General Fund Consensus Revenue Estimates

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Introduction

Today's revenue update continues to reflect a state economy that is having a difficult time, as are almost all states', weathering the most severe national and world-wide recession since the "Great Depression" of 1929 to 1933.[1] Global Insight (GI) – our national macroeconomic forecaster--expects the National Bureau of Economic Research to declare the end of the recession as of June 2009, making the recession 18 months in duration. GI explained the current situation as follows in its November Forecast Summary:

- GDP grew a sharp 3.5% in the third quarter [ed: revised down to 2.8% in mid-November], but we expect growth to downshift to just over 2.0% during the first half of 2010. We also expect productivity growth to slow, so employment bottoms out at the end of the first quarter.
- We do not see a V-shaped recovery, since credit conditions will stay tight and consumer spending sluggish. The economy contracts 2.5% during 2009, before growing 2.2% in 2010.
- Inflation remains a risk for the future, but is not an imminent threat. Headline CPI inflation is in negative territory and, more importantly, wage inflation is falling, not rising.
- Equities have rallied, but 10-year Treasury yields remain low, at around 3.5%. We think that it is too soon for a major bear market in bonds, but see little downside for yields from here.

While GI expects job losses nationally through the end of the calendar year and the first quarter of 2010, UNM's Bureau of Business and Economic Research (BBER) – our state macroeconomic forecaster – expects job losses in New Mexico through the second quarter of 2010. This job weakness in New Mexico is reflected in substantial reductions in expected General Fund revenues for FY10 compared to FY09, and slow growth through FY14. The root causes are well known: mortgage defaults and home foreclosures, which led to a national financial crisis; falling house prices and resulting severe decreases in household net wealth; falling stock market prices; and a national and world-wide recession. The recession, causing the national unemployment rate to peak at over 10.0%, is now causing secondary problems in the credit and housing markets. The good news is that the recession in output has probably ended. Because of the depth of the recession, jobs and General Fund revenues will take several years to achieve the peak

[1] The "Great Depression" began August 1929 and extended 43 months through March 1933. The 1973 oil crisis and 1973-1974 stock market crash recession lasted 16 months from November 1973 to March 1975 and the "Early 1980's recession," caused by inconsistent oil supply in the wake of the Iranian revolution and tight monetary supply needed to curb inflation, extended 16 months from July 1981 to November 1982. The current recession began December 2007.

levels of FY08. This revenue forecast does not indicate that there will be sufficient revenue in FY12 to make up for the loss of ARRA funding – particularly in Medicaid.

The huge $787 billion federal fiscal stimulus package continues to roll out. The New Mexico Office of Recovery and Reinvestment has identified $4.23 billion in estimated fiscal stimulus funds for New Mexico[2]. This revenue estimate confirms that $133.3 million of fiscal stimulus funds has been applied on the revenue side to balance the FY09 budget; and that about $406.1 million was built into the appropriation side of the budget for FY10 from the increased federal medical assistance percentage and the education stabilization funding.

Figure 1 illustrates the General Fund historical and projected revenues and percent change from FY1982 through the forecast period. The dotted line indicates normal growth from FY94 to FY2014. What is evident is that the state's economy and collateral revenues out-performed the long-term trend by a wide margin in the period FY2003 through FY2009. Even the disappointing FY10 revenues are barely below the long-term trend point.

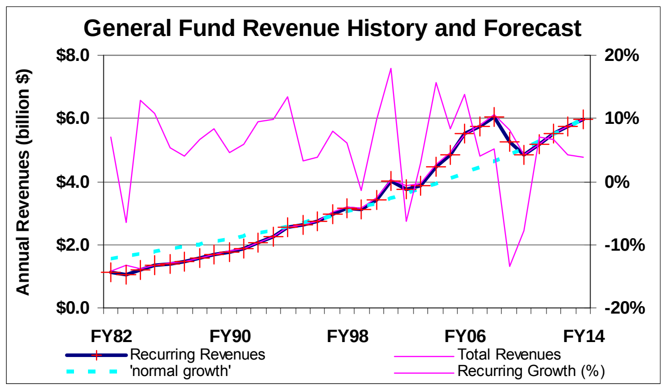


Figure 1 – General Fund Revenue History

The key factor in this update to the revenue forecast is not natural gas and crude oil prices and volumes as has been true in the last few years, but rather a decline in the broad based revenues that are responsive to the weak economy. These revenues include gross receipts tax, corporate income tax, personal income tax and motor vehicle excise tax. Receipts from these sources generally held up during most of FY09, but receipts for the last three months, including the critical final settlement period for personal income tax around April 15, were below projections. Other states experienced this lower performance, with some states reporting year-on-year quarterly declines of more than 40 percent.

Table 1 is an extract from the full assumptions shown in Appendix Table 1.

[2] Recovery.gov – the federal government website intended to track stimulus funds shows about $1.6 billion in identified awards, with $268 million received and 5,230 jobs saved. The NMORR data shown in Appendix Table 6 are more current and more accurate than the recovery.gov data.

Table 1 – Extract from Appendix Table 1 – Economic Indicators					
December-09	FY2009	FY2010		FY2011	
	Dec 09 Prelim	Oct 09 Est.	Dec. 09 Est.	Oct 09 Est.	Dec 09 Est.
US Real GDP Growth (level annual avg, % yoy)*	-2.2	0.3	0.4	2.3	2.4
NM Non-Agricultural Employment Growth (%)	-1.8	-1.4	-3.5	1.6	1.6
NM Personal Income Growth (%)***	5.0	2.4	-0.5	3.0	3.2
NM Private Wages & Salaries Growth (%)	-0.4	1.1	-3.1	3.7	3.8

Although the U.S. GDP growth rate is now forecasted to be slightly higher in FY10 than in the August forecast, New Mexico employment, personal income and private wages and salary forecasts are expected to be far weaker than reported in October. The forecast for FY11 is generally a bit stronger than in October.

Table 2 – Extract from Appendix Table 1 – Energy Prices and Volumes					
December 2009	FY2009	FY2010		FY2011	
	Dec 09 Prelim	Oct 09 Est.	Dec. 09 Est.	Oct 09 Est.	Dec 09 Est.
NM Oil Price ($/barrel)	64.71	64.00	70.00	70.00	75.00
NM Taxable Oil Sales (million barrels)	62.30	61.00	61.30	60.00	60.20
NM Gas Price ($ per thousand cubic feet)	5.65	4.15	4.30	5.20	5.40
NM Taxable Gas Sales (billion cubic feet)	1,390	1,365	1,325	1,345	1,270

Table 2 summarizes oil and natural gas price and production assumptions from Appendix Table 1. In general, FY10 oil prices and volumes and natural gas prices in FY10 and FY11 are somewhat stronger than in the October forecast. Natural gas volumes, however, have now responded to the “supply glut” in the commodity, and are forecasted to decline at an average -3.6% from FY09 through FY14.

Table 3: Table of Changes						
	FY09 Final	FY10 Estimate	FY11 Estimate	FY12 Estimate	FY13 Estimate	FY14 Estimate
Recurring Revenues (Dollars in millions)						
October 2009 Forecast	5,319.6	4,833.6	5,173.6	5,513.7	5,741.6	5,966.7
December 2009 Forecast	5,319.6	4,823.3	5,120.8	5,425.8	5,618.1	5,808.5
Change from October Forecast	0.0	-10.2	-52.7	-87.8	-123.5	-158.2
Total Revenues (Dollars in millions)						
October 2009 Forecast	5,745.1	4,833.6	5,173.6	5,513.7	5,741.6	5,966.7
December 2009 Forecast	5,745.1	5,199.9	5,120.8	5,425.8	5,618.1	5,808.5
Change from October Forecast	0.0	366.3	-52.7	-87.8	-123.5	-158.2
Approximate current year shortfall (before actions by the Governor and Legislature -- 5% reserves)*		-138.9				

* Does not include up to $150 million in cancelled capital outlay projects previously funded from the General Fund.

The current forecast for recurring and total revenues and changes relative to the October forecast are shown in Table 3. Since the October forecast, predicted ***recurring*** revenue for FY10 has decreased only $10.2 million, and the FY11 forecast has been lowered by $52.7 million. The FY12, FY13 and FY14 forecasts have also been decreased from the October forecast. After including all of the action known as the “solvency package” plus reversions and transfers enacted during the 2009 regular legislative session, FY10 ***total*** revenues are still $138.9 million short of restoring a 5 percent reserve. Total General Fund revenues are not expected to exceed the FY08 peak level of $6,062.6 million until after FY14.

The full revenue estimate is shown in Appendix Table 2.

Table 4 contains an extract of Appendix Table 3, the General Fund Financial Summary, which details the estimated balances in each of the various reserve funds of the General Fund. DFA has previously reported to this committee that the structure of the reserves is an issue that needs to be addressed so that the General Fund Operating Reserve balances are sufficient to pay the obligations in the appropriation account. However, the critical issue at this juncture is the aggregate reserve amount as a percentage of current year appropriations. This estimate of FY10 revenues and appropriations after the adjustments from the October special session and the Executive Order indicates a 2.5 percent balance in reserves. This estimate of balances does not include the $150 million in cancellation of capital projects. This additional $150 million would bring the balance for FY10 to 5.2 percent.

Table 4 -- Extract of Appendix Table 3 -- General Fund Financial Summary

	Audited FY08	Preliminary FY09	Estimated FY10	Estimated FY11
APPROPRIATION ACCOUNT				
Transfer to/from General Fund Operating Reserve	92.6	-208.5	-313.4	0.0
GENERAL FUND OPERATING RESERVE				
Ending Balance	247.2	37.4	-278.3	-278.3
STATE SUPPORT RESERVE				
Ending Balance	1.0	1.0	1.0	1.0
APPROPRIATION CONTINGENCY FUND				
Ending Balance	96.6	30.6	83.5	72.9
TAX STABILIZATION RESERVE				
Ending Balance	254.4	198.7	198.7	198.7
TOBACCO SETTLEMENT PERMANENT FUND				
Ending Balance	135.9	121.0	130.9	163.9
TOTAL BALANCES	735.1	388.6	135.7	158.1
Reserves as a Percentage of Current-year Recurring Appropriations	13.0%	6.4%	2.5%	3.1%
Deficit for current year (Reserving 5% of current year recur. Approps)		86.8	(138.9)	(98.0)

The consensus forecast group, consisting of the career economists in the Legislative Finance Committee, the Department of Finance and Administration, the Taxation and Revenue Department and the Department of Transportation, will prepare a mid-session review just before the midpoint of the 2010 session.

Review of the National Economy

- The national economy shows mixed signs that the bottom of the recession has been reached, although there are also some signs that subsequent growth may be weak with possible setbacks. Although output began growing last quarter, we may have more months of job losses before U.S. employment turns around, with the national unemployment rate possibly again reaching above 10 %.
- The November GI forecast reflected national job losses in each of the preceding 21 months, with negative GDP growth for at least four consecutive quarters (2008:Q3, 2008:Q4, 2009:Q1 and 2009:Q2). Consumer price growth is expected to remain low, with consumer demand too weak to support large increases.
- Since the October revenue estimate was made, changes to the national economic outlook are minimal for the GI forecasts for U.S. real GDP and inflation.
- While national consumer spending and sentiment remain weak – or perhaps as a collateral consequence – the trend of personal savings rates has recently increased dramatically. Figure 2 exhibits this change. This is a good sign, as personal savings can be loaned by banks and other investors to start and expand businesses and purchase cars, homes and consumer goods. However, as the savings rate increases, consumption falls. From a revenue standpoint, consumption generates more gross receipts tax revenue than does capital spending.

The Forecast Flash for GI's November U.S. macro forecast is included as a side-bar on the next

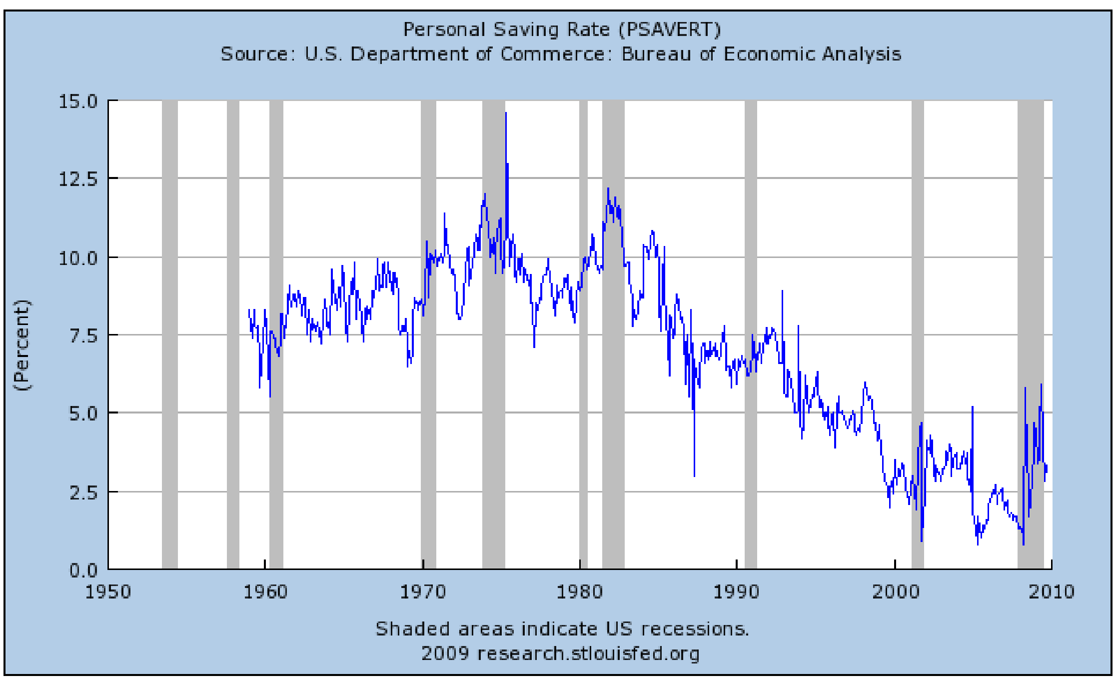


Figure 2 -- Personal Savings Rate

page. The numerical Table 5 – "A Quick Look at the Numbers" is included below.

Table 5 – A Quick Look at the Numbers									
	Quarterly				Annual				
	09:2	09:3	09:4	10:1	2008	2009	2010	2011	2012
Real GDP (Percent change)	-1.0	3.7	2.4	2.0	0.4	-2.5	2.0	2.9	3.6
Federal Funds Rate (Percent)	0.18	0.16	0.12	0.12	1.93	0.16	0.24	1.70	3.34
Ten-Year Treasury Yield (Percent)	3.31	3.56	3.63	3.68	3.67	3.31	3.71	3.89	4.50
Oil Prices, WTI (Dollars/barrel)	60	68	70	65	100	60	67	77	83
Consumer Price Index (% change y/y)	-0.9	-1.7	0.8	1.4	3.8	-0.5	1.3	2.2	2.1
Housing Starts (Millions)	0.54	0.60	0.67	0.77	0.90	0.58	0.88	1.30	1.57
Consumer Sentiment (Univ. of Michigan)	68	67	67	70	64	65	74	74	77
Unemployment Rate (Percent)	9.3	9.5	9.8	10.0	5.8	9.2	9.9	9.3	8.5

New Mexico Economic Review and Outlook

- As measured by (seasonally adjusted) employment levels, New Mexico has been in recession since May 2008. As shown in Table 6, the longest duration for a post-WWII recession is 19 months, from July 1953 to February 1955. BBER is currently forecasting job losses through 2010:Q1. Figure 3 exhibits the most recent three New Mexico recessions.
- The latest November revision to the forecast from the FOR-UNM model, which is based on the November GI forecast, indicates further weakness in employment and a decrease in wages and salaries and personal income in FY10. That revision includes income rebasing, updates to state income, wages and salaries and employment reporting methods.

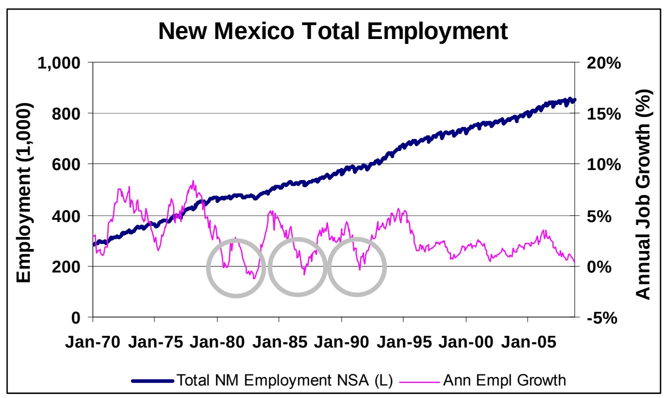


Figure 3 – New Mexico Employment

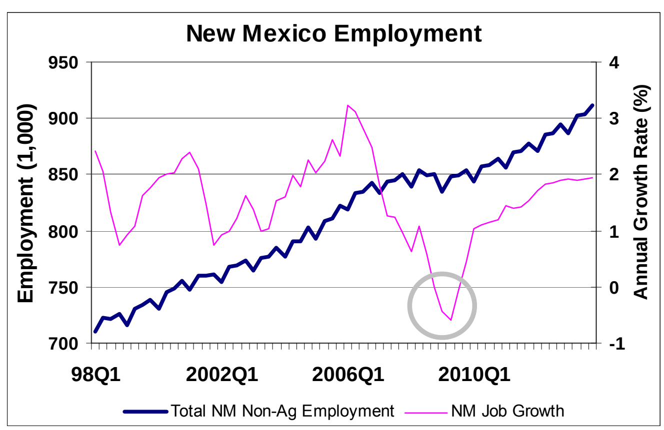


Figure 4 – New Mexico Employment History

U.S. Economy

This information was last updated on Thu 05 Nov 2009, 3:51 PM EST (20:51 GMT)

Forecast Flash: First Take

Responding to Treatment

The U.S. economy is responding to strong medicine. Vigorous fiscal and monetary stimulus probably accounted for the majority of the third-quarter's 3.5% growth rate. That does not mean that the growth was not real, but it does mean that there are still question marks over the future strength of the recovery, since the impact of stimulus on growth will be fading the deeper we go into 2010.

Forecast Profile: Still a Mild "W" Shape. Our forecast is little changed this month. We expect the credit-constrained recovery to prove a subpar one, and that GDP growth will ease back to 2.7% in the fourth quarter, and an average 2.2% pace over the first half of 2010.

Cash for Clunkers' Impact Overblown. It is tempting to attribute much of the third quarter's strength to "cash for clunkers," since rising vehicle output contributed roughly one-half of the third quarter's GDP growth. But most of the increase in vehicle output would have happened anyway, because manufacturers had cut production far below even the pre-clunker level of sales. There will not be another huge surge in vehicle production during the fourth quarter, but there is no payback due.

Inventory Swing Has Only Just Begun. The increase in vehicle output was a classic inventory-driven swing. Across the rest of the economy, though, the third-quarter plunge in inventories was roughly as severe as in the second. Just a flattening out of inventories will contribute 1% to the level of GDP over the next two to three quarters (4% annualized if it all came in one quarter). Some of the impact will be absorbed by imports, but the effect is powerful nonetheless.

Still No Jobs. The third quarter was another spectacular one for productivity, up 9.5% at an annual rate. That's good news for corporate bottom lines, but bad news for household incomes. The tough question is just how far companies can push their remaining workers before they decide that they simply must bring in new staff. We expect productivity growth to slow sharply, and that firms will have to rehire sooner after this recession than after the 2001 one. We see private employment turning higher in the second quarter of 2010.

Consumers Returned in the Third Quarter. "Cash for clunkers" helped spur consumer spending to a 3.4% growth rate in the third quarter. But even excluding new vehicles, spending rose 1.9%, after declining 0.8% in the second quarter. Nevertheless, we remain skeptical about the future strength of consumer spending, given that debt burdens are still high, wealth is depleted, credit is tight, and incomes are being squeezed by the still-deteriorating labor market.

Housing Stimulus to Be Extended. Much better affordability and the first-time homebuyers' tax credit have boosted home sales. With an extension and expansion of the credit likely, we see sales being pulled forward from the second half of 2010 into the first half, delaying an inevitable payback. Our underlying forecast of home sales remains cautious, but housing starts (single family) should pick up more than sales, since at present production levels, the backlog of unsold homes is declining quickly.

Business Spending: A Mixed Bag. Capital goods orders have bottomed, but have not yet moved convincingly higher. With utilization so low, capacity expansion is not needed, but businesses are flush with cash, and we do expect increased spending on replacement investment. But nonresidential construction is still declining and we do not see a bottom until the second half of 2010.

Foreign Trade Has Bounced Back Sharply. Both exports and imports jumped at a double-digit annualized rate in the third quarter, and should continue to revive as world trade turns upwards again.

Table 6 – New Mexico Recession Dates			
Peak	Trough	Duration	% SA Decline Peak to Trough
Jul-43	Mar-44	8	-3.3%
Jul-53	Feb-55	19	-5.0%
Jul-60	Mar-61	8	-4.0%
Jul-66	Oct-67	15	-4.2%
Jan-82	Mar-83	14	-1.6%
Aug-86	Feb-87	6	-0.3%
May-08	Jan-10?	21?	-5.0%?

- Based on recent data, job growth has slowed in New Mexico from over 3 percent in mid-2006 to -3.3 percent as of preliminary October 2009 reports. Oklahoma, Texas and Utah grew faster than New Mexico in the region for the period October 2008 to October 2009, while New Mexico grew faster than Colorado, California, Wyoming, Nevada and Arizona. The preliminary U.S. average growth for the October 2008 – October 2009 period was -4.0 percent. Despite the significant job losses, New Mexico still ranked 25th among all states in job growth for this period. A recent employment history and forecast are shown in Figure 4.

Table 7 -- Non-Agricultural Employment Statistics, October 2009
Current Employment Statistics (CES) data, New Mexico (not seas. Adj.)

NEW MEXICO	Preliminary Oct_09	Revised Sep_09	Revised Oct_08	Change Monthly	Change Yearly
Total Nonfarm Employment	822,400	824,000	850,200	-1,600	-27,800
Total Private	619,200	624,000	649,000	-4,800	-29,800
Goods Producing	98,300	99,500	112,600	-1,200	-14,300
Service-Providing	724,100	724,500	737,600	-400	-13,500
Natural Resources and Mining	19,700	19,700	21,600	0	-1,900
Construction	48,000	49,100	55,800	-1,100	-7,800
Manufacturing	30,600	30,700	35,200	-100	-4,600
Trade, Transportation, and Utilities	133,800	134,500	144,100	-700	-10,300
Wholesale Trade	22,300	22,300	23,800	0	-1,500
Retail Trade	89,300	89,500	95,800	-200	-6,500
Transportation Warehousing and Utilities	22,200	22,700	24,500	-500	-2,300
Information	18,200	18,300	16,400	-100	1,800
Financial Activities	32,400	32,700	34,600	-300	-2,200
Professional and Business Services	100,700	103,200	108,700	-2,500	-8,000
Educational and Health Services	120,500	119,900	117,100	600	3,400
Leisure and Hospitality	85,500	85,500	85,500	0	0
Other Services	29,800	30,400	30,000	-600	-200
Government	203,200	200,000	201,200	3,200	2,000

- New Mexico's preliminary October 2009 unemployment rate was 7.9 percent, up 3.4 percent year-over-year and 0.2 percent from the prior month. The national preliminary October 2009 unemployment rate was 10.2 percent, up 3.6 percent year-over-year and 0.4 percent from the prior month.
- Table 7 shows the most recent revised state sectoral job numbers reported by the Department of Workforce Solutions for October 2009. The New Mexico economy preliminarily lost 27,800 nonagricultural jobs year-over-year – a 3.3 percent decline. This was still a better performance than the October national annual job loss rate, at 4.0 percent as reported by BLS. The U.S. job market

experienced a month-over-month preliminary loss of 190,000 jobs in October 2009, down from a preliminary loss of 263,000 in September and from a peak loss of 741,000 jobs in January 2009.

- Construction – housing contributed to a preliminary loss of 7,800 construction jobs, a 14.0 percent drop in the last year, and total permits for new housing construction are down 37.5 percent in the second quarter of 2009. New Mexico housing valuations are down 3.8 percent for the second quarter of 2009 year on year, but not as much as the prior quarter, 6.0 percent**.** In October 2009, New Mexico ranked 25th among states for foreclosure rates, about average for the nation as rates decline in the highest foreclosure rate states. Figure 5 shows the F-W Dodge Total Construction Contracts data for New Mexico.

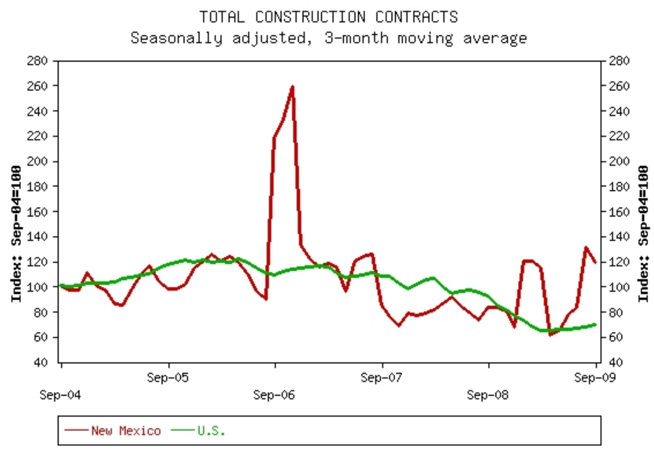


Figure 5 –New Mexico construction activity (Seasonally adjusted) Source: F.W. Dodge, Inc, FRB KC

- BBER reports in its state review that all major sectors of the New Mexico economy are weak or negative in job creation with the exception of health care and social assistance and government[3].

FY10 Revenue Update

Total General Fund revenues for FY10 are expected to be about $366.3 million above the October forecast and ***recurring*** revenues $10.2 million less than estimated in October. Total revenues reflect $376.5 million in Special Session and Executive Order actions. The small net shortfall in recurring revenues masks substantial weakness in the gross receipts and compensating taxes. Balancing this weakness is some strength in corporate income tax and federal mineral leasing. Table 3, presented earlier on page 3 of this report, and Table 8, extracted from Appendix Table 2, detail these FY10 differences. Table 3 shows the differences by recurring and non-recurring totals, while Table 8 details the differences by tax source. Of particular note, the $10.2 million recurring shortfall for FY10 is composed of a $69 million shortfall contributed by gross receipts tax, compensating tax, a number of the selective sales taxes and reversions partially balanced by $59 million in net surplus from all the other recurring sources.

[3] Based on the FOR-UNM report dated 11_29_09. Federal Government and military employment were positive, while state and local government were negative for the third quarter of 2009.

Table 8 -- FY10 Revisions by Tax Source	Aug_09 Est	Oct_09 Est	Dec_09 Est	Chg Aug to Dec	Chg Oct to Dec
Total General Sales Taxes	1,890.4	1,808.0	1,760.0	(130.4)	(48.0)
Total Selective Sales Taxes	410.2	404.7	394.5	(15.7)	(10.2)
Personal Income Tax	1,034.0	985.0	989.5	(44.5)	4.5
Corporate Income Tax	200.7	130.0	160.0	(40.7)	30.0
Total Mineral Production Taxes	346.8	349.8	357.1	10.3	7.2
Total License Fees	56.4	47.0	47.5	(8.9)	0.5
Total Investment Income	643.6	643.6	645.1	1.5	1.5
Total Rents, Royalties and Bonuses	321.7	318.3	334.8	13.1	16.5
Total Miscellaneous Receipts	43.6	42.5	41.8	(1.8)	(0.8)
Tribal Revenue Sharing	64.7	64.7	63.1	(1.6)	(1.6)
Reversions	40.0	40.0	30.0	(10.0)	(10.0)
Total Recurring Revenue	5,052.0	4,833.6	4,823.3	(228.7)	(10.2)
Total Adjustments & Non-Recurring	0.0	0.0	376.6	376.6	376.6
Grand Total Revenue	5,052.0	4,833.6	5,199.9	147.8	366.3

The change in the estimate is very substantial for the period from the August forecast, but virtually no state government adequately anticipated the depth or duration of the recession. The change for the period from October to December is very small in aggregate, but substantial for the individual revenues. HB-6 in the first special session of 2009 provided DFA transfer authority for FY09, but effective 90 days after the end of the special session. Audited and final accrued receipts for FY09 have been submitted to the auditors, and the opinion will be rendered soon.

The Center for Budget and Policy Priorities (CBPP) recently released[4] an updated report entitled, "New Fiscal Year Brings No Relief From Unprecedented State Budget Problems*." A summary of this CBPP report is appended below. The table for FY10 state budget shortfalls is included in the appendices of this presentation.

[4] http://www.cbpp.org/cms/?fa=view&id=711, "New Fiscal Year Brings No Relief From Unprecedented State Budget Problems*", by Iris J. Lav and Elizabeth McNichol, Updated November 19, 2009.

The CBPP report presents the analysis that New Mexico, as of November 2009, was in 30th rank for FY10 shortfall. ABC News recently updated its list of states in budget stress which presented a similar picture.[5]

FY10 through FY13 Revenue Forecasts

New Mexico's fiscal situation is better than most state's for several reasons. Although the General Fund gap for FY09 and FY10 are comparable in percentage terms to other states', we entered FY09 with high levels of reserves, 13.0 percent of appropriations. New Mexico has also made dramatic strides under Governor Richardson's leadership to improve its economic climate and position itself for long-run, sustained economic growth. The results of these initiatives are reflected in the relative strength of the New Mexico economy over the forecast period, and the greater resilience in General Fund revenues in the face of the longest recession in post-WWII history. There is no question that revenues will not rebound quickly, but the State should be able to weather the current economic storm without severely affecting key services to New Mexicans.

The general revenue outlook has worsened substantially since the February forecast in magnitude, but not in general tone. The FY10 budget forecast expected near-term weakness in the oil and gas-related revenues, followed by slowly growing oil and gas prices, and moderate growth in gross receipts, personal income, corporate income, motor vehicle excise

Center for Budget and Policy Prioritiesr

Recession Continues To Batter State Budgets; State Responses Could Slow Recovery

The worst recession since the 1930s has caused the steepest decline in state tax receipts on record.

As a result, even after making very deep cuts, states continue to face large budget gaps. New shortfalls have opened up in the budgets of at least 35 states for the current fiscal year (FY 2010, which began July 1 in most states). In addition, initial indications are that states will face shortfalls as big as or bigger than they faced this year in the upcoming 2011 fiscal year. States will continue to struggle to find the revenue needed to support critical public services for a number of years.

- **New gaps in 2010 budgets.** An increasing number of states are struggling to keep their 2010 budgets in balance as the mid-point of the fiscal year approaches. Because revenues have fallen short of projections, mid-year shortfalls have opened up in 35 states — some of which have already addressed them — totaling $32 billion or 6 percent of these budgets.

These new shortfalls are in addition to the gaps states closed when adopting their fiscal year 2010 budgets earlier this year. Counting both initial and mid-year shortfalls, 48 states have addressed or still face such shortfalls in their budgets for fiscal year 2010, totaling $190 billion or 28 percent of state budgets — the largest gaps on record.

- **Additional large gaps for 2011.** States' fiscal problems will continue into the next fiscal year and likely beyond. Fiscal year 2011 gaps — both those still open and those already addressed — total $92 billion or 16 percent of budgets for the 38 states that have estimated the size of these gaps. These totals are likely to grow as revenues continue to deteriorate, and may well exceed $180 billion.
- **Combined gaps of $350 billion for 2010 and 2011.** These numbers suggest that when all is said and done, states will have dealt with a total budget shortfall of at least $350 billion for 2010 and 2011. (This includes both gaps already closed and gaps projected for the future.)
- **Role of federal assistance.** The federal assistance to states provided in the American Recovery and Reinvestment Act is lessening the extent to which states need to reduce services or raise taxes. But it now appears likely the federal assistance will end before state budget gaps have abated. The federal government could avert state actions such as deep additional budget cuts that would further harm the economy by phasing out assistance more gradually over the period during which state fiscal distress is expected to continue.

[5] http://abcnews.go.com/Business/Economy/story?id=8016634&page=1&page=1, July 7, 2009, "Budget Nightmare: 10 Most Broke States -- From Road Paving to Services for the Poor, States Cut Back to Balance Budgets Crushed by Recession," by Scott Mayerowitz and Nathalie Tadena.

taxes and investment income. This forecast of slow growth was realized for much of FY09, but growth in the broad-based taxes has virtually stopped or turned negative for the last quarter of FY09 and this weakness continues into FY10.

Appendix Table 1 provides detail on the economic assumptions underlying this forecast, and Appendix Table 2 provides detail on the forecast for each General Fund revenue source.

Gross Receipts and Compensating Taxes

Gross receipts and compensating taxes are the largest source of General Fund revenues, representing more than one-third of total recurring revenue. These taxes fell by 1.1 percent from FY08 to FY09. Figure 6 illustrates how the construction sector went from being one of the biggest drivers of growth in FY07, to one of the largest contributors to slow growth in FY08, to an even greater drag in FY09, helping to pull revenue lower than the year before for the first time in decades. The retail trade sector also experienced falling receipts in FY09.

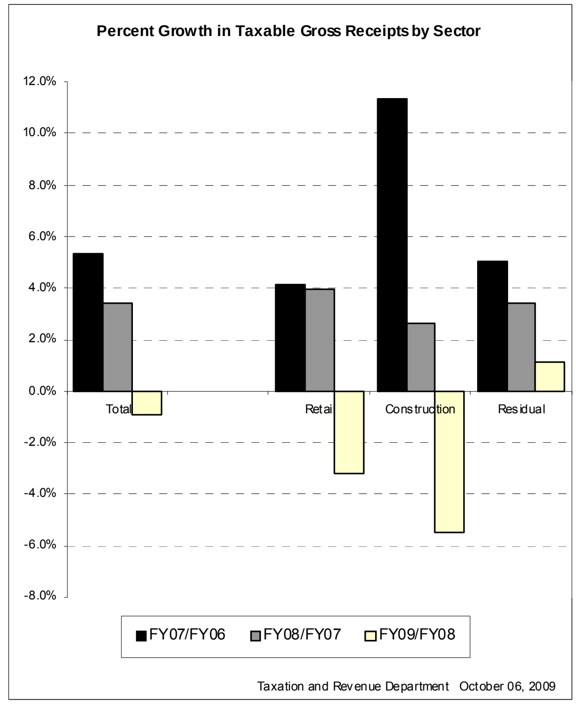


Figure 6 -- % Growth in Taxable Gross Receipts

Figure 7 shows that monthly taxable gross receipts growth patterns remained mixed into last winter and then turned increasingly negative. The momentum in taxable gross receipts has deteriorated rapidly in the last two quarters, dragged down especially by the construction sector

In FY10 the overall gross receipts and compensating tax base is expected to see the largest drop ever. The fall in revenue will be slightly cushioned by increased compliance through the "Fair Share" initiative, but revenue is forecast to fall by 8.5 percent from FY08's peak level. Moderate revenue growth is expected to return during FY11, with growth of 3.2 percent. Revenue levels from FY08 are not expected to be surpassed until FY12 with growth of 5.5 percent and then continue higher with 5.2 percent growth for FY13 and 4.4 percent for FY14.

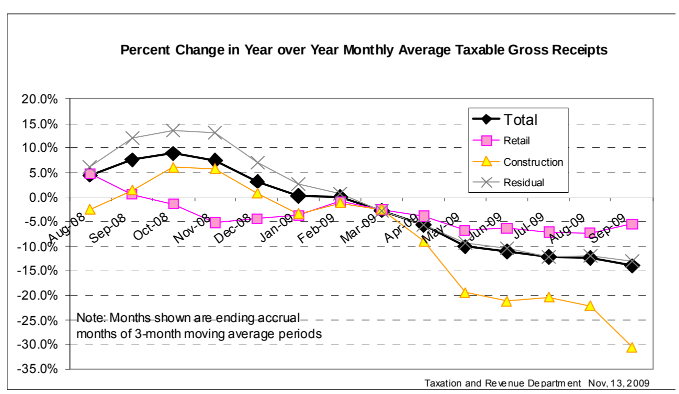


Figure 7 – % Change Y-o-Y Monthly Average TGR

Oil and Natural Gas Revenues

Natural gas and oil prices and volumes over the past seven fiscal years are shown in Figures

8, 9, 10 and 11, along with forecasts for the next five years. The forecasted decline/growth rates reflected in these graphs are shown in Table 9.

Table 9 -- Forecasted Decline/Growth Rates

Fiscal Year	FY09	FY10	FY11	FY12	FY13	FY14
NM Natural Gas Price	-32.7%	-23.9%	25.6%	4.6%	4.4%	3.4%
NM Crude Oil Price	-30.9%	8.2%	7.1%	5.3%	5.1%	4.8%
NM Natural Gas Volume	-3.3%	-4.7%	-4.2%	-3.9%	-2.5%	-2.5%
NM Crude Oil Volume	3.5%	-1.6%	-1.8%	-1.8%	-1.9%	-1.7%

Figure 8 – NM Natural Gas Prices

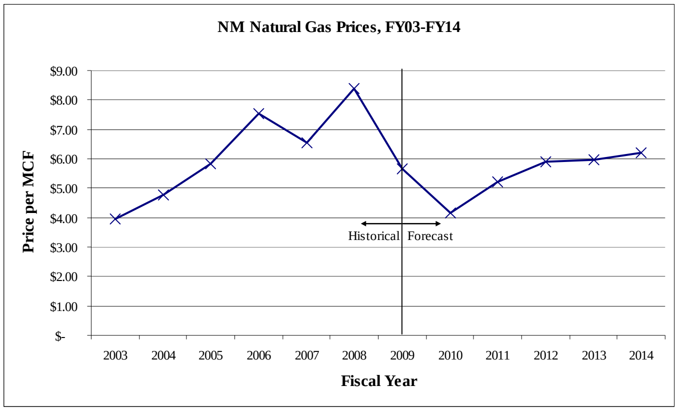


Figure 9 –NM Natural Gas Volumes

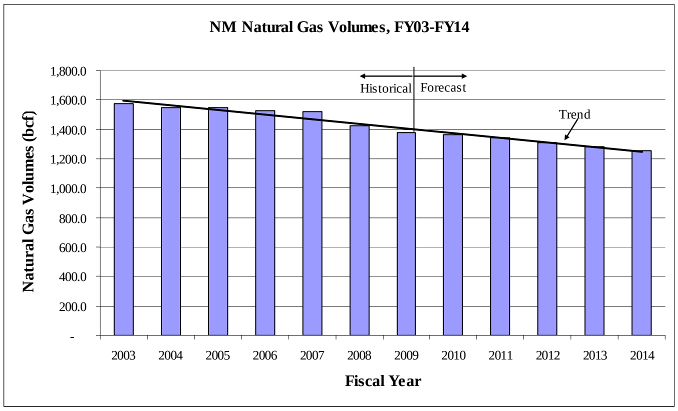


Figure 10 – NM Oil Prices

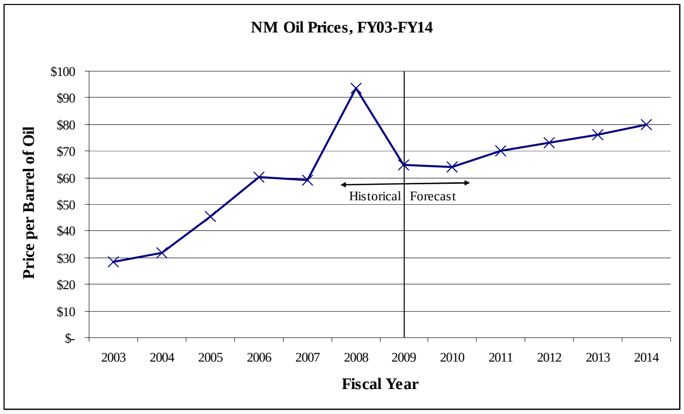
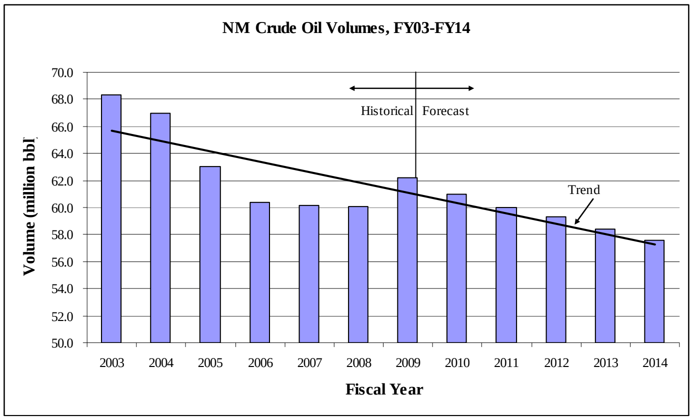


Figure 11 –NM Oil Volumes



In FY09, 63.3 percent of natural gas was produced in the San Juan Basin, 34.8 percent in the Permian Basin and 1.9 percent in the Raton Basin. These percentages have not changed significantly from FY08. By land type, 63.6 percent was produced on federal lands, 17.2 percent on State lands, 15.9 percent on private lands and 3.3 percent on Indian lands. These percentages also have not changed significantly from FY08.

During FY09, monthly natural gas volumes averaged 115.8 billion cubic feet (bcf) compared to 118.9 bcf in FY08. Oil and gas producers tend to amend their returns for quite some time, so it is likely that figures for FY09 will be revised upward. The consensus forecast group forecasts final production of 1,390.0 billion cubic feet (bcf) for FY09.

During FY09, monthly oil volumes averaged 5.2 million barrels compared to 5.0 million barrels in FY08. The consensus forecast group forecasts final production of 62.3 million barrels for FY09, although this figure may also be revised upward due to amendments.

FY09 collections for the Oil and Gas Emergency School Tax and Federal Mineral Leasing (royalty) payments are not expected to change from the October 2009 forecast. The forecast for total General Fund revenues from oil, natural gas and hard minerals in FY10 is expected to be $23.7 million higher than the October 2009 forecast. Figure 12 shows the percentage share of the General Fund from these revenues, which include the Oil And Gas Emergency School Tax; oil, natural gas and coal conservation taxes; Resource Excise Tax; Natural Gas Processors Tax; Federal Mineral Leasing revenues and State Land Office revenues. After peaking at over 25 percent of the General Fund in FY08, the consensus forecast group is expecting the OGAS share to moderate to a more typical 15% for FY10 through FY15.

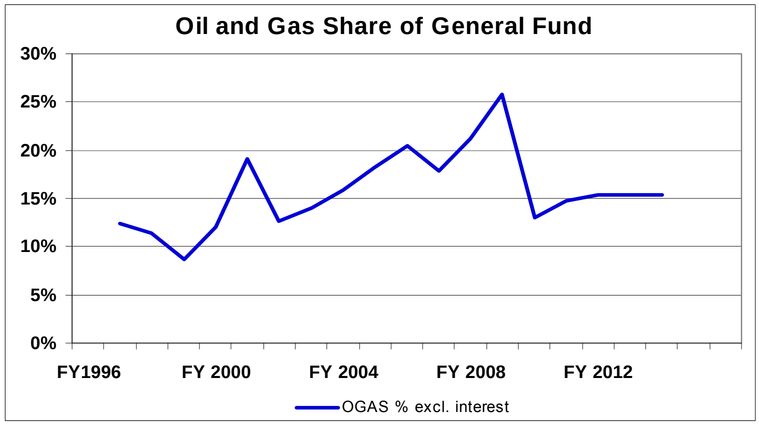


Figure 12 – Oil and Gas Share of General Fund

Personal Income Tax

Personal income taxes comprise approximately 20 percent of General Fund recurring revenues. Several factors have caused FY09 personal income tax revenues to decline from FY08 levels by 21.0 percent. The recession has caused larger than anticipated declines in capital gains, resulting in an estimated $60 million decline in FY09 personal income tax revenues. Capital gains are expected to remain low in FY10, but to slowly recover over the following years. In addition, part of FY08 personal income tax revenues were due to the higher rates in effect in tax year 2007. The combined effect of these factors is a very small increase in the forecast for personal income tax receipts in FY10 from the October 2009 estimate. Beginning in FY11, this December forecast for personal income tax receipts is below the October forecast by $4.0 million in FY11 and $17.0 million in FY12.

Corporate Income Tax

Profits of oil companies are expected to be lower in calendar year 2009 than in 2008, but then to grow slowly beginning in 2010. Profits of non-oil and gas corporations are expected to grow modestly in calendar year 2009 from very low levels in 2008 according to the recent GI forecast. These patterns will result in slowly growing corporate income tax liabilities (before credits). Total corporate income tax credits, including the film production credit, totaled about $90 million for FY09. Total credits are forecast to decline to $70 million in FY10, after which they are expected to grow steadily through FY14. The above factors reduced corporate income tax revenues by over $90 million in FY09 compared to FY08, but are expected to result in essentially unchanged corporate income tax revenues of $160 million in FY10. This December 2009 forecast of FY10 CIT is an increase of $30 million from the October forecast, reflecting primarily lower expected credits.

Selective Excises Taxes

Selective excise taxes, particularly the motor vehicle excise tax, are sensitive measures of consumer sentiment. The category total is expected to decline by 2.6 percent in FY10, primarily due to large declines in Fire Protection Fund, motor vehicle excise and gaming revenues, only partially offset by a large increase in insurance revenues. For FY11, insurance revenues are expected to continue to grow, while motor vehicle excise and gaming revenues will also grow, but from the lower FY10 base.

Vehicle-related purchases fell by 14.3% in September as the support from the Cash-for-Clunkers program disappeared, but then recovered by 7.4% in October. Figure 4 shows that the future will be significantly more volatile than the past, but that revenues from this source should recover for FY12.

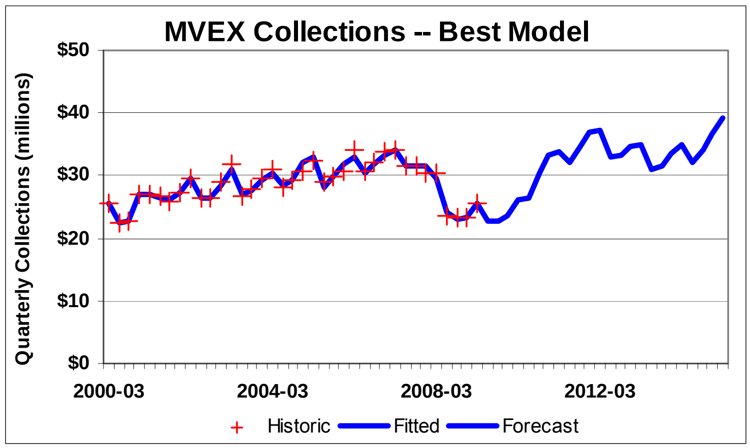


Figure 13 --Motor Vehicle Excise Tax Forecast

Reversions

Over the past six years, reversions have averaged about $41 million per year to the General Fund and about $5.0 million to the Appropriation Contingency Fund. However, the usual pattern has been for agencies to wait until after their agency audit has been completed to remit the amount of reversion calculated by the auditors. On average, 27 percent of reversions from any particular fiscal year are remitted and booked timely – by September 30 of the fiscal year following the allotment. 57 percent of reversions are remitted with a one-year lag, as agencies remit reversions pursuant to completed audits. Because of the need to balance the FY09 budget, a year-ending effort by DFA staff to “shake the trees,” generated approximately $26.1 million for the General Fund over levels estimated in August. These additional amounts of revenue are scored as recurring because of the difficulty of determining whether a particular reversion is recurring or non-recurring, timely or delinquent. Regular reversions for FY10 may be greater or less than the amounts estimated here. Two rounds of appropriation cuts which creates a lower reversion base and the extraordinary efforts to “shake the trees” both imply lower reversions for FY10 compared to FY09. However, Financial Control Division and the State Budget Division are going to implement extraordinary efforts to control General Fund budget adjustment requests (BARs) to move money into or out of the personal services line in each agency's operating budget. This will prevent agencies from funding new staff positions from budgetary savings in excess of appropriated amounts and will also prevent spending on computers, furniture or other expenses which can reasonably be delayed until revenues are growing once again.

In addition to regular, recurring reversions, the General Fund will also score as revenue approximately $377.8 million of the $463.9 million solvency package enacted during the 2009 Special Legislative session, coupled with Executive Order requiring agencies under the control of the Governor to reduce spending by an average 3.3%. Details of the solvency package, as partially vetoed by the Governor and then supplemented through the Executive Order are shown in the next section.

Solvency

Table 10 summarizes the portions of the solvency package enacted in October that will be recorded on the revenue side of the ledger. Full details are shown in Appendix Table 4.

The funds in rows labeled "Chapter 7/SB 29 Transfers" scored as reversions will shortly be transferred to the appropriation account and booked as reversions. Some of these funds and some of the funds from allotment reductions (Chapter 4/HAFC/S HB17 and HB33) are, in reality, not revenue but cancelled appropriations of various kinds. However, they will show up on the General Fund audit as nonrecurring reversions because these appropriations were previously allotted and the state agencies will have to return them by reverting them.

Table 10 --Detail of Solvency Package (Revenue)

	FY 2010					
	Oct-09 Estimate	2009SS Actions	Oct_09 Adj	Dec-09 Estimate	Chg from Oct Estimate	% Chng From FY09
Solvency:						
HB 16		0.5	0.5	0.5	0.5	
Chapter 7/SB 29 Transfers scored as reversions		130.0	130.0	130.0	130.0	
Executive Order, Expend Reductions		79.0	79.0	79.0	79.0	
Executive Order, Furloughs		10.8	10.8	10.8	10.8	
Chapter 4/HAFC/S HB17 & HB 33 Reversions in		3.7	3.7	3.7	3.7	
Chapter 2/HB 3		107.0	107.0	107.0	107.0	
HB 17 Ed Stabilization (ARRA)		45.5	45.5	45.5	45.5	
Solvency transfers, reversions, other		**376.6**	**376.6**	**376.6**	**376.6**	

For the agencies whose budget reductions were vetoed in Chapter 4, but for which the Governor ordered a reduction of expenditures in Executive Order 2009-044, the Administration will establish a liability to the General Fund and a corresponding expenditure in each individual state agency fund affected by the EO. If the Legislature chooses to confirm these appropriations reductions during the regular session in January 2010, then the entries will be reversed and the budgets and allotments will be reduced at that time. If the Legislature chooses not to confirm the reductions, then the state agencies will revert the savings in June as unspent funds.

The remaining amount from "Chapter 4/HAFC/S HB17 and HB33" – approximately $87.3 million will be accomplished by reduced budgets and allotments.

Unlike FY09, when the Department of Health and the Human Services Department transferred a substantial amount of American Recovery and Reinvestment Act Medicaid FMAP bonus funds to the New Mexico Recovery and Reinvestment Fund and thence to the General Fund, this year the ARRA FMAP bonus has substantially been built into the budgets for these two agencies, except that movement of New Mexico to a higher tier is expected produce an additional $14 million in savings that will transfer to the general fund; this expected reversion is already counted in the EO savings of $79 million.

Section 3 of HB-17 of the first special session, 2009, reduced the State Equalization Guarantee by $45.5 million. The Governor will allocate $45.5 million from the ARRA Education Stabilization Fund to PED for distribution to the public schools to offset the appropriation reduction. In addition, the Governor will allocate $13.4 million from the ARRA Education Stabilization Fund to offset the four percent reductions to the higher education institutions' instruction and general (I&G) appropriations; the net decrease to the institutions' I&G line is 2%.

General Fund Financial Summary

Appendix Table 3 shows the General Fund financial summary based on the revenue estimates presented here. This summary shows that there is work to be done by both the Executive and the Legislature to restore appropriation fund balances and reserves, however, the 2009 special session solved a substantial portion of the problem.

The Department of Finance and Administration also wants to reiterate the ***structure*** of the General Fund reserves must be continually addressed. Action taken during the special session resolved the FY09 structure, but FY10 remains unsolved .

Risks to the Forecast

- The principal downside risk to this forecast is that the green shoots of economic recovery will wither and the recovery will either assume a "double dip," with a "W" shaped recovery or will stubbornly fail to grow. Although consumer spending is stabilizing and housing is showing signs of recovery in both units and prices, the economy is still losing jobs. New Mexico may be disadvantaged compared with the nation, because our economy is jobs-based, not investment-based. GI puts the risk of a "False Dawn" at 20 percent. In this alternative scenario, unemployment exceeds 10 percent, the financial crisis worsens and the economy continues further down the long slide to the deepest downturn since the Great Depression.
- There is a significant upside risk, however. President Obama's economic stimulus and recovery plan – the American Recovery and Reinvestment Act – is already pumping money into the national and

state economies. In a state economy that will lose as many as 40,000 jobs between peak and trough, $3.0 billion in recovery and reinvestment spending should create 30,000 to 40,000 jobs[6], leaving the State only slightly worse than the previous baseline. In addition to construction funds, New Mexico has qualified as a "tier 3" State for the purpose of the federal medical assistance percentage (FMAP – Medicaid) reimbursement. FMAP rates for the July through September quarter were 79.44% and for the October through December 2009 period 80.49%. The 80.49% rate will persist through the remainder of FY10.

- There are some concerns about both oil and natural gas production levels. Natural decline rates for both existing oil and gas wells are, apparently, over 10 percent per year. As the pace of replacement drilling has faltered, the production base could fall far more rapidly than assumed in the forecasting models. An average 3.5 percent decline in natural gas production is expected for the forecast period (FY10 through FY14), with a substantial drop in FY10 and FY11. Although the near-term crude oil production may be virtually constant, the longer-term expectation is a decline of approximately one percent to two percent, net of replacement drilling. Recent data from Baker-Hughes shows that the rig count in both the San Juan and Permian basins are less than half the number of rigs as at the peak. For the week ending November 20, six rigs were working in the San Juan basin, down from a peak of 25 rigs. Oversupply of natural gas has occupied the attention of many oil and natural gas industry analysts. The consensus group is closely monitoring developments in this area.
- The volatility in the financial markets and the meltdown of the credit markets has significantly affected immediate earnings on State Treasurer's Office balances. Earnings on state balances for FY10 are expected to be only $21.5 million – $31.5 million less than forecast as recently as February. Low interest rates have been coupled with substantially lower amounts on deposit and under investment. However, $21.5 million in earnings for FY10 could still not be a low enough estimate under some circumstances.
- Performance of the Tobacco Settlement Permanent Fund far exceeded the worst assumed in the February estimate. We have cautiously assumed that earnings will average 4.5 percent of year-ending balances for FY10 before resuming the traditional earnings profile of 8.2 percent of the year-beginning balances in the fund. However, there will be no new additions to the corpus of the fund for FY09 and FY10, because of the solvency package.

[6] Based on a recent analysis of the New Mexico economy, about 27 direct, indirect and induced jobs are created for each $1,000,000 of construction expenditure. Different aspects of ARRA funding generate different jobs statistics. Some of the ARRA-funded projects in New Mexico are creating or saving jobs in other states. The NMORR is tracking this development closely.

Appendix Table 1 -- Economic Assumptions, December 2009

December-09	FY2009	FY2010		FY2011		FY2012		FY2013		FY2014	
	Dec 09 Prelim	Oct 09 Est.	Dec. 09 Est.	Oct 09 Est.	Dec 09 Est.	Oct 09 Est.	Dec 09 Est.	Oct 09 Est.	Dec 09 Est.	Oct 09 Est.	Dec 09 Est.
NATIONAL ECONOMIC INDICATORS											
US Real GDP Growth (level annual avg, % yoy)*	-2.2	0.3	0.4	2.3	2.4	3.5	3.5	3.3	3.4	2.6	2.6
US Inflation Rate (CPI, annual avg, % yoy)**	1.4	0.5	0.9	1.6	1.5	2.4	2.1	1.9	1.9	2.0	1.8
Federal Funds Rate (%)	0.70	0.13	0.13	0.78	0.78	2.69	2.69	3.50	3.50	4.02	4.02
NEW MEXICO LABOR MARKETAND INCOME DATA											
NM Non-Agricultural Employment Growth (%)	-1.8	-1.4	-3.5	1.6	1.6	1.6	2.0	1.7	1.8	1.5	1.5
NM Personal Income Growth (%)***	5.0	2.4	-0.5	3.0	3.2	3.8	4.5	4.3	4.4	4.4	4.3
NM Private Wages & Salaries Growth (%)	-0.4	1.1	-3.1	3.7	3.8	3.9	4.1	4.4	4.2	4.4	4.2
NEW MEXICO CRUDE OIL AND NATURAL GAS OUTLOOK											
NM Oil Price ($/barrel)	$64.71	$64.00	$70.00	$70.00	$75.00	$73.00	$79.00	$76.00	$83.00	$80.00	$87.00
NM Taxable Oil Sales (million barrels)	62.3	61.0	61.3	60.0	60.2	59.3	59.1	58.4	58.0	57.6	57.0
NM Gas Price ($ per thousand cubic feet)	$5.65	$4.15	$4.30	$5.20	$5.40	$5.90	$5.65	$5.95	$5.90	$6.20	$6.10
NM Taxable Gas Sales (billion cubic feet)	1,390	1,365	1,325	1,345	1,270	1,310	1,220	1,280	1,190	1,255	1,160

* real GDP base 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.

Sources:

Dec 2009 economic indicators based on November (5-9) IHS Global Insight (GI, national), November final FOR-UNM, BEA,BLS (state, Nov GI), energy forecast on November PIRA, NYMEX , Global Insight and DOE/EIA.

Oct 2009 economic indicators based on September (3) IHS Global Insight (GI, national), Aug/Sept FOR-UNM, BEA,BLS (state, Aug GI), energy forecast on Sept PIRA, NYMEX , Global Insight and DOE/EIA.

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TABLE 2: GENERAL FUND CONSENSUS REVENUE ESTIMATE

December 2009 (dollars in millions)

	FY2009	FY 2010							FY 2011			
	Dec-09 Final	Aug-09 Estimate	Oct-09 Estimate	2009SS Actions	Oct_09 Adj	Dec-09 Estimate	Chg from Oct Estimate	% Chng From FY09	Oct-09 Estimate	Dec-09 Estimate	Chg from Previous Estimate	% Chng From FY10
Gross Receipts	1,831.9	1,825.4	1,744.0	0.0	1,744.0	1,702.0	-42.0	-7.1%	1,836.1	1,756.0	-80.1	3.2%
Compensating	69.9	65.0	64.0	0.0	64.0	58.0	-6.0	-17.1%	67.4	59.3	-8.1	2.2%
Total General Sales Taxes	**1,901.9**	**1,890.4**	**1,808.0**	**0.0**	**1,808.0**	**1,760.0**	**-48.0**	**-7.5%**	**1,903.5**	**1,815.3**	**-88.1**	**3.1%**
Tobacco	49.6	45.8	47.2	0.0	47.2	47.2	0.0	-4.7%	47.5	47.5	0.0	0.5%
Alcohol	25.8	26.8	26.5	0.0	26.5	26.5	0.0	2.4%	26.9	26.9	0.0	1.6%
Insurance	121.9	131.0	134.0	0.0	134.0	133.9	-0.1	9.9%	136.8	137.3	0.5	2.5%
Fire Protection Fund	30.8	24.5	28.9	0.0	28.9	21.7	-7.2	-29.6%	25.6	21.9	-3.7	1.1%
Motor Vehicle Excise (3)	100.5	98.0	91.2	0.0	91.2	92.5	1.3	-8.0%	99.8	103.0	3.2	11.4%
Gaming tax	69.2	75.0	69.1	0.0	69.1	65.3	-3.8	-5.6%	79.9	74.4	-5.5	13.9%
Leased Vehicle Surcharge	4.9	6.2	5.5	0.0	5.5	5.5	0.0	11.8%	5.4	5.4	0.0	-1.3%
Other (2)	2.3	2.9	2.4	0.0	2.4	1.9	-0.51	-18.1%	3.0	2.4	-0.6	29.8%
Total Selective Sales Taxes	**405.0**	**410.2**	**404.7**	**0.0**	**404.7**	**394.5**	**-10.2**	**-2.6%**	**424.9**	**418.9**	**-6.01**	**6.2%**
Personal Income	958.5	1,034.0	985.0	0.0	985.0	989.5	4.5	3.2%	1,061.0	1,057.0	-4.0	6.8%
Corporate & Franchise Income	162.5	200.7	130.0	0.0	130.0	160.0	30.0	-1.5%	167.0	200.0	33.0	25.0%
Estate	0.0		0.0	0.0	0.0	0.0	0.0	-100.0%	0.0	0.0	0.0	
Total Income Taxes	**1,121.0**	**1,234.7**	**1,115.0**	**0.0**	**1,115.0**	**1,149.5**	**34.5**	**2.5%**	**1,228.0**	**1,257.0**	**29.0**	**9.4%**
Oil & Gas School Tax	370.4	281.5	282.7	0.0	282.7	290.8	8.06	-21.5%	340.9	341.0	0.09	17.3%
Oil Conservation Tax	18.3	14.9	14.8	0.0	14.8	15.26	0.45	-16.4%	17.1	17.2	0.10	12.9%
Resources Excise	11.2	8.5	10.0	0.0	10.0	10.0	0.00	-11.0%	10.0	10.0	0.00	0.0%
Natural Gas Processors	40.3	41.9	42.3	0.0	42.3	41.0	-1.27	1.6%	17.9	17.2	-0.72	-58.0%
Total Mineral Production Taxes	**440.2**	**346.8**	**349.8**	**0.0**	**349.8**	**357.1**	**7.2**	**-18.9%**	**386.0**	**385.4**	**-0.5**	**7.9%**
Total License Fees	**50.4**	**56.4**	**47.0**	**0.0**	**47.0**	**47.5**	**0.52**	**-5.7%**	**48.3**	**48.8**	**0.5**	**2.7%**
Land Grant Permanent Fund	433.5	436.5	436.5	0.0	436.5	436.5	0.0	0.7%	438.3	437.8	-0.5	0.3%
Earnings on State Balances	67.8	20.0	20.0	0.0	20.0	21.5	1.5	-68.3%	18.0	30.0	12.0	39.5%
Severance Tax Permanent Fund	191.3	187.1	187.1	0.0	187.1	187.1	0.0	-2.2%	181.5	181.6	0.1	-2.9%
Total Investment Income	**692.5**	**643.6**	**643.6**	**0.0**	**643.6**	**645.1**	**1.5**	**-6.9%**	**637.8**	**649.4**	**11.6**	**0.7%**
Federal Mineral Leasing	507.2	290.0	285.9	0.0	285.9	301.0	15.1	-40.7%	357.9	370.0	12.1	22.9%
State Land Office	36.4	31.7	32.4	0.0	32.4	33.8	1.5	-7.3%	35.3	36.8	1.5	8.9%
Total Rents, Royalties and Bonuses	**543.7**	**321.7**	**318.3**	**0.0**	**318.3**	**334.8**	**16.5**	**-38.4%**	**393.2**	**406.8**	**13.6**	**21.5%**
Total Miscellaneous Receipts	**42.7**	**43.6**	**42.5**	**0.0**	**42.5**	**41.8**	**-0.75**	**-2.1%**	**45.1**	**44.2**	**-1.0**	**5.7%**
Tribal Revenue Sharing	65.4	64.7	64.7	0.0	64.7	63.1	-1.6	-3.5%	65.7	64.1	-1.6	1.6%
Reversions	56.8	40.0	40.0	0.0	40.0	30.0	-10.0	-47.2%	41.2	31.0	-10.2	3.3%
Total Recurring Revenue	**5,319.6**	**5,052.0**	**4,833.6**	**0.0**	**4,833.6**	**4,823.3**	**-10.2**	**-9.3%**	**5,173.6**	**5,120.8**	**-52.7**	**6.2%**
HB 16				0.5	0.5	0.5	0.5					
Chapter 7/SB 29 Transfers scored as reversions				130.0	130.0	130.0	130.0					
Executive Order, Expend Reductions				79.0	79.0	79.0	79.0					
Executive Order, Furloughs				10.8	10.8	10.8	10.8					
Chapter 4/HAFC/S HB17 & HB 33 Reversions incl EO				3.7	3.7	3.7	3.7					
Chapter 2/HB 3				108.2	108.2	107.0	107.0					
HB 17 Ed Stabilization (ARRA)				45.5	45.5	45.5	45.5					
Total Adjustments & Non-Recurring	425.5	0.0		**377.8**	**377.8**	**376.6**	**376.6**				0.0	
Grand Total Revenue	**5,745.1**	**5,052.0**	**4,833.6**	**377.8**	**5,211.3**	**5,199.9**	**366.3**	**-15.9%**	**5,173.6**	**5,120.8**	**-52.7**	**-0.5%**
OGAS % of recurring revenue excl. interest	18.3%	13.1%	13.6%		13.6%	14.1%			14.9%	15.3%		

TABLE 2: GENERAL FUND CONSENSUS REVENUE ESTIMATE

December 2009 (dollars in millions)

	FY 2012				FY2013				FY2014		
	Oct-09 Estimate	Dec-09 Estimate	Chg from Previous Estimate	% Chng From FY11	Oct-09 Estimate	Dec-09 Estimate	Chg from Previous Estimate	% Chng From FY12	Aug-09 Estimate	Oct-09 Estimate	Dec-09 Estimate
Gross Receipts	1,925.1	1,853.0	-72.1	5.5%	2,025.1	1,940.0	-85.1	5.2%	2,080.1	2,127.1	2,025.0
Compensating	70.6	62.6	-8.0	5.6%	74.3	65.9	-8.4	5.2%	71.2	78.0	68.8
Total General Sales Taxes	**1,995.7**	**1,915.6**	**-80.1**	**5.5%**	**2,099.4**	**2,005.9**	**-93.5**	**5.2%**	**2,151.3**	**2,205.1**	**2,093.8**
Tobacco	47.7	47.7	0.0	0.4%	48.0	48.0	0.0	0.6%	46.7	48.2	48.2
Alcohol	27.4	27.4	0.0	1.9%	27.9	27.9	0.0	1.9%	28.8	28.4	28.4
Insurance	140.1	142.2	2.1	3.5%	143.9	148.3	4.4	2.7%	161.0	147.8	155.6
Fire Protection Fund	22.6	20.6	-2.1	-6.1%	19.9	19.4	-0.6	-12.0%	14.7	17.4	18.2
Motor Vehicle Excise (3)	110.0	113.0	3.0	9.7%	113.3	117.0	3.7	3.0%	115.1	116.7	122.0
Gaming tax	81.5	75.9	-5.6	2.0%	82.8	77.0	-5.8	1.6%	92.0	84.1	78.1
Leased Vehicle Surcharge	5.4	5.4	0.0	-0.7%	5.3	5.3	0.0	-0.6%	6.2	5.3	5.3
Other (2)	3.1	2.6	-0.6	4.9%	3.3	2.7	-0.61	3.8%	3.2	3.4	2.8
Total Selective Sales Taxes	**437.8**	**434.7**	**-3.1**	**3.8%**	**444.3**	**445.5**	**1.2**	1.5%	**467.7**	**451.3**	**458.5**
Personal Income	1,131.0	1,114.0	-17.0	5.4%	1,206.0	1,159.0	-47.0	6.6%	1,258.9	1,281.0	1,205.0
Corporate & Franchise Income	219.0	250.0	31.0	25.0%	267.0	290.0	23.0	21.9%	352.5	285.0	320.0
Estate	40.7	32.5	-8.2		56.7	45.2	-11.5	39.3%	0.0	59.3	47.3
Total Income Taxes	**1,390.7**	**1,396.5**	**5.8**	**11.1%**	**1,529.7**	**1,494.2**	**-35.5**	**10.0%**	**1,611.4**	**1,625.3**	**1,572.3**
Oil & Gas School Tax	369.4	349.4	-20.0	2.5%	369.1	357.7	-11.4	-0.1%	398.0	379.2	363.6
Oil Conservation Tax	18.4	17.6	-0.7	2.4%	18.4	18.0	-0.3	0.0%	19.8	18.8	18.3
Resources Excise	10.0	10.0	0.0	0.0%	10.0	10.0	0.0	0.0%	9.5	10.0	10.0
Natural Gas Processors	22.9	20.9	-2.0	21.5%	24.9	22.6	-2.3	9.0%	27.1	24.5	22.0
Total Mineral Production Taxes	**420.7**	**397.9**	**-22.7**	**3.2%**	**422.4**	**408.3**	**-14.0**	**0.4%**	**454.4**	**432.5**	**413.9**
Total License Fees	**49.8**	**50.8**	**1.0**	**4.2%**	**51.6**	**50.8**	**-0.8**	**3.6%**	**68.3**	**53.4**	**53.6**
Land Grant Permanent Fund	438.8	438.2	-0.6	0.1%	410.2	409.6	-0.6	-6.5%	401.8	401.8	401.1
Earnings on State Balances	22.0	36.0	14.0	20.0%	25.0	41.0	16.0	13.6%	33.6	30.0	43.0
Severance Tax Permanent Fund	175.8	176.1	0.3	-3.0%	166.8	167.2	0.4	-5.1%	156.7	156.7	157.3
Total Investment Income	**636.6**	**650.3**	**13.7**	**0.1%**	**602.0**	**617.8**	**15.8**	**-5.4%**	**592.1**	**588.5**	**601.4**
Federal Mineral Leasing	388.7	388.0	-0.7	4.9%	391.9	396.0	4.1	0.8%	440.0	402.8	408.0
State Land Office	37.0	37.0	0.0	0.5%	37.1	37.9	0.8	0.3%	38.1	37.8	38.4
Total Rents, Royalties and Bonuses	**425.7**	**425.0**	**-0.7**	**4.5%**	**429.0**	**433.9**	**4.9**	**0.8%**	**478.1**	**440.6**	**446.4**
Total Miscellaneous Receipts	**46.6**	**46.5**	**-0.1**	**5.3%**	**48.4**	**48.6**	**0.1**	**3.9%**	**44.5**	**50.3**	**50.6**
Tribal Revenue Sharing	67.7	66.1	-1.6	3.1%	71.1	69.4	-1.7	5.0%	74.7	74.7	72.9
Reversions	42.4	42.4	0.0	36.8%	43.7	43.7	0.0	3.1%	45.1	45.1	45.1
Total Recurring Revenue	**5,513.7**	**5,425.8**	**-87.8**	**6.0%**	**5,741.6**	**5,618.1**	**-123.5**	**4.1%**	**5,987.5**	**5,966.7**	**5,808.5**
HB 16											
Chapter 7/SB 29 Transfers scored as reversions											
Executive Order, Expend Reductions											
Executive Order, Furloughs											
Chapter 4/HAFC/S HB17 & HB 33 Reversions incl EO											
Chapter 2/HB 3											
HB 17 Ed Stabilization (ARRA)											
Total Adjustments & Non-Recurring											
Grand Total Revenue	**5,513.66**	**5,425.8**	**-87.8**	**6.6%**	**5,741.6**	**5,618.1**	**-123.5**	**3.0%**	**5,987.5**	**5,966.7**	**5,808.5**
OGAS % of recurring revenue excl. interest	15.2%	15.0%			14.7%	14.8%			15.4%	14.5%	14.6%

Appendix Table 3 -- General Fund Financial Summary

December 2009 Consensus Estimate, inclunding Final Action 2009 Special Session
(Dollars in Millions)

	Audited FY08	Preliminary FY09	Estimated FY10	Estimated FY11
APPROPRIATION ACCOUNT				
REVENUE				
Recurring Revenue, December 2009 Consensus Estimates	6,015.5	5,319.6	4,823.3	5,120.8
Nonrecurring Revenue, December 2009 Consensus Estimates	47.2	425.5	376.6	
TOTAL REVENUE	**6,062.6**	**5,745.1**	**5,199.9**	**5,120.8**
APPROPRIATIONS				
Recurring Appropriations	5,675.0	6,035.1	5,493.7	5,120.8
Nonrecurring Appropriations	295.1	-81.5	19.6	0.0
Solvency			0.0	
TOTAL APPROPRIATIONS	**5,970.0**	**5,953.6**	**5,513.3**	**5,120.8**
Transfer to/from General Fund Operating Reserve	**92.6**	**-208.5**	**-313.4**	**0.0**
GENERAL FUND OPERATING RESERVE				
Beginning Balance	156.1	247.2	37.4	-278.3
Reversions				
Appropriations	-1.5	-1.4	-2.3	0.0
Transfers In Appropriation Account	92.6	0.0	0.0	0.0
Transfers Out Appropriation Account	0.0	-208.5	-313.4	0.0
Internal transfer -- emergency fund				
Other	0.0	0.0	0.0	0.0
Ending Balance	**247.2**	**37.4**	**-278.3**	**-278.3**
STATE SUPPORT RESERVE				
Beginning Balance	1.0	1.0	1.0	1.0
Transfers In	0.0	0.0	0.0	0.0
Transfers Out	0.0	0.0	0.0	0.0
Ending Balance	**1.0**	**1.0**	**1.0**	**1.0**
APPROPRIATION CONTINGENCY FUND				
Beginning Balance, Excluding Education Reform	47.7	27.5	11.5	24.5
Expenditures	-26.9	-24.3	-17.4	-16.0
Revenue, Transfers and Reversions	6.7	8.3	30.3	5.3
Ending Balance, Excluding Education Reform	**27.5**	**11.5**	**24.5**	**13.8**
Education Reform, Beginning Balance	74.9	69.1	19.0	59.0
Transfers In	0.0	0.0	40.0	0.0
Transfers Out	-5.9	-50.0	0.0	0.0
Ending Balance, Education Reform	**69.1**	**19.0**	**59.0**	**59.0**
Ending Balance	**96.6**	**30.6**	**83.5**	**72.9**
Risk Reserve Fund:				
Beginning Balance	0.0	0.0	0.0	0.0
Transfers In	0.0	0.0	0.0	0.0
Transfers Out	0.0	0.0	0.0	0.0
Interest Earnings	0.0	0.0	0.0	0.0
Ending Balance	**0.0**	**0.0**	**0.0**	**0.0**
TAX STABILIZATION RESERVE				
Beginning Balance	254.4	254.4	198.7	198.7
Transfers In	0.0	0.0	0.0	0.0
Transfers Out	0.0	-55.7	0.0	0.0
Ending Balance	**254.4**	**198.7**	**198.7**	**198.7**
TOBACCO SETTLEMENT PERMANENT FUND				
Beginning Balance	116.7	135.9	121.0	130.9
Transfers In, December 2008 Consensus Estimate	44.9	48.9	45.5	44.6
Transfers Out	-22.4	-48.9	-45.5	-22.3
Gains or (Losses)	-3.3	-14.9	9.9	10.7
Ending Balance	**135.9**	**121.0**	**130.9**	**163.9**
TOTAL BALANCES	**735.1**	**388.6**	**135.7**	**158.1**
Reserves as a Percentage of Current-year Recurring Appropriations	**13.0%**	**6.4%**	**2.5%**	**3.1%**
Deficit for current year (Reserving 5% of current year recur. Approps)		**86.8**	**(138.9)**	**(98.0)**

Appendix Table 4 -- FY10 Solvency Package (enacted October 2009)					
HB-16	**BASE Gen Fund**	**Final Package, incl. EO and vetoes**	**% Reduction**	**Scored as Budget Reduction**	**Scored as Reversion**
Legislature (2009 Feed Bill reductions)	15,837.0	839.2	5.3%	295.2	544
HAFC Committee Substitute for HB-17 and HB-33					
Legislature (2009 HB-2 reductions)	4,137.6	164.2	4.0%	164.2	
Courts	149,389.5	2,814.4	1.9%	2,814.4	
District Attorneys	60,903.6	1,218.9	2.0%	1,218.9	
Elected, except for Governor and Attorney General	23,167.4	928.8	4.0%	928.8	
Attorney General	15,742.7	314.9	2.0%	314.9	
Executive, except PDD, DOH DD and Medicaid	1,290,842.9	53,446.2	4.1%	49,755.6	3,690.6
Public Defender	42,681.0	854.0	2.0%	854.0	
DOH DD other financing uses offset by $2m federal funds	69,134.8	7,000.0	10.1%	7,000.0	
Medical assistance program (offset by $12m federal funds	220,366.2	16,000.0	7.3%	16,000.0	
Medicaid, Physical/Behavioral Health	356,636.6		0.0%		
Department of Public Safety/Law Enforcement Program	69,410.5	1,393.6	2.0%	1,393.6	
Executive Order -- expenditure reductions				-79,036.8	79,036.8
Furloughs (five days)		10,800.0			10,800.0
Other executive agencies not under Governor's control	3,274.3	164.2	5.0%	164.2	
Higher Ed Institutions					
Higher Ed Institutions, I & G	661,240.1	26,449.6	4.0%	26,449.6	
Higher Ed Institutions, Other	134,331.3	8,731.5	6.5%	8,731.5	
NMMI, I & G	841.7	16.8	2.0%	16.8	
NMMI, Other	1,228.0	79.8	6.5%	79.8	
Special Schools	4,662.1		0.0%		
Higher Ed ERB (see below)	6,024.0	180.7	3.0%	180.7	
Public Schools					
State Equalization Guarantee	2,195,165.5	43,903.3	2.0%	43,903.3	
Transportation Distribution	103,168.4	4,126.7	4.0%	4,126.7	
Other Public School Support	27,250.4	1,625.0	6.0%	1,625.0	
PED Special Appropriations	30,396.9	1,975.8	6.5%	1,975.8	
Apprenticeship Assistance	650.0	42.3	6.5%	42.3	
Regional Education Cooperatives	1,200.0	78.0	6.5%	78.0	
Total HB-16. HAFC Sub, HB-17 and HB-33, with EO and vetoes	**5,487,682.5**	**183,147.9**	**3.3%**	**89,076.5**	**94,071.4**
American Recovery and Reinvestment Act					
Education Stabilization Schools (HB-17)		45,500.0			45,500.0
Education Stabilization Higher Education (HB-17)		0.0			
Government Services Fund		0.0			
Other General Fund					
Emergency Supplemental -- small rural schools		-3,000.0		-3,000.0	
De-authorize computing applications center		0.0			
Capital Outlay, SB-29					
Sponge Notes swap		130,000.0			130,000.0
Void Capital		0.0			
ERB/RHCA, HB-11					
Delay ERB					
Delay RHCA					
Fund Transfers, HB-3					
College Affordability		68,000.0			68,000.0
Other, appropriations reductions ex. Amts scored as reversions		35,211.8			35,211.8
Approp reductions scored as reversions		5,000.0			5,000.0
Total Solvency		**463,859.7**		**86,076.5**	**377,783.2**

Appendix TABLE 5:

STATES WITH FY2010 BUDGET GAPS

	FY2010 Before Budget Adoption	FY2010 Mid-Year Gap (from Table 1)	FY2010 Total	FY2010 Total – % of General Fund Budget	Ranking
California	$45.5 billion	$6.3 billion	$51.8 billion	56.2%	1
Arizona	$3.2 billion	$2.0 billion	$5.2 billion	53.0%	2
Illinois	$9.3 billion	$5.0 billion	$14.3 billion	40.9%	3
New York	$17.9 billion	$3.2 billion	$21.0 billion	38.0%	4
Nevada	$1.2 billion	0	$1.2 billion	37.8%	5
New Jersey	$8.8 billion	$400 million	$9.2 billion	31.3%	6
Maine*	$640 million	$400 million	$1.0 billion	30.1%	7
Alaska	$1.3 billion	0	$1.3 billion	30.0%	8
Kansas	$1.4 billion	$459 million	$1.8 billion	30.0%	9
Oregon*	$4.2 billion	0	$4.2 billion	29.0%	10
Connecticut	$4.2 billion	$624 million	$4.8 billion	27.4%	11
Vermont	$278 million	$28 million	$306 million	27.3%	12
Rhode Island	$590 million	$200 million	$790 million	25.7%	13
Georgia	$3.1 billion	$1.2 billion	$4.3 billion	24.9%	14
Hawaii	$682 million	$533 million	$1.2 billion	23.7%	15
Florida	$5.9 billion	$147 million	$6.0 billion	23.3%	16
Wisconsin	$3.2 billion	0	$3.2 billion	23.2%	17
Washington*	$3.4 billion	$1.5 billion	$4.9 billion	22.5%	18
Idaho	$411 million	$151 million	$562 million	22.4%	19
Alabama	$1.2 billion	$400 million	$1.6 billion	22.2%	20
Virginia	$1.8 billion	$1.8 billion	$3.6 billion	22.0%	21
North Carolina	$4.6 billion	0	$4.6 billion	21.9%	22
Louisiana	$1.8 billion	0	$1.8 billion	21.6%	23
Colorado	$1.0 billion	$561 million	$1.6 billion	21.0%	24
Minnesota	$3.2 billion	0	$3.2 billion	21.0%	25
Maryland	$1.9 billion	$936 million	$2.8 billion	20.4%	26
Iowa	$779 million	$415 million	$1.2 billion	20.2%	27
Massachusetts	$5.0 billion	$600 million	$5.6 billion	20.0%	28
Utah	$721 million	$279 million	$1.0 billion	19.8%	29
New Mexico	$345 million	$650 million	$1.0 billion	18.1%	30
Pennsylvania	$4.8 billion	0	$4.8 billion	18.0%	31
Delaware	$557 million	0	$557 million	17.6%	32
Oklahoma	$777 million	$206 million	$983 million	17.2%	33
Missouri	$780 million	$690 million	$1.5 billion	16.4%	34
New Hampshire	$250 million	0	$250 million	16.2%	35
South Carolina	$725 million	$201 million	$926 million	16.0%	36
Ohio	$3.3 billion	$296 million	$3.6 billion	13.4%	37
Mississippi	$480 million	$175 million	$655 million	13.2%	38
Kentucky	0	$1.2 billion	$1.2 billion	12.9%	39
District of Columbia	$650 million	$150 million	$800 million	12.7%	40
Michigan	$2.8 billion	0	$2.8 billion	12.4%	41
Tennessee	$1.0 billion	$70 million	$1.1 billion	10.4%	42
Indiana	$1.1 billion	$309 million	$1.4 billion	9.60	43
Texas	$3.5 billion	0	$3.5 billion	9.50	44
Nebraska	$150 million	$155 million	$305 million	8.60	45
West Virginia	$184 million	$100 million	$284 million	7.50	46
Arkansas	$146 million	$107 million	$253 million	5.60	47
South Dakota	$32 million	0	$32 million	2.90	48
Wyoming	0	$32 million	$32 million	1.70	49
Total	$158.5 billion	$31.5 billion	$190.0 billion	27.70	

Notes: Some or all of the pre-budget shortfalls have already been addressed.
Oregon, Maine, and Washington have two-year budgets. For Oregon, the size of the combined shortfall before budget adoption for FY10 and FY11 is shown here. For Maine and Washington, the mid-year gaps shown are the projected

Appendix Table 6
American Recovery and Reinvestment Act Amounts for New Mexico

ARRA Program	Estimated ARRA Amount - NM
Total	**4,232,501,388**
Allocations to State Agencies	**2,057,567,145**
Aging and Long-Term Services Department	735,086
Attorney General	1,167,407
Children, Youth and Families Department	22,852,313
Commission for the Blind	1,075,901
Crime Victims Reparation Commission	2,954,724
Department of Cultural Affairs	297,000
Department of Environment	22,803,400
Department of Finance and Administration	322,184,128
Department of Health	15,924,354
Department of Public Safety	11,093,110
Department of Transportation	264,899,979
Division of Vocational Rehabilitation	3,806,675
Energy, Minerals and Natural Resources Department	58,713,570
Higher Education Department	100,000
Human Services Department	870,371,801
New Mexico Finance Authority	19,500,000
New Mexico Mortgage Finance Authority	93,585,410
Public Education Department	206,124,606
Public Regulatory Commission	800,578
Workforce Solutions Department	138,577,103
Direct Allocations to Non-State Entities in New Mexico	**436,140,697**
Direct Allocations to Native American Tribes and Pueblos	**58,486,654**
Grant Expended Directly by Federal Agencies	**652,585,427**
Tax Benefits and Payments	**509,361,317**
Loans and Bond Awards	**173,379,148**
Bond Authority	**344,981,000**

Note:

The table reflects estimated total amounts we anticipate receiving in New Mexico, not amounts that have already been awarded. In some cases the estimated amounts will continue to change (e.g., Medicaid). The table also includes $345 million in bond authority available to New Mexico -- this is not an estimate of bonds awarded and this authority may go unused.