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

ORIGINAL DATE 01/30/12
SPONSOR Smith **LAST UPDATED** **HB**

SHORT TITLE Repeal Gross Receipts Tax **SB** 229

ANALYST Walker-Moran

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY12	FY13	FY14	FY15	FY16		
$0.0	($1,935.9)	($2,011.4)	($2,095.8)	($2,165.0)	Recurring	General Fund (GRT)
$0.0	($73.1)	($75.9)	($77.2)	($77.9)	Recurring	General Fund (Comp. Tax)
$0.0	(millions)	(millions)	(millions)	(millions)	Recurring	Local Government (GRT)
$0.0	(tens of thousands)	(tens of thousands)	(tens of thousands)	(tens of thousands)	Recurring	Small County Assistance Fund
$0.0	(tens of thousands)	(tens of thousands)	(tens of thousands)	(tens of thousands)	Recurring	Small City Assistance Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
State Treasurer's Office (STO)
New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 299 repeals the Gross Receipts and Compensating Tax Act.

The effective date of this bill is July 1, 2012.

FISCAL IMPLICATIONS

This bill may violate the LFC tax policy principle of adequacy. According to the LFC General Fund Recurring Appropriation Outlook for FY14 and FY15 the December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations. Since currently forecasted revenues in FY14 and FY15 may not be adequate to fund government services there is insufficient funds for additional tax cuts. This bill also violates the efficiency principle by narrowing the tax base.

This bill has a significant negative impact of the general fund, local governments and counties. According the December 2011 Consensus Revenue Estimate, presented to the LFC on December 5, 2011 the gross receipts tax and compensating tax will generate the following recurring general fund revenues in FY13 through FY16. FY13 = $2,009.0 million, FY14 = $2,087.3 million, FY15 = $2,173 million, and FY16 = $2,242.9 million.

According to NMFA, This bill has significant negative implications to the Public Project Revolving Fund ("PPRF") administered by the New Mexico Finance Authority ("Finance Authority"). The governmental gross receipts tax, Section 7-9-4.3, NMSA 1978 ("GGRT"), which is proposed to be eliminated by SB 229, is currently pledged as a security to the PPRF bonds which have been issued by the Finance Authority. The GGRT is a major reason for the current AAA national bond rating of the PPRF Bonds. This AAA rating affords the Finance Authority, through the PPRF program, to provide low cost financing to local governments and qualified entities. The repeal of this section of the Gross Receipts and Compensating Tax Act would be in direct violation of the Tax Administration Act, specifically Section of 7.1.6.38(d), NMSA 1978, which states that

"the state pledges to and agrees with the holders of any bonds or notes issued by the New Mexico Finance Authority or the Energy, Minerals and Natural Resources Department and payable from the net receipts attributable to the governmental gross receipts tax distributed to the New Mexico Finance Authority or the Energy, Minerals and Natural Resources Department…….that the state will not limit, reduce or alter the distribution of the net receipts attributable to the governmental gross receipts tax to the New Mexico Finance Authority or the Energy, Minerals and Natural Resources Department or limit, reduce or alter the rate of imposition of the governmental gross receipts tax until the bonds or notes together with the interest thereon are fully met and discharged. The New Mexico Finance Authority and the Energy, Minerals and Natural Resources Department are authorized to include this pledge and agreement of the state in any agreement with the holders of the bonds or notes.

This pledge of GGRT has been included in all of the Official Statements issued to date by the Finance Authority for the all of the PPRF bonds, totaling over $1.825 billion in principal to date, and which there is still over $1.225 billion outstanding, with the final maturity of all PPRF bonds occurring in June 2039.

The PPRF also holds the debt issued by the Energy, Minerals and Natural Resources Department secured by the GGRT, with a current outstanding balance of over $15 million and a final maturity in June 2023.

In addition, the repeal of the GGRT will also have a negative future impact on the Finance Authority's Drinking Water State Revolving Loan Fund ("DWSRLF"). The DWSRLF is a federal program that provides project financing to eligible entities to meet their drinking water needs. This program requires a state match of roughly 20% in order to receive the annual funding of approximately $8-10 million. The majority of the state match has been funded through appropriations from the PPRF, in particular from the pass through of the GGRT from the bond indenture. Outside of receiving the GGRT, the state match requirement would have to be funded by the State of New Mexico, or risk losing millions of dollars in federal funding for local government drinking water needs.

The negative implications of this bill on the Finance Authority go beyond the repeal of the GGRT. The repeal of the gross receipts tax has major implications to holders of PPRF bonds due to the debt for the state and local governments held by the PPRF and secured by the state gross receipts tax (for the debt held on behalf of the state) and by the state-shared gross receipts tax (for the debt held on behalf of local governments). Currently, the debt held on behalf of the state pledged to the repayment of PPRF bonds and secured directly by the state gross receipts tax totals over $91 million, with a final maturity in June 2039. The debt held on behalf of local governments pledged to the repayment of PPRF bonds and secured directly by the state-shared gross receipts tax totals over $200 million, with a final maturity in June 2038.

In all, the Finance Authority is concerned that passage SB 229 will have major consequences directly affecting the pledged security for the PPRF bonds, loans with municipalities and counties, as well as future federal funding regarding drinking water needs for local governments. Section 6-21-18 of the New Mexico Finance Authority Act states in relevant part that the state will not limit or alter the rights vested in the finance authority to fulfill the terms of any agreements made with holders of bonds thereof or in any way impair the rights and remedies of the holders of such bonds. Moreover, pursuant to Section 6-21-11(B) of the New Mexico Finance Authority Act, the Finance Authority retains all liability for any breach of any pledge, obligation or agreement, and holders of the affected bonds may pursue all available remedies against the Finance Authority pursuant to Section 6-21-17. This could significantly affect the Finance Authority's bond rating with federal rating agencies such as Moody's and Standard & Poors, thus directly affecting economic development initiatives, and potentially causing many municipalities and counties to not be able to obtain competitive, low cost financing for much needed capital infrastructure improvement projects.

SIGNIFICANT ISSUES

According to NMFA, enactment of SB 229 could be considered an unconstitutional impairment of contracts by the Legislature in violation of Article I, section 10 of the United States Constitution ("no state shall enter into any….Law Impairing the Obligation of Contracts") and Article 2, section 19, of the New Mexico Constitution ("No ex post facto law, bill of attainder nor law impairing the obligation of contracts shall be enacted by the legislature").

PERFORMANCE IMPLICATIONS

Changing Gross Receipts tax would not affect STO performance.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The general fund will continue to receive funds that fund state agencies.

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

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

EWM/svb

REVENUE

Tom Clifford, Cabinet Secretary, DFA
Demesia Padilla, Cabinet Secretary, TRD

ISSUES FOR HEARING

December 2011 Consensus Revenue Estimate

Prepared by the Legislative Finance Committee
Elisa Walker-Moran, Chief Economist
Leila Burrows, Economist, Charles Kassicieh, Economist

SUMMARY

- Total FY11 preliminary revenue is now $5,469 million. Table 1 presents a reconciliation of recurring revenues through the revenue estimating cycle.
- Attachment 1 (page 6) shows general fund revenue revisions from October to December. FY12 recurring revenue was revised upward from the October forecast by $21 million. The next-to-last column shows that the FY13 revenue estimate was revised upward a mere $9 million from the October forecast.
- Attachment 2 (page 8) shows the General Fund financial summary. Preliminary ending balances were $502 million, or 9.6 percent of recurring appropriations at the end of FY11. The projected FY12 ending balance is $501 million, or 9.2 percent of recurring appropriations.
- "New Money" in FY13, which is defined as FY13 projected revenue less FY12 recurring appropriations, is projected to be $254 million or 4.7 percent of FY12 appropriations. After setting aside $50 million to reverse the retirement swap, FY13 new money is estimated to be $204 million.

Table 1
Dec 2011 Consensus General Fund Recurring Revenue Outlook
(Millions of Dollars)

	FY11	FY12	FY13
Post-session revisions	$5,164	$5,413	$5,638
July 2011 revisions	$111	$120	$165
October 2010 revisions	$113	-$22	-$123
December 2011 revisions	$15	$21	$9
December 2011 Consensus	$5,402	$5,533	$5,688
Annual amount change	$604	$130	$156
Annual percent change	12.6%	2.4%	2.8%

BROAD BASED TAXES AND THE ECONOMIC FORECAST

Revenue estimators have traditionally relied on NM forecasts produced by UNM's Bureau of Business and Economic Research (BBER). They, in turn, have relied on a national forecast produced by Global Insight. Selected economic indicators from these forecasts are published in Attachment 3 (page 10). As noted in previous briefs, forecasts of NM income and wages and salaries explain much of the variation in personal income tax and gross receipts revenues.

For the December estimate, the effects of the latest BBER forecast have been heavily discounted. The BBER forecast seems to be experiencing some technical problems stemming from a data transition. For example, BBER found it necessary to substantially revise its forecast after the consensus revenue estimating group expressed concern over the results. Specifically the relative weakness predicted by BBER is hard to reconcile against the relative year-to-date strength found in current revenues. Accordingly, staff has decided to leave the estimates for gross receipts and personal income taxes, or roughly half of General Fund revenue, unchanged from October.

ENERGY MARKETS

Oil prices have risen sharply since the October forecast in response to expected fiscal reform in Greece and Italy and positive revisions to the second quarter GDP. Further price increases resulted from news that the Seaway pipeline would be reversed in January, thereby transporting a glut of oil marooned in Cushing, OK to oil refineries on the Gulf Coast. Prices for West Texas Intermediate (WTI) crude were low due to the excess supply and low demand. The increased demand will result in higher prices. Potential EU sanctions against Iran's oil exports add upward risk to the price forecast. However, continued economic uncertainty in the U.S. and Europe threaten ongoing price growth.

In Attachment 4 (page 11), oil prices are expected to remain around $87 per barrel (bbl) in the near term with moderate growth in out years consistent with slower economic recovery and ongoing uncertainty in the oil markets. Oil volumes increased by one percent in FY10, but preliminary actuals show a nine percent increase in FY11. Recent activity in the Permian basin suggests continued growth in oil volumes in the near-term with decreasing production expected in later years with well decline. Industry analysts suggest that pipeline and trucking capacity constraints in the Permian basin may decrease prices. In fact, the New Mexico price differential to WTI appears to have increased to $5/bbl from $4/bbl in previous years. Each additional $1/bbl in price is equivalent to $4 million in general fund revenue.

Natural gas prices continue to remain low, largely in response to supply increases resulting from technological improvements in production. Colder weather expected to begin in mid-December could provide upward pressure to current spot prices. New Mexico natural gas prices continue to see gains above Henry Hub due to high prices paid for natural gas liquids, which trend with oil prices. In FY11, the premium above the dry gas price for natural gas liquids averaged $1.40 per thousand cubic feet (mcf).

The FY12 natural gas price forecast was revised downward by $0.15/mcf from the October forecast, largely in response to increasing inventories. This price revision was extended through the forecast period with expectations of national production growth and slow economic recovery. Natural gas volumes – expressed in thousands of cubic feet equivalent – fell by 7.5 percent in FY10 and preliminary actuals show a 3.4 percent decrease in FY11. Volumes are expected to continue to decline as production moves to richer plays in Texas and Pennsylvania. Although natural gas volumes are falling, higher prices and volumes for natural gas liquids help to offset the decline in total production. The liquids premium is expected to average $1.30/mcf in FY12. Each $0.10 change in natural gas price is equivalent to $10 million in general fund revenue.

OTHER REVENUE HIGHLIGHTS

The December estimate for corporate income tax receipts is unchanged from October. The robust fiscal year growth rates can be explained by changes generated in state and federal statutes. Film production rebates are now capped at $50 million annually; the total for FY11 was over $95 million. Further, New Mexico “piggybacks” on the federal income tax code. The growth rate in FY 13 is driven by the expiration of provisions that allow businesses to fully expense (immediately deduct from taxable income) the cost of capital equipment.

State Treasurer’s earnings were revised downward in FY11 due to an expected write-down of $2.8 million. This is the estimated general fund portion of the remaining balance of the Reserve Primary Fund (RPF). The RPF is a money market fund with New Mexico holdings that experienced a run following the collapse of the financial markets in 2008.

Energy related revenues were increased due to correction of the model for federal lease revenues. The correction was in the modeling of royalty revenue from minerals other than oil and gas. The previous model underestimated the impact of these other revenues. The new model assumes these revenues will remain at the average level received in FY10 and FY11, about $50 million per year.

Revenues associated with the permanent funds are expected to decline in FY13. Distributions are based on a rolling average of the last 5 calendar years’ market value for the respective funds. Prior to 2006, fund values were at a relative high. The decline in revenues in FY 12 is due to a high market value being replaced with a much lower market value.

GENERAL FUND FINANCIAL SUMMARY

The General Fund financial summary shown in Attachment 2 (page 8) assumes $100 million of additional FY12 appropriations in the 2012 session. Including estimated 2012 deficiencies, supplementals, specials, and the feed bill, FY12 revenues will exceed appropriations by $14 million. Under that scenario, reserves reach a total of $501 million or 9.2 percent of recurring appropriations in FY12. National rating agencies such as Moodys and Standard & Poors, traditionally have considered balances of five percent or above as sufficient.

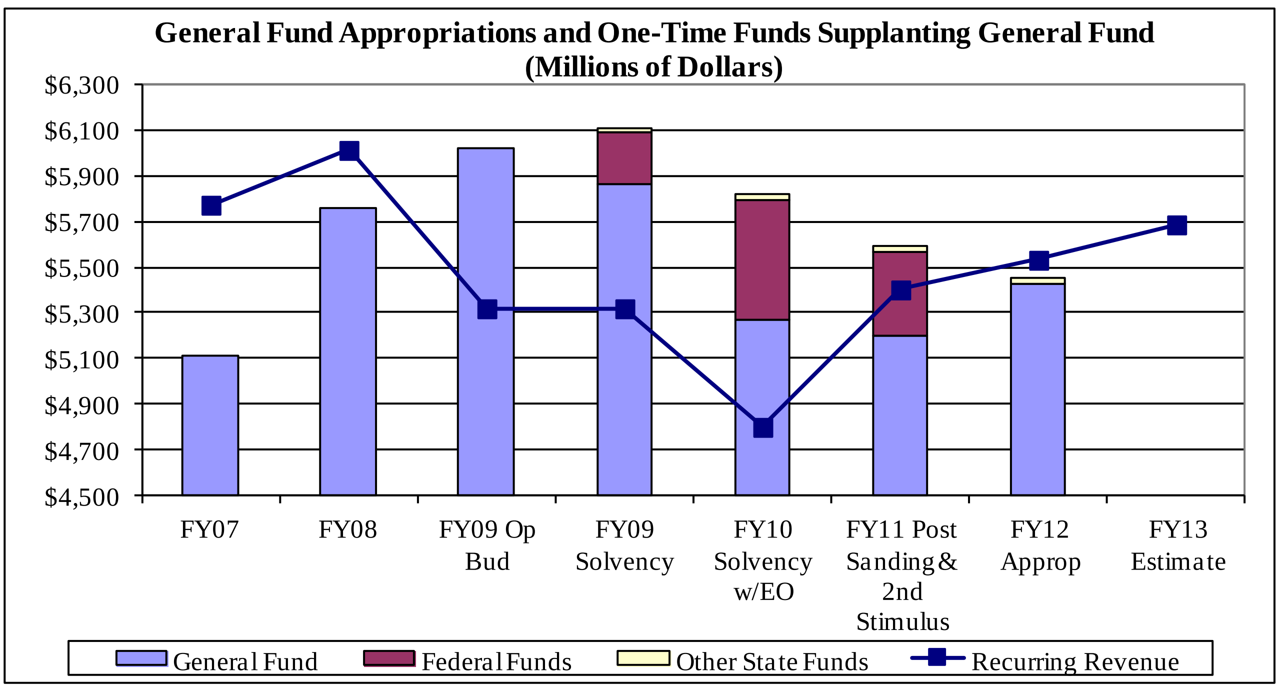
Chapter 178, Laws 2011 requires state employees to contribute an additional 1.75 percent to retirement plans in FY12. This legislation provided a reduction of $49.7 million to the FY12 appropriation. Under statute, the contribution swap will continue in FY13 if the December 2011 forecast projects a FY12 reserve ratio less than 5 percent and estimates revenues to be less than $100 million more than the revenue estimate used to determine the FY12 appropriation.

Based on current reserve projections of 9.2 percent for FY12, the retirement swap will not continue in FY13. However, an additional 1.5 percent retirement swap that was enacted during the 2009 session (Laws 2009, Ch 127) will remain in place until FY14.

As noted in the summary, FY 13 "New Money" is projected to be $254 million or 4.7 percent of FY13 revenue.

GENERAL FUND APPROPRIATIONS WITH SUPPLANTING FUNDS

Figure 1 illustrates recent trends in General Fund appropriations, highlighting the role played by temporary funding sources. While general fund recurring revenue fell by over 20 percent from FY08 to FY10, total spending actually increased between FY08 and FY10 post-solvency. From a peak of over $6 billion in FY09, total spending fell by 4.8 percent in FY10 and by 8.5 percent in FY11 after allotment reductions. If general fund spending is raised to the level of projected FY13 revenue, total spending would be 7.0 percent below the FY09 peak.



RISKS TO THE FORECAST

- The failure of the "Super Committee" to agree to a federal deficit reduction deal could lead to large reductions in Social Security, Medicaid and military spending, which could have significant impacts on the New Mexican economy. New Mexico relies heavily on federal government spending through the national labs, military institutions and transfer payments.
- The economic recovery remains vulnerable to weakness in consumer sentiment, personal income, the housing market, currency volatility, financial sector weakness and federal fiscal imbalance. Although consumer spending has increased slightly in recent months, high debt loads will likely limit momentum consumers are able to create for the near future.
- Energy markets are inherently volatile. Natural gas prices remain vulnerable to increased supplies from productivity improvements. Oil prices remain vulnerable to economic uncertainty.
- The European Union is headed towards another recession according to leading economists. Financial weakness in the European Union continues to remain a serious threat to the world economy.
- As was reported before, the Attorney General has disclosed that New Mexico is now facing a second legal challenge from those cigarette manufacturers (PMs) participating in the tobacco master settlement agreement. The PMs claim that New Mexico no longer has a valid qualifying statute as required by the settlement due to recent legislative changes, including a 2006 change that established tax exempt stamps for tribal sales. The AG believes that up to $39 million in tobacco settlement payments expected in FY12 are at risk unless new legislation is passed that clearly establishes that the state will collect tobacco escrow payments from all manufacturers that are not party to the master settlement.
- If the federal payroll tax reduction is extended in CY2012 this will potentially add revenue to personal income tax and gross receipts tax.

Attachment 1

General Fund Consensus Revenue Estimate: December 2011 (Millions of Dollars)

	FY11		FY12				FY13			
	Dec 2011 Prelim Actual	% Change from FY10	Oct 2011 Est.	Dec 2011 Est.	Change from Prior	% Change from FY11	Oct 2011 Est.	Dec 2011 Est.	Change from Prior	% Change from FY12
Gross Receipts Tax	1,811.4	10.8%	1,865.0	1,865.0	-	3.0%	1,935.9	1,935.9	-	3.8%
Compensating Tax	69.2	35.9%	69.5	69.5	-	0.5%	73.1	73.1	-	5.2%
TOTAL GENERAL SALES	1,880.6	11.6%	1,934.5	1,934.5	-	2.9%	2,009.0	2,009.0	-	3.8%
Tobacco Taxes	88.2	93.0%	86.4	86.4	-	-2.0%	84.7	84.7	-	-2.0%
Liquor Excise	25.7	0.4%	26.4	25.9	(0.5)	0.8%	26.7	26.1	(0.6)	0.8%
Insurance Taxes	132.7	1.8%	133.0	129.3	(3.7)	-2.6%	131.1	134.7	3.6	4.2%
Fire Protection Fund Reversion	17.6	252.0%	16.1	15.9	(0.2)	-9.4%	15.2	15.2	(0.0)	-4.9%
Motor Vehicle Excise	103.7	12.4%	110.2	110.2	-	6.3%	116.1	114.3	(1.8)	3.7%
Gaming Excise	65.8	1.1%	66.6	66.6	-	1.2%	67.5	66.7	(0.8)	0.1%
Leased Vehicle Surcharge	5.0	-12.3%	5.1	5.2	0.1	4.0%	5.4	5.3	(0.2)	1.0%
Other	2.5	-21.6%	2.8	2.8	0.0	13.2%	3.0	3.0	0.0	7.1%
TOTAL SELECTIVE SALES	441.2	18.3%	446.6	442.3	(4.3)	0.3%	449.7	449.9	0.2	1.7%
Personal Income Tax	1,066.2	11.5%	1,090.0	1,090.0	-	2.2%	1,115.0	1,115.0	-	2.3%
Corporate Income Tax	229.8	83.7%	310.0	310.0	-	34.9%	375.0	375.0	-	21.0%
TOTAL INCOME TAXES	1,296.0	19.8%	1,400.0	1,400.0	-	8.0%	1,490.0	1,490.0	-	6.4%
Oil and Gas School Tax	378.7	16.7%	355.0	358.6	3.6	-5.3%	366.0	376.0	10.0	4.9%
Oil Conservation Tax	19.7	20.1%	22.6	18.5	(4.1)	-6.1%	23.2	19.3	(3.9)	4.3%
Resources Excise Tax	9.9	5.3%	10.0	10.0	-	1.0%	10.0	10.0	-	0.0%
Natural Gas Processors Tax	18.2	-55.0%	22.3	22.0	(0.3)	20.7%	23.6	23.6	-	7.4%
TOTAL SEVERANCE TAXES	426.5	9.2%	409.9	409.1	(0.8)	-4.1%	422.8	428.9	6.1	4.9%
LICENSE FEES	49.8	-1.0%	51.5	51.5	-	3.4%	54.4	53.7	(0.7)	4.2%
LGPF Interest	446.2	2.1%	459.7	459.7	-	3.0%	438.1	433.0	(5.1)	-5.8%
STO Interest	14.8	-33.0%	18.6	17.3	(1.3)	16.9%	26.0	23.4	(2.6)	35.0%
STPF Interest	184.6	-1.3%	183.4	183.4	-	-0.7%	174.3	172.5	(4.6)	-5.9%
TOTAL INTEREST	645.6	-0.1%	661.7	660.4	(1.3)	2.3%	638.4	628.9	(9.5)	-4.8%
Federal Mineral Leasing	411.8	15.9%	398.0	420.0	22.0	2.0%	412.5	419.0	6.5	-0.2%
State Land Office	65.6	-3.1%	55.8	58.6	2.8	-10.7%	43.9	47.4	3.5	-19.1%
TOTAL RENTS & ROYALTIES	477.4	12.9%	453.8	478.6	24.8	0.3%	456.4	466.4	10.0	-2.6%
TRIBAL REVENUE SHARING	65.9	2.8%	70.4	70.4	-	6.8%	75.4	75.4	-	7.1%
MISCELLANEOUS RECEIPTS	52.1	17.3%	43.5	46.0	2.5	-11.8%	43.6	46.2	2.6	0.5%
REVERSIONS	67.3	68.3%	40.0	40.0	-	-40.6%	40.0	40.0	-	0.0%
TOTAL RECURRING	5,402.4	12.6%	5,511.9	5,532.8	20.9	2.4%	5,679.6	5,688.2	8.6	2.8%
TOTAL NON-RECURRING	66.8	-86.1%	18.3	18.3	-	-72.6%	(3.3)	(3.3)	-	-118.0%
GRAND TOTAL	5,469.2	3.6%	5,530.2	5,551.1	20.9	1.5%	5,676.3	5,684.9	8.6	2.4%

11/29/2011

Attachment 1

General Fund Consensus Revenue Estimate: December 2011 (Millions of Dollars)

	FY14		FY15		FY16	
	Dec 2011 Est.	% Change from FY13	Dec 2011 Est.	% Change from FY14	Dec 2011 Est.	% Change from FY15
Gross Receipts Tax	2,011.4	3.9%	2,095.8	4.2%	2,165.0	3.3%
Compensating Tax	75.9	3.8%	77.2	1.7%	77.9	0.9%
TOTAL GENERAL SALES	2,087.3	3.9%	2,173.0	4.1%	2,242.9	3.2%
Tobacco Taxes	83.1	-1.9%	81.4	-2.0%	79.9	-1.8%
Liquor Excise	26.7	2.3%	27.2	1.9%	27.8	2.2%
Insurance Taxes	137.9	2.4%	143.9	4.4%	151.2	5.1%
Fire Protection Fund Reversion	14.4	-5.3%	13.2	-7.9%	12.3	-7.3%
Motor Vehicle Excise	121.6	6.4%	126.6	4.1%	131.8	4.1%
Gaming Excise	67.3	1.0%	68.0	1.0%	68.9	1.3%
Leased Vehicle Surcharge	5.3	1.0%	5.4	1.1%	5.4	1.1%
Other	3.2	4.3%	3.3	4.4%	3.3	0.9%
TOTAL SELECTIVE SALES	459.4	2.1%	469.0	2.1%	480.6	2.5%
Personal Income Tax	1,150.0	3.1%	1,190.0	3.5%	1,230.0	3.4%
Corporate Income Tax	410.0	9.3%	425.0	3.7%	400.0	-5.9%
TOTAL INCOME TAXES	1,560.0	4.7%	1,615.0	3.5%	1,630.0	0.9%
Oil and Gas School Tax	365.7	-2.8%	362.7	-0.8%	358.0	-1.3%
Oil Conservation Tax	18.8	-2.6%	18.7	-0.5%	18.5	-1.1%
Resources Excise Tax	10.0	0.0%	10.0	0.0%	10.0	0.0%
Natural Gas Processors Tax	22.6	-4.2%	22.4	-0.9%	22.2	-0.9%
TOTAL SEVERANCE TAXES	417.1	-2.8%	413.8	-0.8%	408.7	-1.2%
LICENSE FEES	55.9	4.1%	58.3	4.3%	59.4	2.0%
LGPF Interest	427.6	-1.2%	453.9	6.2%	475.1	4.7%
STO Interest	39.3	68.3%	52.0	32.3%	58.5	12.5%
STPF Interest	160.1	-7.2%	162.6	1.6%	162.6	0.0%
TOTAL INTEREST	627.0	-0.3%	668.5	6.6%	696.2	4.1%
Federal Mineral Leasing	423.7	1.1%	423.8	0.0%	417.5	-1.5%
State Land Office	46.2	-2.5%	46.2	0.0%	45.8	-0.9%
TOTAL RENTS & ROYALTIES	469.9	0.8%	470.0	0.0%	463.3	-1.4%
TRIBAL REVENUE SHARING	78.2	3.7%	81.2	3.8%	83.8	3.2%
MISCELLANEOUS RECEIPTS	47.1	2.0%	48.1	2.0%	49.0	2.0%
REVERSIONS	40.0	0.0%	40.0	0.0%	40.0	0.0%
TOTAL RECURRING	5,841.8	2.7%	6,036.8	3.3%	6,153.9	1.9%
TOTAL NON-RECURRING	(0.9)	-72.7%	-	-100.0%	-	na
GRAND TOTAL	5,840.9	2.7%	6,036.8	3.4%	6,153.9	1.9%

11/29/2011

General Fund Financial Summary - Dec 2011 Consensus Revenue Estimate
(Millions of Dollars)

	Preliminary FY2011	Estimated FY2012	Estimated FY2013
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
October 2011 Consensus Forecast	$ 5,387.9	$ 5,511.9	$ 5,679.6
December 2011 forecast update	*$ 14.5*	*$ 20.9*	*$ 8.6*
Total Recurring Revenue	$ 5,402.4	$ 5,532.8	$ 5,688.2
Nonrecurring Revenue			
Total Non-Recurring Revenue*	$ 66.8	$ 18.3	$ (3.3)
TOTAL REVENUE	**$ 5,469.2**	**$ 5,551.1**	**$ 5,684.9**
APPROPRIATIONS			
Recurring Appropriations			
2011 General Appropriation	$ 5,212.9	$ 5,431.3	
Total Recurring Appropriations	$ 5,212.9	$ 5,431.3	
Nonrecurring Appropriations			
2011 Regular & Special Sessions**	$ 18.3	$ 5.8	$ -
*2012 deficiencies, supplementals, specials and feed bill*** **	*$ -*	*$ 100.0*	*$ -*
Total Nonrecurring Appropriations	$ 18.3	$ 105.8	$ -
TOTAL APPROPRIATIONS	**$ 5,231.2**	**$ 5,537.1**	**$ -**
Transfer to(from) Reserves***	$ 238.0	$ 14.0	$ -
GENERAL FUND RESERVES			
Beginning Balances	$ 278.0	$ 501.9	$ -
Transfers from (to) Appropriations Account	$ 238.0	$ 14.0	$ -
Revenue and Reversions	$ 58.9	$ 40.1	$ -
Appropriations, expenditures and transfers out	$ (73.0)	$ (54.6)	$ -
Ending Balances	**$ 501.9**	**$ 501.4**	**$ -**
Reserves as a Percent of Recurring Appropriations	*9.6%*	*9.2%*	***

New Money in FY13 is $254 M

*FY11 includes $36 million in one-time fiduciary tax revenue, $2.1 million for tax amnesty, $1.9 million in IT and Telecom overcharges to be refunded to the General Fund by DOIT, $26 million fund transfer for solvency, and $800 thousand for homeland security deficiency reversions. FY12 includes $11.4 million fund transfer for solvency, and $6.9 million for tax amnesty.

**2011 Special Session FY12 appropriations include $1.3 million for feed bill, $0.5 million for Medicaid and SNAP, and $4 million for police vehicles.

*** "New money" in FY13, defined as FY13 projected revenue less FY12 recurring appropriation is $254 million.

****Includes $5 million for feed bill and $95 million for specials, supplementals, and deficiencies.

Attachment 2

General Fund Financial Summary - Dec 2011 Consensus Revenue Estimate
RESERVE DETAIL
(Millions of Dollars)

	Preliminary FY2011	Estimated FY2012	Estimated FY2013
OPERATING RESERVE			
Beginning balance	$ 36.2	$ 274.5	$ 288.5
BOF Emergency Appropriations/Reversions	$ 0.3	$ -	$ -
Transfers from/to appropriation account*	$ 238.0	$ 14.0	$ -
Ending balance	$ 274.5	$ 288.5	$ 288.5
APPROPRIATION CONTINGENCY FUND			
Beginning balance	$ 29.6	$ 5.2	$ (10.8)
Disaster allotments	$ (28.8)	$ (16.0)	$ (16.0)
Other appropriations	$ -	$ -	$ -
Transfers in	$ -	$ -	$ -
Revenue and reversions	$ 4.3	$ -	$ -
Ending Balance	$ 5.2	$ (10.8)	$ (26.8)
Education Lock Box			
Beginning balance	$ 53.1	$ 47.1	$ 47.1
Appropriations (2010 and 2011 GAA Section 5)**	$ (6.0)	$ -	$ -
Transfers in(out)	$ -	$ -	$ -
Ending balance	$ 47.1	$ 47.1	$ 47.1
Total of Appropriation Contingency Fund	$ 52.3	$ 36.3	$ 20.3
STATE SUPPORT FUND			
Beginning balance	$ 1.0	$ 1.0	$ 1.0
Revenues	$ -	$ -	$ -
Appropriations	$ -	$ -	$ -
Ending balance	$ 1.0	$ 1.0	$ 1.0
TOBACCO PERMANENT FUND			
Beginning balance	$ 132.0	$ 148.0	$ 149.5
Transfers in	$ 38.6	$ 38.6	$ 38.6
Appropriation to tobacco settlement program fund	$ (19.3)	$ (19.3)	$ (19.3)
Gains/Losses	$ 16.0	$ 1.5	$ 11.2
Additional transfers to Program Fund	*$ (19.3)*	*$ (19.3)*	*$ (19.3)*
Ending balance	$ 148.0	$ 149.5	$ 160.7
TAX STABILIZATION RESERVE			
Ending balance	$ 26.1	$ 26.1	$ 26.1
GENERAL FUND ENDING BALANCES	**$ 501.9**	**$ 501.4**	**$ 496.6**
Percent of Recurring Appropriations	*9.6%*	*9.2%*	

**LFC scored $2.5 million appropriation to PED from education lockbox as failed contigency. DFA has indicated that they will seek to budget these funds, which would require submission of a detailed action plan by PED to LFC and the Legislative Education Study Committee.

Attachment 3

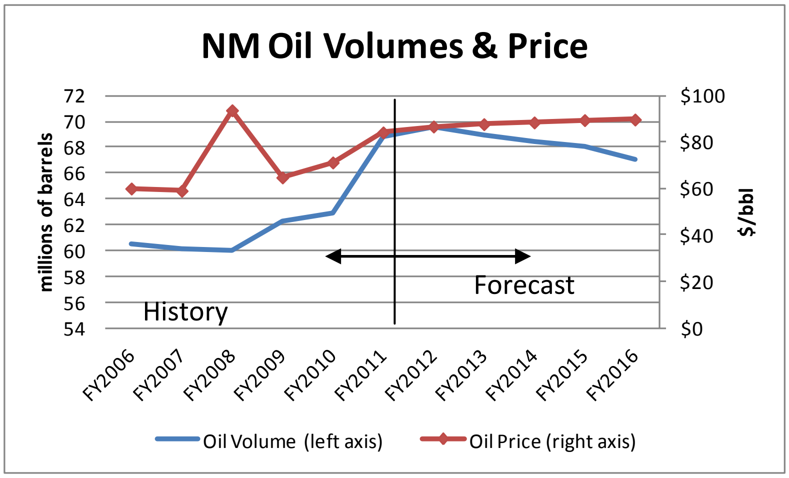
U.S. and New Mexico Economic Indicators

	FY11		FY12		FY13		FY14		FY15		FY16
	Oct11 Prelim	Dec11 Prelim	Oct11 Forecast	Dec11 Forecast	Oct11 Forecast	Dec11 Forecast	Oct11 Forecast	Dec11 Forecast	Oct11 Forecast	Dec11 Forecast	Dec11 Forecast
National Economic Indicators											
US Real GDP Growth (annual avg. ,% YOY)*	2.6	2.6	1.3	1.7	2.0	1.8	2.9	3.2	3.6	3.6	3.0
US Inflation Rate (CPI-U, annual avg., % YOY)**	2.2	2.2	2.3	2.3	2.3	2.3	2.4	2.3	2.4	2.4	2.4
Federal Funds Rate (%)	0.16	0.16	0.10	0.09	0.10	0.10	0.42	0.42	2.27	2.27	3.87
New Mexico Labor Market and Income Data											
NM Non-Agricultural Employment Growth (%)	0.2	-0.3	0.5	0.7	1.2	1.0	1.1	1.2	1.2	1.4	1.5
NM Personal Income Growth (%)***	4.1	4.5	4.3	4.2	3.3	3.1	3.1	3.0	4.3	4.4	4.9
NM Private Wages & Salaries Growth (%)	2.6	2.6	2.6	2.6	3.0	2.8	3.2	3.4	3.3	3.6	3.8
Crude Oil and Natural Gas Outlook											
NM Oil Price ($/barrel)	$84.20	$84.60	$82.00	$86.75	$84.00	$87.75	$84.50	$88.50	$85.00	$89.50	$89.75
NM Taxable Oil Volumes (million barrels)	67.0	68.8	69.7	69.5	68.6	68.9	67.6	68.4	66.9	68.1	67.0
NM Gas Price ($ per thousand cubic feet)****	$5.50	$5.50	$5.35	$5.20	$5.80	$5.60	$6.20	$5.90	$6.25	$6.05	$6.15
NM Taxable Gas Volumes (billion cubic feet)	1,224	1,239	1,184	1,173	1,147	1,188	1,111	1,069	1,077	1,020	991

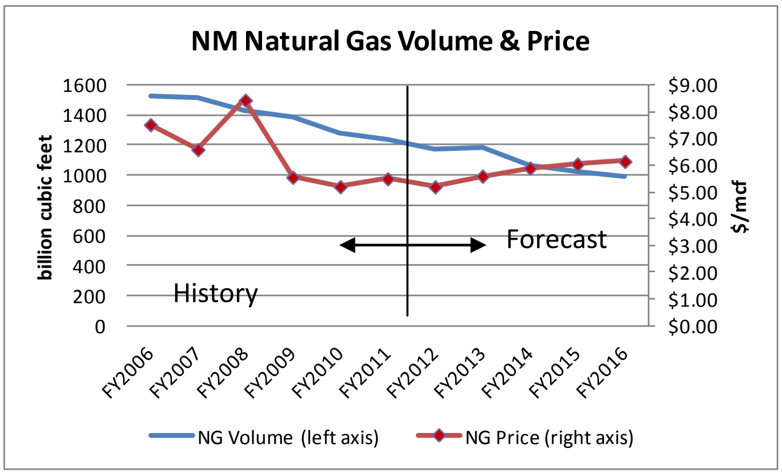
* Real GDP is BEA chained 2005 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base.
***Personal Income growth rates are for the calendar year in which each fiscal year begins
****The gas prices are estimated using a formula of NYMEX, EIA, and Global Insight future prices as well as a liquid premium based on oil prices.

Sources: November IHS Global Insight, BBER FOR-UNM revised

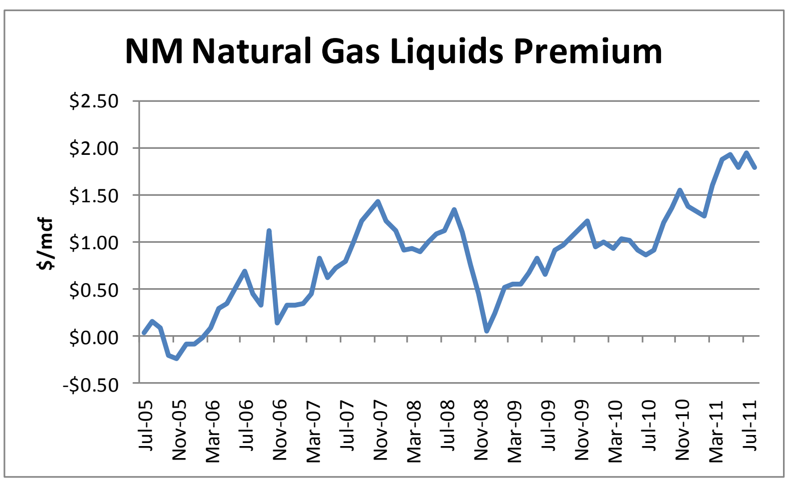
Attachment 4



Source: ONGARD database / Consensus revenue estimating group



Source: ONGARD database/ Consensus revenue estimating group



Source: ONGARD database