General Fund Consensus Revenue Estimate

August 2022 Consensus General Fund Recurring Revenue Estimate
(in millions)

	FY22	FY23	FY24
December 2021 Consensus*	$8,163.1	$8,845.4	$9,235.0
August 2022 Adjustments	$1,053.5	$1,001.7	$1,624.0
August 2022 Consensus	**$9,216.6**	**$9,847.1**	**$10,859.0**
Annual amount change	$1,131.5	$630.5	$1,011.9
Annual percent change	14.0%	6.8%	10.3%
Distributions to Tax Stabilization Reserve or Early Childhood Trust Fund**			
December 2021 Consensus	$1,508.4	$1,073.5	$575.6
August 2022 Consensus	$2,801.8	$2,593.2	$1,583.6
Adjustment from Prior	$1,293.6	$1,519.7	$1,008.0

Note: Parentheses ( ) denotes a negative number; General fund amounts above do not include oil and gas emergency school tax revenues in excess of the five-year average distributed to the tax stabilization reserve.
* December 2021 consensus estimate adjusted for 2022 legislation
** Distribution of oil and gas school tax and federal royalty payments in excess of the 5-year average. If general fund reserves are at least 25 percent of appropriations, excess school tax revenue goes to the early childhood trust fund, otherwise to the tax stabilization reserve. Excess federal royalty revenue goes to the early childhood trust fund.

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

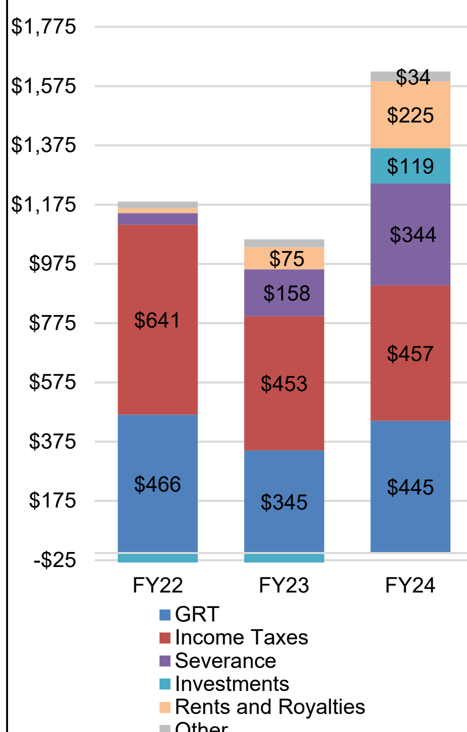
Summary

Preliminary reports indicate recurring revenues for FY22 were $9.217 billion, up $1.132 billion, or 14 percent, from FY21. Revenue strength is the result of sustained high inflation raising expectations for gross receipts tax and income tax collections. Additionally, consumer spending has remained strong, wage growth has been robust, and high oil and gas revenues are supported by global supply-side constraints raising prices and encouraging production expansion. Oil and gas revenue strength is pushing severance tax and federal royalty collections higher above their five-year averages, resulting in larger transfers to the early childhood trust fund than was expected in December and boosting the amount reaching the general fund throughout the forecast horizon.

Estimated recurring revenues for FY23 are $9.847 billion, up $1.002 billion from the December estimate. FY24 recurring revenues are estimated at $10.859 billion. "New money," or projected recurring revenue for the coming fiscal year less current year recurring appropriations, is estimated at $2.455 billion for FY24, or 29.2 percent growth from the FY23 recurring budget.

General Fund Reserves and Transfers of Above-Trend Revenue. Including federal stimulus funds of $1.069 billion and nonrecurring legislative expenditures of $900.3 million, FY22 non-ARPA, total general fund revenues are estimated to be $201.2 million below FY22 appropriations, which will be transferred from the operating reserve and the tax stabilization reserve fund.

Recurring Revenue Changes, Change from December 2021 Estimate, by Income Source
(in millions)



*Severance tax and royalty amounts exclude distributions to the tax stabilization reserve and early childhood trust fund.

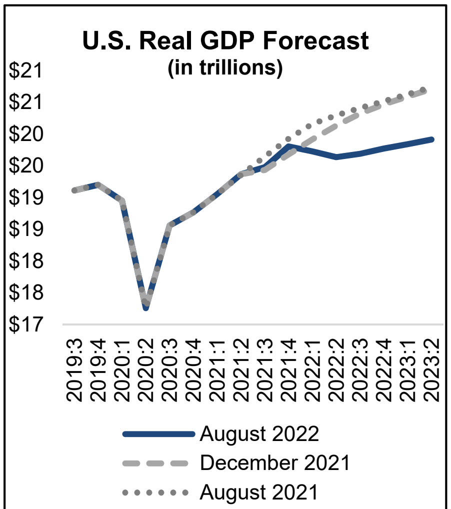
General Fund Financial Summary
(in millions)

	FY22 Prelim	FY23 Est.
Recurring Revenue	$9,216.6	$9,847.1
Nonrecurring Revenue*	$165.3	($105.6)
Total General Fund Revenue	$9,381.9	$9,741.5
Recurring Appropriations	$7,457.3	$8,404.3
Nonrecurring Appropriations*	$1,677.2	$ 409.3
Undistrib. Appropriations and Audit Adj.		
Total General Fund Appropriations	$9,134.5	$8,813.6
Transfer to(from) Reserves	$247.4	$927.9
*Includes federal stimulus funds and offsets		
Ending Reserve Balance	$2,735.1	$3,761.8
Percent of Recurring Appropriations	36.7%	44.8%

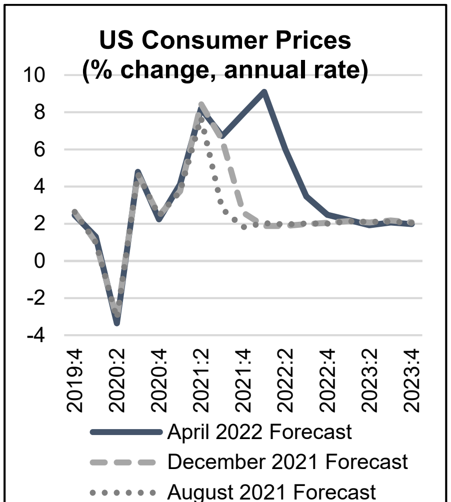
Source: LFC Files

The general fund financial summary detailed in attachment 1 illustrates the impact of the August 2022 revenue estimates on reserve levels. Ending reserve balances for FY22 are estimated at $2.74 billion, or 36.7 percent of recurring appropriations. Because total reserve balances exceed 25 percent of recurring appropriations, the excess of the five-year average of oil and gas school tax collections –$1.3 billion – will be deposited into the early childhood education and care trust fund instead of the tax stabilization reserve.

FY23 ending reserve balances are estimated at $3.76 billion, or 44.8 percent, prior to any legislative action in the 2023 session. Again, because reserves are expected to exceed 25 percent of recurring appropriations in FY23, excess oil and gas school tax collections, estimated at about $1.25 billion, will flow into the early childhood trust fund. Additionally, excess federal oil and gas royalty payments above the five-year average, estimated at about $1.35 billion in FY23, will flow into the early childhood trust fund (see attachment 6).



Source: IHS Markit Forecasts



Source: IHS Markit Forecasts

Economic Forecast

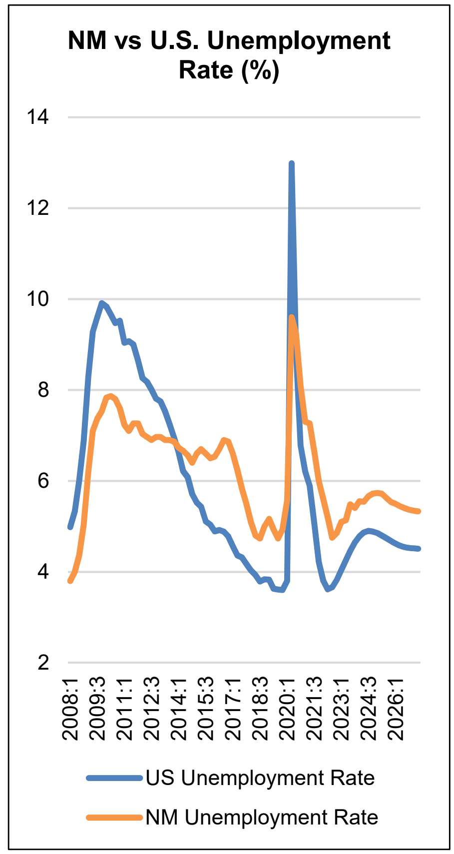
LFC and TRD economists use national data from IHS Markit and local data from the University of New Mexico Bureau of Business and Economic Research (BBER) to develop the economic assumptions for the forecast. DFA economists use forecast data from Moody's Analytics. Selected economic indicators from these forecasts are shown in attachment 3.

U.S. Outlook

The US economy continues to recover from the pandemic-induced recession, with real GDP growing 3.5 percent year-over year in the third quarter of FY22 and 1.6 percent in the fourth quarter. While still expanding year-over-year, the third and fourth quarters of FY22 mark the economy's first consecutive quarters of real contraction since the pandemic, shrinking 1.6 percent and 0.9 percent. While two consecutive quarters of GDP contraction traditionally indicate a recession, other strong economic indicators, such as job growth, unemployment, and net exports, suggest ambiguity in the current economic situation; however, the risks of a recession remain (see *Recession Risks* on page 10). Real GDP is expected to continue to grow, albeit at slower rates than previously projected. IHS is expecting growth at 1.4 percent through the end of this year, 1.3 percent in 2023, and 1.9 percent in 2024 as inflation erodes consumer spending, government support recedes to normal levels, the Federal Reserve continues to tighten monetary policy, and the economy reaches full employment.

U.S. employment remains strong despite recent economic contractions. Peaking at 14.7 percent at the start of the pandemic, the unemployment rate has stabilized at pre-pandemic levels around 3.5 percent as of July 2022 but is expected to rise throughout the forecast period as the labor market cools. U.S. employment is expected to grow 3.9 percent in 2022, before slowing to 0.9 percent in 2023 and flattening in 2024. By 2027, U.S. employment should exceed pre-pandemic levels by about 4.3 million jobs. Labor force participation has yet to recover from pandemic lows and is stable around 62.1 percent, down from the pre-pandemic level of 63.3 percent.

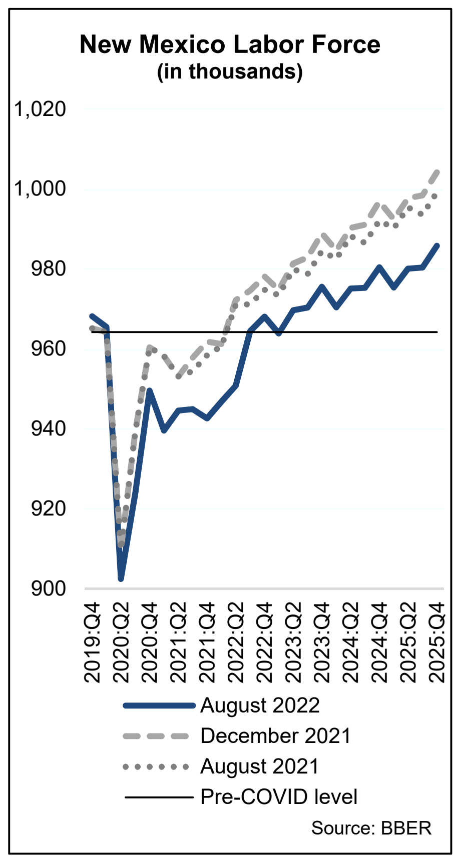
Inflation has surged worldwide as demand recovered faster than could be accommodated by the supply of commodities and labor disrupted first by the pandemic, and now, the war in Ukraine. In addition, rents have accelerated in lagged response to soaring housing prices. IHS expects these pressures to moderate in the second half of 2022, as supplies improve and workers return to the labor force. The forecast also expects tightening monetary policy to push the U.S. unemployment rate to 4.9 percent by mid-2024, reversing the direction of inflation from labor markets.



Significant uncertainty in the economic outlook remains. In fact, IHS has placed a 50 percent probability on their baseline forecast, a 45 percent probability on their pessimistic scenario, and only a 5 percent probability on their optimistic scenario. The recent and forthcoming monetary policy from the Federal Reserve could significantly slow economic growth as rising interest rates dampen economic demand. On the other hand, a failure to slow high inflation rates would discourage consumer sentiment and erode real purchasing power of households and firms leading to a downturn. The coronavirus continues to add uncertainty as new strains impact consumption, disrupt supply chains, and prevent employment recovery.

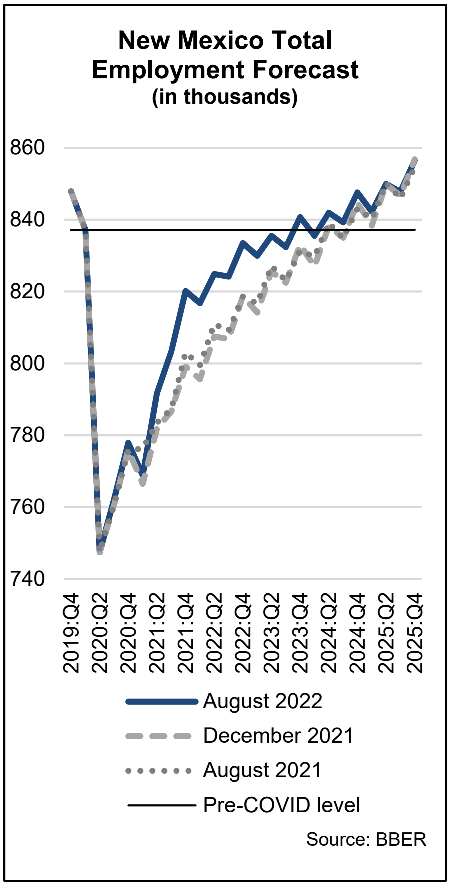
The baseline scenario for IHS Markit and Moody's Analytics assumes US society adapts to risks while living alongside the coronavirus. Both forecasts assume the virus will continue to disrupt supply chains and consumption patterns, decreasing in impact over time. Both IHS and Moody's forecasts include the Infrastructure Investment and Jobs Act (IIJA), while neither include the Biden administration's Build Back Better bill or the Inflation Reduction Act. Neither IHS Markit nor Moody's Analytics include a recession in their baseline forecast; yet, the risk of a second recession remain and both forecasters have increased their likelihood of downside risks (see *Recession Risks* on page 10). Both estimators assume a tightening of monetary policy by the Federal Reserve as they attempt slowing the economy and inflation.

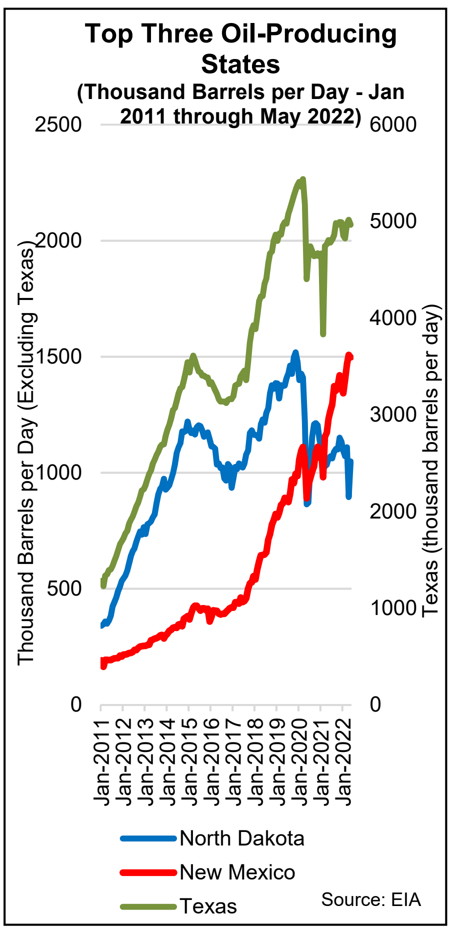
New Mexico Outlook



The BBER estimate used in the consensus revenue forecast expects the New Mexico economy will experience slower than national economic growth in the near term but will gain ground with relatively faster growth in 2023. The state's economic outlook is similarly tied to inflation, monetary policy, and other broader economic mechanisms as the national outlook.

After reaching the last employment peak in January 2020, employment contracted by 10.5 percent because of the pandemic. In that period, leisure and hospitality experienced the largest losses of any industry, and while strong gains were made, the sector is still 7.4 percent below 2019 figures. Retail and wholesale trade, other hard-hit industries, are experiencing divergent recoveries. Retail trade has recovered all of its lost jobs while wholesale trade is still 6.2 percent below prior levels. Local government, mining, and accommodations are also still lagging far behind pre-pandemic levels. By the end of 2021, data from BBER indicates total employment is still down 27.7 thousand jobs, or 3.3 percent, from the pre-pandemic peak. BBER projects jobs will reach pre-pandemic levels by late 2023 or early 2024.





Currently, New Mexico's labor force participation rate is 56.9 percent, significantly lower than national rate and still 1.8 percent below pre-pandemic levels. The labor force is projected to expand 1.5 percent in 2022, 1.3 percent in 2023, and then average about 0.6 percent per year, after.

While employment has a longer road to recovery, total wages and salaries in New Mexico reached pre-pandemic levels in the last quarter of 2020. Total personal income growth in New Mexico reached record heights during the pandemic. Driven by inflationary pressures and hiring expansions, expansion continued in 2021 with all components of income, including transfer payments, wages, and business income, contributing to growth. Income growth is predicted to slow in 2022 and beyond. With the end of large federal transfer payments to New Mexicans reducing transfer payments by 30 percent, total personal income contracted 5.3 percent in the first quarter of 2022 year-over-year even though wages and salaries grew by 13.1 percent, interest payments by 2.7 percent, and business income by 15.1 percent. Personal income is expected to flatten out with a growth of only 0.3 percent in 2022 before returning to an average growth rate of about 4.6 percent. Meanwhile, wages and salaries will continue to see steady average growth of 4.1 percent in 2023 through 2027 after an expected 9.0 percent spike in 2022.

Oil and Gas

Following the pandemic, global consumption and demand rebounded causing both prices and production in the state to surge. Then at the beginning of 2022, the Russian invasion of Ukraine further disrupted global oil supply. As severe sanctions disrupted Russian energy supply deliveries, prices spiked worldwide. With even higher prices encouraging production, New Mexico drilling has continued to expand production.

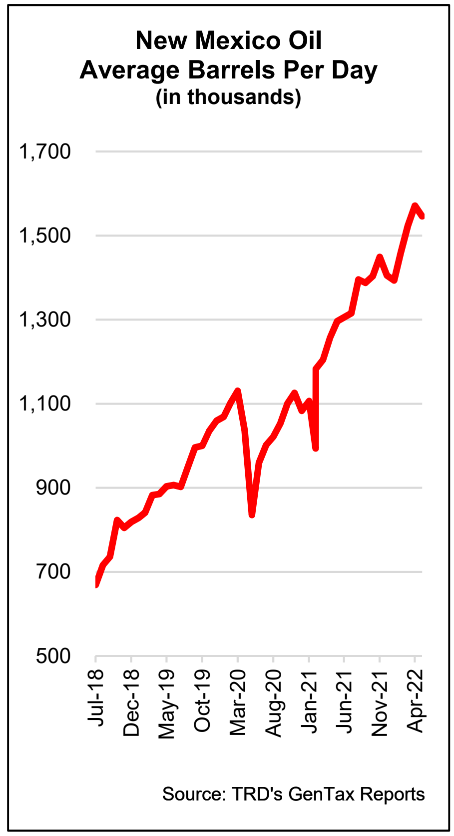
Record levels of oil and gas severance taxes and federal royalty payments are driving up general fund revenues. Nearly a quarter of the change in the general fund forecast in FY23 is from severance taxes and federal royalty payments, while those revenues account for about a third of the of the increase in the forecast in FY24. This is primarily due to the stabilization mechanisms policymakers implemented in 2017 and 2020 that send excess oil and gas school tax and federal royalty collections to the tax stabilization reserve or early childhood trust fund (see discussion on page 7).

New Mexico's oil prices averaged $72.64/bbl in the first half of FY22, rising to $99.21/bbl in the second half of the fiscal year. The late price strength brought up the FY22 average oil price significantly to an estimated $86.50 compared with the previous consensus estimate of $71.50/bbl.

West Texas Intermediate (WTI) prices rose above $100/bbl in March 2022, driven by global supply reductions resulting from the Russian invasion of Ukraine. IHS Markit and the U.S. Energy Information Administration project WTI prices to average $98.68/bbl and $93.04/bbl respectively over FY23, falling to about $90/bbl in FY24 as OPEC gradually increases production and U.S. supply creeps higher. The differential of New Mexico oil prices below WTI is estimated at about $2.43/bbl for the forecast period. Prices fell over $10/bbl at the beginning of August, still consistent with the forecast but a reminder that volatility and prices will dominate New Mexico's fiscal outlook.

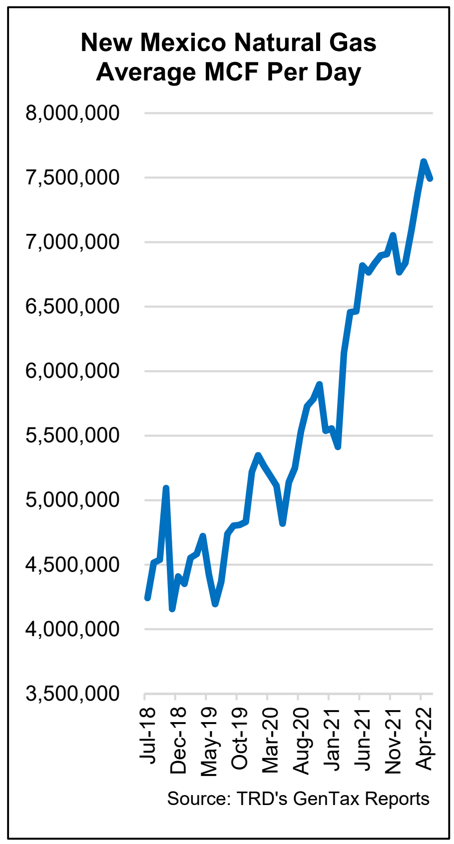
FY	2022	2023	2024
	Forecast	*Forecast*	*Forecast*
Gross Oil Price ($/bbl)	$86.50	$90.50	$78.50
Oil Volume (MMbbls)	529.4	590.0	640.0
Oil Volume (MMbbls/day)	1.45	1.62	1.75
Gross Natural Gas Price ($/mcf)	$6.90	$6.95	$4.75
Net Natural Gas Price ($/mcf)*	$5.37	$5.42	$3.28
Natural Gas Volume (bcf)	2,585	2,750	2,895
Natural Gas Volume (bcf/day)	7.08	7.53	7.93

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



Drilling and completion activity in the Permian basin picked up in early 2021 and has grown through 2022. New Mexico averaged 104 active drilling rigs in the state in mid-August, down from an average of 111 active rigs in July 2022. The July high is still below the pre-pandemic peak of 113.5 average active drilling rigs. Despite slightly fewer active rigs, the completion of drilled but uncompleted inventories and improved efficiency has accelerated the state's total production recovery. New Mexico continues to hit records, with the latest peak production of 1.57 million barrels per day in April 2022. To date, New Mexico is the only top oil producing state to have recovered above pre-pandemic production levels. In May 2022, Texas' oil production was still down 8.2 percent from January 2020 and North Dakota's was down 25 percent, while New Mexico's oil production was up 41.4 percent.

The state is estimated to have produced 529.4 million barrels of oil in FY22, a 29.9 percent increase from total FY21 production. At current levels of daily oil production, the state would produce 564.3 million barrels of oil in FY23, but the consensus estimate expects oil production will grow 4.5 percent from current levels resulting in 590 million barrels in FY23.



New Mexico's natural gas production has accelerated as well. In April 2022, the state produced a record of 7.6 billion cubic feet (bcf) of natural gas per day, and New Mexico produced 2.6 trillion cubic feet of natural gas in FY22, an increase of 21 percent from FY21. The consensus forecast estimates natural gas production will average 7.53 bcf/day in FY23 and 7.93 bcf/day in FY24, resulting in estimated production of 2.75 trillion cubic feet in FY23 and 2.9 trillion cubic feet in FY24.

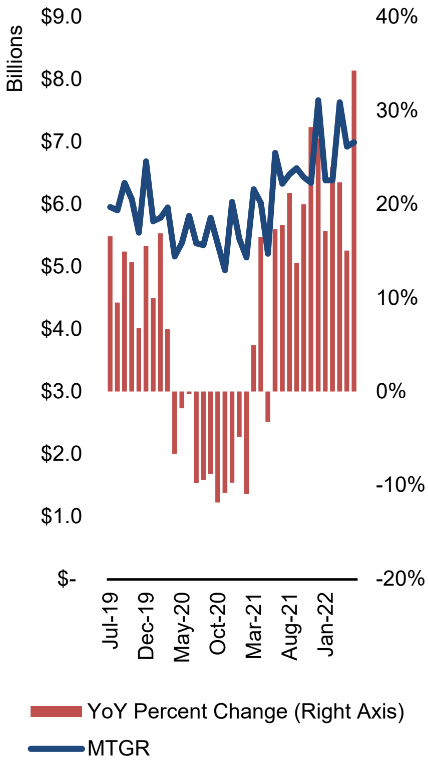
Additionally, natural gas prices are higher than in the previous estimate, averaging $6.90/mcf in FY22, up from the December consensus estimate of $5.00/mcf. IHS Markit and EIA project Henry Hub prices to remain elevated as global markets integrate and Russian supplies to Europe are severed, increasing prices worldwide. New Mexico's natural gas prices averaged about $1.50 higher than Henry Hub prices in FY22 through May. The consensus estimate projects the state's FY22 natural gas price to average $6.95/mcf, up from the previous estimate of $3.80 for the fiscal year.

General Fund Revenue Forecast

Gross Receipts Taxes

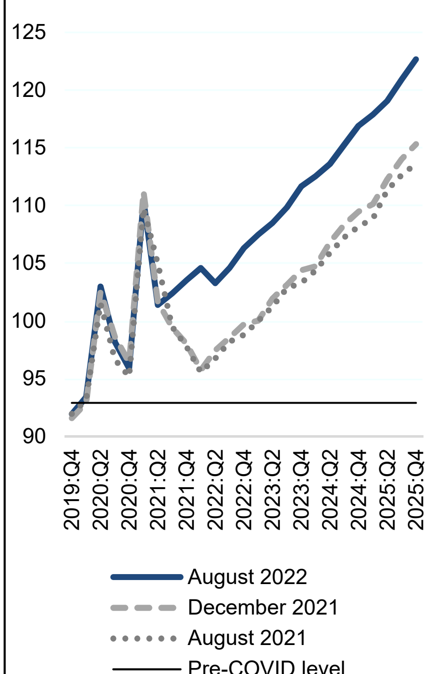
Data from TRD shows matched taxable gross receipts (MTGR) – taxable gross receipts matched to tax payments, which best represent overall economic activity in the state compared with other tax data – were up 21.7 percent in

Matched Taxable Gross Receipts, FY20 - FY22



Source: RP 500

New Mexico Personal Income (in billions)



Source: BBER

FY22 compared with FY21 through May. Consequently, total gross receipts tax collections in FY22 were much stronger than expected, up about $466 million from the December consensus forecast. Strong collections are the result of federal stimulus legislation causing soaring savings, pent-up consumer demand from the pandemic, strong wage and consumption growth, and historically high inflation.

The economic recovery from the pandemic lows of FY21 are most evident in the mining industry, up 78.7 percent year-over-year through May due to recovering drilling-related activity. Retail trade and leisure and hospitality were two industries also hard hit at the beginning of the pandemic now showing robust recoveries growing 13.1 percent and 35 percent year-over-year, respectively.

Strong consumption is expected to continue into FY23 as forecasts indicate strong wage growth driving up personal income in New Mexico. The upward revision in personal income is leading to an upward revision of $347 million in gross receipts tax revenue expectations over the December GRT forecast, when adjusted for 2022 legislation.

Gross receipts tax revenue is expected to decline in FY23 as a result of legislative changes. The largest reduction in tax revenue is from a one-eighth reduction in the statewide gross receipts tax rate which is estimated to result in a loss of about $105 million. Similarly, an additional one-eighth reduction in the tax rate in FY24 is estimated to cost approximately an additional $110 million. The total loss of both the rate reductions in FY24 of $215 million is about $20 million more than additionally estimated during the session as activity has grown faster than expected. Other changes causing FY23 revenues to decline include expanding anti-pyramiding provisions for manufacturers, medical cannabis deductions, the creation of the land-grant merced assistance fund, changes to the technology readiness credit, a lawsuit settlement for medical cannabis, and others. FY24 revenues are expected to grow $93.9 million or 2.8 percent following legislative adjustments.

Matched Taxable Gross Receipts by Industry - FY22 vs FY21

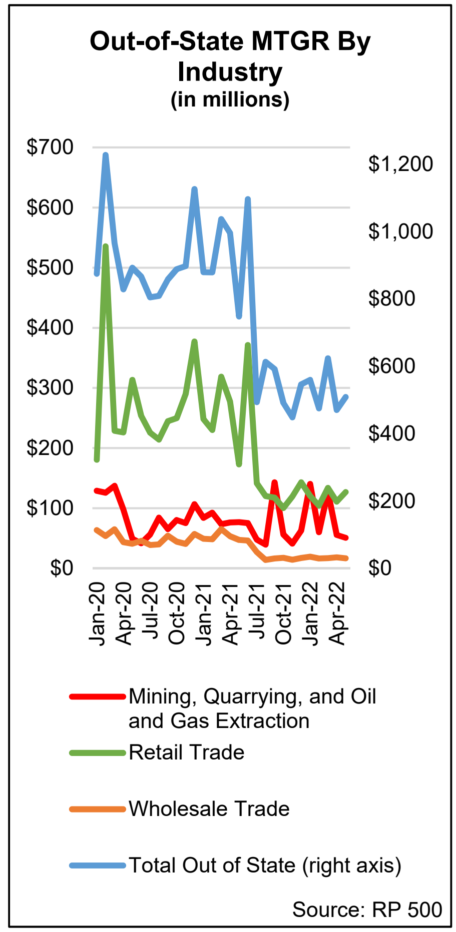
Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	$7,136,605,604	$3,143,392,924	78.7%
Utilities	$2,758,098,412	$126,311,386	4.8%
Construction	$8,801,393,714	$1,340,833,196	18.0%
Manufacturing	$2,477,722,216	$723,002,160	41.2%
Wholesale Trade	$3,539,127,158	$961,751,408	37.3%
Retail Trade	$17,098,847,281	$1,982,696,026	13.1%
Transportation and Warehousing	$1,019,632,682	$307,362,701	43.2%
Information	$1,961,472,620	$166,108,569	9.3%
Real Estate and Rental and Leasing	$2,149,739,547	$614,177,524	40.0%
Professional, Scientific, and Technical Services	$6,530,824,840	$472,407,294	7.8%
Administrative/Support & Waste Management/Remediation	$3,416,422,287	$386,466,655	12.8%
Health Care and Social Assistance	$3,926,400,750	$419,388,699	12.0%
Leisure and Hospitality Services	$5,407,570,939	$1,157,215,845	27.2%
Other Industries	$7,907,157,600	$1,428,398,607	15.9%
Total	**$74,131,015,650**	**$13,229,512,996**	**21.7%**

Source: RP500

Destination Sourcing. Beginning in FY22, the state changed the GRT from reporting based on the seller's location (origin-based sourcing) to reporting based on the buyer's location (destination-based sourcing) for nearly all goods and services. The most significant impact to the state will be the change in reporting for out-of-state sales. Under origin sourcing, out-of-state sales were not subject to local GRT increments, and the state received the full state tax rate of 5.125 percent on those sales. Now, under destination sourcing, local governments receive their GRT increments, and any out of-state sales sourced to a municipality results in a 1.225 percent distribution to that city, leaving the state share of the tax at 3.9 percent.

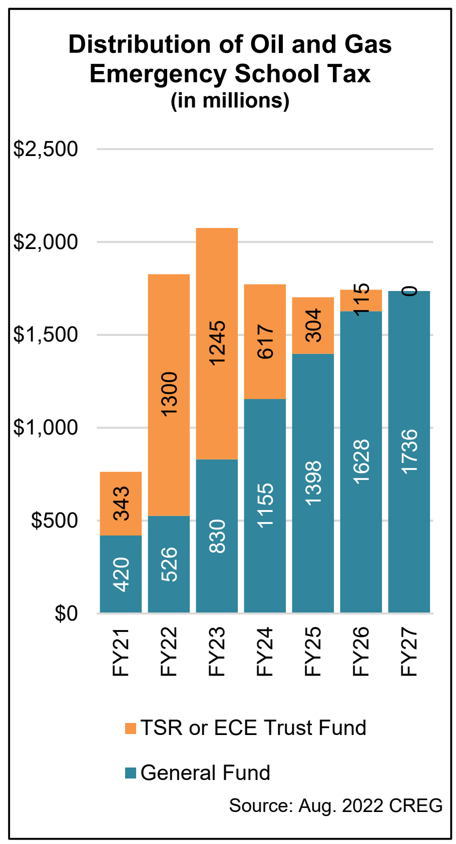
However, the effect is somewhat offset for receipts moving from a municipality to a county – this is especially the case for any oil and gas services previously sourced in Carlsbad or Hobbs, for example, that are now sourced to the remainder of Eddy and Lea counties. In this case, the state no longer makes the 1.225 percent distribution to the municipality.

The consensus forecast estimates the effects of destination sourcing on state GRT collections, but there is significant uncertainty on the portion of receipts sourced to municipalities or county remainder areas. With nearly a complete fiscal year of destination-based sourcing, the effects of the change are still unclear as significant out-of-state reporting remains even for industries where no out-of-state receipts are expected. Those taxes still reporting as out-of-state indicate poor tax payer understanding and compliance. Should sourcing differ from the estimate, it would be a risk to the GRT forecast.



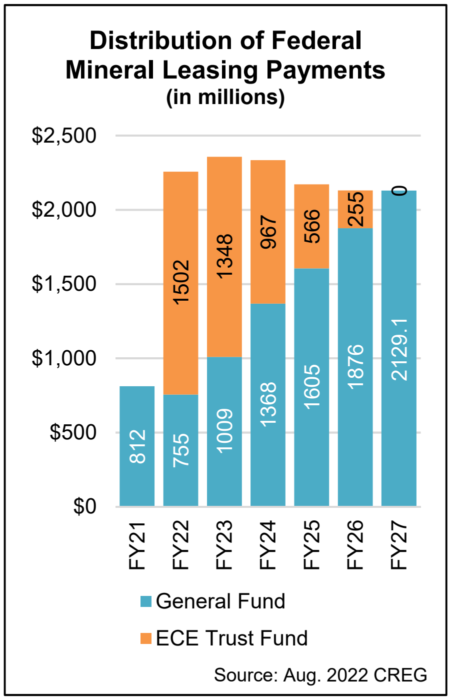
Severance Taxes and Federal Royalties

Severance taxes – which include the oil and gas emergency school tax, oil conservation tax, resources excise tax, and natural gas processors tax –totaled an estimated $1.944 billion in FY22. Legislation enacted in 2017 and further amended in 2020 sends oil and gas emergency school tax revenue in excess of the five-year average to the tax stabilization reserve, or, if general fund reserves exceed 25 percent of recurring appropriations, to the early childhood trust fund. Because FY22 reserves are projected to be 36.7 percent, the excess school tax revenue of $1.3 billion will be deposited into the early childhood trust fund.



With high levels of production and FY23 oil and natural gas prices expected to average $90.50/bbl and $6.95/mcf, respectively, severance tax collections are project to exceed $2.232 billion in FY23, of which $1.25 billion will be distributed to the early childhood trust fund if general fund reserves continue to be at least 25 percent of recurring appropriations. The sidebar chart shows the projected distribution of general fund severance taxes and school tax collections above the five-year average. By FY27, the five-year average mechanism is no longer estimated to make distributions, meaning the entirety of severance revenues will flow to the general fund.

Federal mineral leasing payments – the royalties for oil and gas production on federal lands and bonus payments for federal land leases – is the other the most volatile revenue source following severance taxes and has similarly been stabilized as a result of chapter 3 of the 2020 regular session. The change requires payments in excess of the five-year average to flow to the early childhood trust fund. Of the total $2.257 billion in federal royalty revenue projected for FY22, an estimated $1.501 billion will be distributed to the early

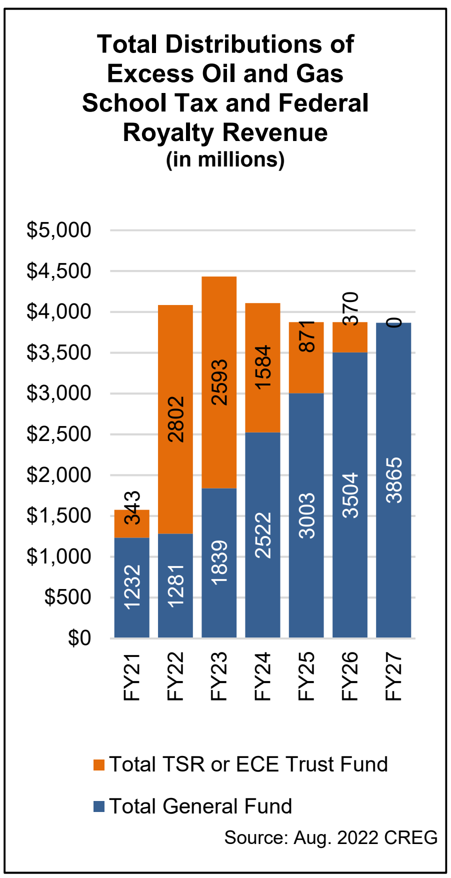


childhood trust fund. From FY23 to FY26, an additional $3.135 billion of federal royalties is estimated to reach the early childhood trust fund because of the stabilization mechanism (see attachment 5). BY FY27, the five year average is expected to be more than federal royalties and will no longer insulate the general fund from swings in collections.

Together, school tax and federal royalty distributions to the early childhood trust fund are estimated to total $2.251 billion in FY22. These distributions are an inherent buffer for the consensus forecast, as negative impacts of severance tax and federal royalty revenue volatility hits reserves or the trust fund first, reducing negative effects to the general fund.

Investment Earnings

The quick recovery of oil and gas markets resulted in FY22 contributions of $1.55 billion to the land grant permanent fund (LGPF), which receives royalties for oil and gas production on state lands. Combined with strong interest earnings in FY21, the value of the LGPF ended 2021 over $25.767 billion, up over $4.1 billion from the market value ending 2020. The severance tax permanent fund also participated in strong gains from severance taxes in FY22, receiving over $784 million, an increase of over 12 percent in the market value of the fund.



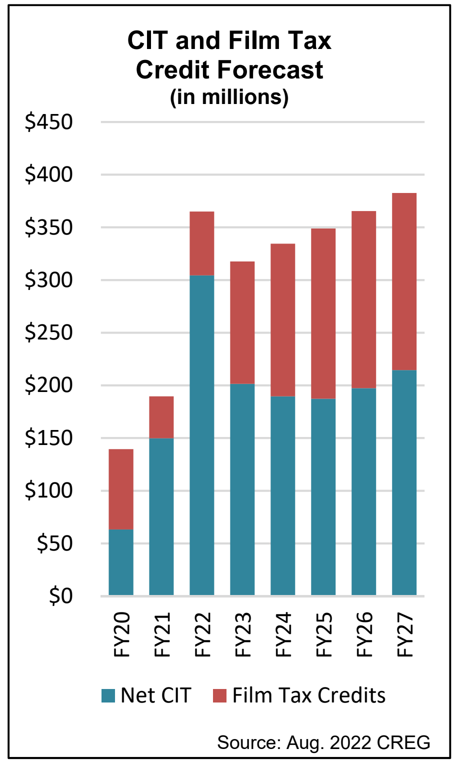
Although the permanent funds receive income from oil and gas production, distributions to the general fund are set as a percentage of the five-year average ending balance of the fund, mitigating the effects of energy market booms and busts. Distributions from the state's permanent funds will grow $112.0 million, or 10.9 percent, in FY23 and provide over $1.14 billion to the general fund, making up about 11.6 percent of recurring revenue. Distributions are expected to grow $92.3 million, or 8.1 percent, in FY24.

In the 2021 legislative session, lawmakers passed a proposed constitutional amendment to increase the distribution from the permanent school fund – the largest component of the LGPF – from 5 percent of the five-year average to 6.25 percent. The additional distribution would flow to the general fund, earmarked at 60 percent for early childhood education and 40 percent for public school initiatives and teacher salaries. The proposed amendment requires approval by voters in the next general election (November 2022) and consent of Congress. Because the proposed amendment has not been approved, the additional distributions (estimated at more than $230 million in FY24) are not included in the current estimate.

Preliminary reports from the State Treasurer's Office (STO) indicate negative general fund transfers for FY22 totaling $118.6 million. These negative disbursements are due to large, negative mark-to-market adjustments caused by rising interest rates. When interest rates increase, the market value of existing fixed-rate bond holdings decreases. The difference between what was paid for a bond and the current market value is an unrealized loss or gain. Given the average security duration of two years and the expectation of even more aggressive interest rate hikes during the first half of FY23, estimated STO interest earnings will remain negative causing losses of $52.3 million in FY23 before turning positive again in FY24 as rates stabilize.

Cannabis Excise Tax

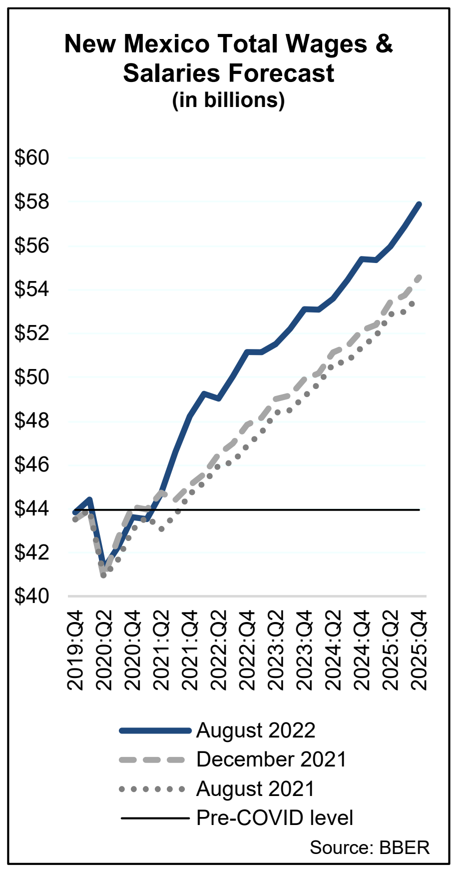
Cannabis excise tax revenues for FY23, the first full fiscal year of legal recreational adult use, are estimated at $22.7 million, down $5.2 million from the December estimate. Revenues are projected to reach $24.6 million by FY24, an 8.4 percent increase from the prior year. Tax revenue is expected to steadily increase through FY26 under the assumption that in-state resident, tourist, and cross-border demand will continue to increase, as experienced in other states that have legalized recreational cannabis. Cannabis license fees are estimated to earn an additional $5.4 million in FY23.



Income Taxes

Corporate income taxes (CIT). Preliminary FY22 data show gross CIT generated $364.9 million in the fiscal year, up 92.6 percent from FY21. Because film tax credit payouts are deducted from CIT, net CIT distributed to the general fund are lower than total receipts. Due to the pandemic-related shutdowns in 2020, film tax credits were lower in FY21 and remained depressed in FY22 as most credits are taken over a year after filming. Film tax credits are expected to grow to an estimated $116.2 million in FY23 and $144.9 million in FY24 as non-film partners near cap levels and current film partners reach production spending goals. Film tax credits remain a risk to the CIT forecast, particularly if the state attracts new film partners that are not subject to the cap, resulting in large costs to the general fund (see further discussion in *Forecast Risks* on page 10).

Personal Income Tax (PIT). Personal income tax collections continue to grow, significantly outpacing expectations in New Mexico and across the country. While the cause of some of the growth in income tax collections is unclear, some growth is attributable to inflation and labor market-fueled spikes in wages and salaries, stimulus and other relief, and strong capital gains in 2021. Also contributing to growing collections, a new top income tax bracket of 5.9 percent for the highest income earners took effect in tax year 2021. Preliminary personal income tax revenues grew at an annual rate of 22.3 percent in FY22 to $2.3 billion, $446 million above the December estimate.



Underlying PIT revenues are expected to continue to grow along with wages and salaries, albeit at slower rates. In the 2019, 2020, 2021, and 2022 legislative sessions, significant changes were made to the personal income tax contributing to an expected decrease of 2.7 percent in FY23 and a decrease of 2.1 percent in FY24. FY23 and FY24 PIT revenues are projected at $2.265 billion and $2.217 billion, respectively. The most recent recurring tax changes to PIT include exempting some social security and military retirement income, adding a child tax credit, and expanding the solar market tax credit, resulting in estimated revenue decreases of $95.9 million in FY23 and $178.7 million in FY24 (see attachment 12 for all tax changes). PIT revenues return to moderate positive growth in FY25 through FY27.

Nonrecurring Revenue

The Legislature passed a series of bills during the 2022 legislative sessions that resulted in an estimated nonrecurring revenue loss of $903.9 million and $105.6 million in FY22 and FY23, respectively. Chapter 47 of the 2022 regular session (HB 163) provided a one-time $1,000 income tax credit for all New Mexico nurses employed in hospitals, resulting in a $9.4 million revenue reduction. It also provided low- and middle-income taxpayers with a $250, one-time PIT rebate, costing approximately $312 million in FY23. Lastly, HB 163 expanded the 2021 sustainable building tax credit, resulting in a $2.5 million revenue loss from PIT in FY23.

Effect of Changes in Oil and Gas Prices and Volumes

Based on projected FY23 direct oil and gas revenues (severance taxes and federal royalties):

- A $1 change in the annual average NM price of oil has about a $37.7 million impact;
- A 10 cent change in the annual average NM price of natural gas has about a $16.6 million impact;
- Each additional million barrels of oil generates about $5.8 million in severance taxes and federal royalties; and
- Each additional 10 billion cubic feet of natural gas generates about $4.2 million in severance taxes and federal royalties.

Because the consensus forecast projects large transfers to the early childhood trust fund in FY23, the impact of price and production changes would first affect those transfers before affecting the general fund.

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

In addition to HB 163, chapter 2 of the 2022 special session (HB 2) provided two temporary PIT rebates for all resident taxpayers in the state at $250 per individual, per rebate. The rebates will mostly accrue in FY22 and cost approximately $900.3 million. Late filers receiving the rebate will accrue to FY23 and cost an additional estimated $108.6 million.

Forecast Risks

Oil and Natural Gas Market Dynamics

New Mexico's dependence on the energy sector (see attachment 5) makes oil market volatility one of the largest, most significant risks to the forecast – on the upside and the downside. Strong oil and gas prices and increases in production necessitate an upward revision to the consensus revenue estimate. However, given the volatile nature of the extractives industry, policymakers have taken measures to mitigate volatility by requiring revenues in excess of the five-year average for federal royalty payments and some severance taxes to flow into the tax stabilization reserve or early childhood trust fund. These measures prevent oil and gas revenue surges, which may be unsustainable, from being allocated to recurring budgets. However, elevated prices in FY22 and FY23 are dampening the effectiveness of such measures by quickly increasing the average, allowing general fund revenues to increase quickly in the short–term and failing to provide any insulation in the long-term. Other forecasters, namely Rystad Energy, expect the oil production outlook to outpace the consensus estimate, reaching 2 million barrels per day by 2026.

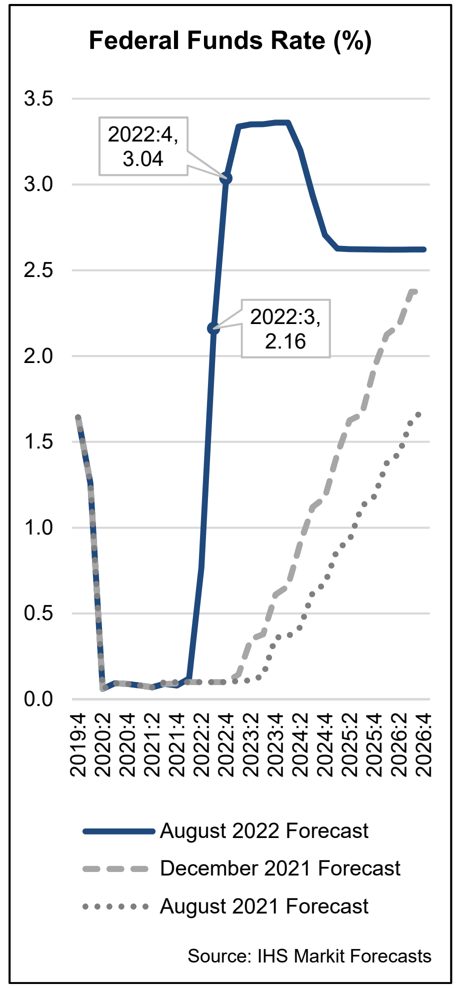
Recession Risks

IHS Markit and Moody's baseline economic forecasts do not assume a return to recession within the forecast period. Because the baseline forecasts are the underpinnings for the consensus revenue forecast, the risk is similarly excluded from the revenue projections.

However, the pessimistic scenarios used in the sensitivity analysis assume the U.S. economy returns to recession and experiences a slower recovery due to prolonged and worsening conflict in Ukraine, oil and gas shortages, eroding supply-chain conditions, sustained inflation, and another Covid-19 wave. Under these scenarios, the recovery could take significantly longer, with full-employment in the U.S. postponed until 2027. For New Mexico, these scenarios could result in slower job recovery than the baseline, with the pessimistic forecast expecting employment to reach pre-pandemic levels in 2027, nearly four years later than the baseline. A recession would dampen wages and salaries and consumer spending, posing serious downside risks to both income tax and GRT collections. IHS has increased the likelihood of a recession scenario to 45 percent, highlighting the seriousness of the potential for a decline.

Inflation and Federal Policies

The path of inflation and federal policies aimed at bringing it to lower, sustainable levels will greatly affect the forecast. Inflation has remained much higher than forecasted expectations from Moody's and IHS and has resulted in higher PIT and GRT collections than was estimated based on those expectations. If inflation remains more stubborn than currently reflected in the forecast, revenues could continue to beat expectations. Conversely, success in taming inflation more quickly could lower revenues below current expectations. As the Federal Reserve tightens monetary policy to reign in prices, the likelihood that policy will be tightened past the optimal point and a recession is triggered has increased significantly.



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

Furthermore, neither Moody's nor IHS forecasts include the impacts of the Inflation Reduction Act, which now appears likely to become law. Preliminary analysis from the Wharton School at the University of Pennsylvania estimates the bill will not affect GDP significantly, but may reduce inflation from current expectations by 2024. Inflationary effects and impacts on oil and gas demand may affect state revenue collections.

Other Forecast Risks. Additional forecast risks include an uncapped growth in film tax credit payments to New Mexico film partners, losses from treasury earnings, insurance tax receipts reporting delays, higher than expected municipal distributions due to destination sourcing, state and federal regulatory changes that could affect oil and gas, and outstanding tax protest claims at TRD that could result in large general fund losses if decided in favor of the taxpayer. New waves and new variants of the coronavirus could continue to change consumer behavior, oil and gas prices, employment levels, and supply chains resulting in some downside risks to the forecast. Finally, the Taxation and Revenue Department has announced potential rule changes that would begin taxation of digital advertising, which, if adopted, would increase GRT revenues by an unknown amount.

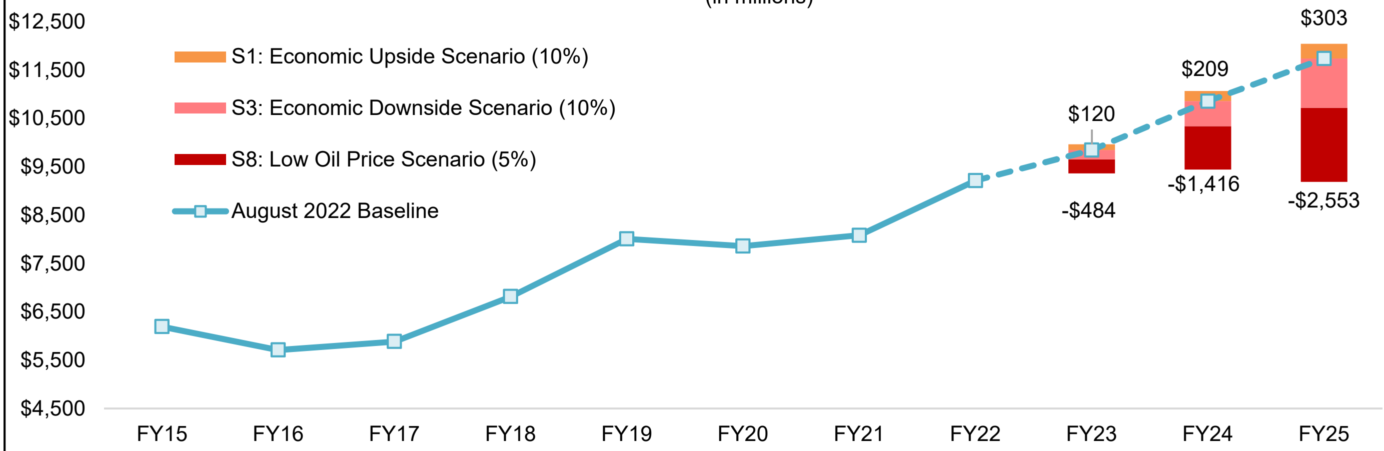
Stress Testing the Revenue Estimate

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

Sensitivity Analysis

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

General Fund Revenue Sensitivity Analysis
(in millions)



*Includes changes in revenues from severance taxes, federal mineral leasing payments, personal income taxes, and gross receipts taxes. Excludes changes in distributions of excess oil and gas school tax and federal mineral leasing payments to tax stabilization reserve or early childhood trust fund.

Source: CREG August 2022

	S8: Low Oil Price			S3: Economic Downside			S1: Economic Upside		
Scenario	**FY23**	**FY24**	**FY25**	**FY23**	**FY24**	**FY25**	**FY23**	**FY24**	**FY25**
Severance Taxes to GF	-$59	-$472	-$787	$8	$1	-$292	-$5	-$11	-$9
Federal Mineral Leasing to GF	-$5	-$132	-$671	-$5	$22	-$51	-$5	-$4	$8
Gross Receipts Taxes	-$276	-$576	-$790	-$102	-$306	-$466	$123	$197	$267
Personal Income Taxes	-$145	-$236	-$306	-$95	-$236	-$211	$8	$28	$37
General Fund Difference from Baseline	-$484	-$1,416	-$2,553	-$194	-$518	-$1,019	$120	$209	$303
General Fund Percent of Total Impact	*24%*	*47%*	*75%*		*38%*	*54%*		*74%*	*76%*
Severance Taxes to TSR or ECE	-$905	-$617	-$304	$195	-$564	-$304	-$41	$6	$32
Federal Mineral Leasing to ECE	-$607	-$967	-$566	$144	-$284	-$566	$11	$67	$64
TSR/ECE Transfers Diff. from Baseline	-$1,512	-$1,584	-$870	$339	-$847	-$870	-$30	$73	$97
TSR/ECE Transfers Percent of Total Impact	*76%*	*53%*	*25%*		*62%*	*46%*		*26%*	*24%*
Total Difference from Baseline	-$1,996	-$3,000	-$3,424	$145	-$1,366	-$1,889	$90	$282	$400

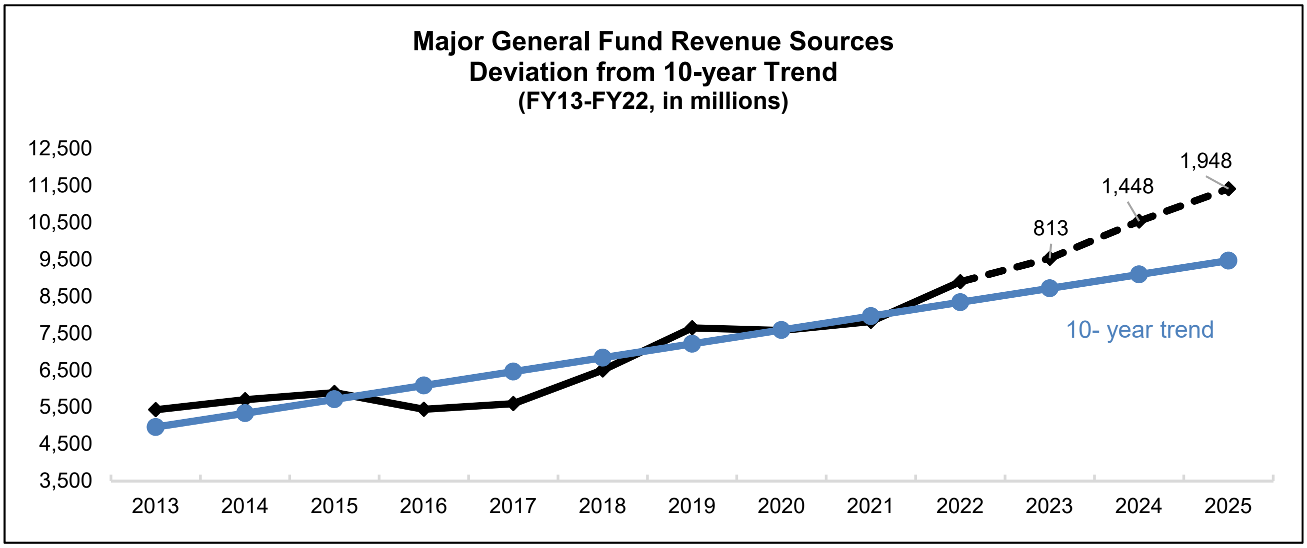
Note: in millions

Distributions of Excess Oil and Gas Revenue Mitigates Initial Effects of an Oil Market Decline. In the low oil price scenario, Moody's assumes West Texas Intermediate prices would fall to the low $50s/bbl in FY23, then to the high $30s/bbl in FY24 and FY25. Low prices would result in oil and gas production declines, losses in drilling-related GRT receipts, and related employment losses. Should this occur, severance tax and federal royalty collections would fall substantially below the baseline forecast; however, most of the loss in these revenues would be first absorbed through reduced distributions to the early childhood trust fund. The general fund would primarily experience losses in GRT on oil and gas drilling and completion activity and reduced income taxes from related jobs losses and oil and gas pass-through withholding.

Although the low oil price scenario results in tax collections that are $1.996 billion below the consensus forecast for FY23, about 76 percent of that impact would be to the early childhood trust fund distribution. Because losses in severance taxes and federal royalties in FY23 would reduce the five-year averages of those collections, the general fund impact would be greater in FY24; however, about half of the total fiscal impact of the scenario would be absorbed by smaller distributions to the trust fund. Still, the scenario results in general fund revenues that would be about $484 million below the consensus forecast in FY23 and $1.4 billion below the consensus forecast in FY24.

Trend Analysis

In addition to the above sensitivity analysis, the CREG calculated a 10-year trend for major revenues by source and compared current revenue estimates against that trend, to identify outlier revenues and years. The trend analysis demonstrates the variation in New Mexico's major sources of revenue: gross receipts taxes, income taxes, severance taxes, investment income, and rents and royalty payments. Using historical data from these sources for FY13 to FY22, a 10-year trend line is carried forward through FY25.



Revenue Forecast is Above-Trend, Even with Distributions of Excess Oil and Gas Revenues. Because the trend analysis shows variation in general fund revenues, the analysis excludes estimated distributions of excess oil and gas school tax and federal royalty payments above the five-year average to the tax stabilization reserve or early childhood trust fund. The trend analysis shows the general fund revenue forecasts for FY23, FY24, and FY25 are above trend by $813 million, $1.45 billion, and $1.95 billion, respectively.

Despite the distribution of excess severance taxes to the rainy day fund or early childhood trust fund, estimates for severance tax collections are the largest contributor to the above-trend general fund revenue forecast (see attachment 8). The current oil and gas production boom results in a large increase in severance tax collections and pushes up the five-year average distributed to the general fund. If excess severance tax and federal royalty payments above the five-year average were not distributed to the rainy day fund or early childhood trust fund, the general fund revenue estimates would be even higher above-trend.

The current above trend forecast and the escalation of budgetary dependence on volatile revenues indicates that policy makers should proceed cautiously when apportioning the current revenue surge to recurring expenditures.

Attachment 1

General Fund Financial Summary:
2022 Special Legislative Session

(millions of dollars)

August 15, 2022
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	Estimate FY2022	Estimate FY2023	Estimate FY2024
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2021 Consensus Revenue Update (Legislation Adjusted)	$ 8,163.1	$ 8,845.4	$ 9,235.0
August 2022 Consensus Revenue Update	$ 1,053.6	$ 1,001.7	$ 1,624.0
Total Recurring Revenue	$ 9,216.6	$ 9,847.1	$ 10,859.0
Percent Change in Recurring Revenue	*14.0%*	*6.8%*	*10.3%*
Nonrecurring Revenue			
Federal Stimulus Funds	$ 1,069.2	$ -	$ -
2021 Nonrecurring Revenue Legislation (post-veto)	$ (3.6)	$ -	$ -
August 2021 Consensus Revenue Forecast	$ -	$ -	$ -
December 2021 Consensus Revenue Update			
2022 Nonrecurring Revenue Legislation Scenario	$ (900.3)	$ (105.6)	$ -
Total Nonrecurring Revenue	$ 165.3	$ (105.6)	$ -
TOTAL REVENUE	**$ 9,381.9**	**$ 9,741.5**	**$ 10,859.0**
APPROPRIATIONS			
Recurring Appropriations			FY24 New Money: $2.455 billion or 29.2%
2020 Regular Session Legislation & Feed Bill	$ -		
2020 Special Session Solvency Savings [1]	$ -		
2021 Regular and Special Sessions Legislation & Feed Bill (pre-veto)	$ 7,449.7		
2022 Regular Session Recurring Legislation & Feed Bill	$ 7.6	$ 8,404.3	
Total Recurring Appropriations	$ 7,457.3	$ 8,404.3	
2020 Special Session Federal Funds Swaps			
Total Operating Budget	$ 7,457.3	$ 8,404.3	
Nonrecurring Appropriations			
2020 Session Nonrecurring Appropriations & Legislation	$ -		
2020 First Special Session Solvency Savings [1]	$ -		
2020 Second Special Session Appropriations	$ -		
2021 Regular and Special Session ARPA Appropriations (post-veto)	$ 346.1		
2022 Regular Session ARPA Related Nonrecurring	$ 275.1	$ 309.3	
2022 Regular Session Nonrecurring	$ 1,056.0	$ 100.0	
Total Nonrecurring Appropriations	$ 1,677.2	$ 409.3	
Subtotal Recurring and Nonrecurring Appropriations	$ 9,134.5	$ 8,813.6	
Audit Adjustments			
2021 GAA Audit Adjustment			
2020 GAA Undistributed Nonrecurring Appropriations [2]			
2019 GAA Undistributed Nonrecurring Appropriations [3]			
TOTAL APPROPRIATIONS	**$ 9,134.5**	**$ 8,813.6**	
Transfer to (from) Operating Reserves	$ (201.2)	$ 1,237.2	
Transfer to (from) Appropriation Contingency Fund	$ 448.7	$ (309.3)	
TOTAL REVENUE LESS TOTAL APPROPRIATIONS	$ 247.4	$ 927.9	
GENERAL FUND RESERVES			
Beginning Balances	$ 2,504.8	$ 2,735.1	
Transfers from (to) Appropriations Account	$ (201.2)	$ 1,237.2	
Revenue and Reversions	$ 2,511.4	$ 1,378.8	
Appropriations, Expenditures and Transfers Out	$ (2,079.8)	$ (1,589.4)	
Ending Balances	**$ 2,735.1**	**$ 3,761.8**	
Reserves as a Percent of Recurring Appropriations	*36.7%*	*44.8%*	

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 Special Legislative Session
RESERVE DETAIL
(millions of dollars)

August 15, 2022
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	Estimate FY2022	Estimate FY2023	Estimate FY2024
OPERATING RESERVE			
Beginning Balance	$ 347.5	$ 117.4	$ 596.6
BOF Emergency Appropriations/Reversions	$ (2.4)	$ (2.5)	$ (2.5)
Transfers from/to Appropriation Account	$ (201.2)	$ 1,237.2	$ -
Transfers to Tax Stabilization Reserve	$ -	$ (755.5)	$ -
Disaster Allotments [1]	$ (26.4)	$ -	$ -
Transfer from (to) ACF/Other Appropriations	$ -	$ -	$ -
Revenues and Reversions	$ -	$ -	$ -
Transfers from tax stabilization reserve	$ -	$ -	$ -
Transfers from tax stabilization reserve to restore balance to 1 percent [4]	$ -	$ -	$ -
Ending Balance	$ 117.4	$ 596.6	$ 594.1
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 55.5	$ 457.5	$ 140.2
Disaster Allotments	$ (54.6)	$ (16.0)	$ (16.0)
Appropriation from 2021 Second Special Session	$ (345.4)		
Other Appropriations (including 2022 Regular Session)	$ (275.1)	$ (309.3)	$ -
Transfers In [9]	$ 1,069.2	$ -	$ -
Revenue and Reversions	$ 8.0	$ 8.0	$ 8.0
Ending Balance	$ 457.5	$ 140.2	$ 132.2
STATE SUPPORT FUND			
Beginning Balance	$ 4.0	$ 10.4	$ 10.4
Revenues [2]	$ 15.5	$ -	$ -
Appropriations to State Support Reserve Fund [6]	$ 30.0	$ -	$ -
Impact Aid Liability FY20	$ (39.1)		
Impact Aid Liability FY21		$ -	$ -
Audit Adjustments	$ -	$ -	$ -
Ending Balance	$ 10.4	$ 10.4	$ 10.4
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	$ 285.3	$ 301.0	$ 333.8
Transfers In [3]	$ 36.5	$ 32.5	$ 24.0
Appropriation to Tobacco Settlement Program Fund [3]	$ (36.5)	$ (16.3)	$ (12.0)
Gains/Losses	$ 15.7	$ 16.6	$ 18.4
Additional Transfers to/from TSPF	$ -	$ -	$ -
Ending Balance	$ 301.0	$ 333.8	$ 364.2
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ 1,812.6	$ 1,848.8	$ 2,680.8
Revenues from Excess Oil and Gas Emergency School Tax	$ 1,300.3	$ 1,245.3	$ 617.0
Gains/Losses	$ 36.3	$ 76.5	$ 107.2
Transfers In (From Operating Reserve)	$ -	$ 755.5	$ -
Transfer Out to Operating Reserve [4,5]	$ -	$ -	$ -
Transfer Out to Early Childhood Trust Fund [7]	$ (1,300.3)	$ (1,245.3)	$ (617.0)
Ending Balance	$ 1,848.8	$ 2,680.8	$ 2,788.0
Percent of Recurring Appropriations	*24.8%*	*31.9%*	
TOTAL GENERAL FUND ENDING BALANCES	**$ 2,735.1**	**$ 3,761.8**	**$ 3,888.9**
Percent of Recurring Appropriations	*36.7%*	*44.8%*	

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) DFA and LFC estimate $12 million in TSPF revenue due to expected arbitration ruling to affect FY24; 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.

5) 2022 GAA authorized a transfer of up to $95 million from the TSR.

6) Laws 2022, Chapter 54 (HB2, Section 5-112) includes a $30 million appropriation to the state support reserve fund.

7) Laws 2020, Chapter 3 (HB83, Section 4) provides that oil and gas school tax revenue in excess of the five-year average be transferred to the Early Childhood Trust Fund

* Note: totals may not foot due to rounding

General Fund Consensus Revenue Estimate - August 2022

Attachment 2

Revenue Source	FY22					FY23					FY24				
	Dec. 2021 Est. (Legislation Adjusted)	**Aug 2022 Est.**	Change from Prior (Dec 21)	% Change from FY21	$ Change from FY21	**Dec. 2021 Est. (Legislation Adjusted)**	**Aug 2022 Est.**	Change from Prior (Dec 21)	% Change from FY22	$ Change from FY22	**Dec. 2021 Est. (Legislation Adjusted)**	**Aug 2022 Est.**	Change from Prior (Dec 21)	% Change from FY23	$ Change from FY23
Base Gross Receipts Tax	**2,915.0**	**3,376.2**	*461.2*	*13.6%*	*404.5*	**2,972.5**	**3,323.9**	*351.4*	*-1.5%*	*(52.3)*	**2,968.8**	**3,417.8**	*449.0*	*2.8%*	*93.9*
F&M Hold Harmless Payments	**(111.5)**	**(110.5)**	*1.0*	*-8.9%*	*10.9*	**(101.9)**	**(105.9)**	*(4.0)*	*-4.2%*	*4.6*	**(92.4)**	**(97.1)**	*(4.7)*	*-8.3%*	*8.8*
NET Gross Receipts Tax	**2,803.5**	**3,265.7**	*462.2*	*14.6%*	*415.4*	**2,870.6**	**3,218.0**	*347.4*	*-1.5%*	*(47.7)*	**2,876.4**	**3,320.7**	*444.3*	*3.2%*	*102.7*
Compensating Tax	**61.6**	**65.4**	*3.8*	*2.4%*	*1.5*	**66.6**	**64.4**	*(2.2)*	*-1.5%*	*(1.0)*	**65.5**	**66.2**	*0.7*	*2.8%*	*1.8*
TOTAL GENERAL SALES	**2,865.1**	**3,331.1**	*466.0*	*14.3%*	*416.9*	**2,937.2**	**3,282.4**	*345.2*	*-1.5%*	*(48.7)*	**2,941.9**	**3,386.9**	*445.0*	*3.2%*	*104.5*
Tobacco Products and Cigarette Taxes	**90.6**	**83.2**	*(7.4)*	*-8.1%*	*(7.3)*	**89.0**	**81.5**	*(7.5)*	*-2.1%*	*(1.7)*	**88.3**	**80.3**	*(8.0)*	*-1.4%*	*(1.2)*
Liquor Excise	**24.8**	**25.5**	*0.7*	*3.7%*	*0.9*	**24.5**	**24.7**	*0.2*	*-3.1%*	*(0.8)*	**24.7**	**24.9**	*0.2*	*0.8%*	*0.2*
Cannabis Excise	**6.2**	**5.4**	*(0.8)*	*N/A*	*N/A*	**27.9**	**22.7**	*(5.2)*	*317.6%*	*17.3*	**31.9**	**24.6**	*(7.3)*	*8.4%*	*1.9*
Insurance Taxes	**307.0**	**294.7**	*(12.3)*	*0.7%*	*2.0*	**347.7**	**346.6**	*(1.1)*	*17.6%*	*51.9*	**360.4**	**363.2**	*2.8*	*4.8%*	*16.6*
Fire Protection Fund Reversion	**-**	**-**	*-*	*-100.0%*	*(12.0)*	**-**	**-**	*-*	*-*	*-*	**-**	**-**	*-*	*-*	*-*
Motor Vehicle Excise	**142.1**	**153.6**	*11.5*	*-11.8%*	*(20.5)*	**142.6**	**156.9**	*14.3*	*2.1%*	*3.3*	**145.8**	**151.5**	*5.7*	*-3.4%*	*(5.4)*
Gaming Excise	**64.5**	**67.7**	*3.2*	*174.6%*	*43.1*	**66.5**	**65.7**	*(0.8)*	*-3.0%*	*(2.0)*	**67.3**	**67.5**	*0.2*	*2.7%*	*1.8*
Leased Vehicle & Other	**5.8**	**7.5**	*1.7*	*36.9%*	*2.0*	**6.3**	**6.5**	*0.3*	*-13.3%*	*(1.0)*	**6.8**	**6.4**	*(0.4)*	*-1.5%*	*(0.1)*
TOTAL SELECTIVE SALES	**641.0**	**637.6**	*(3.3)*	*2.2%*	*13.7*	**704.5**	**704.6**	*0.1*	*10.5%*	*67.0*	**725.2**	**718.5**	*(6.7)*	*2.0%*	*13.8*
Personal Income Tax	***1,881.5***	***2,328.1***	*446.6*	*22.3%*	*424.0*	**1,945.1**	***2,265.1***	*320.0*	*-2.7%*	*(63.0)*	**1,905.4**	***2,216.7***	*311.3*	*-2.1%*	*(48.4)*
Gross Corporate Income Tax	***212.4***	***364.9***	*152.5*	*92.6%*	*175.4*	***201.8***	***317.6***	*115.8*	*-13.0%*	*(47.3)*	***203.8***	***334.4***	*130.6*	*5.3%*	*16.8*
CIT Refundable Credits	***(102.6)***	***(60.5)***	*42.1*	*52.0%*	*(20.7)*	***(133.7)***	***(116.2)***	*17.5*	*92.1%*	*(55.7)*	***(160.2)***	***(144.9)***	*15.3*	*24.7%*	*(28.7)*
NET Corporate Income Tax	**109.8**	**304.4**	*194.6*	*103.3%*	*154.7*	**68.1**	**201.4**	*133.3*	*-33.8%*	*(103.0)*	**43.6**	**189.5**	*145.9*	*-5.9%*	*(11.9)*
TOTAL INCOME TAXES	**1,991.3**	**2,632.5**	*641.2*	*28.2%*	*578.7*	**2,013.2**	**2,466.5**	*453.3*	*-6.3%*	*(166.0)*	**1,949.0**	**2,406.2**	*457.2*	*-2.4%*	*(60.3)*
Gross Oil and Gas School Tax	***1,349.8***	***1,825.9***	*476.2*	*139.3%*	*1,062.8*	***1,183.1***	***2,075.3***	*892.2*	*13.7%*	*249.4*	***1,134.5***	***1,771.9***	*637.4*	*-14.6%*	*(303.5)*
Excess to TSR or Early Childhood Trust Fund	***(824.1)***	***(1,300.3)***	*(476.2)*	*279.4%*	*(957.6)*	***(448.3)***	***(1,245.3)***	*(797.0)*	*-4.2%*	*54.9*	***(253.3)***	***(617.0)***	*(363.7)*	*-50.5%*	*628.4*
NET Oil & Gas School Tax	**525.7**	**525.7**	*-*	*25.0%*	*105.3*	**734.8**	**830.0**	*95.2*	*57.9%*	*304.3*	**881.2**	**1,154.9**	*273.7*	*39.1%*	*324.9*
Oil Conservation Tax	**62.0**	**99.3**	*37.3*	*150.8%*	*59.7*	**61.1**	**113.5**	*52.4*	*14.3%*	*14.2*	**58.8**	**99.9**	*41.1*	*-12.0%*	*(13.6)*
Resources Excise Tax	**7.6**	**8.7**	*1.1*	*27.9%*	*1.9*	**7.0**	**7.8**	*0.8*	*-10.3%*	*(0.9)*	**7.1**	**7.8**	*0.7*	*0.0%*	*-*
Natural Gas Processors Tax	**9.1**	**10.0**	*0.9*	*-4.8%*	*(0.5)*	**25.8**	**35.5**	*9.7*	*255.0%*	*25.5*	**24.1**	**52.5**	*28.4*	*47.9%*	*17.0*
TOTAL SEVERANCE TAXES	**604.3**	**643.7**	*39.3*	*34.9%*	*166.4*	**828.6**	**986.8**	*158.2*	*53.3%*	*343.1*	**971.2**	**1,315.1**	*343.9*	*33.3%*	*328.3*
LICENSE FEES	**58.5**	**59.9**	*1.5*	*174.8%*	*38.1*	**57.9**	**59.6**	*1.7*	*-0.5%*	*(0.3)*	**57.3**	**59.2**	*1.9*	*-0.8%*	*(0.5)*
LGPF Interest	**777.1**	**780.0**	*2.9*	*8.1%*	*58.4*	**848.6**	**872.6**	*24.0*	*11.9%*	*92.6*	**920.1**	**946.5**	*26.4*	*8.5%*	*73.9*
STO Interest	**15.8**	**(118.6)**	*(134.4)*	*-2317.7%*	*(123.9)*	**30.4**	**(52.3)**	*(82.7)*	*-55.9%*	*66.3*	**33.2**	**125.6**	*92.5*	*-340.2%*	*177.9*
STPF Interest	**246.4**	**246.4**	*0.0*	*5.3%*	*12.4*	**263.0**	**265.8**	*2.8*	*7.9%*	*19.4*	**283.8**	**284.2**	*0.4*	*6.9%*	*18.4*
TOTAL INTEREST	**1,039.2**	**907.8**	*(131.4)*	*-5.5%*	*(53.2)*	**1,142.0**	**1,086.1**	*(55.9)*	*19.6%*	*178.3*	**1,237.1**	**1,356.3**	*119.2*	*24.9%*	*270.2*
Gross Federal Mineral Leasing	***1,439.3***	***2,256.6***	*817.3*	*178.1%*	*1,445.1*	***1,580.8***	***2,356.9***	*776.0*	*4.4%*	*100.2*	***1,481.3***	***2,334.1***	*852.8*	*-1.0%*	*(22.7)*
Excess to Early Childhood Trust Fund	***(684.3)***	***(1,501.5)***	*(817.2)*			***(625.2)***	***(1,347.9)***	*(722.7)*	*-10.2%*	*153.7*	***(322.3)***	***(966.6)***	*(644.3)*	*-28.3%*	*381.3*
NET Federal Mineral Leasing	**755.0**	**755.1**	*0.1*	*-7.0%*	*(56.4)*	**955.7**	**1,009.0**	*53.3*	*33.6%*	*253.9*	**1,159.0**	**1,367.5**	*208.5*	*35.5%*	*358.5*
State Land Office	**36.7**	**52.9**	*16.2*	*26.8%*	*11.2*	**37.6**	**58.8**	*21.2*	*11.1%*	*5.9*	**37.9**	**54.4**	*16.5*	*-7.5%*	*(4.4)*
TOTAL RENTS & ROYALTIES	**791.7**	**808.0**	*16.3*	*-5.3%*	*(45.3)*	**993.3**	**1,067.8**	*74.5*	*32.2%*	*259.8*	**1,196.9**	**1,421.9**	*225.0*	*33.2%*	*354.1*
TRIBAL REVENUE SHARING	**72.8**	**71.9**	*(0.9)*	*49.3%*	*23.7*	**76.6**	**76.2**	*(0.4)*	*6.0%*	*4.3*	**78.7**	**78.2**	*(0.5)*	*2.6%*	*2.0*
MISCELLANEOUS RECEIPTS	**49.2**	**49.2**	*-*	*19.6%*	*8.0*	**42.1**	**42.1**	*-*	*-14.4%*	*(7.1)*	**27.7**	**41.7**	*14.0*	*-0.8%*	*(0.3)*
REVERSIONS	**50.0**	**75.0**	*25.0*	*-17.2%*	*(15.6)*	**50.0**	**75.0**	*25.0*	*0.0%*	*-*	**50.0**	**75.0**	*25.0*	*0.0%*	*-*
TOTAL RECURRING	**8,163.1**	**9,216.6**	*1,053.6*	*14.0%*	*1,131.5*	**8,845.4**	**9,847.1**	*1,001.7*	*6.8%*	*630.4*	**9,235.0**	**10,859.0**	*1,624.0*	*10.3%*	*1,011.9*
2022 Nonrecurring Legislation	***(338.7)***	***(900.3)***	*(561.6)*	*-*	*(900.3)*	***(664.2)***	***(105.6)***	*558.6*	*-88.3%*	*794.7*	**-**	**-**	*-*	*-*	*105.6*
2021 Nonrecurring Legislation	**(8.2)**	**(3.6)**	*4.6*	*-97.6%*	*145.2*	**-**	**-**	*-*	*-100.0%*	*3.6*	**-**	**-**	*-*	*-*	*-*
Other Nonrecurring	**-**	**-**	*-*	*-100.0%*	*(114.6)*	**-**	**-**	*-*	*-*	*-*	**-**	**-**	*-*	*-*	*-*
TOTAL NONRECURRING	**(346.9)**	**(903.9)**	*(557.0)*	*2546.6%*	*(869.8)*	**(664.2)**	**(105.6)**	*558.6*	*-88.3%*	*798.3*	**-**	**-**	*-*	*-*	*-*
							-								
GRAND TOTAL General Fund	**7,816.2**	**8,312.7**	*496.6*	*3.3%*	*261.7*	**8,181.2**	**9,741.5**	*1,560.3*	*17.2%*	*1,428.8*	**9,235.0**	**10,859.0**	*1,624.0*	*11.5%*	*1,117.5*

General Fund Consensus Revenue Estimate - August 2022

Revenue Source	FY25 Dec. 2021 Est. (Legislation Adjusted)	FY25 Aug 2022 Est.	FY25 Change from Prior (Dec 21)	FY25 % Change from FY24	FY25 $ Change from FY24	FY26 Dec. 2021 Est. (Legislation Adjusted)	FY26 Aug 2022 Est.	FY26 Change from Prior (Dec 21)	FY26 % Change from FY25	FY26 $ Change from FY25	FY27 Aug 2022 Est.	FY27 % Change from FY26	FY27 $ Change from FY26
Base Gross Receipts Tax	3,054.4	3,550.7	496.3	3.9%	132.9	3,148.9	3,660.1	511.2	3.1%	109.4	3,772.6	3.1%	112.5
F&M Hold Harmless Payments	(82.4)	(87.3)	(4.9)	-10.1%	9.8	(71.5)	(78.8)	(7.3)	-9.7%	8.5	(71.1)	-9.8%	7.7
NET Gross Receipts Tax	2,972.0	3,463.4	491.4	4.3%	142.7	3,077.4	3,581.3	503.9	3.4%	117.9	3,701.5	3.4%	120.2
Compensating Tax	65.5	68.8	3.3	3.9%	2.6	67.6	70.9	3.3	3.1%	2.1	73.1	3.1%	2.2
TOTAL GENERAL SALES	3,037.5	3,532.2	494.7	4.3%	145.3	3,145.0	3,652.2	507.2	3.4%	120.0	3,774.6	3.4%	122.4
Tobacco Products and Cigarette Taxes	87.7	79.7	(8.0)	-0.8%	(0.7)	87.3	78.5	(8.8)	-1.4%	(1.1)	77.6	-1.2%	(1.0)
Liquor Excise	24.8	25.1	0.3	0.8%	0.2	25.0	25.4	0.4	1.2%	0.3	25.6	0.8%	0.2
Cannabis Excise	35.7	26.5	(9.2)	7.7%	1.9	42.7	30.4	(12.3)	14.7%	3.9	34.0	11.7%	3.6
Insurance Taxes	425.3	421.2	(4.1)	16.0%	58.0	432.4	459.5	27.1	9.1%	38.3	487.6	6.1%	28.1
Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicle Excise	151.6	149.5	(2.1)	-1.3%	(2.0)	158.2	153.0	(5.2)	2.3%	3.5	159.4	4.2%	6.4
Gaming Excise	66.9	67.2	0.3	-0.4%	(0.3)	67.1	66.5	(0.6)	-1.0%	(0.7)	66.9	0.6%	0.4
Leased Vehicle & Other	6.9	6.7	(0.2)	4.7%	0.3	6.8	6.9	0.1	3.0%	0.2	6.9	0.0%	-
TOTAL SELECTIVE SALES	799.0	775.9	(23.1)	8.0%	57.4	819.6	820.2	0.7	5.7%	44.4	858.0	4.6%	37.7
Personal Income Tax	1,971.2	2,288.6	317.4	3.2%	71.9	2,046.1	2,376.3	330.2	3.8%	87.7	2,461.1	3.6%	84.8
Gross Corporate Income Tax	209.1	348.8	139.7	4.3%	14.4	216.3	365.4	149.1	4.8%	16.6	382.6	4.7%	17.2
CIT Refundable Credits	(160.2)	(161.5)	(1.3)	11.5%	(16.6)	(160.2)	(168.1)	(7.9)	4.1%	(6.6)	(168.1)	0.0%	-
NET Corporate Income Tax	48.9	187.3	138.4	-1.2%	(2.2)	56.1	197.3	141.2	5.3%	10.0	214.5	8.7%	17.2
TOTAL INCOME TAXES	2,020.1	2,475.9	455.8	2.9%	69.7	2,102.2	2,573.6	471.4	3.9%	97.7	2,675.6	4.0%	102.0
Gross Oil and Gas School Tax	1,145.1	1,702.4	557.3	-3.9%	(69.5)	1,176.4	1,742.9	566.5	2.4%	40.5	1,736.0	-0.4%	(6.9)
Excess to TSR or Early Childhood Trust Fund	(148.0)	(304.2)	(156.2)	-50.7%	312.8	(61.3)	(115.2)	(53.9)	-62.1%	189.0	-	-100.0%	115.2
NET Oil & Gas School Tax	997.1	1,398.2	401.2	21.1%	243.3	1,115.1	1,627.7	512.6	16.4%	229.5	1,736.0	6.7%	108.3
Oil Conservation Tax	59.4	96.2	36.8	-3.7%	(3.7)	61.3	90.2	28.9	-6.3%	(6.0)	89.6	-0.6%	(0.6)
Resources Excise Tax	7.1	7.8	0.7	0.0%	-	7.1	7.8	0.7	0.0%	-	7.8	0.0%	-
Natural Gas Processors Tax	18.7	41.4	22.7	-21.1%	(11.1)	17.2	30.8	13.6	-25.6%	(10.6)	29.9	-2.9%	(0.9)
TOTAL SEVERANCE TAXES	1,082.3	1,543.6	461.3	17.4%	228.5	1,200.7	1,756.5	555.8	13.8%	212.9	1,863.3	6.1%	106.8
LICENSE FEES	56.2	59.1	2.9	-0.1%	(0.0)	56.6	60.0	3.4	1.5%	0.9	59.7	-0.6%	(0.3)
LGPF Interest	1,011.3	1,037.9	26.6	9.7%	91.4	1,090.0	1,111.6	21.6	7.1%	73.7	1,195.3	7.5%	83.7
STO Interest	31.3	153.2	122.0	22.0%	27.6	36.5	117.8	81.3	-23.1%	(35.4)	119.0	1.0%	1.2
STPF Interest	309.0	305.9	(3.1)	7.6%	21.7	330.6	322.9	(7.7)	5.6%	17.0	339.7	5.2%	16.8
TOTAL INTEREST	1,351.5	1,497.0	145.5	10.4%	140.7	1,457.2	1,552.3	95.1	3.7%	55.3	1,654.0	6.6%	101.7
Gross Federal Mineral Leasing	1,442.4	2,171.5	729.0	-7.0%	(162.7)	1,469.8	2,130.5	660.8	-1.9%	(40.9)	2,129.1	-0.1%	(1.5)
Excess to Early Childhood Trust Fund	(216.4)	(566.4)	(349.9)	-41.4%	400.2	(118.7)	(254.6)	(135.9)	-55.1%	311.8	-	-100.0%	254.6
NET Federal Mineral Leasing	1,226.0	1,605.1	379.1	17.4%	237.6	1,351.1	1,876.0	524.9	16.9%	270.9	2,129.1	13.5%	253.1
State Land Office	38.2	55.5	17.3	2.1%	1.1	38.6	56.8	18.2	2.3%	1.3	58.3	2.5%	1.4
TOTAL RENTS & ROYALTIES	1,264.2	1,660.6	396.4	16.8%	238.7	1,389.7	1,932.8	543.1	16.4%	272.2	2,187.3	13.2%	254.6
TRIBAL REVENUE SHARING	80.8	80.1	(0.7)	2.4%	1.9	82.9	82.0	(0.9)	2.4%	1.9	84.0	2.4%	2.0
MISCELLANEOUS RECEIPTS	25.7	41.2	15.5	-1.2%	(0.5)	24.3	41.5	17.2	0.7%	0.3	41.5	0.0%	-
REVERSIONS	50.0	75.0	25.0	0.0%	-	50.0	75.0	25.0	0.0%	-	75.0	0.0%	-
TOTAL RECURRING	9,767.3	11,740.6	1,973.4	8.1%	881.6	10,328.2	12,546.1	2,217.9	6.9%	805.4	13,272.9	5.8%	726.8
2022 Nonrecurring Legislation	-	-	-	-	-	-	-	-	-	-	-	-	-
2021 Nonrecurring Legislation	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Nonrecurring	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NONRECURRING	-	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL General Fund	9,767.3	11,740.6	1,973.4	8.1%	881.6	10,328.2	12,546.1	2,217.9	6.9%	805.4	13,272.9	5.8%	726.8

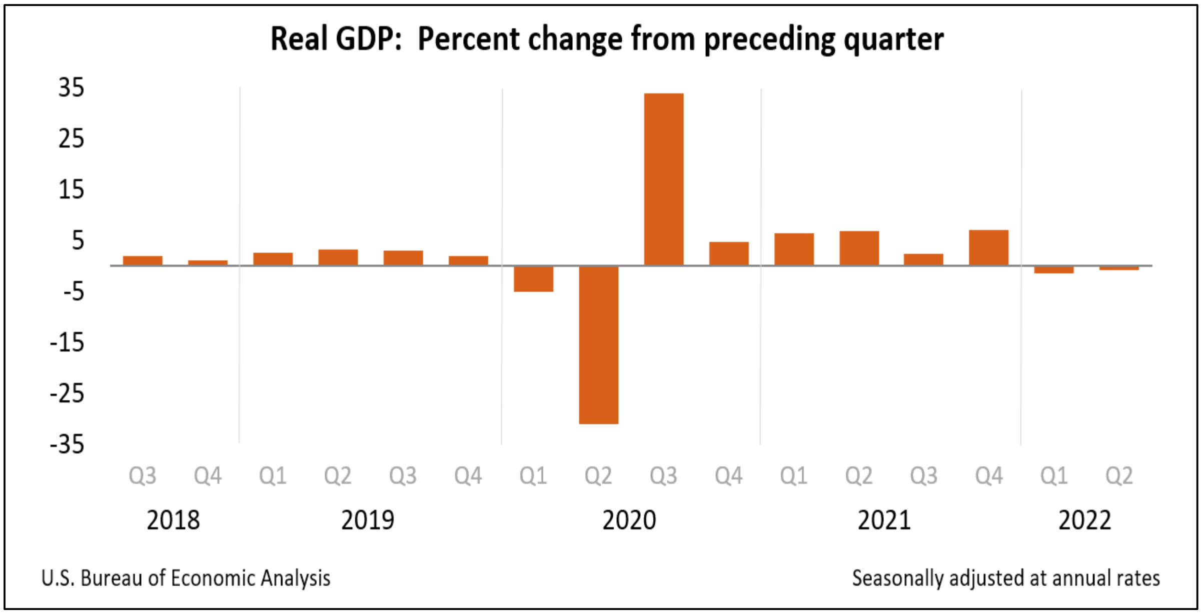
U.S. and New Mexico Economic Indicators

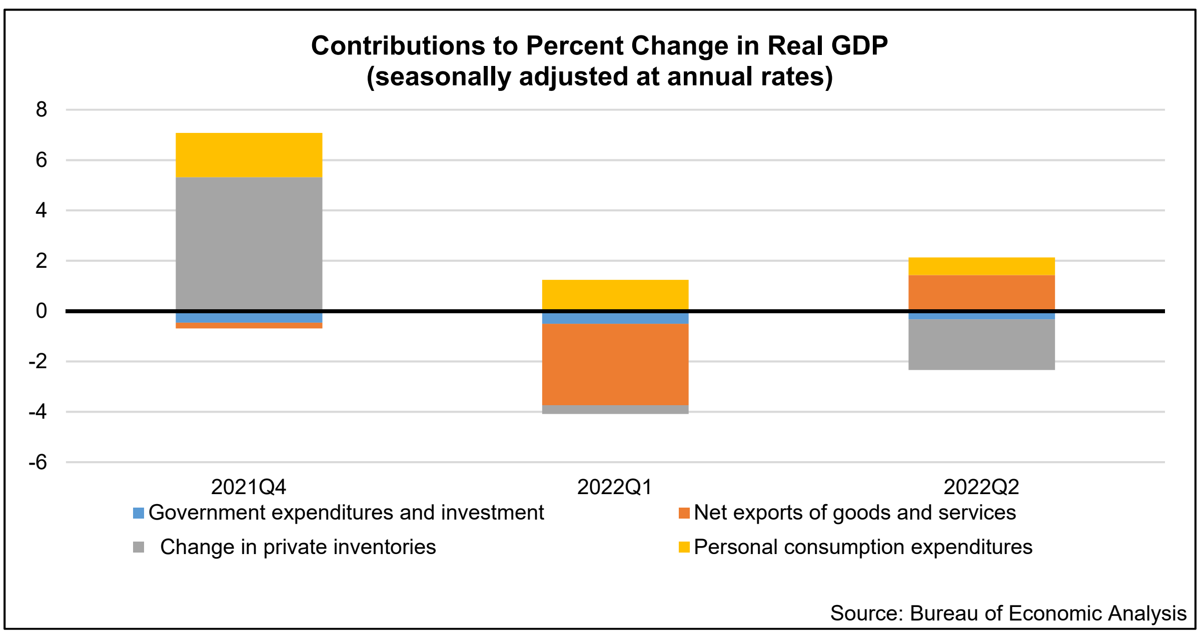
		FY22		FY23		FY24		FY25		FY26		FY27	
		Dec 21 Forecast	**Aug 22 Forecast**	Dec 21 Forecast	**Aug 22 Forecast**	Dec 21 Forecast	**Aug 22 Forecast**	Dec 21 Forecast	**Aug 22 Forecast**	Dec 21 Forecast	**Aug 22 Forecast**	Dec 21 Forecast	**Aug 22 Forecast**
	National Economic Indicators												
IHS	US Real GDP Growth (annual avg.,% YOY)*	4.6	**3.8**	3.8	**0.7**	2.6	**1.6**	2.7	**2.2**	2.6	**2.3**	2.4	**1.9**
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	5.2	**3.9**	2.9	**1.4**	2.7	**2.4**	2.6	**2.8**	2.4	**2.7**	2.0	**2.6**
IHS	US Inflation Rate (CPI-U, annual avg., % YOY)**	5.0	**7.1**	2.2	**5.7**	2.2	**2.4**	2.2	**1.7**	2.2	**2.1**	2.2	**2.2**
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	5.0	**7.1**	2.5	**5.4**	2.3	**2.2**	2.3	**2.3**	2.3	**2.3**	2.3	**2.2**
IHS	Federal Funds Rate (%)	0.1	**0.3**	0.2	**3.0**	0.6	**3.3**	1.3	**2.7**	2.0	**2.6**	2.5	**2.6**
Moody's	Federal Funds Rate (%)	0.1	**0.3**	0.2	**2.8**	1.0	**3.2**	1.9	**2.6**	2.5	**2.5**	2.5	**2.5**
	New Mexico Labor Market and Income Data												
BBER	NM Non-Agricultural Employment Growth (%)	3.4	**5.4**	2.4	**1.8**	1.7	**0.8**	1.4	**0.8**	1.4	**1.1**	1.3	**0.9**
Moody's	NM Non-Agricultural Employment Growth (%)	4.8	**5.4**	2.4	**2.5**	1.1	**1.3**	0.5	**0.9**	0.3	**0.4**	0.2	**0.2**
BBER	NM Nominal Personal Income Growth (%)***	5.1	**7.0**	-4.6	**0.3**	4.6	**4.5**	4.9	**4.8**	5.2	**4.8**	5.0	**4.6**
Moody's	NM Nominal Personal Income Growth (%)***	6.7	**7.0**	-1.1	**3.1**	4.7	**5.8**	4.7	**5.1**	4.4	**4.4**	4.3	**4.4**
BBER	NM Total Wages & Salaries Growth (%)	3.5	**10.9**	5.7	**5.6**	4.4	**4.0**	4.5	**4.3**	4.4	**4.4**	4.3	**3.7**
Moody's	NM Total Wages & Salaries Growth (%)	7.8	**11.9**	4.5	**9.1**	5.1	**6.2**	4.3	**5.3**	4.3	**4.6**	4.4	**4.4**
BBER	NM Private Wages & Salaries Growth (%)	3.8	**12.7**	6.0	**5.9**	4.9	**4.1**	4.9	**4.3**	4.9	**4.5**	4.6	**3.7**
BBER	NM Real Gross State Product (% YOY)	3.3	**2.1**	2.7	**2.4**	2.5	**2.2**	2.5	**2.1**	2.1	**1.9**	2.3	**2.1**
Moody's	NM Real Gross State Product (% YOY)	5.4	**2.2**	2.6	**1.8**	2.6	**2.1**	2.2	**2.3**	2.1	**2.4**	2.2	**2.4**
CREG	NM Gross Oil Price ($/barrel)	$71.50	**$86.50**	$64.50	**$90.50**	$60.50	**$78.50**	$59.50	**$72.00**	$59.50	**$70.00**		**$68.50**
CREG	NM Net Oil Price ($/barrel)*****	$62.78	**$76.07**	$56.63	**$79.46**	$53.12	**$68.92**	$52.24	**$63.22**	$52.24	**$61.46**		**$60.14**
BBER	Oil Volumes (million barrels)	397	**519**	410	**523**	417	**522**	422	**526**	426	**531**	438	**534**
CREG	NM Taxable Oil Volumes (million barrels)	497	**529**	515	**590**	539	**640**	557	**675**	574	**710**		**725**
	NM Taxable Oil Volumes (%YOY growth)	21.8%	**29.9%**	3.6%	**11.4%**	4.7%	**8.5%**	3.4%	**5.5%**	3.1%	**5.2%**		**2.1%**
CREG	NM Gross Gas Price ($ per thousand cubic feet)****	$5.00	**$6.90**	$3.80	**$6.95**	$3.40	**$4.75**	$3.30	**$4.30**	$3.35	**$4.30**		**$4.15**
CREG	NM Net Gas Price ($ per thousand cubic feet)*****	$3.82	**$5.37**	$2.72	**$5.42**	$2.35	**$3.28**	$2.26	**$2.97**	$2.30	**$2.97**		**$2.87**
BBER	Gas Volumes (billion cubic feet)	2,055	**2,545**	2,088	**2,611**	2,113	**2,598**	2,129	**2,601**	2,139	**2,632**	2,157	**2,636**
CREG	NM Taxable Gas Volumes (billion cubic feet)	2,395	**2,585**	2,420	**2,750**	2,460	**2,895**	2,505	**2,995**	2,535	**3,080**		**3,140**
	NM Taxable Gas Volumes (%YOY growth)	12.2%	**21.0%**	1.0%	**6.4%**	1.7%	**5.3%**	1.8%	**3.5%**	1.2%	**2.8%**		**1.9%**

Notes
* Real GDP is BEA chained 2012 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
****The gross gas prices are estimated using a formula of NYMEX, EIA, and IHS Markit future prices
*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
Sources: BBER - July 2022 FOR-UNM baseline. IHS Global Insight - July 2022 baseline.

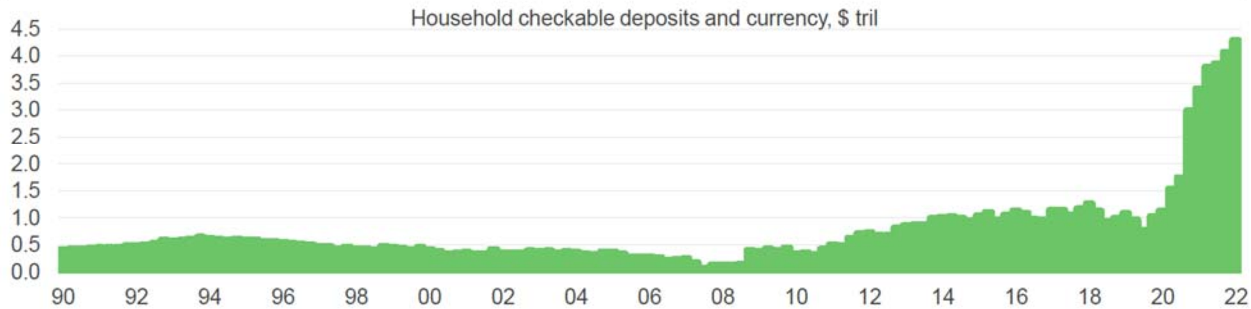
DFA Notes
* Real GDP is BEA chained 2012 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base.
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
****The gross gas prices are estimated using a formula of NYMEX, EIA, and Moodys January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

Are we in a recession?





A Mountain of Money Is Holding Back a Recession



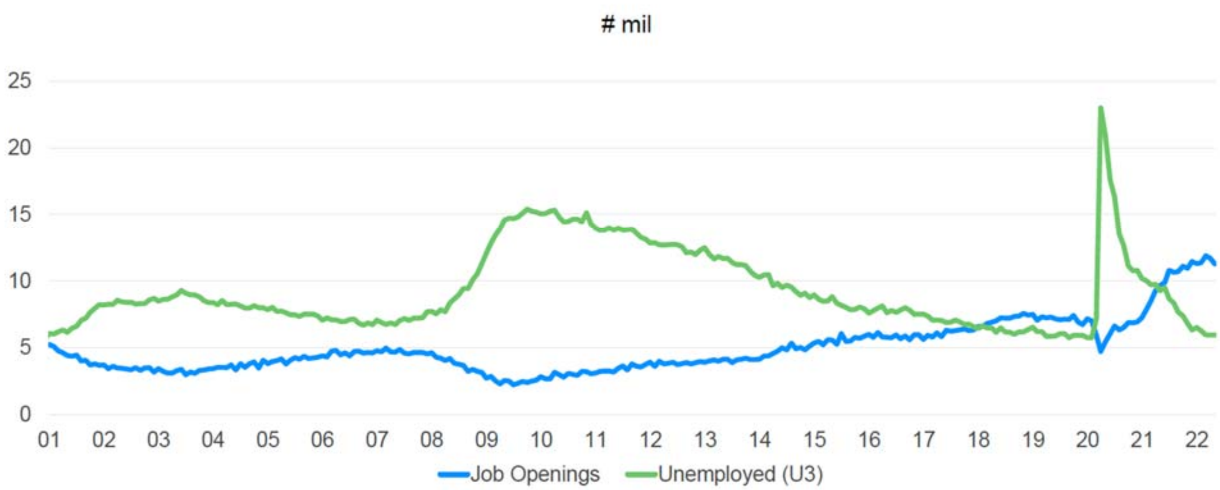
Income Group	Total Excess Savings ($, bil)	Excess Savings per Household ($)
0% to 20%	146,716	5,731
20% to 40%	233,456	9,119
40% to 60%	308,057	12,033
60% to 80%	227,797	8,898
80% to 90%	287,037	22,424
90% to 100%	1,503,764	117,479
Total	2,706,828	21,147

Sources: Federal Reserve Board, BEA, Census Bureau, Moody's Analytics

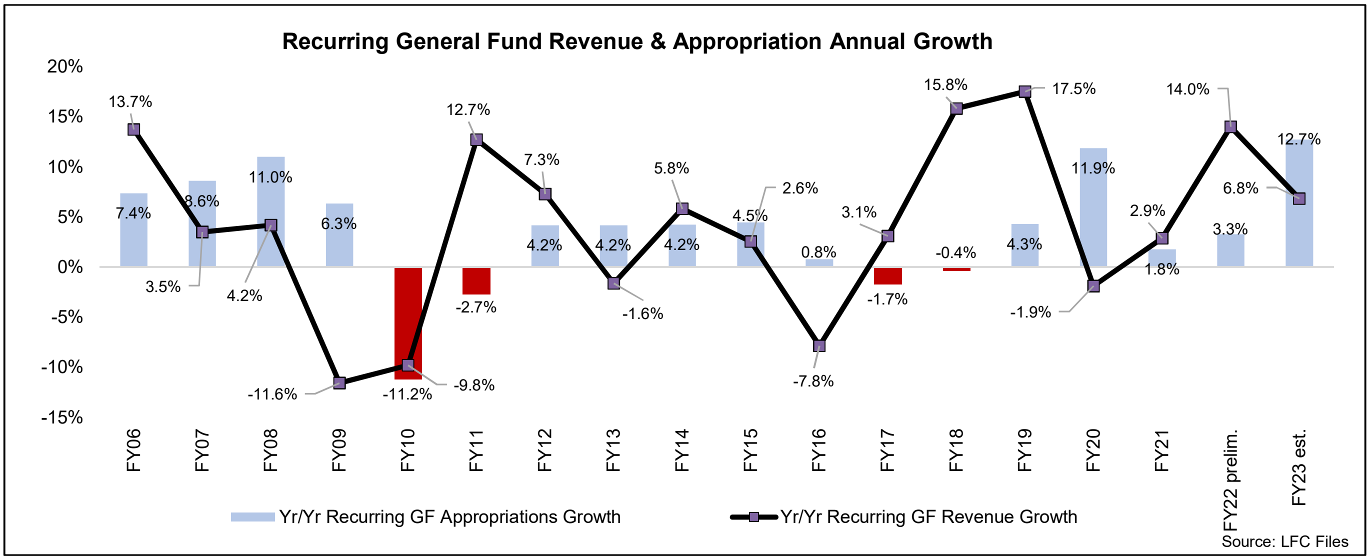
Moody's Analytics

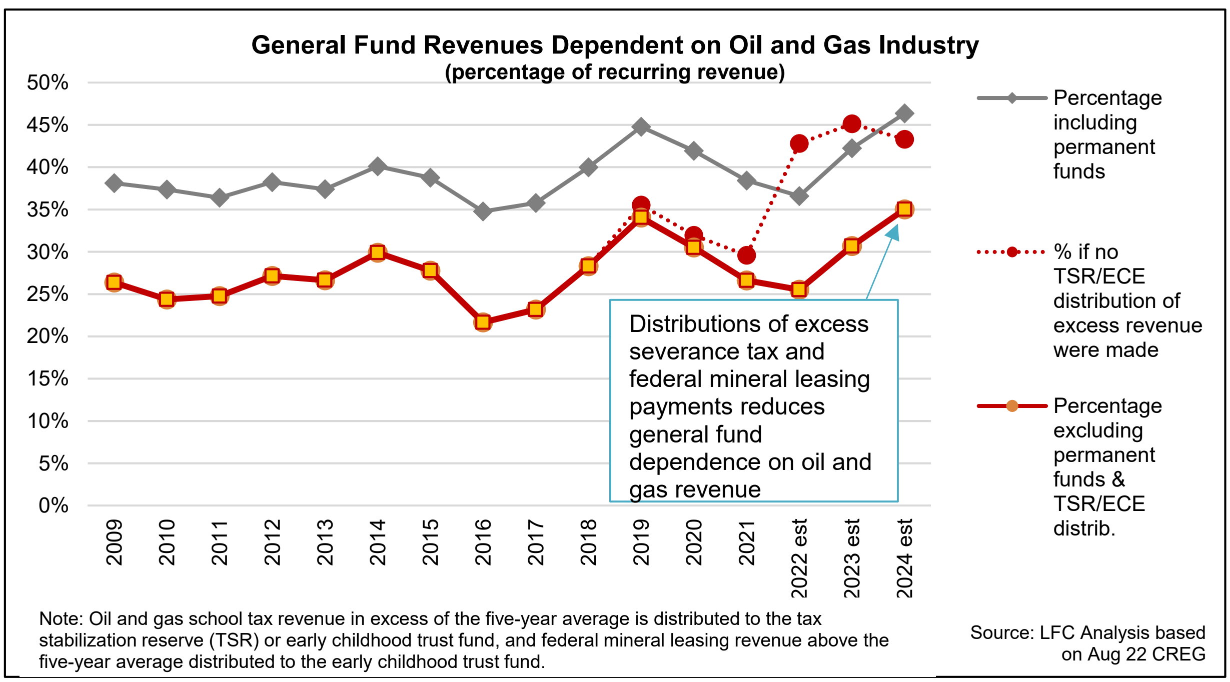
July 2022

Labor Market Says No Recession (Yet)



Sources: BLS, Moody's Analytics

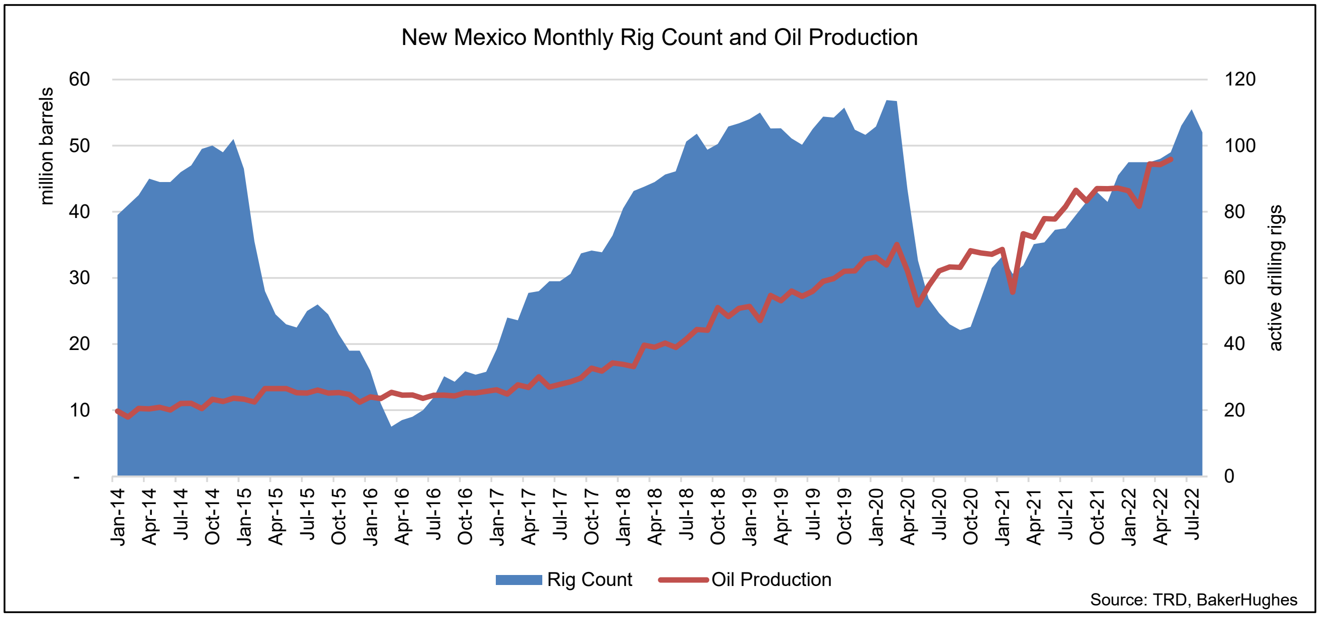

Recurring General Fund Revenue & Appropriation Annual Growth
20%
15%
10%
5%
0%
-5%
-10%
-15%
13.7%
7.4%
8.6%
3.5%
11.0%
4.2%
6.3%
-11.6%
-11.2%
-9.8%
12.7%
-2.7%
7.3%
4.2%
4.2%
-1.6%
5.8%
4.2%
4.5%
2.6%
0.8%
-7.8%
3.1%
-1.7%
15.8%
-0.4%
17.5%
4.3%
-1.9%
11.9%
2.9%
1.8%
14.0%
3.3%
6.8%
12.7%
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
FY22 prelim.
FY23 est.
Yr/Yr Recurring GF Appropriations Growth
Yr/Yr Recurring GF Revenue Growth
Source: LFC Files

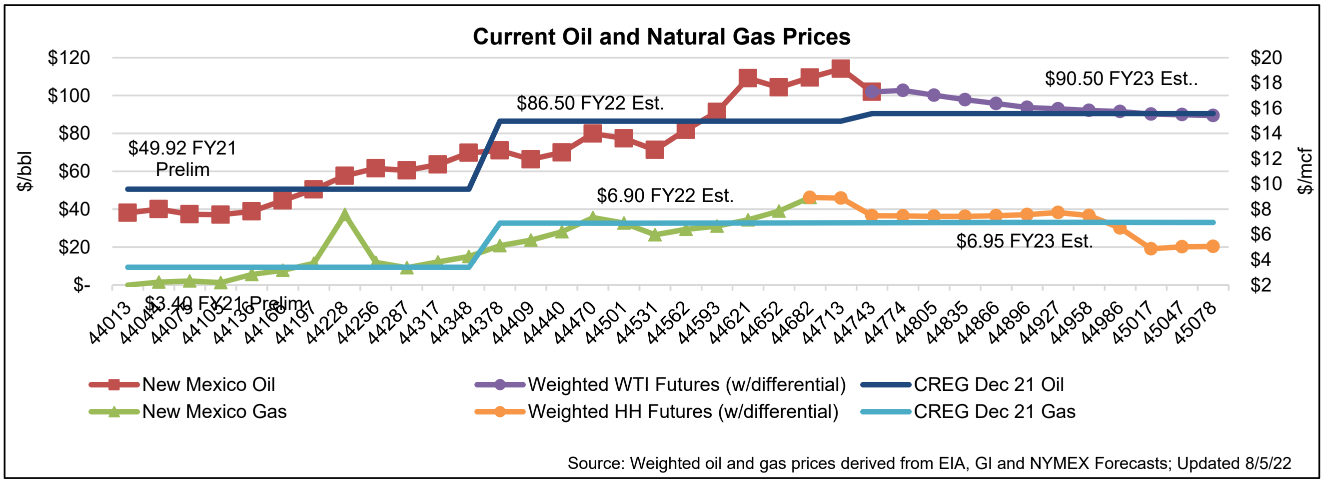

General Fund Revenues Dependent on Oil and Gas Industry
(percentage of recurring revenue)
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022 est
2023 est
2024 est
Distributions of excess severance tax and federal mineral leasing payments reduces general fund dependence on oil and gas revenue
Percentage including permanent funds
% if no TSR/ECE distribution of excess revenue were made
Percentage excluding permanent funds & TSR/ECE distrib.
Note: Oil and gas school tax revenue in excess of the five-year average is distributed to the tax stabilization reserve (TSR) or early childhood trust fund, and federal mineral leasing revenue above the five-year average distributed to the early childhood trust fund.
Source: LFC Analysis based on Aug 22 CREG

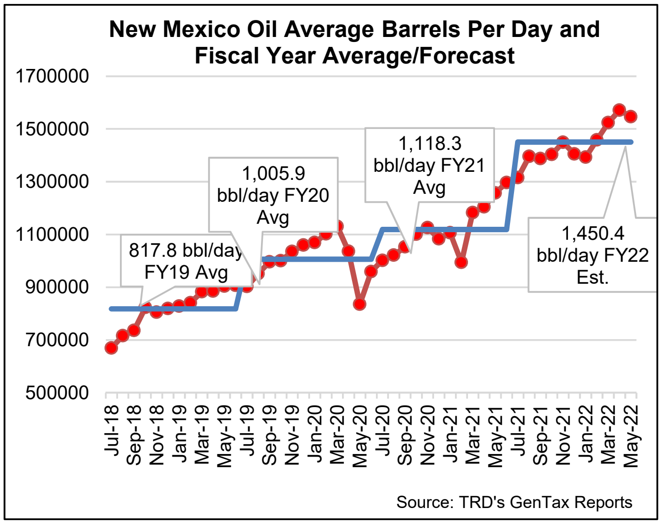
Early Childhood Trust Fund Forecast

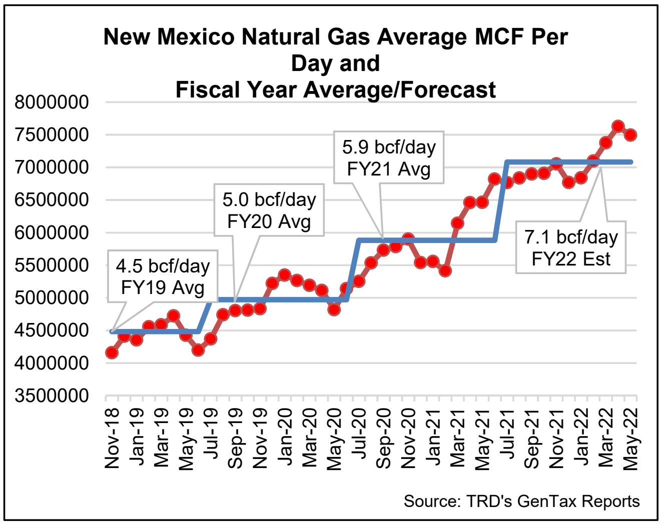
Early Childhood Trust Fund Forecast - August 2022							
(in millions)							
Calendar Year	2021	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*
	Actual	*Estimated*	*Estimated*	*Estimated*	*Estimated*	*Estimated*	*Estimated*
Beginning Balance	$300.0	$314.1	*$2,141.0*	*$4,844.8*	*$7,128.9*	*$8,362.1*	*$8,916.4*
Gains & Losses	$34.1	*$12.6*	*$85.6*	*$193.8*	*$285.2*	*$334.5*	*$356.7*
Excess Federal Mineral Leasing	$0.0	*$1,501.7*	*$1,347.9*	*$966.6*	*$566.4*	*$254.6*	*$ -*
Excess OGAS School Tax*	$0.0	$342.7	*$1,300.3*	*$1,245.3*	*$617.0*	*$304.2*	*$115.2*
Distribution to ECE Program Fund	($20.0)	($30.0)	*($30.0)*	*($121.7)*	*($235.2)*	*($338.9)*	*($406.8)*
Ending Balance	**$314.1**	***$2,141.0***	***$4,844.8***	***$7,128.9***	***$8,362.1***	***$8,916.4***	***$8,981.5***
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.							
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.							
	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Distribution to ECE Program Fund	$0.00	$20.00	$30.00	$30.00	$121.67	$235.25	$338.93

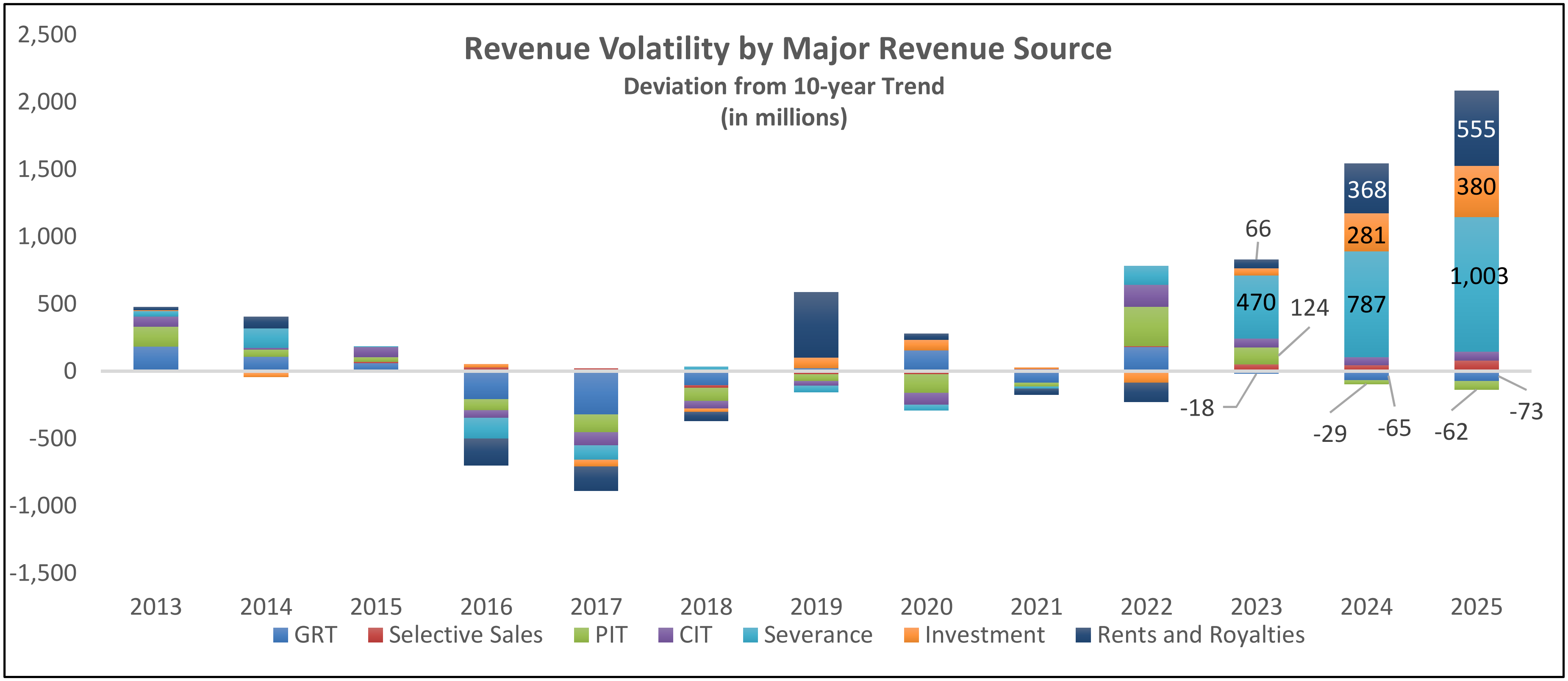
Source: August 2022 Consensus Revenue Forecast

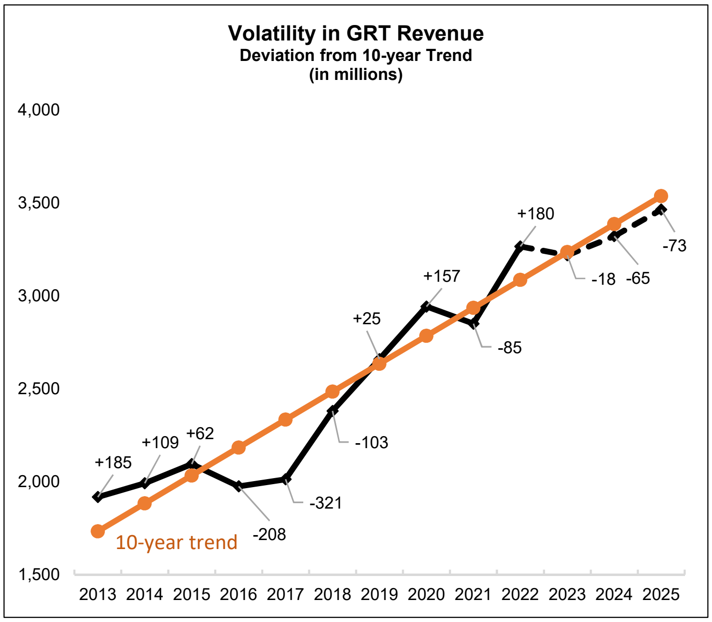

New Mexico Monthly Rig Count and Oil Production
million barrels
60
50
40
30
20
10
-
120
100
80
60
40
20
0
active drilling rigs
Jan-14 Apr-14 Jul-14 Oct-14 Jan-15 Apr-15 Jul-15 Oct-15 Jan-16 Apr-16 Jul-16 Oct-16 Jan-17 Apr-17 Jul-17 Oct-17 Jan-18 Apr-18 Jul-18 Oct-18 Jan-19 Apr-19 Jul-19 Oct-19 Jan-20 Apr-20 Jul-20 Oct-20 Jan-21 Apr-21 Jul-21 Oct-21 Jan-22 Apr-22 Jul-22
Rig Count
Oil Production
Source: TRD, BakerHughes

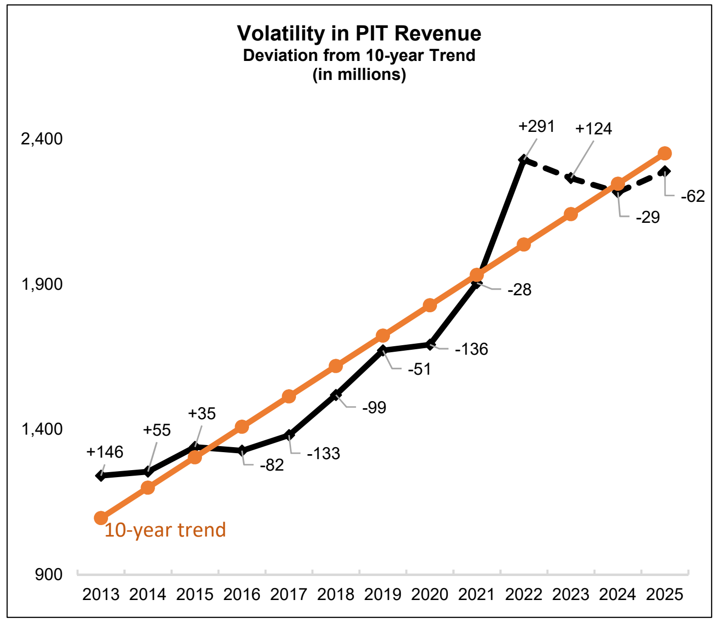

Current Oil and Natural Gas Prices
$/bbl
$120
$100
$80
$60
$40
$20
$-
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$/mcf
$49.92 FY21 Prelim
$86.50 FY22 Est.
$90.50 FY23 Est..
$6.90 FY22 Est.
$6.95 FY23 Est.
$3.40 FY21 Prelim
44013 44044 44075 44105 44136 44166 44197 44228 44256 44287 44317 44348 44378 44409 44440 44470 44501 44531 44562 44593 44621 44652 44682 44713 44743 44774 44805 44835 44866 44896 44927 44958 44986 45017 45047 45078
New Mexico Oil
New Mexico Gas
Weighted WTI Futures (w/differential)
Weighted HH Futures (w/differential)
CREG Dec 21 Oil
CREG Dec 21 Gas
Source: Weighted oil and gas prices derived from EIA, GI and NYMEX Forecasts; Updated 8/5/22

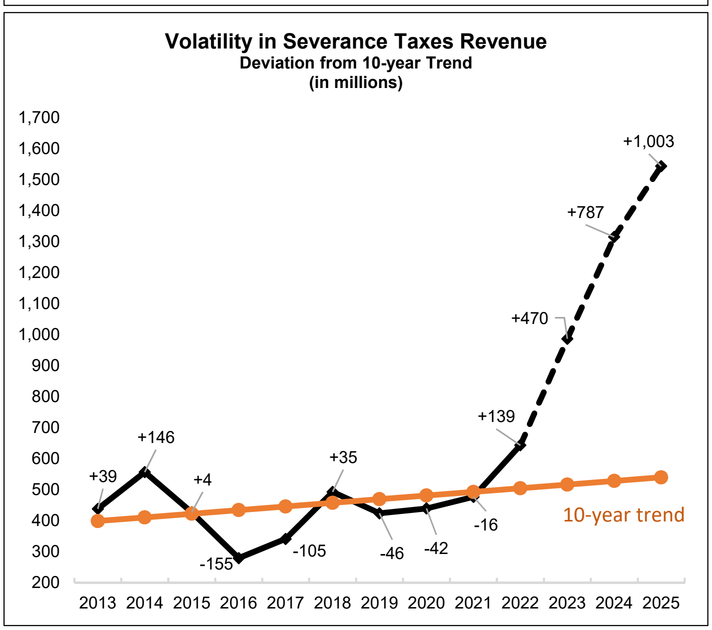

New Mexico Oil Average Barrels Per Day and Fiscal Year Average/Forecast
1700000
1500000
1300000
1100000
900000
700000
500000
817.8 bbl/day FY19 Avg
1,005.9 bbl/day FY20 Avg
1,118.3 bbl/day FY21 Avg
1,450.4 bbl/day FY22 Est.
Jul-18 Sep-18 Nov-18 Jan-19 Mar-19 May-19 Jul-19 Sep-19 Nov-19 Jan-20 Mar-20 May-20 Jul-20 Sep-20 Nov-20 Jan-21 Mar-21 May-21 Jul-21 Sep-21 Nov-21 Jan-22 Mar-22 May-22
Source: TRD's GenTax Reports

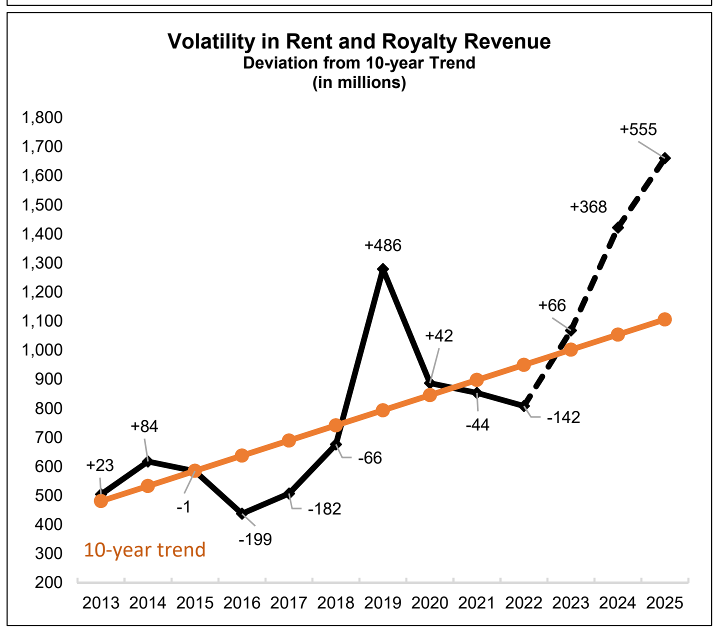

New Mexico Natural Gas Average MCF Per Day and Fiscal Year Average/Forecast
8000000
7500000
7000000
6500000
6000000
5500000
5000000
4500000
4000000
3500000
4.5 bcf/day FY19 Avg
5.0 bcf/day FY20 Avg
5.9 bcf/day FY21 Avg
7.1 bcf/day FY22 Est
Nov-18 Jan-19 Mar-19 May-19 Jul-19 Sep-19 Nov-19 Jan-20 Mar-20 May-20 Jul-20 Sep-20 Nov-20 Jan-21 Mar-21 May-21 Jul-21 Sep-21 Nov-21 Jan-22 Mar-22 May-22
Source: TRD's GenTax Reports

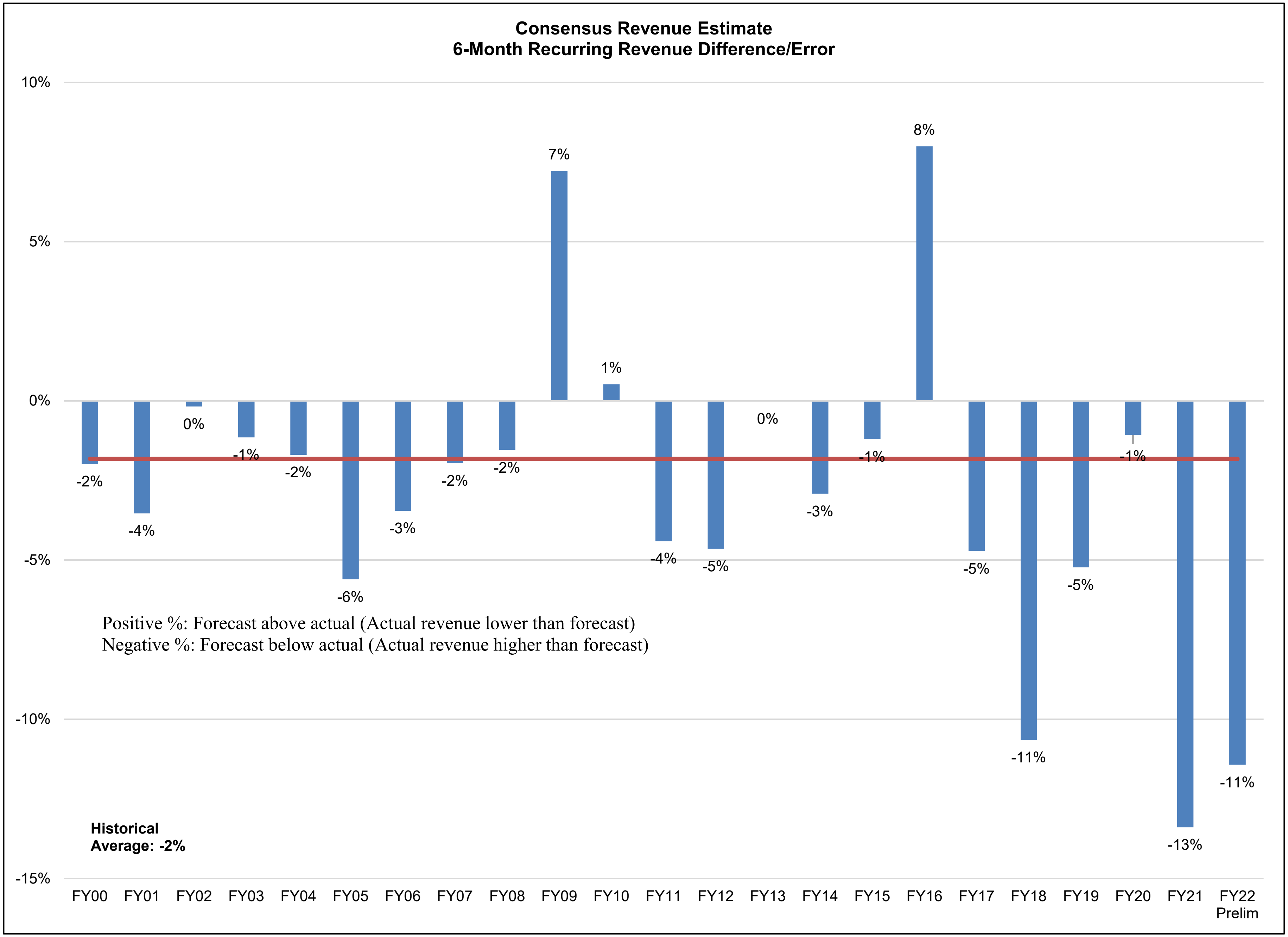

Revenue Volatility by Major Revenue Source
Deviation from 10-year Trend
(in millions)
2,500
2,000
1,500
1,000
500
0
-500
-1,000
-1,500
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
66
470
124
-18
368
281
787
-29
-65
555
380
1,003
-62
-73
GRT
Selective Sales
PIT
CIT
Severance
Investment
Rents and Royalties


Volatility in GRT Revenue
Deviation from 10-year Trend
(in millions)
4,000
3,500
3,000
2,500
2,000
1,500
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
+185
+109
+62
-208
-321
-103
+25
+157
-85
+180
-18
-65
-73
10-year trend


Volatility in PIT Revenue
Deviation from 10-year Trend
(in millions)
2,400
1,900
1,400
900
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
+146
+55
+35
-82
-133
-99
-51
-136
-28
+291
+124
-29
-62
10-year trend


Volatility in Severance Taxes Revenue
Deviation from 10-year Trend
(in millions)
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
+39
+146
+4
-155
-105
+35
-46
-42
-16
+139
+470
+787
+1,003
10-year trend


Volatility in Rent and Royalty Revenue
Deviation from 10-year Trend
(in millions)
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
+23
+84
-1
-199
-182
-66
+486
+42
-44
-142
+66
+368
+555
10-year trend



Consensus Revenue Estimate
6-Month Recurring Revenue Difference/Error
10%
5%
0%
-5%
-10%
-15%
-2%
-4%
0%
-1%
-2%
-6%
-3%
-2%
-2%
7%
1%
-4%
-5%
0%
-3%
-1%
8%
-5%
-11%
-5%
-1%
-13%
-11%
Positive %: Forecast above actual (Actual revenue lower than forecast)
Negative %: Forecast below actual (Actual revenue higher than forecast)
Historical Average: -2%
FY00
FY01
FY02
FY03
FY04
FY05
FY06
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
FY22 Prelim

August 2022 Consensus Forecast Sensitivity Analysis – Assumptions			
	S1: Economic Upside (10%)	**S3: Economic Downside (10%)**	**S8: Low Oil Price (5%)**
Key Assumptions & Risks	• The Russian invasion of Ukraine resolves somewhat faster than anticipated. As a result, the loss of Russian oil on the global market is much less than the baseline. • Inflation decelerates back to the Fed's target somewhat faster than expected. • Supply-chain issues diminish sooner than expected, reducing shortages, relieving inflationary pressures, and boosting growth in manufacturing. • New cases, hospitalizations, and deaths from COVID-19 recede faster than in the baseline, boosting consumer confidence and spending. • The economy returns to full employment in the third quarter of 2022, as unemployment declines below the baseline. • Because of the deceleration in inflation, long-term interest rates rise a bit more slowly than in the baseline. Financial markets are stable and the stronger growth allows equity prices to rebound relatively quickly. • Political and economic tensions between the U.S. and China diminish.	• The Russian invasion of Ukraine worsens significantly. Import bans of Russian oil purchases increase the loss of Russian oil on the global market. This causes oil prices to rise, increasing inflation substantially. • The U.S. economy falls into recession in the third quarter of 2022 and unemployment begins to increase. From the second quarter of 2022 through the first quarter of 2023, real GDP declines cumulatively by 2.3 percent. • The worsening invasion causes the stock market to fall. • Supply-chain conditions also erode with increased shortages of many goods, boosting inflation and weakening manufacturing. • New cases, hospitalizations and deaths from COVID-19 start to rise significantly. • The downturn begins to subside when the invasion begins to resolve in the second quarter of 2023. The economy does not return to full employment until the second quarter of 2027. • Increases in the fed funds rate are significantly higher than in the baseline during the remainder of 2022 and the first quarter of 2023, as the Fed works to address the accelerating inflation despite the recession.	• The Russian invasion of Ukraine resolves sooner than expected, causing oil prices to fall and increased OPEC production substantially outpaces demand. • The Brent oil price falls and remains below the baseline projection through 2025, averaging only half the baseline level during that time. • Lower oil prices have two major offsetting effects. The first is that the energy industry contracts, with oil exploration and related employment declining starting in mid-2022. Oil production also falls somewhat during that time. The second effect is comparable to a tax cut because lower gasoline costs increase disposable income available for other consumer spending. Moreover, the reduced energy costs overall increase the profitability of industrial production. • The result of these two offsetting effects is that real GDP overall performs slightly worse than in the baseline between mid-2022 and mid-2023 and then slightly better in 2024 and 2025, by which time the level of real GDP is 0.3 percent higher than in the baseline.
Oil and Gas	• The loss of Russian oil on the global market through import bans and self-sanctioning is 2.1 million barrels per day, much less than the 4.6 million barrels per day assumed to be lost in the baseline. • In the energy market, the price of Brent crude oil declines back toward trend sooner than in the baseline.	• Import bans of Russian oil purchases increase the loss of oil on the global market to 4.7 million barrels per day, more than in the baseline. Worries remain that there could be an even larger interruption of global oil supplies. • Oil prices to rise above $130 a barrel, worsening inflationary pressures.	• The Russian invasion of Ukraine resolves sooner than expected, causing oil prices to fall and increased OPEC production substantially outpaces demand. • The Brent oil price falls and remains below the baseline projection through 2025, averaging only half the baseline level during that time.

Source: Moody's Analytics, U.S. Macroeconomic Outlook Scenarios, July 2022

Tax Changes Over $1 Million: Legislative Sessions 2019-2022

(in millions)

Category	Item	FY22 Recurring	FY22 Non-Recurring	FY23 Recurring	FY23 Non-Recurring	FY24 Recurring	FY24 Non-Recurring	FY25 Recurring	FY25 Non-Recurring
Gross Receipts and Compensating Tax	**2022 Regular Session**								
	HB 8 Land Grant-Merced Assistance Fund			$ (1.5)		$ (1.5)		$ (1.6)	
	HB 67 Technology Readiness Gross Receipts Tax Credit			$ (0.5)	$ 3.0	$ (2.0)		$ (2.0)	
	HB 82 Dialysis Facility Gross Receipts Deduction							$ (1.5)	
	HB 163 Tax Changes								
	Food and Medical Hold Harmless			$ (2.1)		$ (3.5)		$ (5.0)	
	Disclosed Agents			$ (3.0)		$ (3.0)		$ (3.0)	
	GRT Rate Cut			$ (94.1)		$ (194.1)		$ (199.9)	
	Comp Tax Cut			$ (1.7)		$ (3.4)		$ (3.4)	
	B to B Manufacturers			$ (5.6)		$ (5.8)		$ (6.0)	
	Feminie Hygeine Products Exemption			$ (1.4)		$ (1.5)		$ (1.5)	
	2021 Regular Session								
	SB 1 Restaurant Gross Receipt Tax Deduction								
	Food and Beverage GRT Deduction		$ (2.2)						
	HB 255 Alcohol Deliveries								
	Alcohol sales GRT Deduction	$ (1.8)		$ (1.8)		$ (1.8)		$ (1.8)	
	HB 278 Manufacturing Services Gross Receipts	$ (3.0)		$ (3.0)		$ (3.0)		$ (3.0)	
	2021 First Special Session								
	HB 2 Cannabis Regulation Act								
	Medical Cannabis GRT Deduction	$ (9.7)		$ (11.6)		$ (13.9)		$ (13.9)	
	GRT Revenue	$ 3.5		$ 10.8		$ 15.4		$ 15.4	
	2020 Regular Session								
	HB 193 Permanent Tax Distribution to Aviation Fund	$ (1.4)		$ (1.4)		$ (1.4)		$ (1.4)	
	HB 255 Technology Readiness Gross Receipts Credit	$ (1.5)		$ (1.5)		$ (1.5)		$ (1.5)	
	HB 326 Tax Changes (2019 HB6 Follow-Up)	$ (3.5)		$ (3.5)		$ (3.5)		$ (3.5)	
	2019 Regular Session								
	HB6 Tax Changes								
	Hospital Tax Reform	$ 98.0		$ 100.0		$ 100.0		$ 100.0	
	Remote Sales	$ 45.0		$ 46.0		$ 46.0		$ 46.0	
	Remote Sales: State loss from local sharing	$ (21.0)		$ (22.0)		$ (22.0)		$ (22.0)	
	Remote sales: State loss fromout-of-state	$ (41.0)		$ (42.0)		$ (42.0)		$ (42.0)	
	Repeal Municipal Equivalent Distribution	$ 5.0		$ 5.0		$ 5.0		$ 5.0	
	SB 106 Short-Term Occupancy Rentals Tax	$ 2.1		$ 2.1		$ 2.1		$ 2.1	
	HB 165 Modifying High Wage Jobs Tax Credit	$ (6.7)		$ (10.0)		$ (10.0)		$ (10.0)	
	SB 425 Dept. of Defense Satellite Gross Receipts	$ (2.0)		$ (2.0)		$ (2.0)		$ (2.0)	
	TOTAL GRT	**$ 62.1**	**$ (2.2)**	**$ (44.7)**	**$ 3.0**	**$ (147.4)**	**$ -**	**$ (156.5)**	**$ -**
Personal and Corporate Income Tax	**2022 Third Special Session**								
	HB 2 Tax Rebates		*$ (622.2)*		*$ (68.5)*				
	2022 Regular Session								
	HB 163 Tax Changes								
	Child Credit					$ (74.0)		$ (74.7)	
	Military Pension Exemption			$ (7.4)		$ (13.5)		$ (17.8)	
	Social Security Exemption			$ (84.1)		$ (89.4)		$ (94.4)	
	New Solar Market Tax Credit			$ (1.9)		$ (1.8)		$ (2.3)	
	Nurses Credit				$ (9.4)				
	2021 Rebate		*$ (278.1)*		*$ (30.6)*				
	SBTC Date Change			*$ (2.5)*					
	2021 Regular Session								
	SB 1 Restaurant Gross Receipt Tax Deduction								
	2020 Income Tax Rebate		*$ (1.4)*						
	HB 15 Sustainable Building Tax Credit	$ (2.2)		$ (2.2)		$ (2.2)		$ (2.2)	
	HB 255 Alcohol Deliveries								
	Leasing Liquor License Deduction	$ (1.5)		$ (1.5)		$ (1.5)		$ (1.5)	
	HB 291 Tax Changes								
	Low Income Comprehensive Tax Rebate	$ (48.8)		$ (49.9)		$ (50.9)		$ (52.0)	
	Working Families Tax Credit	$ (24.9)		$ (22.6)		$ (49.2)		$ (49.2)	
	2020 Regular Session								
	HB 146 Expand Biomas Income Tax Credit	$ (0.9)		$ (1.8)		$ (1.8)		$ (1.8)	
	SB 29 Solar Market Development Income Tax Credit	$ (5.0)		$ (5.0)		$ (5.0)		$ (5.0)	
	2019 Regular Session								
	SB 2 Film Tax Credit Changes	$ (98.6)		$ (95.9)		$ (95.9)		$ (95.9)	
	HB 6 Tax Changes								
	New PIT Brackets	$ 40.0		$ 41.0		$ 41.0		$ 41.0	
	Increase WFTC to 17%	$ (39.0)		$ (41.0)		$ (41.0)		$ (41.0)	
	Dependent Deduction	$ (28.0)		$ (28.0)		$ (28.0)		$ (28.0)	
	Change PIT Deduction for Capital Gains	$ 10.0		$ 10.0		$ 10.0		$ 10.0	
	TOTAL PIT/CIT	**$ (198.8)**	**$ (901.7)**	**$ (292.7)**	**$ (108.6)**	**$ (403.1)**	**$ -**	**$ (414.7)**	**$ -**
Other Taxes	**2021 Regular Session**								
	SB 3 Small Business Recovery Act			$ (5.0)		$ (10.4)		$ (16.1)	
	2021 First Special Session								
	HB 2 Cannabis Regulation Act							$ 3.0	
	Cannabis Excise	$ 6.5		$ 20.0		$ 28.6		$ 28.6	
	2020 Regular Session								
	HB 83 Early Childhood Education and Care Fund	$ (75.0)		$ (32.8)		$ (7.6)			
	SB 122 Distributions to Judicial Retirement Funds	$ (1.5)		$ (1.5)		$ (1.5)		$ (1.5)	
	2020 First Special Session								
	SB3 Small Business Recovery Loan Act	$ (4.2)		$ (8.6)		$ (13.2)		$ (17.8)	
	2019 Regular Session								
	HB6 Tax Changes								
	MVEX GF Distribution	$ (27.0)		$ (28.0)		$ (28.0)		$ (28.0)	
	Tax E-Cigs and Increase Cig tax	$ 14.0		$ 14.0		$ 14.0		$ 14.0	
	SB 413 Liquor Permit, Tax & Definition Changes	$ (1.0)		$ (1.2)		$ (1.2)		$ (1.2)	
	TOTAL OTHER	**$ (88.2)**	**$ -**	**$ (43.1)**	**$ -**	**$ (19.2)**	**$ -**	**$ (18.9)**	**$ -**
TOTAL CHANGES		**$ (224.9)**	**$ (903.9)**	**$ (380.5)**	**$ (105.6)**	**$ (569.7)**	**$ -**	**$ (590.1)**	**$ -**

*This document refers to LFC FIRs for impact estimates. Italics denote preliminary actual revenue impacts.