

# General Fund Revenue and Capital Outlay Outlook

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Office of the Governor

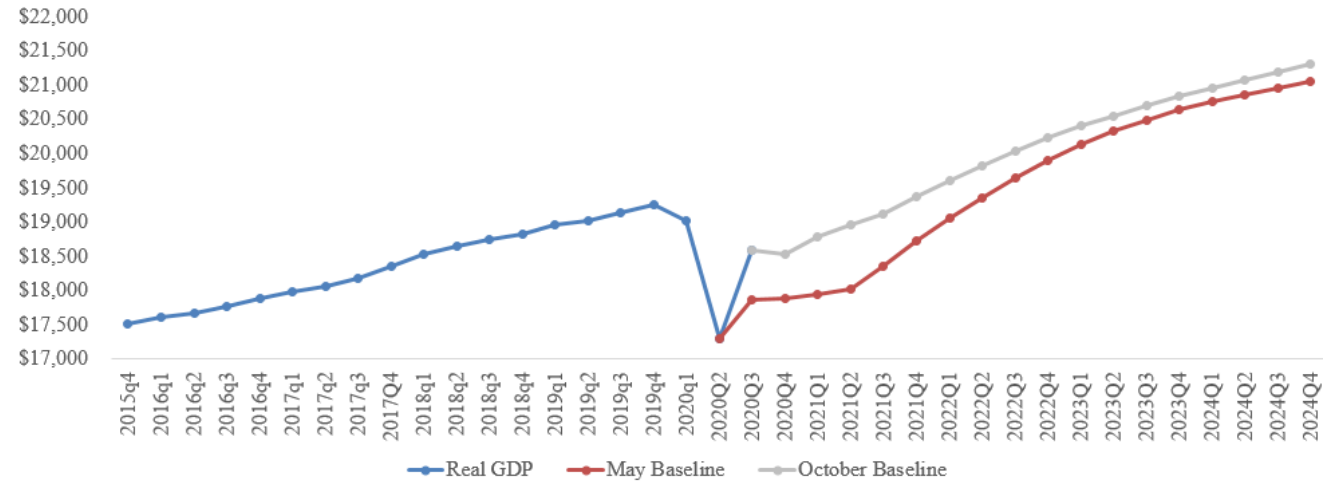
**MICHELLE LUJAN GRISHAM**

# Outline

- Macroeconomic Conditions
- Oil and Natural Gas Markets
- General Fund Revenue Outlook
- CARES Act Fund Status
- Federal Fund Outlook

# National RGDP

US Real Gross Domestic Product: 2015 Q4 to 2020 Q3, Forecast 2020Q4-2024Q4  
(billions of chained 2012 dollars)



Source: GDP in billions of chained 2012 dollars, retrieved from bea.gov. Moody's October 2020 Baseline Scenario vs. May 2020 Baseline Scenario

- Federal action has bolstered the economy and mitigated some of the negative effects of the COVID-19 crisis.
- Economy may weaken again as federal stimulus wears off.

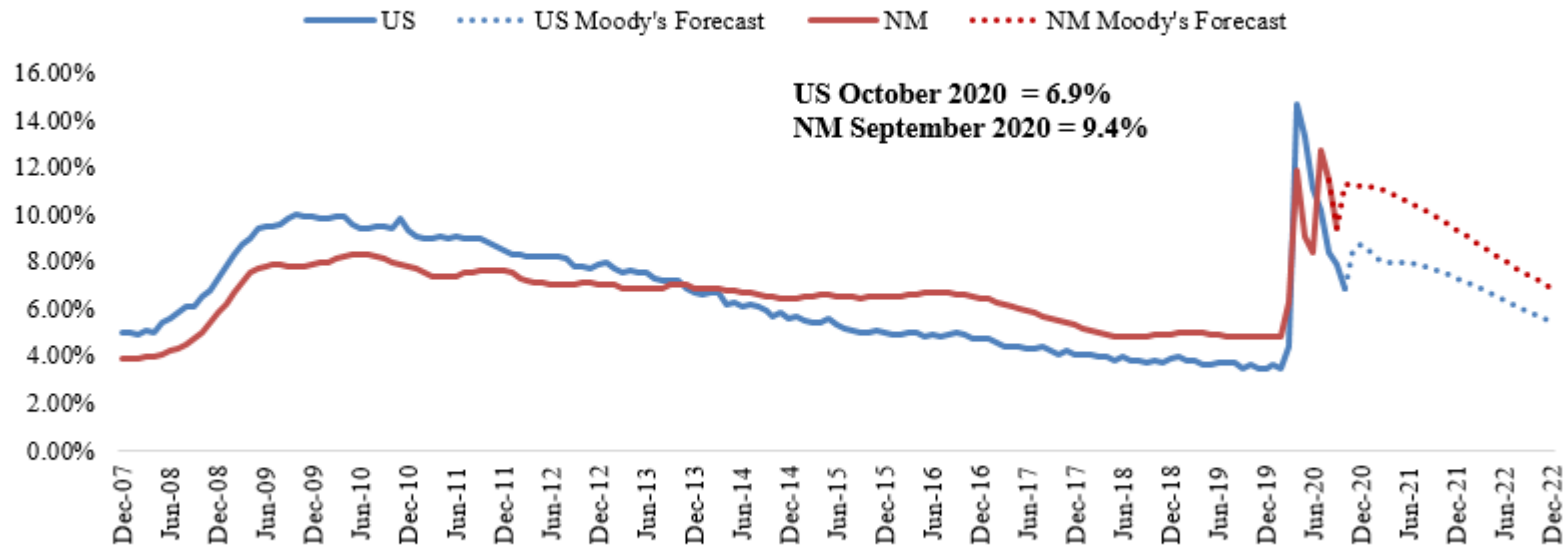
- In March and April of 2020 the US lost 22.2 million jobs at the beginning of the pandemic. Since then, the US has gained over 12 million jobs.
  - However, the US is still down over 10 million jobs.

- There is much uncertainty in regards to economic recovery.
- COVID-19 pandemic uncertainty.
  - Unknown changing consumer and business behavior.

- Direction of additional federal stimulus legislation.
  - Unknown when and if an agreement for an additional stimulus bill will be reached.
  - The later another round of stimulus agreement is reached the less effective it is on stimulating the recovery (Moody's Analytics).
  - The form and scale of the stimulus agreement.

# Labor Market

**US and NM Unemployment Rate (percent) : January 2008 to October 2020**

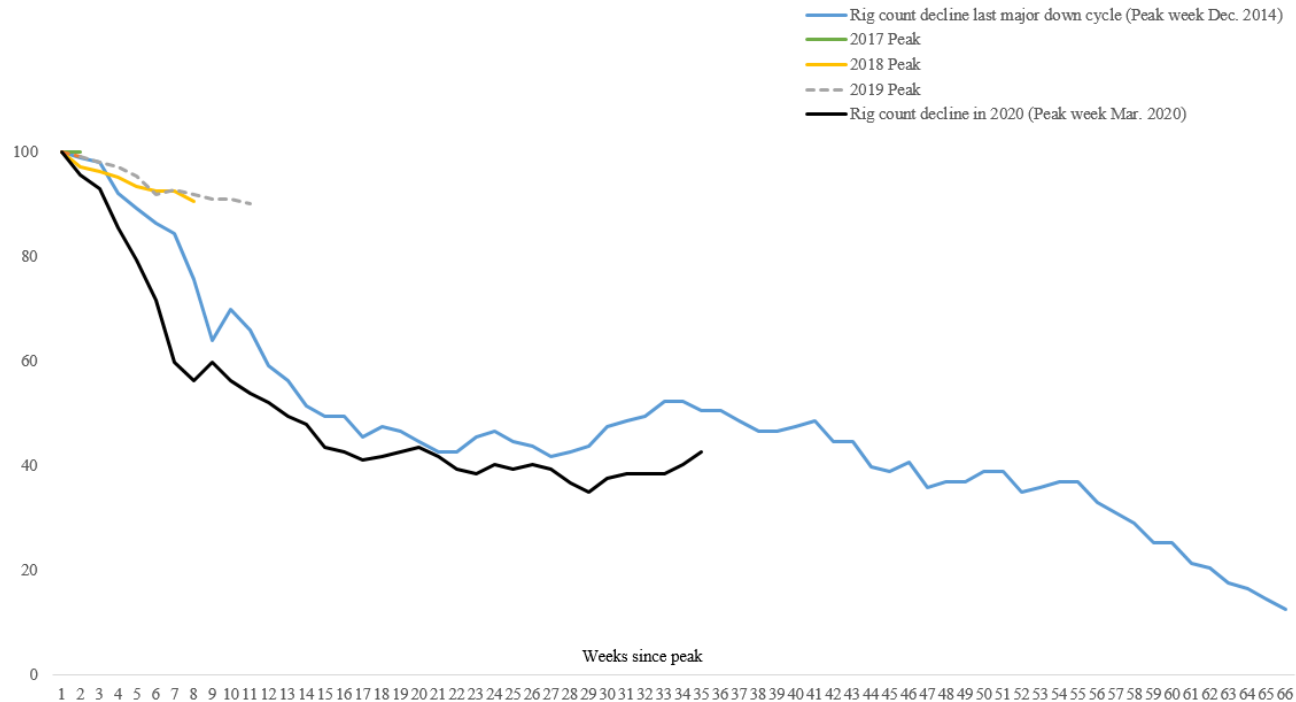


Source: bls.gov, seasonally adjusted

- New Mexico lost 104,000 jobs at the onset of the pandemic. So far, 40,100 of those have been regained
- New Mexico is expected to reach pre-pandemic employment by 2026
- The national unemployment rate declined from 7.9% in September to 6.9% in October.
- New Mexico's unemployment declined from 11.3% in August to 9.4% in September.

# New Mexico Energy Markets

New Mexico Oil Drilling Rig Count, speed of decline in 2020 vs. previous down cycles



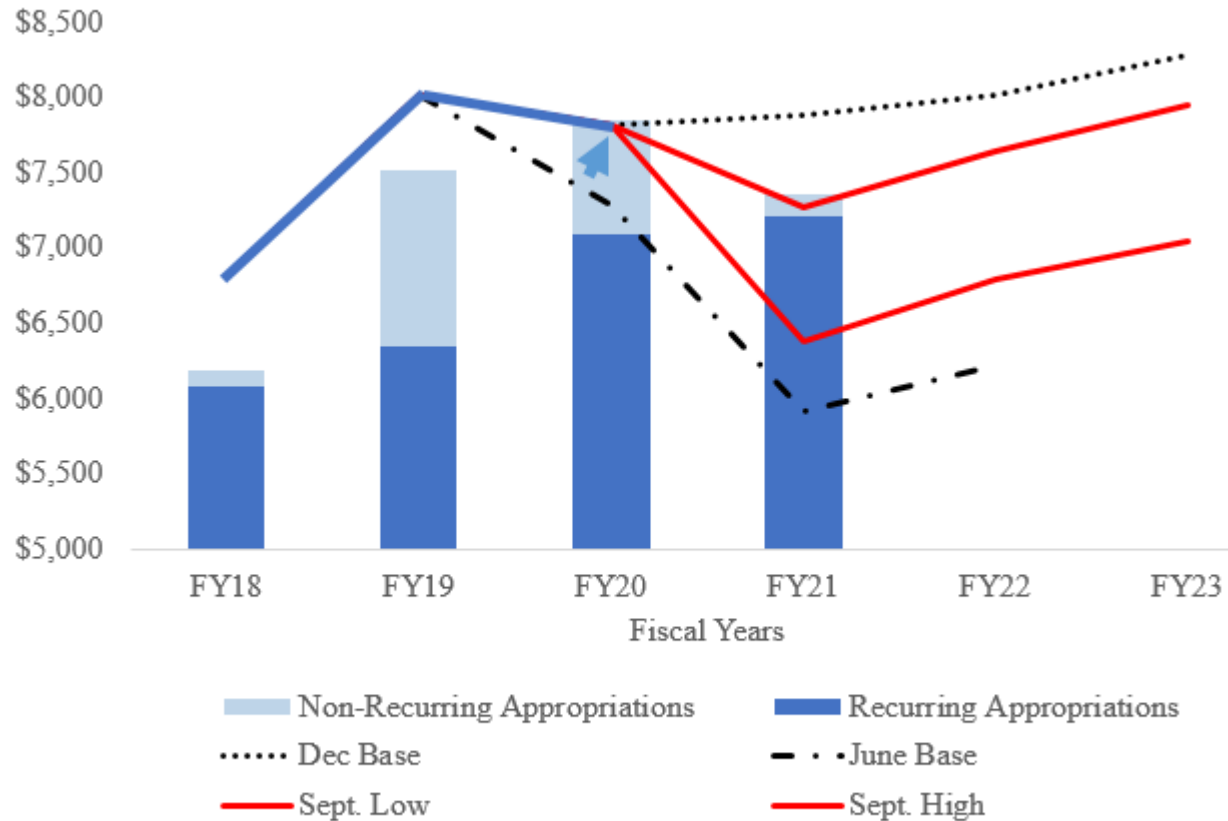
Source: Baker Hughes Rig Count Summary

Note: Peak week is week 1, All peak weeks indexed to 100

- Previous major down cycle began on December 19<sup>th</sup>, 2014 and ended on March 18<sup>th</sup>, 2016.
  - From peak to a bottoming out the rig count decline lasted 65 weeks.
  - NM rigs declined from 103 to 13 rigs.
- In 2020, NM rig counts peaked at 117 in March and have declined to 50 rigs in early November.
  - The NM rig count declined for 28 weeks in 2020 and in the last couple of weeks it seems to have stabilized in the 40s and reaching 50 rigs in the first week of November.
  - When compared to the previous major rig count decline, the 2020 rig count has declined faster and lasted half as long.
- New Mexico oil prices are tracking higher than the CREG's June consensus forecast. Updated oil price estimates show New Mexico oil prices closing FY21 at just over \$40/barrel.
- Oil prices are inherently volatile. Oil prices are dependent on demand recovery, OPEC+ decisions, inventory builds/drawdowns, and other factors.
- It is unlikely we will see substantial increases in rig counts while oil is in the low \$40s/barrel.

# CREG Forecast Range

**General Fund Recurring Revenue Forecast Range FY21 to FY23**



Source: DFA, TRD, CREG (in millions)

Forecast	FY20	FY21	FY22	FY23
December 2019 Base	\$ 7,776.4	\$ 7,882.5	\$ 8,015.2	\$ 8,297.1
September 2020 High	\$ 7,818.4	\$ 7,272.8	\$ 7,638.4	\$ 7,951.6
September 2020 Low	\$ 7,818.4	\$ 6,377.2	\$ 6,793.4	\$ 7,045.8
June 2020 Base	\$ 7,284.3	\$ 5,916.6	\$ 6,220.6	

Forecast	FY20	FY21	FY22	FY23
September 2020 High	\$ 534.1	\$ 1,356.2	\$ 1,417.8	
September 2020 Low	\$ 534.1	\$ 460.6	\$ 572.8	

Forecast	FY20	FY21	FY22	FY23
September 2020 High	\$ 42.0	\$ (609.7)	\$ (376.8)	\$ (345.5)
September 2020 Low	\$ 42.0	\$ (1,505.3)	\$ (1,221.8)	\$ (1,251.3)

➤ The CREG's forecast range is higher than the forecast in June 2020 but lower than the forecast from December 2019.

# SEVERANCE TAX BONDS

## Sources and Uses of Bonding Capacity Available for Authorization and Severance Tax Permanent Fund Transfer (in millions) NOVEMBER 2020 Estimate

Sources of Funds	FY21	FY22	FY23	FY24	FY25	5-Year
<b>General Obligation Bonds</b>		<b>\$203.7</b>		<b>\$203.7</b>		<b>\$407.4</b>
<b>Senior STBs (1)</b>	<b>\$441.2</b>	<b>\$439.4</b>	<b>\$438.8</b>	<b>\$427.6</b>	<b>\$422.4</b>	<b>\$2,169.5</b>
Severance Tax Bonds	\$362.0	\$362.0	\$362.0	\$362.0	\$362.0	\$1,809.8
Severance Tax Notes	\$79.3	\$77.4	\$76.9	\$65.6	\$60.5	\$359.7
<b>Supplemental STBs</b>	<b>\$162.0</b>	<b>\$166.2</b>	<b>\$191.9</b>	<b>\$209.0</b>	<b>\$222.7</b>	<b>\$951.8</b>
Supplemental Severance Tax Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Supplemental Severance Tax Notes	\$162.0	\$166.2	\$191.9	\$209.0	\$222.7	\$951.8
<b>TOTAL Sources of Funds</b>	<b>\$603.2</b>	<b>\$809.3</b>	<b>\$630.8</b>	<b>\$840.3</b>	<b>\$645.2</b>	<b>\$3,528.7</b>

Uses of Funds	FY21	FY22	FY23	FY24	FY25	5-Year
<b>GOB Projects Approved by Referendum</b>		<b>\$203.7</b>		<b>\$203.7</b>		<b>\$407.4</b>
Authorized but Unissued STB Projects (1)	\$7.9	\$0.0	\$0.0	\$0.0	\$0.0	\$7.9
Reassigned STB Projects (2)	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2
9% of Senior STB for Water Projects	\$39.7	\$39.5	\$39.5	\$38.5	\$38.0	\$195.3
4.5% of Senior STB for Colonias Projects	\$19.9	\$19.8	\$19.7	\$19.2	\$19.0	\$97.6
<b>4.5% of Senior STB for Tribal Projects</b>	<b>\$19.9</b>	<b>\$19.8</b>	<b>\$19.7</b>	<b>\$19.2</b>	<b>\$19.0</b>	<b>\$97.6</b>
<b>New Senior STB Statewide Capital Projects</b>	<b>\$353.7</b>	<b>\$360.3</b>	<b>\$359.9</b>	<b>\$350.6</b>	<b>\$346.4</b>	<b>\$1,770.8</b>
PSCOC Public School Capital	\$137.0	\$141.2	\$191.9	\$209.0	\$222.7	\$901.84
PED Instructional Materials/Transportation	\$25.0	\$25.0	\$0.0	\$0.0	\$0.0	\$50.00
<b>TOTAL Uses of Funds</b>	<b>\$603.2</b>	<b>\$809.3</b>	<b>\$630.8</b>	<b>\$840.3</b>	<b>\$645.2</b>	<b>\$3,528.7</b>

(1) Includes projects authorized that have either not yet met requirements for funding or were not able to be funded with annual senior capacity.

(2) Includes projects that have remained inactive for a period of at least 18 months following bond issuance for which the proceeds have been reassigned to ready projects.

Estimated Transfer to Severance Tax Permanent Fund						
	FY21	FY22	FY23	FY24	FY25	5-Year
<b>Severance Tax Permanent Fund Transfer</b>	<b>\$79.6</b>	<b>\$96.5</b>	<b>\$83.2</b>	<b>\$90.9</b>	<b>\$96.6</b>	<b>\$446.7</b>

# CARES ACT Tribal Eligible Expenses

## TRIBAL ALLOCATIONS

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❖ \$28 MILLION

❖ Reimbursements received as of November 13 total \$981 thousand

❖ Balance \$27 million

Eligible item include:

- Payroll support for health and safety personnel
- Hazard pay for certain workers
- Vehicles and expenses for getting meals to seniors
- PPE, technology directly related to remote learning and telework
- Cleaning and sanitation supplies
- Program payments for mortgage/rent, utilities, and child care assistance



# Major Causes of Uncertainty in Revenues

- COVID-19 pandemic uncertainty.
  - Unknown changing consumer and business behavior.
  - Availability of the vaccine and plans for distribution.
  - Employment recovery will vary with employers expectations to economic recovery, COVID-19, and fiscal stimulus.
- Direction of additional federal stimulus legislation.
  - Unknown when and if an agreement for an additional stimulus bill will be reached.
  - The later another round of stimulus agreement is reached the less effective it is on stimulating the recovery (Moody's Analytics).
  - The form and scale of the stimulus agreement.
- Oil demand and supply.
  - Uncertainties in regard to demand are closely tied to COVID-19 path.
    - Consumer and business behavior.
    - Transportation sector.
  - Oil supply dependent on OPEC actions.
    - More coordinated actions on supply which are often unknown or unexpected.

# Additional COVID-19 Funding

Items included in federal legislation that has not been acted on—

- Allow federal funds to be used for revenue replacement
- Additional Unemployment Benefits
- Funding for k-12 and higher education to serve minority students
- Increase SNAP Benefits
- TANF—suspend federal work participating rate requirements
- Testing, Tracing and Supplies
- Child Care Grants
- FEMA Funding and Match
- Funding for PPE