F I S C A L   I M P A C T   R E P O R T

		ORIGINAL DATE	4/5/2022		
SPONSOR	Chandler/Gonzales	**LAST UPDATED**	4/7/2022	**HB**	2/aHTRC/aHFl#1
SHORT TITLE	Tax Rebates			**SB**	
				ANALYST	Faubion/Torres

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	**FY23**		
$600.0	--	Nonrecurring	TRD – administrative costs
$10.0	--	Nonrecurring	HSD – administrative costs
$20,000.0	--	Nonrecurring	HSD – relief payments
$175.0	--	Nonrecurring	DFA – Fiscal agent

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY22	**FY23**	**FY24**	**FY25**	**FY26**		
($338,720.5)	($338,720.5)	--	--	--	Nonrecurring	General Fund - PIT Rebates
(Up to $200,000.0)	See Fiscal Implications				Recurring	Tax Stabilization Reserve (TSR)
Up to $200,000.0	--	--	--	--	Nonrecurring	General Fund – transfer from TSR

Parenthesis ( ) indicate revenue decreases

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Department of Finance and Administration (DFA)
Human Services Department (HSD)
State Investment Council (SIC)

SUMMARY

Synopsis of HFl#1 Amendment

The House Floor amendment #1 adds language to ensure that recipients of the relief payment will not be eligible to also claim the rebates.

Synopsis of HTRC Amendment

The HTRC amendment changes the timing of the disbursement of the second rebate from between September 1 and September 30, 2022 to between August 1 and August 30, 2022. This amendment has no fiscal impacts.

Synopsis of Original Bill

House Bill 2 (HB2) provides two temporary personal income tax (PIT) rebates to be paid to all taxpayers who filed state tax returns for tax year 2021. The first rebate, to be paid by June 30, 2022, will be $250 for single filers and married individuals filing separate returns and $500 for married individuals filing joint returns, heads of household, and surviving spouses. The second rebate, to be paid between September 1 and September 30, 2022 (HTRC amendment changes this to August 1 and August 30), will also be $250 for single filers and married individuals filing separate returns and $500 for married individuals filing joint returns, heads of household, and surviving spouses. In total, single filers and married filers filing separately will receive $500, and married filers jointly, head of household filers, and surviving spouse filers will receive $1,000.

HB2 also appropriates $20 million to the Human Services Department (HSD) for FY22 and FY23 to provide a one-time relief payment of $1,000 to households of married couples or single individuals with one or more dependents and $500 for households of single individuals without dependents that were not eligible to receive the rebates proposed in this bill. HB2 also appropriates $600 thousand from the general fund to the Taxation and Revenue Department (TRD) for FY22 and FY23 to administer the rebates and to assist HSD in administering the relief payments. The bill also appropriates $10 thousand to HSD to administer the relief payments and $175 thousand to DFA for fiscal agent fees and administration.

Lastly, HB2 expressly authorizes the governor, with state Board of Finance approval, to transfer up to $200 million from the tax stabilization reserve to the appropriation account of the general fund if revenues and transfers to the general fund are not sufficient to meet appropriations at the end of FY22, due to the cost of the rebates and relief payments.

This bill contains an emergency clause and would become effective immediately upon signature by the governor.

FISCAL IMPLICATIONS

The estimated loss in general fund revenues due to the rebates is $677.4 million split across FY22 and FY23. TRD 2020 PIT data reports approximately 490 thousand single and married filing separately resident filers and 432 thousand head of household, surviving spouse, and married filing jointly resident filers. This analysis assumes a similar number of filers for tax year 2021 as tax year 2020. Due to the timing of the rebate payments outlined in the bill, the rebates will decrease PIT revenues by an estimated $338.7 million in both FY22 and FY23.

The appropriation to HSD to administer the relief payments for residents who do not qualify for the rebates is $20 million. HSD estimates approximately $10 thousand will be needed for administrative costs. The appropriation will be used to fund, on a first-come, first-served basis, payments for up to 40 thousand residents who are not eligible to receive the rebates.

The appropriation to TRD to pay for the administration of the rebates and the relief payments is $600 thousand for mailing supplies, IT costs, and labor. Any unexpended or unencumbered balance of these appropriations remaining at the end of FY23 shall revert to the general fund.

If revenues and transfers to the general fund are not sufficient to meet appropriations at the end of FY22 due to the cost of the rebates and relief payments proposed in this bill, the governor, with state Board of Finance approval, may transfer to the appropriation account of the general fund the amount necessary to meet that fiscal year's obligations, up to $200 million, from the tax stabilization reserve pursuant to Section 6-4-2.2 NMSA 1978. The state investment council (SIC) estimates the fiscal impact of such a transfer to be between $9.2 and $9.6 million in forgone investment returns in FY23 and FY24, increasing each year in perpetuity.

The state Board of Finance estimates a $175 thousand increase in fiscal agent bank contract costs to DFA as a result of this bill due to increased workload and number of transactions for the two rounds of rebates and the relief payments. DFA explains:

> The Board of Finance holds the contract with the State's Fiscal Agent bank, Wells Fargo. Wells Fargo serves as the State's bank. DFA Board of Finance pays banking fees related to the banking and treasury services provided by Wells Fargo under the Fiscal Agent contract. DFA Board of Finance is estimating fees related to the issuance of rebate and relief payments to total up to $175 thousand. Generally, fees are on a per transaction basis, whether it be all payments being sent (rebate and relief) or a subset of payments (e.g., number of checks cleared, number of payments returned). Therefore, fees must be estimated by first estimating the number of payments to be issued.
>
> The estimated number of payments to be issued is based on TRD estimates and includes approximately 1.92 million payments to individuals who filed state tax returns (Section 1) and approximately 26,700 to individuals not eligible for the rebate (Section 2). The fees incurred vary based on whether payments will be issued via direct deposit (also known as ACH) or by paper check. TRD estimated approximately 22 percent of relief payments and 36 percent of rebate payments will be issued via paper check, with the remainder issued by direct deposit/ACH. Other fees are processed based on factors such as the number of checks cleared, the number of items returned, and the number of batch files run (reporting).
>
> The fees related to direct deposit/ACH payments include multiple line-item banking fees that cover the bank processing the payments and generating the required reporting of those payments. Required reporting includes reporting of outgoing payments to the State to reconcile its accounts. Additionally, fees related to the bank processing and reporting on returned payments (e.g., payments returned because a bank account is no longer valid) were included in the estimate. Direct deposit/ACH fees are estimated to account for 24 percent of the total estimated fees.
>
> Fees related to the issuance of paper check payments include multiple line-item banking fees that cover the bank processing the payments, gathering, storing, and reporting check

> information/data, payment validation for fraud protection, and payment stoppage. Fees related to bank processing and reporting on returned payments, such as check deposits and clearing, are also included, as are fees related to general required bank reporting. Paper check payment fees are estimated to account for about 76 percent of the total estimated fees.

Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

SIGNIFICANT ISSUES

Section 1 of the bill provides two rounds of rebates to tax filers. Tax filers eligible for rebates include documented and undocumented residents that file taxes using an individual taxpayer identification number (ITIN) in lieu of a social security number.

In previous analysis, TRD noted the following:

> Economic theory suggests that a well-timed, temporary, and targeted fiscal stimulus can raise economic output and income in the short run, while minimizing long run costs[1]. There are also multiplier effects of a rebate such as this on the economy. Fiscal multiplier of a policy is the change in economic output achieved because of each dollar spent for that policy. The magnitude of the fiscal multiplier is debatable and a consensus among economists doesn't exist[2].
>
> Current statutory requirements for TRD to intercept tax refunds will offset the rebates to some taxpayers who have outstanding debts and obligations. Although taxpayers whose refunds/rebates are intercepted will not directly receive the financial benefit, their outstanding debt will be reduced. For the one-time rebates enacted in the 2021 legislation session (SB1), about 2.7 percent of the $101.4 million of tax relief was intercepted to pay taxpayer debts.

These proposed rebates are in addition to the hundreds of millions of dollars of income tax credits, deductions, and rebates the Legislature has enacted to support middle- and low- income families since 2019 (see Table 1). The rebate is not included in federal and state adjusted gross income calculations and therefore would not influence eligibility for federal and state income-based support programs or affect the income tax bracket in which a taxpayer may fall. It could affect income eligibility for private or more localized support depending on how each program determines eligibility.

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[1] Elmendorf, Douglas W. and Jason Furman. 2008. "If, When, How: A Primer on Fiscal Stimulus." Hamilton Project Strategy Paper. Washington, D.C. Brookings Institute

[2] Whalen, Charles, and Felix Reichling. 2015. "The Fiscal Multiplier and Economic Policy Analysis in the United States." Working Paper 2015-2. Washington, DC: Congressional Budget Office.

Table 1. Legislative Changes to Taxes Impacting Low- and Middle- Income Families (included in forecast, in millions)

	FY20	FY21	FY22	FY23	FY24	FY25	Total FY20-FY25
Increase to WFTC from 10% to 17% (HB6, 2019)	($37)	($39)	($39)	($41)	($41)	($41)	($238)
Increase to WFTC to 25% add ITIN and under 25 (HB291, 2021)			($25)	($23)	($49)	($49)	($146)
Create dependent deduction (HB6, 2019)	($26)	($27)	($28)	($28)	($28)	($28)	($165)
LICTR expansion (HB291, 2021)			($49)	($50)	($51)	($52)	($202)
2020 Income Tax Rebate (SB1, 2021)		($109)					($109)
Child Tax Credit (HB163, 2022)					($74)	($75)	($149)
Tax rebate (HB163, 2022)				($312)			($312)
Proposed Tax Rebate (2022 Special Session)			*($339)*	*($339)*			*($678)*
Total	**($63)**	**($175)**	**($480)**	**($793)**	**($243)**	**($245)**	**($1,999)**

Note: HB163 tax rebates are $250 for single filers and $500 for married filers for individuals making up to $75 thousand per year. The Child tax credit is on a sliding scale ranging from $25 to $175 per qualifying child. The proposed 2022 special session tax rebates are for $500 for single filers and $1000 for married filers across two rounds of disbursements.

Section 2 of the proposed bill aims to provide assistance to New Mexico residents that would not otherwise be eligible to receive the rebates because they do not file state income taxes. The main reasons residents may not file taxes are because their income is low enough to not carry a tax liability or they are undocumented residents that do not file using an individual taxpayer identification number (ITIN) number. LFC estimates there are 135 thousand residents that do not file New Mexico income taxes, comprised of 72 thousand whose income is low enough to not have an income tax liability and 60 thousand undocumented residents[3].

Eligibility for the relief payments outlined in the bill is defined as state residents that are not eligible for a tax rebate provided by Section 1 of this act, are not dependents of someone who received a rebate, were at least 18 years old during 2021, and file an application to receive the payment. HSD will provide the relief payments on a first-come, first served basis. Given the loosely defined eligibility language, there is some ambiguity in who may be able to receive a relief payment. For example, tax filers are only eligible for the rebates if they filed 2021 taxes in the state, meaning residents that moved to New Mexico during 2022 may not be eligible for the rebates but may be eligible for the relief payments, depending on how HSD and TRD determine residency eligibility.

Because the application for the relief payments require an applicant include either a social security number or an ITIN, TRD will be able to screen for relief payment applicants that have already received the rebates through their tax return or may be included as a dependent of another tax filer. It is unclear in the bill if the applicant must include social security numbers or ITINs of dependents or spouses, making it difficult to verify household type and size, and therefore the relief payment amount, of applicants.

TRD does not have non-tax filers in their systems, and it is difficult to identify these residents. In the past, the Legislature has allocated funding to provide additional support to low-income

[3] IRS Non-Filers: https://www.irs.gov/newsroom/irs-releases-state-by-state-breakdown-of-nearly-9-million-non-filers-who-will-be-mailed-letters-about-economic-impact-payments
Pew Research Center: https://www.pewresearch.org/hispanic/interactives/u-s-unauthorized-immigrants-by-state/

residents who did not qualify for previous rebates; however, HSD only distributed those funds to tax filers, usually targeting ITIN filers who did not receive federal stimulus payments or the 2020 income tax rebate that was tied to the working families tax credit prior to its expansion to ITIN filers.

Section 4 expressly authorizes the governor, with state Board of Finance approval, to transfer up to $200 million from the tax stabilization reserve to the appropriation account of the general fund if revenues and transfers to the general fund are not sufficient to meet appropriations at the end of FY22 due to the cost of the rebates and relief payments. It is likely that revenues will not cover all of the costs expected in this bill, so a transfer from the TSR and a reduction in the state reserve balance is expected upon passage of this bill.

General Fund Revenue Outlook
LFC economists, in coordination with DFA and TRD economists, have evaluated the current economic conditions and revenue tracking. Analysis indicates FY22 and FY23 combined revenues are likely to be between $500 million and $700 million higher than the December 2021 revenue estimates. Economists at each agency identified changes in interest rates, oil and gas prices and production, employment, and current tax receipts to conduct the analysis. All indicators are currently higher than originally expected and will likely be revised upward during the next Consensus Revenue Estimate (CREG) in August 2022.

Although oil prices and production were revised upwards for the analysis, the associated revenue increases hardly reach the general fund. Due to revenue stabilizing mechanisms related to the five-year average, nearly all of the revenue increases are distributed to the Early Childhood Education Trust Fund. Most of the revenue strength is expected from gross receipts and personal income taxes, both of which are stronger than expected due to stubborn inflation and strong wage gains. Offsetting revenue gains are large losses from the State Treasurer's investments of general fund balances.

The 2022 Regular Session resulted in an estimated 29.4 percent reserves for FY23, according to the December 2021 revenue estimate (See attachment A). Revenue tracking and spending in the special session will affect reserves proportional to the net revenue gain and appropriations. Using a midpoint of the revenue tracking, a $700 million rebate program, and $50.4 million supplemental general appropriations act, reserves may be about 28 percent in FY23.

Substantial risks to the forecast and to the current revenue outlook remain, including, oil and gas price and production swings, inflation, recessionary impacts, federal reserve interest rate increases, investment losses, Russia's invasion of Ukraine, cannabis sales, and a court settlement on previous medical cannabis sales.

Use of Tax Stabilization Reserve
According to Section 6-4-2.2 NMSA 1978, the governor must declare the expenditure necessary for the public peace, health, and safety, and the bill must pass by a two-thirds majority of both houses of the Legislature in order to transfer money from the TSR to pay for the rebates and relief payments. Without these two contingencies, there will not be enough money in the state general for these payments.

> Section 6-4-2.2 NMSA 1978, Subsections D and E states:
>
> > D. Except as otherwise provided in Subsection E of this section and Subsection B of Section 6-4-4 NMSA 1978, any balance of the tax stabilization reserve may be:

(1) appropriated only by a two-thirds' majority vote of both houses of the legislature following receipt by the legislature of a declaration of the governor that such an appropriation is necessary for the public peace, health and safety; or

(2) expended by the governor only:

(a) pursuant to an appropriation made by a two-thirds' majority vote of both houses of the legislature specifying the amount of the appropriation and the purpose of the expenditure; and

(b) if the governor declares that the expenditure is necessary for the public peace, health and safety.

E. If general fund revenues, including all transfers to the general fund authorized by law, are projected by the governor to be insufficient either to meet the level of appropriations authorized by law from the general fund for the current fiscal year or to meet the level of appropriations recommended in the budget and appropriations bill submitted in accordance with Section 6-3-21 NMSA 1978 for the next fiscal year, the balance in the tax stabilization reserve may be appropriated by the legislature up to the amount of the projected insufficiency for either or both fiscal years.

Agency Responses

The state investment council (SIC) made the following comments regarding the possible transfer from the tax stabilization reserve:

> The tax stabilization reserve (TSR) is currently invested by the state investment council, which in 2019 chose the TSR's current strategic asset allocation. This investment strategy has a long-term goal of experiencing only low to modest volatility, while still generating consistently positive returns primarily through income production. This allocation excludes investments in the stock market, private equity, and other higher-risk/higher return strategies, in favor of low and steady returns generated by mostly liquid investments in fixed income, credit and real estate.
>
> The first calendar quarter of 2022 was very difficult for investors, resulting in the first negative quarter for stocks since the start of the pandemic two years ago. The SIC does not yet have performance data to see 2022 investment impact, but the fund did lose value in January and February 2022, shrinking from $1.856 billion to $1.831 billion, approximately $25 million or about 1.33 percent.
>
> Despite this year's volatility so far, and while the council will again be re-assessing long-term return expectations later this spring, we believe the investment thesis behind the TSR allocation remains largely intact, which means long-term investment returns should average about 4.5 percent annually over the next decade, assuming average to normal returns for the designated allocation model.
>
> For SIC's projection, they use the 4.5 percent average return, compounded on a monthly basis, with the amount to be withdrawn at the beginning of FY23 (year zero). This estimate does not contemplate expected inflation impacts on the real dollar value of the withdrawal. After an initial withdrawal of $200 million, the opportunity cost of lessened investment returns results in an initial impact of approximately $9.2 million in year one, growing a bit more each year as the foregone cost of non-investment to the TSR corpus. By the end of the

first decade, the initial $200 million opportunity cost has grown to a nominal dollar amount of $313.4 million, or approximately an additional $113.4 million over and above the $200 million initial appropriation, compared to if the TSR had been invested and returned at 4.5 percent annually. The estimated additional $113.4 million in opportunity cost over the first decade following the appropriation will continue to grow every year.

It should be noted that for years where investment returns do not achieve the 4.5 percent target, the impact of the opportunity cost will lessen, while years where the fund outperforms will conversely increase the estimated cost overall.

Long-term investment projections are calculated by the SIC and our consultants on an annual basis, while asset allocations to determine proper risk/return profiles for each fund we manage occur on a three-year calendar. Both projections and asset allocation studies for the TSR are pending later in 2022. Substantial changes and/or future expectations are not anticipated at this time.

While the TSR is primarily invested in highly liquid securities, approximately 21 percent, or $383.8 million is invested in real estate, which may take a month or two to liquidate/shift to other SIC-controlled investment funds.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is <u>not</u> met since TRD is <u>not</u> required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the rebate and other information to determine whether the rebate is meeting its purpose.

ADMINISTRATIVE IMPLICATIONS

Both TRD and HSD will have to administer fairly complex programs to disburse the rebates and relief payments. LFC believes the administrative burden on HSD may be significantly higher than the $10 thousand quoted. TRD estimates fairly high administrative costs that consist of three elements: contract IT costs related to setting up the GenTax system ($213 thousand); supplies (check stock, envelopes, etc.) and labor for rebate payments to filers ($383 thousand), and; supplies and labor for non-filer payments ($4,000).

TRD's cost estimates are based on an estimated 26.6 thousand non-filer payments of which 78 percent are direct deposit and 22 percent are paper checks, and 960 thousand tax filer rebate payments per round, a total of 1.92 million payments, of which 64 percent are direct deposit and 36 percent are paper checks.

DFA estimates increased fiscal agent bank fees due to the increased workload and number of transactions of issuing multiple rounds of payments.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate.

Does the bill meet the Legislative Finance Committee tax expenditure policy principles?

1. **Vetted**: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.
2. **Targeted**: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.
3. **Transparent**: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies.
4. **Accountable**: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.
5. **Effective**: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth.
6. **Efficient:** The tax expenditure is the most cost-effective way to achieve the desired results.

LFC Tax Expenditure Policy Principle	Met?	Comments
Vetted	✗	The rebate has not been vetted through interim legislative committees.
Targeted		There are no stated purposes, long-term goals, or annual targets identified in the bill.
Clearly stated purpose	✗	
Long-term goals	✗	
Measurable targets	✗	
Transparent	?	There are no reporting requirements by HSD or TRD; however, the rebate expenditure will be included in TRD's tax expenditure report.
Accountable		
Public analysis	?	The public can review the tax expenditure report, but no other data on the rebates or relief programs are required to be made available for pubic analysis.
Expiration date	✓	The rebates and relief payments are one-time costs and has an expiration date.
Effective		No stated purpose or desired actions/results.
Fulfills stated purpose	?	
Passes "but for" test	?	
Efficient	?	No desired results are identified by which to measure effectiveness.
Key: ✓ Met ✗ Not Met ? Unclear		

JF/IT/al/rl

Attachment

1. General Fund Financial Summary

Attachment A

General Fund Financial Summary:
2022 Regular Legislative Session (Post-Veto)

(millions of dollars)

April 5, 2022
8:20 AM

	Audited FY2021	Estimate FY2022	Estimate FY2023
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
August 2021 Consensus Revenue Forecast	$ 8,045.7	$ 8,108.6	$ 8,841.7
December 2021 Consensus Revenue Update	$ 39.4	$ 54.4	$ 207.4
2022 Recurring Revenue Legislation Scenario	$ -	$ -	$ (203.7)
Total Recurring Revenue	$ 8,085.1	$ 8,163.1	$ 8,845.4
Percent Change in Recurring Revenue	*2.9%*	*1.0%*	*8.4%*
Nonrecurring Revenue			
Federal Stimulus Funds	$ 750.0	$ 1,069.2	$ -
2021 Nonrecurring Revenue Legislation (post-veto)	$ (148.8)	$ (8.2)	$ -
August 2021 Consensus Revenue Forecast	$ 82.6	$ -	$ -
December 2021 Consensus Revenue Update	$ 32.0		
2022 Nonrecurring Revenue Legislation Scenario		$ -	$ (325.5)
Total Nonrecurring Revenue	$ 715.8	$ 1,061.0	$ (325.5)
TOTAL REVENUE	**$ 8,801.0**	**$ 9,224.0**	**$ 8,519.9**
APPROPRIATIONS			
Recurring Appropriations			
2020 Regular Session Legislation & Feed Bill	$ 7,621.4	$ -	
2020 Special Session Solvency Savings [1]	$ (411.9)	$ -	
2021 Regular and Special Sessions Legislation & Feed Bill (pre-veto)	$ 10.0	$ 7,449.7	
2022 Regular Session Recurring Legislation & Feed Bill	$ -	$ 7.6	$ 8,458.2
Total Recurring Appropriations	$ 7,219.5	$ 7,457.3	$ 8,458.2
2020 Special Session Federal Funds Swaps	$ (146.6)		
Total Operating Budget	$ 7,072.9	$ 7,457.3	$ 8,458.2
Nonrecurring Appropriations			
2020 Session Nonrecurring Appropriations & Legislation	$ 320.0	$ -	
2020 First Special Session Solvency Savings [1]	$ (20.0)	$ -	
2020 Second Special Session Appropriations	$ 329.2	$ -	
2021 Regular and Special Session ARPA Appropriations (post-veto)	$ 931.0	$ 346.1	
2022 Regular Session ARPA Related Nonrecurring	$ -	$ 448.7	$ 135.0
2022 Regular Session Nonrecurring	$ -	$ 1,011.7	$ 100.0
Total Nonrecurring Appropriations	$ 1,560.2	$ 1,806.6	$ 235.0
Subtotal Recurring and Nonrecurring Appropriations	$ 8,633.1	$ 9,263.9	$ 8,693.2
Audit Adjustments			
2021 GAA Audit Adjustment	$ 11.5		
2020 GAA Undistributed Nonrecurring Appropriations [2]	$ 259.5		
2019 GAA Undistributed Nonrecurring Appropriations [3]			
TOTAL APPROPRIATIONS	**$ 8,904.1**	**$ 9,263.9**	**$ 8,693.2**
Transfer to (from) Operating Reserves	$ (103.2)	$ (314.9)	$ (38.3)
Transfer to (from) Appropriation Contingency Fund		$ 275.0	$ (135.0)
TOTAL REVENUE LESS TOTAL APPROPRIATIONS		$ (39.9)	$ (173.3)
GENERAL FUND RESERVES			
Beginning Balances	$ 2,513.5	$ 2,504.8	$ 2,557.4
Transfers from (to) Appropriations Account	$ (103.2)	$ (314.9)	$ (38.3)
Revenue and Reversions	$ 589.0	$ 2,055.4	$ 583.2
Appropriations, Expenditures and Transfers Out	$ (504.5)	$ (1,687.9)	$ (618.1)
Ending Balances	**$ 2,504.8**	**$ 2,557.4**	**$ 2,484.3**
Reserves as a Percent of Recurring Appropriations	*35.4%*	*34.3%*	*29.4%*

Notes:

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

2) 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

* Note: totals may not foot due to rounding

General Fund Financial Summary:
2022 Regular Legislative Session (Post-Veto)
RESERVE DETAIL
(millions of dollars)

April 5, 2022
8:20 AM

	Audited FY2021	Estimate FY2022	Estimate FY2023
OPERATING RESERVE			
Beginning Balance	$ 507.2	$ 347.5	$ 92.6
BOF Emergency Appropriations/Reversions		$ (2.5)	$ (2.5)
Transfers from/to Appropriation Account	$ (103.2)	$ (314.9)	$ (38.3)
Transfers to Tax Stabilization Reserve	$ -	$ -	$ -
Disaster Allotments [1]	$ (6.7)	$ -	$ -
Transfer from (to) ACF/Other Appropriations	$ (50.0)	$ -	$ -
Revenues and Reversions	$ 0.1	$ -	$ -
Transfers from tax stabilization reserve	$ -	$ -	$ -
Transfers from tax stabilization reserve to restore balance to 1 percent [4]	$ -	$ 62.6	$ 35.1
Ending Balance	$ 347.5	$ 92.6	$ 86.9
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 6.7	$ 55.5	$ 322.5
Disaster Allotments	$ (13.0)	$ (16.0)	$ (16.0)
Appropriation from 2021 Second Special Session		$ (345.4)	
Other Appropriations (including 2022 Regular Session)	$ -	$ (448.7)	$ (135.0)
Transfers In [9]	$ 50.0	$ 1,069.2	$ -
Revenue and Reversions	$ 11.7	$ 8.0	$ 8.0
Ending Balance	$ 55.5	$ 322.5	$ 179.5
STATE SUPPORT FUND			
Beginning Balance	$ 29.1	$ 4.0	$ 10.4
Revenues [2]	$ -	$ 15.5	$ -
Appropriations to State Support Reserve Fund [7]	$ 20.9	$ 30.0	$ -
Impact Aid Liability FY20	$ (20.9)	$ (39.1)	
Impact Aid Liability FY21	$ (35.1)		$ -
Audit Adjustments [6]	$ 10.0	$ -	$ -
Ending Balance	$ 4.0	$ 10.4	$ 10.4
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	$ 243.2	$ 285.3	$ 301.0
Transfers In [3]	$ 36.3	$ 12.0	$ 32.5
Appropriation to Tobacco Settlement Program Fund [3]	$ (36.3)	$ (12.0)	$ (16.3)
Gains/Losses	$ 42.1	$ 15.7	$ 16.6
Additional Transfers to/from TSPF	$ -	$ -	$ -
Ending Balance	$ 285.3	$ 301.0	$ 333.8
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ 1,727.3	$ 1,812.6	$ 1,830.9
Revenues from Excess Oil and Gas Emergency School Tax	$ 342.7	$ 824.1	$ 448.3
Gains/Losses	$ 85.3	$ 81.0	$ 77.8
Transfers In (From Operating Reserve)	$ -	$ -	$ -
Transfer Out to Operating Reserve [4,5]	$ -	$ (62.6)	$ (35.1)
Transfer Out to Early Childhood Trust Fund [8]	$ (342.7)	$ (824.1)	$ (448.3)
Ending Balance	$ 1,812.6	$ 1,830.9	$ 1,873.7
Percent of Recurring Appropriations	*25.1%*	*24.6%*	*22.2%*
TOTAL GENERAL FUND ENDING BALANCES	**$ 2,504.8**	**$ 2,557.4**	**$ 2,484.3**
Percent of Recurring Appropriations	*35.4%*	*34.3%*	*29.4%*

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 2020 First Special Session, Chapter 5 (HB1, Section 6-A) allows for use of 100% of FY21 revenue for tobacco program fund. DFA and LFC estimate $12 million in TSPF revenue due to expected arbitration ruling to affect FY22; 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 at least one percent of total appropriations for the current year.

6) Laws 2020 First Special Session, Chapter 5 (HB1) provided for a reversion from the state equalization guarantee to the state support reserve fund - this reversion ($9.9 million) was supposed to occur at the end of FY20, but was not submitted before the audit, therefore is expected to book to FY21.

7) Laws 2021, Chapter 137 (HB2, Section 6-16) includes a $20.9 million appropriation to the state support reserve fund.

8) 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

* Note: totals may not foot due to rounding

Attachment A

Appropriation Account Detail: 2022 Legislative Session
(in millions of dollars)

	FY22 Recurring	FY22 Non-Recurring	FY23 Recurring	FY23 Non-Recurring	FY24 Recurring	FY24 Non-Recurring
REVENUE						
2022 Regular Session:						
Bill No.						
passed HB 8 Land Grant-Merced Assistance Fund			$ (1.5)		$ (1.5)	
passed HB 67 Technology Readiness Gross Receipts Tax Credit			$ (0.5)	$ 3.0	$ (2.0)	
passed HB 68 Criminal Code Changes					$ (14.0)	
passed HB 163 Tax Changes			$ (201.2)	$ (328.5)	$ (390.0)	
passed HB 167 Tribe & Pueblo Car Excise Tax Credit			$ (0.5)		$ (0.6)	
TOTAL REVENUE	**$ -**	**$ -**	**$ (203.7)**	**$ (325.5)**	**$ (408.1)**	**$ -**
APPROPRIATIONS						
2021 Second Special Session:						
Bill No.						
HB 1 Feed Bill & General Appropriation Act		$ 0.7				
HB 2 Relating to General Appropriations		$ 345.4				
2022 Regular Session:						
Bill No.						
HB 1 Feed Bill & General Appropriation Act	$ 7.6	$ 1.5	$ 19.5			
HB 2 General Appropriation Act of 2021						
Section 4, General Appropriation			$ 8,289.6			
Section 5 & 6, Specials, Supplementals & Deficiencies		$ 225.9				
Section 7 Information Technology		$ 64.1				
Section 8, Compensation	$ -	$ 31.6	$ 156.7			
Section 9, Roads & Transportation Projects		$ 303.5		$ 70.0		
Section 10, Nonrecurring General Fund		$ 798.1		$ 5.0		
Section 11, Fund Transfers		$ 105.0		$ 130.0		
~~*vetoed* SB 48 Supplemental GAA~~		~~$ 25.2~~	~~$ 25.2~~			
passed SB 212 Capital Outlay Projects				$ 30.0		
HB 2 Failed Contingencies		$ (60.3)	$ (3.5)			
Governor Vetoes		$ (8.8)	$ (4.2)			
TOTAL 2022 SESSION APPROPRIATIONS	**$ 7.6**	**$ 1,460.5**	**$ 8,458.2**	**$ 235.0**	**$ -**	**$ -**

Notes: Failed contingencies include SB 2 ($3.5 million), HB 55 ($50 million), SB 137 ($10 million), and HB 157 (SB168) $330 thousand.