2021 and 2022. Rising demand for natural gas, which is separate from oil market demand, is expected to put upward pressure on prices as associated production of natural gas from oil wells declines. New Mexico's natural gas prices are expected to average $2.55 per thousand cubic feet (mcf) in FY21 and $2.65/mcf in FY22, up about 30 cents from the consensus forecast in June. However, elevated deductions from high transportation and processing costs is still expected to weigh on the state's net average natural gas price, which affect the product's taxable value. After accounting for deductions, the expected net price for FY21 and FY22 is $1.61 and $1.72, respectively.

Production of natural gas also did not decline as much as expected in the second and third quarter of 2020 (see Attachment 6). Although declines from legacy wells is expected to outweigh new drilling in the short-term, natural gas production is only expected to drop 3.8 percent in FY21, up from an expected 7 percent to 10 percent decline in the September forecast.

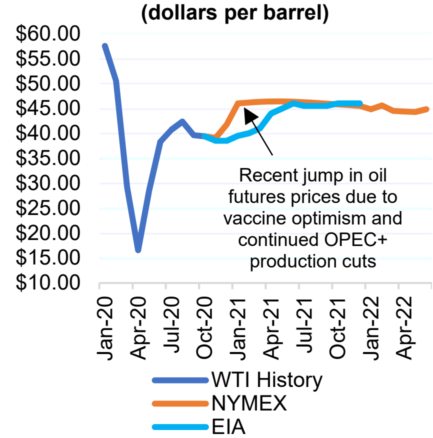
Stress Testing the Revenue Estimate

Sensitivity Analysis

Using alternative macroeconomic scenarios from IHS Markit and Moody's Analytics, the CREG reviewed changes in underlying assumptions 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 alternative pessimistic and optimistic outlooks for the trajectory of the Covid-19 pandemic and economic recovery.

Pessimistic Scenario. IHS Markit and Moody's Analytics assign a 25 percent probability to the pessimistic outlooks used in this scenario, which is characterized by a weaker recovery in consumer spending than the baseline forecast. The scenario assumes an upturn in new virus cases, hospitalizations, and deaths, and therefore assumes a slower pace of

West Texas Intermediate (WTI) Oil Price Forecasts
(dollars per barrel)



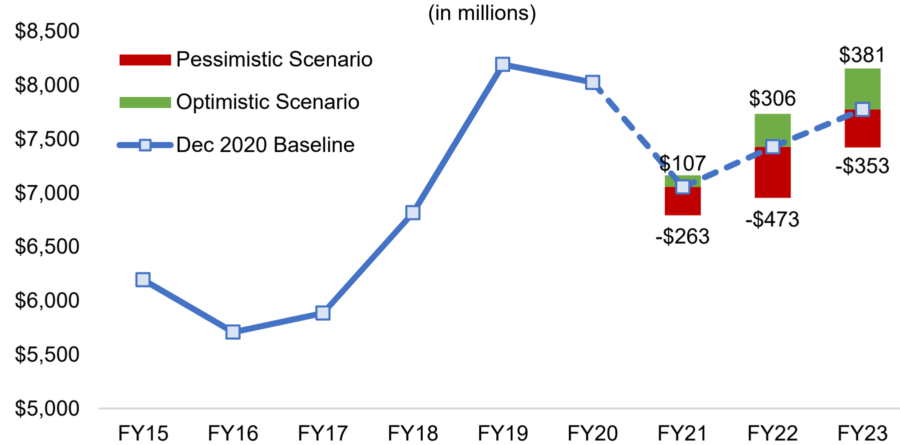
Source: EIA November 2020 Short-Term Energy Outlook, NYMEX Futures 12/4/20

Stress Testing Strengthens the State's Ability to Plan for Alternate Outcomes

In December 2019, the CREG considered a low oil price scenario in which prices fall to $35/bbl for two years. The analysis resulted in projected revenues (including any reserve transfers) below the baseline by $940 million in the first year and $1.2 billion in the second year.

The current forecast, which includes effects of the Covid-19 pandemic and assumes an average New Mexico oil price of $38/bbl in FY21, results in a recurring revenue estimate that is $988 million below the December 2019 forecast (see Attachment 15 for comparison).

General Fund Revenue Sensitivity Analysis
(in millions)



*Includes changes in revenues from severance taxes (including any tax stabilization reserve distributions), federal mineral leasing payments, personal income taxes, and gross receipts taxes.

Source: December 2020 Consensus Revenue Estimate

	Pessimistic			Optimistic		
Scenario	**FY21**	**FY22**	**FY23**	**FY21**	**FY22**	**FY23**
Severance Taxes to GF	-$41	-$74	-$43	$1	$10	$31
Severance Taxes to TSR	-$53	-$49	$12	$22	$95	$93
Federal Mineral Leasing	-$64	-$140	-$79	$29	$99	$141
Gross Receipts Taxes	-$45	-$130	-$165	$31	$54	$65
Personal Income Taxes	-$59	-$80	-$79	$24	$48	$51
Total Difference from Baseline	-$263	-$473	-$353	$107	$306	$381

Note: in millions

"reopening" and recovery of economic activity. Vaccine implementation is assumed to have disappointing results, and renewed containment measures are assumed to affect consumer spending and slow the rise of employment. The scenario assumes no new federal fiscal stimulus but does not assume the economy dips back into recession. Oil prices decline again to the mid-30s due to drops in energy demand, and oil production falls 20 percent in FY21.

Energy prices and production lower than the consensus baseline forecast result in less severance tax, royalty, and drilling-related GRT revenues. Reduced consumer spending and higher unemployment assumptions result in lower GRT and personal income tax collections. Because the state is already facing a down cycle in both the economy and the energy sector, the baseline forecast already expects a loss of $857 million in revenue from FY20 to FY21. This scenario results in further revenue losses below the baseline forecast by another $263 million in FY21 and $473 million in FY22.

Optimistic Scenario. IHS Markit assigns a 25 percent probability to the optimistic outlook used in this scenario, while Moody's Analytics assigns a 10 percent probability to the outlook. This scenario assumes a quicker recovery than the baseline and a new fiscal stimulus package that includes direct payments to households, reintroduction of supplemental unemployment benefits, and extension of the federal pandemic unemployment programs. This scenario also assumes consumer confidence is boosted by vaccine development and widespread vaccine implementation in 2021. Consumers return to spending on retail, hotels, and air travel sooner than expected, which provides a boost to oil demand and prices.

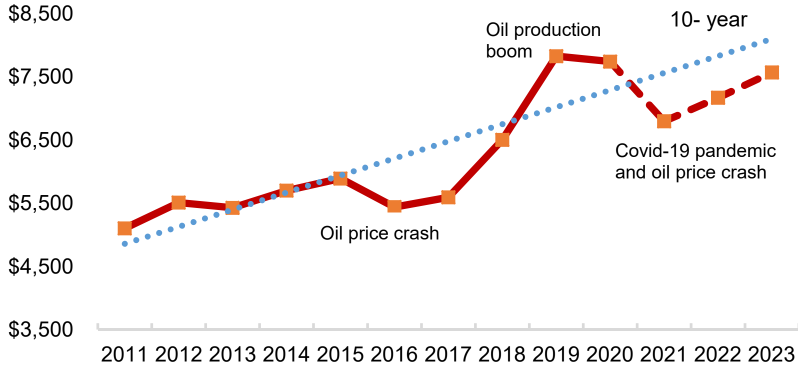
Higher energy prices in this scenario are assumed to result in less production decline than the baseline, leading to additional severance tax, royalty, and drilling-related GRT collections over the baseline. Higher consumer spending and lower unemployment assumptions result in GRT and personal income tax collections above the baseline. This optimistic scenario results in revenue collections above the baseline by $107 million in FY21 and $306 million in FY22, but does not entirely offset the revenue declines from pre-pandemic levels in those fiscal years.

Linear Trend Models

Linear trend models are a simplistic forecasting technique that uses historical data to predict future outcomes. These models can identify cyclical variations, such as business cycles that consist of periods of prosperity followed by periods of recession and then recovery. Recessionary periods will fall below long-term trend lines, while periods of prosperity are above the long-term trend line.

Pew Charitable Trust recommends long-term trend analyses to reduce the negative effects of budgeting on volatile revenues.

Revenue Volatility Analysis: Major Revenue Sources Deviations from 10-year Trend
(in millions)



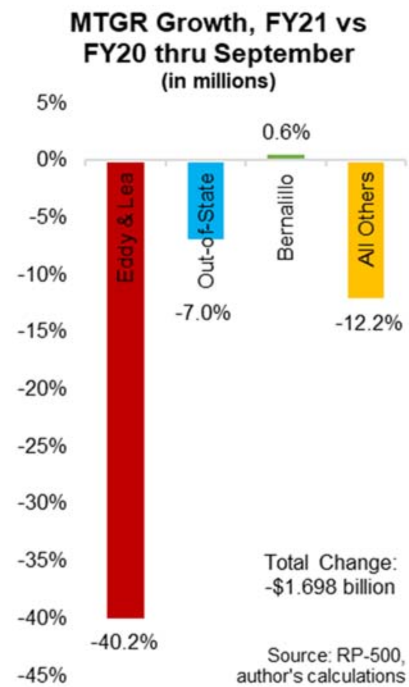
Note: 10-year trend line reflects major revenues from FY11 to FY20; major revenue sources consist of sales taxes, income taxes, severance taxes, rents and royalties, and investment earnings.

Trend Analysis

In addition to the above sensitivity analyses, CREG established a trend analysis framework to analyze the sustainability of current estimates. 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.

Above-Trend Growth Followed by Below-Trend Declines. 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 FY11 to FY20, a 10-year trend line is carried forward through FY23, demonstrating the irregularity of FY19 and FY20 revenues.

In prior forecasts, state economists warned the revenue surges in FY19 and FY20 were significantly above their prior 10-year trends and may not be sustainable over time. Therefore, economists recommended caution when apportioning the revenue surge to recurring expenditures. Similar experiences of significant above-trend revenue growth in 2006-2008 were followed by several years of below trend revenues, forcing a variety of solvency measures including budget reductions and use of reserves. The trend analysis indicates the state is currently experiencing a similar pattern. The forecast period shows substantial deviation above trend before a sharp drop below trend, both as individual revenue sources and in total. In FY19, revenues were $808 million above trend while FY21 is conversely $765 million below trend.



Attachment 15 shows each revenue source's difference from the respective 10-year trend. The most volatility is in GRT and royalty revenues. GRT revenue deviates as high as $293 million above the 10-year trend and as low as $290 million below trend, while rents and royalties revenue deviates as high as $434 million and as low as $268 million.

General Fund Revenue Forecast

Gross Receipts Taxes

Total GRT collections are projected to fall $477 million, or 16 percent, in FY21, making up nearly half of the total projected general fund revenue decline for the fiscal year. Declines in Eddy and Lea counties and drilling-related out-of-state receipts account for over 90 percent of the projected decline in GRT.

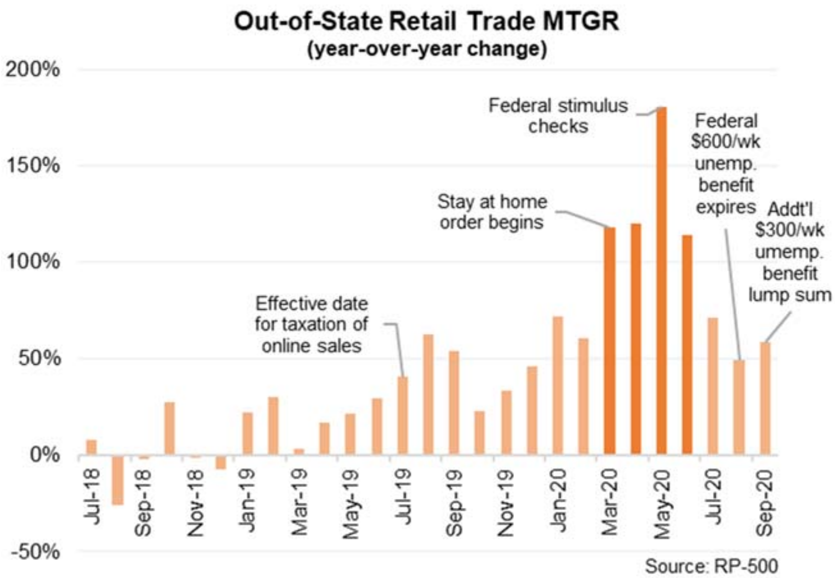
Matched taxable gross receipts (MTGR) – taxable gross receipts matched to tax payments, which best represent overall economic activity in the state compared with other tax data – in Eddy and Lea counties are down 40.2 percent in FY21 through September. In addition to MTGR declines in the mining industry, these two counties account for large portions of the year-to-date declines in construction, manufacturing, real estate, other services, transportation and warehousing, and wholesale trade.

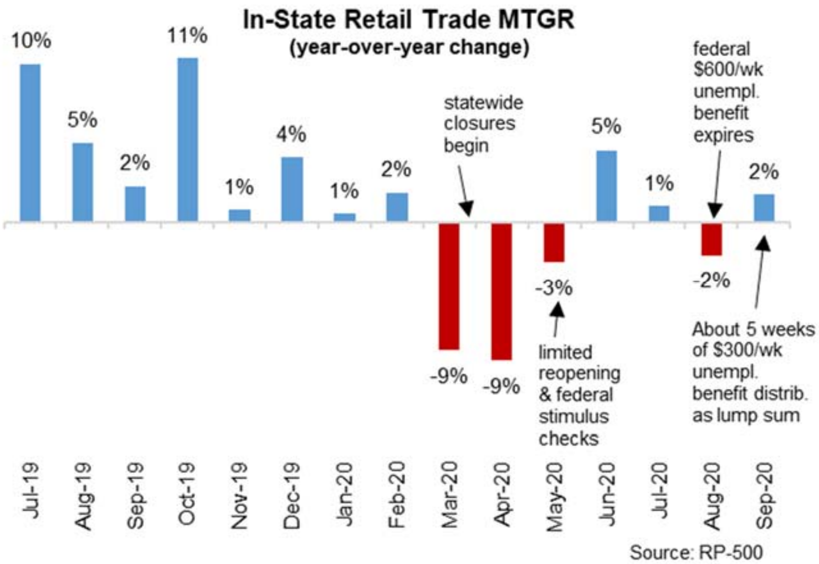
Matched Taxable Gross Receipts by Industry - FY21 vs FY20 thru September

Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, luarrying, and Oil and Gas Extraction	$967,714,312	-$845,735,327	-46.6%
Utilities	$823,753,357	$68,484,781	9.1%
Construction	$2,081,793,722	-$207,536,658	-9.1%
Manufacturing	$453,118,230	-$66,095,994	-12.7%
Wholesale Trade	$642,845,367	-$259,265,803	-28.7%
Retail Trade	$3,921,524,018	$262,136,797	7.2%
Transportation and Warehousing	$171,736,398	-$74,218,833	-30.2%
Information	$490,741,370	-$214,602,060	-30.4%
Real Estate and Rental and Leasing	$396,365,620	-$112,384,839	-22.1%
Professional, Scientific, and Technical Services	$1,666,341,942	$32,027,831	2.0%
Administrative/Support & Waste Management/Remediation	$1,064,604,010	$169,717,651	19.0%
Health Care and Social Assistance	$973,646,768	$129,799,863	15.4%
Leisure and Hospitality Services	$1,052,472,534	-$317,728,439	-23.2%
Other Industries	$1,794,487,600	-$263,033,575	-12.8%
Total	**$16,501,145,248**	**-$1,698,434,604**	**-9.3%**

Source: RP500

Gross receipts in leisure and hospitality services – which includes the accommodation and food services industry and the art, entertainment, recreation industry – is the second hardest hit by the pandemic behind mining. Accommodation and food services MTGR fell 37.5 percent in April from the same month a year ago, and was still down 19.1 percent in September. Arts and recreation MTGR fell 76 percent in April, and by September was still down 50 percent year-over-year. In-state other services – which captures repair and maintenance services, personal care services (e.g. salons, barbershops, etc.), laundry services, and civic and religious organizations – also experienced large declines, falling 21 percent in April and was still down 16 percent in September.





Retail trade MTGR, the state's largest industry that alone accounts for nearly 25 percent of all taxable gross receipts, has been the most resilient throughout the pandemic, continuing to grow each month on a year-over-year basis. Much of the growth in retail trade has been due to online sales, which jumped significantly after the stay-at-home order was issued in March. A number of federal stimulus supports propped up consumer spending from March through September, including: one-time $1,200 stimulus checks, unemployment benefits for those who do not usually qualify such as the self-employed and independent contractors, extra $600/week unemployment benefits through the end of July and another five weeks of extra $300/week unemployment benefits paid out as lump sum in September, and forgivable loans to businesses to encourage keeping employees on the payroll despite business closures.

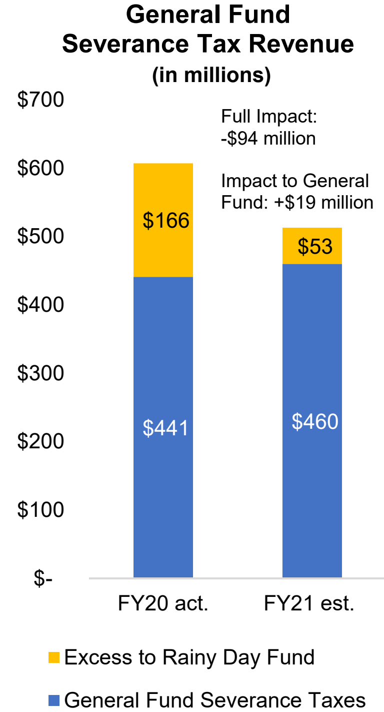
Although overall retail trade receipts have demonstrated growth, many retail businesses were hard hit, particularly small businesses and those with limited or no online presence and small restaurants as consumption shifted toward grocery store purchases. Even though MTGR data shows total retail receipts were up 9.1 percent in September, more granular data shows retail revenues at New Mexico small businesses was down 11 percent that month. Total small business revenue in the state was down 25 percent in September and worsened in the fall, down 40 percent in November (see Attachment 11).

New Mexico's MTGR data suggests consumer spending has been responsive to federal stimulus measures, growing when distributions occur and shrinking when they end.

Severance Taxes

General fund severance taxes – which include the oil and gas emergency school tax, oil conservation tax, resources excise tax, and natural gas processors tax – were $607 million in FY20 and are expected to be $513 million in FY21. Of this amount, $166.1 million was distributed to the tax stabilization reserve in FY20. Had Chapter 3 (HB83) of the 2020 regular session been effective in FY20, this $166.1 million would have been distributed to the new early childhood trust, since that bill contained a provision to send excess school tax revenue to the trust fund if general fund reserves exceed 25 percent of recurring appropriations.

Distributions to Rainy Day Fund Mitigates Negative Budget Effects. The transfers to the tax stabilization reserve are a function of 2017 legislation that sends all oil and gas emergency school tax revenue in excess of the five-year average to this "rainy day fund". The distribution is an inherent buffer for the consensus forecast, as negative impacts of severance tax revenue volatility hits reserves first, reducing negative effects to the general fund. For example, although the severance tax revenue is expected to decline $94 million in FY21, general fund severance tax revenues are expected to increase $19 million. The decline affects the expected excess above the five-year average and only reduces the reserve distribution for that year.



Source: Dec 2020 Consensus Revenue Forecast

Rents and Royalties

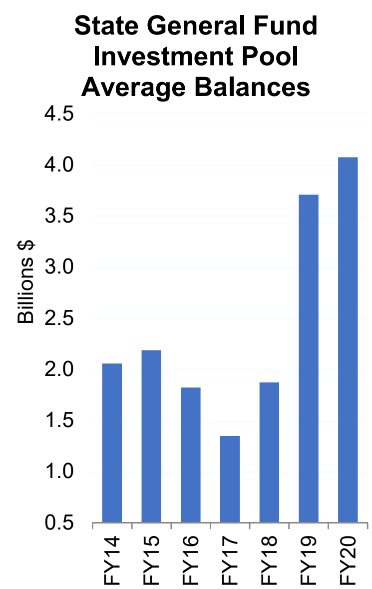
Federal mineral leasing payments – the royalties for oil and gas production on federal lands and bonus payments for federal land leases – are another of the most volatile revenue sources to the general fund, swinging sharply with changes in prices, production, and oil company investment activity. Chapter 3 of the 2020 regular session contained a similar provision attempting to help stabilize these revenues by distributing payments in excess of the five-year average to a newly created early childhood trust fund in FY22.

Unfortunately, with the stabilization provision not yet in effect, the full impact of the FY21 decline in royalty payments is borne by the general fund, a $260 million revenue hit, or 20.7 percent. However, the provision was helpful in mitigating the decline in expected general fund revenue in FY22 – royalty revenues are currently estimated to come in $153 million below the pre-pandemic forecasted amount, but general difference from the pre-pandemic forecast is only about half of that amount.

Under current price and production assumptions, federal royalty revenues are expected to remain below the five-year average for several years, but could distribute $25 million to the trust fund in FY25. If the oil market recovers faster than expected, the provision could potentially send revenue to the trust fund sooner.

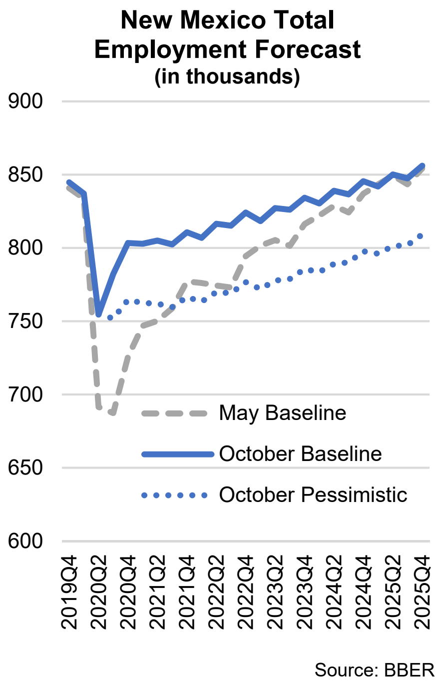
Investment Earnings

Permanent Funds. While general fund revenue declines are expected from nearly every major revenue source, distributions from the state's permanent funds are expected to grow $55 million, or 6.1 percent, in FY21. 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. This provision mitigates the effects of energy busts and market declines. In FY22, the permanent funds are projected to distribute $1 billion to the general fund, making up about 14 percent of recurring revenue. The funds' five-year averages are expected to continue growing throughout the forecast period, resulting in steady growth in general fund distributions.



Sources: State Treasurer's Office, LFC files

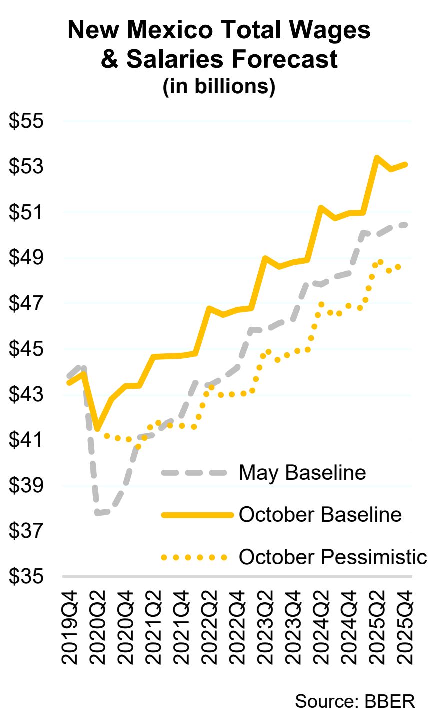
State Treasurer's Office. As general fund revenues climbed through FY19 and into FY20, State General Fund Investment Pool (SGFIP) balances also grew. As the State Treasurer manages larger balances, larger interest earnings are distributed to the general fund. The forecast for FY21 expects that balances begin to decline into the future fiscal years as revenues fall and balances are spent down. General fund balances peaked at $4.6 billion in January before ending the fiscal year at $3.8 billion, down $636.9 million, or 14.2 percent, from the prior year.



Income Taxes

Personal Income Taxes. Both Moody's and BBER estimate that total wages and salaries growth missed pre-pandemic expectations by about 2 percent in FY20 due to the recession. The effects are projected to continue into FY21 before returning to previous trends. The employment outlook was similarly revised down by more than 2 percent in FY20 and by as much as 4.5 percent in FY21. Consequently, FY21 PIT revenues are forecasted to be $90 million less than what was originally expected in December 2019, and $24 million less than FY20 collections.

PIT revenues did not decline in the fourth quarter of FY20 as expected. Despite high unemployment, many of the jobs lost were in lower-income sectors, and while devastating for many New Mexicans, jobs losses did not appear to weigh as heavily on PIT collections as originally feared. Additionally, record-breaking federal stimulus supported the broader economy. By providing transfer payments that boosted consumption and payroll grants intended to keep people employed through the pandemic, the federal government helped prevent sharp income tax declines, leading to revenues that defied the June consensus expectations and pushed up projections for FY21. Although less severe than previously feared, PIT declines are still significant, with an expected drop of $121 million in FY21, or 7.2 percent below FY20.



Corporate Incomes Taxes. The revenue forecast projects a decline in corporate income tax (CIT) revenues by $44.7 million in FY21 as the pandemic-induced recession is expected to result in broad losses to corporate profits. Starting in FY22, growth in corporate profit is expected to result in increasing tax collections, but that growth is projected to be largely offset by increasing film tax credit costs. By FY23, film tax credit costs are projected to exceed CIT revenues. Credits are projected to grow to $146 million or higher in FY23, primarily because of additional productions qualifying for film tax credits, and risks remain as film partners make increased commitments (see film credit discussion in *Forecast Risks* below).

Forecast Risks

While the revenue forecast inherently faces upside and downside risk, the Legislature can prepare for these risks by maintaining adequate reserves and being attentive to revenue trend analyses when constructing recurring budgets.

Oil and Natural Gas Market Dynamics

New Mexico's dependence on the energy sector (see Attachment 8) makes oil market volatility one of the largest, most significant risks to the forecast – on the upside and the downside. A significant portion of the state's revenue is generated from the activities of the petroleum industry. This includes not only direct revenue from severance taxes, bonuses, rents, and royalties, but also includes income taxes from oil companies and industry workers, gross receipts taxes on industry-related activities, and other worker spending.

Declines in oil and gas-related revenues account for over 70 percent of the $857 million projected decline in FY21 general fund revenues, but sooner-than-expected oil price recovery and less-than-expected production declines account for much of the increase in revenue expectations above the June consensus forecast.

While low breakeven costs in New Mexico's Delaware basin may insulate the state from serious production declines in the current low price environment, the state would face a drop in severance tax and royalty revenues if production or prices end up lower than estimated. Alternatively, if prices recover sooner and production levels off or resume growth, the general fund could see sizeable revenue increases even without significant state economic recovery.

Oil prices rallied after the recent announcements of companies seeking FDA approval for developed vaccines, with optimism vaccine implementation in the coming months pushing up expectations for oil demand recovery. If those prices hold, it could present an upside risk to the forecast. However, should issues occur with vaccine implementation, oil demand does not recover as expected, or if OPEC+ does not extend production cut agreements beyond January 2021, it could put downward pressure on prices.

Effect of Changes in Oil and Gas Prices and Volumes

Based on projected FY21 direct oil and gas revenues (severance taxes and federal royalties):

- A $1 change in the annual average NM price of oil has about a $22 million impact on the general fund;
- A 10 cent change in the annual average NM price of natural gas has about a $11 million impact on the general fund;
- Each additional million barrels of oil generates about $2.5 million for the general fund; and
- Each additional 10 billion cubic feet of natural gas generates about $1.5 million for the general fund.

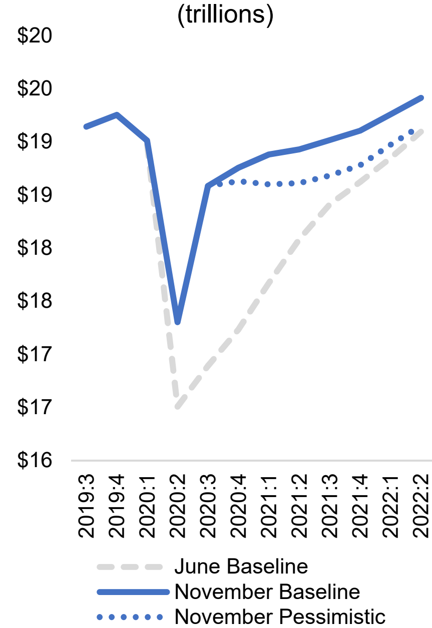
However, these general rules do not consider other indirect impacts of prices and production changes on the general fund, such as gross receipts tax revenue from drilling activity or income taxes from production companies and their employees.

Recession Risks Linger

IHS Markit and Moody's baseline economic forecasts do not assume a return to recession within the forecast period. The baseline forecasts are the underpinnings for the consensus revenue forecast, so that risk is similarly excluded from the revenue projections. Additionally, although their pessimistic scenarios used in the sensitivity analysis assume a drag on the economic recovery, they do not assume a return to recessionary conditions.

However, there is concern the economy could experience a prolonged recession or potential for the economy to fall back into recession in 2021. Among the most concerning reasons the economy may enter a second or prolonged recession are: rising COVID-19 cases and associated hospitalizations, and deaths; a failure to commit to new or continuing federal support for the economy; the slow rate of reopening and pressures on economic activity; renewed caution and retrenchment in consumption; and slowing business investment and employment. Should these economic conditions worsen, the recovery could take significantly longer, with peak U.S. GDP not reached until mid-2022, half a year later than currently expected.

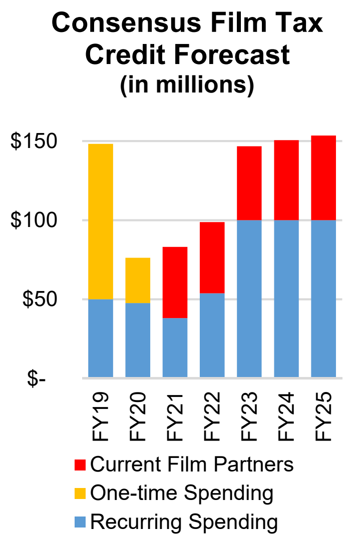
U.S. Real GDP Forecasts
(trillions)



Source: IHS Markit Forecasts

Film Tax Credits

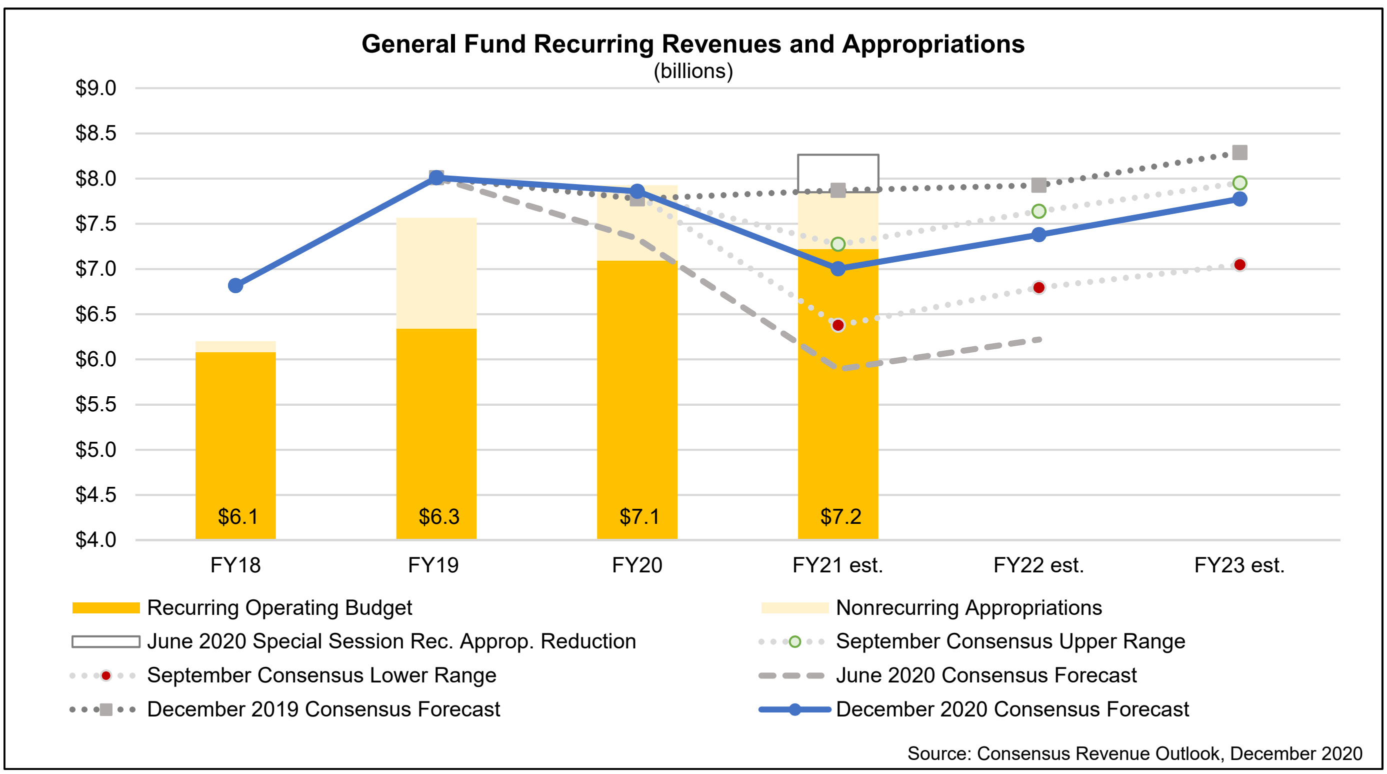
Based on analysis from EDD, total film credits are projected to reach nearly $100 million in FY22 and $147 million by FY23, due to film partners' claims and a growing film presence in the state. Yet, significant risks remain as costs could quickly grow with no way for the state to mitigate costs. If EDD succeeds in attracting new film partners, the credit amount can continue to grow at potentially rapid rates because partners are not subject to the credit cap. For example, Netflix recently announced the doubling of production commitments in the state which were not incorporated into the current CREG forecast. Although more analysis is needed, preliminary estimates indicate the commitment could result in about $25 million more in credits a year, starting in FY22.



In addition to its growth, the film tax credit reduces fiscal stability due to its unpredictable nature and requirement to pay regardless of general fund revenues. Film tax credit claims paid in a given year can be the result of up to three years of prior activity. Coupled with irregular productions and scheduling, future year claims are volatile and difficult to predict. The Economic Development Department is implementing processes to provide timely information on the status of film credit claims. However, film tax credits are unlike other recurring spending in that they must be paid regardless of a financial down turn. Where other spending may be cut to balance budgets, film tax credits could not be cut in a current fiscal year because of the legal duty to provide the promised credits for approved activity.

Tax Protests. Tax abatement and refund claim protests are a downside risk to the forecast. As of April 2020, TRD reported $564 million in outstanding protest claims and $405 million at the legal level waiting for a decision. Protests decided in favor of the taxpayer could result in large general fund losses, exacerbating the significant risk from revenue volatility.

Local Governments Lawsuit. Several local governments filed suit against TRD, claiming the agency incorrectly withheld portions of GRT distributions over several years. Taxpayers often amend previous filings for various reasons, including correcting errors or taking deductions not previously taken, and these amendments can often result in impacts to local governments in addition to the state. However, there are statutory limitations for how TRD is allowed to claw back money from the distributions to local governments as part of correcting the issue to match the amended filings. The local government plaintiffs claim TRD might have incorrectly clawed back more than $10 million. Other local governments may also join the lawsuit, which could cause that estimate to rise significantly.



General Fund Financial Summary:
December 2020 Consensus Revenue Estimate

(millions of dollars)

December 7, 2020 8:32 AM	Actual Unaudited FY2020	Estimate FY2021	Estimate FY2022
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2020 Consensus Revenue Forecast	$ 7,859.3	$ 7,002.5	$ 7,378.5
Total Recurring Revenue	$ 7,859.3	$ 7,002.5	$ 7,378.5
Percent Change in Recurring Revenue	*-1.9%*	*-10.9%*	*5.4%*
Nonrecurring Revenue			
June 2020 Special Session Legislation (SB5 Sweeps) [2]	$ 28.8	$ -	
June 2020 Special Session Legislation (SB5 Road Swaps) [2]	$ 75.0		
December 2020 Preliminary Update	$ 37.0	$ 17.0	
Enhanced FMAP/Medicaid Reversion	$ 135.4		
Transfers/offsets from Coronavirus Relief Fund	$ 46.2		
Federal Stimulus Funds	$ -	$ 750.0	
Total Nonrecurring Revenue	$ 322.3	$ 767.0	
TOTAL REVENUE	**$ 8,181.6**	**$ 7,769.5**	**$ 7,378.5**
APPROPRIATIONS			
Recurring Appropriations			
2018 Session Legislation & Feed Bill	$ -	$ -	
2019 Session Legislation & Feed Bill	$ 7,085.3	$ -	
2020 Regular Session Legislation & Feed Bill	$ 6.8	$ 7,621.4	
2020 Special Session Solvency Savings [2]	$ -	$ (411.9)	
Total Recurring Appropriations	$ 7,092.1	$ 7,209.5	
2020 Special Session Federal Funds Swaps	$ -	$ (146.6)	
Total Operating Budget	$ 7,092.1	$ 7,062.9	
Nonrecurring Appropriations			
2019 Session Nonrecurring Appropriations [1]	$ 431.9	$ -	
2020 Session Nonrecurring Appropriations & Legislation	$ 506.3	$ 320.0	
2020 First Special Session Solvency Savings [2]	$ (104.8)	$ (20.0)	
2020 Second Special Session Appropriations	$ -	$ 329.2	
Total Nonrecurring Appropriations	$ 833.4	$ 629.2	
Subtotal Recurring and Nonrecurring Appropriations	$ 7,925.5	$ 7,692.1	
Audit Adjustments			
2020 GAA Undistributed Nonrecurring Appropriations [3]	$ (259.5)	$ 259.5	
2019 GAA Undistributed Nonrecurring Appropriations [4]	$ (2.1)		
TOTAL APPROPRIATIONS	**$ 7,663.9**	**$ 7,951.6**	
Transfer to (from) Reserves	$ 517.7	$ (182.1)	
GENERAL FUND RESERVES			
Beginning Balances	$ 1,834.1	$ 2,513.5	
Transfers from (to) Appropriations Account	$ 517.7	$ (182.1)	
Revenue and Reversions	$ 240.5	$ 140.0	
Appropriations, Expenditures and Transfers Out	$ (78.9)	$ (54.6)	
Ending Balances	**$ 2,513.5**	**$ 2,406.8**	
Reserves as a Percent of Recurring Appropriations	*35.4%*	*33.4%*	

FY22 New Money: $315.6 million or 4.5%

FY22 New Money less Fed Funds Swap: $169 million or 2.3%

Notes:

1) Laws 2019, Chapter 271 (HB2) contained $31 million in appropriations contingent on the consensus forecast amount presented in August 2019 for FY19 exceeding $7.62 billion. Contingent appropriations include up to $15 million to the Economic Development Department for LEDA projects, up to $11 million to the Department of Transportation for road projects, and up to $5 million to the Higher Education Department to replenish the college affordability endowment [illegible]

2) Laws 2020 First Special Session, Chapter 3 and Chapter 5

3) Many nonrecurring appropriations, including specials and supplementals in the 2020 GAA, had authorization to spend in FY20 or FY21 - amounts that were not allotted in FY20 become encumbrances for FY21

4) Includes special appropriations of the 2019 GAA that had authorization to spend in FY19 or FY20 but were never requested for allotment by the agency - includes $350K State Engineer, $500K Office of Military Base Planning and Support, and $1.2M Department of Finance and Administration

* Note: totals may not foot due to rounding

General Fund Financial Summary:
December 2020 Consensus Revenue Estimate
RESERVE DETAIL
(millions of dollars)

December 7, 2020
8:32 AM

	Actual Unaudited FY2020	Estimate FY2021	Estimate FY2022
OPERATING RESERVE			
Beginning Balance	$ 486.3	$ 507.2	$ 319.4
BOF Emergency Appropriations/Reversions	$ (2.0)	$ (2.5)	$ (2.0)
Transfers from/to Appropriation Account	$ 517.7	$ (182.1)	$ -
Transfers to Tax Stabilization Reserve	$ (448.3)	$ -	$ -
Disaster Allotments [1]	$ (46.6)	$ (3.2)	$ -
Transfer from (to) ACF/Other Appropriations	$ -	$ -	$ -
Transfers from tax stabilization reserve [5,6]	$ -	$ -	$ -
Ending Balance	$ 507.2	$ 319.4	$ 317.4
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 11.7	$ 8.7	$ 0.7
Disaster Allotments	$ (13.3)	$ (16.0)	$ (16.0)
Other Appropriations	$ -	$ -	$ -
Transfers In	$ 2.0	$ -	$ -
Revenue and Reversions	$ 8.3	$ 8.0	$ 8.0
Ending Balance [2]	$ 8.7	$ 0.7	$ (7.3)
STATE SUPPORT FUND			
Beginning Balance	$ 19.1	$ 29.1	$ 39.0
Revenues [3, 7]	$ 10.0	$ 9.9	$ -
Appropriations	$ -	$ -	$ -
Ending Balance	$ 29.1	$ 39.0	$ 39.0
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	$ 228.6	$ 241.3	$ 251.4
Transfers In [4]	$ 33.9	$ 32.9	$ 12.0
Appropriation to Tobacco Settlement Program Fund [4]	$ (17.0)	$ (32.9)	$ (12.0)
Gains/Losses	$ (4.2)	$ 10.1	$ 13.8
Additional Transfers to/from TSPF	$ -	$ -	$ -
Ending Balance	$ 241.3	$ 251.4	$ 265.3
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ 1,088.3	$ 1,727.0	$ 1,796.1
Revenues from Excess Oil and Gas Emergency School Tax	$ 166.1	$ 52.9	$ 49.3
Gains/Losses	$ 24.3	$ 26.1	$ 72.3
Transfers In (From Operating Reserve)	$ 448.3	$ -	$ -
Transfer Out to Operating Reserve [5,6]	$ -	$ -	$ -
Pre-Audit Adjustments [7]	$ -	$ (9.9)	$ -
Ending Balance	$ 1,727.0	$ 1,796.1	$ 1,917.8
Percent of Recurring Appropriations	*24.4%*	*24.9%*	
TOTAL GENERAL FUND ENDING BALANCES	**$ 2,513.5**	**$ 2,406.8**	
Percent of Recurring Appropriations	*35.4%*	*33.4%*	

Notes:

1) DFA using operating reserve to cover disaster allotments due to low balance in the appropriation contingency fund. Includes $35.5 million for COVID-19 related

2) Low balance in the Appropriation Contingency Fund is insufficient to cover disaster allotments, requiring an appropriation to the fund.

3) Laws 2019, Chapter 271 (HB2) contained a $10 million appropriation to the state support reserve fund

4) DFA and LFC estimate $12 million in TSPF revenue due to expected arbitration ruling to affect FY22; LFC assumes legislation will be proposed to use 100% of revenue for tobacco program fund.

5) 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 at least one percent of total appropriations for the current year.

6) Special Session Laws 2020, Chapter 5 (HB1, Section 15-B) authorized a transfer of up to $750 million from the tax stabilization reserve to the operating reserve if FY21 revenues fall short of FY21 appropriations

7) Laws 2020 First Special Session, Chapter 5 (HB1) sent FY20 reversions from the SEG to the state support reserve fund, but reversion was incidentally sent to the wrong fund; therefore, correction was made in FY21 to transfer funds to the correct reserve bucket.

* Note: totals may not foot due to rounding

Legislative Finance Committee

NEW MEXICO

FINANCE FACTS

Understanding State Financial Policy

General Fund Reserves

Because the New Mexico Constitution requires a balanced budget, state government maintains general fund reserves to cover any shortfalls if revenues are unexpectedly low or expenses are unexpectedly high. The general fund reserves are measured as a percentage of recurring appropriations – planned ongoing spending. They are made up of several distinct accounts: the operating reserve, tax stabilization reserve, appropriation contingency fund, and state support reserve fund.

Operating Reserve

Revenues left at the end of the fiscal year are transferred to the operating reserve. If revenues come up short, the governor may transfer money from the operating reserve to cover authorized expenses. The amount the governor can transfer is capped by the Legislature each year in the General Appropriation Act. Once the operating reserve fund hits 8 percent of the prior budget year's recurring appropriations, the excess must be transferred to the tax stabilization reserve by law.

Tax Stabilization Reserve

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) two-thirds of both the House and Senate vote for it.

Additional funds are deposited into the tax stabilization reserve from the oil and gas emergency tax if annual revenue exceeds the five-year average income. This allows the state to capture windfall revenue from the oil and gas industry and moderate the volatility of that revenue source. Other state revenue that also spikes when the energy industry booms – including federal mineral leasing payments, trust land distributions, and gross receipts tax collections – are not captured.

Excess revenue left in the general fund at the end of the year goes into the operating reserve.

Operating reserves exceeding 8 percent of the ongoing appropriations are transferred to the tax stabilization reserve.

Oil and gas school tax revenues exceeding the five-year average are transferred to the tax stabilization reserve.

Until 2017, revenue in the tax stabilization reserve in excess of a specified threshold was transferred to another fund for possible distribution to taxpayers. However, several years of depleted reserves prompted lawmakers to transform the tax stabilization into a true "rainy day" fund.

Appropriation Contingency Fund

The Legislature authorizes revenue going in and out of the appropriation contingency fund. A limited amount of the revenue in the fund can also be spent when the governor declares an emergency. The fund is mostly used to set aside money for use if certain circumstances come into play, such as the start-up of a new program moving faster than funded.

State Support Fund

On the first day of each fiscal year, any balance in the public school district general obligation bonds loan fund over $1 million is transferred state support reserve fund and can only be used to augment certain appropriations to the public schools.

Tobacco Settlement Fund

The tobacco settlement permanent fund was created to hold payments to New Mexico from cigarette companies under the master settlement agreement of 1998. Under the enabling legislation, the settlement payments are split, with half going to the permanent fund and half spent directly on health and education programs. However, during economic hard times, the Legislature has temporarily suspended deposits into the permanent fund and put the entire amount into direct spending.

Money in the tobacco settlement permanent fund is invested by the State Investment Council and interest is credited to the fund. The Legislature may authorize spending from the fund for a budget shortfall only after balances in all other reserve accounts have been exhausted.

For More Information:

•The status of the New Mexico's reserve accounts can be found in the state's general fund financial summary, published on the State Board of Finance's website: http://nmdfa.state.nm.us/Board_of_Finance.aspx

•Statutes governing New Mexico's general fund reserves include 6-4-2.1, 6-4-2.2, 6-4-2.3, 6-4-4, 6-4-9, 7-1-6.61,12-11-24, 22-8-31 NMSA 1978.

General Fund Consensus Revenue Estimate - December 2020 Forecast

Attachment 3

	FY20						FY21						FY22					
Revenue Source	June 2020 Est. Legislation-Adjusted	Sep 2020 Prelim.	Dec 2020 Actual Unaudited	Change from Prior (Sep. 20)	% Change from FY19	$ Change from FY19	Dec 2019 Est. Legislation-Adjusted	June 2020 Est. Legislation-Adjusted	Dec 2020 Est.	Change from Prior (Jun. 20)	% Change from FY20	$ Change from FY20	Dec 2019 Est. Legislation-Adjusted	June 2020 Est. Legislation-Adjusted	Dec 2020 Est.	Change from Prior (Jun. 20)	% Change from FY21	$ Change from FY21
Base Gross Receipts Tax	2,863.5	3,078.6	3,104.1	25.5	11.9%	331.3	3,087.3	2,258.6	2,586.3	327.7	-16.7%	(517.8)	3,056.0	2,404.3	2,680.9	276.6	3.7%	94.6
F&M Hold Harmless Payments	(171.4)	(162.0)	(162.0)	-	42.9%	(48.6)	(121.4)	(132.1)	(121.6)	10.5	-24.9%	40.4	(113.4)	(118.2)	(108.9)	9.3	-10.4%	12.7
NET Gross Receipts Tax	2,692.1	2,916.6	2,942.1	25.5	10.6%	282.7	2,965.8	2,126.5	2,464.7	338.2	-16.2%	(477.4)	2,942.6	2,286.1	2,572.0	285.9	4.4%	107.3
Compensating Tax	55.0	63.8	63.6	(0.2)	-18.8%	(14.7)	85.4	35.8	53.2	17.4	-16.4%	(10.4)	88.0	37.9	37.1	(0.8)	-30.3%	(16.1)
TOTAL GENERAL SALES	2,747.1	2,980.4	3,005.7	25.3	9.8%	268.0	3,051.3	2,162.3	2,517.9	355.6	-16.2%	(487.9)	3,030.6	2,324.0	2,609.1	285.1	3.6%	91.2
Tobacco Taxes	84.0	88.8	88.8	0.0	17.7%	13.4	88.0	84.0	91.5	7.5	3.0%	2.7	88.2	84.0	87.1	3.1	-4.8%	(4.4)
Liquor Excise	24.1	24.7	24.6	(0.1)	-2.7%	(0.7)	23.2	23.8	24.9	1.1	1.2%	0.3	22.3	23.8	24.5	0.7	-1.6%	(0.4)
Insurance Taxes	206.1	258.6	259.2	0.6	19.8%	42.8	215.1	191.9	230.8	38.9	-10.9%	(28.4)	221.9	206.6	246.1	39.5	6.6%	15.3
Fire Protection Fund Reversion	16.9	14.1	-	(14.1)	n/a	-	17.4	17.4	12.0	(5.4)	#DIV/0!	12.0	18.0	18.0	12.0	(6.0)	0.0%	-
Motor Vehicle Excise	118.8	137.1	137.8	0.7	-9.7%	(14.8)	153.5	107.8	156.3	48.5	13.5%	18.5	131.5	103.7	130.3	26.6	-16.6%	(26.0)
Gaming Excise	47.1	46.0	46.0	0.0	-29.1%	(18.9)	68.8	54.0	19.2	(34.8)	-58.3%	(26.8)	70.9	56.6	64.0	7.4	233.3%	44.8
Leased Vehicle & Other	7.4	6.4	6.3	(0.1)	-28.4%	(2.5)	8.3	6.7	4.3	(2.4)	-31.3%	(2.0)	8.3	7.6	5.7	(1.9)	32.6%	1.4
TOTAL SELECTIVE SALES	504.5	575.7	562.6	(13.1)	3.6%	19.4	574.4	485.6	539.0	51.9	-4.2%	(23.6)	561.0	500.3	569.7	67.5	5.7%	30.7
Personal Income Tax	1,476.5	1,676.0	1,691.9	15.9	1.2%	19.8	1,654.1	1,335.2	1,570.6	235.4	-7.2%	(121.3)	1,700.6	1,375.2	1,669.9	294.7	6.3%	99.3
Gross Corporate Income Tax	118.8	136.0	139.5	3.5	-19.3%	(33.3)	133.1	101.6	101.6	-	-27.2%	(37.9)	132.4	87.6	119.8	32.2	17.9%	18.2
CIT Refundable Credits	(78.8)	(76.3)	(76.3)	(0.0)	52.6%	(26.3)	(116.9)	(117.4)	(83.1)	34.3	8.9%	(6.8)	(145.0)	(145.7)	(99.8)	45.9	20.1%	(16.7)
NET Corporate Income Tax	40.0	59.7	63.2	3.5	-48.5%	(59.6)	16.2	(15.8)	18.5	34.3	-70.7%	(44.7)	(12.6)	(58.1)	20.0	78.1	8.1%	1.5
TOTAL INCOME TAXES	1,516.5	1,735.7	1,755.1	19.4	-2.2%	(39.8)	1,670.3	1,319.4	1,589.1	269.7	-9.5%	(166.0)	1,688.1	1,317.1	1,689.9	372.8	6.3%	100.8
Gross Oil and Gas School Tax	504.3	529.8	555.7	25.9	0.1%	0.3	597.5	308.7	473.3	164.6	-14.8%	(82.3)	618.6	346.6	517.0	170.4	9.2%	43.7
Excess to Tax Stabilization Reserve	(114.7)	(140.1)	(166.1)	(26.0)	-9.2%	16.7	(173.2)	-	(52.9)	(52.9)	-68.1%	113.2	(119.0)	-	(49.3)	(49.3)	-6.9%	3.6
NET Oil & Gas School Tax	389.7	389.7	389.6	(0.1)	4.6%	17.0	424.3	308.7	420.4	111.7	7.9%	30.9	499.6	346.6	467.7	121.1	11.3%	47.3
Oil Conservation Tax	26.8	28.2	29.5	1.3	2.8%	0.8	31.6	16.2	24.7	8.5	-16.3%	(4.8)	32.5	18.2	27.0	8.8	9.3%	2.3
Resources Excise Tax	6.8	7.1	7.1	0.0	-8.7%	(0.7)	7.5	6.3	6.7	0.4	-6.3%	(0.4)	7.2	6.9	7.7	0.8	14.9%	1.0
Natural Gas Processors Tax	14.9	14.8	14.8	(0.0)	-2.4%	(0.4)	9.5	9.0	8.2	(0.8)	-44.5%	(6.6)	9.0	6.9	9.6	2.7	17.1%	1.4
TOTAL SEVERANCE TAXES	438.2	439.8	441.0	1.2	4.0%	16.8	472.9	340.2	460.0	119.8	4.3%	19.0	548.3	378.6	512.0	133.4	11.3%	52.0
LICENSE FEES	39.2	38.6	49.5	10.9	-10.7%	(5.9)	53.3	53.3	52.7	(0.6)	6.6%	3.3	54.0	54.0	53.8	(0.1)	2.1%	1.1
LGPF Interest	673.0	673.5	673.5	-	5.5%	34.8	696.5	719.9	719.9	(0.0)	6.9%	46.4	737.4	759.6	771.3	11.7	7.1%	51.5
STO Interest	92.4	91.7	91.8	0.1	5.6%	4.9	59.5	14.8	31.0	16.2	-66.2%	(60.8)	66.8	1.2	23.5	22.3	-24.2%	(7.5)
STPF Interest	225.3	225.3	225.3	-	2.1%	4.7	229.4	234.3	234.0	(0.2)	3.9%	8.7	236.7	241.2	245.1	3.9	4.7%	11.1
TOTAL INTEREST	990.7	990.5	990.6	0.1	4.7%	44.4	985.4	968.9	984.9	16.0	-0.6%	(5.7)	1,040.9	1,002.0	1,039.9	37.9	5.6%	55.0
Gross Federal Mineral Leasing	809.9	816.7	817.1	0.4	-28.7%	(329.7)	817.3	388.1	648.2	260.2	-20.7%	(168.9)	829.8	439.6	677.3	237.7	4.5%	29.1
Excess to Early Childhood Trust Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	n/a	n/a	n/a	(75.0)	-	-	-	n/a	n/a
NET Federal Mineral Leasing	809.9	816.6	817.1	0.5	-28.7%	(329.7)	817.3	388.1	648.2	260.2	-20.7%	(168.9)	754.8	439.6	677.3	237.7	4.5%	29.1
State Land Office	65.0	69.9	69.9	-	-47.2%	(62.6)	74.5	55.1	59.4	4.3	-15.0%	(10.5)	74.7	55.9	60.2	4.3	1.3%	0.8
TOTAL RENTS & ROYALTIES	874.9	886.5	887.0	0.5	-30.7%	(392.2)	891.8	443.2	707.6	264.5	-20.2%	(179.4)	829.5	495.5	737.5	242.0	4.2%	29.9
TRIBAL REVENUE SHARING	41.4	40.0	45.4	5.4	-42.1%	(33.0)	82.0	59.0	53.8	(5.2)	18.4%	8.4	83.8	62.1	68.6	6.5	27.6%	14.8
MISCELLANEOUS RECEIPTS	40.2	39.5	41.9	2.4	-21.9%	(11.7)	49.2	44.7	47.5	2.8	13.4%	5.6	49.4	47.0	47.9	0.9	1.0%	0.5
REVERSIONS	91.7	91.7	81.1	(10.6)	-16.2%	(15.6)	40.0	40.0	50.0	10.0	-38.3%	(31.1)	40.0	40.0	50.0	10.0	0.0%	-
TOTAL RECURRING	7,284.3	7,818.4	7,859.8	41.4	-1.9%	(149.6)	7,870.5	5,916.6	7,002.5	1,085.9	-10.9%	(857.4)	7,925.6	6,220.6	7,378.5	1,157.9	5.4%	376.0
TOTAL NONRECURRING	244.3	244.3	322.4	78.1	-425.0%	421.6	2.9	2.9	17.0	14.1	-94.7%	(305.4)				-	n/a	(17.0)
GRAND TOTAL	7,528.6	8,062.7	8,182.2	119.5	3.4%	271.9	7,873.4	5,919.5	7,019.5	1,100.0	-14.2%	(1,162.7)	7,925.6	6,220.6	7,378.5	1,157.9	5.1%	359.0

Note: Columns in blue show difference between June 2020 Consensus Revenue Estimate and December 2020 Consensus Revenue Estimate

Note: Columns in red show year-over-year growth expected in the December 2020 Consensus Revenue Estimate

General Fund Consensus Revenue Estimate - December 2020 Forecast

Attachment 3

Revenue Source	FY23 Dec 2019 Est. Legislation Adjusted	FY23 Dec 2020 Est.	FY23 Change from Prior (Dec. 19)	FY23 % Change from FY22	FY23 $ Change from FY22	FY24 Dec 2019 Est. Legislation Adjusted	FY24 Dec 2020 Est.	FY24 Change from Prior (Dec. 19)	FY24 % Change from FY23	FY24 $ Change from FY23	FY25 Dec 2020 Est.	FY25 % Change from FY24	FY25 $ Change from FY24
Base Gross Receipts Tax	*3,138.2*	*2,818.3*	*(319.9)*	*5.1%*	*137.4*	*3,240.5*	*2,917.4*	*(323.1)*	*3.5%*	*99.1*	*3,043.4*	*4.3%*	*126.0*
F&M Hold Harmless Payments	*(105.0)*	*(97.9)*	*7.1*	*-10.1%*	*11.0*	*(96.4)*	*(86.6)*	*9.8*	*-11.5%*	*11.3*	*(74.7)*	*-13.7%*	*11.9*
NET Gross Receipts Tax	3,034.3	2,720.4	(313.9)	5.8%	148.4	3,146.1	2,830.8	(315.3)	4.1%	110.4	2,968.7	4.9%	137.9
Compensating Tax	90.6	39.0	(51.7)	5.1%	1.9	93.4	40.3	(53.0)	3.5%	1.4	42.1	4.3%	1.7
TOTAL GENERAL SALES	3,124.9	2,759.3	(365.6)	5.8%	150.3	3,239.5	2,871.1	(368.4)	4.1%	111.8	3,010.8	4.9%	139.6
Tobacco Taxes	86.9	86.1	(0.8)	-1.1%	(1.0)	85.6	84.9	(0.7)	-1.4%	(1.2)	83.4	-1.8%	(1.5)
Liquor Excise	22.2	24.7	2.5	0.8%	0.2	22.1	24.9	2.8	0.8%	0.2	25.0	0.4%	0.1
Insurance Taxes	228.0	261.7	33.7	6.3%	15.6	234.1	278.8	44.7	6.5%	17.1	294.4	5.6%	15.6
Fire Protection Fund Reversion	18.5	12.5	(6.0)	4.2%	0.5	19.1	13.0	(6.1)	4.0%	0.5	13.5	3.8%	0.5
Motor Vehicle Excise	136.0	134.6	(1.4)	3.3%	4.3	140.8	140.2	(0.6)	4.2%	5.6	145.2	3.6%	5.0
Gaming Excise	72.4	65.2	(7.2)	1.9%	1.2	73.5	64.7	(8.8)	-0.8%	(0.5)	64.1	-0.9%	(0.6)
Leased Vehicle & Other	8.2	5.9	(2.3)	3.5%	0.2	-	5.9	5.9	0.0%	-	5.6	-5.1%	(0.3)
TOTAL SELECTIVE SALES	572.2	590.7	18.5	3.7%	21.0	575.2	612.4	37.2	3.7%	21.7	631.2	3.1%	18.8
Personal Income Tax	1,741.6	1,770.4	28.8	2.4%	100.5	1,783.6	1,847.9	64.3	2.4%	77.4	1,914.1	2.4%	66.2
Gross Corporate Income Tax	*132.6*	*129.6*	*(3.0)*	*8.2%*	*9.8*	*132.6*	*133.5*	*0.9*	*3.0%*	*3.9*	*139.4*	*4.4%*	*5.9*
CIT Refundable Credits	*(165.0)*	*(146.6)*	*18.4*	*46.9%*	*(46.8)*	*(155.0)*	*(150.5)*	*4.5*	*2.6%*	*(3.9)*	*(153.5)*	*2.0%*	*(3.0)*
NET Corporate Income Tax	(32.4)	(17.0)	15.3	-185.2%	(37.0)	(22.4)	(17.0)	5.4	-0.2%	0.0	(14.1)	-17.1%	2.9
TOTAL INCOME TAXES	1,715.7	1,753.4	37.7	3.8%	63.5	1,767.6	1,830.9	63.2	4.4%	77.4	1,900.0	3.8%	69.1
Gross Oil and Gas School Tax	*654.4*	*558.4*	*(96.0)*	*8.0%*	*41.4*	*680.0*	*591.2*	*(88.8)*	*5.9%*	*32.8*	*630.1*	*6.6%*	*38.9*
Excess to Tax Stabilization Reserve	*(91.8)*	*(48.2)*	*(43.6)*	*-2.3%*	*(1.2)*	*(77.2)*	*(59.4)*	*(17.8)*	*23.4%*	*11.3*	*(91.2)*	*53.4%*	*31.7*
NET Oil & Gas School Tax	562.6	510.3	(52.3)	9.1%	42.6	602.8	531.8	(71.0)	4.2%	21.5	539.0	1.3%	7.2
Oil Conservation Tax	34.4	29.1	(5.3)	7.8%	2.1	35.7	30.7	(5.0)	5.5%	1.6	32.7	6.5%	2.0
Resources Excise Tax	7.0	7.5	0.5	-2.6%	(0.2)	7.0	7.6	0.6	1.3%	0.1	7.7	1.3%	0.1
Natural Gas Processors Tax	10.6	11.6	1.0	20.8%	2.0	11.3	11.8	0.5	1.7%	0.2	12.0	1.7%	0.2
TOTAL SEVERANCE TAXES	614.6	558.5	(56.1)	9.1%	46.5	656.8	581.9	(74.9)	4.2%	23.4	591.4	1.6%	9.5
LICENSE FEES	54.7	54.1	(0.5)	0.5%	0.3	55.4	54.5	(0.9)	0.7%	0.4	55.1	1.0%	0.5
LGPF Interest	783.0	817.8	34.8	6.0%	46.5	822.4	844.2	21.8	3.2%	26.3	879.4	4.2%	35.2
STO Interest	72.3	16.5	(55.8)	-29.8%	(7.0)	72.3	19.4	(52.9)	17.6%	2.9	19.4	0.0%	-
STPF Interest	244.1	254.2	10.1	3.7%	9.1	248.6	257.1	8.5	1.2%	2.9	261.9	1.8%	4.8
TOTAL INTEREST	1,099.4	1,088.5	(10.9)	4.7%	48.6	1,143.3	1,120.7	(22.6)	3.0%	32.2	1,160.7	3.6%	40.0
Gross Federal Mineral Leasing	866.5	*750.0*	(116.5)	10.7%	72.7	901.8	*796.8*	(105.0)	6.2%	46.8	*841.6*	5.6%	44.8
Excess to Early Childhood Trust Fund	(33.0)	-	*33.0*	*n/a*	*n/a*	(8.0)	-	*8.0*	*n/a*	*n/a*	*(35.7)*	*n/a*	(35.7)
NET Federal Mineral Leasing	866.5	750.0	(116.5)	10.7%	72.7	901.8	796.8	(105.0)	6.2%	46.8	805.9	1.1%	9.1
State Land Office	75.0	61.2	(13.8)	1.7%	1.0	75.5	62.4	(13.1)	2.0%	1.2	63.7	2.1%	1.3
TOTAL RENTS & ROYALTIES	941.5	811.2	(130.3)	10.0%	73.7	977.3	859.2	(118.1)	5.9%	48.0	869.6	1.2%	10.4
TRIBAL REVENUE SHARING	84.7	69.1	(15.7)	0.6%	0.4	87.4	70.2	(17.3)	1.6%	1.1	71.3	3.2%	1.1
MISCELLANEOUS RECEIPTS	41.9	40.0	(1.9)	-16.5%	(7.9)	42.3	39.2	(3.1)	-2.0%	(0.8)	39.1	-0.2%	(0.1)
REVERSIONS	40.0	50.0	10.0	0.0%	-	40.0	50.0	10.0	0.0%	-	50.0	0.0%	-
TOTAL RECURRING	8,287.1	7,774.8	(512.3)	5.4%	396.3	8,582.2	8,090.1	(492.1)	4.1%	315.2	8,379.0	3.6%	289.0
TOTAL NONRECURRING			-	n/a	-			-	n/a	-		n/a	-
GRAND TOTAL	8,287.1	7,774.8	(512.3)	5.4%	396.3	-	8,090.1	8,090.1	4.1%	315.2	8,379.0	3.6%	289.0

Note: Columns in blue show difference between December 2019 Consensus Revenue Estimate and December 2020 Consensus Revenue Estimate
Note: Columns in red show year-over-year growth expected in the December 2020 Consensus Revenue Estimate

12/4/2020

FISCAL YEAR 2021 GENERAL FUND MONTHLY REVENUE TRACKING

(dollars in millions; italics indicate preliminary actual revenue; bold indicates actual revenue)

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	ESTIMATED REVENUE ACCRUALS												FY21	TRACKING CHANGE		
	July Actual	Aug Prelim.	Sept Prelim.	Oct Est.	Nov Est.	Dec Est.	Jan Est.	Feb Est.	Mar Est.	Apr Est.	May Est.	June Est.	Actual + Estimate	FY21 Dec. Forecast	% Diff.	$ Diff.
Gross Receipts Tax	220.5	227.0	205.6	207.1	189.5	243.0	176.3	183.4	200.1	206.8	206.4	199.2	2,464.7	2,464.7	0.0%	0.0
Compensating Tax	4.3	1.8	7.6	3.0	3.7	5.8	5.7	5.5	4.9	1.5	4.6	5.3	53.7	53.2	1.1%	0.6
TOTAL GENERAL SALES TAXES	224.8	228.9	213.2	210.1	193.1	248.7	182.0	188.9	205.0	208.3	211.0	204.5	2,518.5	2,517.9	0.0%	0.6
Tobacco Products & Cigarette Taxes	7.6	8.6	7.1	7.7	7.2	7.9	6.0	8.5	6.5	7.3	7.9	9.3	91.7	91.5	0.2%	0.2
Liquor Excise Tax	1.7	2.5	2.1	2.1	2.2	2.6	1.6	1.7	2.1	2.0	2.1	2.5	25.0	24.9	0.5%	0.1
Insurance Premiums Tax	1.1	28.9	29.5	1.4	0.4	0.4	56.0	0.4	56.0	0.4	0.4	56.0	230.8	230.8	0.0%	0.0
Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	12.0	12.0	12.0	0.0%	-
Motor Vehicle Excise Tax	15.6	14.5	14.7	12.6	11.4	11.4	12.4	10.8	13.8	12.8	13.2	13.3	156.3	156.3	0.0%	0.0
Gaming Excise Tax	0.0	0.0	0.0	2.1	2.0	2.1	2.1	2.1	2.3	2.2	2.3	2.1	19.2	19.2	0.2%	0.0
Leased Vehicle Surcharge & Other	0.3	0.4	0.4	0.4	0.3	0.3	0.8	0.2	0.3	0.3	0.3	0.3	4.4	4.3	3.0%	0.1
TOTAL SELECTIVE SALES TAXES	26.3	54.9	53.9	26.2	23.5	24.6	79.0	23.8	81.0	24.9	26.1	95.4	539.5	539.0	0.1%	0.5
Withholding	133.2	109.9	121.4	110.5	121.6	157.4	126.3	117.9	129.1	106.2	116.8	127.5	1,477.9	1,477.9	0.0%	(0.0)
Final Settlements	27.3	65.8	22.6	15.0	21.5	13.1	19.0	39.1	164.0	25.6	62.1	45.0	519.9	519.9	0.0%	0.0
Oil and Gas Withholding Tax	4.8	5.3	14.4	19.5	0.9	5.7	8.8	1.8	6.2	10.3	1.9	22.4	102.1	102.1	0.0%	(0.0)
Fiduciary Tax	0.3	1.5	(0.8)	(0.1)	(0.2)	0.2	(0.7)	(0.1)	5.8	(0.0)	1.4	(1.1)	6.3	6.3	0.1%	0.0
Gross Personal Income Tax	165.6	182.5	157.6	144.9	143.8	176.4	153.5	158.7	305.1	142.1	182.3	193.8	2,106.1	2,106.1	0.0%	0.0
Transfer to PIT Suspense	(6.3)	(8.8)	(29.0)	(9.9)	(10.4)	(109.2)	(130.0)	(79.2)	(64.5)	(23.3)	(16.3)	(15.6)	(502.6)	(502.6)	0.0%	0.0
Retiree Health Care	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(32.9)	(32.9)	0.0%	0.0
Less: Refunds, distributions to other funds	(9.0)	(11.5)	(31.7)	(12.6)	(13.2)	(111.9)	(132.8)	(82.0)	(67.3)	(26.1)	(19.0)	(18.4)	(535.5)	(535.5)	0.0%	0.0
NET PERSONAL INCOME TAX	156.6	170.9	125.8	132.3	130.7	64.5	20.7	76.8	237.8	116.0	163.3	175.4	1,570.6	1,570.6	0.0%	0.1
CORPORATE INCOME TAX	19.1	(2.9)	13.4	(0.7)	(2.2)	2.0	(3.7)	(1.9)	2.1	(4.5)	(5.1)	2.9	18.5	18.5	0.3%	0.0
TOTAL INCOME TAXES	175.7	168.0	139.2	131.5	128.5	66.5	16.9	74.8	239.9	111.5	158.2	178.4	3,159.8	1,589.1	98.8%	1,570.7
Oil and Gas School Tax	39.5	40.2	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	25.4	420.4	420.4	0.0%	(0.0)
Oil Conservation Tax	2.1	2.2	2.3	2.3	2.1	1.9	1.7	1.6	1.9	1.7	2.1	2.1	24.0	24.7	-2.8%	(0.7)
Resources Excise Tax	0.4	0.5	0.2	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	6.2	6.7	-7.8%	(0.5)
Natural Gas Processors Tax	0.8	0.9	0.9	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7	0.7	8.7	8.2	5.5%	0.5
TOTAL MINERAL PROD. TAXES	42.8	43.7	38.5	38.6	38.3	38.2	38.0	37.9	38.2	38.0	38.3	28.7	459.2	460.0	-0.2%	(0.8)
LICENSE FEES	0.4	2.5	2.5	2.3	2.2	7.9	4.0	4.3	7.5	13.3	2.6	2.9	52.3	52.7	-0.8%	(0.4)
Land Grant Perm. Fund Distributions	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	720.0	719.9	0.0%	0.1
State Treasurer's Earnings	3.5	0.5	1.1	(1.3)	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	31.0	31.0	0.0%	(0.0)
Severance Tax Perm. Fund Distributions	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	234.0	234.0	0.0%	0.0
TOTAL INVESTMENT EARNINGS	83.1	80.1	80.6	78.2	82.9	82.9	82.9	82.9	82.9	82.9	82.9	82.9	985.0	984.9	0.0%	0.1
Federal Mineral Leasing Royalties	14.1	31.3	39.2	108.5	57.4	52.1	52.1	52.1	52.1	52.1	52.1	84.9	648.2	648.2	0.0%	(0.0)
State Land Office Bonuses, Rents	2.6	2.3	1.7	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	59.4	59.4	0.0%	(0.0)
TOTAL RENTS & ROYALTIES	16.7	33.6	40.9	114.4	63.3	58.0	58.0	58.0	58.0	58.0	58.0	90.8	707.6	707.6	0.0%	(0.0)
TRIBAL REVENUE SHARING	0.0	0.1	7.5	0.9	0.7	13.1	1.0	0.9	14.0	0.8	0.7	14.1	53.8	53.8	0.1%	0.0
MISCELLANEOUS RECEIPTS	0.4	1.0	1.1	1.0	16.5	1.2	1.4	1.2	1.2	1.2	1.2	19.4	46.8	47.5	-1.5%	(0.7)
REVERSIONS	0.0	0.0	0.0	0.2	0.7	1.9	2.5	3.7	6.3	0.5	-	34.2	50.0	50.0	0.0%	(0.0)
TOTAL RECURRING REVENUE	570.2	612.7	577.4	603.5	549.6	543.0	465.7	476.2	733.9	539.4	579.1	751.3	7,001.9	7,002.5	0.0%	(0.6)
Non-Recurring	0.0	-	-	-	-	-	-	-	-	-	-	-	0.0	-		0.0
Additional Transfers *	-	-	-	-	-	-	-	-	-	-	-	17.0	17.0	17.0		-
TOTAL NON-RECURRING REVENUE	0.0	-	-	-	-	-	-	-	-	-	-	17.0	17.0	17.0		0.0
GRAND TOTAL REVENUE	570.2	612.7	577.4	603.5	549.6	543.0	465.7	476.2	733.9	539.4	579.1	768.3	7,018.9	7,019.5	0.0%	(0.5)

Estimates are developed by LFC and based on the consensus revenue estimate and historical monthly patterns.

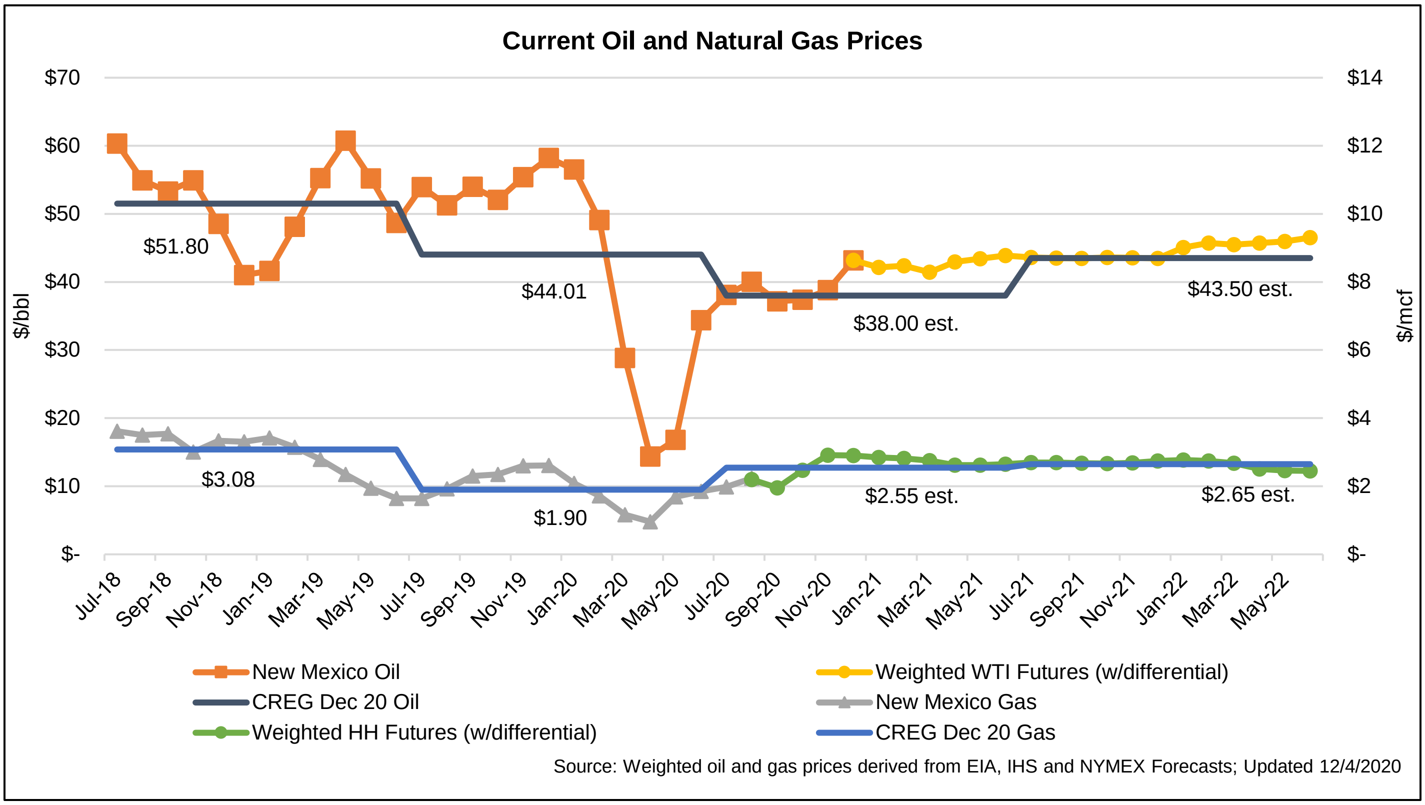
*Nonrecurring estimates for HB 349 from the 2020 regular session include $2.9 million in reversions for general fund capital projects overfunded in the bill. Also includes $14.1 million for FY20 fire protection fund reversion submitted too late for inclusion in FY20 audit..

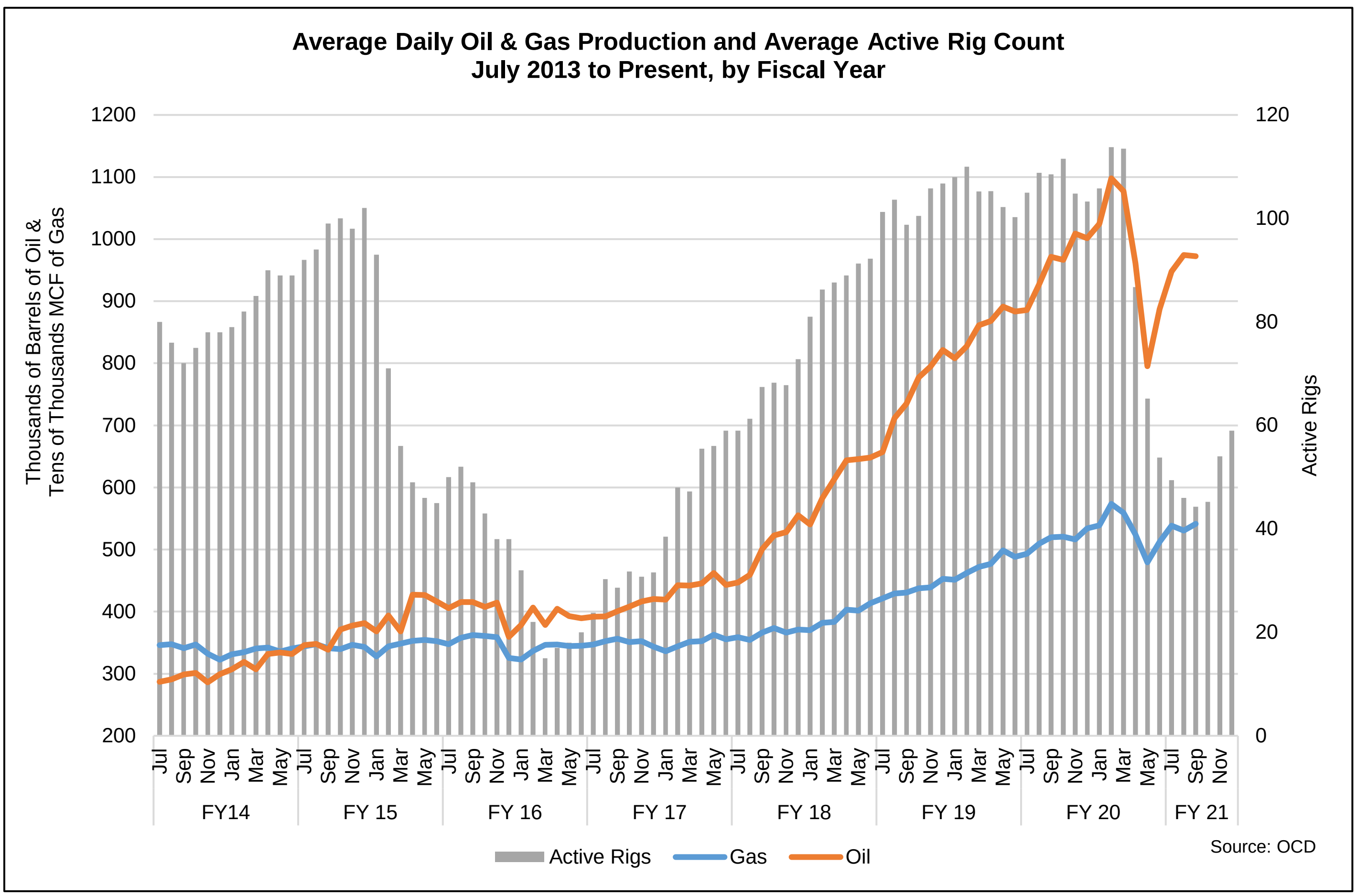
U.S. and New Mexico Economic Indicators

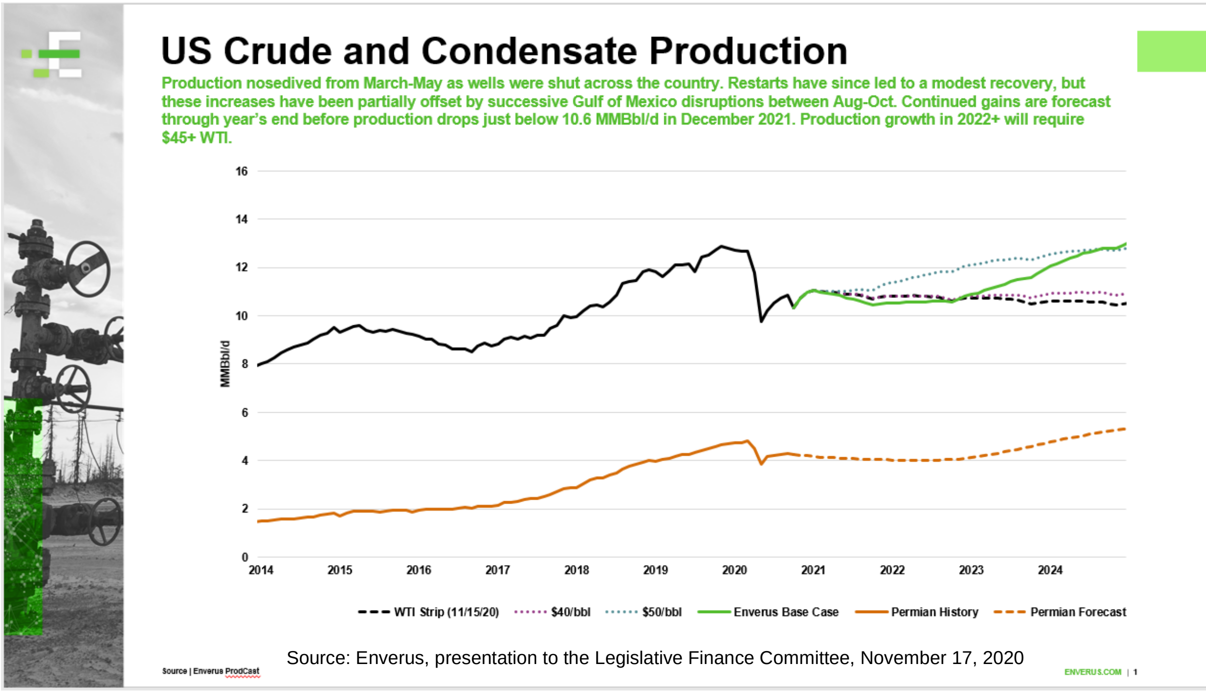
		FY20 May 20 Forecast	FY20 Dec 20 Forecast	FY21 May 20 Forecast	FY21 Dec 20 Forecast	FY22 May 20 Forecast	FY22 Dec 20 Forecast	FY23 Dec 20 Forecast	FY24 Dec 20 Forecast	FY25 Dec 20 Forecast
	National Economic Indicators									
IHS	US Real GDP Growth (annual avg.,% YOY)*	-1.6	**-1.1**	-3.9	**0.6**	6.7	**2.2**	**2.7**	**2.7**	**3.0**
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	-1.2	**-1.1**	-3.8	**0.7**	5.3	**4.2**	**4.3**	**2.8**	**2.2**
IHS	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.6	**1.6**	1.1	**1.7**	1.7	**2.6**	**2.4**	**2.1**	**2.1**
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.6	**1.6**	1.0	**1.4**	2.9	**2.3**	**2.7**	**2.6**	**2.4**
IHS	Federal Funds Rate (%)	1.3	**1.3**	0.1	**0.1**	0.1	**0.1**	**0.1**	**0.1**	**0.1**
Moody's	Federal Funds Rate (%)	1.3	**1.3**	0.1	**0.1**	0.1	**0.1**	**0.1**	**0.5**	**1.5**
	New Mexico Labor Market and Income Data									
BBER	NM Non-Agricultural Employment Growth (%)	-3.3	**-1.1**	-9.1	**-2.3**	6.2	**1.4**	**1.5**	**1.4**	**1.3**
Moody's	NM Non-Agricultural Employment Growth (%)	-1.7	**-1.2**	-3.2	**-4.4**	2.0	**2.2**	**2.7**	**1.9**	**0.7**
BBER	NM Nominal Personal Income Growth (%)***	5.8	**4.2**	3.5	**4.8**	-2.1	**0.0**	**2.6**	**4.3**	**4.3**
Moody's	NM Nominal Personal Income Growth (%)***	3.7	**8.7**	-0.3	**0.1**	3.0	**0.5**	**5.0**	**4.7**	**4.4**
BBER	NM Total Wages & Salaries Growth (%)	1.6	**3.1**	-6.0	**1.3**	7.2	**3.9**	**4.4**	**4.5**	**4.3**
Moody's	NM Total Wages & Salaries Growth (%)	1.2	**3.3**	-3.5	**0.4**	3.4	**3.3**	**4.7**	**5.3**	**4.3**
BBER	NM Private Wages & Salaries Growth (%)	0.5	**2.7**	-8.9	**1.7**	9.5	**4.8**	**5.0**	**4.9**	**4.7**
BBER	NM Real Gross State Product (% YOY)	-0.5	**1.6**	-4.7	**-0.9**	6.6	**2.3**	**2.0**	**1.9**	**2.5**
Moody's	NM Real Gross State Product (% YOY)	0.3	**0.3**	-1.8	**-0.1**	5.2	**3.3**	**3.9**	**2.5**	**1.8**
CREG	NM Gross Oil Price ($/barrel)	$42.50	**$44.01**	$31.00	**$38.00**	$41.00	**$43.50**	**$47.00**	**$47.50**	**$48.50**
CREG	NM Net Oil Price ($/barrel)*****	$37.32	**$38.64**	$27.22	**$33.36**	$36.00	**$38.19**	**$41.27**	**$41.71**	**$42.58**
CREG	NM Taxable Oil Volumes (million barrels)	355.0	**368.1**	255.0	**340.0**	225.0	**330.0**	**340.0**	**355.0**	**370.0**
	NM Taxable Oil Volumes (%YOY growth)	18.0%	**22.0%**	-28.0%	**-7.6%**	-12.0%	**-2.9%**	**3.0%**	**4.4%**	**4.2%**
CREG	NM Gross Gas Price ($ per thousand cubic feet)****	$2.00	**$1.90**	$2.20	**$2.55**	$2.35	**$2.65**	**$2.55**	**$2.65**	**$2.75**
CREG	NM Net Gas Price ($ per thousand cubic feet)*****	$1.20	**$1.01**	$1.44	**$1.61**	$1.57	**$1.72**	**$1.63**	**$1.72**	**$1.81**
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,755	**1,829**	1,515	**1,760**	1,415	**1,715**	**1,755**	**1,785**	**1,815**
	NM Taxable Gas Volumes (%YOY growth)	17.0%	**17.0%**	-13.7%	**-3.8%**	-6.6%	**-2.6%**	**2.3%**	**1.7%**	**1.7%**

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 IHS Markit (November) 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 - October 2020 FOR-UNM baseline. IHS Global Insight - November 2020 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: October 2020 Moody's economy.com baseline

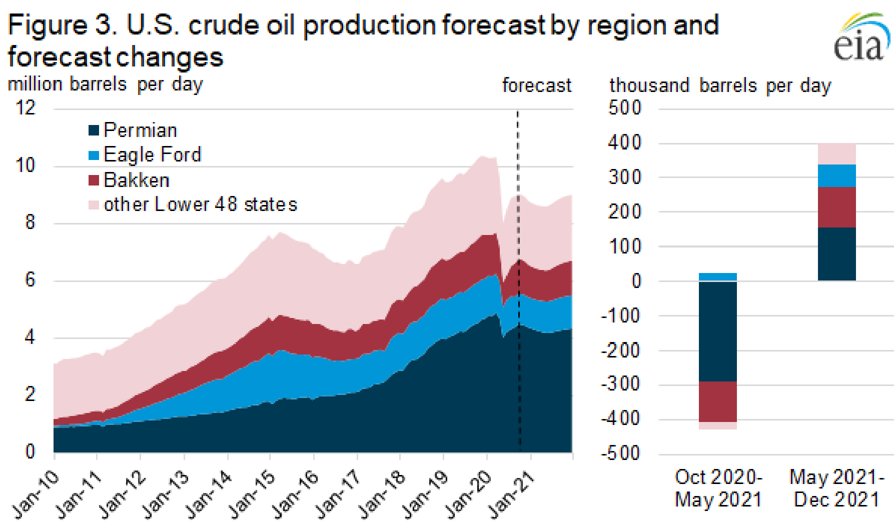

Current Oil and Natural Gas Prices
$/bbl
$/mcf
$51.80
$44.01
$38.00 est.
$43.50 est.
$3.08
$1.90
$2.55 est.
$2.65 est.
New Mexico Oil
CREG Dec 20 Oil
Weighted HH Futures (w/differential)
Weighted WTI Futures (w/differential)
New Mexico Gas
CREG Dec 20 Gas
Source: Weighted oil and gas prices derived from EIA, IHS and NYMEX Forecasts; Updated 12/4/2020


Average Daily Oil & Gas Production and Average Active Rig Count
July 2013 to Present, by Fiscal Year
Thousands of Barrels of Oil &
Tens of Thousands MCF of Gas
Active Rigs
FY14
FY 15
FY 16
FY 17
FY 18
FY 19
FY 20
FY 21
Active Rigs
Gas
Oil
Source: OCD

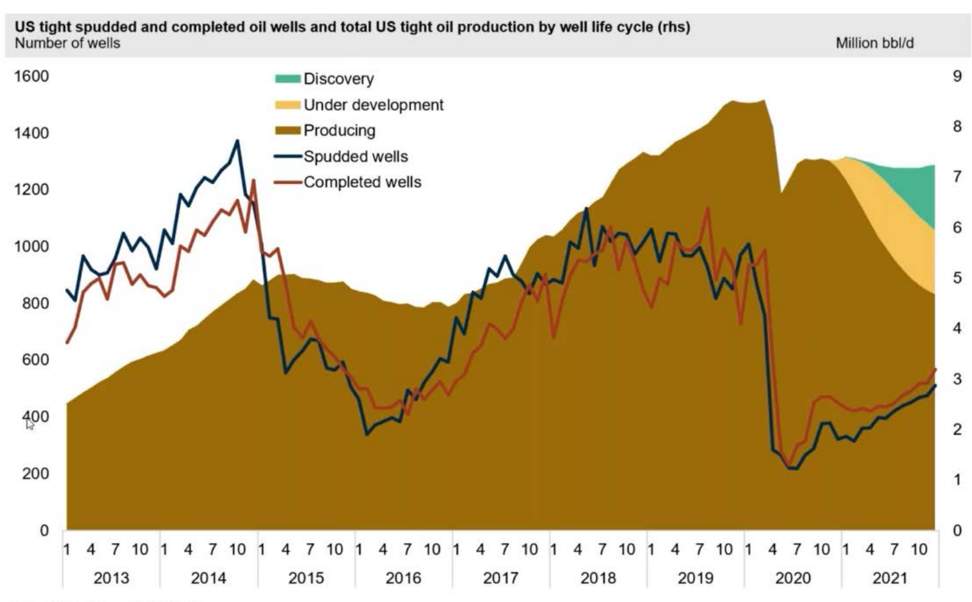


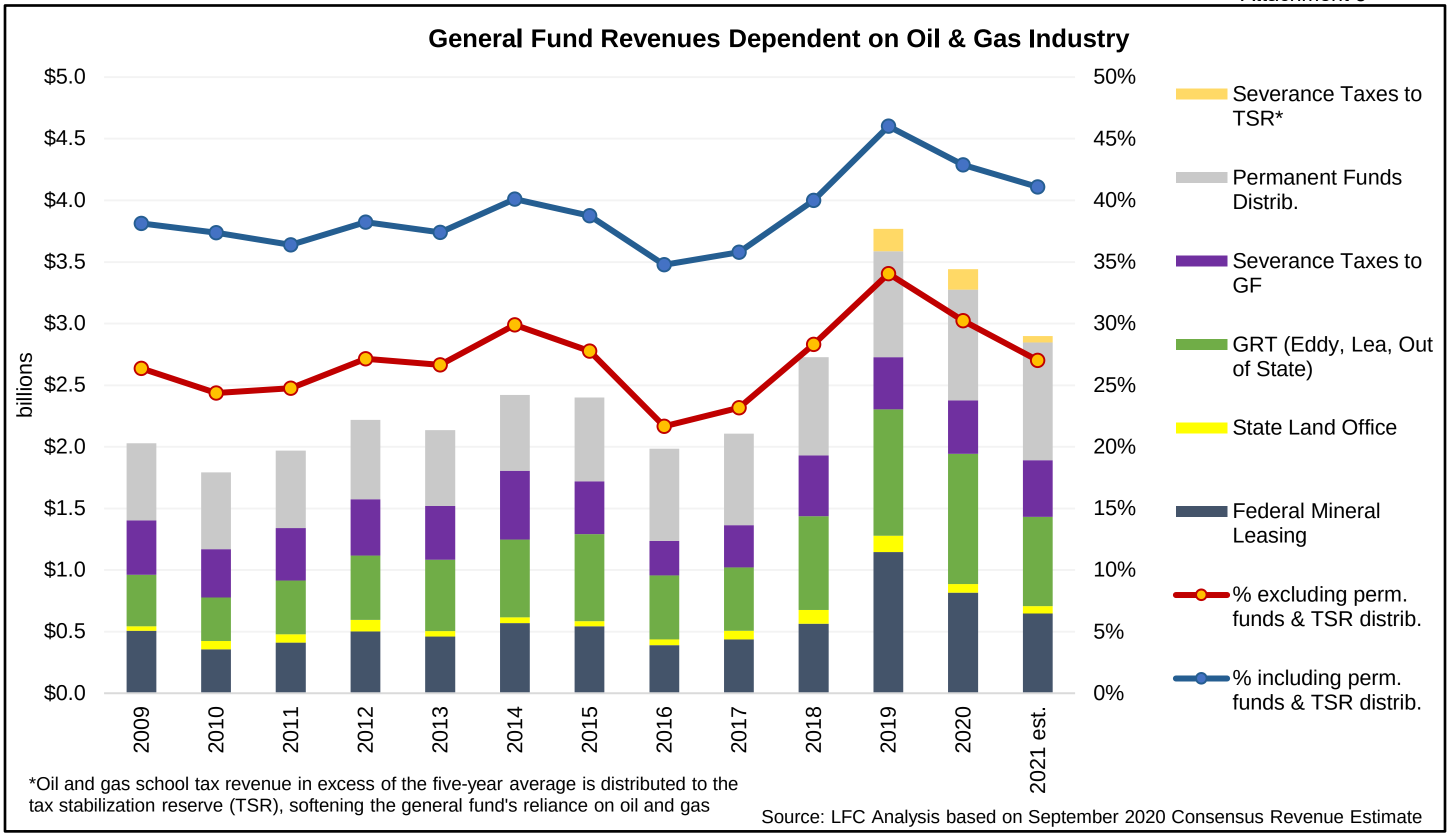
Source: Enverus, presentation to the Legislative Finance Committee, November 17, 2020

Figure 3. U.S. crude oil production forecast by region and forecast changes

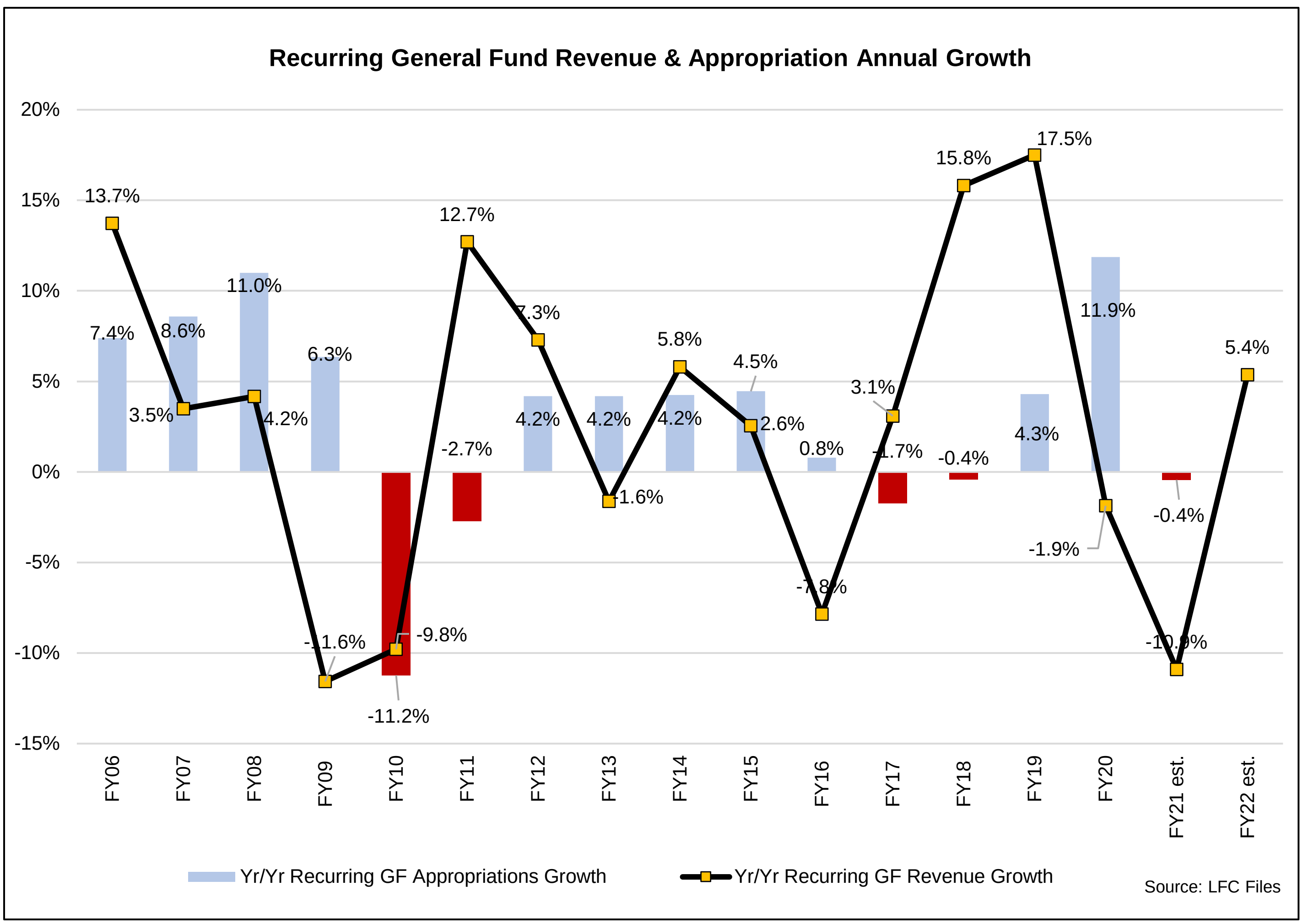


Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, November 2020
Note: Other Lower 48 states excludes the Federal Offshore Gulf of Mexico.



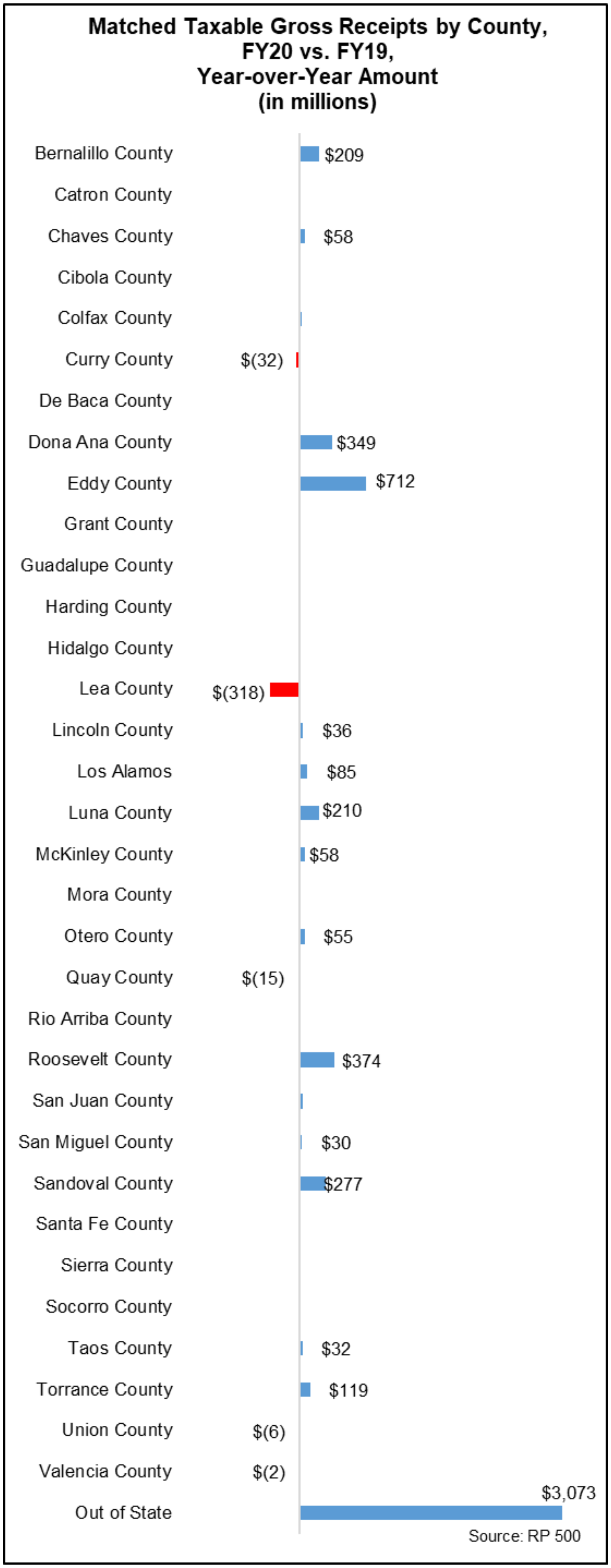


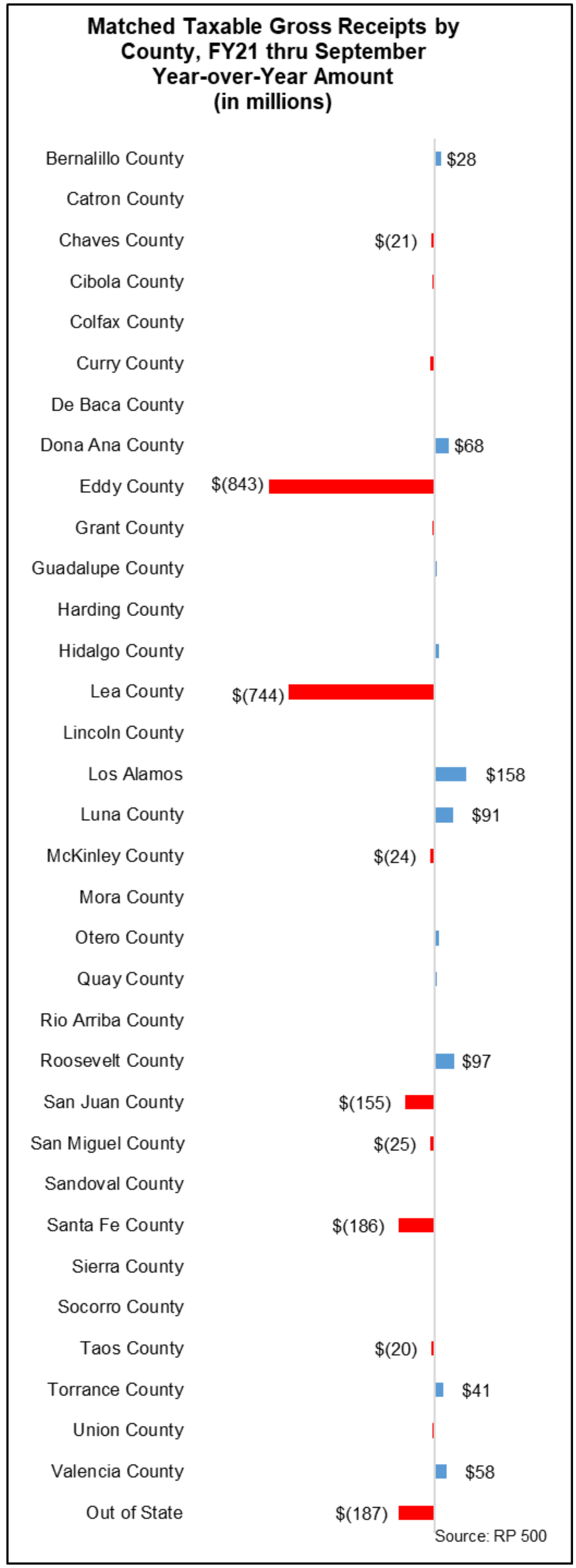
General Fund Revenues Dependent on Oil & Gas Industry
billions
$5.0
$4.5
$4.0
$3.5
$3.0
$2.5
$2.0
$1.5
$1.0
$0.5
$0.0
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021 est.
Severance Taxes to TSR*
Permanent Funds Distrib.
Severance Taxes to GF
GRT (Eddy, Lea, Out of State)
State Land Office
Federal Mineral Leasing
% excluding perm. funds & TSR distrib.
% including perm. funds & TSR distrib.
*Oil and gas school tax revenue in excess of the five-year average is distributed to the tax stabilization reserve (TSR), softening the general fund's reliance on oil and gas
Source: LFC Analysis based on September 2020 Consensus Revenue Estimate



Recurring General Fund Revenue & Appropriation Annual Growth
20%
15%
10%
5%
0%
-5%
-10%
-15%
13.7%
7.4%
8.6%
3.5%
11.0%
4.2%
6.3%
-11.6%
-11.2%
-9.8%
12.7%
-2.7%
7.3%
4.2%
4.2%
-1.6%
5.8%
4.2%
4.5%
2.6%
0.8%
-7.8%
3.1%
-1.7%
15.8%
-0.4%
17.5%
4.3%
11.9%
-1.9%
-0.4%
-10.9%
5.4%
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21 est.
FY22 est.
Yr/Yr Recurring GF Appropriations Growth
Yr/Yr Recurring GF Revenue Growth
Source: LFC Files

Matched Taxable Gross Receipts (MTGR) by County





Matched Taxable Gross Receipts by Industry, April 2020 – September 2020

Matched Taxable Gross Receipts by Industry - Fourth Quarter FY20						
	April		May		June	
Industry	MTGR Growth	Percent Growth	MTGR Growth	Percent Growth	MTGR Growth	Percent Growth
Mining, Quarrying, and Oil and Gas Extraction	-$91,247,605	-15.4%	-$195,385,900	-37.3%	-$269,087,142	-47.0%
Leisure and Hospitality Services	-$161,585,586	-40.0%	-$158,943,426	-35.1%	-$128,723,902	-27.7%
Utilities	-$12,091,941	-5.5%	$31,546,806	16.8%	$50,739,694	24.0%
Construction	$211,250,729	32.4%	$131,492,399	20.1%	$219,517,475	31.5%
Manufacturing	-$61,361,529	-30.3%	-$39,750,688	-22.6%	-$31,473,940	-15.1%
Wholesale Trade	-$51,909,747	-19.6%	-$136,549,801	-39.7%	-$106,790,996	-33.8%
Retail Trade	$29,324,131	2.6%	$172,775,214	14.8%	$186,530,700	15.4%
Transportation and Warehousing	$8,363,599	9.9%	-$33,438,308	-36.1%	-$25,655,614	-30.0%
Information	$23,345,229	10.8%	$45,326,818	21.0%	$36,135,090	15.9%
Real Estate and Rental and Leasing	-$14,634,016	-9.6%	-$34,796,193	-22.7%	-$30,140,601	-17.8%
Professional, Scientific, and Technical Services	-$2,267,563	-0.4%	$14,254,986	2.9%	$20,711,159	3.8%
Administrative/Support & Waste Management/Remediation	-$214,683,626	-67.6%	$108,184,457	51.4%	$23,434,295	8.4%
Health Care and Social Assistance	-$9,724,018	-3.5%	-$21,629,788	-7.5%	$51,081,808	18.6%
Other Industries	$9,853,037	14.5%	$31,229,497	1.8%	$12,236,735	1.8%
Total	**-$337,368,906**	**-6.0%**	**-$85,683,927**	**-1.5%**	**$8,514,759**	**0.1%**

Note: compared to same month in 2019

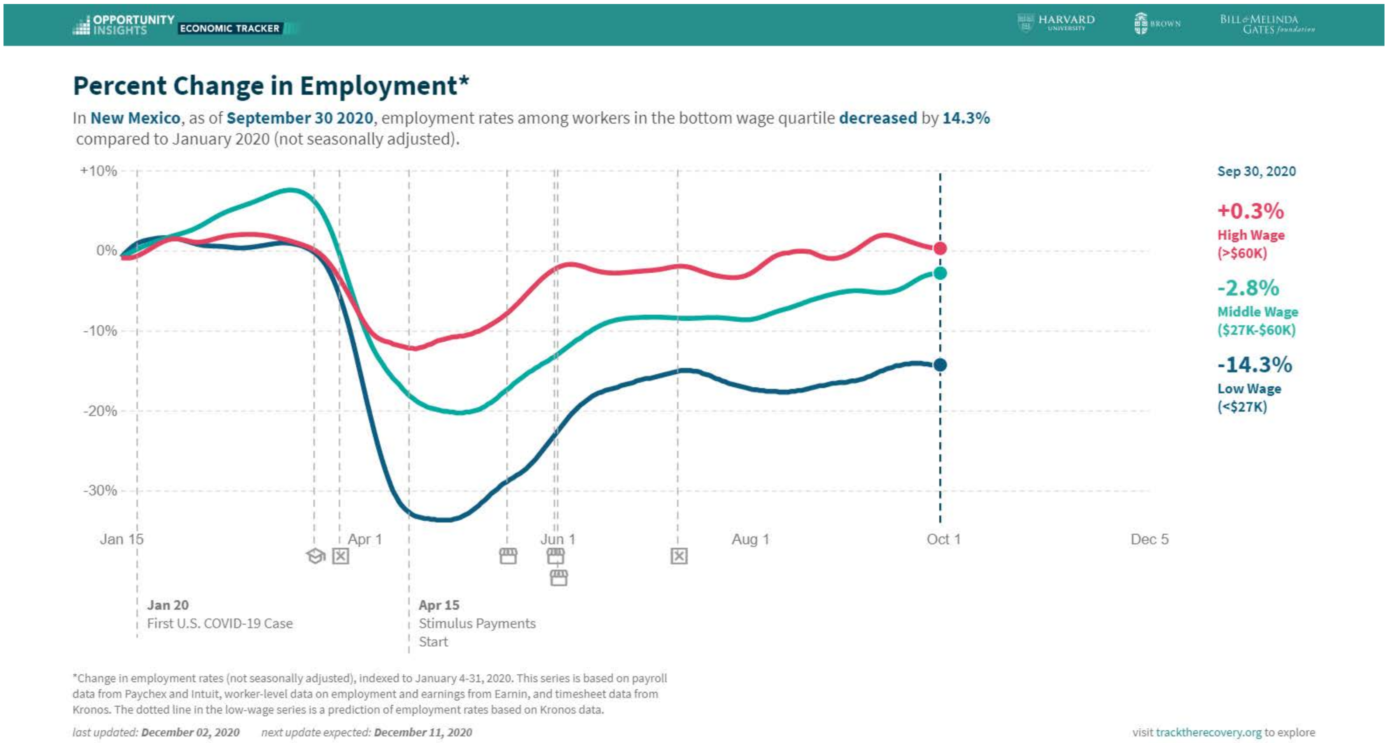
Source: RP500

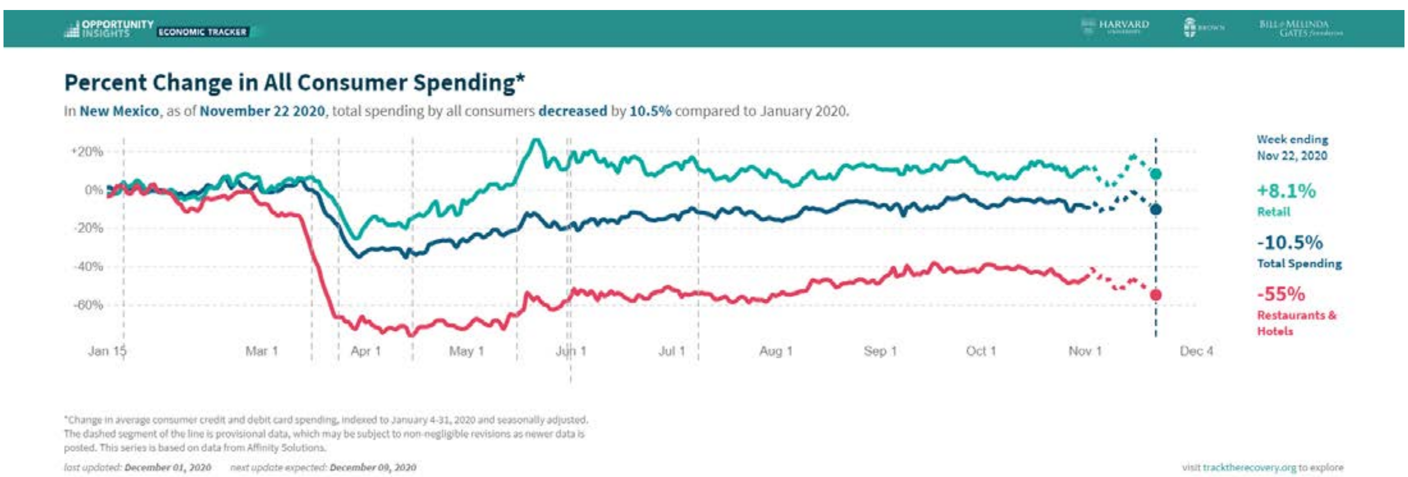
Matched Taxable Gross Receipts by Industry - First Quarter FY21						
	July		Aug		Sep	
Industry	MTGR Growth	Percent Growth	MTGR Growth	Percent Growth	MTGR Growth	Percent Growth
Mining, luarrying, and Oil and Gas Extraction	-$374,760,278	-56.2%	-$190,255,021	-35.4%	-$280,720,028	-46.1%
Leisure and Hospitality Services	-$107,694,116	-23.8%	-$114,776,556	-24.4%	-$95,257,767	-21.3%
Utilities	$48,036,705	21.9%	$52,642,990	22.6%	-$32,194,914	-10.6%
Construction	-$36,510,557	-5.1%	-$122,266,974	-15.8%	-$48,759,127	-6.1%
Manufacturing	-$19,831,570	-12.6%	-$24,164,415	-14.2%	-$22,100,010	-11.5%
Wholesale Trade	-$86,644,202	-30.1%	-$91,591,814	-30.2%	-$81,029,787	-26.1%
Retail Trade	$105,183,841	8.5%	$47,029,165	3.9%	$109,923,790	9.1%
Transportation and Warehousing	-$15,991,586	-21.5%	-$36,110,101	-41.2%	-$22,117,145	-26.3%
Information	-$71,720,443	-29.8%	-$78,850,179	-33.1%	-$64,031,438	-28.3%
Real Estate and Rental and Leasing	-$20,988,657	-13.9%	-$27,920,758	-16.9%	-$63,475,424	-33.0%
Professional, Scientific, and Technical Services	$8,446,976	1.6%	-$11,317,462	-2.0%	$34,898,318	6.3%
Administrative/Support & Waste Management/Remediation	$27,634,580	9.8%	$83,596,811	50.0%	$58,486,260	13.1%
Health Care and Social Assistance	$55,013,647	20.9%	$47,768,270	16.8%	$27,017,947	9.1%
Other Industries	-$92,172,356	-13.2%	-$91,744,899	-13.3%	-$79,116,320	-11.9%
Total	**-$581,998,014**	**-9.8%**	**-$557,960,945**	**-9.5%**	**-$558,475,645**	**-8.8%**

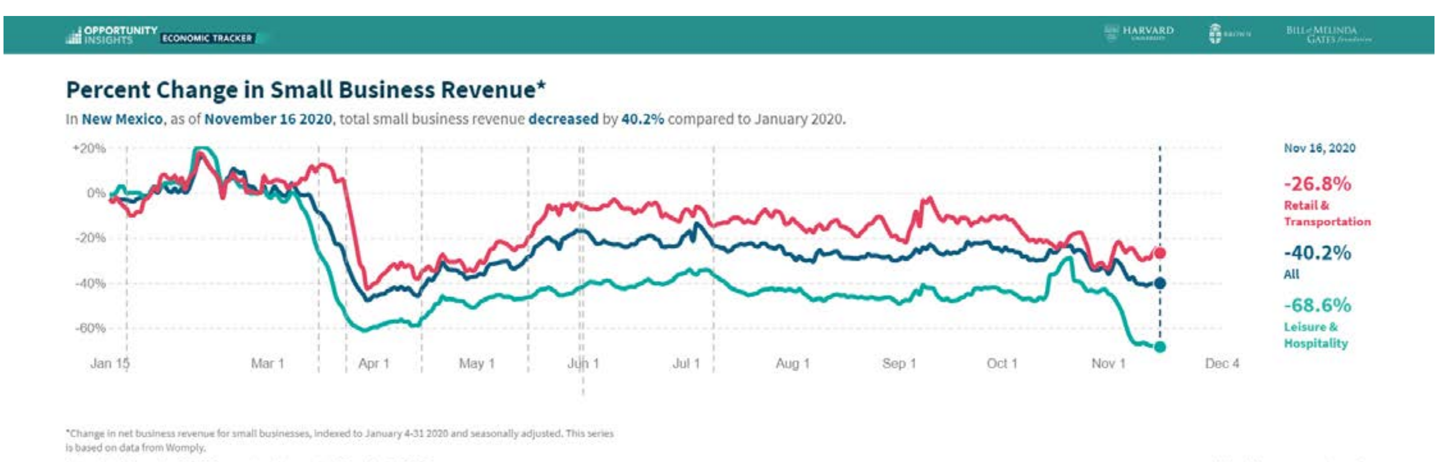
Note: compared to same month in 2019

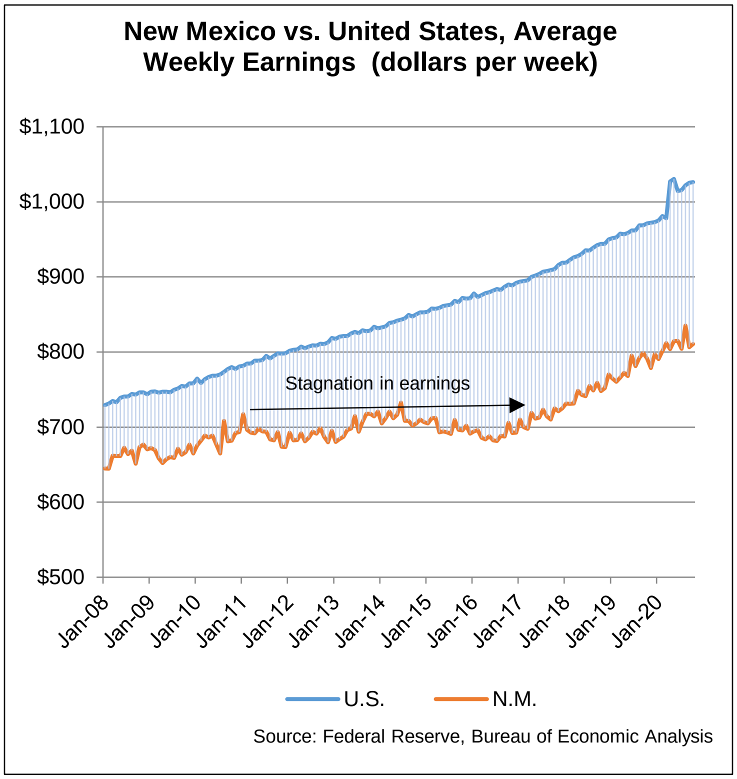
Source: RP500

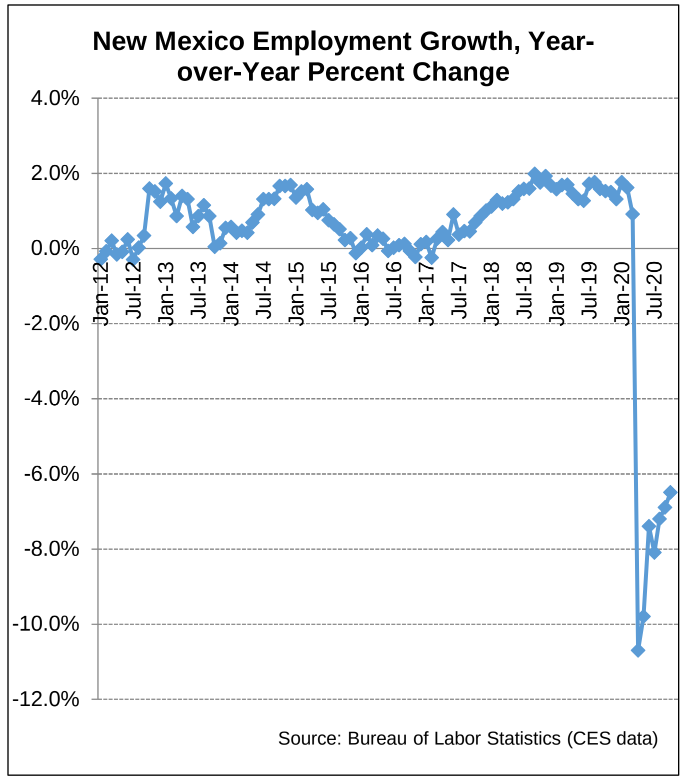
New Mexico Employment (by income), Consumer Spending, and Small Business Revenue Changes from January 2020

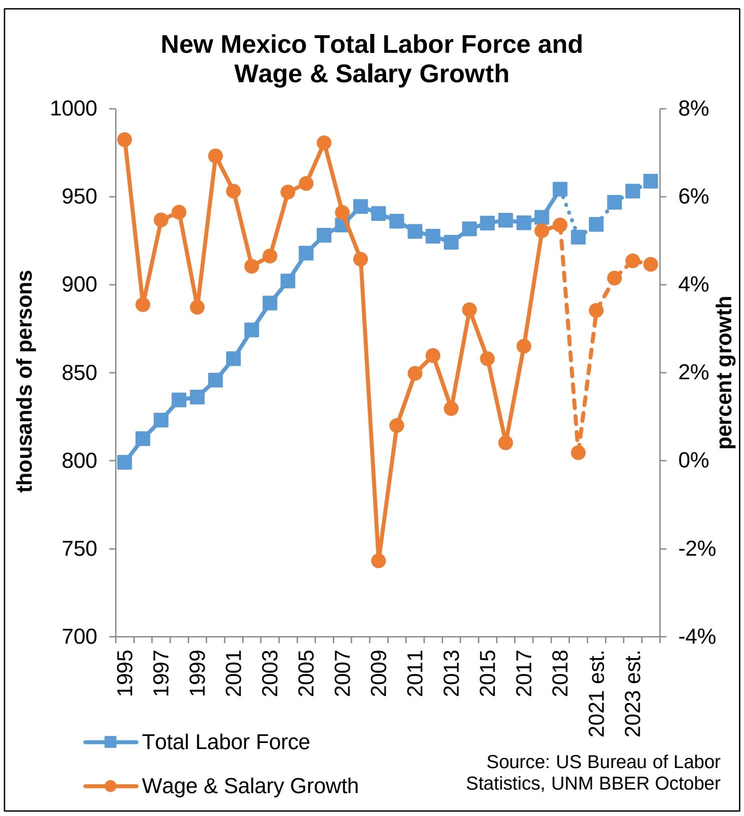


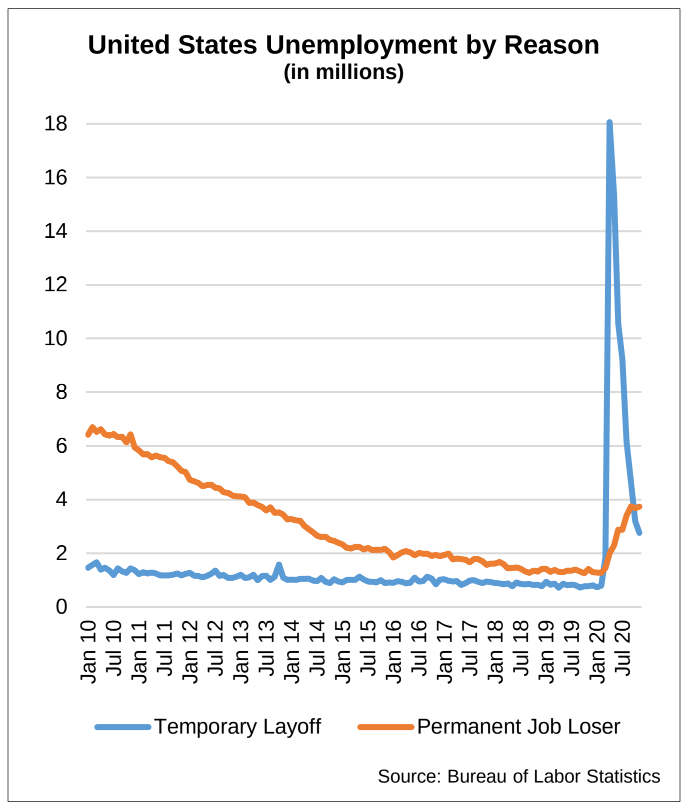





New Mexico vs. United States, Average Weekly Earnings (dollars per week)
$1,100
$1,000
$900
$800
$700
$600
$500
Stagnation in earnings
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Jan-18
Jan-19
Jan-20
U.S.
N.M.
Source: Federal Reserve, Bureau of Economic Analysis

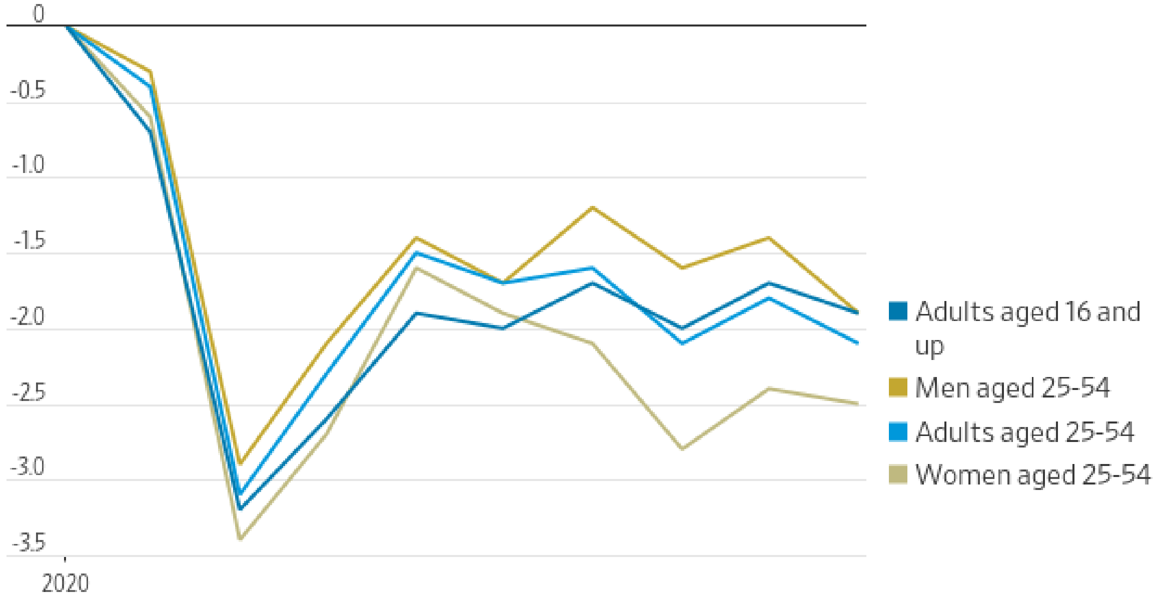

New Mexico Employment Growth, Year-over-Year Percent Change
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
-10.0%
-12.0%
Jan-12
Jul-12
Jan-13
Jul-13
Jan-14
Jul-14
Jan-15
Jul-15
Jan-16
Jul-16
Jan-17
Jul-17
Jan-18
Jul-18
Jan-19
Jul-19
Jan-20
Jul-20
Source: Bureau of Labor Statistics (CES data)


New Mexico Total Labor Force and Wage & Salary Growth
thousands of persons
1000
950
900
850
800
750
700
percent growth
8%
6%
4%
2%
0%
-2%
-4%
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
2018
2021 est.
2023 est.
Total Labor Force
Wage & Salary Growth
Source: US Bureau of Labor Statistics, UNM BBER October


United States Unemployment by Reason
(in millions)
18
16
14
12
10
8
6
4
2
0
Jan 10
Jul 10
Jan 11
Jul 11
Jan 12
Jul 12
Jan 13
Jul 13
Jan 14
Jul 14
Jan 15
Jul 15
Jan 16
Jul 16
Jan 17
Jul 17
Jan 18
Jul 18
Jan 19
Jul 19
Jan 20
Jul 20
Temporary Layoff
Permanent Job Loser
Source: Bureau of Labor Statistics

Wall Street Journal Analysis of Employment by Demographics, November 2020

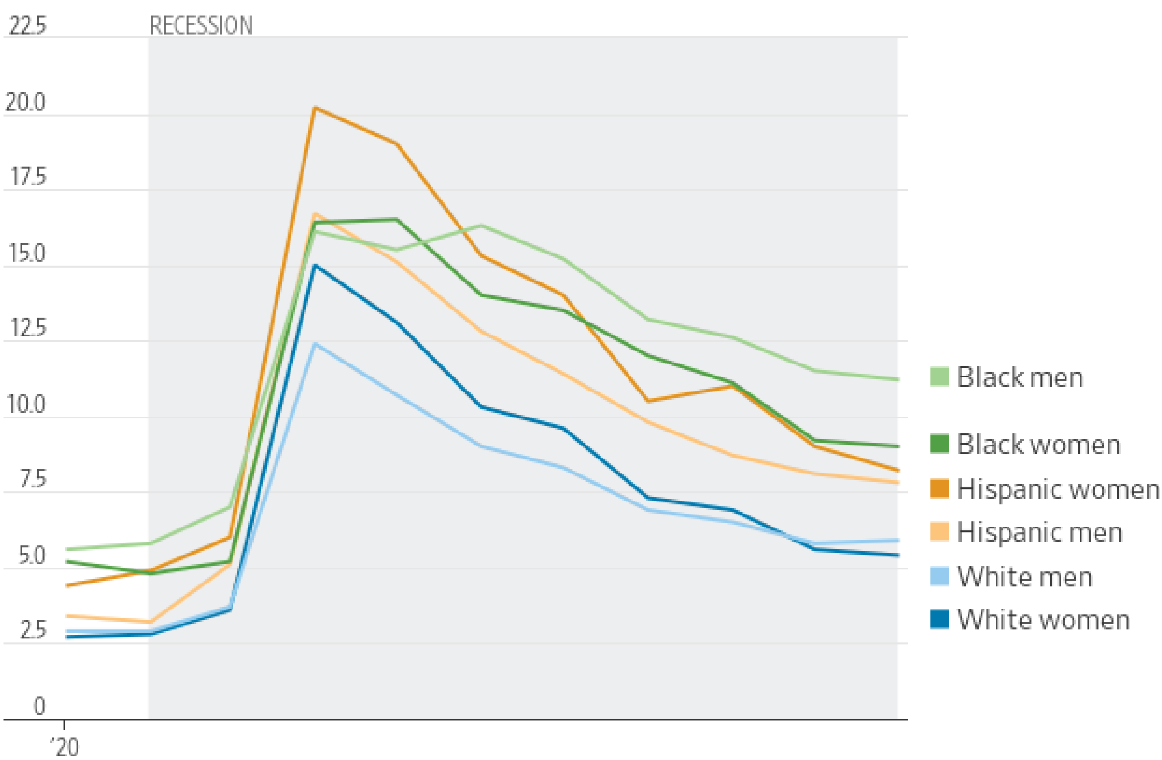
Share of U.S. populations working or looking for work, percentage-point change since Feb. 2020



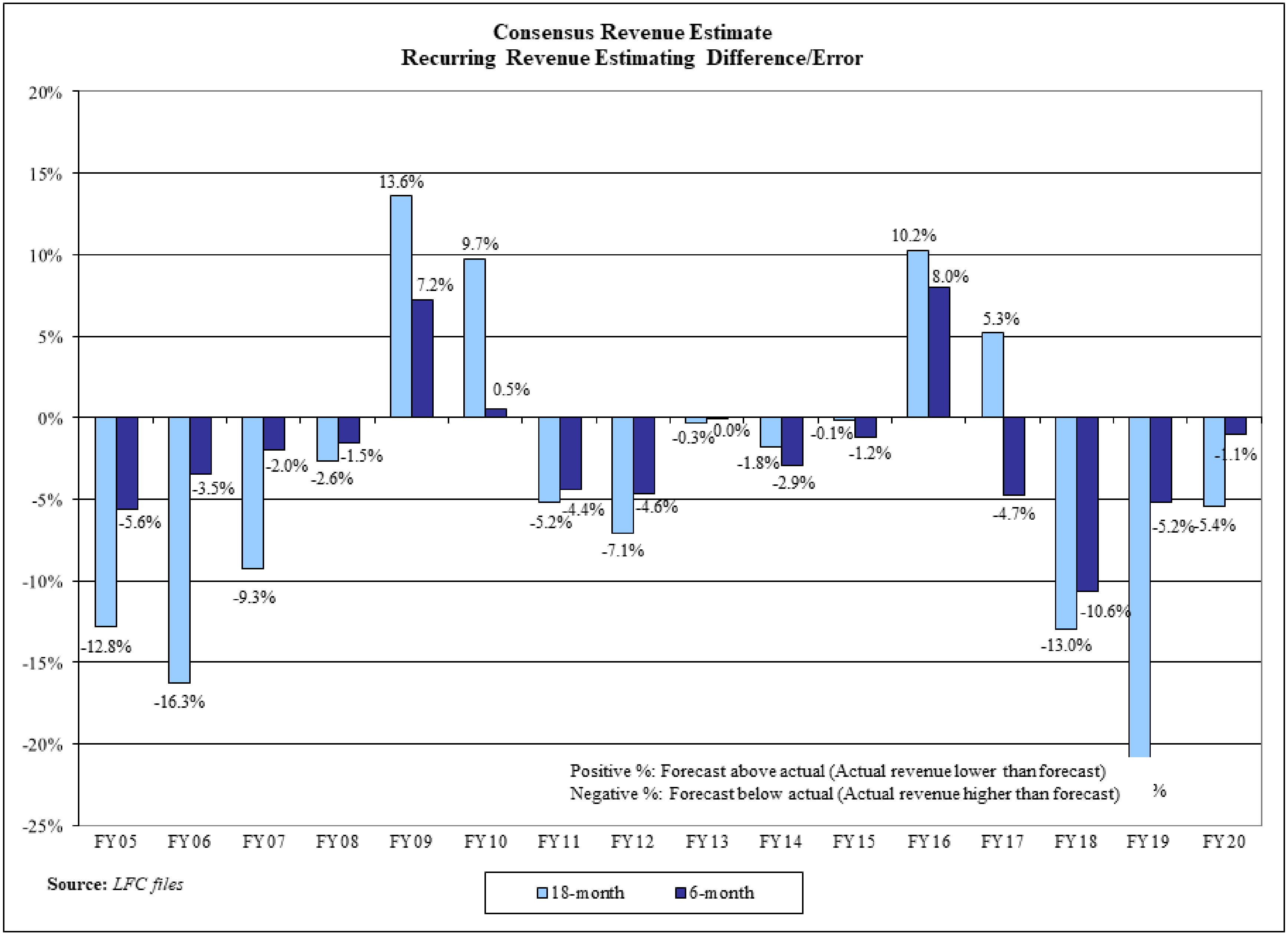
Source: U.S. Bureau of Labor Statistics

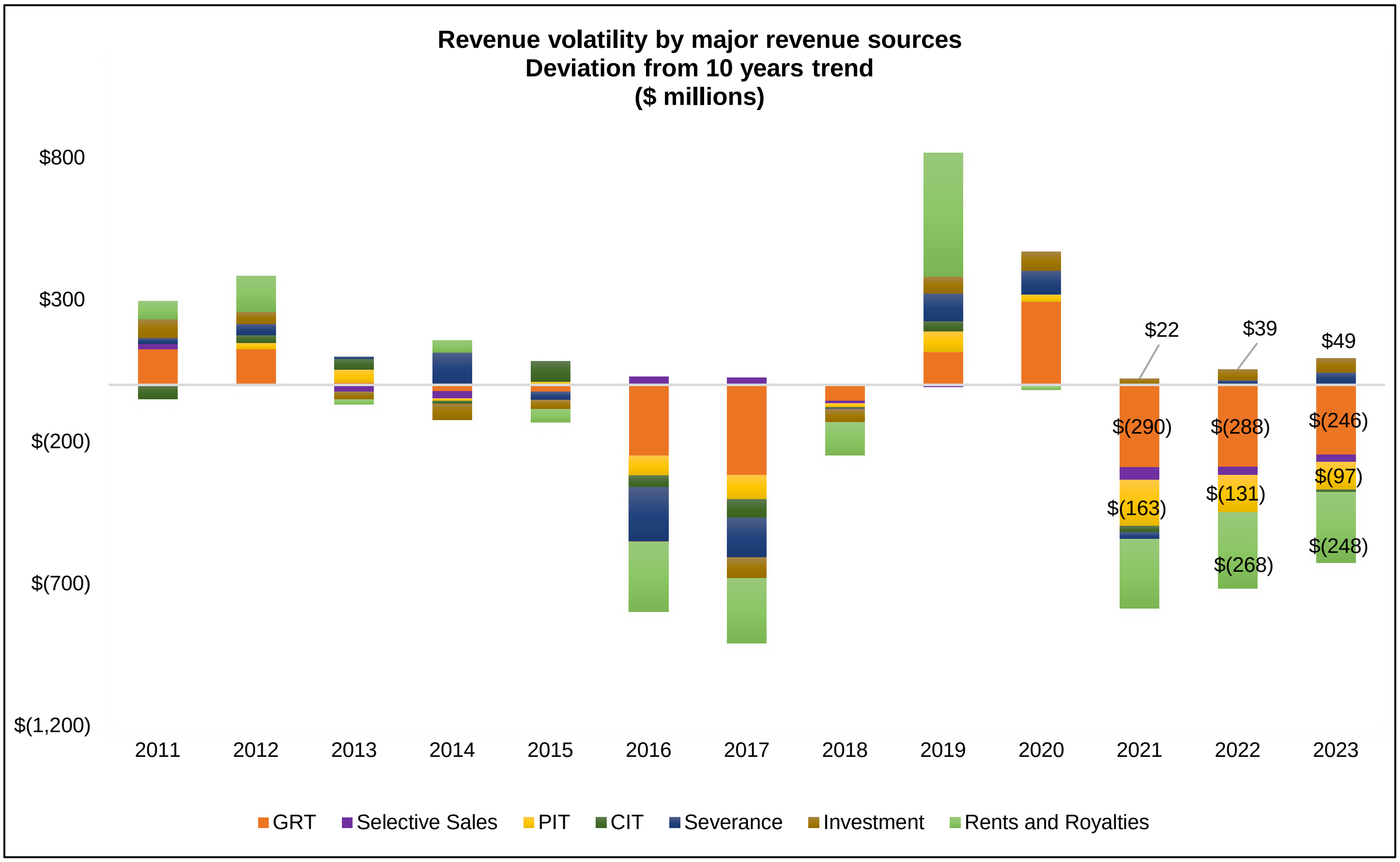
Men and Women at Work

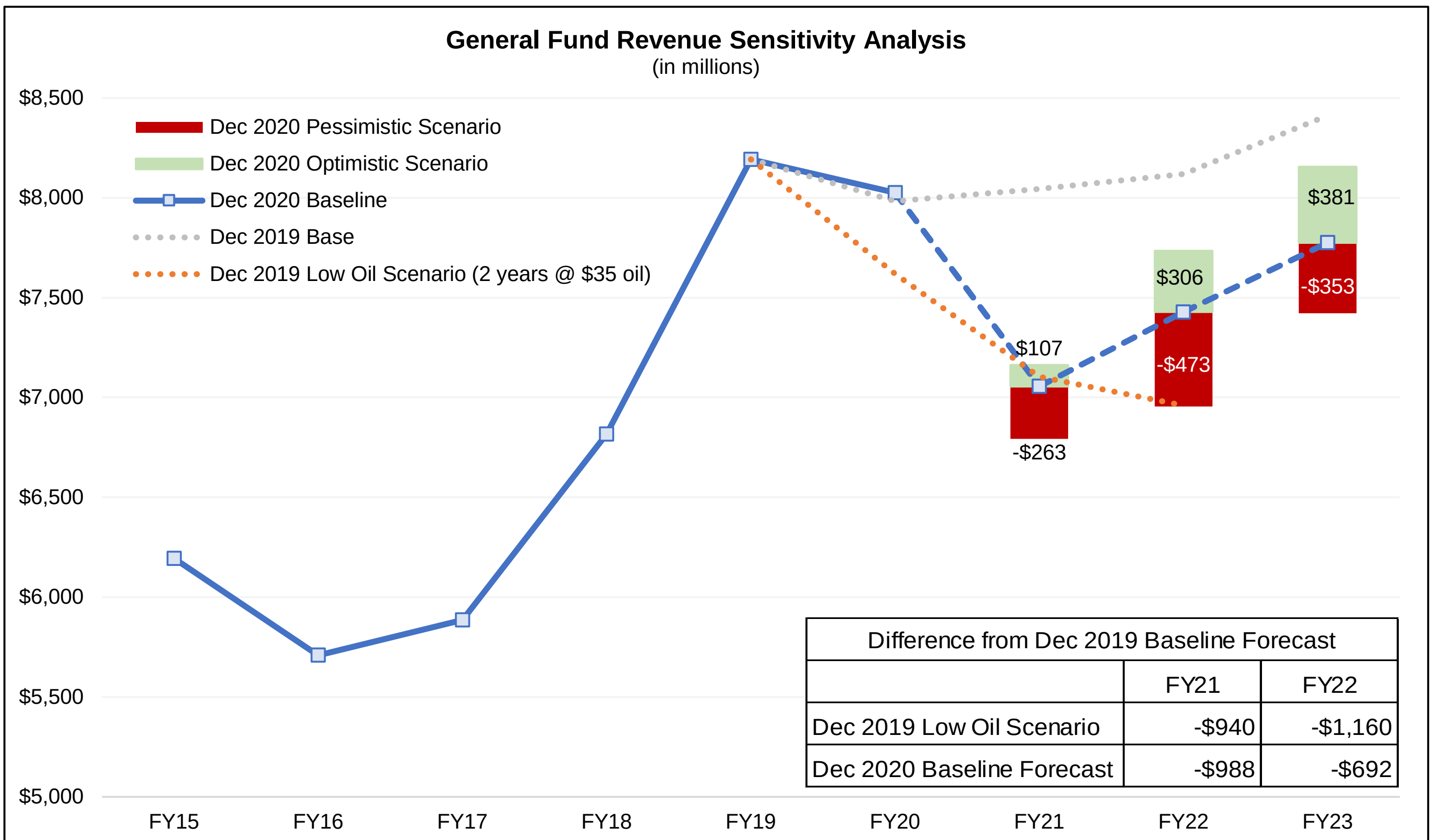
Unemployment rate by race/ethnicity and gender, age 20 and over



Note: Seasonally adjusted.
Source: Labor Department


Consensus Revenue Estimate
Recurring Revenue Estimating Difference/Error
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
FY05
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
-12.8%
-5.6%
-16.3%
-3.5%
-9.3%
-2.0%
-2.6%
-1.5%
13.6%
7.2%
9.7%
0.5%
-5.2%
-4.4%
-7.1%
-4.6%
-0.3%
0.0%
-1.8%
-2.9%
-0.1%
-1.2%
10.2%
8.0%
5.3%
-4.7%
-13.0%
-10.6%
-5.2%
-5.4%
-1.1%
Positive %: Forecast above actual (Actual revenue lower than forecast)
Negative %: Forecast below actual (Actual revenue higher than forecast)
18-month
6-month
Source: *LFC files*





Difference from Dec 2019 Baseline Forecast		
	FY21	FY22
Dec 2019 Low Oil Scenario	-$940	-$1,160
Dec 2020 Baseline Forecast	-$988	-$692

*Includes changes in revenues from severance taxes (including any tax stabilization reserve distributions), federal mineral leasing payments, personal income taxes, and gross receipts taxes.

Source: December 2019 and December 2020 Consensus Revenue Estimate