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General Fund revenues expected to continue growth *Forecast is for strong reserves to end the current fiscal year*

SANTA FE — State General Fund revenues are expected to continue to grow in Fiscal Year 2025 (FY25), though not as fast as in recent years, according to the latest forecast from the state’s Consensus Revenue Estimating Group.

The revenue forecast, which will be presented today to the Legislative Finance Committee, projects 2.2% growth for FY25 with \$3.48 billion in “new money.” According to the report, the forecast for the current fiscal year estimates a 10.2% increase over FY23.

Reserves remain extremely strong, with an estimated 47.3% of recurring appropriations or \$3.98 billion in reserve at the end of FY23.

The forecast was prepared by the state’s Consensus Revenue Estimating Group (CREG), which is made up of economists from the Legislative Finance Committee, Taxation and Revenue Department, Department of Finance and Administration and the Department of Transportation.

“The latest forecast indicates New Mexico’s finances remain in very good shape with strong reserves,” said Taxation and Revenue Secretary **Stephanie Schardin Clarke**. “We’ve been able to provide significant tax relief in the past several years while also investing in the state’s future and ensuring the state’s financial future is secure.”

The forecast estimates total General Fund recurring revenues at a little over \$12.7 billion for FY24 and a little over \$13 billion for FY25.

Even with the projected moderation, revenue growth is still above the 10-year trend line.

The moderation is attributed to a variety of economic factors. Oil and gas activity remains historically high but is expected to moderate some and prices have fallen from a recent peak in 2022.

Wages and spending by consumers and businesses is expected to stabilize after a couple of years of strong growth, which will affect Gross Receipts Tax and Personal Income Tax revenue.

Historic tax cuts enacted in recent years also factor into the revenue forecast. Among other reforms, the state cut its Gross Receipts Tax rate by a ¼ percent over the past two years, exempted Social Security benefits from personal income tax for most New Mexico recipients, increased the Working Families Tax Credit and the Low Income Comprehensive Tax Rebate, and families for the first time will be able to claim a New Mexico child tax credit in the upcoming income tax filing season.

The state also has taken steps to help protect the budget from future revenue slowdowns by establishing new trust funds and bolstering distributions to reserves. The new Early Childhood Education and Care Fund is expected to grow to \$5.5 billion as of the end of calendar year 2023. And a new formula distributing windfall oil and gas revenue to the Tax Stabilization Reserve is expected to bring that reserve's value to \$3.0 billion at the end of FY23. A recent report from Pew Charitable Trusts praised New Mexico's sustainable budgeting practices, including these automatic transfers to reserves and endowments, as well as stress testing of the revenue estimates.

Forecasters caution that national and world events, such as changing conditions in global oil markets and national economic trends, can have unanticipated effects on New Mexico revenues.

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The Taxation and Revenue Department serves the State of New Mexico by providing fair and efficient tax and motor vehicle services. It administers more than 35 tax programs and distributes revenue to the State and to local and tribal governments throughout New Mexico.

The Department strives to reduce taxpayer burden through clearer communication, statutes, regulations, forms, correspondence and instructions.

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