

**REVENUE**

Richard E. May, Cabinet Secretary, DFA  
Demesia Padilla, Cabinet Secretary, TRD

**ISSUES FOR HEARING**  
**July 2011 Consensus Revenue Estimate**

Prepared by  
**Elisa Walker-Moran, Chief Economist**  
**Leila Burrows, Economist, Charles Kassich, Economist**

**SUMMARY:**

- FY11 recurring revenue exceeds appropriations by \$111 million from the December forecast (including post-session revisions).
- Reserves are projected to reach a total of \$370 million, or 7.1 percent of appropriations at the end of FY11.
- FY11 disaster allotments from the appropriation contingency fund were increased to \$21.9 million from a projection of \$11 million due to recent wildfires. The remaining balance is \$54.8 million with \$47.1 million dedicated to education spending.
- As shown in Attachment 2, the General Fund Financial Summary assumes the state will not receive the FY12 tobacco settlement payment, of which approximately \$20 million is dedicated to the tobacco settlement program fund for health and educational purposes.
- The July 2011 consensus forecast projects revenues to exceed appropriations by \$120.4 million in FY12 with a 9 percent reserve ratio. This forecast assumes a continuation of current cost-saving measures.
- Section 13 of the 2011 General Appropriation Act authorizes the Governor to transfer up to \$50 million from the operating reserve to the appropriation account in FY11 or FY12 if revenues are insufficient to meet appropriations.
- Recurring revenue growth is forecast at 9.9 percent in FY11 and 4.9 percent in FY12. Roughly one-third of the FY11 increase is due to revenue enhancement legislation passed in the 2010 sessions. Absent this legislation, FY11 growth is forecast at 6.1 percent. Details of this calculation are provided in Table 2.

**Table 1**  
**July 2011 Consensus General Fund Recurring Revenue Outlook**  
(Dollar amounts in millions)

|                            | <u>FY10</u>    | <u>FY11</u>    | <u>FY12</u>    | <u>FY13</u>    | <u>FY14</u>    | <u>FY15</u>    |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| July 2010 estimate         | \$4,799        | \$5,148        | \$5,430        | \$5,696        | \$5,925        | \$6,190        |
| October 2010 revisions     | -\$5           | -\$40          | -\$81          | -\$101         | -\$109         | -\$154         |
| December 2010 revisions    | \$4            | \$56           | \$42           | \$21           | \$12           | \$20           |
| Post-session revisions     | \$0            | \$0            | \$23           | \$23           | \$23           | \$28           |
| July 2011 revisions        | \$0            | \$111          | \$120          | \$165          | \$190          | \$186          |
| <b>July 2011 consensus</b> | <b>\$4,799</b> | <b>\$5,275</b> | <b>\$5,533</b> | <b>\$5,803</b> | <b>\$6,040</b> | <b>\$6,271</b> |
| Annual amount change       | -\$521         | \$476          | \$258          | \$269          | \$238          | \$231          |
| Annual percent change      | -9.8%          | 9.9%           | 4.9%           | 4.9%           | 4.1%           | 3.8%           |

**Table 2**  
**July Estimate: FY11 Revenue Growth with and without Impacts of 2010 Legislative Changes**

|                             | <b>FY10</b>      | <b>FY11</b>      | <b>FY11<br/>Change<br/>vs FY10</b> | <b>Change<br/>Due to New<br/>Legislation</b> | <b>Change<br/>Excluding<br/>2010<br/>Legislative<br/>Changes</b> |             |
|-----------------------------|------------------|------------------|------------------------------------|----------------------------------------------|------------------------------------------------------------------|-------------|
| Gross Receipts Tax          | \$1,634.4        | \$1,797.0        | \$162.6                            | \$53.2                                       | \$109.4                                                          | 6.7%        |
| Compensating Tax            | \$50.9           | \$68.0           | \$17.1                             | \$13.6                                       | \$3.5                                                            | 6.9%        |
| Cigarette/Tobacco Tax       | \$45.7           | \$87.0           | \$41.3                             | \$35.9                                       | \$5.4                                                            | 11.8%       |
| Personal Income Tax         | \$956.6          | \$1,055.0        | \$98.4                             | \$65.9                                       | \$32.5                                                           | 3.4%        |
| Corporate Income Tax        | \$125.1          | \$180.0          | \$54.9                             | \$15.6                                       | \$39.3                                                           | 31.4%       |
| Mineral Taxes               | \$390.7          | \$401.6          | \$10.9                             | \$0.0                                        | \$10.9                                                           | 2.8%        |
| Investment Income           | \$646.3          | \$644.5          | (\$1.8)                            | \$0.0                                        | (\$1.8)                                                          | -0.3%       |
| Mineral Royalties & Bonuses | \$423.0          | \$465.4          | \$42.4                             | \$0.0                                        | \$42.4                                                           | 10.0%       |
| Other                       | \$526.0          | \$576.4          | \$50.4                             | \$0.0                                        | \$50.4                                                           | 9.6%        |
| <b>Total Recurring</b>      | <b>\$4,798.7</b> | <b>\$5,274.9</b> | <b>\$476.2</b>                     | <b>\$184.2</b>                               | <b>\$292.0</b>                                                   | <b>6.1%</b> |

**FORECAST REVISIONS:**

Details of the consensus forecast are contained in Attachment 1. A summary is presented in Tables 3, 4 and 5.

- Gross receipts tax (GRT) was revised upward in response to a higher forecast of wages and salaries, as well as a robust increase in third quarter payments. General fund distributions were up \$159 million, or 11.5 percent, through April FY11 compared with the same period last year. As shown in Table 2 and Attachment 5 a significant portion of the increase is due to the 1/8 percent tax rate increase and to 5 percent growth in the tax base. The rest is due to a variety of factors that influence the share of GRT going to the general fund including the size of hold harmless distributions, municipal revenue sharing, and several other factors.
- Personal income tax was unchanged from the December estimate.
- Corporate Income Tax was revised down from the December 2010 estimate due to the higher than anticipated film credit refunds but is above the July 2010 estimate.
- Energy-related revenues were increased due to oil prices and volumes that were higher than projected in the December 2010 estimate. Gas prices have been adjusted up slightly from the December forecast.
- Education Reversions. The FY11 appropriation to the state equalization guarantee assumed \$59.4 million in credits for local 0.5 mill levy, federal impact aid and federal forest reserve funds. Actual credits received by the state total \$73.5 million, resulting in an estimated reversion of \$14.1 million to the general fund.

**Table 3**  
**July 2011 Forecast Revisions by Revenue**

|                                | (million dollars) |              |              |              |              |
|--------------------------------|-------------------|--------------|--------------|--------------|--------------|
|                                | <u>FY11</u>       | <u>FY12</u>  | <u>FY13</u>  | <u>FY14</u>  | <u>FY15</u>  |
| Gross receipts tax             | 57.0              | 52.5         | 56.2         | 63.2         | 61.2         |
| Selective sales taxes          | 10.8              | 12.0         | 9.0          | 10.0         | 9.2          |
| Personal income tax            | -                 | -            | -            | -            | -            |
| Corporate income tax           | (40.0)            | -            | 28.0         | 34.4         | 20.6         |
| Energy-related revenues        | 66.9              | 39.2         | 58.7         | 70.0         | 65.5         |
| Investment earnings            | (1.5)             | 11.2         | 10.6         | 12.9         | 35.2         |
| Other revenues                 | 17.4              | 5.3          | 2.3          | (0.9)        | (5.8)        |
| <b>Total Recurring Revenue</b> | <b>110.6</b>      | <b>120.2</b> | <b>164.8</b> | <b>189.6</b> | <b>186.0</b> |

**Table 4**  
**July 2011 Annual Change by Revenue**  
(million dollars)

|                                | <u>FY10</u>    | <u>FY11</u>  | <u>FY12</u>  | <u>FY13</u>  | <u>FY14</u>  | <u>FY15</u>  |
|--------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|
| Gross receipts tax             | (197.5)        | 162.6        | 65.0         | 94.0         | 102.0        | 98.0         |
| Selective sales taxes          | (32.1)         | 72.0         | 14.6         | 10.7         | 9.0          | 11.1         |
| Personal income tax            | (1.9)          | 98.4         | 39.9         | 39.8         | 45.0         | 45.0         |
| Corporate income tax           | (37.4)         | 54.9         | 103.3        | 66.7         | 50.0         | -            |
| Energy-related revenues        | (170.2)        | 53.3         | 25.3         | 57.8         | 19.4         | (3.0)        |
| Investment earnings            | (46.2)         | (1.8)        | 19.4         | (9.7)        | 6.1          | 73.5         |
| Other revenues                 | (35.6)         | 36.8         | (9.0)        | 9.6          | 6.4          | 6.0          |
| <b>Total Recurring Revenue</b> | <b>(520.9)</b> | <b>476.2</b> | <b>258.5</b> | <b>268.9</b> | <b>237.9</b> | <b>230.6</b> |

**Table 5**  
**July 2011 Annual Growth Rates by Revenue**

|                                | <u>FY10</u>  | <u>FY11</u> | <u>FY12</u> | <u>FY13</u> | <u>FY14</u> | <u>FY15</u> |
|--------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Gross receipts tax             | -10.8%       | 9.9%        | 3.6%        | 5.0%        | 5.2%        | 4.8%        |
| Selective sales taxes          | -7.9%        | 19.3%       | 3.3%        | 2.3%        | 1.9%        | 2.3%        |
| Personal income tax            | -0.2%        | 10.3%       | 3.8%        | 3.6%        | 4.0%        | 3.8%        |
| Corporate income tax           | -23.0%       | 43.9%       | 57.4%       | 23.5%       | 14.3%       | 0.0%        |
| Energy-related revenues        | -17.3%       | 6.6%        | 2.9%        | 6.5%        | 2.0%        | -0.3%       |
| Investment earnings            | -6.7%        | -0.3%       | 3.0%        | -1.5%       | 0.9%        | 11.1%       |
| Other revenues                 | -12.4%       | 14.7%       | -3.1%       | 3.5%        | 2.2%        | 2.0%        |
| <b>Total Recurring Revenue</b> | <b>-9.8%</b> | <b>9.9%</b> | <b>4.9%</b> | <b>4.9%</b> | <b>4.1%</b> | <b>3.8%</b> |

**GENERAL FUND APPROPRIATIONS WITH SUPPLANTING FUNDS:**

Figure 1 illustrates recent trends in General Fund appropriations, highlighting the role played by temporary funding sources. While general fund recurring revenue fell by over 20 percent from FY08 to FY10, total spending actually increased between FY08 and FY10 post-solvency. From a peak of over \$6 billion in FY09, total spending fell by 3.4 percent in FY10 and by a cumulative total of 7.2 percent in FY10 and FY11 after allotment reductions. If general fund spending is raised to the level of projected FY13 revenue, total spending would be 5.1 percent below the FY09 peak.

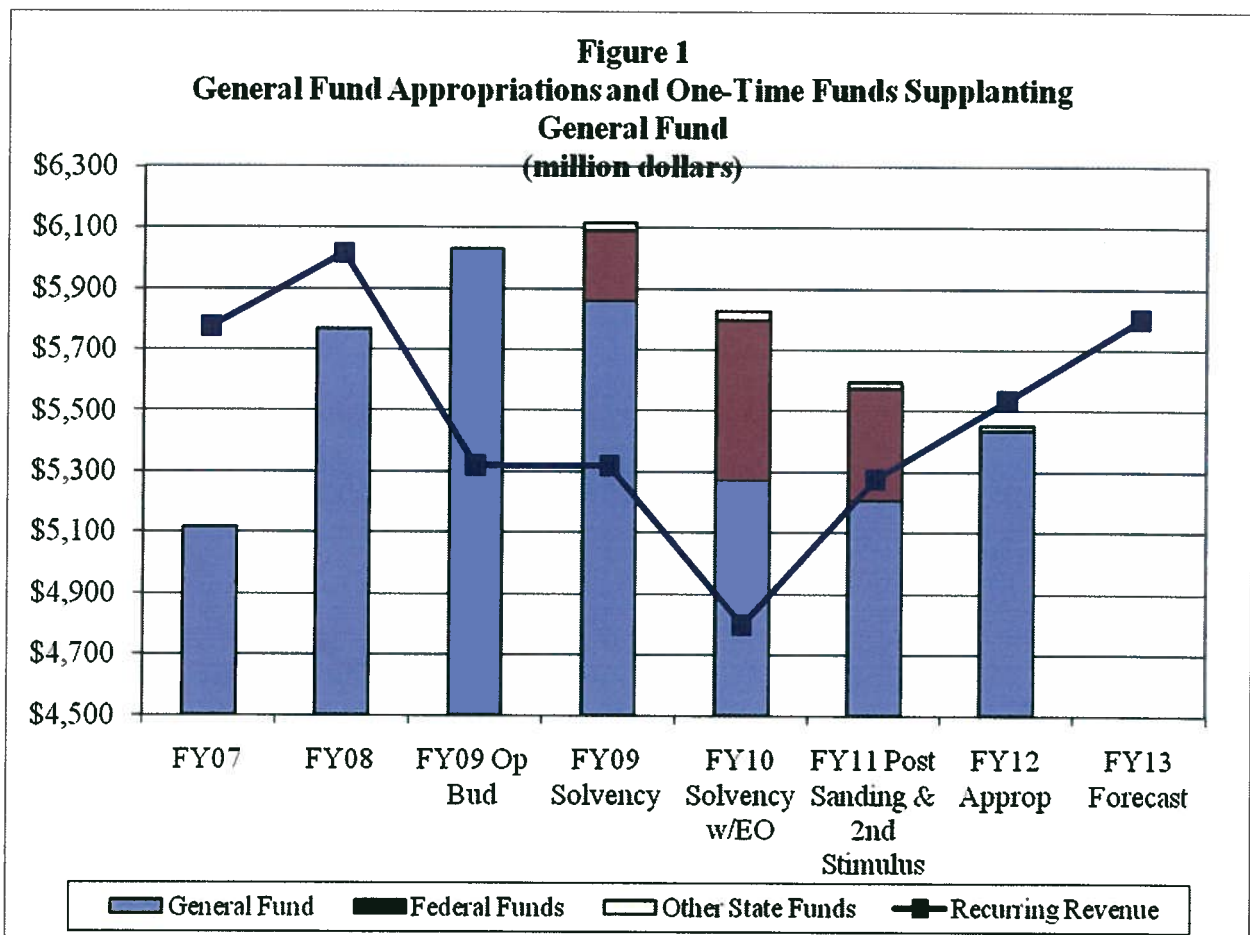


Table 6 illustrates the change in total appropriations by major budget category. Total spending is down 2.5 percent from FY09 to FY12. Medicaid spending is up 1.6 percent while spending on Other agencies is down by 3.3 percent. The FY12 appropriation includes a \$19.8 million allotment to Medicaid from the tobacco settlement program fund. The state is at risk of losing this additional revenue in FY12.

**Table 6**  
**Total Appropriations Including Temporary Funds**  
(dollars in millions)

|                  | <b>FY12 Appropriation</b>                  |                 |                                           |                 |
|------------------|--------------------------------------------|-----------------|-------------------------------------------|-----------------|
|                  | <b>Change From FY11<br/>Adjusted OpBud</b> |                 | <b>Change From FY09<br/>Post-Solvency</b> |                 |
|                  | <b>\$ Change</b>                           | <b>% Change</b> | <b>\$ Change</b>                          | <b>% Change</b> |
| Public Schools   | \$ (63.2)                                  | -2.6%           | \$ (223.8)                                | -8.6%           |
| Higher Education | \$ (45.8)                                  | -6.0%           | \$ (146.3)                                | -17.0%          |
| Medicaid*        | \$ 15.9                                    | 1.6%            | \$ 10.0                                   | 1.0%            |
| Other            | \$ (47.3)                                  | -3.3%           | \$ (303.6)                                | -17.9%          |
| <b>TOTAL</b>     | <b>\$ (140.4)</b>                          | <b>-2.5%</b>    | <b>\$ (663.7)</b>                         | <b>-10.9%</b>   |

\*Includes general fund appropriations to HSD & DOH for the Developmentally Disabled Medicaid waiver program.

**ECONOMIC OUTLOOK (Attachment 3):**

The Bureau of Labor Statistics (BLS) reported that New Mexico non-farm employment was down 0.4 percent or 3,200 jobs from April to May, when accounting for seasonal variation. Year-over-year employment was down 0.7 percent. Education and health services saw the largest monthly increases while leisure and hospitality jobs and construction suffered the largest decreases. The decline in retail and leisure and hospitality sectors is likely a result of higher gasoline prices, which cuts into consumer discretionary income.

Looking forward, the New Mexico Bureau of Business and Economic Research (BBER) forecasting service anticipates job growth of only 0.1 percent in FY11 and 1.3 percent in FY12. Private wages and salaries are expected to grow by 2.8 percent this year and 4.5 percent next year. Inflation in the U.S. is expected to remain subdued, averaging 2.2 percent over the next two years. New Mexico will not regain the previous peak level of employment until 2015, approximately seven years after first reaching that level. BBER’s estimates differ from those of the BLS

because of a perceived error in the BLS October totals, which resulted in a reduction of 6,000 jobs in the professional and business services sector. BBER has added back this amount to their 2011 first quarter averages.

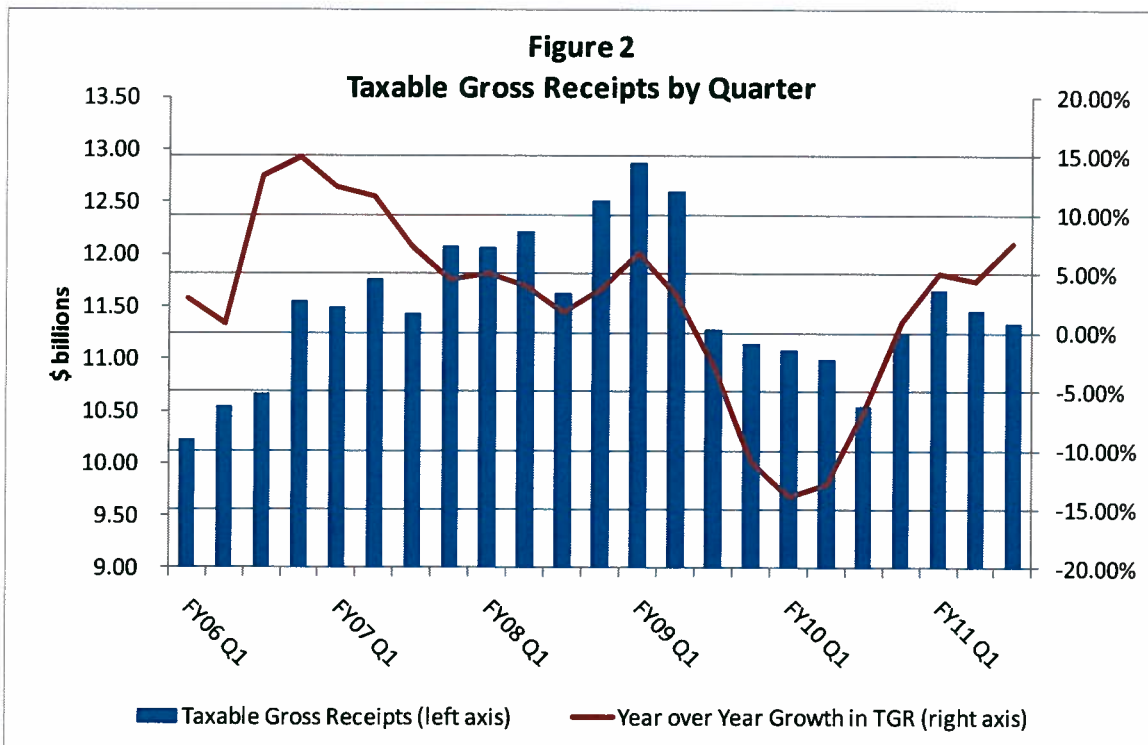
**ENERGY MARKETS (Attachment 4):**

Oil prices are expected to remain around \$85 per barrel in the near term with moderate growth in out years. Oil volumes increased by 1 percent in FY10 and preliminary actuals show a 4 percent increase in FY11. Growth in oil volumes is expected in the near-term with decreasing production in later years.

Spot prices for natural gas have been slightly higher than the December forecast, averaging approximately \$4.00 per thousand cubic feet for New Mexico producers in the latter half of FY11. Natural gas liquids are adding about \$1.20 per thousand cubic feet to the average value of total gas production. Natural gas volumes – expressed in thousands of cubic feet equivalent – fell by 7.5 percent in FY10 and are projected to fall by 4.7 percent in FY11. Although natural gas volumes are falling, higher prices and volumes for natural gas liquids help to offset the decline in total production.

**GROSS RECEIPTS TAX TRENDS (Attachment 5):**

Taxable gross receipts (TGR), the tax base for the GRT, has been increasing in the last few months. The year-over-year growth rate is positive in the first three quarters of FY11 for the first time in 2 years. The level of TGR is still about 12 percent below its peak level in the fall of 2009.



Attachment 5 presents a breakdown by major industry group of the change in FY11 TGR through May 2011 compared with the same period last year. Total TGR was up by 5 percent. Most industries saw positive growth, with the largest percentage increases in mining, information services and administrative and support services. Construction and retail continued to decline.

### **RISKS TO THE FORECAST:**

- The U.S. economic recovery remains vulnerable to weakness in the housing market, currency volatility, financial sector weakness and federal fiscal imbalance. Although consumer spending has increased slightly in recent months, high debt loads and high credit costs will likely limit the momentum consumers are able to create for the near future.
- Natural gas prices remain vulnerable to increased supplies from productivity improvements.
- Financial weakness in several European countries remains a serious threat to international financial markets, and a repeat of the Greek crisis of last spring could cause another setback for the economic recovery.
- The Attorney General has disclosed that the State of New Mexico (along with Virginia) is now facing a second legal challenge from the Cigarette manufacturers (PMs) participating in the tobacco master settlement agreement. In the New Mexico case, the PMs claim that New Mexico no longer has a valid qualifying statute as required by the settlement because of a number of legislative changes, primarily a 2006 change that established tax exempt stamps for tribal sales. The AG believes that up to \$38.5 million in tobacco settlement payments expected in FY12 are at risk, unless new legislation is passed that clearly establishes that the state will collect tobacco escrow payments from all manufacturers that currently are not part of the master settlement.
- The BLS employment numbers are variable and subject to greater adjustments during benchmarking once a year. This impacts our employment growth assumptions.
- Education reversions over the past two years total little more than \$25 million, and credits may be underestimated for FY12. Because the timing of receipt of credits is crucial and often hard to estimate, the Public Education Department has been hesitant to set more aggressive estimates of credits without a safety net. Increasing the estimated credits would result in decreased reversion amounts and increased funding distributed to school districts. In order to maximize allocations to school districts and decrease reversion amounts, for FY12 and FY13, the Legislature may want to



consider an appropriation from the appropriation contingency fund to cover any shortfall in actual credits that may occur if they come in lower than assumed, allowing estimates of credits to be increased.

- The Taxation and Revenue Department (TRD) projects FY11 film credit refunds to be \$36 million higher than the initial forecast of \$65 million due to the recent change in film tax credit legislation, which caps the yearly aggregate for refunds to \$50 million. In anticipation to the change that will go into effect on July 1, production companies that would have received payments in FY12 rushed to submit applications in FY11. An estimated \$32 million in refunds is already in queue for FY12.

### **FY13 GENERAL FUND EXPENDITURE OUTLOOK (Attachment 6):**

- In the post-session report, LFC staff provided an FY13 expenditure projection which assumes a generally flat budget from FY12 with a 4 percent increase in Medicaid spending. Based on the July 2011 forecast new money available for appropriation is estimated at \$367 million
- During the 2011 session, House Bill 628 (Ch 178) was passed, requiring state employees to contribute an additional 1.75 percent to retirement plans. The legislation provided an additional \$49.7 million in appropriations for FY12. Under statute, the contribution swap will continue in FY13 unless the December 2011 forecast projects revenues to be \$100 million above the FY12 appropriation and estimates 5% reserves at the end of FY12. An additional 1.5 percent retirement swap that was passed during the 2009 session (Laws 2009, Ch 127) will remain in place until FY14.
- If assumptions in the July 2011 forecast remain the same in the December 2011 forecast then there will be sufficient revenues to reverse the 1.75 percent increase in employee retirement contribution.
- In FY13, approximately \$64.4 million will be needed to replace federal funds and other state funds, including \$49.7 million for the retirement swap.
- Under the expenditure outlook shown in Attachment 6, a surplus is projected for FY12 at \$120.4 million and for FY13 at \$268.7 million.
- If the state loses tobacco settlement funds, \$19.8 million of the surplus could be used to offset this loss. Attachment 7 provides a list of programs that receive tobacco settlement funds.

General Fund  
Consensus Revenue Estimate  
July 2011

|                                    | FY10               |                    | FY11                   |                              |                   | FY12           |                   |                    |
|------------------------------------|--------------------|--------------------|------------------------|------------------------------|-------------------|----------------|-------------------|--------------------|
|                                    | Prelim. Actual DFA | % Change from FY09 | Dec. 10 Est. Adj. Post | July 2011 Est. Prelim Actual | Change from Prior | July 2011 Est. | Change from Prior | % Change from FY11 |
| Gross Receipts Tax                 | 1,634.4            | -10.8%             | 1,740.0                | 1,797.0                      | 57.0              | 1,862.0        | 52.5              | 3.6%               |
| Compensating Tax                   | 50.9               | -27.2%             | 64.5                   | 68.0                         | 3.5               | 70.5           | 2.8               | 3.7%               |
| <b>TOTAL GENERAL SALES</b>         | <b>1,685.3</b>     | <b>-11.4%</b>      | <b>1,804.5</b>         | <b>1,865.0</b>               | <b>60.5</b>       | <b>1,932.5</b> | <b>55.3</b>       | <b>3.6%</b>        |
| Tobacco Taxes                      | 45.7               | -7.8%              | 81.0                   | 87.0                         | 6.0               | 86.1           | 7.5               | -1.0%              |
| Liquor Excise                      | 25.6               | -0.9%              | 25.5                   | 24.8                         | (0.7)             | 25.2           | (0.8)             | 1.6%               |
| Insurance Taxes                    | 130.3              | 6.9%               | 137.3                  | 137.3                        | -                 | 142.2          | -                 | 3.6%               |
| Fire Protection Fund Reversion     | 5.0                | -83.8%             | 18.3                   | 18.3                         | -                 | 18.7           | -                 | 2.2%               |
| Motor Vehicle Excise               | 92.3               | -8.2%              | 98.3                   | 103.0                        | 4.7               | 107.4          | 4.6               | 8.7%               |
| Gaming Excise                      | 65.1               | -5.9%              | 64.9                   | 66.5                         | 1.6               | 66.0           | 1.2               | 1.1%               |
| Leased Vehicle Surcharge           | 5.7                | 16.3%              | 5.8                    | 5.0                          | (0.8)             | 5.1            | (0.5)             | 2.0%               |
| Other                              | 3.2                | 38.9%              | 3.0                    | 3.0                          | -                 | 3.0            | -                 | 0.0%               |
| <b>TOTAL SELECTIVE SALES</b>       | <b>372.9</b>       | <b>-7.9%</b>       | <b>434.1</b>           | <b>444.9</b>                 | <b>10.8</b>       | <b>459.5</b>   | <b>12.0</b>       | <b>3.3%</b>        |
| Personal Income Tax                | 956.6              | -0.2%              | 1,055.0                | 1,055.0                      | -                 | 1,094.9        | -                 | 3.8%               |
| Corporate Income Tax               | 125.1              | -23.0%             | 220.0                  | 180.0                        | (40.0)            | 283.3          | -                 | 57.4%              |
| <b>TOTAL INCOME TAXES</b>          | <b>1,081.7</b>     | <b>-3.5%</b>       | <b>1,275.0</b>         | <b>1,235.0</b>               | <b>(40.0)</b>     | <b>1,378.2</b> | <b>0.0</b>        | <b>11.6%</b>       |
| Oil and Gas School Tax             | 324.5              | -12.4%             | 328.5                  | 355.7                        | 27.2              | 373.1          | 12.4              | 4.9%               |
| Oil Conservation Tax               | 16.4               | -10.2%             | 16.7                   | 17.9                         | 1.2               | 18.2           | 0.6               | 4.5%               |
| Resources Excise Tax               | 9.4                | -16.3%             | 10.0                   | 10.0                         | -                 | 10.0           | -                 | 0.0%               |
| Natural Gas Processors Tax         | 40.4               | 0.1%               | 17.9                   | 18.0                         | 0.1               | 22.4           | 22.3              | 23.9%              |
| <b>TOTAL SEVERANCE TAXES</b>       | <b>390.7</b>       | <b>-11.2%</b>      | <b>373.1</b>           | <b>401.6</b>                 | <b>28.5</b>       | <b>424.1</b>   | <b>12.9</b>       | <b>5.6%</b>        |
| LICENSE FEES                       | 50.3               | 0.4%               | 52.0                   | 51.7                         | (0.3)             | 53.5           | (0.4)             | 3.5%               |
| LGPFI Interest                     | 437.1              | 0.8%               | 445.2                  | 445.2                        | -                 | 451.6          | 8.1               | 3.3%               |
| STO Interest                       | 22.1               | -67.4%             | 16.2                   | 14.7                         | (1.5)             | 20.2           | 0.6               | 41.5%              |
| STPF Interest                      | 187.1              | -2.2%              | 184.6                  | 184.6                        | -                 | 180.9          | 2.5               | -0.7%              |
| <b>TOTAL INTEREST</b>              | <b>646.3</b>       | <b>-6.7%</b>       | <b>646.0</b>           | <b>644.5</b>                 | <b>(1.5)</b>      | <b>652.7</b>   | <b>11.2</b>       | <b>3.0%</b>        |
| Federal Mineral Leasing            | 355.3              | -30.0%             | 368.2                  | 411.7                        | 43.5              | 398.0          | 26.9              | 3.2%               |
| State Land Office                  | 67.7               | 85.8%              | 58.8                   | 53.7                         | (5.1)             | 43.9           | (0.6)             | -19.4%             |
| <b>TOTAL RENTS &amp; ROYALTIES</b> | <b>423.0</b>       | <b>-22.2%</b>      | <b>427.0</b>           | <b>465.4</b>                 | <b>38.4</b>       | <b>441.9</b>   | <b>26.3</b>       | <b>0.6%</b>        |
| TRIBAL REVENUE SHARING             | 64.1               | -2.0%              | 65.4                   | 65.4                         | -                 | 67.2           | 3.2               | 7.6%               |
| MISCELLANEOUS RECEIPTS             | 44.4               | 4.0%               | 47.2                   | 51.4                         | 4.2               | 43.9           | (0.8)             | -16.1%             |
| REVERSIONS                         | 40.0               | -30.0%             | 40.0                   | 50.0                         | 10.0              | 39.5           | 0.5               | -20.0%             |
| <b>TOTAL RECURRING</b>             | <b>4,798.7</b>     | <b>-9.8%</b>       | <b>5,164.3</b>         | <b>5,274.9</b>               | <b>110.6</b>      | <b>5,413.2</b> | <b>120.2</b>      | <b>4.9%</b>        |
| <b>TOTAL NON-RECURRING*</b>        | <b>478.9</b>       | <b>1496.3%</b>     | <b>67.3</b>            | <b>66.8</b>                  | <b>(0.5)</b>      | <b>18.3</b>    | <b>-</b>          | <b>-72.6%</b>      |
| <b>GRAND TOTAL</b>                 | <b>5,277.6</b>     | <b>-1.3%</b>       | <b>5,231.6</b>         | <b>5,341.7</b>               | <b>110.1</b>      | <b>5,431.5</b> | <b>120.2</b>      | <b>3.9%</b>        |

\*Post-session nonrecurring for FY11 assumed a \$500 thousand transfer from the 920 fund to cover projected shortfall.

General Fund  
Consensus Revenue Estimate  
July 2011

|                                    | FY13                       |                |                   | FY14               |                            |                | FY15              |                    |                            |                |                   |                    |
|------------------------------------|----------------------------|----------------|-------------------|--------------------|----------------------------|----------------|-------------------|--------------------|----------------------------|----------------|-------------------|--------------------|
|                                    | Dec. 10 Est. Adj. for Leg. | July 2011 Est. | Change from Prior | % Change from FY12 | Dec. 10 Est. Adj. for Leg. | July 2011 Est. | Change from Prior | % Change from FY13 | Dec. 10 Est. Adj. for Leg. | July 2011 Est. | Change from Prior | % Change from FY14 |
| Gross Receipts Tax                 | 1,899.8                    | 1,956.0        | 56.2              | 5.0%               | 1,994.8                    | 2,058.0        | 63.2              | 5.2%               | 2,094.8                    | 2,156.0        | 61.2              | 4.8%               |
| Compensating Tax                   | 71.2                       | 74.4           | 3.2               | 5.5%               | 73.2                       | 76.6           | 3.4               | 3.0%               | 77.7                       | 77.9           | 0.2               | 1.7%               |
| <b>TOTAL GENERAL SALES</b>         | <b>1,971.0</b>             | <b>2,030.4</b> | <b>59.4</b>       | <b>5.1%</b>        | <b>2,068.0</b>             | <b>2,134.6</b> | <b>66.6</b>       | <b>5.1%</b>        | <b>2,172.4</b>             | <b>2,233.9</b> | <b>61.5</b>       | <b>4.7%</b>        |
| Tobacco Taxes                      | 77.8                       | 84.3           | 6.5               | -2.1%              | 76.8                       | 82.8           | 6.0               | -1.8%              | 75.9                       | 81.6           | 5.7               | -1.4%              |
| Liquor Excise                      | 26.4                       | 25.6           | (0.8)             | 1.6%               | 26.9                       | 25.9           | (1.0)             | 1.2%               | 27.2                       | 26.2           | (1.0)             | 1.2%               |
| Insurance Taxes                    | 147.3                      | 147.3          | -                 | 3.6%               | 152.6                      | 152.6          | -                 | 3.6%               | 158.1                      | 158.1          | -                 | 3.6%               |
| Fire Protection Fund Reversion     | 17.6                       | 17.6           | -                 | -5.9%              | 15.2                       | 15.2           | -                 | -13.6%             | 14.1                       | 14.1           | -                 | -7.2%              |
| Motor Vehicle Excise               | 116.0                      | 119.0          | 3.0               | 6.3%               | 120.4                      | 125.0          | 4.6               | 5.0%               | 126.1                      | 130.0          | 3.9               | 4.0%               |
| Gaming Excise                      | 67.2                       | 67.8           | 0.6               | 0.9%               | 68.4                       | 68.8           | 0.4               | 1.5%               | 69.6                       | 69.9           | 0.3               | 1.6%               |
| Leased Vehicle Surcharge           | 5.7                        | 5.4            | (0.3)             | 5.9%               | 5.6                        | 5.6            | -                 | 3.7%               | 5.5                        | 5.8            | 0.3               | 3.6%               |
| Other                              | 3.2                        | 3.2            | -                 | 6.7%               | 3.3                        | 3.3            | -                 | 3.1%               | 4.6                        | 4.6            | -                 | 39.4%              |
| <b>TOTAL SELECTIVE SALES</b>       | <b>461.2</b>               | <b>470.2</b>   | <b>9.0</b>        | <b>2.3%</b>        | <b>469.2</b>               | <b>479.2</b>   | <b>10.0</b>       | <b>1.9%</b>        | <b>481.1</b>               | <b>490.3</b>   | <b>9.2</b>        | <b>2.3%</b>        |
| Personal Income Tax                | 1,134.7                    | 1,134.7        | -                 | 3.6%               | 1,179.7                    | 1,179.7        | -                 | 4.0%               | 1,224.7                    | 1,224.7        | -                 | 3.8%               |
| Corporate Income Tax               | 322.0                      | 350.0          | 28.0              | 23.5%              | 365.6                      | 400.0          | 34.4              | 14.3%              | 379.4                      | 400.0          | 20.6              | 0.0%               |
| <b>TOTAL INCOME TAXES</b>          | <b>1,456.7</b>             | <b>1,484.7</b> | <b>28.0</b>       | <b>7.7%</b>        | <b>1,545.3</b>             | <b>1,579.7</b> | <b>34.4</b>       | <b>6.4%</b>        | <b>1,604.1</b>             | <b>1,624.7</b> | <b>20.6</b>       | <b>2.8%</b>        |
| Oil and Gas School Tax             | 380.8                      | 394.5          | 13.7              | 5.7%               | 384.1                      | 396.4          | 12.3              | 0.5%               | 385.3                      | 391.4          | 6.1               | -1.3%              |
| Oil Conservation Tax               | 19.1                       | 19.7           | 0.6               | 5.3%               | 19.2                       | 19.8           | 0.6               | 0.5%               | 19.3                       | 19.6           | 0.3               | -1.0%              |
| Resources Excise Tax               | 10.0                       | 10.0           | -                 | 0.0%               | 10.0                       | 10.0           | -                 | 0.0%               | 10.0                       | 10.0           | -                 | 0.0%               |
| Natural Gas Processors Tax         | 21.0                       | 23.2           | 2.2               | 4.0%               | 20.3                       | 24.0           | 3.7               | 3.4%               | 24.6                       | 23.8           | (0.8)             | -0.8%              |
| <b>TOTAL SEVERANCE TAXES</b>       | <b>430.8</b>               | <b>447.4</b>   | <b>16.6</b>       | <b>5.5%</b>        | <b>433.7</b>               | <b>450.2</b>   | <b>16.5</b>       | <b>0.6%</b>        | <b>439.3</b>               | <b>444.8</b>   | <b>5.5</b>        | <b>-1.2%</b>       |
| LICENSE FEES                       | 57.3                       | 55.5           | (1.8)             | 3.7%               | 59.9                       | 58.0           | (1.9)             | 4.5%               | 61.9                       | 60.7           | (1.2)             | 4.7%               |
| LGPF Interest                      | 429.8                      | 444.8          | 15.0              | -3.2%              | 429.3                      | 452.8          | 23.5              | 1.8%               | 460.3                      | 494.1          | 33.8              | 9.1%               |
| STO Interest                       | 39.8                       | 30.5           | (9.3)             | 46.6%              | 52.0                       | 33.9           | (18.1)            | 11.1%              | 64.7                       | 56.0           | (8.7)             | 65.2%              |
| STPP Interest                      | 174.0                      | 178.9          | 4.9               | -2.5%              | 166.1                      | 173.6          | 7.5               | -3.0%              | 173.6                      | 183.7          | 10.1              | 5.8%               |
| <b>TOTAL INTEREST</b>              | <b>643.6</b>               | <b>654.2</b>   | <b>10.6</b>       | <b>-1.5%</b>       | <b>647.4</b>               | <b>660.3</b>   | <b>12.9</b>       | <b>0.9%</b>        | <b>698.6</b>               | <b>733.8</b>   | <b>35.2</b>       | <b>11.1%</b>       |
| Federal Mineral Leasing            | 417.8                      | 457.7          | 39.9              | 7.7%               | 420.6                      | 474.5          | 53.9              | 3.7%               | 417.7                      | 477.1          | 59.4              | 0.5%               |
| State Land Office                  | 42.8                       | 45.0           | 2.2               | 3.9%               | 45.2                       | 44.8           | (0.4)             | -0.4%              | 44.0                       | 44.6           | 0.6               | -0.4%              |
| <b>TOTAL RENTS &amp; ROYALTIES</b> | <b>460.6</b>               | <b>502.7</b>   | <b>42.1</b>       | <b>7.4%</b>        | <b>465.8</b>               | <b>519.3</b>   | <b>53.5</b>       | <b>3.3%</b>        | <b>461.7</b>               | <b>521.7</b>   | <b>60.0</b>       | <b>0.5%</b>        |
| TRIBAL REVENUE SHARING             | 70.1                       | 75.4           | 5.3               | 7.1%               | 73.0                       | 78.2           | 5.2               | 3.7%               | 75.7                       | 81.2           | 5.5               | 3.8%               |
| MISCELLANEOUS RECEIPTS             | 46.7                       | 41.8           | (4.9)             | -3.0%              | 48.8                       | 40.7           | (8.1)             | -2.6%              | 50.5                       | 39.7           | (10.8)            | -2.5%              |
| REVERSIONS                         | 39.5                       | 40.0           | 0.5               | 0.0%               | 39.5                       | 40.0           | 0.5               | 0.0%               | 39.5                       | 40.0           | 0.5               | 0.0%               |
| <b>TOTAL RECURRING</b>             | <b>5,637.5</b>             | <b>5,802.3</b> | <b>164.8</b>      | <b>4.9%</b>        | <b>5,850.6</b>             | <b>6,040.2</b> | <b>189.6</b>      | <b>4.1%</b>        | <b>6,084.8</b>             | <b>6,270.8</b> | <b>186.0</b>      | <b>3.8%</b>        |
| <b>TOTAL NON-RECURRING*</b>        | <b>(3.3)</b>               | <b>(3.3)</b>   | <b>-</b>          | <b>-118.0%</b>     | <b>(0.9)</b>               | <b>(0.9)</b>   | <b>-</b>          | <b>-72.7%</b>      | <b>-</b>                   | <b>-</b>       | <b>-</b>          | <b>-100.0%</b>     |
| <b>GRAND TOTAL</b>                 | <b>5,634.2</b>             | <b>5,799.0</b> | <b>164.8</b>      | <b>4.5%</b>        | <b>5,849.7</b>             | <b>6,039.3</b> | <b>189.6</b>      | <b>4.1%</b>        | <b>6,084.8</b>             | <b>6,270.8</b> | <b>186.0</b>      | <b>3.8%</b>        |

**General Fund Financial Summary - July 2011 Revenue Estimate**  
**(Dollars in Millions)**

|                                                         | <u>Estimated<br/>FY2011</u> | <u>Estimated<br/>FY2012</u> | <u>Estimated<br/>FY2013</u> |
|---------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>APPROPRIATION ACCOUNT</b>                            |                             |                             |                             |
| <b>REVENUE</b>                                          |                             |                             |                             |
| Recurring Revenue                                       |                             |                             |                             |
| Dec 2010 Consensus Forecast                             | \$ 5,164.3                  | \$ 5,389.7                  | \$ 5,615.2                  |
| 2011 Recurring Revenue Bills                            | \$ (0.5)                    | \$ 23.5                     | \$ 22.3                     |
| July 2011 forecast update                               | \$ 110.6                    | \$ 120.2                    | \$ 164.8                    |
| Total Recurring Revenue                                 | \$ 5,274.4                  | \$ 5,533.4                  | \$ 5,802.3                  |
| Nonrecurring Revenue                                    |                             |                             |                             |
| 2009 Special & 2010 Regular Solvency*                   |                             |                             |                             |
| July 2011 Consensus forecast w/Feb Adjustment**         | \$ 40.0                     | \$ 6.9                      | \$ (3.3)                    |
| 2011 Nonrecurring Revenue Bills                         | 26.8                        | 11.4                        | -                           |
| Total Non-Recurring Revenue                             | \$ 66.8                     | \$ 18.3                     | \$ (3.3)                    |
| <b>TOTAL REVENUE</b>                                    | <b>\$ 5,341.2</b>           | <b>\$ 5,551.7</b>           | <b>\$ 5,799.0</b>           |
| <b>APPROPRIATIONS</b>                                   |                             |                             |                             |
| Recurring Appropriations                                |                             |                             |                             |
| Recurring Appropriations - Post Solvency & FY11 Sanding | \$ 5,202.8                  | \$ 5,416.7                  | \$ -                        |
| Recurring Appropriations - Feed Bill                    | 8.9                         | 14.6                        | -                           |
| 2011 Recurring Appropriation Bills                      | 1.3                         | -                           | -                           |
| Total Recurring Appropriations                          | \$ 5,212.9                  | \$ 5,431.3                  | \$ 5,431.3                  |
| Nonrecurring Appropriations                             |                             |                             |                             |
| 2009 & 2010 Nonrecurring Appropriations                 | \$ 1.1                      | \$ -                        | \$ -                        |
| Laws 2011, Chapter 1, Nonrecurring Appropriation        | \$ 1.5                      |                             |                             |
| 2011 Nonrecurring Appropriation Bills                   | \$ 15.6                     | \$ -                        | \$ -                        |
| Total Nonrecurring Appropriations                       | \$ 18.2                     | \$ -                        | \$ -                        |
| <b>TOTAL APPROPRIATIONS</b>                             | <b>\$ 5,231.1</b>           | <b>\$ 5,431.3</b>           | <b>\$ 5,431.3</b>           |
| Transfer to(from) Reserves***                           | \$ 110.1                    | \$ 120.4                    | \$ 367.7                    |
| <b>GENERAL FUND RESERVES</b>                            |                             |                             |                             |
| Beginning Balances                                      | \$ 278.0                    | \$ 369.5                    | \$ 490.7                    |
| Transfers from (to) Appropriations Account              | 110.1                       | 120.4                       | 367.7                       |
| Revenue and Reversions                                  | 50.8                        | 11.7                        | 12.7                        |
| Appropriations, expenditures and transfers out          | (69.4)                      | (11.0)                      | (11.0)                      |
| Ending Balances                                         | \$ 369.5                    | \$ 490.7                    | \$ 860.1                    |
| Reserves as a Percent of Recurring Appropriations       | 7.1%                        | 9.0%                        | 15.8%                       |

\*Includes funds from 2009 Special HB3, HB16, HB17 and SB29, executive order & furloughs, 2010 Regular capital outlay swaps & voids, reversions, and other nonrecurring revenue  
DOIT.

**General Fund Financial Summary - July 2011 Revenue Estimate**  
**RESERVE DETAIL**  
(Dollars in Millions)

|                                                  | Estimated<br>FY2011 | Estimated<br>FY2012 | Estimated<br>FY2013 |
|--------------------------------------------------|---------------------|---------------------|---------------------|
| <b>OPERATING RESERVE</b>                         |                     |                     |                     |
| Beginning balance                                | \$ 36.2             | \$ 34.7             | \$ 155.1            |
| BOF Emergency Appropriations                     | (1.5)               | -                   | -                   |
| <u>Transfers from/to appropriation account</u>   | <u>-</u>            | <u>120.4</u>        | <u>367.7</u>        |
| Chapter 3, Laws 2009 - SS (HB6)                  | -                   | -                   | -                   |
| Ending balance                                   | \$ 34.7             | \$ 155.1            | \$ 522.8            |
| <b>APPROPRIATION CONTINGENCY FUND</b>            |                     |                     |                     |
| Beginning balance                                | \$ 29.6             | \$ 7.7              | \$ (3.3)            |
| Disaster allotments                              | (21.9)              | (11.0)              | (11.0)              |
| Other appropriations                             | -                   | -                   | -                   |
| Transfers in                                     | -                   | -                   | -                   |
| <u>Revenue and reversions</u>                    | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| Ending Balance                                   | \$ 7.7              | \$ (3.3)            | \$ (14.3)           |
| <b>Education Lock Box</b>                        |                     |                     |                     |
| Beginning balance                                | \$ 53.1             | \$ 47.1             | \$ 47.1             |
| Appropriations (2010 and 2011 GAA Section 5)     | (6.0)               | -                   | -                   |
| <u>Transfers in(out)</u>                         | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| Ending balance                                   | \$ 47.1             | \$ 47.1             | \$ 47.1             |
| <b>STATE SUPPORT FUND</b>                        |                     |                     |                     |
| Beginning balance                                | \$ 1.0              | \$ 1.0              | \$ 1.0              |
| Revenues                                         | \$ -                | \$ -                | \$ -                |
| <u>Appropriations</u>                            | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| Ending balance                                   | \$ 1.0              | \$ 1.0              | \$ 1.0              |
| <b>TOBACCO PERMANENT FUND</b>                    |                     |                     |                     |
| Beginning balance                                | \$ 132.0            | \$ 142.9            | \$ 154.6            |
| Transfers in                                     | 40.0                | -                   | -                   |
| Appropriation to tobacco settlement program fund | (20.0)              | -                   | -                   |
| Gains/Losses                                     | 10.8                | 11.7                | 12.7                |
| <u>Additional transfers to Program Fund</u>      | <u>(20.0)</u>       | <u>-</u>            | <u>-</u>            |
| Ending balance                                   | \$ 142.9            | \$ 154.6            | \$ 167.2            |
| <b>TAX STABILIZATION RESERVE</b>                 |                     |                     |                     |
| Beginning balance                                | \$ 26.1             | \$ 136.2            | \$ 136.2            |
| Transfers in                                     | -                   | -                   | -                   |
| Chapter 3, Laws 2009 - SS (HB6)                  | -                   | -                   | -                   |
| 2010 Special Session reserve transfers           | -                   | -                   | -                   |
| <u>2011 Session reserve transfers</u>            | <u>110.1</u>        | <u>-</u>            | <u>-</u>            |
| Ending balance                                   | \$ 136.2            | \$ 136.2            | \$ 136.2            |
| <b>GENERAL FUND ENDING BALANCES</b>              | <b>\$ 369.6</b>     | <b>\$ 490.7</b>     | <b>\$ 860.1</b>     |
| <i>Percent of Recurring Appropriations</i>       | <i>7.1%</i>         | <i>9.0%</i>         | <i>15.8%</i>        |

U.S. and New Mexico Economic Indicators

|                                                | FY10                                |  | FY11              |                    | FY12              |                    | FY13              |                    | FY14              |                    | FY15              |                    |
|------------------------------------------------|-------------------------------------|--|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
|                                                | July11<br>Prelim<br>Actual          |  | Dec10<br>Forecast | July11<br>Forecast | Dec10<br>Forecast | July11<br>Forecast | Dec10<br>Forecast | July11<br>Forecast | Dec10<br>Forecast | July11<br>Forecast | Dec10<br>Forecast | July11<br>Forecast |
|                                                | <b>National Economic Indicators</b> |  |                   |                    |                   |                    |                   |                    |                   |                    |                   |                    |
| US Real GDP Growth (annual avg., % YOY)*       | 1.2                                 |  | 2.5               | 2.7                | 2.6               | 3.0                | 2.9               | 2.7                | 2.7               | 3.1                | 3.3               | 3.3                |
| US Inflation Rate (CPI, annual avg., % YOY)**  | 1.0                                 |  | 1.3               | 2.0                | 1.7               | 2.6                | 2.0               | 1.9                | 2.1               | 2.0                | 2.2               | 2.1                |
| Federal Funds Rate (%)                         | 0.2                                 |  | 0.1               | 0.2                | 0.3               | 0.3                | 2.7               | 2.7                | 3.5               | 3.5                | 4.2               | 4.2                |
| <b>New Mexico Labor Market and Income Data</b> |                                     |  |                   |                    |                   |                    |                   |                    |                   |                    |                   |                    |
| NM Non-Agricultural Employment Growth (%)      | -3.2                                |  | 0.2               | 0.1                | 1.0               | 1.3                | 1.3               | 1.5                | 1.5               | 1.3                | 1.4               | 1.2                |
| NM Personal Income Growth (%)***               | 0.1                                 |  | 3.5               | 4.2                | 2.2               | 4.2                | 3.2               | 4.3                | 3.9               | 4.8                | 5.1               | 5.0                |
| NM Private Wages & Salaries Growth (%)         | -2.4                                |  | 2.2               | 2.8                | 3.6               | 4.5                | 3.7               | 4.9                | 4.1               | 4.6                | 4.1               | 4.4                |
| <b>Crude Oil and Natural Gas Outlook</b>       |                                     |  |                   |                    |                   |                    |                   |                    |                   |                    |                   |                    |
| NM Oil Price (\$/barrel)                       | \$71.29                             |  | 76.87             | \$85.50            | \$82.69           | \$87.80            | \$85.60           | \$89.50            | \$88.01           | \$89.50            | \$90.46           | \$89.50            |
| NM Taxable Oil Volumes (million barrels)       | 62.70                               |  | 63.30             | 65.4               | 64.0              | 67.4               | 64.6              | 68.7               | 65.2              | 69.4               | 65.9              | 68.7               |
| NM Gas Price (\$ per thousand cubic feet)****  | \$5.18                              |  | 5.00              | \$5.20             | \$5.75            | \$5.60             | \$6.37            | \$6.20             | \$6.58            | \$6.40             | \$6.73            | \$6.50             |
| NM Taxable Gas Volumes (billion cubic feet)    | 1,285                               |  | 1,234             | 1,224              | 1,197             | 1,184              | 1,161             | 1,147              | 1,126             | 1,111              | 1,092             | 1,077              |

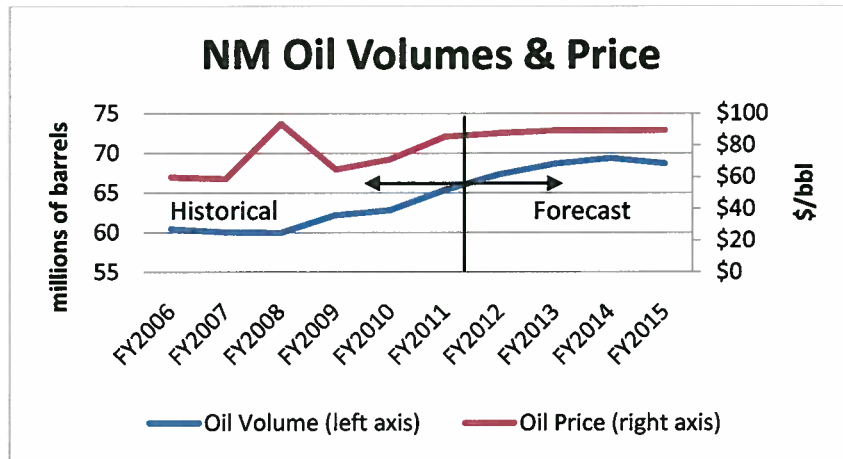
\* Real GDP is BEA chained 2005 dollars, billions, annual rate

\*\* CPI is all urban, BLS 1982-84=1.00 base.

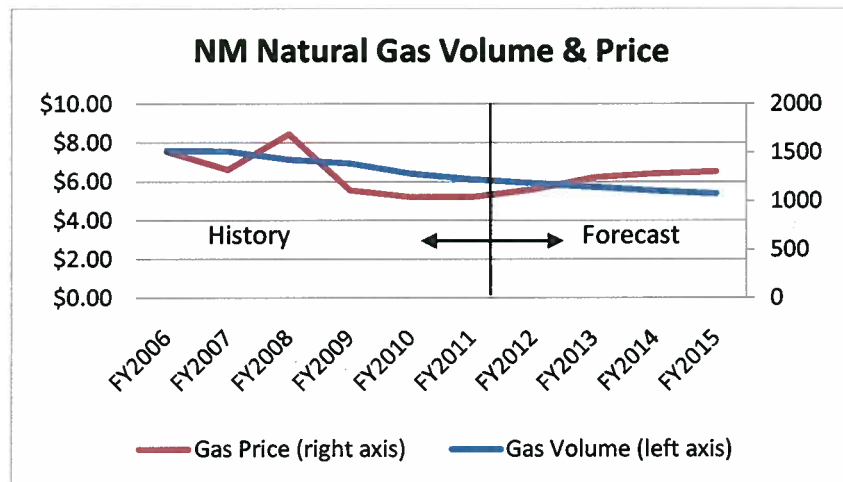
\*\*\*Personal Income growth rates are for the calendar year in which each fiscal year begins

\*\*\*\*The gas prices are estimated using a formula of NYMEX, EIA, and Global Insight future prices as well as a liquid premium based on oil prices.

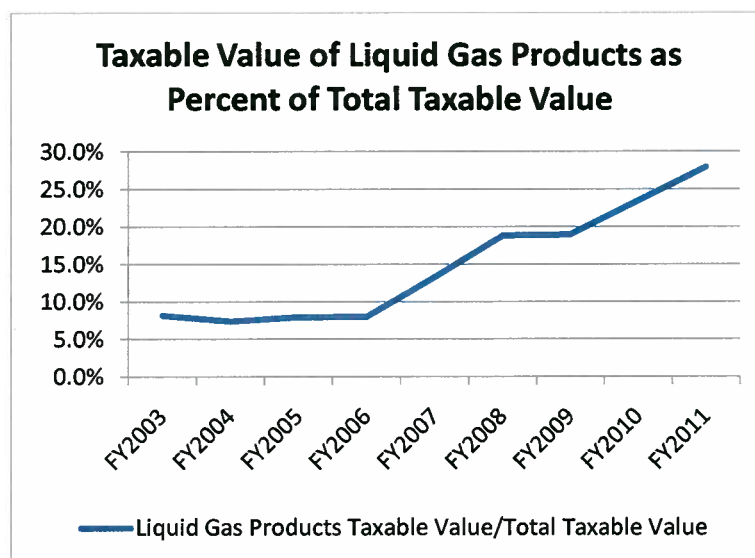
Sources: May Global Insight and June BBER



Source: ONGARD database / Consensus revenue estimating group



Source: ONGARD database/ Consensus revenue estimating group



Source: ONGARD database

## Taxable Gross Receipts by Industry: FY11 vs FY10 through May 2011

|                                                 | Change (Million \$) | Percent Change |
|-------------------------------------------------|---------------------|----------------|
| Agriculture, Forestry, Fishing and Hunting      | (\$2.5)             | -4.0%          |
| Mining and Oil and Gas Extraction               | \$745.9             | 40.2%          |
| Utilities                                       | \$52.3              | 2.6%           |
| Construction                                    | (\$177.1)           | -3.2%          |
| Manufacturing                                   | \$222.6             | 19.5%          |
| Wholesale Trade                                 | \$186.6             | 10.2%          |
| Retail Trade                                    | (\$21.0)            | -0.2%          |
| Transportation and Warehousing                  | \$64.9              | 10.5%          |
| Information and Cultural Industries             | \$349.5             | 20.6%          |
| Finance and Insurance                           | (\$2.5)             | -1.0%          |
| Real Estate and Rental and Leasing              | \$69.2              | 10.4%          |
| Professional, Scientific and Technical Services | \$166.2             | 3.9%           |
| Management of Companies and Enterprises         | (\$1.2)             | -3.5%          |
| Admin and Support, Waste Mgt and Remed          | \$237.1             | 14.0%          |
| Educational Services                            | \$54.4              | 28.5%          |
| Health Care and Social Assistance               | \$118.0             | 6.0%           |
| Arts, Entertainment and Recreation              | \$6.4               | 3.4%           |
| Accommodation and Food Services                 | \$152.8             | 4.9%           |
| Other Services (except Public Admin)            | \$111.4             | 2.4%           |
| Public Administration                           | \$1.0               | 0.5%           |
| Unclassified Establishments                     | (\$86.5)            | -38.3%         |
| <b>Total</b>                                    | <b>\$2,247.3</b>    | <b>5.1%</b>    |



**General Fund Outlook**

|                                                                       | FY12             | FY13             |
|-----------------------------------------------------------------------|------------------|------------------|
| July 2011 Consensus - Recurring Revenue(1)                            | \$5,533.4        | \$5,802.3        |
| <b>Subtotal of Nonrecurring Revenue(2)</b>                            | <b>\$18.3</b>    | <b>(\$3.3)</b>   |
| Recurring Appropriations                                              |                  |                  |
| Public Education                                                      | \$2,364.9        | \$2,364.9        |
| Higher Education                                                      | \$716.6          | \$716.6          |
| Other Health & Human Services                                         | \$354.4          | \$354.4          |
| Public Safety                                                         | \$658.1          | \$658.1          |
| Medicaid(3)                                                           | \$867.1          | \$901.8          |
| All Other Government                                                  | \$470.2          | \$470.2          |
| <b>Subtotal of Recurring Appropriations</b>                           | <b>\$5,431.3</b> | <b>\$5,466.0</b> |
| <b>Replace Federal Funds &amp; Other State Funds</b>                  |                  |                  |
| Replace tobacco settlement funds                                      | \$19.8           | \$0              |
| Attorney General - Replace balances of consumer settlement            |                  | \$2.0            |
| Replace 1.75% Retirement Swap                                         |                  | \$49.7           |
| Replace 1.5% Swap(4)                                                  |                  | -                |
| 0.75% ERB Employer Increase(4)                                        |                  | -                |
| HED Student Financial Aid - Replace balances of college affordability |                  | \$2.0            |
| Office of the State Engineer - Replace balances of IWCF               |                  | \$2.0            |
| Operating Funding for Los Lunas Substance Abuse Treatment Facility    |                  | \$3.0            |
| Governor's Commission on Disability - Replace fund balances           |                  | \$0.3            |
| Department of Cultural Affairs - Replace fund balances                |                  | \$1.5            |
| Retiree Health Care - 3rd year employer contribution increase         |                  | \$3.7            |
| Office of the Natural Resources Trustee - Replace fund balances       |                  | \$0.2            |
| <b>Surplus/(Deficit)</b>                                              | <b>\$100.6</b>   | <b>\$268.7</b>   |

(1) Reflects reduction in LGPF distribution.

(2) FY12 includes \$6.9 million for tax amnesty and \$11.4 for NMFA transfers. FY13 includes a reduction of \$3.3 million for the accelerated collection resulting from tax amnesty.

(3) Medicaid spending growth for FY13 estimated at 4%. This is approximately half the April 2011 Global Insight medical spending forecast with a growth rate of 6.95%.

(4) Replacement scheduled for FY14.

**TOBACCO SETTLEMENT PROGRAM FUND APPROPRIATIONS**  
(dollars in thousands)

| Agency                             | Purpose                                                                                 | FY11 Revised (1) | FY12 LFC Rec (2) | FY12 Executive Rec | FY12 Laws 2011, Ch. 179 (2) | FY12 Revised OpBud (3) |
|------------------------------------|-----------------------------------------------------------------------------------------|------------------|------------------|--------------------|-----------------------------|------------------------|
| 609 Indian Affairs                 | Tobacco Cessation Programs                                                              | 253.7            | 255.7            | 263.6              | 255.7                       | 249.3                  |
| 630 Human Services Department      | Medicaid – Breast and cervical cancer treatment                                         | 1,298.0          | 1,345.9          | 1,500.0            | 1,345.9                     | 1,312.4                |
| 630 Human Services Department      | Medicaid                                                                                | 6,625.5          | 8,109.5          | 5,175.0            | 8,109.5                     | 7,736.1                |
| 630 Human Services Department      | Medicaid, contingent on 100% distribution                                               | 19,283.6         | 19,776.0         | 19,800.0           | 19,776.0                    | 19,453.9               |
| 665 Department of Health           | Tobacco cessation and prevention                                                        | 5,794.6          | 5,827.4          | 6,007.7            | 5,827.4                     | 5,682.0                |
| 665 Department of Health           | Diabetes prevention and control                                                         | 762.9            | 767.1            | 790.9              | 767.1                       | 748.0                  |
| 665 Department of Health           | HIV/AIDS services                                                                       | 298.7            | 300.5            | 309.7              | 300.5                       | 293.0                  |
| 665 Department of Health           | Breast and cervical cancer screening                                                    | 127.2            | 131.8            | 131.8              | 131.8                       | 128.6                  |
| 952 University of New Mexico HSC   | Research and clinical care programs in lung and tobacco-related illness (LRRI contract) | 865.4            | 0                | 1,000.0            | 0                           | 0                      |
| 952 University of New Mexico HSC   | Instruction and General Purposes                                                        | 724.3            | 675.9            | 837.0              | 675.9                       | Note 4                 |
| 952 University of New Mexico HSC   | Research in genomics and environmental health                                           | 1,051.5          | 981.2            | 1,215.0            | 981.2                       | Note 4                 |
| 952 University of New Mexico HSC   | Poison control center                                                                   | 350.5            | 327.1            | 405.0              | 327.1                       | Note 4                 |
| 952 University of New Mexico HSC   | Pediatric oncology program                                                              | 311.5            | 290.7            | 360.0              | 290.7                       | Note 4                 |
| 952 University of New Mexico HSC   | Telemedicine program                                                                    | 116.9            | 109.0            | 135.0              | 109.0                       | Note 4                 |
| 952 University of New Mexico HSC   | Los Pasos program                                                                       | 39.0             | 36.3             | 45.0               | 36.3                        | Note 4                 |
| 952 University of New Mexico HSC   | Area health education centers                                                           | 39.0             | 36.3             | 45.0               | 36.3                        | Note 4                 |
| 952 University of New Mexico HSC   | Specialty education in trauma                                                           | 311.5            | 290.7            | 360.0              | 290.7                       | Note 4                 |
| 952 University of New Mexico HSC   | Specialty education in pediatrics                                                       | 311.5            | 290.7            | 360.0              | 290.7                       | Note 4                 |
| TOTAL University of New Mexico (4) |                                                                                         | <b>38,565.4</b>  | <b>39,551.8</b>  | <b>38,740.7</b>    | <b>39,551.8</b>             | <b>2,962.1</b>         |
| <b>Total Appropriations</b>        |                                                                                         | <b>38,565.4</b>  | <b>39,551.8</b>  | <b>38,740.7</b>    | <b>39,551.8</b>             | <b>38,565.4</b>        |

(1) Final revised allotments per DFA based on actual payment received April 2011, which was \$1.4 million below the June 2010 projection.

(2) Estimated payment of \$39.55 million (October 2010).

(3) DFA advised agencies in April 2011 of reduced allotments based on the 2011 actual payment. See Note (1).

(4) FY12 GAA language allows UNM the flexibility to allocate the DFA reduction of \$75.8 thousand.