

Media Contacts:

Charlie Moore
Charlie.Moore@tax.nm.gov
(505) 670-5406

Henry Valdez
Department of Finance and Administration
505-490-5245

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General Fund revenue to increase by 2.8% for FY26

RUIDOSO, NM — The state’s Consensus Revenue Estimating Group (CREG) presented to the Legislative Finance Committee today, projecting a 2.8% increase in General Fund revenue to \$13.4 billion for FY26, including \$659.6 million in “total new money.”

The modest growth rate in General Fund revenue stems from intentional decisions to increase distributions of oil and gas revenues to the Severance Tax Permanent Fund and the Early Childhood Education and Care Trust Fund, and to provide tax relief for New Mexicans.

“In the past five years, we’ve been able to provide significant tax relief for New Mexico families and businesses and still invest in our future,” said **Gov. Michelle Lujan Grisham**. “Our economy remains strong, and our General Fund reserves are at historically high levels.”

The state’s Consensus Revenue Estimating Group (CREG) includes economists from the Departments of Finance and Administration, Taxation and Revenue, Transportation and the Legislative Finance Committee.

Total new money is defined as the estimated revenue for FY26 minus total appropriations for FY25. The past definition of “new money” was estimated revenue of new budget year minus recurring appropriations from current

fiscal year, which equaled lofty totals. The new definition provides the legislature an accurate lens for sustainable additional spending.

The CREG economists estimate current Fiscal Year reserves of \$3.55 billion, or 34.8%, pending 2025 legislative appropriations.

Revenues from corporate and personal income taxes are forecast to be 6.5% lower in FY 25, mostly due to the new Child Tax Credit, the reformed personal income tax brackets and new credits; moderate 2% growth in income taxes will resume in FY26. Gross Receipts Tax revenue is expected to grow about 1.8%, moderated by previous rate cuts and new or expanded deductions. Oil and gas revenue to the General Fund is expected to decline slightly this fiscal year, by about 2.3%.

“The steps we’ve taken to make our tax code more progressive and provide meaningful relief for families have been done in a fiscally responsible way, allowing us to improve services and set aside resources for the future,” said Taxation and Revenue **Sec. Stephanie Schardin Clarke**.

Investment income is becoming a more significant share of general fund revenues, with the decision to redirect windfall oil and gas revenues into the Severance Tax Permanent Fund and the Early Childhood Education Trust Fund and the increased constitutional distribution to the general fund from interest revenue on the Land Grant Permanent Fund. Total interest earnings to the General Fund are forecast to rise from \$1.88 billion in FY24 to \$2.13 billion in FY26, an increase of about 12.9%. That growth is expected to accelerate further in later fiscal years, helping to diversify the state’s revenue streams.

“The actions that the Legislature and this administration have taken over the past several years to diversify our revenues and prepare for the eventual slowdown in oil and gas revenues are already starting to have an effect. It shows that we can invest meaningfully in programs for New Mexico and be fiscally responsible at the same time,” said Department and Administration Secretary Wayne Propst.

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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