

**Presentation to the New Mexico Legislative Finance Committee:
General Fund Consensus Revenue Estimate — December 7, 2015
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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), and the Legislative Finance Committee (LFC) - worked together to produce the consensus revenue estimate.

Table 1 provides a summary of the December 2015 revisions to previously estimated revenues contained in the most recent consensus forecast, which was released in August of 2015. Table 2 summarizes the estimated revenues of the major sectors. Table 3 identifies the revisions by the major sectors. For more detail see Appendix 1.

**Table 1
December 2015 Consensus General Fund Recurring Revenue Outlook**

(Millions of Dollars)

	FY15	FY16	FY17	FY18	FY19	FY20
August 2015 Estimate	\$6,227	\$6,248	\$6,528	\$6,833	\$7,128	\$7,414
December 2015 Revisions	-\$32	-\$83	-\$62	-\$38	-\$31	-\$19
December 2015 Consensus	\$6,195	\$6,165	\$6,466	\$6,795	\$7,097	\$7,395
Annual Change	\$155	-\$30	\$301	\$329	\$302	\$298
Annual Percent Change	2.6%	-0.5%	4.9%	5.1%	4.4%	4.2%

“New money” – FY17 recurring revenue less FY16 recurring appropriations – is estimated at \$232 million, equivalent to about 3.7 percent of FY16 recurring appropriations.

As in prior estimates, while the revenue outlook is generally positive but weak, revenues rely 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.

Revenue decreases in FY16 of \$83 million are partly due to weakness in gross receipts taxes, and Severance Taxes. After these revisions General Fund revenues are expected to decline by 0.5 percent, while FY17 is expected to grow by 4.9 percent and FY18 by 5.1 percent.

Table 2
December 2015 Consensus General Fund Recurring Revenue Outlook

(Millions of Dollars)

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
Gross receipts tax	\$2,095	\$2,178	\$2,337	\$2,421	\$2,550	\$2,673
Selective sales taxes	\$488	\$516	\$549	\$584	\$599	\$609
Personal income tax	\$1,340	\$1,401	\$1,455	\$1,522	\$1,606	\$1,683
Corporate income tax	\$254	\$218	\$217	\$205	\$163	\$168
Energy-related revenues ¹	\$1,012	\$791	\$808	\$883	\$924	\$937
Investment/Interest earnings	\$702	\$770	\$804	\$879	\$947	\$1,012
Other revenues	\$302	\$291	\$296	\$301	\$308	\$312
Total Recurring Revenue	\$6,195	\$6,165	\$6,466	\$6,795	\$7,097	\$7,395
Annual Percent Change	2.6%	-0.5%	4.9%	5.1%	4.4%	4.2%

Table 3
December 2015 Revisions (Change from Prior Estimate)

(Millions of Dollars)

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
Gross receipts tax	(\$34)	(\$56)	\$5	(\$3)	\$24	\$43
Selective sales taxes	\$5	\$8	\$10	\$12	\$13	\$14
Personal income tax	(\$0)	\$22	\$15	\$11	\$26	\$42
Corporate income tax	(\$1)	(\$7)	(\$18)	\$10	(\$12)	(\$15)
Energy-related revenues	\$5	(\$50)	(\$75)	(\$69)	(\$85)	(\$104)
Investment/Interest earnings	\$0	(\$7)	(\$7)	(\$5)	(\$3)	(\$5)
Other revenues	(\$8)	\$7	\$8	\$7	\$6	\$6
Total Recurring Revenue	(\$32)	(\$83)	(\$62)	(\$38)	(\$31)	(\$19)

Gross Receipts Taxes

TRD estimates future GRT revenues using both historical data and forecast indicators, such as private wage and salary disbursements, mining employment, and construction employment provided by UNM's Bureau of Business and Economic Research. Since August 2015, private wage and salary disbursements and construction employment have gained strength. The forecasters believe the state economy continues to strengthen. For the most part, the recovery is hinged on employment gains in healthcare, and transportation & warehousing, largely due to the Union Pacific rail facilities in Santa Teresa. These employment gains are offsetting the mining losses. Although manufacturing has shed jobs and the public sector continued to reduce their payrolls, the housing market continues to recover, as both home sales and property values increased in the first three quarters of 2015, according to the Realtors Association in the state.

¹ Energy related revenues include severance taxes and rents & royalties.

Figure 1 shows TGR has grown in a consistent pattern, very similar to the long term trend with the exception of the recession period (2008 through 2011). Actual FY15 general fund gross receipts grew by \$103 million over FY14, an increase of 5.2 percent, including estimated 60-day money of approximately \$26.6 million. Figure 1 also shows matched Gross Receipts Tax (GRT) between FY07 and estimated FY16.

Figure 2 shows TGR exhibit a cyclical pattern over the 12 month fiscal year. The last six fiscal years show December as traditionally the high watermark and January-February the lowest level over the cycle.

Figure 3 shows the proportions of matched TGR by sector between FY09 and FY15.

Figure 1: TGR and General Fund GRT

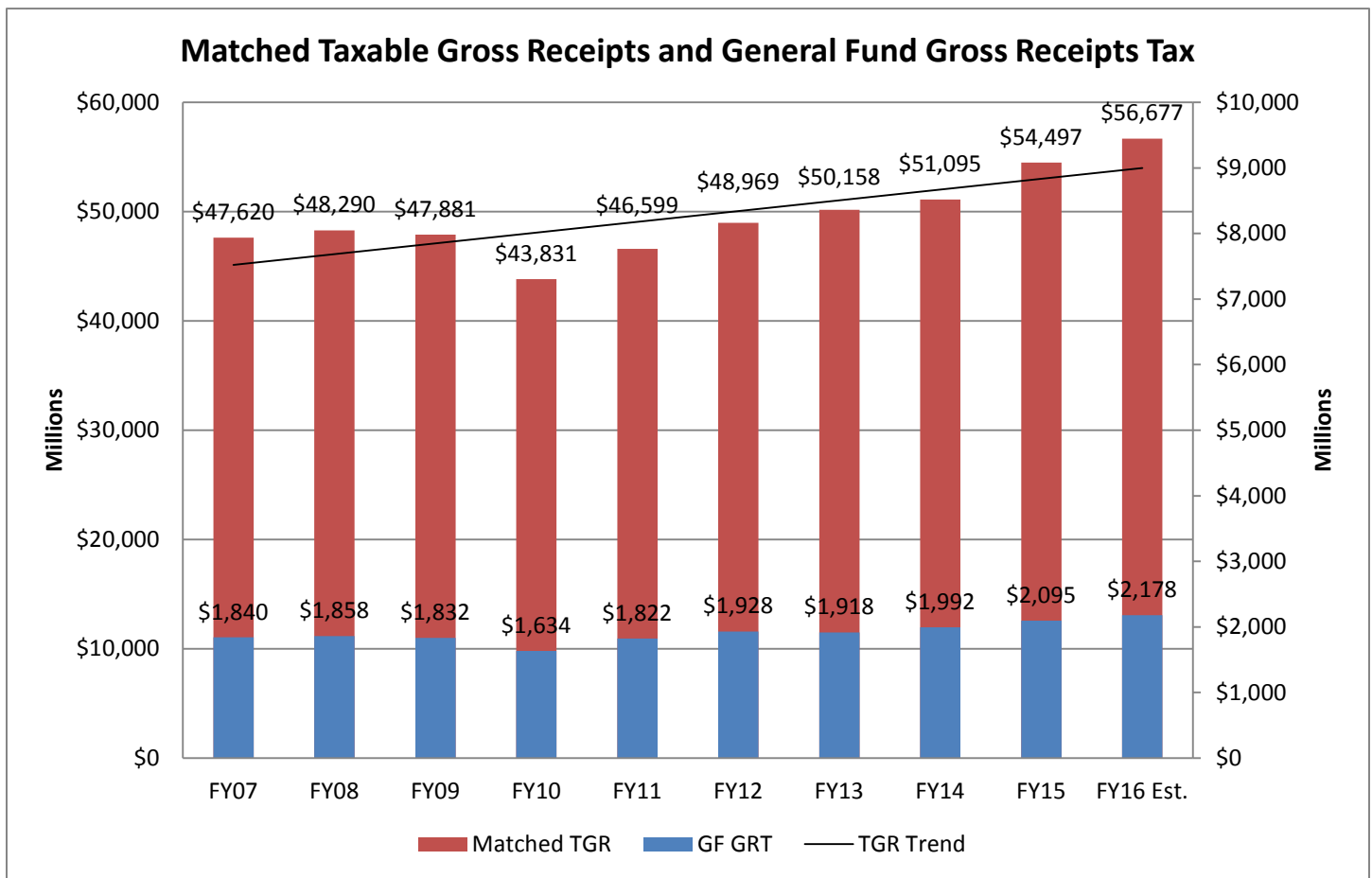


Figure 2: Monthly TGR by Fiscal Year

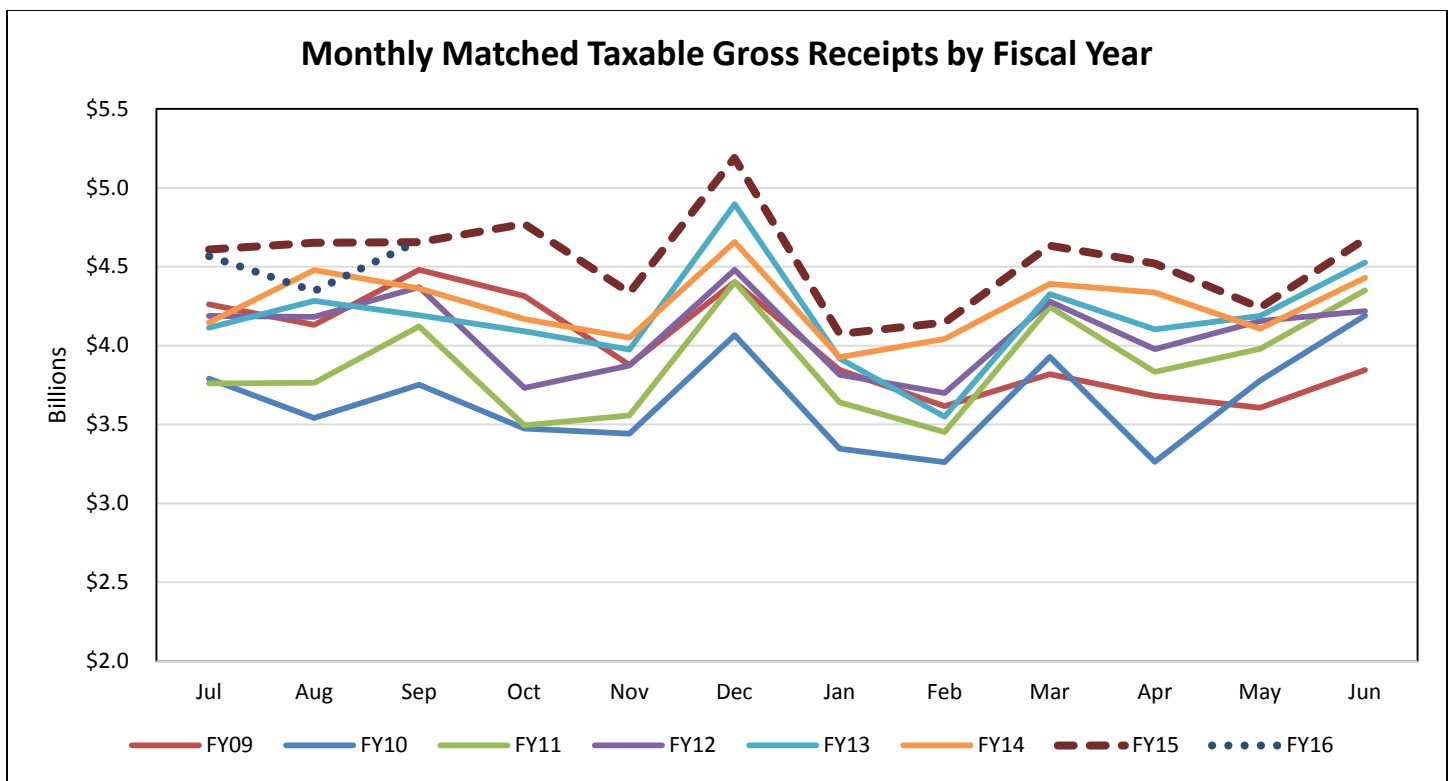
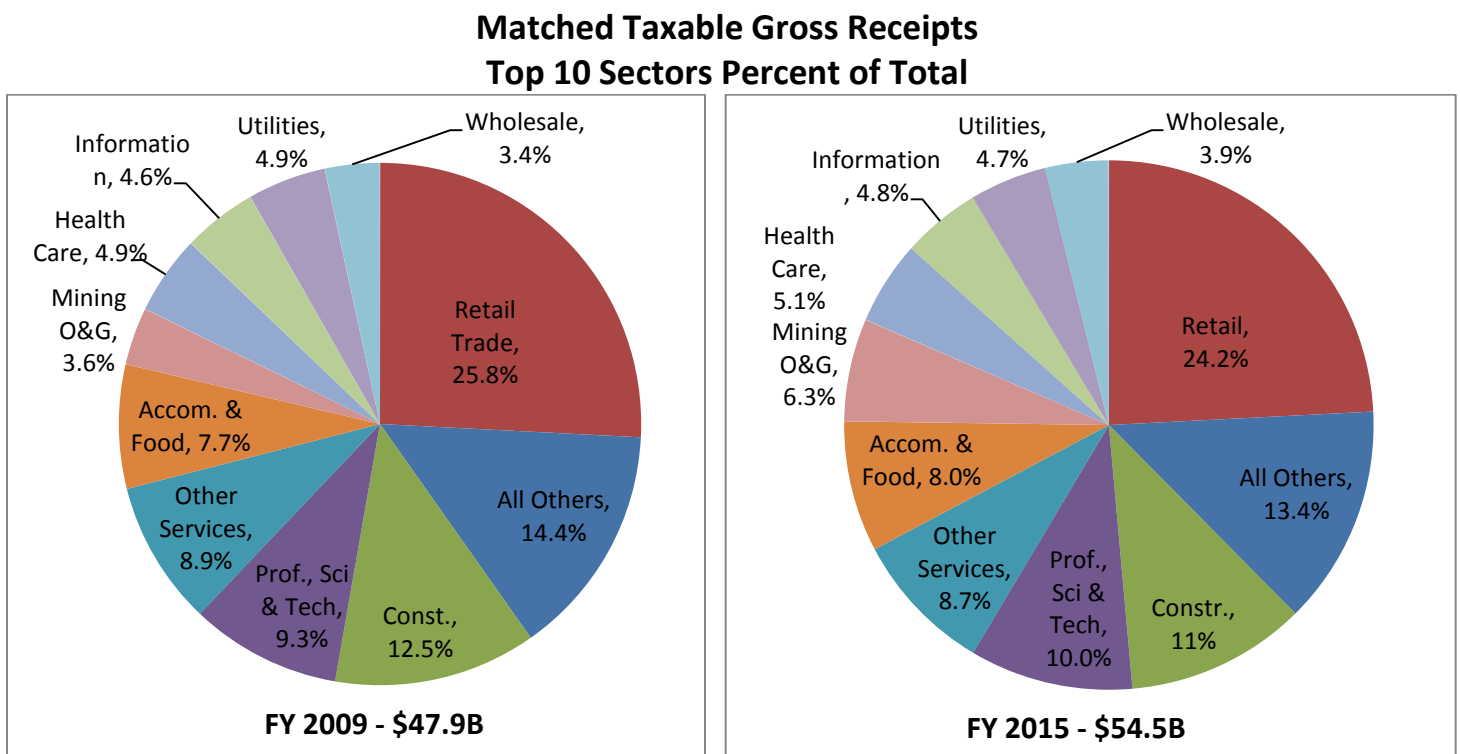


Figure 3: TGR by Sector

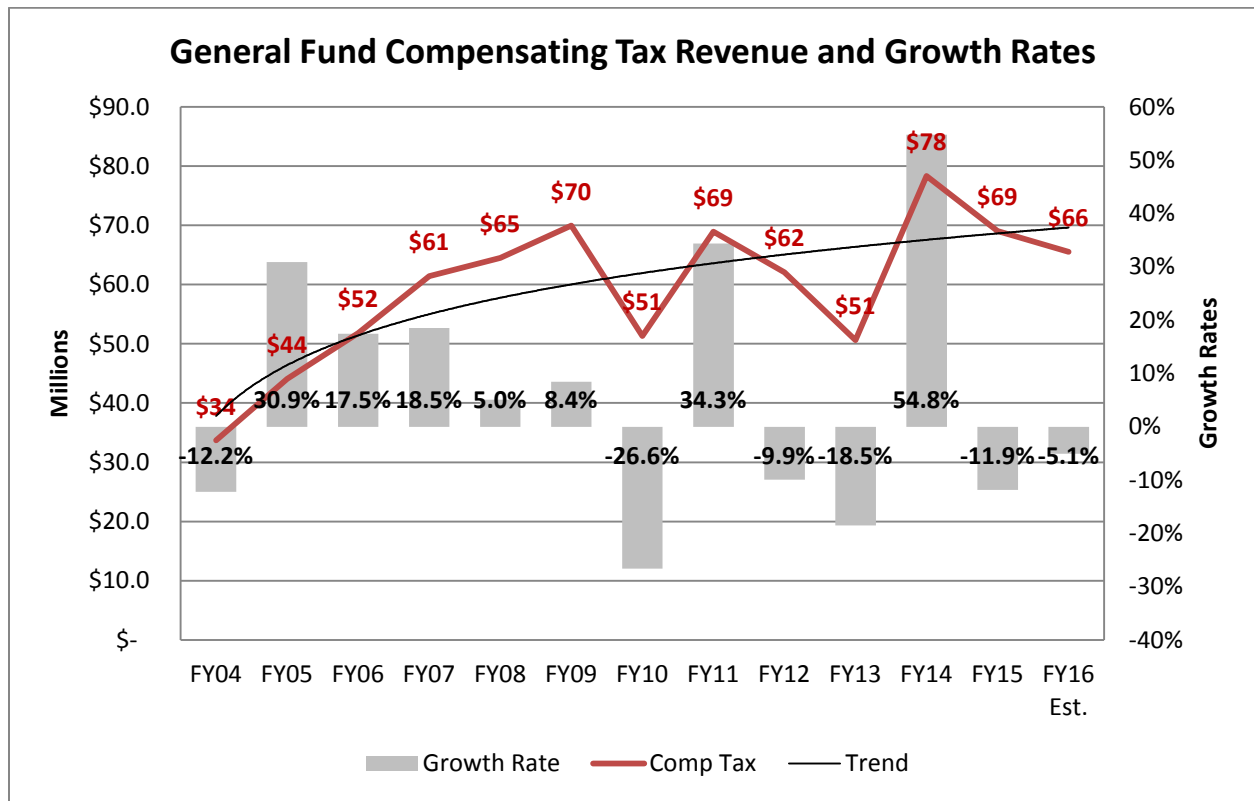


Compensating Taxes

The increasing volatility of this revenue source over the past several years continues to make it difficult to forecast. The up and down fluctuations have increased in frequency and magnitude as there has not been a back-to-back growth year since FY09. Actual FY15 figures show revenue collections of approximately \$69 million or about 12 percent below FY14, a record year. The oil industry made significant investments in the state over the past few years, contributing to increases in Comp Tax in FY14 and FY15. This contribution to Comp Tax began to decline in FY15 as the price of oil began to decline and contributes to weakness in Comp tax revenue collections in the foreseeable future.

Figure 4 illustrates the changes in Comp Tax since FY04. Historically, about 25 percent of compensating tax revenue has been collected through taxpayers in the extractive (oil and gas) industry.

Figure 4: Compensating Tax



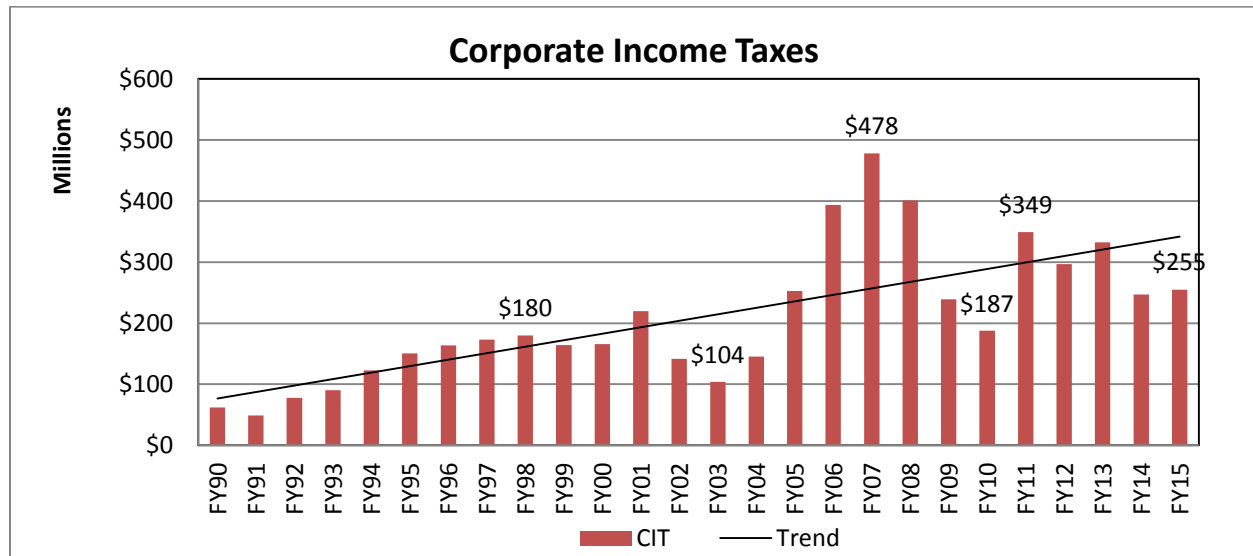
Personal Income Taxes

Personal income taxes grew 6.8 percent in FY15 and are expected to grow by 4.6 percent in FY 16. Personal income tax is expected to continuously grow after FY16. The steady growth is attributed to growth in wages and salaries.

Corporate Income Taxes

Corporate Income Tax (CIT) collections were revised downward to reflect weaker oil and gas expectations, higher reported net operating losses and lower corporate profit expectations. Figure 5 illustrates how volatile CIT has been over the past few years.

Figure 5: Gross Corporate Income Taxes



Corporate profits are expected to decline. A comprehensive measure of companies' profits across the U.S. dropped 1.1% from the second quarter, according to the U.S. Commerce Department. Compared with a year earlier, profits fell 4.7%, the biggest annual decline since the second quarter of 2009.

According to Congressional Budget Office (CBO), revenues as a share of GDP are projected to grow 0.7 percentage point over the next year—from 18.2 percent in 2015 to 18.9 percent in 2016—and then remain slightly below that level through 2025. CBO also expects corporate income tax receipts to decline relative to GDP, primarily because of an expected drop in domestic economic profits relative to the size of the economy, the result of increasing labor costs, and rising interest payments on businesses' debt. The CBO downward revisions lowered the NM forecast but recent revenue receipts offset some of this decline. Therefore, the CIT forecast in FY16 - FY19 remains close to the previous forecast.

The end of 2014 saw the expiration of several federal provisions of law that had reduced the income tax liabilities of corporations and individuals—including provisions that allowed businesses to immediately deduct significant portions of their investments in equipment. Although such provisions have been extended routinely in the past for limited periods, those extensions are not assumed in CBO's baseline, which follows current law.

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 in distribution to the general fund by about \$19 M for the time the amendments are in effect.

Cigarette and Tobacco Products Taxes

Cigarette and Tobacco Products remain reasonably steady despite the tendency for a decline in FY16 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.

Severance Taxes

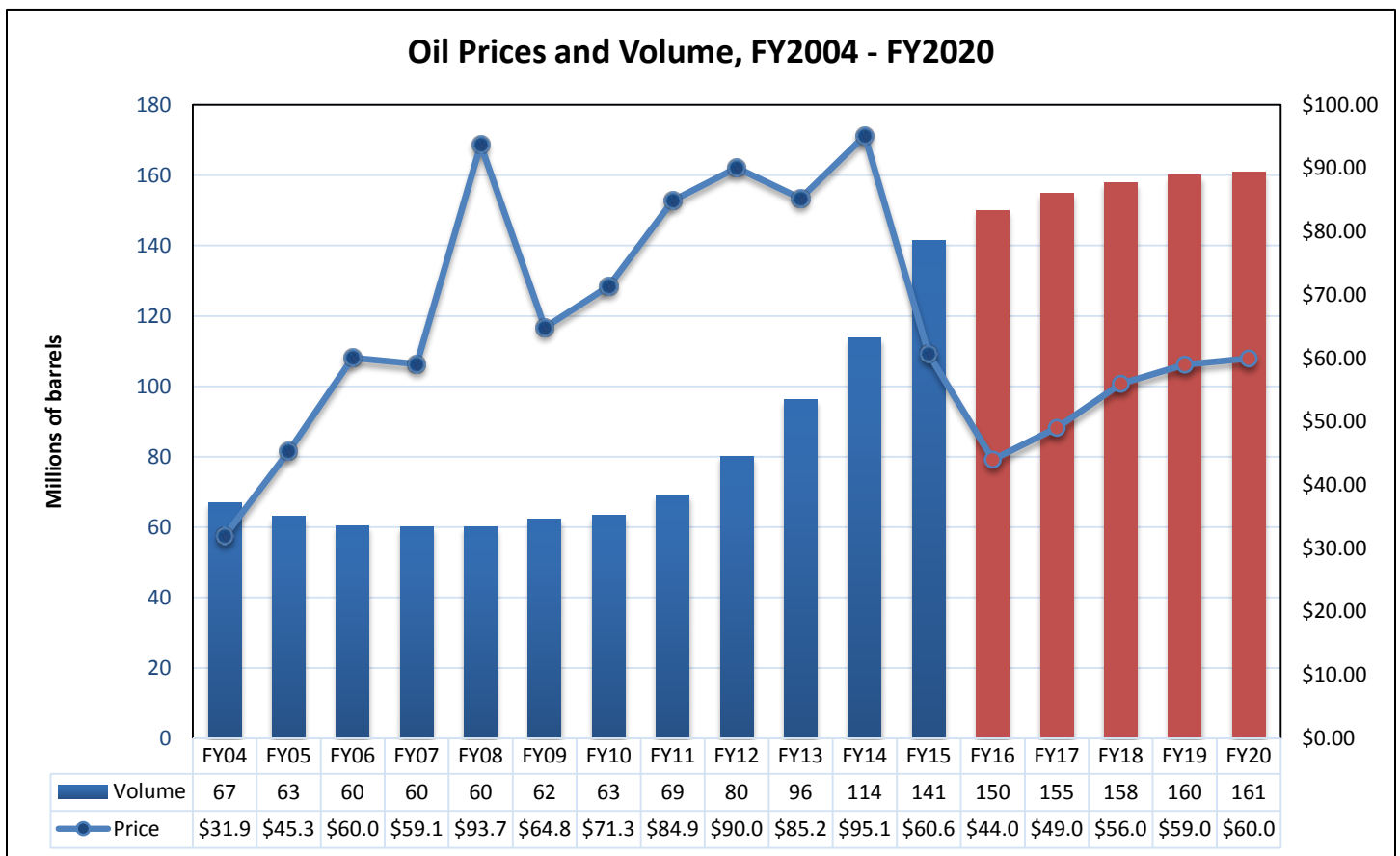
The weaker Severance Tax forecast largely relates to higher year-over-year oil production volumes, but weaker oil prices. This provides a sustainable base-level of production through the forecast period, while revenues from natural gas production and prices continue to decline.

Figure 6 illustrates that declines in oil prices do not necessarily lead to declines in production. The chart also includes the forecasted prices and volumes.

Natural Resource Extractive Sectors

Oil exploration and production continue to show considerable strength. However, New Mexico oil prices have been lower than previously expected. New Mexico crude oil price has been estimated at \$44 in FY16, \$7.50 lower than the August 2015 forecast. The CREG now expects New Mexico oil prices to average \$49 in FY17 and \$56 in FY18, showing a \$7.52 decrease for FY17 and a \$5.23 decrease for FY18 from the August 2015 forecast.

Figure 6: Oil Prices and Volumes



Crude oil production in New Mexico has been estimated to increase 6.1% in FY16, reaching 150 million barrels. The CREG also expects production to increase gradually over the next few years. A 3.3% increase is estimated in FY2017, and 1.9% in FY2018.

Natural gas prices in New Mexico have been estimated at \$2.90 in FY16. The consensus group now expects New Mexico gas prices to average \$3.20 in FY17 and \$3.40 in FY18, showing a \$0.70 decrease in FY17 and \$0.75 decrease in FY18 from the August 2015 forecast.

For the first time in a decade, NM natural gas production increased 0.89% in FY14. The CREG is expecting total production to be 1,200 billion cubic feet in FY16 and 1,170 billion cubic feet in FY17. Figure 7 shows the history and forecasted natural gas prices and volumes.

Figure 7: Natural Gas Prices and Volumes

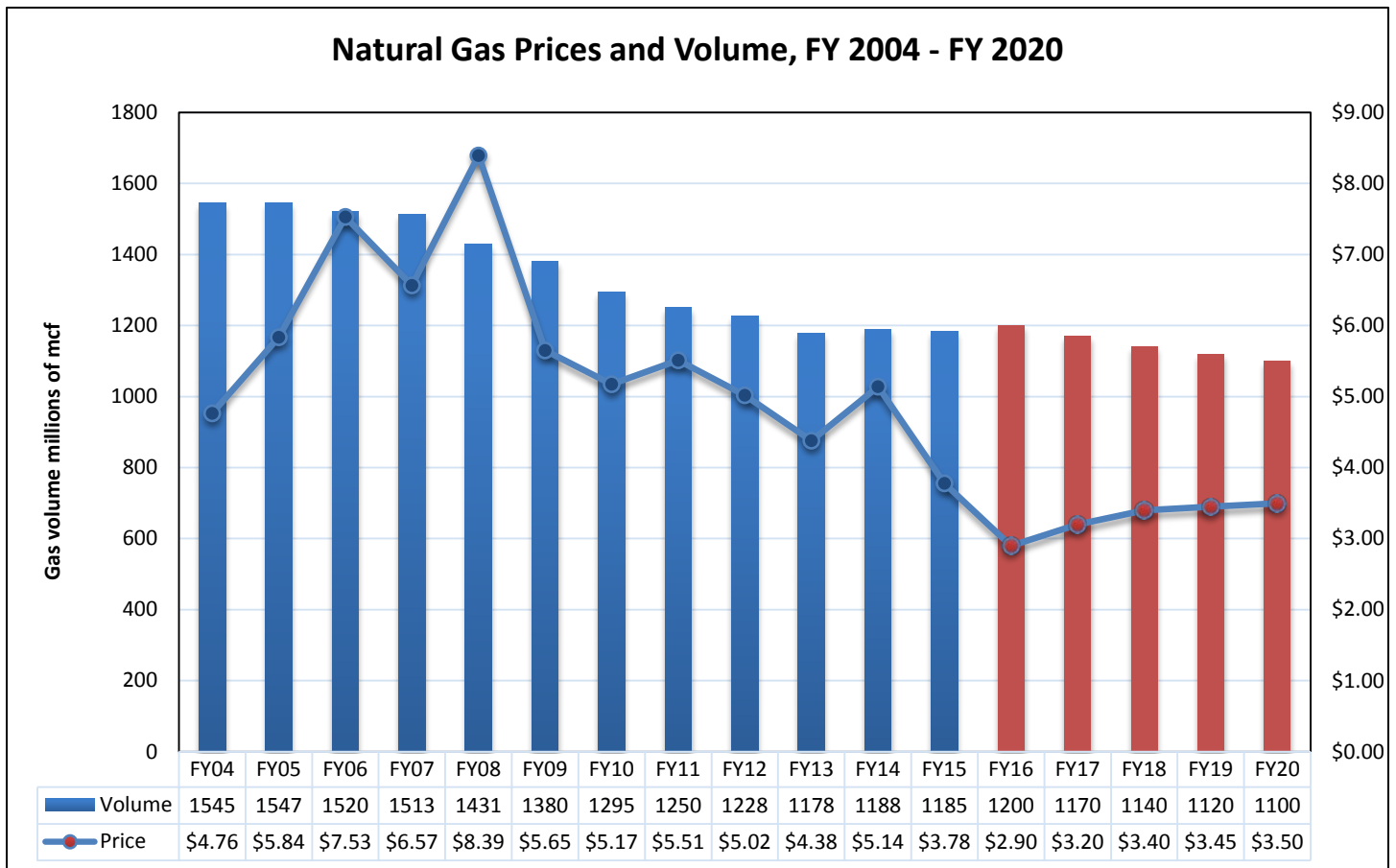
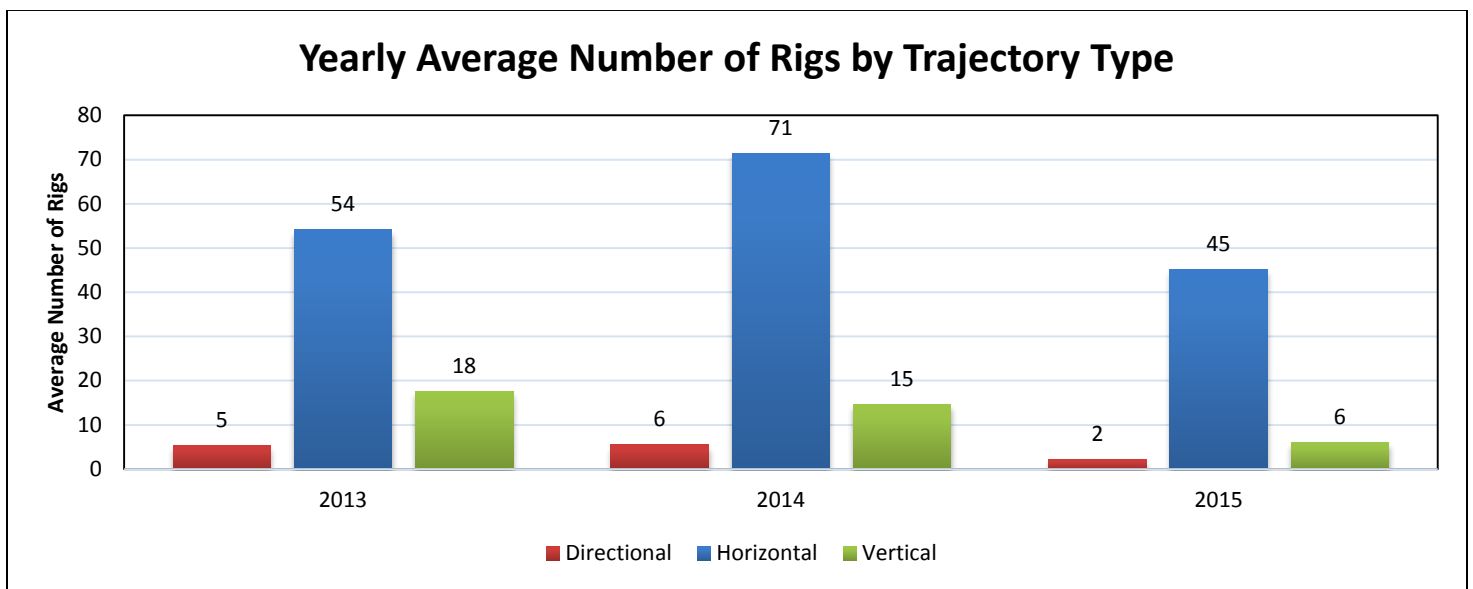


Figure 8 serves to illustrate the types of wells active in NM over the last three years. The vast majority active are horizontal wells, which are believed to be more productive due to advancements in technology. The number of active wells has decreased, especially since oil prices began to decline in the summer of 2014. The decline in the number of active wells has not had a strong effect on oil or natural gas production; natural gas production has remained stable, while oil production has increased between FY14 and FY15. The effects of fewer active rigs may be offset by increases in technology used to extract the fuels primarily in horizontal wells.

Figure 8: : Average Number of Drilling Rigs by Type



Looking Forward

According to New Mexico Department of Workforce Solutions, New Mexico’s seasonally adjusted unemployment rate was 6.8 percent in October 2015, unchanged from the previous month, but up from 6.4 percent in June and from 6.2 percent a year ago. The national unemployment rate was 5.0 percent, down from 5.1 percent in September and 5.7 percent in a year ago.

The rate of over-the-year job growth for New Mexico nonfarm payroll employment, comparing October 2015 with October 2014, was 0.3 percent, representing an increase of 2,800 jobs. This represents the thirty-eighth consecutive month of over-the-year growth. Five industries added jobs (Education and health services, professional and business services, leisure and hospitality, retail trade and financial activities) and eight posted losses (mining, miscellaneous other services, construction industry, and manufacturing).

According to United States Department of Labor report on the employment situation released in November 2015, total national nonfarm payroll employment increased by 211,000 in November, and the unemployment rate was unchanged at 5.0 percent. National job gains occurred in construction, professional and technical services, and health care. Mining and information lost jobs. The number of unemployed persons, at 7.9 million, was essentially unchanged.

The New Mexico economy remains in a pattern of slow but stable growth (see Appendix 2). Nationally, GDP forecasts were revised slightly up in FY16. Overall GDP grew 2.7 percent in FY15 and is expected to grow 2.6 percent in F Y16, and 2.9 percent in FY17. Annual growth results from positive increases real consumer spending on services, particularly medical services, housing, and non-energy capital expenditures. Business fixed

investment in the energy sector and net exports are drags on GDP growth. As in August, employment reports have added payroll jobs to the economy and seen weak wage growth and declining labor-force participation rates. The good news is that the budget deal worked out between Congress and the President will have boost growth and reduce policy uncertainty.

Inflation grew 0.1 percent in FY15 and is expected to grow 0.8 percent in FY16 and 2.9 percent in FY17. The consumer outlook remains positive. Continuing strong auto sales, increasing household real estate wealth and modest consumer price inflation account for much of the strength in spending. Investment spending on buildings is still fairly high, and spending on equipment and industrial equipment, which has slowed because of the collapse in oil drilling and the slowdown in manufacturing should pick up as oil prices and manufacturing activity increase. Home prices are finally starting to rise providing some equity increases for many homeowners. Existing home sales and home-ownership rates are also increasing.

According to the Bureau of Business and Economic Research (BBER), New Mexico non-agricultural employment grew 1.3 percent in FY15 and is expected to slow to 0.9 percent in FY16 and 1.4 percent in FY17. Personal income growth was 5.1 percent in FY15 and is expected to grow to 4.1 percent in FY16 and 4.8 percent in FY17. Private wages and salaries grew at 4.0 percent in FY15 and are expected to grow 3.3 percent in FY16 and 5.2 percent in FY17. Total wages and salaries grew 3.6 percent in FY15 and are expected to grow 3.0 percent in FY16 and 4.5 percent in FY17.

Risks to the Forecast

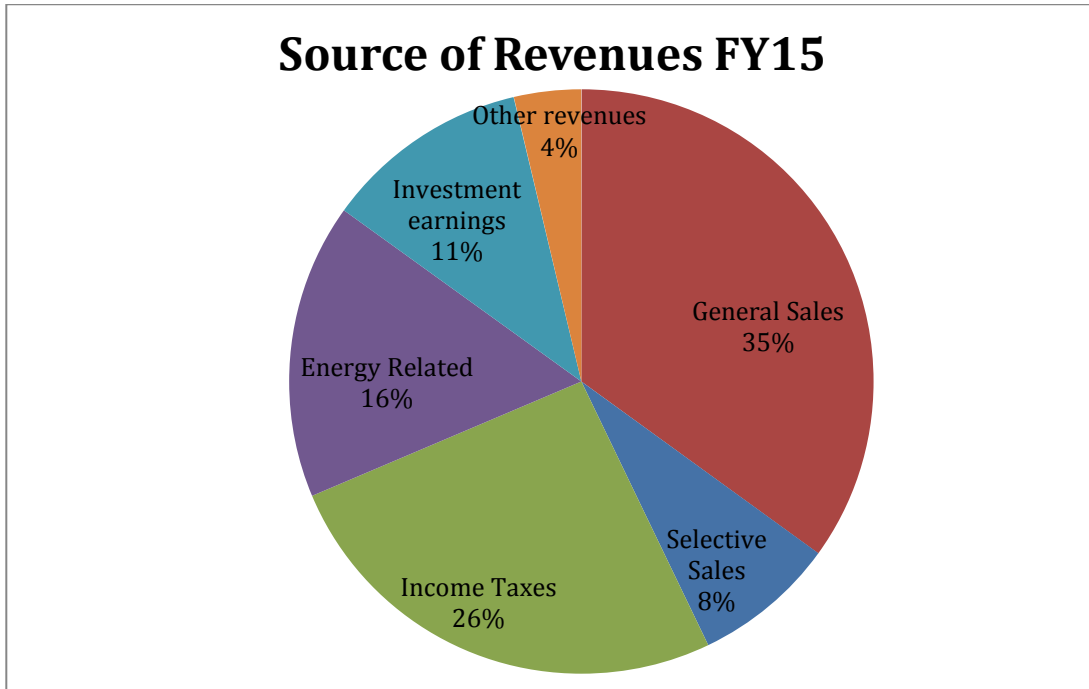
TRD still has protests on the high-wage tax credit from before the current law change and expects to continue to settle those in FY16. Starting in FY17 the cost of HWJTC is forecast to decrease to about \$20 million from \$70 million.

In FY15 TRD increased its audit efforts. These efforts resulted in additional revenues being collected in most of the major tax programs including GRT, compensating tax, and PIT. TRD expects to continue these efforts in FY16.

The federal discretionary budget authority is increased by \$80 million over 2 years, evenly split between defense and nondefense spending. This additional spending will boost spending in New Mexico, including the national laboratories, federal government and roads.

Source of Revenues

The figure below shows that the majority of general fund revenue in FY15 comes from general sales or the gross receipts tax at 35 percent (34 percent in FY14), while the second largest revenue source is from personal and corporate income taxes at 26 percent (24 percent in FY14), followed by energy-related revenues at 16 percent (20 percent in FY14).



General Fund Consensus Revenue Estimate December 2015

Appendix 1

	FY15					FY16					FY17				
	Aug 2015 Est.	Pre-liminary Actual	Change from Prior	% Change from FY14	\$ Change from FY14	Aug 2015 Est.	Dec 2015 Est.	Change from Prior	% Change from FY15	\$ Change from FY15	Aug 2015 Est.	Dec 2015 Est.	Change from Prior	% Change from FY16	\$ Change from FY16
Gross Receipts Tax	2,129.0	2,095.2	(33.8)	5.2%	103.1	2,233.9	2,178.0	(55.9)	4.0%	82.8	2,331.7	2,336.7	5.0	7.3%	158.7
Compensating Tax	82.0	71.8	(10.2)	-8.3%	(6.5)	68.6	65.5	(3.1)	-8.8%	(6.3)	68.0	65.4	(2.6)	-0.2%	(0.1)
TOTAL GENERAL SALES	2,211.0	2,167.0	(44.0)	4.7%	96.6	2,302.5	2,243.5	(59.0)	3.5%	76.5	2,399.7	2,402.1	2.4	7.1%	158.6
Tobacco Taxes	81.9	82.3	0.4	4.9%	3.9	82.0	82.4	0.4	0.1%	0.1	81.0	81.4	0.4	-1.2%	(1.0)
Liquor Excise	26.7	26.3	(0.4)	-0.4%	(0.1)	6.7	6.7	-	-74.5%	(19.6)	6.9	6.9	-	3.0%	0.2
Insurance Taxes	140.0	149.9	9.9	30.2%	34.8	183.0	188.0	5.0	25.5%	38.1	213.0	219.1	6.1	16.5%	31.1
Fire Protection Fund Reversion	15.7	15.2	(0.5)	-5.8%	(0.9)	14.0	13.7	(0.3)	-9.6%	(1.5)	12.8	12.4	(0.4)	-9.5%	(1.3)
Motor Vehicle Excise	143.0	138.7	(4.3)	4.1%	5.4	146.0	147.0	1.0	6.0%	8.3	150.0	152.0	2.0	3.4%	5.0
Gaming Excise	70.1	70.4	0.3	6.0%	4.0	68.9	70.1	1.2	-0.4%	(0.3)	67.7	70.1	2.4	0.0%	-
Leased Vehicle Surcharge	5.2	5.2	0.0	0.6%	0.0	5.2	5.2	-	-0.7%	(0.0)	5.2	5.2	-	0.0%	-
Other	1.0	0.5	(0.5)	-83.5%	(2.5)	3.0	3.2	0.2	564.7%	2.7	2.2	2.1	(0.1)	-35.8%	(1.2)
TOTAL SELECTIVE SALES	483.6	488.5	4.9	10.0%	44.6	508.8	516.3	7.5	5.7%	27.9	538.8	549.2	10.4	6.4%	32.8
Personal Income Tax	1,340.0	1,339.7	(0.3)	6.8%	84.8	1,379.0	1,401.0	22.0	4.6%	61.3	1,440.0	1,455.0	15.0	3.9%	54.0
Corporate Income Tax	255.0	254.5	(0.5)	29.3%	57.7	224.7	218.0	(6.7)	-14.3%	(36.5)	234.7	217.0	(17.7)	-0.5%	(1.0)
TOTAL INCOME TAXES	1,595.0	1,594.2	(0.8)	9.8%	142.5	1,603.7	1,619.0	15.3	1.6%	24.8	1,674.7	1,672.0	(2.7)	3.3%	53.0
Oil and Gas School Tax	370.7	375.4	4.7	-25.0%	(125.2)	331.8	283.7	(48.1)	-24.4%	(91.7)	365.1	315.3	(49.8)	11.1%	31.6
Oil Conservation Tax	19.6	20.1	0.5	-26.3%	(7.2)	17.6	15.1	(2.5)	-24.8%	(5.0)	19.4	16.7	(2.7)	10.6%	1.6
Resources Excise Tax	13.0	13.3	0.3	2.5%	0.3	13.0	13.0	-	-2.6%	(0.3)	13.0	13.0	-	0.0%	-
Natural Gas Processors Tax	19.0	18.6	(0.4)	14.8%	2.4	18.7	19.7	1.0	5.9%	1.1	14.2	15.0	0.8	-23.9%	(4.7)
TOTAL SEVERANCE TAXES	422.3	427.5	5.1	-23.3%	(129.7)	381.1	331.5	(49.6)	-22.4%	(96.0)	411.7	360.0	(51.7)	8.6%	28.5
LICENSE FEES	55.0	55.9	0.9	8.1%	4.2	53.5	54.5	1.0	-2.5%	(1.4)	54.6	55.5	0.9	1.8%	1.0
LGPF Interest	502.8	502.8	(0.0)	11.9%	53.4	553.2	553.2	-	10.0%	50.4	547.0	548.1	1.1	-0.9%	(5.1)
STO Interest	16.8	17.0	0.2	-10.4%	(2.0)	29.9	23.4	(6.5)	37.5%	6.4	60.8	52.6	(8.2)	124.8%	29.2
STPF Interest	182.7	182.7	0.0	7.2%	12.3	193.5	193.5	-	5.9%	10.8	203.5	203.4	(0.1)	5.1%	9.9
TOTAL INTEREST	702.3	702.5	0.2	10.0%	63.6	776.6	770.1	(6.5)	9.6%	67.6	811.3	804.1	(7.2)	4.4%	34.0
Federal Mineral Leasing	541.9	542.2	0.3	-4.9%	(27.7)	420.0	421.7	1.7	-22.2%	(120.5)	430.0	407.1	(22.9)	-3.5%	(14.6)
State Land Office	42.2	42.2	0.0	-11.0%	(5.2)	39.3	37.6	(1.7)	-11.0%	(4.6)	41.4	41.2	(0.2)	9.6%	3.6
TOTAL RENTS & ROYALTIES	584.1	584.4	0.3	-5.3%	(32.9)	459.3	459.3	(0.0)	-21.4%	(125.1)	471.4	448.3	(23.1)	-2.4%	(11.0)
TRIBAL REVENUE SHARING	65.0	67.2	2.2	-0.6%	(0.4)	64.3	64.3	-	-4.3%	(2.9)	65.8	65.8	-	2.3%	1.5
MISCELLANEOUS RECEIPTS	52.7	56.2	3.4	24.7%	11.1	52.9	56.5	3.5	0.6%	0.3	55.0	59.4	4.3	5.1%	2.9
REVERSIONS	55.7	51.5	(4.2)	-46.7%	(45.1)	45.0	50.0	5.0	-2.8%	(1.5)	45.0	50.0	5.0	0.0%	-
TOTAL RECURRING	6,226.8	6,194.7	(32.1)	2.6%	154.6	6,247.7	6,165.0	(82.7)	-0.5%	(29.6)	6,528.0	6,466.3	(61.7)	4.9%	301.3
TOTAL NON-RECURRING	24.6	41.2	16.6	na	40.8	5.5	5.5	-	-86.7%	(35.7)	-	-	-	-100.0%	(5.5)
GRAND TOTAL	6,251.4	6,235.9	(15.5)	3.2%	195.4	6,253.2	6,170.5	(82.7)	-1.0%	(65.3)	6,528.0	6,466.3	(61.7)	4.8%	295.8

General Fund Consensus Revenue Estimate December 2015

Appendix 1

	FY18					FY19					FY20				
	Aug 2015 Est.	Dec 2015 Est.	Change from Prior	% Change from FY17	\$ Change from FY17	Aug 2015 Est.	Dec 2015 Est.	Change from Prior	% Change from FY18	\$ Change from FY18	Aug 2015 Est.	Dec 2015 Est.	Change from Prior	% Change from FY19	\$ Change from FY19
Gross Receipts Tax	2,424.5	2,421.3	(3.2)	3.6%	84.6	2,525.8	2,550.0	24.2	5.3%	128.7	2,630.0	2,673.0	43.0	4.8%	123.0
Compensating Tax	69.4	66.4	(3.0)	1.5%	1.0	72.2	67.9	(4.3)	2.3%	1.5	71.3	67.5	(3.8)	-0.6%	(0.4)
TOTAL GENERAL SALES	2,493.9	2,487.7	(6.2)	3.6%	85.6	2,598.0	2,617.9	19.9	5.2%	130.2	2,701.3	2,740.5	39.2	4.7%	122.6
Tobacco Taxes	80.0	80.4	0.4	-1.2%	(1.0)	79.0	79.4	0.4	-1.2%	(1.0)	78.1	78.4	0.3	-1.3%	(1.0)
Liquor Excise	26.1	26.1	-	278.3%	19.2	28.9	28.9	-	10.7%	2.8	27.7	27.7	-	-4.2%	(1.2)
Insurance Taxes	226.0	231.8	5.8	5.8%	12.7	237.0	243.3	6.3	5.0%	11.5	247.2	255.6	8.4	5.1%	12.3
Fire Protection Fund Reversion	11.5	11.2	(0.3)	-9.7%	(1.2)	10.2	10.0	(0.2)	-10.7%	(1.2)	8.6	8.5	(0.1)	-15.0%	(1.5)
Motor Vehicle Excise	155.0	157.0	2.0	3.3%	5.0	158.0	161.0	3.0	2.5%	4.0	161.0	164.0	3.0	1.9%	3.0
Gaming Excise	66.5	70.3	3.8	0.3%	0.2	65.4	69.1	3.7	-1.7%	(1.2)	65.3	68.0	2.7	-1.6%	(1.1)
Leased Vehicle Surcharge	5.2	5.2	-	0.0%	-	5.2	5.2	-	0.0%	-	5.2	5.2	-	0.0%	-
Other	2.2	2.1	(0.1)	0.0%	-	2.2	2.1	(0.1)	0.0%	-	2.2	2.1	(0.1)	0.0%	-
TOTAL SELECTIVE SALES	572.5	584.1	11.6	6.4%	34.9	585.9	599.0	13.1	2.6%	14.9	595.3	609.5	14.2	1.8%	10.5
Personal Income Tax	1,511.0	1,522.0	11.0	4.6%	67.0	1,580.0	1,606.0	26.0	5.5%	84.0	1,641.0	1,683.0	42.0	4.8%	77.0
Corporate Income Tax	194.7	205.0	10.3	-5.5%	(12.0)	174.7	163.0	(11.7)	-20.5%	(42.0)	183.4	168.0	(15.4)	3.1%	5.0
TOTAL INCOME TAXES	1,705.7	1,727.0	21.3	3.3%	55.0	1,754.7	1,769.0	14.3	2.4%	42.0	1,824.4	1,851.0	26.6	4.6%	82.0
Oil and Gas School Tax	394.6	362.2	(32.4)	14.9%	46.9	418.1	378.1	(40.0)	4.4%	15.9	430.5	383.8	(46.7)	1.5%	5.7
Oil Conservation Tax	20.9	19.2	(1.7)	15.0%	2.5	22.2	20.1	(2.1)	4.7%	0.9	22.8	20.4	(2.4)	1.5%	0.3
Resources Excise Tax	13.0	13.0	-	0.0%	-	13.0	13.0	-	0.0%	-	13.0	13.0	-	0.0%	-
Natural Gas Processors Tax	13.9	14.8	0.9	-1.3%	(0.2)	13.5	14.5	1.0	-2.0%	(0.3)	13.1	14.3	1.2	-1.4%	(0.2)
TOTAL SEVERANCE TAXES	442.4	409.2	(33.2)	13.7%	49.2	466.8	425.7	(41.1)	4.0%	16.5	479.4	431.5	(47.9)	1.4%	5.8
LICENSE FEES	55.9	56.6	0.7	2.0%	1.1	57.3	57.9	0.6	2.3%	1.3	58.9	59.3	0.4	2.4%	1.4
LGPF Interest	600.3	601.9	1.6	9.8%	53.8	650.6	651.9	1.3	8.3%	50.0	693.6	693.9	0.3	6.4%	42.0
STO Interest	67.0	60.3	(6.7)	14.6%	7.7	72.3	67.7	(4.6)	12.3%	7.4	86.1	82.6	(3.5)	22.0%	14.9
STPF Interest	216.7	216.5	(0.2)	6.4%	13.1	227.7	227.5	(0.2)	5.1%	11.0	237.2	235.9	(1.3)	3.7%	8.4
TOTAL INTEREST	884.0	878.7	(5.3)	9.3%	74.6	950.6	947.1	(3.5)	7.8%	68.4	1,016.9	1,012.4	(4.5)	6.9%	65.3
Federal Mineral Leasing	466.0	430.0	(36.0)	5.6%	22.9	497.0	453.0	(44.0)	5.3%	23.0	516.0	460.0	(56.0)	1.5%	7.0
State Land Office	43.6	43.7	0.1	6.1%	2.5	45.1	45.2	0.1	3.4%	1.5	45.9	45.7	(0.2)	1.1%	0.5
TOTAL RENTS & ROYALTIES	509.6	473.7	(35.9)	5.7%	25.4	542.1	498.2	(43.9)	5.2%	24.5	561.9	505.7	(56.2)	1.5%	7.5
TRIBAL REVENUE SHARING	67.8	67.8	-	3.0%	2.0	71.0	71.0	-	4.7%	3.2	73.1	73.1	-	3.0%	2.1
MISCELLANEOUS RECEIPTS	55.9	60.3	4.5	1.7%	1.0	56.8	61.3	4.5	1.5%	0.9	57.8	62.3	4.5	1.7%	1.0
REVERSIONS	45.0	50.0	5.0	0.0%	-	45.0	50.0	5.0	0.0%	-	45.0	50.0	5.0	0.0%	-
TOTAL RECURRING	6,832.7	6,795.1	(37.6)	5.1%	328.8	7,128.1	7,097.0	(31.1)	4.4%	301.9	7,414.0	7,395.3	(18.8)	4.2%	298.2
TOTAL NON-RECURRING	-	-	-	na	-	-	-	-	na	-	-	-	-	na	-
GRAND TOTAL	6,832.7	6,795.1	(37.6)	5.1%	328.8	7,128.1	7,097.0	(31.1)	4.4%	301.9	7,414.0	7,395.3	(18.8)	4.2%	298.2

U.S. and New Mexico Economic Indicators

Appendix 2

		FY15		FY16		FY17		FY18		FY19		FY20	
		Aug15	Dec15	Aug15	Dec15	Aug15	Dec15	Aug15	Dec15	Aug15	Dec15	Aug15	Dec15
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
National Economic Indicators													
GI	US Real GDP Growth (annual avg. ,% YOY)*	2.6	2.7	2.4	2.6	3.0	2.9	2.5	2.6	2.5	2.6	2.5	2.6
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	2.6	2.7	2.6	2.5	3.0	3.1	2.8	2.9	2.5	2.4	1.9	1.8
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	0.7	0.7	1.0	0.5	2.1	2.3	2.5	2.6	2.5	2.3	2.2	2.4
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	0.7	0.7	1.7	1.1	2.7	2.4	2.8	2.9	2.8	3.0	2.5	2.6
GI	Federal Funds Rate (%)	0.11	0.11	0.66	0.39	1.81	1.41	3.35	2.41	3.50	3.20	3.50	3.25
Moody's	Federal Funds Rate (%)	0.11	0.11	0.81	0.33	2.58	1.25	3.61	3.10	3.82	3.82	3.64	3.64
New Mexico Labor Market and Income Data													
BBER	NM Non-Agricultural Employment Growth	1.2	1.3	1.3	0.9	1.3	1.4	1.4	1.5	1.3	1.5	1.0	1.3
Moody's	NM Non-Agricultural Employment Growth	1.4	1.4	1.6	0.9	2.4	2.2	2.0	2.1	1.3	1.7	0.6	0.9
BBER	NM Nominal Personal Income Growth (%)**	4.8	5.1	4.6	4.1	4.9	4.8	5.0	5.4	4.9	5.2	4.8	5.1
Moody's	NM Nominal Personal Income Growth (%)**	4.8	5.1	3.5	2.9	3.5	2.7	4.1	3.8	4.3	4.4	3.9	4.1
BBER	NM Total Wages & Salaries Growth (%)	4.5	3.6	3.8	3.0	4.1	4.5	4.2	4.7	4.3	4.7	4.2	4.6
Moody's	NM Total Wages & Salaries Growth (%)	4.5	3.6	3.1	0.8	3.8	3.5	4.4	4.1	4.6	5.0	3.7	4.1
BBER	NM Private Wages & Salaries Growth (%)	5.7	4.0	4.4	3.3	4.9	5.2	4.7	5.2	4.7	5.2	4.5	5.1
BBER	NM Real Gross State Product (% YOY)	2.2	1.6	2.2	1.8	2.9	2.8	2.5	2.7	2.5	2.6	2.4	2.4
Moody's	NM Real Gross State Product (% YOY)	1.5	1.8	2.2	1.7	2.7	2.7	2.3	2.2	2.2	2.1	1.9	1.8
CREG	NM Oil Price (\$/barrel)	\$61.72	\$60.67	\$51.54	\$44.00	\$56.52	\$49.00	\$61.23	\$56.00	\$66.10	\$59.00	\$68.06	\$60.00
CREG	NM Taxable Oil Volumes (million barrels)	137.2	141.4	145.0	150.0	149.5	155.0	153.0	158.0	155.0	160.0	156.0	161.0
	NM Taxable Oil Volumes (%YOY growth)	21.0%	24.7%	5.7%	6.1%	3.1%	3.3%	2.3%	1.9%	1.3%	1.3%	0.6%	0.6%
CREG	NM Gas Price (\$ per thousand cubic feet)****	\$3.80	\$3.78	\$3.60	\$2.90	\$3.90	\$3.20	\$4.15	\$3.40	\$4.25	\$3.45	\$4.45	\$3.50
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,174	1,185	1,139	1,200	1,105	1,170	1,071	1,140	1,039	1,120	1,008	1,100
	NM Taxable Gas Volumes (%YOY growth)	-1.1%	-0.2%	-3.0%	1.3%	-3.0%	-2.5%	-3.1%	-2.6%	-3.0%	-1.8%	-3.0%	-1.8%

LFC, 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 - November 2015 FOR-UNM baseline. Global Insight - November 2015 baseline.

DFA Notes

****The gas prices are estimated using a formula of NYMEX, EIA, Moody's Analytics (June 2015), and IHS Global Insight futures and forecast prices as well as a premium for natural gas liquids based on the oil price forecast.

Source: Moody's Analytics baseline forecast, October 2015