

**Presentation to the New Mexico Legislative Finance Committee:  
 General Fund Consensus Revenue Estimate — December 8, 2014  
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**Summary**

In keeping with a time-proven tradition, the Consensus Revenue Estimating Group (CREG) - professional economists at the Taxation and Revenue Department (TRD), the Department of Finance and Administration (DFA), the Department of Transportation (DOT), and the Legislative Finance Committee (LFC) - worked together to produce the consensus revenue estimate.

Table 1 provides a summary of the revisions to previously-estimated revenues contained in the most recent consensus forecast, which was released in August of 2014. Table 2 summarizes the estimated revenues of the major sectors. For more detail see Attachment 1.

**Table 1  
 December 2014 Consensus General Fund Recurring Revenue Outlook**

	(Millions of Dollars)					
	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
August 2014 Estimate	\$6,008	\$6,240	\$6,436	\$6,689	\$6,919	\$7,171
December 2014 Revisions	\$33	-\$120	-\$144	-\$116	-\$80	-\$50
<b>December 2014 Consensus</b>	<b>\$6,040.5</b>	<b>\$6,120.0</b>	<b>\$6,291.9</b>	<b>\$6,572.3</b>	<b>\$6,839.6</b>	<b>\$7,120.3</b>
Annual Change	\$332	\$79	\$172	\$280	\$267	\$281
Annual Percent Change	5.8%	1.3%	2.8%	4.5%	4.1%	4.1%

Revenue declines in FY15 of \$120 million and in FY16 of \$144 million are largely due to weakness in oil and gas receipts.

After these revisions FY15 is expected to grow by 1.3 percent, FY16 by 2.8 percent, and FY17 by 4.5 percent.

“New money” – FY16 recurring revenue less FY15 recurring appropriations – is estimated at \$141 million, equivalent to about 2.3 percent of FY15 recurring appropriations.

While the revenue outlook is generally positive but weak, it relies on weak oil and gas receipts that may prove pessimistic if prices begin to rise again or optimistic if the unprecedented boom in domestic oil production does not continue. The state should maintain reserves of at least 10 percent in order to mitigate this and other potential risks to the outlook.

**Table 2**  
**December 2014 Consensus General Fund Recurring Revenue Outlook**

(Millions of Dollars)

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Gross receipts tax	\$2,090	\$2,195	\$2,292	\$2,384	\$2,483
Selective sales taxes	\$476	\$503	\$536	\$569	\$585
Personal income tax	\$1,305	\$1,345	\$1,405	\$1,465	\$1,530
Corporate income tax	\$215	\$210	\$217	\$175	\$163
Energy-related revenues	\$1,055	\$999	\$1,043	\$1,086	\$1,125
Investment earnings	\$694	\$774	\$809	\$887	\$955
Other revenues	\$285	\$266	\$271	\$274	\$279
<b>Total Recurring Revenue</b>	<b>\$6,120</b>	<b>\$6,292</b>	<b>\$6,572</b>	<b>\$6,840</b>	<b>\$7,120</b>
Percent Change	1.4%	2.8%	4.5%	4.1%	4.1%

**Table 3**  
**December 2014 Revisions (Change from Prior Estimate)**

(Millions of Dollars)

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Gross receipts tax	\$29	\$35	(\$6)	(\$9)	(\$27)
Selective sales taxes	(\$17)	(\$5)	\$3	(\$4)	(\$2)
Personal income tax	\$0	\$0	\$0	\$0	\$0
Corporate income tax	\$0	\$0	\$17	\$15	\$13
Energy-related revenues	(\$115)	(\$163)	(\$114)	(\$64)	(\$17)
Investment earnings	(\$10)	(\$10)	(\$10)	(\$10)	(\$10)
Other revenues	(\$6)	(\$1)	(\$7)	(\$8)	(\$8)
<b>Total Recurring Revenue</b>	<b>(\$120)</b>	<b>(\$144)</b>	<b>(\$116)</b>	<b>(\$80)</b>	<b>(\$50)</b>

### Gross Receipts Taxes

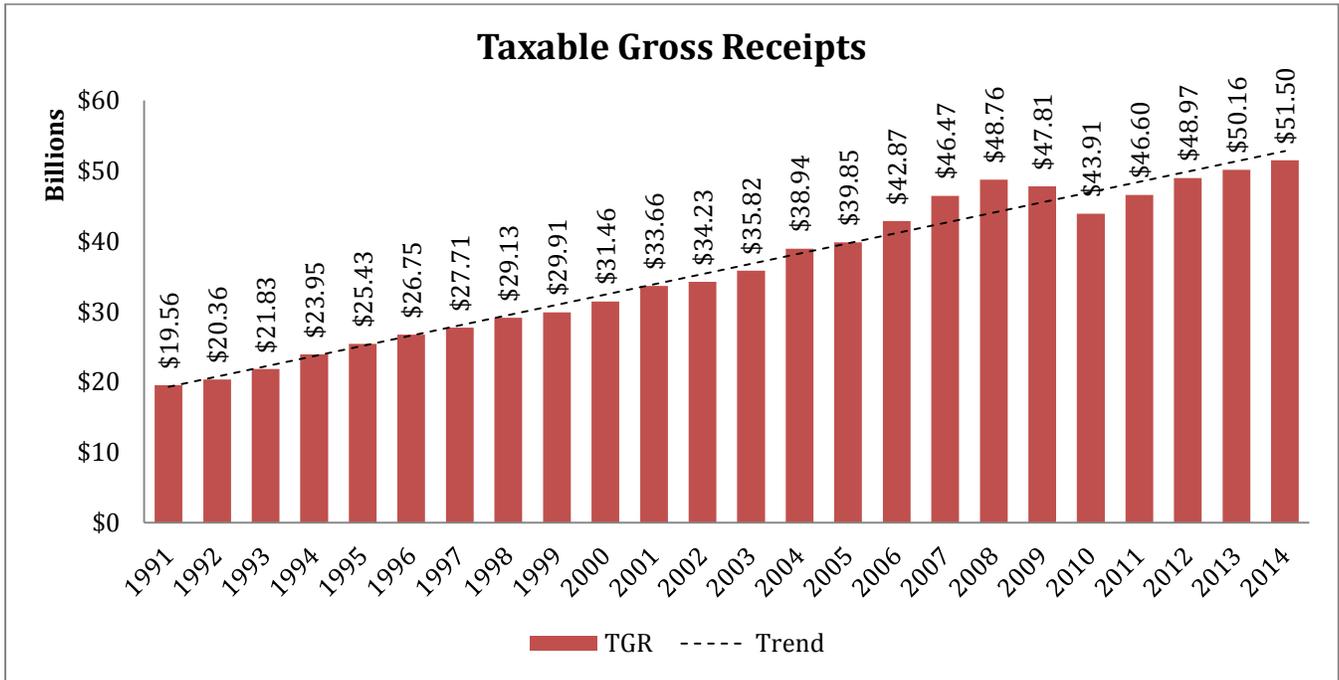
In the first quarter of FY15, taxable gross receipts (TGR) have increased approximately seven percent over the first quarter of FY14, eclipsing the all-time high TGR for a quarter, and increasing the forecast in the short term.

However, there are two forces applying pressure in opposing directions. TRD forecasts GRT revenues using historical data and indicators provided by UNM's Bureau of Business and Economic Research, including variables for private wage and salary and employment for the mining and construction sectors. Compared with the August forecast, all of these indicators are decreased in every time period. In the short term, the recent strength in actual GRT has exerted the stronger, upward pressure on the forecast. From FY17 and beyond, the reductions in the indicators dominate, reducing the forecast from August.

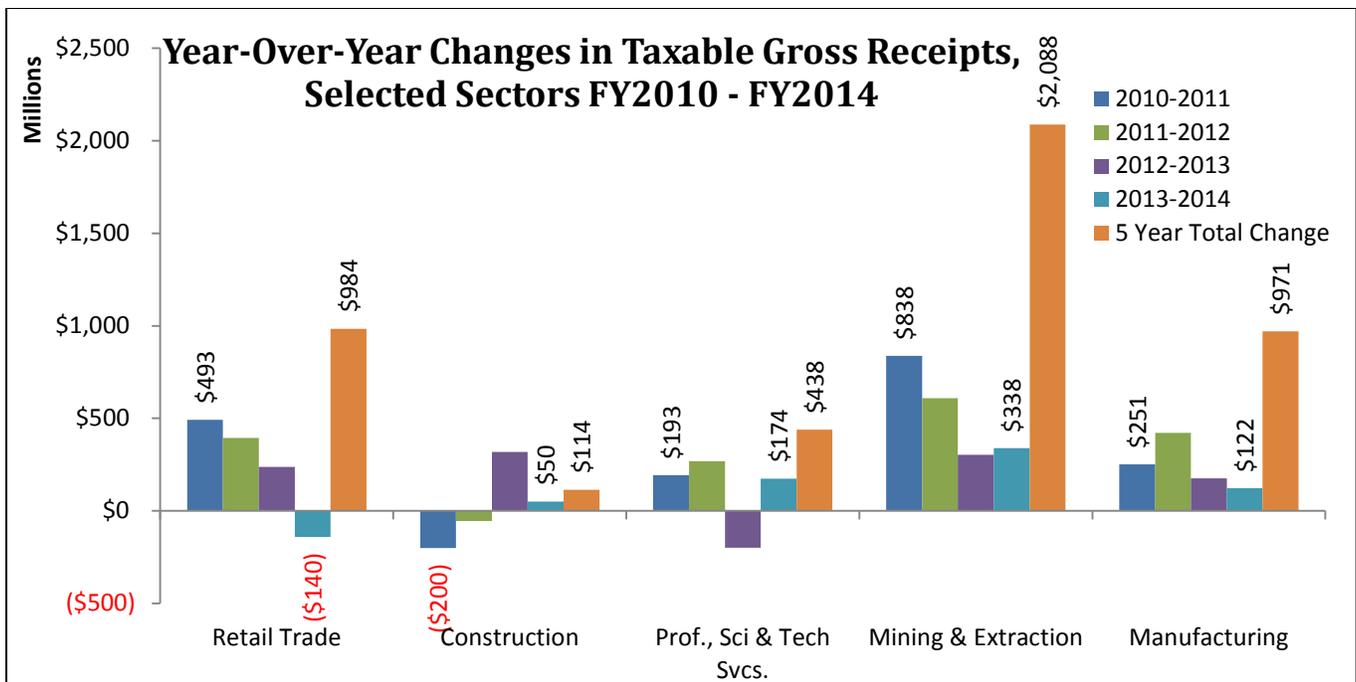
Figure 1 shows that TGR have shown a consistent pattern of growth very close to the long term trend since 1991, with the exception of the years between 2008 and 2011: The period of time leading up to and through the Great Recession. FY14 TGR grew by \$936 million over FY13, an increase of just under two percent, which is similar to

the long term growth rate. In all, 15 sectors showed growth year-over-year, while six sectors decreased. Figure 2 shows the increases or decreases to selected sectors over the past five years.

**Figure 1: Taxable Gross Receipts**



**Figure 2: Changes In Taxable Gross Receipts, Selected Sectors**



On a sector-by-sector basis, the biggest gainers were Mining & Oil and Gas Extraction, up \$338 million over FY13 and Professional, Scientific, and Technical Services which grew by \$173 million in TGR year-over-year. The sectors with the biggest decrease in taxable gross receipts were Transportation and Warehousing, down \$147 million and Retail Trade, the biggest sector in terms of TGR, which decreased by \$140 million. Figure 3 shows the proportions of TGR by sector over time.

**Figure 3: Proportions of TGR by Sector**

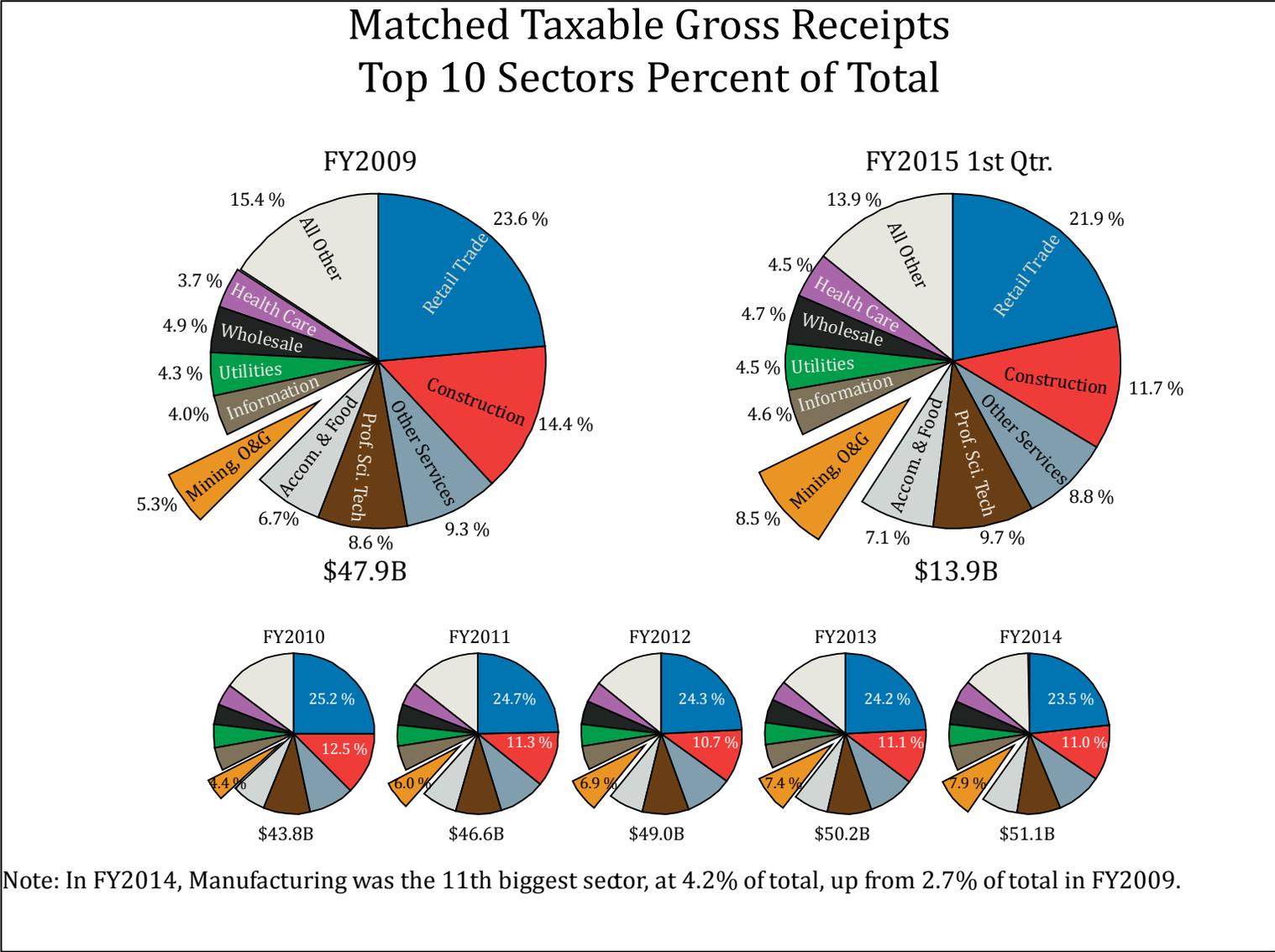
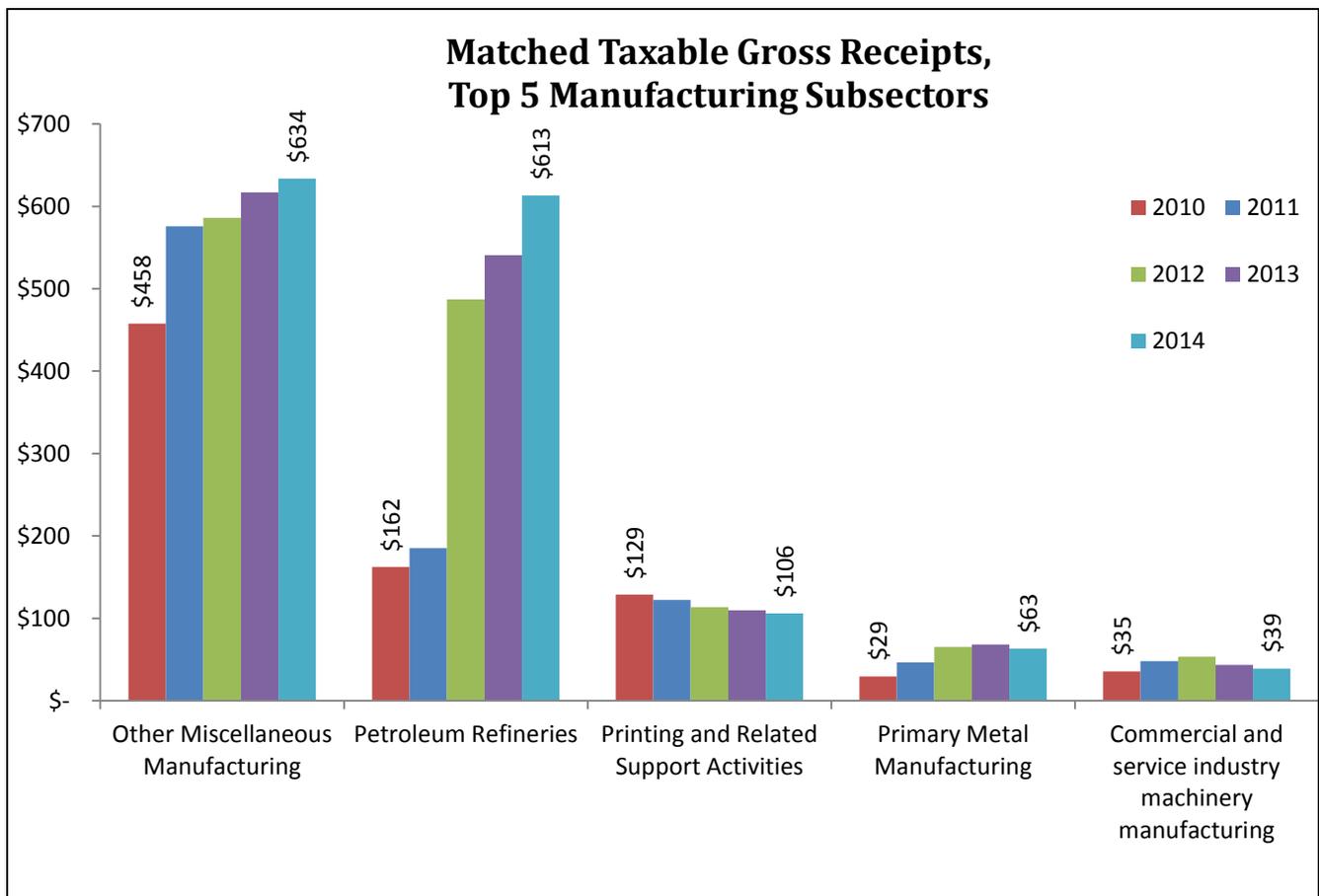


Figure 4: Top 5 Manufacturing Subsectors



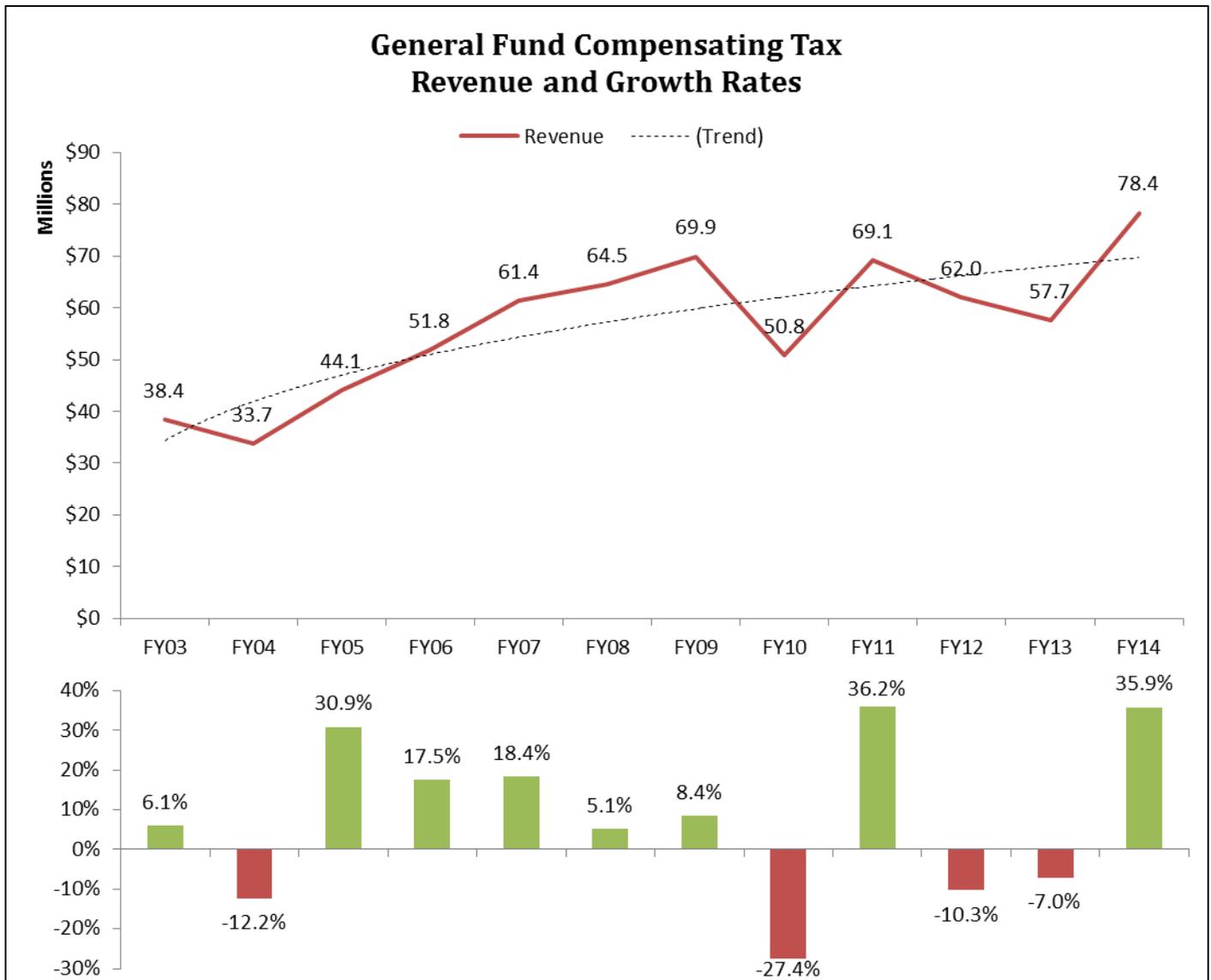
In addition to direct increases to TGR from oil and gas extraction, manufacturing gains are also due largely to increases in subsectors related to oil and gas extraction. Taxable gross receipts from one subsector alone, Petroleum Refineries, have increased by over \$450 million since FY10. Figure 4 illustrates the TGR levels of the five largest manufacturing subsectors.

### Compensating Taxes

FY14 was a record year for compensating tax. However, over the past several years this revenue has become increasingly volatile and difficult to forecast. Year to year up and down swings have increased in frequency and magnitude: over the past five years, no two consecutive years have shown increases. Figure 5 illustrates the changes since FY03.

Almost 25 percent of compensating tax was paid by taxpayers in the extractive industries in FY14. Downward pressure on oil prices is likely to have a negative impact on compensating tax in these sectors. While compensating tax in the first quarter of FY15 is high, the recent volatility in historical compensating tax revenues and oil prices is enough to dampen expectations for the remainder of the year.

Figure 5: Compensating Tax



### Premium Taxes

The revisions for insurance tax premiums reflect a large degree of uncertainty surrounding the implementation of the Patient Protection and Affordable Care Act (PPACA). It also reflects changes in Medicaid’s enrollment forecast. There is a potential for significant increases in the premium tax, but having received less revenues than anticipated in FY14, the expected premium tax revenue has been lowered in the forecast years.

### Cigarette and Tobacco Products Taxes

Cigarette and Tobacco Products remain reasonably steady despite the tendency for a decline in FY15 and future forecasts. Presumably, the decline can be attributed to a shift in consumer behavior by adopting E-cigarettes which are currently subject only to GRT and not an excise tax.

## **Liquor Excise Taxes**

Liquor Excise taxes remain steady and we don't anticipate any major decline or increase in the near future. It is important to note that there is a shift in consumer behavior as the consumption of Beer is declining whereas the consumption of Spirits and Wine is on the rise. There were some changes introduced during 2014 legislative session affecting Liquor Tax distribution to DWI Grant Fund Chapter 54 [HB-16]. This law amends Section 7-1-6.40 NMSA 1978, to increase the distribution of liquor excise tax revenue to the Local DWI Grant Fund to 46 percent for FY16 through FY18 which reduces general fund distribution by an average of \$2 million for the respective fiscal years. The second change to the distribution was the introduction of the Lottery Tuition Scholarship Fund Solvency Chapter 80 [SB-347 (Section 7)] which amends the Tax Administration Act to provide for a distribution, from FY16 and FY17, of thirty-nine percent to the Lottery Tuition Fund; the overall effect leads to a reduction of general fund distribution by about \$19 M for the time the amendments are in effect.

## **Personal Income Taxes**

Personal income taxes came in slightly stronger than anticipated in FY14. Though weak, growth is expected in PIT in all forecast years. In the 2014 legislative session, both houses passed and the governor signed into law an extension of net operating loss (NOL) carryovers [SB-106 (Section 1)]. NOLs incurred in tax years beginning on or after January 1, 2013 can now be carried forward for up to nineteen years after the year in which it was incurred. The previous limit was four years.

## **Corporate Income Taxes**

Corporate Income Tax (CIT) collections were revised downward to reflect lower FY14 revenue and more pessimistic national forecasts of total industrial production. FY15 is lower partially due to taxpayers making lower estimated payments than in previous years. The forecast assumes the \$50 million cap on film production tax credits is reached in all years. 2013 legislative session changes began to affect CIT collections in FY14.

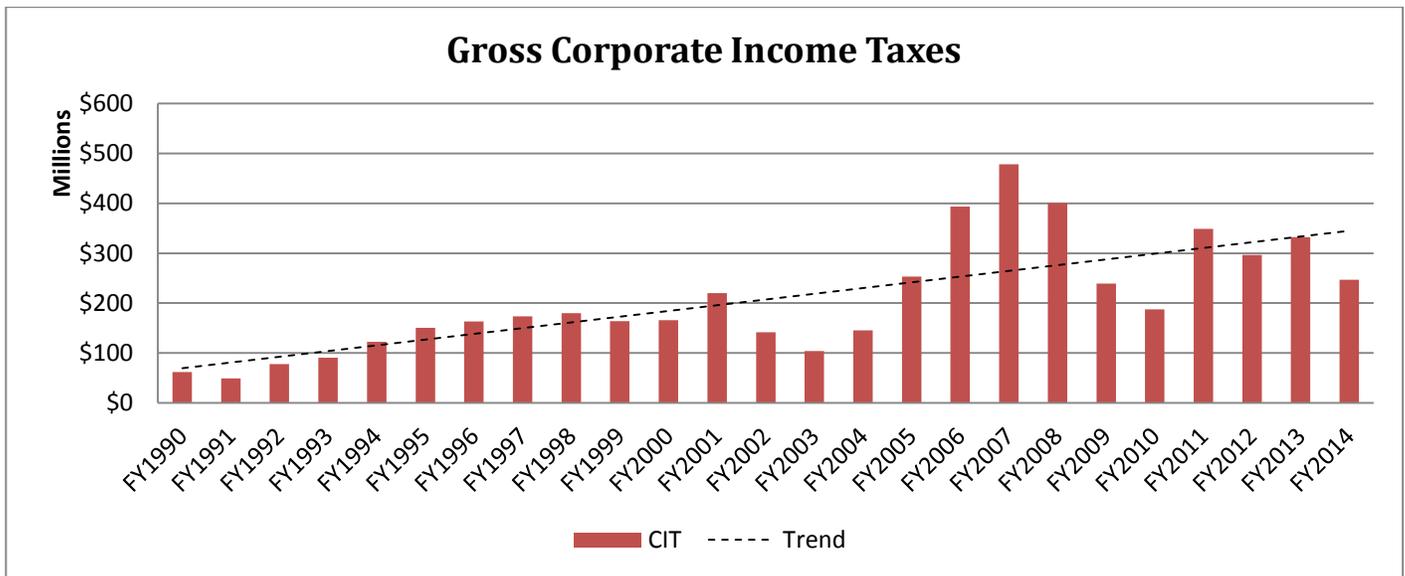
The top corporate tax rate, long one of the highest in the region<sup>1</sup>, will be reduced from 7.6 percent to 5.9 percent over five years, beginning in Tax Year 2014. Manufacturers, with certain limitations, will also be allowed to elect to use an apportioning factor which, over five years, gradually shifts to a sales factor-only apportioning. Although these changes will reduce CIT taxes gradually over the next several years, they create a more favorable environment for businesses to locate in New Mexico. Increased investment in response to this incentive should contribute to a greater corporate tax base, as well as increasing PIT and state and local GRT.

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<sup>1</sup> Among New Mexico (7.6%), Arizona (6.968%), California (8.84%), Colorado (4.63%), Kansas (7.0%), Oklahoma (6.0%) and Utah (5.0%), only California has a higher top corporate income tax rate than New Mexico's prior to the changes. Texas' tax system is substantially different from New Mexico, which makes direct comparison difficult. Nonetheless, Texas has no corporate income tax.

Figure 6 illustrates how volatile CIT has been over the past few years.

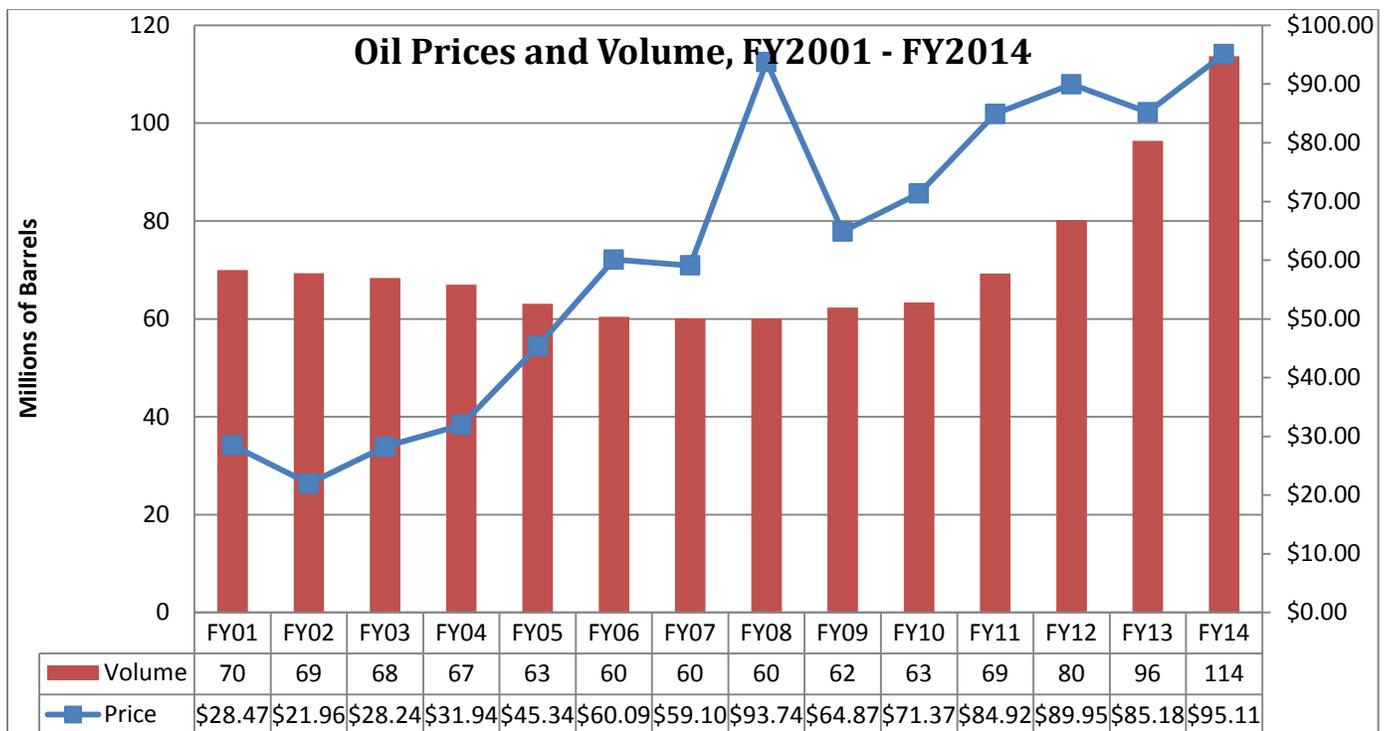
Figure 6: Gross Corporate Income Taxes



### Severance Taxes

The weaker Severance Tax forecast largely relates to higher oil production volumes but much lower oil prices which appear to provide a sustainable base-level of production through the forecast period, while revenues from natural gas production continue to decline. However, the continuing very successful development of multi-lateral wells throughout New Mexico is a source of optimism moving forward. Figure 7 illustrates that declines in oil prices do not necessarily lead to declines in production.

Figure 7: Oil Prices and Volumes



### Natural Resource Extractive Sectors

Oil exploration and production continue to show considerable strength, which continues to drive much of the observed economic growth in New Mexico. However, New Mexico oil prices have been much lower than previously expected.

New Mexico crude oil price was \$95.14 in FY14, \$0.61 lower than the August 2014 forecast. The CREG now expects New Mexico oil prices to average \$71.00 in FY15 and \$66.00 in FY16, showing a \$21.00 decrease for FY15 and \$22.0 decrease for FY16 from the August 2014 forecast.

Crude oil production in New Mexico was increased by 17.6% in FY14, reaching 110.0 million barrels. The CREG also expects production to increase gradually over the next few years. An approximate 7.6% increase is estimated for FY2015, and 4.1% increase for FY2016.

Natural gas prices in New Mexico averaged approximately \$5.13 in FY14, \$0.02 lower than the August 2014 forecast. The consensus group now expects New Mexico gas prices to average \$4.90 in FY15 and FY16, showing a \$0.30 decrease for FY15 and \$0.35 decrease for FY16 from the August 2014 forecast.

For the first time in a decade, NM natural gas production increased 0.83% in FY14. In recent activity months, the natural gas production continues to show some strength compared to the same period of FY14. This increase has

pushed up the gas volume forecast in all years. The CREG is expecting total production to be 1,181 billion cubic feet in FY15 and 1,150 billion cubic feet in FY16 with both years' forecasts higher than the August 2014 forecast.

## **Looking Forward**

The New Mexico economy appears to have settled into a pattern of slow but stable growth (see Attachment 2). Nationally, GDP forecasts were revised upward to 2.7 percent in FY15 due in part to a strong third-quarter (July – September) growth of 3.7 percent. Part of the strength results from solid employment growth, though participation rates (the number of people working or looking for work) have declined three percent since the end of the recession and is at its lowest level since 1978 according to IHS Economics. Overall GDP grew 2.5 percent in FY14 and is expected to grow 2.7 percent in F Y15, and 2.5 percent in FY16.

Albeit weak, the US economy is recovering while the rest of the world continues to lag behind. Forecasters now predict that the US trade deficit, with strength in domestic demand, is helping the economies of the rest of the world. The surge in US oil and gas production has assisted in our recovery, though Saudi Arabia and Russia continue to produce more crude oil and they have larger reserves than the US. Rising US production has had a stabilizing effect on world energy markets and has offset disruptions and turmoil caused by conflicts within Syria, Iraq, Libya, and between Russia and Ukraine.

Inflation grew 1.6 percent in FY14 and is expected to grow 1.6 percent in FY15 and 1.3 percent in FY16. Nationally business investment spending has grown this year with much of the growth in information processing equipment, R&D and light-vehicle sales.

According to the Bureau of Business and Economic Research (BBER), New Mexico non-agricultural employment grew 0.5 percent in FY14 and is expected to continue its slow growth in FY15 at 0.9 percent and in FY16 at 1.3 percent. Beginning in 2016 BBER anticipates New Mexico to add about 10,000 jobs per year with 9 out of 10 of these jobs added to the private sector. Personal income growth was 0.5 percent in FY14 and is expected to grow 3 percent in FY15 and 4.1 percent in FY16. Part of the growth comes from higher transfer payments but most of the growth was driven by private wage and salary disbursements, which account for over one-third of total personal income in New Mexico. Private wages and salaries were revised down from August but still grew 2.4 percent in FY14 and are expected to grow 4.3 percent in FY15 and 4.5 percent in FY16. Total wages and salaries were revised down from August but still grew 1.7 percent in FY14 and are expected to grow 3.5 percent in FY15 and 3.9 percent in FY16.

## **Risks to the Forecast**

The New Mexico Supreme Court granted cert in the *Eunice v. State of New Mexico Taxation and Revenue Department* case when it granted the Department's Motion for Rehearing. Should the Court of Appeal's decision in the *Eunice v.*

State of New Mexico Taxation and Revenue Department stand, the decision creates a risk to the GRT forecast. The Department estimates the future potential impact to the general fund at \$20 million per year.

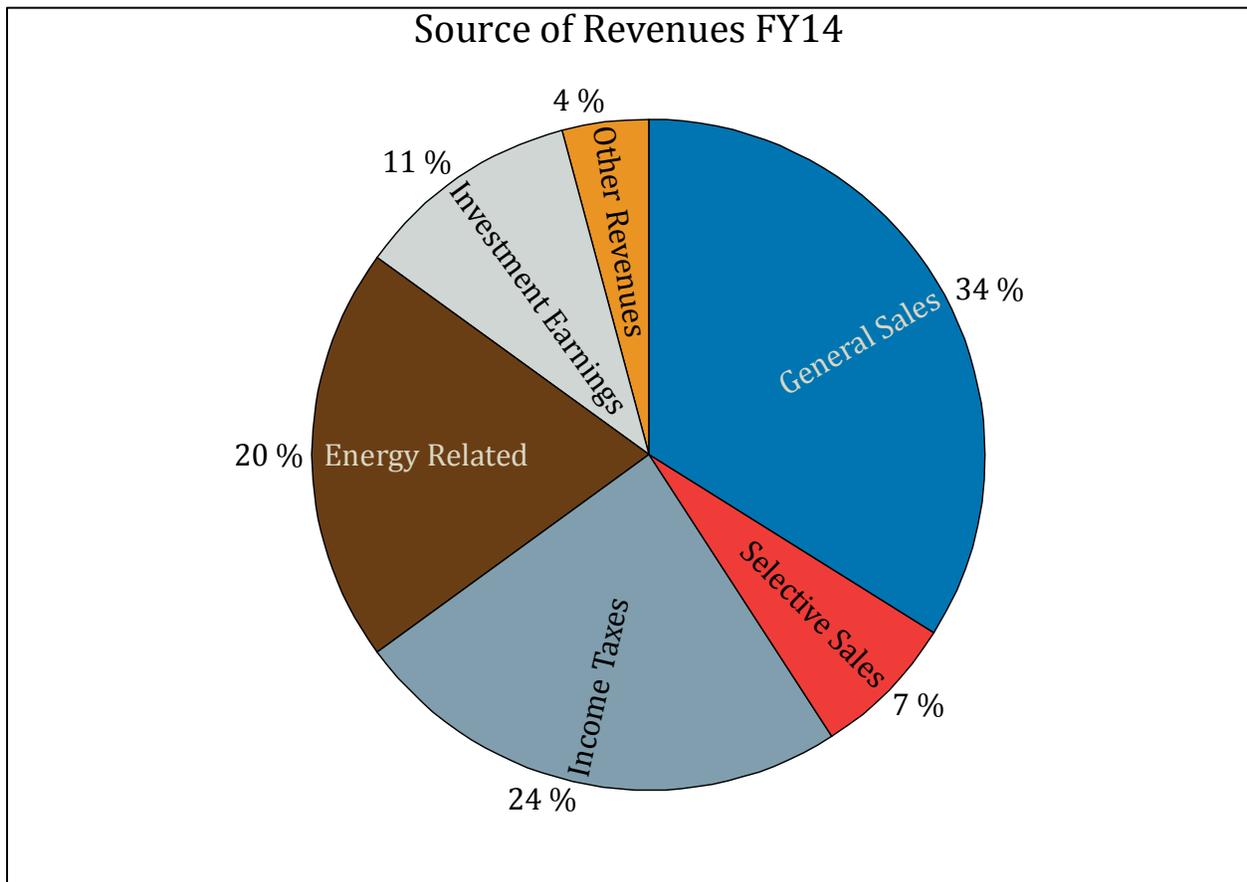
As mentioned in August, the 2001 Gaming Compact expires at the end of FY15. There are five tribes under the 2001 compact and nine tribes under the 2007 compact. Because the forecast assumes that there will be no changes to law and because the compacts have not been renewed, there is a \$20 million revenue loss to the tribal revenue sharing estimate starting in FY16 from the five tribes.

Claims for the High Wage Jobs Tax Credit (HWJTC) have significantly reduced as a result of the 2013 legislative changes. The HWJTC continues to be a risk as TRD has \$100 million in HWJTC denials in protest. If the Department loses every protest, \$50 million would potentially be paid in FY15 and another \$50 million in FY16. This is a liability to the revenue estimate that has not been included.

### Source of Revenues

Figure 8 below shows that the majority of general fund revenue comes from general sales or the gross receipts tax at 34 percent, while the second largest revenue source is from personal and corporate income taxes at 24 percent, followed by energy-related revenues at 20 percent.

Figure 8: Source of Revenues



General Fund Consensus Revenue Estimate December 2014

	FY14			FY15					FY16				
	Unaudited Actual	% Change from FY13	\$ Change from FY13	Aug 2014 Est.	Dec 2014 Est.	Change from Prior	% Change from FY14	\$ Change from FY14	Aug 2014 Est.	Dec 2014 Est.	Change from Prior	% Change from FY15	\$ Change from FY15
Gross Receipts Tax	1,992.0	3.9%	74.4	2,061.0	2,090.0	29.0	4.9%	98.0	2,160.0	2,195.0	35.0	5.0%	105.0
Compensating Tax	78.4	53.9%	27.5	63.9	63.9	-	-18.5%	(14.5)	65.9	65.9	-	3.1%	2.0
<b>TOTAL GENERAL SALES</b>	<b>2,070.4</b>	<b>5.2%</b>	<b>101.8</b>	<b>2,124.9</b>	<b>2,153.9</b>	<b>29.0</b>	<b>4.0%</b>	<b>83.5</b>	<b>2,225.9</b>	<b>2,260.9</b>	<b>35.0</b>	<b>5.0%</b>	<b>107.0</b>
Tobacco Taxes	78.5	-8.8%	(7.6)	79.8	79.0	(0.8)	0.7%	0.5	78.7	78.1	(0.6)	-1.1%	(0.9)
Liquor Excise	26.4	0.4%	0.1	27.2	26.7	(0.5)	1.3%	0.3	6.9	6.7	(0.2)	-74.9%	(20.0)
Insurance Taxes	115.1	7.0%	7.5	159.0	140.0	(19.0)	21.7%	24.9	188.0	183.0	(5.0)	30.7%	43.0
Fire Protection Fund Reversion	16.1	-12.2%	(2.2)	16.5	14.9	(1.6)	-7.4%	(1.2)	15.5	13.8	(1.7)	-7.4%	(1.1)
Motor Vehicle Excise	133.3	6.2%	7.8	137.3	141.3	4.0	6.0%	8.0	142.9	145.6	2.7	3.0%	4.3
Gaming Excise	66.5	5.4%	3.4	67.9	67.9	-	2.2%	1.4	68.1	68.1	-	0.3%	0.2
Leased Vehicle Surcharge	5.2	4.7%	0.2	5.3	5.2	(0.1)	-0.1%	(0.0)	5.3	5.2	(0.1)	0.0%	-
Other	2.9	-217.5%	5.4	0.3	1.1	0.8	-64.3%	(1.9)	2.4	2.4	-	128.6%	1.4
<b>TOTAL SELECTIVE SALES</b>	<b>443.9</b>	<b>4.3%</b>	<b>14.7</b>	<b>493.3</b>	<b>476.1</b>	<b>(17.2)</b>	<b>7.3%</b>	<b>32.2</b>	<b>507.8</b>	<b>502.9</b>	<b>(4.9)</b>	<b>5.6%</b>	<b>26.9</b>
Personal Income Tax	1,254.9	1.1%	14.0	1,305.0	1,305.0	-	4.0%	50.1	1,345.0	1,345.0	-	3.1%	40.0
Corporate Income Tax	196.8	-26.3%	(70.4)	215.0	215.0	-	9.3%	18.2	210.0	210.0	-	-2.3%	(5.0)
<b>TOTAL INCOME TAXES</b>	<b>1,451.7</b>	<b>-3.7%</b>	<b>(56.4)</b>	<b>1,520.0</b>	<b>1,520.0</b>	<b>-</b>	<b>4.7%</b>	<b>68.3</b>	<b>1,555.0</b>	<b>1,555.0</b>	<b>-</b>	<b>2.3%</b>	<b>35.0</b>
Oil and Gas School Tax	500.7	31.8%	120.8	487.3	421.1	(66.2)	-15.9%	(79.6)	482.9	408.6	(74.3)	-3.0%	(12.5)
Oil Conservation Tax	27.2	31.1%	6.5	26.6	22.7	(3.9)	-16.7%	(4.5)	26.4	22.1	(4.3)	-2.6%	(0.6)
Resources Excise Tax	13.0	-3.5%	(0.5)	11.5	12.7	1.2	-2.4%	(0.3)	11.5	12.7	1.2	0.0%	-
Natural Gas Processors Tax	16.2	-33.1%	(8.0)	18.8	19.0	0.2	17.3%	2.8	20.9	21.0	0.1	10.5%	2.0
<b>TOTAL SEVERANCE TAXES</b>	<b>557.1</b>	<b>27.1%</b>	<b>118.8</b>	<b>544.2</b>	<b>475.5</b>	<b>(68.7)</b>	<b>-14.6%</b>	<b>(81.6)</b>	<b>541.7</b>	<b>464.4</b>	<b>(77.3)</b>	<b>-2.3%</b>	<b>(11.1)</b>
LICENSE FEES	51.7	3.3%	1.7	51.6	51.6	-	-0.1%	(0.1)	51.8	51.8	-	0.3%	0.2
LGPF Interest	449.4	1.9%	8.5	496.2	496.2	-	10.4%	46.8	545.6	545.6	-	10.0%	49.4
STO Interest	19.0	28.9%	4.3	25.0	15.0	(10.0)	-21.0%	(4.0)	45.0	35.0	(10.0)	133.3%	20.0
STPF Interest	170.5	-3.2%	(5.7)	182.7	182.7	-	7.2%	12.2	193.6	193.6	-	6.0%	10.9
<b>TOTAL INTEREST</b>	<b>638.9</b>	<b>1.1%</b>	<b>7.1</b>	<b>703.9</b>	<b>693.9</b>	<b>(10.0)</b>	<b>8.6%</b>	<b>55.0</b>	<b>784.2</b>	<b>774.2</b>	<b>(10.0)</b>	<b>11.6%</b>	<b>80.4</b>
Federal Mineral Leasing	569.9	24.0%	110.2	573.1	532.0	(41.1)	-6.6%	(37.9)	569.4	487.0	(82.4)	-8.5%	(45.0)
State Land Office	47.5	6.4%	2.8	52.9	47.5	(5.4)	0.0%	0.0	50.6	47.5	(3.1)	0.0%	-
<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>617.3</b>	<b>22.4%</b>	<b>113.1</b>	<b>626.0</b>	<b>579.5</b>	<b>(46.5)</b>	<b>-6.1%</b>	<b>(37.8)</b>	<b>619.9</b>	<b>534.5</b>	<b>(85.4)</b>	<b>-7.8%</b>	<b>(45.0)</b>
TRIBAL REVENUE SHARING	67.6	-4.4%	(3.1)	70.0	70.0	-	3.6%	2.4	53.3	53.3	-	-23.9%	(16.7)
MISCELLANEOUS RECEIPTS	45.0	9.1%	3.7	52.9	46.6	(6.3)	3.5%	1.6	56.1	49.9	(6.1)	7.2%	3.3
REVERSIONS	96.5	46.8%	30.8	53.0	53.0	-	-45.1%	(43.5)	40.0	45.0	5.0	-15.1%	(8.0)
<b>TOTAL RECURRING</b>	<b>6,040.1</b>	<b>5.8%</b>	<b>332.1</b>	<b>6,239.7</b>	<b>6,120.0</b>	<b>(119.7)</b>	<b>1.3%</b>	<b>79.9</b>	<b>6,435.7</b>	<b>6,291.9</b>	<b>(143.8)</b>	<b>2.8%</b>	<b>171.9</b>
TOTAL NON-RECURRING	0.4	-35.2%	(0.2)	-	-	-	-100.0%	(0.4)	-	-	-	na	-
<b>GRAND TOTAL</b>	<b>6,040.5</b>	<b>5.8%</b>	<b>331.9</b>	<b>6,239.7</b>	<b>6,120.0</b>	<b>(119.7)</b>	<b>1.3%</b>	<b>79.5</b>	<b>6,435.7</b>	<b>6,291.9</b>	<b>(143.8)</b>	<b>2.8%</b>	<b>171.9</b>

General Fund Consensus Revenue Estimate December 2014

Appendix 1

	FY17					FY18					FY19				
	Aug 2014 Est.	Dec 2014 Est.	Change from Prior	% Change from FY16	\$ Change from FY16	Aug 2014 Est.	Dec 2014 Est.	Change from Prior	% Change from FY17	\$ Change from FY17	Aug 2014 Est.	Dec 2014 Est.	Change from Prior	% Change from FY18	\$ Change from FY18
Gross Receipts Tax	2,298.0	2,292.0	(6.0)	4.4%	97.0	2,393.0	2,384.0	(9.0)	4.0%	92.0	2,510.0	2,483.0	(27.0)	4.2%	99.0
Compensating Tax	70.4	70.4	-	6.8%	4.5	70.5	70.5	-	0.2%	0.1	72.7	72.7	-	3.1%	2.2
<b>TOTAL GENERAL SALES</b>	<b>2,368.4</b>	<b>2,362.4</b>	<b>(6.0)</b>	<b>4.5%</b>	<b>101.5</b>	<b>2,463.5</b>	<b>2,454.5</b>	<b>(9.0)</b>	<b>3.9%</b>	<b>92.1</b>	<b>2,582.7</b>	<b>2,555.7</b>	<b>(27.0)</b>	<b>4.1%</b>	<b>101.2</b>
Tobacco Taxes	77.2	77.4	0.2	-0.9%	(0.7)	76.0	76.4	0.4	-1.3%	(1.0)	74.5	75.7	1.2	-0.9%	(0.7)
Liquor Excise	7.1	6.9	(0.2)	3.0%	0.2	26.6	26.1	(0.5)	278.3%	19.2	29.4	28.9	(0.5)	10.7%	2.8
Insurance Taxes	210.0	213.0	3.0	16.4%	30.0	230.0	226.0	(4.0)	6.1%	13.0	240.0	237.0	(3.0)	4.9%	11.0
Fire Protection Fund Reversion	13.8	12.8	(1.0)	-7.2%	(1.0)	12.1	11.9	(0.2)	-7.0%	(0.9)	10.3	10.7	0.4	-10.1%	(1.2)
Motor Vehicle Excise	148.4	149.9	1.5	3.0%	4.3	152.7	152.9	0.2	2.0%	3.0	155.4	156.0	0.6	2.0%	3.1
Gaming Excise	68.3	68.3	-	0.3%	0.2	68.5	68.5	-	0.3%	0.2	68.8	68.8	-	0.4%	0.3
Leased Vehicle Surcharge	5.4	5.2	(0.2)	0.0%	-	5.4	5.2	(0.2)	0.0%	-	5.5	5.2	(0.3)	0.0%	-
Other	2.4	2.4	-	0.0%	-	2.4	2.4	-	0.0%	-	2.4	2.4	-	0.0%	-
<b>TOTAL SELECTIVE SALES</b>	<b>532.6</b>	<b>535.9</b>	<b>3.3</b>	<b>6.6%</b>	<b>33.0</b>	<b>573.7</b>	<b>569.4</b>	<b>(4.3)</b>	<b>6.3%</b>	<b>33.5</b>	<b>586.3</b>	<b>584.7</b>	<b>(1.6)</b>	<b>2.7%</b>	<b>15.3</b>
Personal Income Tax	1,405.0	1,405.0	-	4.5%	60.0	1,465.0	1,465.0	-	4.3%	60.0	1,530.0	1,530.0	-	4.4%	65.0
Corporate Income Tax	200.0	217.0	17.0	3.3%	7.0	160.0	175.0	15.0	-19.4%	(42.0)	150.0	163.0	13.0	-6.9%	(12.0)
<b>TOTAL INCOME TAXES</b>	<b>1,605.0</b>	<b>1,622.0</b>	<b>17.0</b>	<b>4.3%</b>	<b>67.0</b>	<b>1,625.0</b>	<b>1,640.0</b>	<b>15.0</b>	<b>1.1%</b>	<b>18.0</b>	<b>1,680.0</b>	<b>1,693.0</b>	<b>13.0</b>	<b>3.2%</b>	<b>53.0</b>
Oil and Gas School Tax	483.0	435.1	(47.9)	6.5%	26.5	480.6	454.5	(26.1)	4.5%	19.4	478.2	471.6	(6.6)	3.8%	17.1
Oil Conservation Tax	26.5	23.8	(2.7)	7.7%	1.7	26.5	24.9	(1.6)	4.6%	1.1	26.4	26.0	(0.4)	4.4%	1.1
Resources Excise Tax	11.5	12.7	1.2	0.0%	-	11.5	12.7	1.2	0.0%	-	11.5	12.7	1.2	0.0%	-
Natural Gas Processors Tax	19.7	19.0	(0.7)	-9.5%	(2.0)	19.3	18.6	(0.7)	-2.1%	(0.4)	18.7	17.9	(0.8)	-3.8%	(0.7)
<b>TOTAL SEVERANCE TAXES</b>	<b>540.7</b>	<b>490.6</b>	<b>(50.1)</b>	<b>5.6%</b>	<b>26.2</b>	<b>537.9</b>	<b>510.7</b>	<b>(27.2)</b>	<b>4.1%</b>	<b>20.1</b>	<b>534.8</b>	<b>528.2</b>	<b>(6.6)</b>	<b>3.4%</b>	<b>17.5</b>
LICENSE FEES	51.9	51.9	-	0.2%	0.1	52.0	52.0	-	0.1%	0.1	52.0	52.0	-	0.1%	0.0
LGPF Interest	540.2	540.2	-	-1.0%	(5.4)	595.1	595.1	-	10.2%	54.8	648.1	648.1	-	8.9%	53.1
STO Interest	75.0	65.0	(10.0)	85.7%	30.0	85.0	75.0	(10.0)	15.4%	10.0	90.0	80.0	(10.0)	6.7%	5.0
STPF Interest	203.5	203.5	-	5.1%	9.8	216.6	216.6	-	6.4%	13.1	227.2	227.2	-	4.9%	10.7
<b>TOTAL INTEREST</b>	<b>818.7</b>	<b>808.7</b>	<b>(10.0)</b>	<b>4.4%</b>	<b>34.5</b>	<b>896.6</b>	<b>886.6</b>	<b>(10.0)</b>	<b>9.6%</b>	<b>77.9</b>	<b>965.3</b>	<b>955.3</b>	<b>(10.0)</b>	<b>7.7%</b>	<b>68.7</b>
Federal Mineral Leasing	567.2	505.0	(62.2)	3.7%	18.0	562.5	528.0	(34.5)	4.6%	23.0	557.8	550.0	(7.8)	4.2%	22.0
State Land Office	49.3	47.5	(1.8)	0.0%	-	48.9	47.0	(1.9)	-1.1%	(0.5)	49.1	47.0	(2.1)	0.0%	-
<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>616.5</b>	<b>552.5</b>	<b>(64.0)</b>	<b>3.4%</b>	<b>18.0</b>	<b>611.4</b>	<b>575.0</b>	<b>(36.4)</b>	<b>4.1%</b>	<b>22.5</b>	<b>606.9</b>	<b>597.0</b>	<b>(9.9)</b>	<b>3.8%</b>	<b>22.0</b>
TRIBAL REVENUE SHARING	56.2	56.2	-	5.4%	2.9	58.4	58.4	-	3.9%	2.2	60.5	60.5	-	3.6%	2.1
MISCELLANEOUS RECEIPTS	58.7	52.2	(6.6)	4.5%	2.2	61.0	53.0	(8.0)	1.6%	0.9	62.1	53.9	(8.2)	1.6%	0.9
REVERSIONS	40.0	40.0	-	-11.1%	(5.0)	40.0	40.0	-	0.0%	-	40.0	40.0	-	0.0%	-
<b>TOTAL RECURRING</b>	<b>6,688.7</b>	<b>6,572.3</b>	<b>(116.5)</b>	<b>4.5%</b>	<b>280.4</b>	<b>6,919.5</b>	<b>6,839.6</b>	<b>(79.9)</b>	<b>4.1%</b>	<b>267.3</b>	<b>7,170.6</b>	<b>7,120.3</b>	<b>(50.3)</b>	<b>4.1%</b>	<b>280.7</b>
TOTAL NON-RECURRING	-	-	-	na	-	-	-	-	na	-	-	-	-	na	-
<b>GRAND TOTAL</b>	<b>6,688.7</b>	<b>6,572.3</b>	<b>(116.5)</b>	<b>4.5%</b>	<b>280.4</b>	<b>6,919.5</b>	<b>6,839.6</b>	<b>(79.9)</b>	<b>4.1%</b>	<b>267.3</b>	<b>7,170.6</b>	<b>7,120.3</b>	<b>(50.3)</b>	<b>4.1%</b>	<b>280.7</b>

## U.S. and New Mexico Economic Indicators

## Appendix 2

		FY14		FY15		FY16		FY17		FY18		FY19	
		Aug14 Forecast	Dec14 Forecast										
<b>National Economic Indicators</b>													
GI	US Real GDP Growth (annual avg. ,% YOY)*	2.0	2.5	2.3	2.7	3.0	2.5	3.4	3.2	2.9	3.0	2.7	2.7
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	2.0	2.5	2.7	2.7	3.6	3.6	3.1	3.2	2.5	2.7	1.9	2.1
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.6	1.6	2.1	1.6	1.2	1.3	1.9	1.8	1.9	2.0	1.9	2.1
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.5	1.6	2.1	1.7	2.3	2.1	2.7	2.6	2.9	3.0	2.7	2.8
GI	Federal Funds Rate (%)	0.08	0.08	0.11	0.15	0.97	0.91	2.96	2.46	4.00	3.73	4.00	3.75
Moody's	Federal Funds Rate (%)	0.08	0.08	0.11	0.10	1.09	1.06	3.13	3.06	3.94	3.94	4.04	4.03
<b>New Mexico Labor Market and Income Data</b>													
BBER	NM Non-Agricultural Employment Growth	0.7	0.5	1.4	0.9	1.3	1.3	1.4	1.3	1.3	1.1	1.10	1.06
Moody's	NM Non-Agricultural Employment Growth	0.1	0.0	0.8	0.5	1.5	1.4	1.7	1.5	1.1	0.9	0.7	0.8
BBER	NM Nominal Personal Income Growth (%)***	2.8	0.5	4.0	3.0	4.8	4.1	5.4	4.9	5.2	5.0	4.8	4.7
Moody's	NM Nominal Personal Income Growth (%)***	1.7	0.5	2.4	2.5	3.3	2.6	4.8	4.2	4.2	3.9	3.6	3.9
BBER	NM Total Wages & Salaries Growth (%)	2.0	1.7	3.3	3.5	3.7	3.9	4.1	4.2	4.2	4.1	4.1	4.1
Moody's	NM Total Wages & Salaries Growth (%)	1.9	1.7	3.3	2.3	5.1	4.7	5.2	4.7	4.7	4.3	4.4	4.4
BBER	NM Private Wages & Salaries Growth (%)	2.9	2.4	4.1	4.3	4.5	4.5	4.8	4.5	4.8	4.3	4.6	4.3
BBER	NM Real Gross State Product (% YOY)	1.7	1.7	1.9	2.5	3.0	2.5	3.4	3.0	3.1	3.1	2.8	2.7
Moody's	NM Real Gross State Product (% YOY)	1.8	1.4	3.2	1.1	3.4	2.5	2.8	2.1	2.5	1.9	1.8	1.7
<b>New Mexico Oil and Natural Gas Values</b>													
CREG	NM Oil Price (\$/barrel)	\$95.75	\$95.14	\$92.00	\$71.00	\$88.00	\$66.00	\$87.00	\$72.00	\$86.00	\$76.00	\$85.00	\$80.00
CREG	NM Taxable Oil Volumes (million barrels)	110.0	113.4	117.0	122.0	122.0	127.0	125.0	131.0	127.0	133.0	129.0	135.0
	NM Taxable Oil Volumes (%YOY growth)	16.8%	20.4%	6.4%	7.6%	4.3%	4.1%	2.5%	3.1%	1.6%	1.5%	1.6%	1.5%
CREG	NM Gas Price (\$ per thousand cubic feet)****	\$5.15	\$5.13	\$5.20	\$4.90	\$5.25	\$4.90	\$5.30	\$4.95	\$5.35	\$5.10	\$5.40	\$5.20
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,170	1,187	1,158	1,181	1,124	1,150	1,090	1,118	1,057	1,088	1,025	1,052
	NM Taxable Gas Volumes (%YOY growth)	-0.4%	1.0%	-1.0%	-0.5%	-2.9%	-2.6%	-3.0%	-2.8%	-3.0%	-2.7%	-0.0579	-3.3%

### TRD Notes

\* Real GDP is BEA chained 2009 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.

Sources: BBER - October 2014 FOR-UNM baseline. Global Insight - November 2014 baseline.

### DFA Notes

\*\*\*\*The gas prices are estimated using a formula of NYMEX, EIA, and Moody's (November) future prices as well as a liquid premium based on oil price forecast.

Sources: Moody's Analytics, November baseline forecast for national and New Mexico data.