



## General Fund Consensus Revenue Estimate

December 2022 Consensus General Fund Recurring Revenue Estimate (in millions)			
	FY22	FY23	FY24
August 2022 Consensus	\$9,216.6	\$9,847.1	\$10,859.0
December 2022 Adjustments	\$458.7	\$928.0	\$1,135.9
<b>December 2022 Consensus</b>	<b>\$9,675.3</b>	<b>\$10,775.1</b>	<b>\$11,994.9</b>
Annual amount change	\$1,590.1	\$1,099.8	\$1,219.8
Annual percent change	19.7%	11.4%	11.3%

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

### Summary

Recurring revenues for FY22 were \$9.675 billion, up \$1.59 billion, or 19.7 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 August and boosting the amount reaching the general fund throughout the forecast horizon.

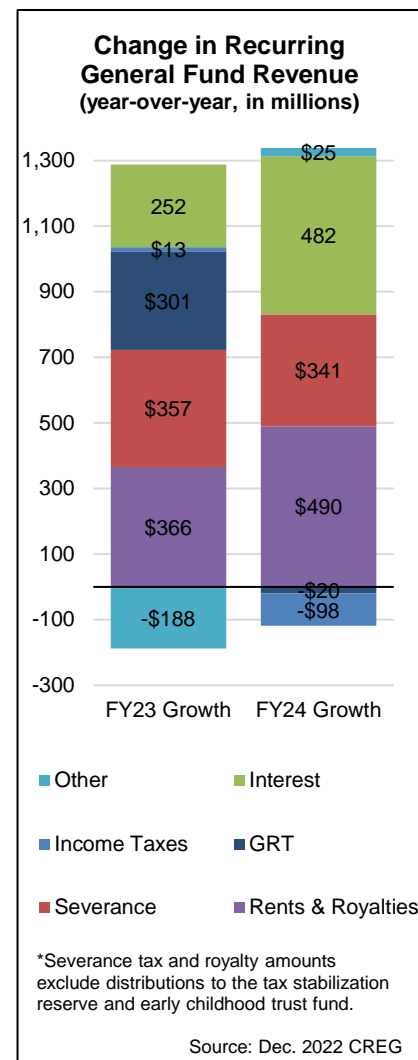
Estimated recurring revenues for FY23 are \$10.775 billion, up \$928 million from the August estimate. FY24 recurring revenues are estimated at \$11.994 billion. “New money,” or projected recurring revenue for the coming fiscal year less current year recurring appropriations, is estimated at \$3.591 billion for FY24, or 42.7 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 \$902.9 million, FY22 total revenues are estimated to be \$1.16 billion more than FY22 appropriations. Non-ARPA general fund revenues exceeded general fund appropriations by \$706.5 million which will be transferred to the operating reserve and the tax stabilization reserve fund.

The general fund financial summary detailed in attachment 1 illustrates the impact of the December 2022 revenue estimates on reserve levels. Ending reserve balances for FY22 are estimated at \$3.68 billion, or 49.3 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 –\$1.34 billion – will be deposited into the early childhood education and care trust fund instead of the tax stabilization reserve.

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.



<b>General Fund Financial Summary</b> (in millions)		
	FY22 <u>Actual</u>	FY23 <u>Est.</u>
Recurring Revenue	\$9,675.3	\$10,775.1
Nonrecurring Revenue*	(\$902.9)	(\$68.8)
<b>Total General Fund Revenue</b>	<b>\$8,772.4</b>	<b>\$10,706.3</b>
Recurring Appropriations	\$7,457.3	\$8,404.3
Nonrecurring Appropriations*	\$1,056.7	\$100.0
Undistrib. Appropriations and Audit Adj.	(\$448.1)	\$448.1
<b>Total General Fund Appropriations</b>	<b>\$8,065.9</b>	<b>\$8,952.3</b>
Transfer to (from) Reserves	\$706.5	\$1,754.0
*Includes federal stimulus funds and offsets		
<b>Ending Reserve Balance</b>	<b>\$3,679.6</b>	<b>\$5,223.3</b>
<b>Percent of Recurring Appropriations</b>	<b>49.3%</b>	<b>62.2%</b>

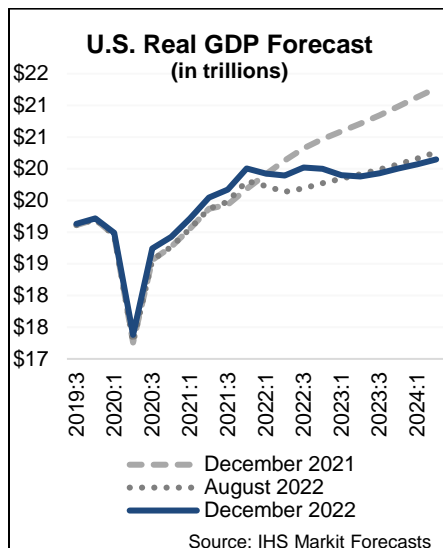
Source: LFC Files

FY23 ending reserve balances are estimated at \$5.22 billion, or 62.2 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 \$1.92 billion in FY23, will flow into the early childhood trust fund (see attachment 6).

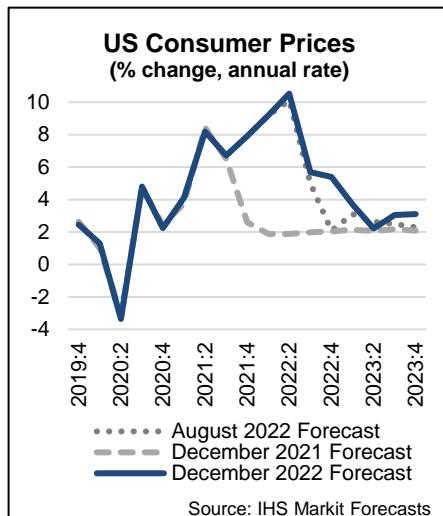
## Economic Forecast

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 has shown signs of uncertainty, with real GDP growing 4 percent year-over year in FY22 but shrinking 1.6 percent and 0.6 percent in the third and fourth quarters of FY22, marking the economy's first consecutive quarters of real contraction since the pandemic. The first quarter of FY23 rebounded, posting 2.6 percent annual growth. 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 grow. IHS is expecting growth at 0.4 percent through FY23 and FY24 as inflation erodes consumer spending, government support recedes to normal levels, high interest rates stifle borrowing, 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 near pre-pandemic levels around 3.7 percent as of November 2022 but is expected to rise throughout the forecast period as the labor market cools. U.S. employment is expected to grow 4.1 percent in 2022, before flattening in 2023 and contracting 0.4 percent in 2024. By 2027, U.S. employment should exceed pre-pandemic levels by about 1.4 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 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 and China's suppressed production. In addition, rents have accelerated in lagged response to soaring housing prices. IHS expects these pressures to moderate as supplies improve, workers return to the labor force, and housing prices cool. The forecast also expects tightening monetary policy to push the U.S. unemployment rate to 5.7 percent by late 2023, reversing the direction of inflation through labor markets.

Significant uncertainty in the economic outlook remains. In fact, IHS included a mild investment-driven recession in their baseline forecast. 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.

Moody's Analytics does not include a recession in their baseline forecast; yet, the risk of a second recession remains and both forecasters have increased their likelihood of a mild recession (see *Recession Risks* on page 10). Both IHS and Moody's forecasts include the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act, but neither include President Biden's student-loan forgiveness plan. Both estimators assume a continued tightening of monetary policy by the Federal Reserve as they attempt slowing the economy and inflation.

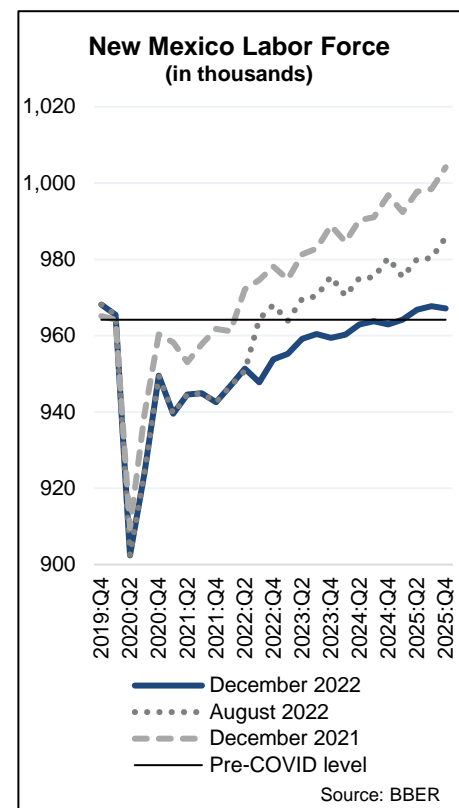
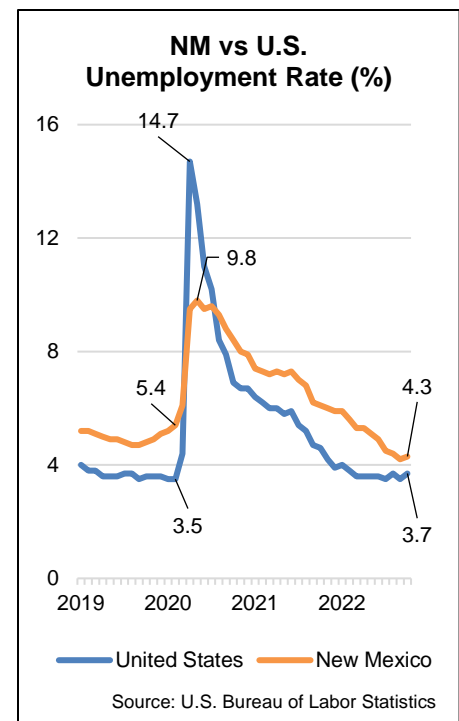
## New Mexico Outlook

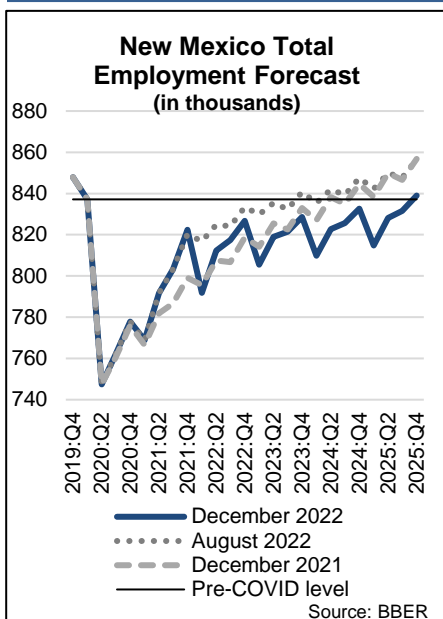
The BBER estimate used in the consensus revenue forecast expects the New Mexico economy will experience slower than national economic growth in the near-term but will gain ground with relatively faster growth in late 2023 and 2024. The state's economic outlook is similarly tied to inflation, monetary policy, and other broader economic mechanisms as the national outlook. However, BBER adjusted its forecast to not include a recession while the underlying national forecaster, IHS, did include a mild recession.

After reaching the last employment peak in January 2020, employment contracted by 12.3 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 2.5 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 6.5 percent below prior levels. Local government, mining, and accommodations are also still lagging far behind pre-pandemic levels. By October 2022, data from the Bureau of Labor Statistics indicates total employment is down only 9.2 thousand jobs, or just over 1 percent, from the pre-pandemic peak.

Currently, New Mexico's labor force participation rate is 56.1 percent, significantly lower than national rate and still 2.6 percent below pre-pandemic levels. The participation rate is projected to expand 0.9 percent in 2023, 0.4 percent in 2024 and 2025, and then average about 0.5 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 a competitive labor market, expansion continued in FY21 with all components of income, including transfer payments, wages, and business income, contributing to a 7.5 percent growth. With the end of large federal transfer payments to New Mexicans reducing transfer payments by 11.4 percent, total personal income slowed to only 1.8 percent in FY22 year-over-year even though wages and salaries grew by 10 percent, interest payments by 4.9 percent, and business income by 6.4





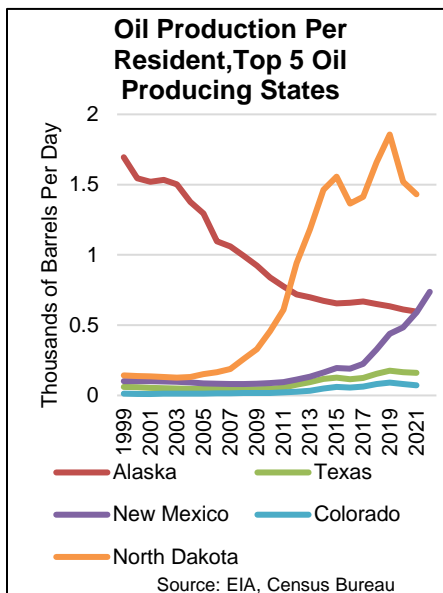
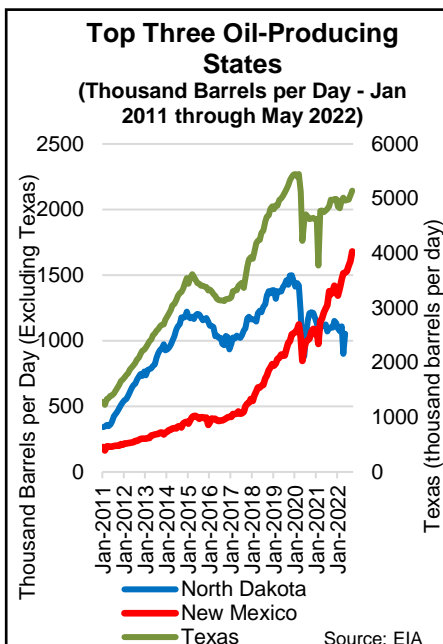
percent. Personal income is expected to return to an average growth rate of about 4.4 percent starting in FY24. Meanwhile, wages and salaries experienced 10 percent growth in FY22 and will continue to see steady average growth of 3.7 percent in 2024 through 2027 after an expected 6.1 percent growth in FY23.

## 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. As a recession begins in many parts of the world, expectations for global oil demand have fallen, bringing energy prices with it. Despite the lower prices, energy companies in New Mexico have continued to drill at production expanding rates, as well as increasing the productivity per well, breaking production records each month.

Although falling prices would generally reduce tax revenues, production levels are more than offsetting price declines leading to record levels of severance taxes and federal royalty payments. About 62 percent of the general fund forecast growth in FY23 is from severance taxes and federal royalty payments as well as about two-thirds of the of the general fund growth forecasted in FY24. Because revenue growth from these sources sent the five-year average soaring, the recent stabilization mechanisms that send excess oil- and gas-related collections to the tax stabilization reserve or early childhood trust fund (see discussion on page 7) are shrinking and losing efficacy.

New Mexico's oil prices averaged \$88.11/bbl in FY22 and have averaged \$93.43/bbl in the first quarter of FY23. Prices have fallen in the second quarter of FY23 with market expectations for prices between \$73/bbl and \$80/bbl through FY24. The high prices early in FY23 result in an annual average price expectation above current prices at \$85/bbl.



FY	2022	2023	2024
	Forecast	Forecast	Forecast
Gross Oil Price (\$/bbl)	\$88.11	\$85.00	\$76.50
Oil Volume (MMbbls)	531	620	660
Oil Volume (MMbbls/day)	1.5	1.7	1.8
Gross Natural Gas Price (\$/mcf)	\$7.03	\$7.05	\$5.60
Net Natural Gas Price (\$/mcf)*	\$5.47	\$5.49	\$4.26
Natural Gas Volume (bcf)	2,586	2,875	3,015
Natural Gas Volume (bcf/day)	7.1	7.9	8.3

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

IHS Markit and the U.S. Energy Information Administration project WTI prices to average \$85.63/bbl and \$88.84/bbl respectively over FY23, falling to about \$82.50/bbl FY24 as OPEC gradually increases production, U.S. supply creeps higher, and global demand for oil falters. The differential of New Mexico oil prices below WTI is estimated at about \$0.78/bbl for the forecast period.



Drilling and completion activity in the Permian basin picked up in early 2021, grew through 2022, and stabilized between 105 and 110 active rigs on average in the first half of FY23. Analysis by Rystad energy, an energy analytics firm, suggests a rig count of 75-80 average active rigs is sufficient to maintain current levels of production in New Mexico. As rigs and well completions continue to exceed maintenance levels, New Mexico continues to hit oil production records, with the latest peak production of 1.7 million barrels per day in September 2022. To date, New Mexico is the only top oil producing state to have recovered above pre-pandemic production levels. In September 2022, Texas' daily oil production was still down 5.6 percent from pre-pandemic peak production and North Dakota's was down 26.1 percent while New Mexico's daily oil production was up 49.4 percent.

The state is estimated to have produced 531 million barrels of oil in FY22, a 30 percent increase from total FY21 production. At current levels of daily oil production, the state would produce 618.1 million barrels of oil in FY23. In FY24, the consensus estimate expects oil production will grow 6.7 percent from current levels resulting in 660 million barrels in FY24.

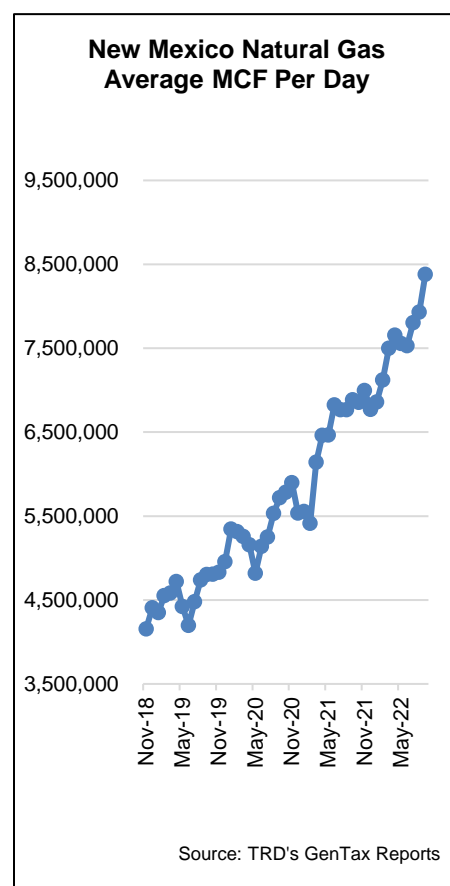
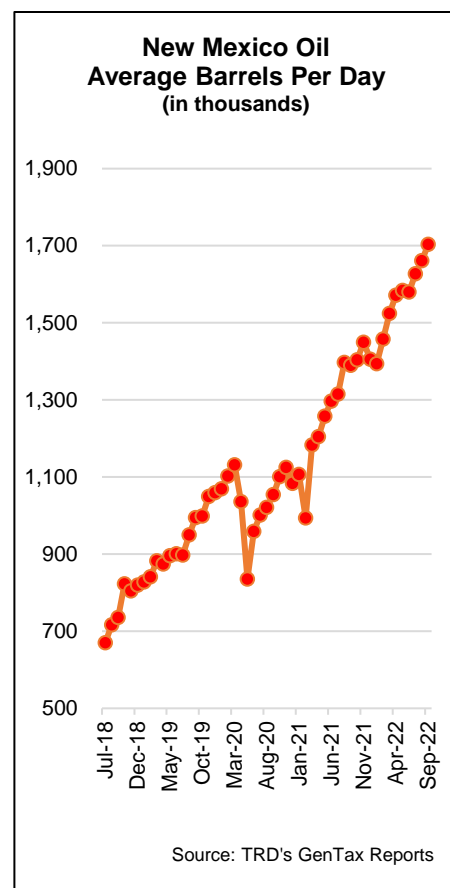
New Mexico's natural gas production has accelerated as well. In September 2022, the state produced a record of 8.4 billion cubic feet (bcf) of natural gas per day, greatly exceeding the 7.1 bcf per day produced in FY22. New Mexico produced 2.6 trillion cubic feet of natural gas in FY22, an increase of 21 percent from FY21. The consensus forecast estimates natural gas production will average 7.9 bcf/day in FY23 and 7.93 bcf/day in FY24, resulting in estimated production of 2.75 trillion cubic feet in FY23 and 8.3 trillion cubic feet in FY24, reflecting the volatile nature of associated gas production and limited take-away capacity for gas in the Permian basin. New Mexico gas production represents about 6.5 percent of daily U.S. production and is the seventh most productive state in the country, nearly reaching Oklahoma.

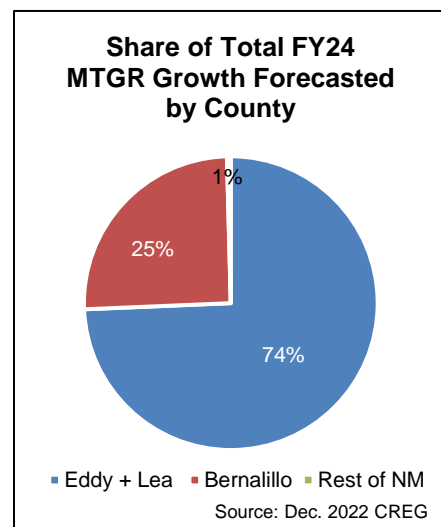
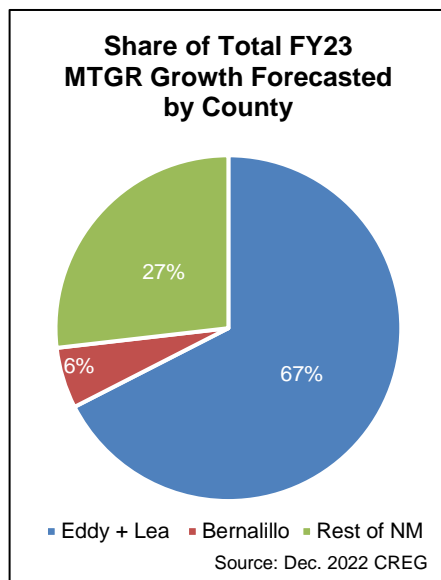
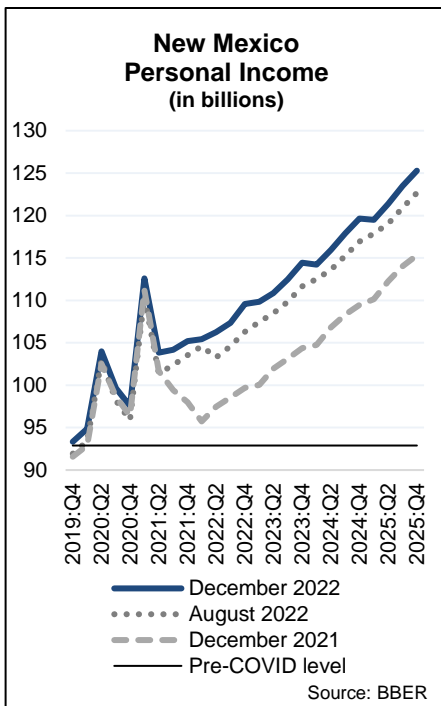
Additionally, natural gas prices are higher than in the previous estimate, averaging \$7.03/mcf in FY22 and \$7.05/mcf in FY23. IHS Markit and EIA project Henry Hub prices to remain elevated as global markets integrate and Russian supplies to Europe are severed, increasing prices worldwide. New Mexico's natural gas prices averaged about \$1.46 higher than Henry Hub prices in FY22. The consensus estimate projects the state's FY24 natural gas price to average \$5.60/mcf, up from the previous estimate of \$4.75/mcf.

## 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 20.8 percent in the first quarter of FY23 compared with FY22 through September, despite an already high FY22. Total gross receipts tax collections in the first quarter were up about \$228.8 million over the same time last year and \$168.9 million above expectations from the August 2022 consensus forecast. Strong collections are the result of higher nominal mining activity, record public investments in construction, high consumer savings, strong wage and consumption growth, and historically high inflation.





The surging collections are driven mostly from activity in Eddy and Lea counties and, more specifically, activity in the mining industry. In the first quarter of FY23, mining activity subject to the gross receipts tax was up 86.7 percent, year-over-year. The MTGR is driven by drilling activity which has increased by 37.6 percent over the same time last year, but also by increasing prices for mining services. Rystad energy reports drilling, maintenance, and completion service prices have faced steep inflation, climbing 20 percent to 30 percent in the last year.

Matched Taxable Gross Receipts by Industry - FY23 vs FY22			
Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$2,829,549,971	\$1,314,366,693	86.7%
Utilities	\$864,523,121	\$83,566,790	10.7%
Construction	\$2,706,799,646	\$500,348,907	22.7%
Manufacturing	\$814,360,220	\$190,204,932	30.5%
Wholesale Trade	\$1,237,032,073	\$344,732,458	38.6%
Retail Trade	\$4,923,018,271	\$349,301,295	7.6%
Transportation and Warehousing	\$404,585,933	\$153,642,268	61.2%
Information	\$581,782,059	\$64,252,467	12.4%
Real Estate and Rental and Leasing	\$648,262,271	\$41,506,933	6.8%
Professional, Scientific, and Technical Services	\$2,079,993,088	\$405,248,912	24.2%
Administrative/Support & Waste Management/Remediation	\$1,238,056,346	\$200,019,640	19.3%
Health Care and Social Assistance	\$1,101,746,609	\$77,690,416	7.6%
Leisure and Hospitality Services	\$1,666,034,838	\$295,833,865	21.6%
Other Industries	\$2,321,075,515	\$11,700,858	29.3%
<b>Total</b>	<b>\$23,416,819,959</b>	<b>\$4,032,416,434</b>	<b>20.8%</b>

Source: RP500

Retail trade and leisure and hospitality are contributing to strong collections growing 7.6 percent and 21.6 percent year-over-year, respectively. Strong consumption is expected to continue into FY23 as forecasts indicate strong wage growth and savings underpin activity.

Of the total activity resulting in GRT growth, over 62 percent is occurring in Eddy and Lea counties. Driven by activity in the Permian basin, GRT is growing increasingly volatile with more than a quarter of all GRT revenue now likely related to the oil and gas industry. As GRT grows from the industry, the losses that would result from an oil and gas industry bust grow as well.

Gross receipts tax revenue is expected to decline marginally in FY24 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 \$120.6 million. The total loss of the total quarter percent reduction fully implemented in FY24 is about \$240 million. Other changes causing FY24 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.

**Destination Sourcing.** 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 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 taxpayer understanding and compliance. Should sourcing differ from the estimate, it would be a risk to the GRT forecast.

## Severance Taxes and Federal Royalties

Severance taxes – which include the oil and gas emergency school tax, oil conservation tax, resources excise tax, and natural gas processors tax – totaled \$1.984 billion in FY22. Oil and gas emergency school tax revenue in excess of the five-year average is sent to the tax stabilization reserve, or, if general fund reserves exceed 25 percent of recurring appropriations, to the early childhood trust fund. Because FY22 reserves are above 25 percent, the school tax collections above the five-year average of \$525.7 million (\$1.3 billion) will be deposited into the early childhood trust fund in January 2023.

With higher levels of production and FY23 oil and natural gas prices expected to average near FY22 levels, severance tax collections are projected to exceed \$2.254 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.

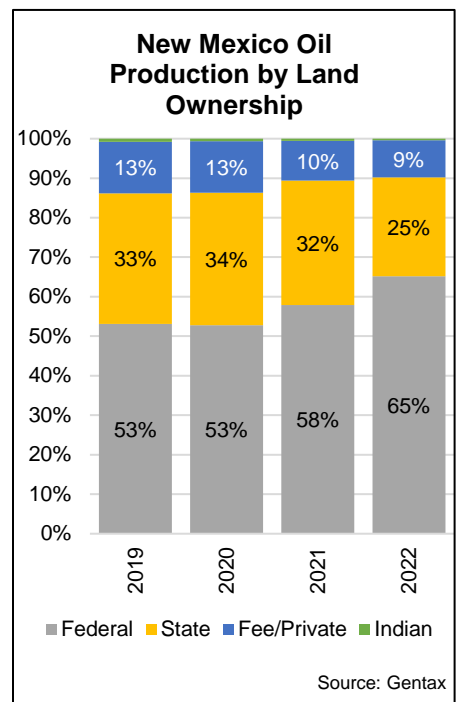
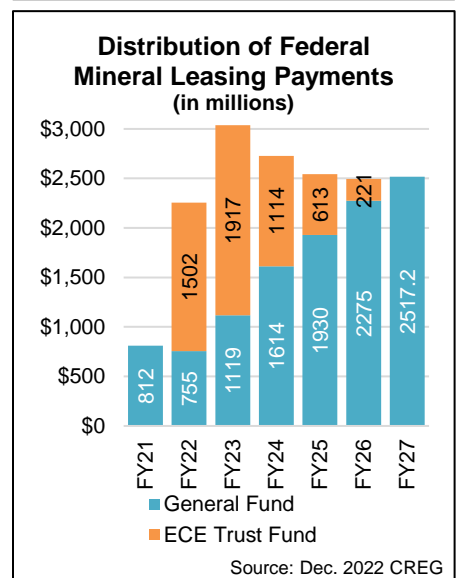
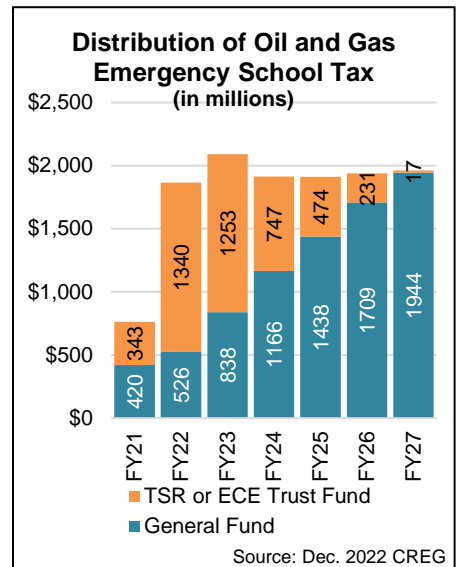
Federal mineral leasing payments – the royalties for oil and gas production on federal lands and bonus payments for federal land leases – is the other the most volatile revenue source following severance taxes and has similarly been subjected to a five-year average cap with payments in excess reaching the early childhood trust fund. Of the total \$2.257 billion in federal royalty revenue in FY22, an estimated \$1.502 was distributed to the early childhood trust fund. From FY23 to FY26, an additional \$3.864 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.

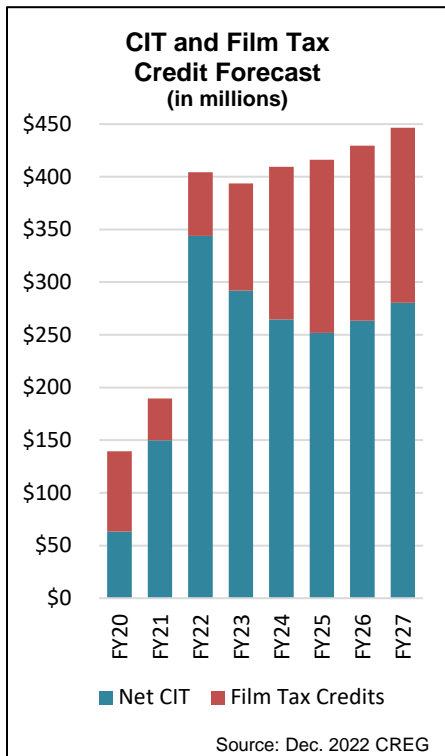
Together, school tax and federal royalty distributions to the early childhood trust fund are estimated to total \$3.17 billion in FY23. These distributions are an inherent buffer for the consensus forecast, as negative impacts of severance tax and federal royalty revenue volatility hits reserves or the trust fund first, reducing negative effects to the general fund.

Furthermore, production in New Mexico has grown significantly faster on federal land than on state, private, or tribal land. As a result, a growing share of New Mexico's production is subject to federal royalties which are shared with the state and, unlike production on other land, goes to the general fund following a five-year average. The result was record federal mineral leasing revenues in FY22 and raising expectations for future general fund revenues from the source. The volatile share of production on federal land has become a significant risk to the forecast, on both the low- and high-side of the baseline.

## 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 royalty

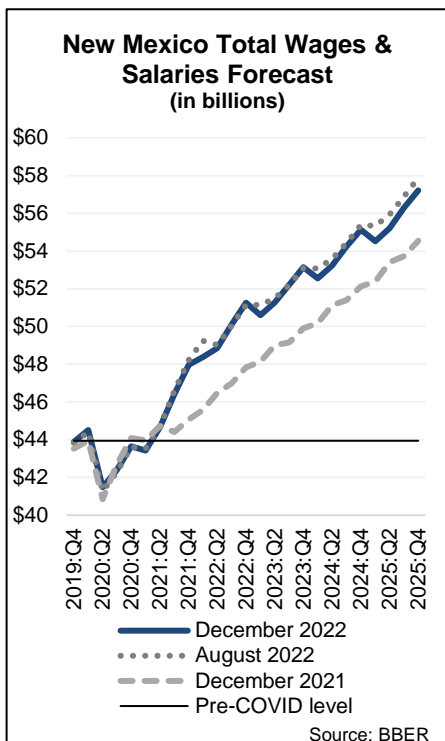




payments for oil and gas production on state lands. Combined with strong interest earnings in FY21, the value of the LGPF ended 2021 over \$25.767 billion, up over \$4.1 billion from the market value ending 2020. The severance tax permanent fund also participated in strong gains from severance taxes 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 by an average of \$128.3 million a year, or 7.7 percent growth, well over the long-term historical general fund growth of about 4.5 percent.

In the 2022 general election, voters approved a constitutional amendment to increase the distribution from the permanent school fund – the largest component of the LGPF – from 5 percent of the five-year average to 6.25 percent. The additional distribution will flow to the general fund, earmarked at 60 percent for early childhood education and 40 percent for public school initiatives and teacher salaries. The amendment requires consent of Congress which is assumed to arrive before FY24 and is a risk to the forecast if delayed. As such, the additional distributions (estimated at more than \$230 million in FY24) are included in the current estimate and are responsible for more than a fifth of the total general fund growth in FY24 and similarly more than a fifth of the change in the general fund revenue estimate from August 2022.



Revenue from the State Treasurer's Office (STO) resulted in negative general fund transfers for FY22 totaling \$118.3 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 expected slowdown of interest rate hikes and eventual rate stabilization in the second half of FY23, estimated STO interest earnings will increase to \$26.6 million in FY23 before expanding to \$197 million in FY24.

## Income Taxes

**Corporate income taxes (CIT).** FY22 data show gross CIT generated \$404.4 million in the fiscal year, up 113.4 percent from FY21, as companies experienced record profits. Because film tax credit payouts are deducted from CIT, net CIT distributed to the general fund are lower than total receipts. Due to the pandemic-related shutdowns in 2020, film tax credits were lower in FY21. Film tax credits are expected to grow to an estimated \$101.8 million in FY23 and \$144.9 million in FY24 as non-film partners near cap levels, current film partners reach production spending goals, and the number of productions in the state grows. 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). The number of productions filming in the state grew 19 percent since 2019.

**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, especially in high-wage jobs, stimulus and other relief, and strong capital gains through 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. Personal income tax revenues grew at an annual rate of 22.2 percent in FY22 to \$2.3 billion, half a million above the August 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 3 percent in FY24. FY23 and FY24 PIT revenues are projected at \$2.39 billion and \$2.32 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 10 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 \$897.6 million and \$68.2 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 in FY23. It also provided low- and middle-income taxpayers with a \$250, one-time PIT rebate, costing \$278.9 million in FY22 and approximately \$16.9 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.

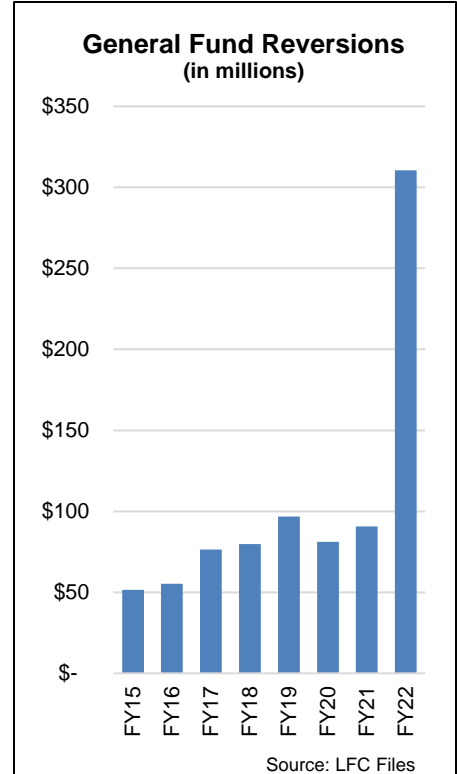
In addition to HB 163, chapter 2 of the 2022 special session (HB 2) provided two temporary PIT rebates for all resident taxpayers in the state at \$250 per individual, per rebate. These rebates mostly accrued in FY22 and cost \$658.2 million in FY22. Late filers receiving the rebate will accrue to FY23 and cost an additional estimated \$16.9 million. In total, the three rebates cost \$897.6 million in FY22 and approximately \$68.2 million in FY23.

Additionally, FY22 was a record year for general fund reversions reaching \$310.4 million, a growth of over \$219.8 million from FY21. The unexpected reversions were responsible for over half of the change in the revenue estimate in FY22. About \$82.7 million of the total was due to agencies' use of CARES Act funds in place of general fund, \$62 million from DOH from enhanced FMAP and FEMA reimbursements, while the rest appears to be from unspent general fund appropriations made to agencies in general.

## Forecast Risks

### Oil and Natural Gas Market Dynamics

New Mexico's dependence on the energy sector (see attachment 5) makes oil market volatility the largest, most significant risk to the forecast – on the



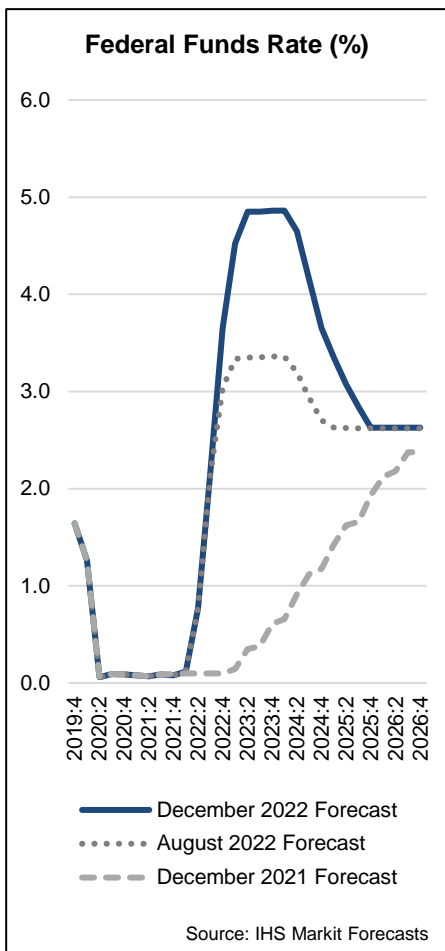
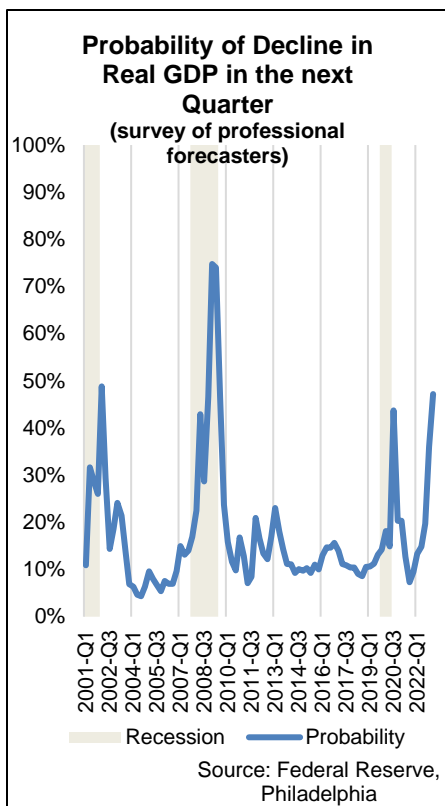
### Effect of Changes in Oil and Gas Prices and Volumes

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 \$48.4 million impact;
- A 10 cent change in the annual average NM price of natural gas has about a \$19.7 million impact;
- Each additional million barrels of oil generates about \$6.6 million in severance taxes and federal royalties; and
- Each additional 10 billion cubic feet of natural gas generates about \$4.8 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.



upside and the downside. Strong oil and gas prices and increased production necessitate an upward revision to the consensus revenue estimate. A significant downside remains, with a global recession likely to push oil prices lower and higher input prices increasing the risk for oil prices to fall below breakeven prices necessitating production declines. On the upside, other forecasters point out oil production could outpace the consensus estimate, reaching 2 million barrels per day as soon as 2025.

## Recession Risks

The economy currently teeters on a knife's edge, with the likelihood of a recession just below that of a coin flip; IHS has increased the likelihood of a recession scenario to 45 percent, and Moody's to 40 percent, highlighting the seriousness of the potential for a decline. Moody's baseline economic forecasts do not assume a return to recession within the forecast period, but IHS Markit does include an investment-led mild recession in their baseline. Because the baseline forecasts are the underpinnings for the consensus revenue forecast, the risk is similarly excluded from or included in, depending on the forecast used, the revenue projections.

While the baseline forecasts disagree on whether to include a recession, 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, high interest rates, and another Covid-19 wave. Under these scenarios, the recovery could take significantly longer, with full employment in the U.S. postponed until late 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 2026, more than three 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.

## 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.

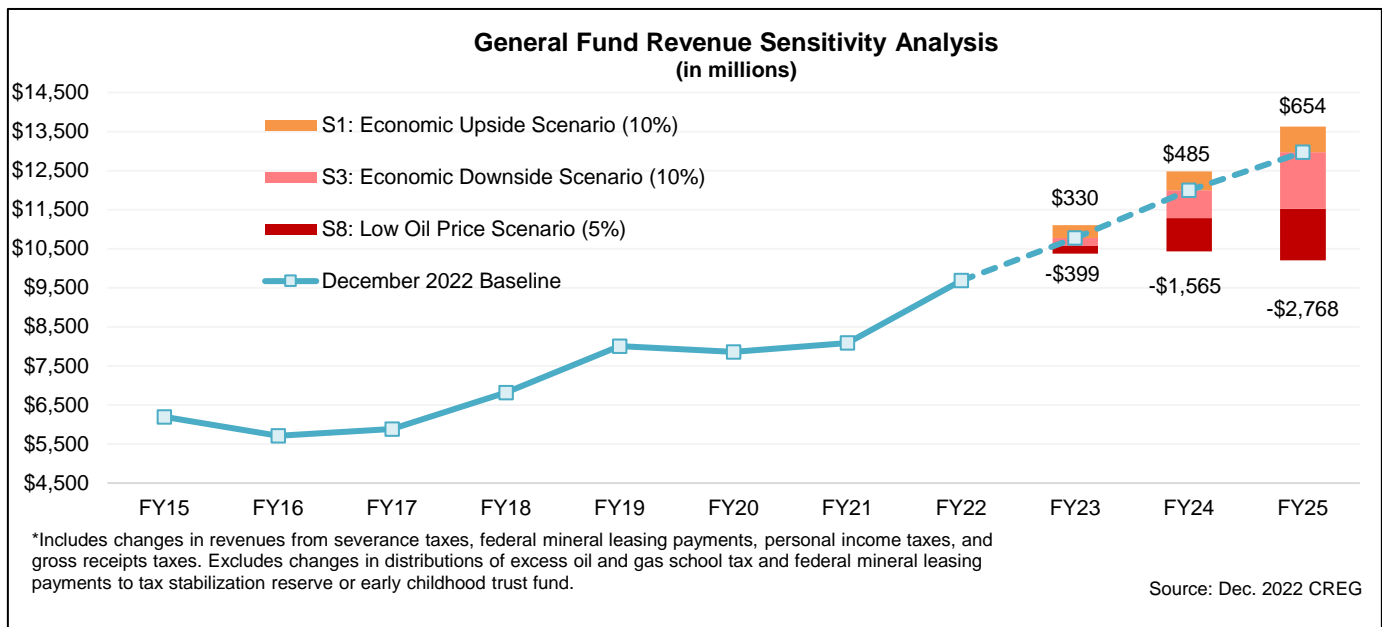
Continued inflation also poses a risk to the forecast in real terms. If prices rise, costs will rise alongside them, dampening consumer spending and reducing real revenue growth. While nominal revenues will rise, the effective use of those revenues will be diminished.

Furthermore, neither Moody's nor IHS forecasts include the impacts of President Biden's student loan forgiveness plan which could increase taxable income and spending for a large number of New Mexicans.

**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 and lack of transparency, higher than expected municipal distributions due to destination sourcing, state and federal regulatory changes for oil and gas, taxpayer compliance, and TRD enforcement. New waves and variants of the coronavirus could continue to change consumer behavior, oil and gas prices, employment levels, and supply chains resulting in a risk to the forecast. Finally, the inability to forecast those revenues currently shown as a reversion is a risk to the forecast.

## 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.



	S8: Low Oil Price			S3: Economic Downside			S1: Economic Upside		
Scenario	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
Severance Taxes to GF	-\$38	-\$432	-\$817	-\$15	-\$76	-\$370	\$4	\$16	\$34
Federal Mineral Leasing to GF	\$0	-\$212	-\$732	\$0	-\$84	-\$316	\$0	\$10	\$66
Gross Receipts Taxes	-\$285	-\$726	-\$969	-\$140	-\$358	-\$542	\$312	\$428	\$502
Personal Income Taxes	-\$76	-\$195	-\$249	-\$51	-\$196	-\$222	\$14	\$31	\$52
General Fund Difference from Baseline	-\$399	-\$1,565	-\$2,768	-\$206	-\$714	-\$1,451	\$330	\$485	\$654
General Fund Percent of Total Impact	22%	47%	72%	25%	36%	57%	76%	59%	53%
Severance Taxes to TSR or ECE	-\$601	-\$747	-\$474	-\$195	-\$577	-\$474	\$55	\$62	\$154
Federal Mineral Leasing to ECE	-\$779	-\$1,041	-\$603	-\$419	-\$673	-\$603	\$50	\$269	\$432
TSR/ECE Transfers Diff. from Baseline	-\$1,380	-\$1,788	-\$1,077	-\$613	-\$1,250	-\$1,077	\$105	\$331	\$586
TSR/ECE Transfers Percent of Total Impact	78%	53%	28%	75%	64%	43%	24%	41%	47%
Total Difference from Baseline	-\$1,779	-\$3,353	-\$3,844	-\$819	-\$1,965	-\$2,528	\$435	\$816	\$1,240

Note: in millions

## 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.

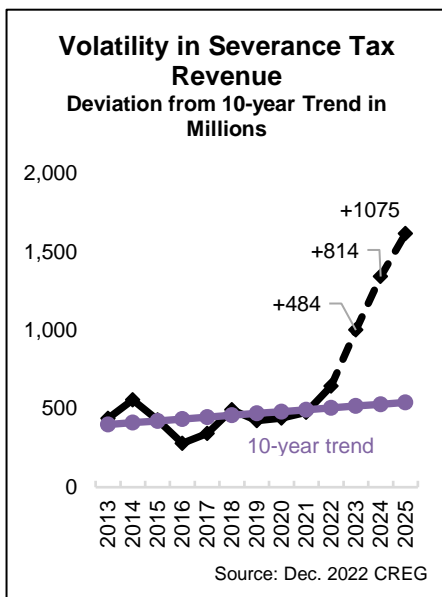
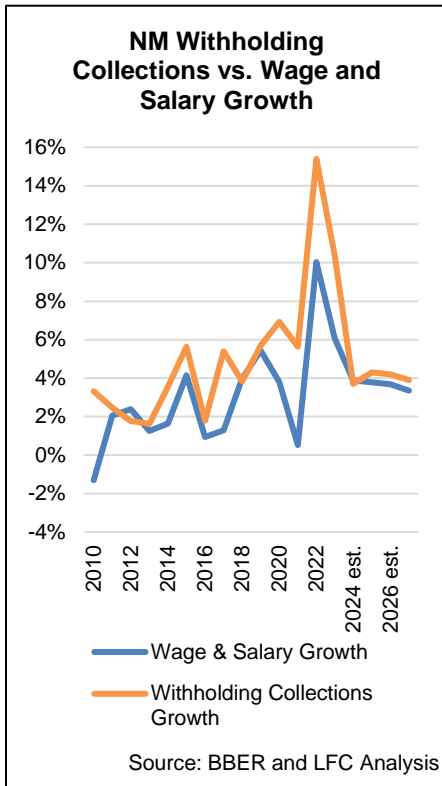
**Distributions of Excess Oil and Gas Revenue Mitigates Initial Effects of an Oil Market Decline.** In the low oil price scenario, Moody's assumes West Texas Intermediate prices would fall to the mid \$60s/bbl in FY23, then to the high \$30s/bbl in FY24 and FY25. Low prices would result in oil and gas 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 \$1.779 billion below the consensus forecast for FY23, about 78 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 \$399 million below the consensus forecast in FY23 and \$1.6 billion below the consensus forecast in FY24. In this scenario, the state would need \$4.7 billion in reserves to avoid spending cuts through FY25.

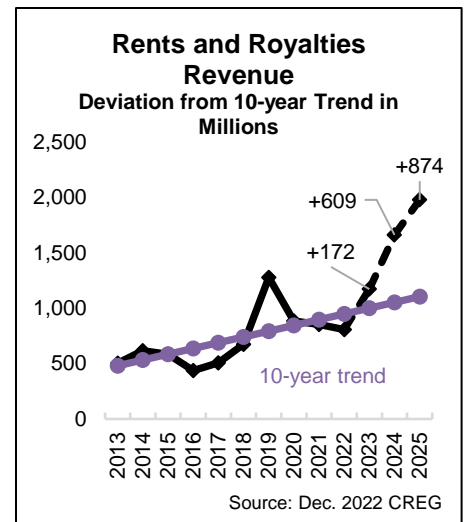
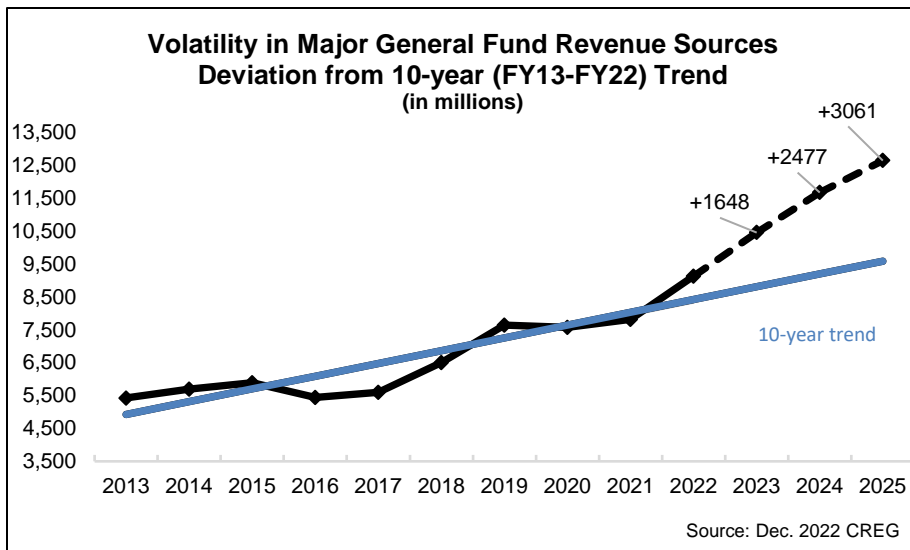
## Trend Analysis and Long-Term Outlook

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 \$1.648 billion, \$2.477 billion, and \$3.061 billion, respectively.



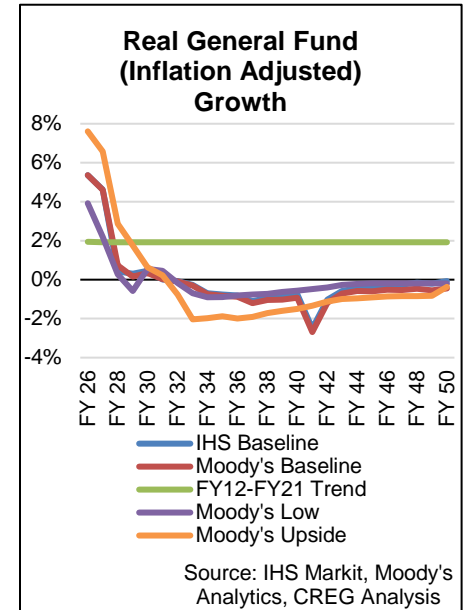




Despite the distribution of excess severance taxes to the rainy-day fund or early childhood trust fund, estimates for severance tax collections are the largest contributor to the above-trend general fund revenue forecast. The current oil and gas production boom results in a large increase in severance 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.

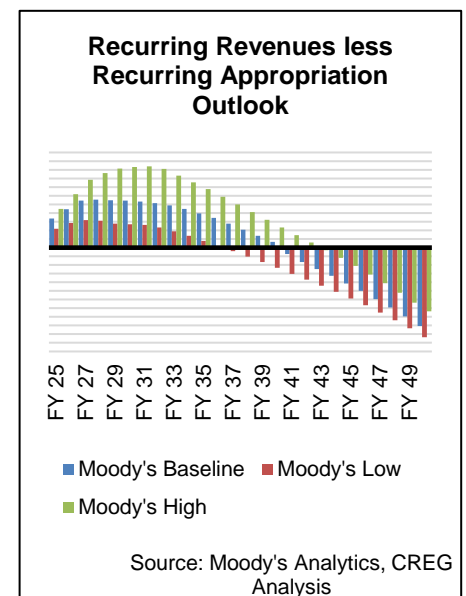
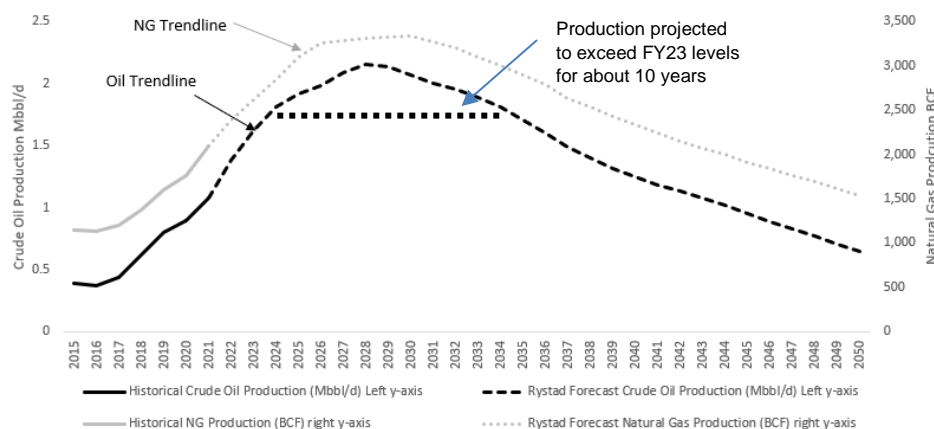
The current above trend forecast and the escalation of budgetary dependence on volatile revenues indicates that policy makers should proceed cautiously when apportioning the current revenue surge to recurring expenditures. Budget best practices recommended by Pew, the Volcker Alliance, and others include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

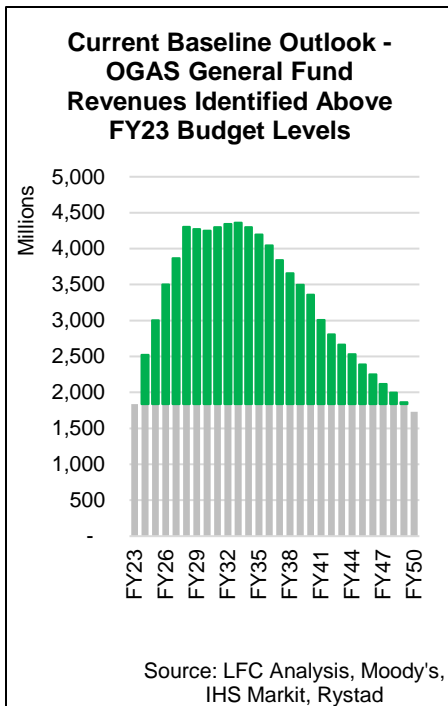
**Short-term surpluses and long-term deficits.** As the state enters a short- to medium-term revenue surge, the Legislature has initiated long-term revenue and budget planning in accordance with national best practices. In July 2022, the consensus revenue estimating group found long-term revenues would be insufficient to keep up with inflation or the current budgetary and



#### NM Crude Oil Production Forecast (CY 2022 to 2050)

#### NM Natural Gas Forecast (CY 2022 to 2040)



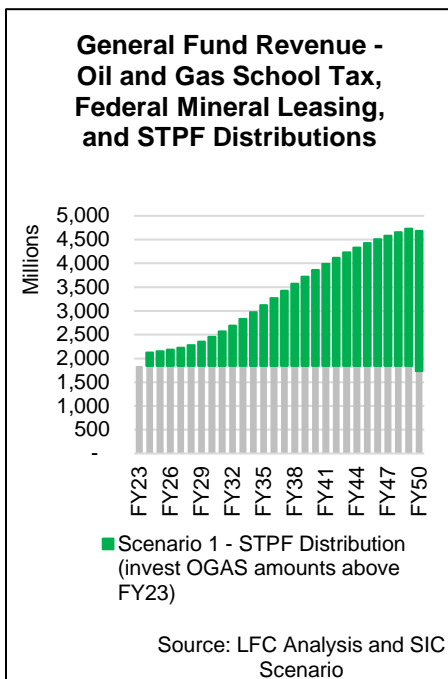


revenue trends. The estimate highlights oil and gas strength as driving current revenues while later becoming a drag on revenue growth as global demand wanes.

The resulting long-term forecast underlines the importance of using current revenue strength to bolster the state's long-term financial stability by looking for opportunities to turn the excess of current revenue into future revenue. The state can do so through investments in the economy that generate long-term tax benefits and by using permanent funds, trust funds, and endowments. Of the financial mechanisms, the highest return and benefit to the state's future revenue stability is through increased distributions or one-time payments into the state's permanent funds which already outpace other general fund revenue sources and reduces New Mexicans' tax liability. Analysis by LFC and SIC suggests distributing above budget oil and gas related revenues to the permanent funds would fully eliminate the out-year budget deficit, despite a downturn in oil and gas revenues.

## General Fund Financial Summary

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



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

By including ancillary funds, the state's reserve position is inflated as a significant portion of the funds are not intended to be available for general fund revenue replacement. Furthermore, the tobacco settlement permanent fund has been unable to provide increasing distributions to treatment, cessation, and prevention efforts due to low returns resulting from its reserve fund status. Policy makers may consider removing ancillary funds from the general fund reserves to address the above issues.

Finally, undistributed appropriations continue to result in unintended consequences for the state's general fund. When appropriating nonrecurring funds, agencies must first request disbursement from the Department of Finance and Administration before funds are removed from reserves. In FY22, nearly \$450 million of appropriations was not requested by agencies, resulting in automatic triggers sending \$459 million to the tax stabilization reserve. Appropriators may choose to require appropriation disbursement to avoid unintended spillovers into more restrictive accounts in the future.

**General Fund Financial Summary:  
December 2022 Consensus Revenue Estimate**

(millions of dollars)

**December 6, 2022  
12:45 PM**

**APPROPRIATION ACCOUNT**

**REVENUE**

Recurring Revenue

	Actual FY2022	Estimate FY2023	Estimate FY2024
August 2022 Consensus Revenue Estimate	\$ 9,216.6	\$ 9,847.1	\$ 10,859.0
December 2022 Consensus Revenue Update	\$ 458.7	\$ 928.0	\$ 1,135.9
2023 Legislative Session Recurring Revenue Legislation	\$ -	\$ -	
Total Recurring Revenue	\$ 9,675.3	\$ 10,775.1	\$ 11,994.9
Percent Change in Recurring Revenue	19.7%	11.4%	11.3%

Nonrecurring Revenue

Federal ARPA Funds	\$ 1,069.2	\$ -	\$ -
Nonrecurring Reversions from the Federal CRF/CARES	\$ -	\$ -	\$ -
2021/2022 Nonrecurring Revenue Legislation	\$ (902.9)	\$ (68.8)	\$ -
2023 Legislative Session Nonrecurring Revenue Legislation	\$ -	\$ -	\$ -
Total Nonrecurring Revenue	\$ 166.3	\$ (68.8)	\$ -

<b>TOTAL REVENUE</b>	<b>\$ 9,841.6</b>	<b>\$ 10,706.3</b>	<b>\$ 11,994.9</b>
----------------------	-------------------	--------------------	--------------------

**APPROPRIATIONS**

Recurring Appropriations

2021 Regular and Special Sessions Legislation & Feed Bill (pre-veto)	\$ 7,449.7	\$ -	FY24 New Money: \$3.591 billion or 42.7%
2022 Regular Session Recurring Legislation & Feed Bill	\$ 7.6	\$ 8,404.3	
2023 Regular Session Recurring Legislation & Feed Bill	\$ -		
Total Operating Budget	\$ 7,457.3	\$ 8,404.3	

Nonrecurring Appropriations

2021 Regular and Special Session ARPA Appropriations (post-veto)	\$ 345.4	\$ -
2022 Regular Session ARPA Related Nonrecurring	\$ 274.2	\$ 309.5
2022 Regular Session Nonrecurring	\$ 1,056.7	\$ 100.0
2023 Regular Session ARPA Related Nonrecurring	\$ -	\$ -
2023 Regular Session Nonrecurring	\$ -	\$ -
Total Nonrecurring Appropriations	\$ 1,676.3	\$ 409.5

Subtotal Recurring and Nonrecurring Appropriations

\$ 9,133.7 \$ 8,813.8

Audit Adjustments

2022 GAA Undistributed Nonrecurring Appropriations<sup>2</sup> \$ (448.1) \$ 448.1

<b>TOTAL APPROPRIATIONS</b>	<b>\$ 8,685.6</b>	<b>\$ 9,261.8</b>
-----------------------------	-------------------	-------------------

Transfer to (from) Operating Reserves	\$ 706.5	\$ 1,754.0
Transfer to (from) Appropriation Contingency Fund (ARPA Funds)	\$ 450.2	\$ (309.5)
TOTAL REVENUE LESS TOTAL APPROPRIATIONS	\$ 1,156.0	\$ 1,444.5

**GENERAL FUND RESERVES**

Beginning Balances	\$ 2,504.8	\$ 3,679.6
Transfers from (to) Appropriations Account	\$ 706.5	\$ 1,754.0
Revenue and Reversions	\$ 2,548.9	\$ 1,408.1
Appropriations, Expenditures and Transfers Out	\$ (2,080.7)	\$ (1,618.4)
<b>Ending Balances</b>	<b>\$ 3,679.6</b>	<b>\$ 5,223.3</b>
Reserves as a Percent of Recurring Appropriations	49.3%	62.2%

**Notes:**

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

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

\* Note: totals may not foot due to rounding

**General Fund Financial Summary:  
December 2022 Consensus Revenue Estimate**

**RESERVE DETAIL**

(millions of dollars)

<b>December 6, 2022 12:45 PM</b>	<b>Prelim. FY2022</b>	<b>Estimate FY2023</b>	<b>Estimate FY2024</b>
<b>OPERATING RESERVE</b>			
Beginning Balance	\$ 347.5	\$ 565.8	\$ 596.6
BOF Emergency Appropriations/Reversions	\$ (2.5)	\$ (2.5)	\$ (2.5)
Transfers from (to) Appropriation Account	\$ 706.5	\$ 1,754.0	\$ -
Transfers to Tax Stabilization Reserve	\$ (459.2)	\$ (1,720.7)	\$ -
Disaster Allotments <sup>1</sup>	\$ (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 <sup>4</sup>	\$ -	\$ -	\$ -
Ending Balance	\$ 565.8	\$ 596.6	\$ 594.1
<b>APPROPRIATION CONTINGENCY FUND</b>			
Beginning Balance	\$ 55.5	\$ 460.7	\$ 143.2
Disaster Allotments	\$ (55.5)	\$ (16.0)	\$ (16.0)
ARPA Appropriation from 2021 Second Special Session	\$ (345.4)	\$ -	\$ -
Other ARPA Appropriations (including 2022, 2023 Regular Sessions)	\$ (274.2)	\$ (309.5)	\$ -
Transfers In <sup>9</sup>	\$ 1,069.2	\$ -	\$ -
Revenue and Reversions	\$ 11.2	\$ 8.0	\$ 8.0
Audit and Pre-Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 460.7	\$ 143.2	\$ 135.2
<b>STATE SUPPORT FUND</b>			
Beginning Balance	\$ 4.0	\$ 49.5	\$ 28.6
Revenues <sup>2</sup>	\$ 15.5	\$ -	\$ -
Appropriations to State Support Reserve Fund <sup>6</sup>	\$ 30.0	\$ -	\$ -
Impact Aid Liability FY20	\$ -	\$ (20.9)	\$ -
Impact Aid Liability FY21	\$ -	\$ -	\$ -
Audit Adjustments	\$ -	\$ -	\$ -
Ending Balance	\$ 49.5	\$ 28.6	\$ 28.6
<b>TOBACCO SETTLEMENT PERMANENT FUND (TSPF)</b>			
Beginning Balance	\$ 285.3	\$ 300.2	\$ 333.0
Transfers In <sup>3</sup>	\$ 36.5	\$ 32.5	\$ 24.0
Appropriation to Tobacco Settlement Program Fund <sup>3</sup>	\$ (36.5)	\$ (16.3)	\$ (12.0)
Gains(Losses)	\$ 14.9	\$ 16.5	\$ 18.3
Additional Transfers from (to) TSPF	\$ -	\$ -	\$ -
Ending Balance	\$ 300.2	\$ 333.0	\$ 363.3
<b>TAX STABILIZATION RESERVE (RAINY DAY FUND)</b>			
Beginning Balance	\$ 1,812.6	\$ 2,303.4	\$ 4,121.9
Revenues from Excess Oil and Gas Emergency School Tax	\$ 1,340.1	\$ 1,253.2	\$ 746.9
Gains(Losses)	\$ 31.6	\$ 97.9	\$ 164.9
Transfers In (From Operating Reserve)	\$ 459.2	\$ 1,720.7	\$ -
Transfer Out to Operating Reserve <sup>4,5</sup>	\$ -	\$ -	\$ -
Transfer Out to Early Childhood Trust Fund <sup>7</sup>	\$ (1,340.1)	\$ (1,253.2)	\$ (746.9)
Ending Balance	\$ 2,303.4	\$ 4,121.9	\$ 4,286.8
Percent of Recurring Appropriations	30.9%	49.0%	
<b>TOTAL GENERAL FUND ENDING BALANCES</b>	<b>\$ 3,679.6</b>	<b>\$ 5,223.3</b>	<b>\$ 5,408.0</b>
Percent of Recurring Appropriations	49.3%	62.2%	

**Notes:**

1) DFA using operating reserve to cover disaster allotments due to low balance in the appropriation contingency fund. FY20 includes \$35.5 million for COVID-19 related responses.

2) Laws 2021, Chapter 137 (HB2, Section 10-11) includes a \$15.5 million transfer from the repealed K-3 Plus Program Fund to the state support reserve.

3) Laws 2021, Chapter 60 (SB 187) allows use of 100% of revenue for tobacco program fund in FY22.

4) Laws 2020, Chapter 34 (House Bill 341) transfers from the tax stabilization reserve to the operating reserve if operating reserve balances are below one percent of appropriations, up to an amount necessary for the operating reserve to be 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 instead of the tax stabilization reserves if reserve balances exceed 25 percent of recurring appropriations.

\* Note: totals may not foot due to rounding



General Fund Consensus Revenue Estimate - December 2022

Attachment2

Revenue Source	FY22					FY23					FY24				
	Aug 22 Est.	Dec 22 Actual	Change from Prior (Aug 22)	% Change from FY21	\$ Change from FY21	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY22	\$ Change from FY22	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY23	\$ Change from FY23
Base Gross Receipts Tax	3,376.2	3,536.4	160.2	19.0%	564.7	3,323.9	3,830.8	506.9	8.3%	294.4	3,417.8	3,802.6	384.8	-0.7%	(28.2)
F&M Hold Harmless Payments	(110.5)	(108.5)	2.0	-10.6%	12.9	(105.9)	(107.7)	(1.8)	-0.8%	0.8	(97.1)	(99.0)	(1.9)	-8.0%	8.6
NET Gross Receipts Tax	3,265.7	3,427.9	162.3	20.3%	577.6	3,218.0	3,723.1	505.1	8.6%	295.2	3,320.7	3,703.6	382.9	-0.5%	(19.6)
Compensating Tax	65.4	63.1	(2.3)	-1.2%	(0.8)	64.4	68.4	4.0	8.3%	5.3	66.2	67.9	1.7	-0.7%	(0.5)
TOTAL GENERAL SALES	3,331.1	3,491.0	160.0	19.8%	576.9	3,282.4	3,791.5	509.1	8.6%	300.5	3,386.9	3,771.4	384.5	-0.5%	(20.1)
Tobacco Products and Cigarette Taxes	83.2	82.8	(0.4)	-8.5%	(7.7)	81.5	79.3	(2.2)	-4.2%	(3.5)	80.3	77.4	(2.9)	-2.4%	(1.9)
Liquor Excise	25.5	25.0	(0.5)	1.7%	0.4	24.7	24.9	0.2	-0.7%	(0.2)	24.9	25.1	0.2	0.9%	0.2
Cannabis Excise	5.4	5.1	(0.4)	N/A	N/A	22.7	23.3	0.5	358.1%	18.2	24.6	25.1	0.5	8.0%	1.9
Insurance Taxes	294.7	320.8	26.1	9.6%	28.2	346.6	344.8	(1.8)	7.5%	24.0	363.2	363.8	0.6	5.5%	19.0
Fire Protection Fund Reversion	-	-	-	-100.0%	(12.0)	-	-	-	N/A	N/A	-	-	-	N/A	N/A
Motor Vehicle Excise	153.6	155.3	1.7	-10.8%	(18.8)	156.9	162.6	5.7	4.7%	7.3	151.5	164.6	13.1	1.2%	2.0
Gaming Excise	67.7	68.4	0.7	177.3%	43.7	65.7	68.7	3.0	0.5%	0.3	67.5	70.0	2.5	1.9%	1.3
Leased Vehicle & Other	7.5	7.3	(0.2)	33.6%	1.8	6.5	5.1	(1.4)	-30.4%	(2.2)	6.4	5.3	(1.1)	3.9%	0.2
TOTAL SELECTIVE SALES	637.6	664.7	27.1	6.5%	40.7	704.6	708.7	4.0	6.6%	43.9	718.5	731.4	12.9	3.2%	22.7
Personal Income Tax	2,328.1	2,327.6	(0.5)	22.2%	423.5	2,265.1	2,392.5	127.4	2.8%	64.9	2,216.7	2,321.7	105.0	-3.0%	(70.8)
Gross Corporate Income Tax	364.9	404.4	39.5	113.4%	214.9	317.6	393.8	76.2	-2.6%	(10.6)	334.4	409.4	75.0	4.0%	15.6
CIT Refundable Credits	(60.5)	(60.5)	-	52.0%	(20.7)	(116.2)	(101.8)	14.4	68.3%	(41.3)	(144.9)	(144.9)	-	42.3%	(43.1)
NET Corporate Income Tax	304.4	343.9	39.5	129.7%	194.2	201.4	292.0	90.6	-15.1%	(51.9)	189.5	264.5	75.0	-9.4%	(27.5)
TOTAL INCOME TAXES	2,632.5	2,671.5	39.0	30.1%	617.7	2,466.5	2,684.5	218.0	0.5%	13.0	2,406.2	2,586.2	180.0	-3.7%	(98.3)
Gross Oil and Gas School Tax	1,825.9	1,865.8	39.9	144.5%	1,102.7	2,075.3	2,091.2	15.9	12.1%	225.4	1,771.9	1,912.9	141.0	-8.5%	(178.3)
Excess to TSR or Early Childhood Trust Fund	(1,300.3)	(1,340.1)	(39.9)	291.0%	(997.4)	(1,245.3)	(1,253.2)	(7.9)	-6.5%	86.9	(617.0)	(746.9)	(129.9)	-40.4%	506.4
NET Oil & Gas School Tax	525.7	525.7	0.0	25.0%	105.3	830.0	838.0	8.0	59.4%	312.3	1,154.9	1,166.1	11.1	39.2%	328.1
Oil Conservation Tax	99.3	99.7	0.4	151.7%	60.1	113.5	113.6	0.1	14.0%	13.9	99.9	105.4	5.5	-7.2%	(8.2)
Resources Excise Tax	8.7	8.7	0.0	28.2%	1.9	7.8	7.8	-	-10.5%	(0.9)	7.8	7.8	-	0.0%	-
Natural Gas Processors Tax	10.0	10.2	0.2	-2.9%	(0.3)	35.5	42.0	6.5	312.0%	31.8	52.5	63.4	10.9	51.0%	21.4
TOTAL SEVERANCE TAXES	643.7	644.2	0.6	35.0%	166.9	986.8	1,001.4	14.6	55.4%	357.1	1,315.1	1,342.6	27.5	34.1%	341.3
LICENSE FEES	59.9	56.7	(3.2)	160.2%	34.9	59.6	56.8	(2.8)	0.1%	0.1	59.2	56.7	(2.5)	-0.2%	(0.1)
LGPF Interest	780.0	787.8	7.8	9.2%	66.3	872.6	875.4	2.8	11.1%	87.5	946.5	1,173.9	227.4	34.1%	298.5
STO Interest	(118.6)	(118.3)	0.3	-2312.1%	(123.6)	(52.3)	26.6	78.9	-122.5%	144.9	125.6	196.9	71.3	640.2%	170.3
STPF Interest	246.4	246.4	-	5.3%	12.4	265.8	265.8	(0.0)	7.9%	19.4	284.2	279.2	(5.0)	5.0%	13.4
TOTAL INTEREST	907.8	915.9	8.1	-4.7%	(45.0)	1,086.1	1,167.8	81.7	27.5%	251.8	1,356.3	1,649.9	293.6	41.3%	482.2
Gross Federal Mineral Leasing	2,000.5	2,256.7	256.2	178.1%	1,445.2	2,356.9	3,036.3	679.5	34.5%	779.6	2,334.1	2,727.2	393.1	-10.2%	(309.1)
Excess to Early Childhood Trust Fund	(1,245.5)	(1,501.5)	(256.1)	N/A	N/A	(1,347.9)	(1,917.1)	(569.2)	27.7%	(415.5)	(966.6)	(1,113.5)	(146.9)	-41.9%	803.5
NET Federal Mineral Leasing	755.1	755.2	0.1	-6.9%	(56.3)	1,009.0	1,119.3	110.3	48.2%	364.1	1,367.5	1,613.7	246.2	44.2%	494.4
State Land Office	52.9	52.9	0.0	26.8%	11.2	58.8	54.4	(4.4)	2.8%	1.5	54.4	50.0	(4.5)	-8.2%	(4.5)
TOTAL RENTS & ROYALTIES	808.0	808.1	0.1	-5.3%	(45.2)	1,067.8	1,173.7	105.9	45.2%	365.6	1,421.9	1,663.6	241.7	41.7%	489.9
TRIBAL REVENUE SHARING	71.9	71.4	(0.5)	48.3%	23.3	76.2	76.9	0.7	7.6%	5.4	78.2	78.7	0.5	2.4%	1.9
MISCELLANEOUS RECEIPTS	49.2	41.2	(7.9)	0.3%	0.1	42.1	38.9	(3.2)	-5.8%	(2.4)	41.7	39.2	(2.5)	0.9%	0.4
REVERSIONS	75.0	310.4	235.4	242.8%	219.8	75.0	75.0	-	-75.8%	(235.4)	75.0	75.0	-	0.0%	-
TOTAL RECURRING	9,216.6	9,675.3	458.7	19.7%	1,590.1	9,847.1	10,775.1	928.0	11.4%	1,099.8	10,859.0	11,994.9	1,135.9	11.3%	1,219.8
2022 Nonrecurring Legislation	(900.3)	(897.6)	2.7		(897.6)	(105.6)	(68.2)	37.4	-92.4%	829.5	-	-	-	-	-
2021 Nonrecurring Legislation	(3.6)	(5.2)	(1.6)	-96.5%	143.6	-	(0.6)	(0.6)	-88.5%	4.6	-	-	-	-	0.6
Other Nonrecurring	-	-	-	-100.0%	(114.6)	-	-	-	-	-	-	-	-	-	-
TOTAL NONRECURRING	(903.9)	(902.9)	1.1	2543.5%	(868.7)	(105.6)	(68.8)	36.8	-92.4%	834.1	-	-	-	-	-
GRAND TOTAL General Fund	8,312.7	8,772.5	459.7	9.0%	721.4	9,741.5	10,706.3	964.8	22.0%	1,933.9	10,859.0	11,994.9	1,135.9	12.0%	1,288.6

General Fund Consensus Revenue Estimate - December 2022

Attachment 2

Revenue Source	FY25					FY26					FY27				
	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY24	\$ Change from FY24	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY25	\$ Change from FY25	Aug 22 Est.	Dec 22 Est.	Change from Prior (Aug 22)	% Change from FY26	\$ Change from FY26
Base Gross Receipts Tax	3,550.7	3,905.3	354.6	2.7%	102.7	3,660.1	4,036.0	375.9	3.3%	130.7	3,772.6	4,127.6	355.0	2.3%	91.6
F&M Hold Harmless Payments	(87.3)	(90.0)	(2.7)	-9.2%	9.1	(78.8)	(81.0)	(2.2)	-10.0%	9.0	(71.1)	(72.8)	(1.7)	-10.1%	8.2
NET Gross Receipts Tax	3,463.4	3,815.3	351.9	3.0%	111.8	3,581.3	3,955.0	373.7	3.7%	139.7	3,701.5	4,054.8	353.3	2.5%	99.8
Compensating Tax	68.0	69.7	1.7	2.7%	1.8	70.3	72.1	1.8	3.3%	2.3	71.9	73.7	1.8	2.3%	1.6
TOTAL GENERAL SALES	3,531.4	3,885.1	353.7	3.0%	113.6	3,651.6	4,027.1	375.5	3.7%	142.0	3,773.4	4,128.5	355.1	2.5%	101.4
Tobacco Products and Cigarette Taxes	79.7	75.9	(3.8)	-1.9%	(1.5)	78.5	74.5	(4.0)	-1.8%	(1.4)	77.6	73.5	(4.0)	-1.3%	(1.0)
Liquor Excise	25.1	25.3	0.2	0.9%	0.2	25.4	25.6	0.2	1.0%	0.3	25.6	25.8	0.2	0.9%	0.2
Cannabis Excise	26.5	27.1	0.5	7.8%	1.9	30.4	31.1	0.6	14.8%	4.0	34.0	34.8	0.8	11.8%	3.7
Insurance Taxes	421.2	430.3	9.1	18.3%	66.4	459.5	438.9	(20.6)	2.0%	8.6	487.6	451.7	(35.9)	2.9%	12.8
Fire Protection Fund Reversion	-	-	-	N/A	N/A	-	-	-	N/A	N/A	-	-	-	N/A	N/A
Motor Vehicle Excise	149.5	167.7	18.2	1.9%	3.1	153.0	173.9	20.9	3.7%	6.2	159.4	178.4	19.0	2.6%	4.5
Gaming Excise	67.2	69.3	2.1	-1.0%	(0.7)	66.5	68.7	2.2	-0.9%	(0.6)	66.9	68.9	2.0	0.3%	0.2
Leased Vehicle & Other	6.7	5.4	(1.3)	1.9%	0.1	6.9	5.5	(1.4)	1.9%	0.1	6.9	5.6	(1.3)	1.8%	0.1
TOTAL SELECTIVE SALES	775.9	801.0	25.1	9.5%	69.6	820.2	818.1	(2.1)	2.1%	17.2	858.0	838.7	(19.3)	2.5%	20.6
Personal Income Tax	2,288.6	2,406.2	117.6	3.6%	84.5	2,376.3	2,495.9	119.6	3.7%	89.7	2,461.1	2,584.0	122.9	3.5%	88.1
Gross Corporate Income Tax	348.8	416.3	67.5	1.7%	6.9	365.4	429.6	64.2	3.2%	13.3	382.6	446.5	63.9	3.9%	16.9
CIT Refundable Credits	(161.5)	(164.5)	(3.0)	13.5%	(19.6)	(168.1)	(166.1)	2.0	1.0%	(1.6)	(168.1)	(166.1)	2.0	0.0%	-
NET Corporate Income Tax	187.3	251.8	64.5	-4.8%	(12.7)	197.3	263.5	66.2	4.6%	11.7	214.5	280.4	65.9	6.4%	16.9
TOTAL INCOME TAXES	2,475.9	2,658.0	182.1	2.8%	71.8	2,573.6	2,759.4	185.8	3.8%	101.4	2,675.6	2,864.4	188.8	3.8%	105.0
Gross Oil and Gas School Tax	1,702.4	1,911.4	209.1	-0.1%	(1.5)	1,742.9	1,939.9	197.0	1.5%	28.5	1,736.0	1,961.6	225.6	1.1%	21.6
Excess to TSR or Early Childhood Trust Fund	(304.2)	(473.9)	(169.7)	-36.6%	273.0	(115.2)	(231.0)	(115.8)	-51.2%	242.8	-	(17.3)	(17.3)	-92.5%	213.7
NET Oil & Gas School Tax	1,398.2	1,437.6	39.4	23.3%	271.5	1,627.7	1,708.9	81.2	18.9%	271.3	1,736.0	1,944.3	208.3	13.8%	235.4
Oil Conservation Tax	96.2	105.9	9.7	0.5%	0.6	90.2	107.7	17.5	1.7%	1.8	89.6	100.6	11.0	-6.6%	(7.1)
Resources Excise Tax	7.8	7.8	-	0.0%	-	7.8	7.8	-	0.0%	-	7.8	7.8	-	0.0%	-
Natural Gas Processors Tax	41.4	64.2	22.8	1.3%	0.8	30.8	52.4	21.6	-18.4%	(11.8)	29.9	50.6	20.7	-3.4%	(1.8)
TOTAL SEVERANCE TAXES	1,543.6	1,615.5	71.9	20.3%	272.9	1,756.5	1,876.8	120.3	16.2%	261.3	1,863.3	2,103.2	240.0	12.1%	226.4
LICENSE FEES	59.1	56.6	(2.5)	-0.2%	(0.1)	60.0	57.4	(2.6)	1.4%	0.8	59.7	57.0	(2.7)	-0.7%	(0.4)
LGPFI Interest	1,037.9	1,284.4	246.5	9.4%	110.5	1,111.6	1,389.5	277.9	8.2%	105.1	1,195.3	1,496.9	301.6	7.7%	107.4
STO Interest	153.2	193.0	39.8	-2.0%	(3.9)	117.8	141.0	23.2	-26.9%	(52.0)	119.0	126.1	7.1	-10.6%	(14.9)
STPF Interest	305.9	302.4	(3.5)	8.3%	23.3	322.9	321.7	(1.2)	6.4%	19.2	339.7	341.1	1.4	6.0%	19.4
TOTAL INTEREST	1,497.0	1,779.8	282.8	7.9%	129.9	1,552.3	1,852.1	299.8	4.1%	72.3	1,654.0	1,964.0	310.0	6.0%	111.9
Gross Federal Mineral Leasing	2,171.5	2,542.7	371.2	-6.8%	(184.6)	2,130.5	2,495.8	365.3	-1.8%	(46.9)	2,129.1	2,517.2	388.1	0.9%	21.4
Excess to Early Childhood Trust Fund	(566.4)	(612.9)	(46.5)	-45.0%	500.6	(254.6)	(220.9)	33.7	-64.0%	392.0	-	-	-	-100.0%	220.9
NET Federal Mineral Leasing	1,605.1	1,929.8	324.7	19.6%	316.1	1,876.0	2,274.9	398.9	17.9%	345.1	2,129.1	2,517.2	388.1	10.7%	242.3
State Land Office	55.5	50.6	(5.0)	1.3%	0.6	56.8	51.3	(5.6)	1.3%	0.7	58.3	52.0	(6.3)	1.4%	0.7
TOTAL RENTS & ROYALTIES	1,660.6	1,980.4	319.7	19.0%	316.7	1,932.8	2,326.1	393.4	17.5%	345.8	2,187.3	2,569.2	381.8	10.4%	243.0
TRIBAL REVENUE SHARING	80.1	80.7	0.6	2.5%	1.9	82.0	82.5	0.5	2.3%	1.9	84.0	84.6	0.6	2.5%	2.1
MISCELLANEOUS RECEIPTS	41.2	38.9	(2.3)	-0.7%	(0.3)	41.5	39.8	(1.7)	2.3%	0.9	41.5	39.5	(2.0)	-0.8%	(0.3)
REVERSIONS	75.0	75.0	-	0.0%	-	75.0	75.0	-	0.0%	-	75.0	75.0	-	0.0%	-
TOTAL RECURRING	11,739.9	12,970.9	1,231.1	8.1%	976.0	12,545.5	13,914.4	1,369.0	7.3%	943.5	13,271.7	14,724.1	1,452.4	5.8%	809.6
2022 Nonrecurring Legislation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021 Nonrecurring Legislation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Nonrecurring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NONRECURRING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL General Fund	11,739.9	12,970.9	1,231.1	8.1%	976.0	12,545.5	13,914.4	1,369.0	7.3%	943.5	13,271.7	14,724.1	1,452.4	5.8%	809.6

## U.S. and New Mexico Economic Indicators

		FY22		FY23		FY24		FY25		FY26		FY27	
		Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast	Aug 22 Forecast	Dec 22 Forecast
<b>National Economic Indicators</b>													
IHS	US Real GDP Growth (annual avg., % YOY)*	3.8	4.0	0.7	0.4	1.6	0.4	2.2	1.7	2.3	1.9	1.9	1.8
Moody's	US Real GDP Growth (annual avg. , % YOY)*	3.9	4.0	1.4	0.8	2.4	1.4	2.8	2.5	2.7	2.9	2.6	
IHS	US Inflation Rate (CPI-U, annual avg., % YOY)**	7.1	7.2	5.7	6.6	2.4	3.0	1.7	2.5	2.1	2.2	2.2	2.2
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	7.1	7.2	5.4	6.4	2.2	2.8	2.3	2.3	2.3	2.1	2.2	
IHS	Federal Funds Rate (%)	0.3	0.3	3.0	3.8	3.3	4.8	2.7	3.6	2.6	2.7	2.6	2.6
Moody's	Federal Funds Rate (%)	0.3	0.3	2.8	3.8	3.2	4.4	2.6	3.5	2.5	2.6	2.5	2.5
<b>New Mexico Labor Market and Income Data</b>													
BBER	NM Non-Agricultural Employment Growth (%)	5.4	4.2	1.8	1.2	0.8	0.4	0.8	0.6	1.1	0.8	0.9	0.8
Moody's	NM Non-Agricultural Employment Growth (%)	5.4	5.4	2.5	2.8	1.3	1	0.9	0.9	0.4	0.5	0.2	0.2
BBER	NM Nominal Personal Income Growth (%)***	7.0	7.5	0.3	0.7	4.5	4.4	4.8	4.5	4.8	4.7	4.6	4.3
Moody's	NM Nominal Personal Income Growth (%)***	7.0	7.5	3.1	0.9	5.8	6.4	5.1	5	4.4	4.2	4.4	4.5
BBER	NM Total Wages & Salaries Growth (%)	10.9	10.0	5.6	6.1	4.0	3.9	4.3	3.8	4.4	3.7	3.7	3.3
Moody's	NM Total Wages & Salaries Growth (%)	11.9	10	9.1	8.1	6.2	6.8	5.3	5.5	4.6	4.9	4.4	4.3
BBER	NM Private Wages & Salaries Growth (%)	12.7	12.4	5.9	7.2	4.1	3.9	4.3	3.7	4.5	3.7	3.7	3.3
BBER	NM Real Gross State Product (% YOY)	2.1	1.7	2.4	1.1	2.2	1.1	2.1	1.9	1.9	1.8	2.1	2.1
Moody's	NM Real Gross State Product (% YOY)	2.2	1.7	1.8	1.5	2.1	1.8	2.3	2.0	2.4	2.5	2.4	2.6
CREG	NM Gross Oil Price (\$/barrel)	\$86.50	\$88.11	\$90.50	\$85.00	\$78.50	\$76.50	\$72.00	\$72.50	\$70.00	\$70.50	\$68.50	\$69.00
CREG	NM Net Oil Price (\$/barrel)*****	\$76.07	\$77.44	\$79.46	\$74.63	\$68.92	\$67.17	\$63.22	\$63.66	\$61.46	\$61.90	\$60.14	\$60.58
BBER	Oil Volumes (million barrels)	519	531	523	556	522	551	526	554	531	560	534	564
CREG	NM Taxable Oil Volumes (million barrels)	529	531	590	620	640	660	675	710	710	745	725	775
	NM Taxable Oil Volumes (%YOY growth)	29.9%	30.3%	11.4%	16.7%	8.5%	6.5%	5.5%	7.6%	5.2%	4.9%	2.1%	4.0%
CREG	NM Gross Gas Price (\$ per thousand cubic feet)****	\$6.90	\$7.03	\$6.95	\$7.05	\$4.75	\$5.60	\$4.30	\$5.15	\$4.30	\$5.05	\$4.15	\$4.95
CREG	NM Net Gas Price (\$ per thousand cubic feet)*****	\$5.37	\$5.47	\$5.42	\$5.49	\$3.28	\$4.26	\$2.97	\$3.89	\$2.97	\$3.79	\$2.87	\$3.69
BBER	Gas Volumes (billion cubic feet)	2,545	2,586	2,611	2,662	2,598	2,641	2,601	2,642	2,632	2,674	2,636	2,680
CREG	NM Taxable Gas Volumes (billion cubic feet)	2,585	2,586	2,750	2,875	2,895	3,015	2,995	3,120	3,080	3,200	3,140	3,255
	NM Taxable Gas Volumes (%YOY growth)	21.0%	21.1%	6.4%	11.2%	5.3%	4.9%	3.5%	3.5%	2.8%	2.6%	1.9%	1.7%

**Notes**

\* Real GDP is BEA chained 2012 dollars, billions, annual rate

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

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

\*\*\*\*The gross gas prices are estimated using a formula of NYMEX, EIA, and IHS Markit 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

## Multiple Economic Indicators Flash Warning Signs

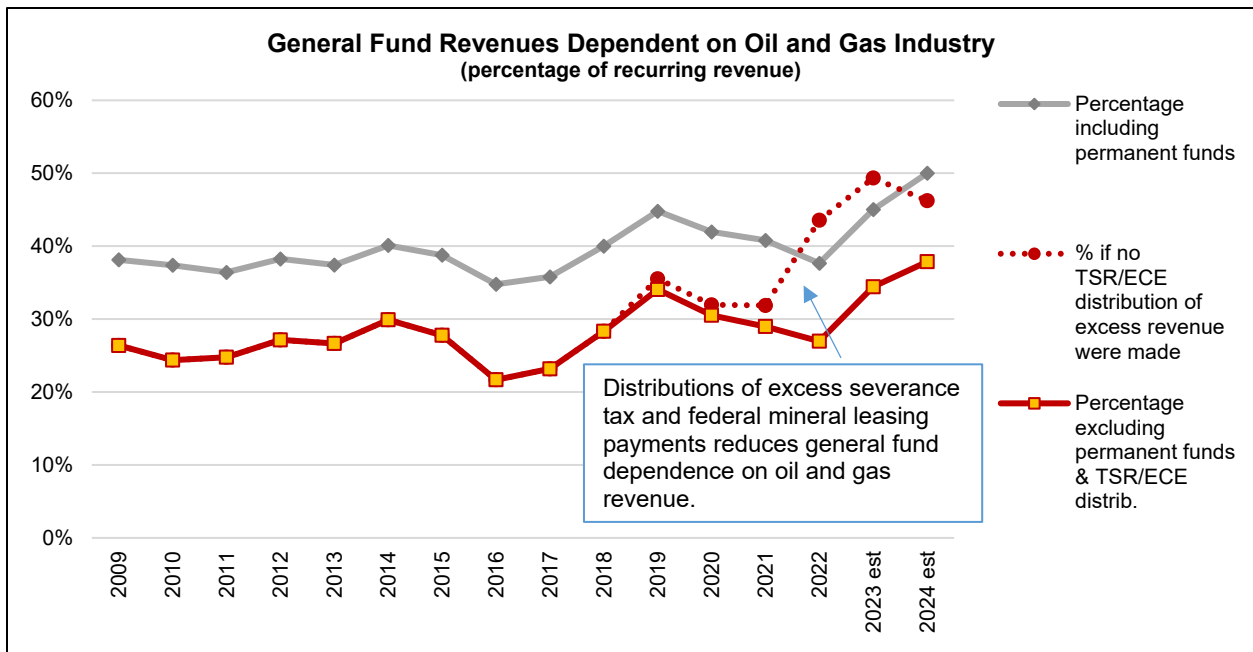
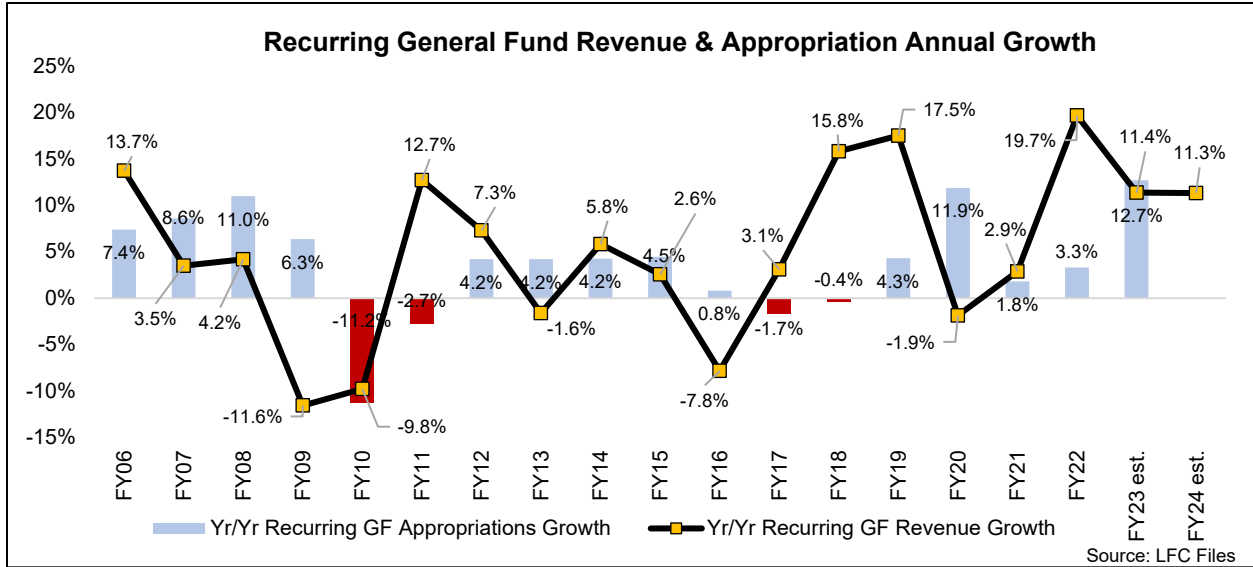
Indicator	Business Cycle Timing	Time to recession, mo	Threshold	Recent Value	Recession Risk
Financial stress index	Leading	11 to 15	>0	-0.6	Moderate
Housing permits	Leading	10 to 12	yr-over-yr decline	-3.2%	High
Yield curve 10-yr minus 3-mo	Leading	8 to 15	<0	-0.1	High
Yield curve 10-yr minus 2-yr	Leading	8 to 14	<0	-0.5	High
TED spread	Leading	7 to 8	>100 bps	47.4	Moderate
Consumer confidence	Leading	5 to 10	20-point decline in 3 months	7.2	Low
Jobless claims	Leading	4 to 5	>250k	219	Low
S&P 500	Leading	3 to 9	20% correction	-20%	High
ISM manufacturing index	Leading	3 to 6	43.2	50.2	Low
Hrs worked for manufacturing workers	Leading	1 to 10	yr-over-yr decline	-0.7%	High
Banks tightening lending standards on C&I	Leading	1 to 5	>20%	38.7%	High
Core capital goods orders	Coincident	0	yr-over-yr decline	7.9%	Low
Unemployment rate	Coincident	0	+50 bps yr-over-yr	-0.9%	Low
Industrial production	Coincident	0	yr-over-yr decline	5.3%	Low
ISM nonmanufacturing index	Lagging	1	49	54.4	Low
Employment	Lagging	2 to 4	yr-over-yr decline	3.6%	Low
Job quits rate	Lagging	2 to 4	>0.3 decline in 6 months	-0.2%	Low
Real monthly GDP - Potential GDP	Lagging	3 to 6	<0	-0.0%	Moderate

Source: Moody's Analytics

Moody's Analytics

November 2022





**Early Childhood Trust Fund Forecast - December 2022**

(in millions)

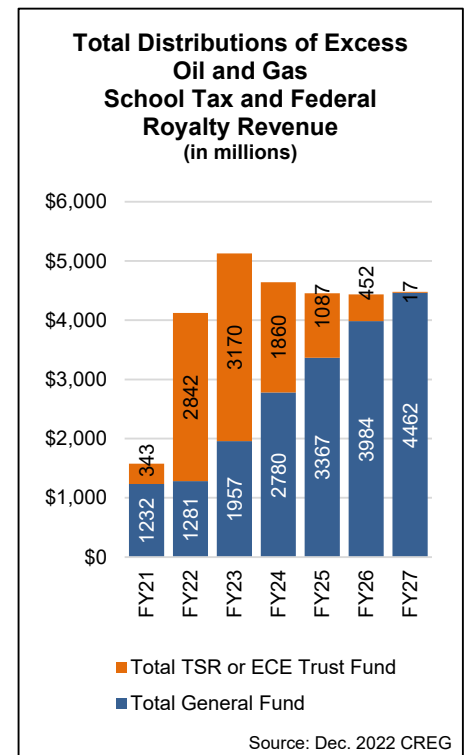
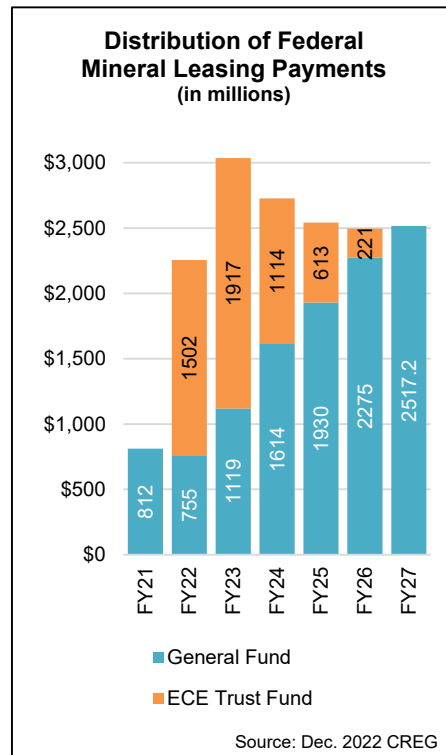
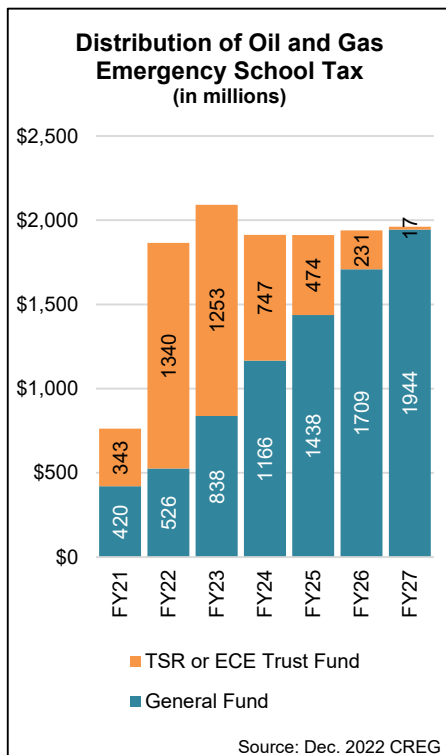
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$300.0	\$314.1	\$2,082.8	\$5,378.2	\$7,830.5	\$9,248.6	\$9,939.1
Gains & Losses	\$6.1	\$34.1	(\$45.5)	\$83.3	\$215.1	\$313.2	\$369.9	\$397.6
Excess Federal Mineral Leasing	\$0.0	\$0.0	\$1,501.5	\$1,917.1	\$1,113.5	\$612.9	\$220.9	\$ -
Excess OGAS School Tax*	\$0.0	\$0.0	\$342.7	\$1,340.1	\$1,253.2	\$746.9	\$473.9	\$231.0
Distribution to ECE Program Fund	\$0.0	(\$20.0)	(\$30.0)	(\$45.0)	(\$129.6)	(\$254.9)	(\$374.3)	(\$450.3)
<b>Ending Balance</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$2,082.8</b>	<b>\$5,378.2</b>	<b>\$7,830.5</b>	<b>\$9,248.6</b>	<b>\$9,939.1</b>	<b>\$10,117.3</b>

\*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.

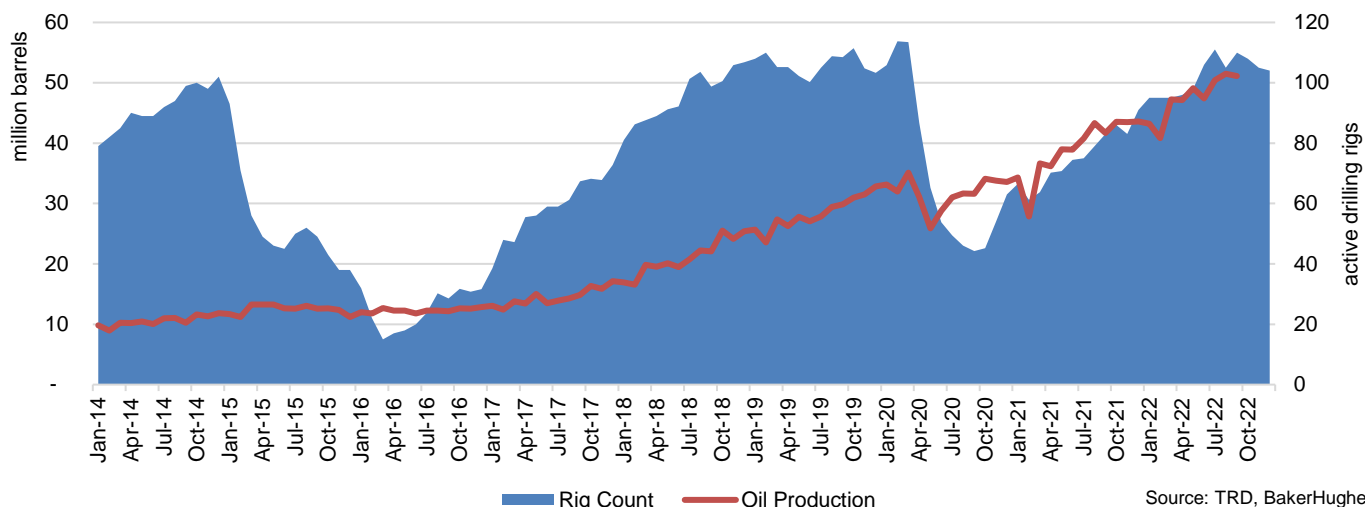
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.

	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Distribution to ECE Program Fund	\$0.00	\$20.00	\$30.00	\$45.05	\$129.58	\$254.86	\$374.29

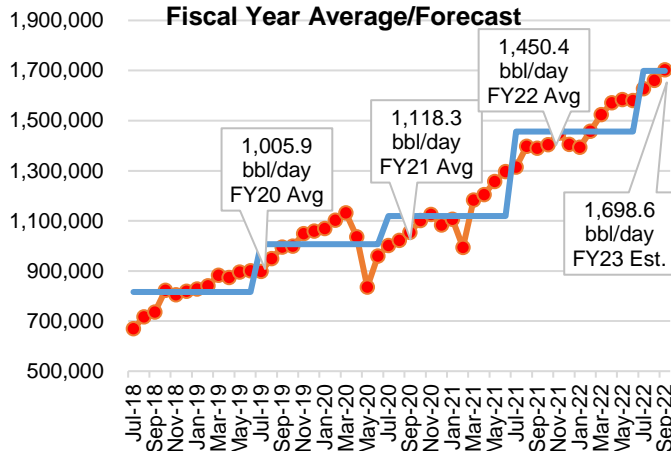
Source: December 2022 Consensus Revenue Forecast



New Mexico Monthly Rig Count and Oil Production

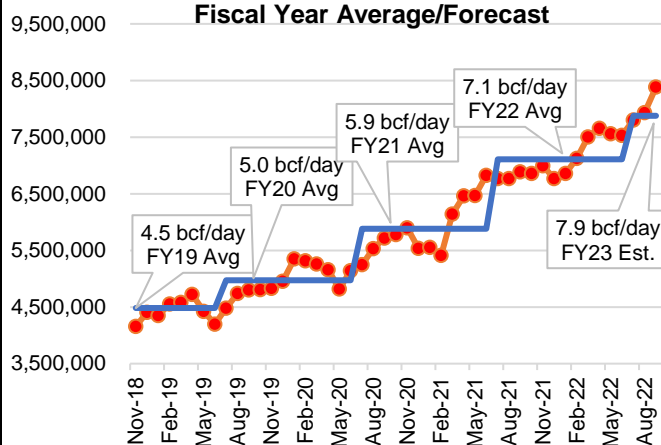


New Mexico Oil Average Barrels Per Day and Fiscal Year Average/Forecast



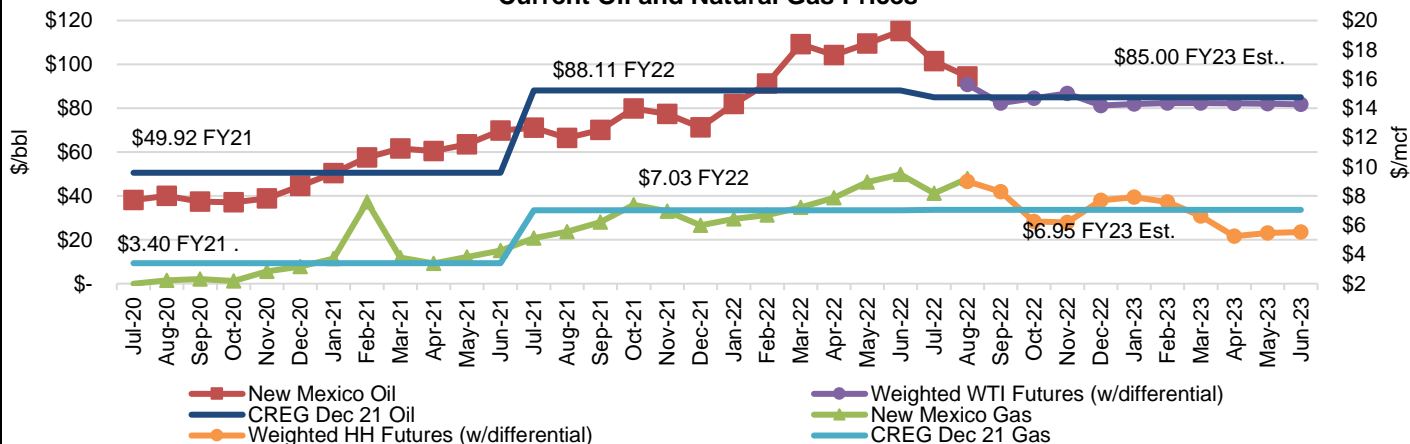
Source: TRD's GenTax Reports

New Mexico Natural Gas Average MCF Per Day and Fiscal Year Average/Forecast

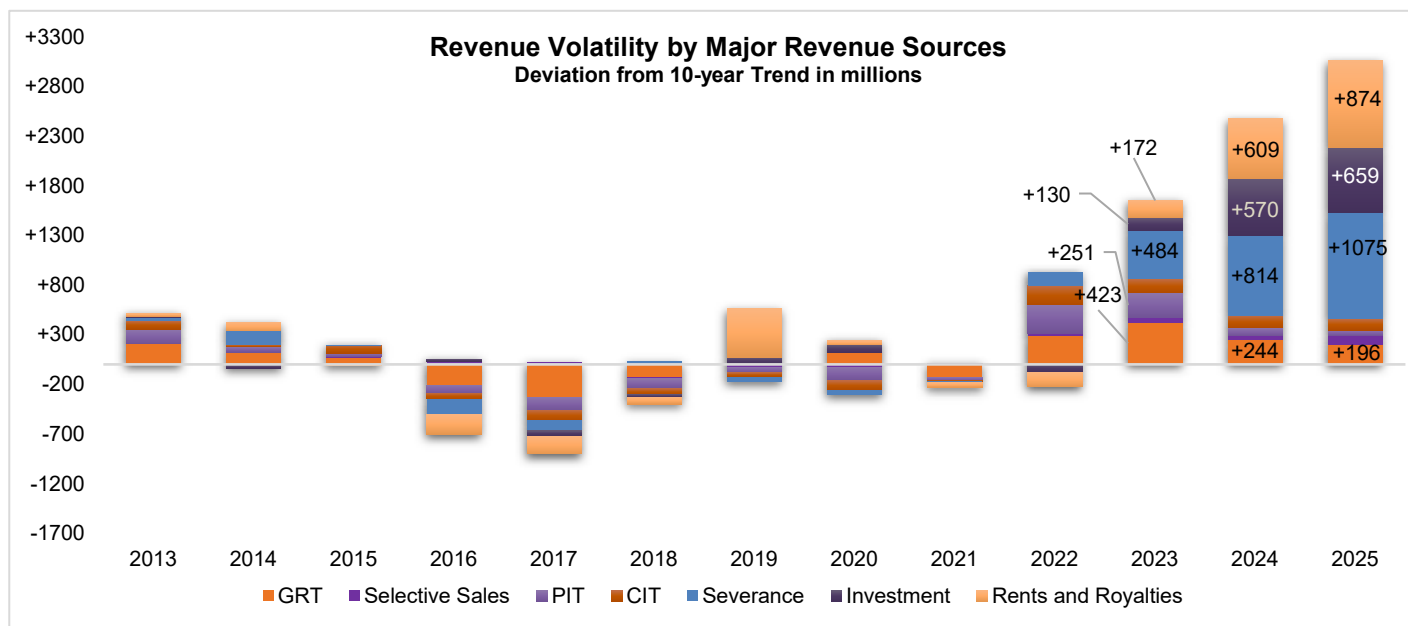


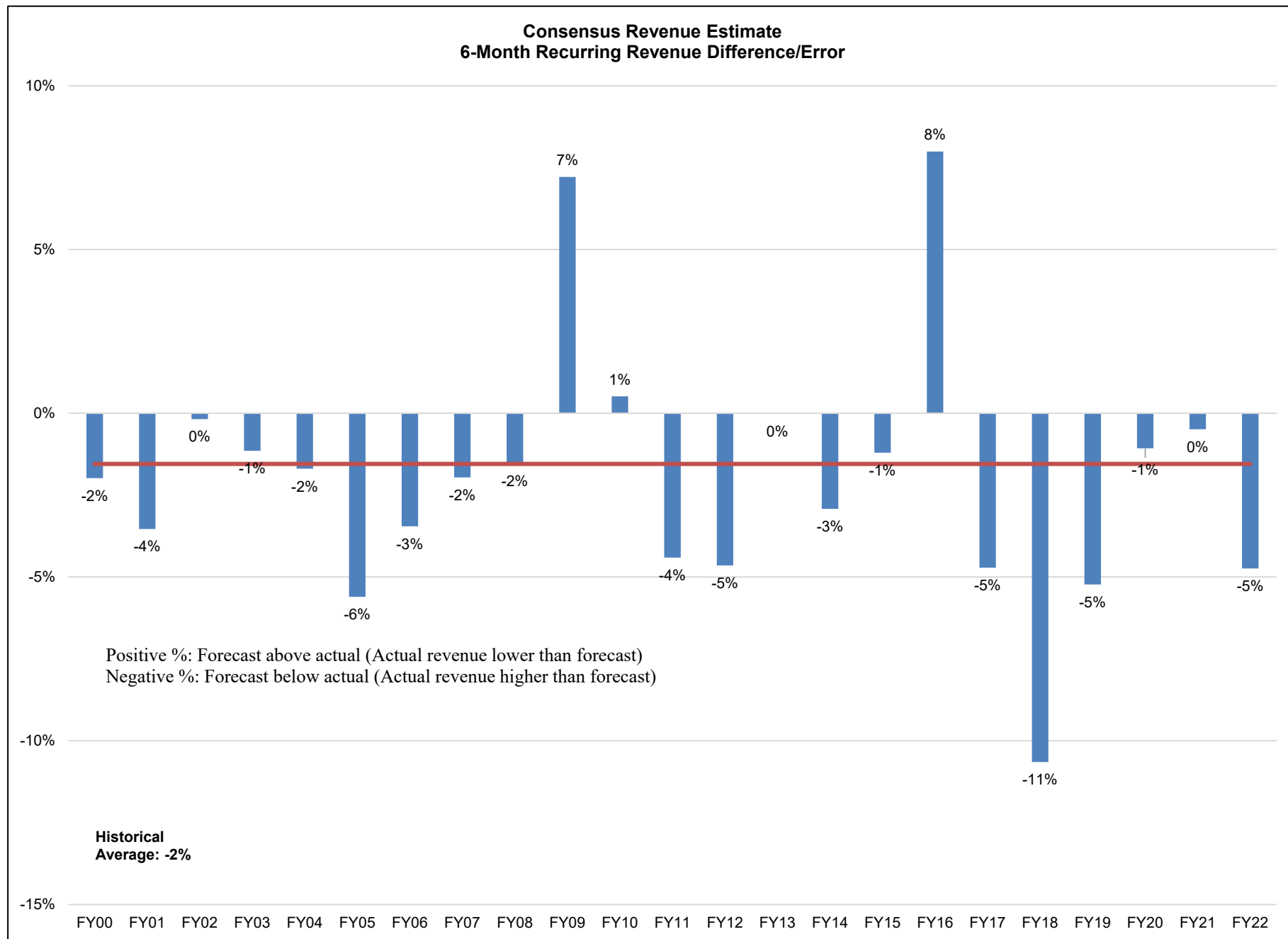
Source: TRD's GenTax Reports

Current Oil and Natural Gas Prices



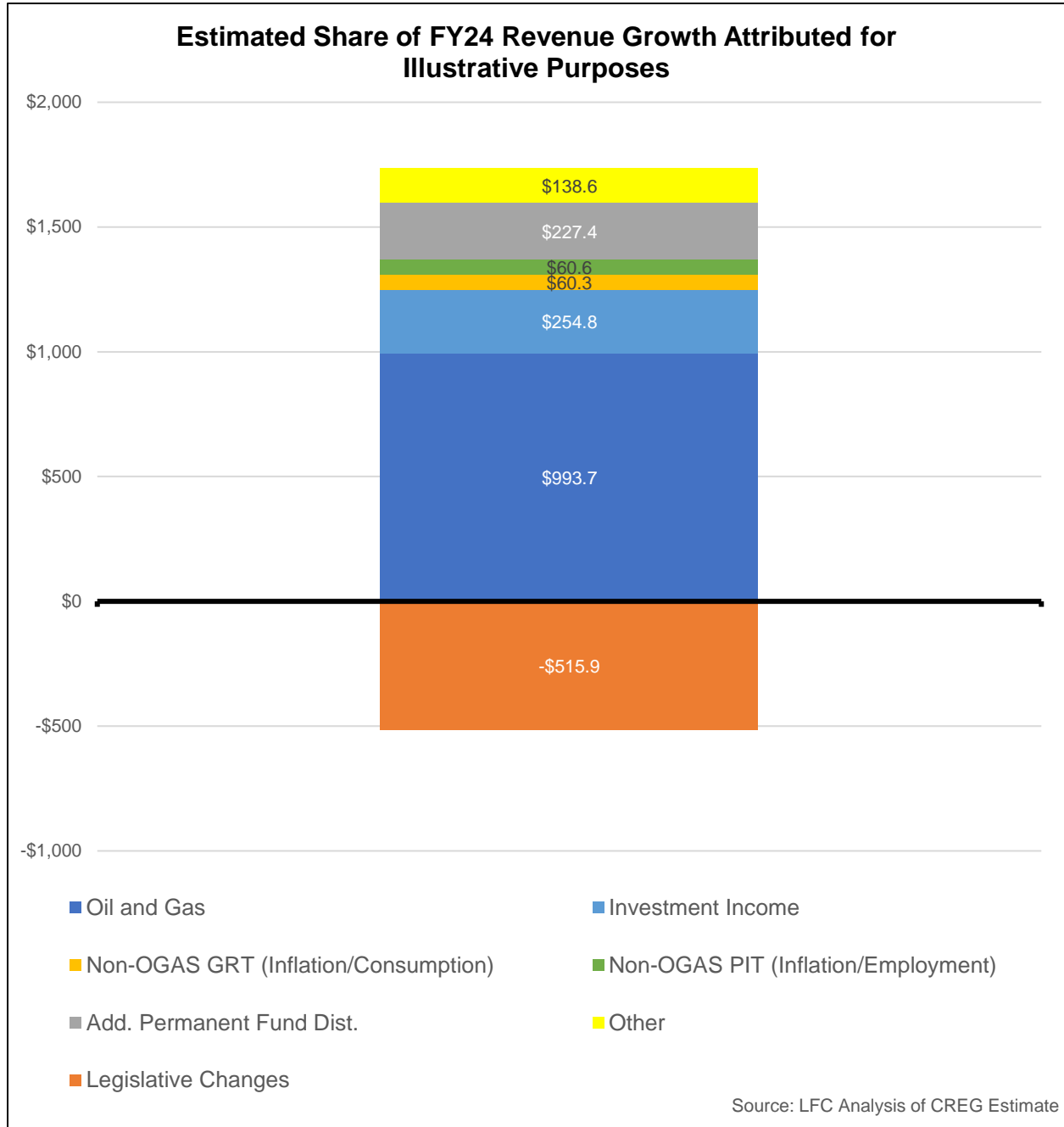
Source: Weighted oil and gas prices derived from EIA, GI and NYMEX Forecasts; Updated 12/5/22







Tax Changes Over \$1 Million: Legislative Sessions 2019-2022												
(in millions of dollars)												
				FY22		FY23		FY24		FY25		
				Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring	Recurring	Non-Recurring	
Gross Receipts and Compensating Tax	2022 Regular Session											
	HB 8	Land Grant-Merced Assistance Fund	GRT			\$	(1.5)	\$	(1.5)	\$	(1.6)	
	HB 67	Technology Readiness Gross Receipts Tax Credit	GRT			\$	(0.5)	\$	(2.0)	\$	(2.0)	
	HB 82	Dialysis Facility Gross Receipts Deduction	GRT							\$	(1.5)	
	HB 163	Tax Changes										
		Food and Medical Hold Harmless	GRT			\$	(2.1)	\$	(3.5)	\$	(5.0)	
		Disclosed Agents	GRT			\$	(3.0)	\$	(3.0)	\$	(3.0)	
		GRT Rate Cut	GRT			\$	(94.1)	\$	(194.1)	\$	(199.9)	
		Comp Tax Cut	Comp			\$	(1.7)	\$	(3.4)	\$	(3.4)	
		B to B Manufacturers	GRT			\$	(5.6)	\$	(5.8)	\$	(6.0)	
		Feminie Hygeine Products Exemption	GRT			\$	(1.4)	\$	(1.5)	\$	(1.5)	
	2021 Regular Session											
	SB 1	Restaurant Gross Receipt Tax Deduction										
		Food and Beverage GRT Deduction	GRT		\$	(3.9)						
	HB 255	Alcohol Deliveries										
		Alcohol sales GRT Deduction	GRT		\$	(1.8)	\$	(1.8)	\$	(1.8)	\$	(1.8)
	HB 278	Manufacturing Services Gross Receipts	GRT		\$	(3.0)	\$	(3.0)	\$	(3.0)	\$	(3.0)
	2021 First Special Session											
	HB 2	Cannabis Regulation Act										
		Medical Cannabis GRT Deduction	GRT/GGRT		\$	(9.7)	\$	(11.6)	\$	(13.9)	\$	(13.9)
		GRT Revenue	GRT		\$	3.5	\$	10.8	\$	15.4	\$	15.4
	2020 Regular Session											
	HB 193	Permanent Tax Distribution to Aviation Fund	GRT		\$	(1.4)	\$	(1.4)	\$	(1.4)	\$	(1.4)
	HB 255	Technology Readiness Gross Receipts Credit	GRT		\$	(1.5)	\$	(1.5)	\$	(1.5)	\$	(1.5)
	HB 326	Tax Changes (2019 HB6 Follow-Up)	GRT		\$	(3.5)	\$	(3.5)	\$	(3.5)	\$	(3.5)
	2019 Regular Session											
	HB6	Tax Changes										
		Hospital Tax Reform	GGRT/GRT		\$	98.0	\$	100.0	\$	100.0	\$	100.0
		Remote Sales	GRT		\$	45.0	\$	46.0	\$	46.0	\$	46.0
		Remote Sales: State loss from local sharing	GRT		\$	(21.0)	\$	(22.0)	\$	(22.0)	\$	(22.0)
		Remote sales: State loss from DBS out-of-state	GRT		\$	(41.0)	\$	(42.0)	\$	(42.0)	\$	(42.0)
		Repeal Municipal Equivalent Distribution	GRT		\$	5.0	\$	5.0	\$	5.0	\$	5.0
	SB 106	Short-Term Occupancy Rentals Tax	GRT		\$	2.1	\$	2.1	\$	2.1	\$	2.1
	HB 165	Modifying High Wage Jobs Tax Credit	GRT		\$	(6.7)	\$	(10.0)	\$	(10.0)	\$	(10.0)
	SB 425	Dept. of Defense Satellite Gross Receipts	GRT		\$	(2.0)	\$	(2.0)	\$	(2.0)	\$	(2.0)
	TOTAL GRT				\$	62.1	\$	(3.9)	\$	(44.7)	\$	-
Personal and Corporate Income Tax	2022 Third Special Session											
	HB 2	Tax Rebates	PIT		\$	(618.8)		\$	(39.4)			
	2022 Regular Session											
	HB 163	Tax Changes										
		Child Credit	PIT					\$	(74.0)	\$	(74.7)	
		Military Pension Exemption	PIT				\$	(7.4)	\$	(13.5)	\$	(17.8)
		Social Security Exemption	PIT				\$	(84.1)	\$	(89.4)	\$	(94.4)
		New Solar Market Tax Credit	PIT				\$	(1.9)	\$	(1.8)	\$	(2.3)
		Nurses Credit	PIT					\$	(9.4)			
		2021 Rebate	PIT		\$	(278.8)		\$	(16.9)			
		SBTC Date Change	PIT/CIT					\$	(2.5)			
	2021 Regular Session											
	SB 1	Restaurant Gross Receipt Tax Deduction										
		2020 Income Tax Rebate	PIT		\$	(1.4)		\$	(0.6)			
	HB 15	Sustainable Building Tax Credit	PIT		\$	(2.2)	\$	(2.2)	\$	(2.2)	\$	(2.2)
	HB 255	Alcohol Deliveries										
		Leasing Liquor Licence Deduction	PIT/CIT		\$	(1.5)	\$	(1.5)	\$	(1.5)	\$	(1.5)
	HB 291	Tax Changes										
		Low Income Comprehensive Tax Rebate	PIT		\$	(48.8)	\$	(49.9)	\$	(50.9)	\$	(52.0)
		Working Families Tax Credit	PIT		\$	(24.9)	\$	(22.6)	\$	(49.2)	\$	(49.2)
	2020 Regular Session											
	HB 146	Expand Biomas Income Tax Credit	PIT/CIT		\$	(0.9)	\$	(1.8)	\$	(1.8)	\$	(1.8)
	SB 29	Solar Market Development Income Tax Credit	PIT		\$	(5.0)	\$	(5.0)	\$	(5.0)	\$	(5.0)
	2019 Regular Session											
	SB 2	Film Tax Credit Changes	CIT		\$	(98.6)	\$	(95.9)	\$	(95.9)	\$	(95.9)
	HB6	Tax Changes										
		New PIT Brackets	PIT		\$	40.0	\$	41.0	\$	41.0	\$	41.0
		Increase WFTC to 17%	PIT		\$	(39.0)	\$	(41.0)	\$	(41.0)	\$	(41.0)
		Dependent Deduction	PIT		\$	(28.0)	\$	(28.0)	\$	(28.0)	\$	(28.0)
		Change PIT Deduction for Capital Gains	PIT		\$	10.0	\$	10.0	\$	10.0	\$	10.0
	TOTAL PIT/CIT				\$	(198.8)	\$	(899.0)	\$	(290.2)	\$	(68.8)
	Other Taxes	2021 Regular Session										
		SB 3	Small Business Recovery Act	OGAS			\$	(5.0)	\$	(10.4)	\$	(16.1)
		2021 First Special Session										
		HB 2	Cannabis Regulation Act								\$	3.0
			Cannabis Excise	Cannabis		\$	6.5	\$	20.0	\$	28.6	\$
2020 Regular Session												
HB 83		Early Childhood Education and Care Fund	OGAS		\$	(75.0)	\$	(32.8)	\$	(7.6)		
SB 122		Distributions to Judicial Retirement Funds	OGAS/PIT		\$	(1.5)	\$	(1.5)	\$	(1.5)	\$	(1.5)
2020 First Special Session												
SB3		Small Business Recovery Loan Act	OGAS		\$	(4.2)	\$	(8.6)	\$	(13.2)	\$	(17.8)
2019 Regular Session												
HB6		Tax Changes										
		MVEX GF Distribution	MVEX		\$	(27.0)	\$	(28.0)	\$	(28.0)	\$	(28.0)
		Tax E-Cigs and Increase Cig tax	Cig/Tob.		\$	14.0	\$	14.0	\$	14.0	\$	14.0
SB 413		Liquor Permit, Tax & Definition Changes	Liquor Ex.		\$	(1.0)	\$	(1.2)	\$	(1.2)	\$	(1.2)
TOTAL OTHER				\$	(88.2)	\$	-	\$	(43.1)	\$	-	
TOTAL CHANGES				\$	(224.9)	\$	(902.9)	\$	(378.0)	\$	(68.8)	
								\$	(569.7)	\$	-	
								\$	(590.1)	\$	-	



**Sources and Uses of Bonding Capacity Available for Authorization  
and Severance Tax Permanent Fund Transfer (in millions)  
DECEMBER 2022 Estimate**

<b>Sources of Funds</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>5-Year</b>
<b>General Obligation Bonds</b>		<b>\$321.5</b>		<b>\$321.5</b>		<b>\$643.0</b>
<b>Senior STBs</b>	<b>\$1,501.4</b>	<b>\$1,598.6</b>	<b>\$1,519.5</b>	<b>\$1,442.5</b>	<b>\$1,379.6</b>	<b>\$7,441.6</b>
Severance Tax Bonds	\$823.6	\$823.6	\$823.6	\$823.6	\$823.6	\$4,118.0
Severance Tax Notes	\$677.8	\$775.0	\$695.9	\$618.9	\$556.0	\$3,323.6
<b>Supplemental STBs</b>	<b>\$682.2</b>	<b>\$816.2</b>	<b>\$816.2</b>	<b>\$818.3</b>	<b>\$840.6</b>	<b>\$3,973.4</b>
Supplemental Severance Tax Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Supplemental Severance Tax Notes	\$682.2	\$816.2	\$816.2	\$818.3	\$840.6	\$3,973.4
<b>TOTAL Sources of Funds</b>	<b>\$2,183.6</b>	<b>\$2,736.3</b>	<b>\$2,335.6</b>	<b>\$2,582.3</b>	<b>\$2,220.2</b>	<b>\$12,057.9</b>
<b>Uses of Funds</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>5-Year</b>
<b>GOB Projects Approved by Referendum</b>		<b>\$321.5</b>		<b>\$321.5</b>		<b>\$643.0</b>
Authorized but Unissued STB Projects (1)	\$40.2	\$0.0	\$0.0	\$0.0	\$0.0	\$40.2
9% of Senior STB for Water Projects	\$135.1	\$143.9	\$136.8	\$129.8	\$124.2	\$669.7
4.5% of Senior STB for Colonias Projects	\$67.6	\$71.9	\$68.4	\$64.9	\$62.1	\$334.9
4.5% of Senior STB for Tribal Projects	\$67.6	\$71.9	\$68.4	\$64.9	\$62.1	\$334.9
2.5% Housing Trust Fund Projects	\$0.0	\$40.0	\$38.0	\$36.1	\$34.5	\$148.5
<b>New Senior STB Statewide Capital Projects</b>	<b>\$1,191.0</b>	<b>\$1,270.9</b>	<b>\$1,208.0</b>	<b>\$1,146.8</b>	<b>\$1,096.8</b>	<b>\$5,913.4</b>
<b>PSCOC Public School Capital</b>	<b>\$682.2</b>	<b>\$816.2</b>	<b>\$816.2</b>	<b>\$818.3</b>	<b>\$840.6</b>	<b>\$3,973.4</b>
<b>TOTAL Uses of Funds</b>	<b>\$2,183.6</b>	<b>\$2,736.3</b>	<b>\$2,335.6</b>	<b>\$2,582.3</b>	<b>\$2,220.2</b>	<b>\$12,057.9</b>

**Estimated Transfer to Severance Tax Permanent Fund**

	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>5-Year</b>
<b>Severance Tax Permanent Fund Transfer</b>	<b>\$921.8</b>	<b>\$215.3</b>	<b>\$220.3</b>	<b>\$259.3</b>	<b>\$244.7</b>	<b>\$1,861.4</b>

(1) FY23 authorized but unissued amount is preliminary and will be finalized by January 1, 2023.

Note: The permanent fund transfer will be higher in years in which there is a large difference between the previous year's actual Severance Tax revenues and the current year's estimate. This is evidenced for FY23, as FY23 projected revenues are estimated to be approximately 30 percent higher than FY22 actual revenues.