



Ruben Baca
NMPMA
Executive Director

While New Mexico's boom-and-bust budget cycle continues — with steep increases in estimated FY23 revenues driven by continued record level oil production, a revived natural gas revenue stream, and a strong, broad-based economy — fiscal stability measures the state implemented a couple of years ago are working as planned.

As reported in the December update of the Consensus Revenue Estimating Group forecast, unaudited reports indicate recurring revenues for FY21 were \$8.085 billion, up \$224.6 million, or 2.9 percent, from FY20. Recurring revenues for FY22 are estimated at \$8.163 billion, and FY23 recurring revenues are estimated at

\$9.049 billion. “New money,” or projected recurring revenues for the following fiscal year less current year recurring appropriations, is estimated at \$1.599 billion for FY23, or 21.5 percent growth from the FY22 recurring budget. At the time of budget development this fall, over \$1 billion of federal ARPA funds was in dispute over which branch of government controlled the use of this funding. In November 2021, the New Mexico Supreme Court ruled the Legislature should appropriate the funding. The committee budget guidelines anticipated and planned for the spending of these funds that, when combined with surpluses of nonrecurring general fund revenue, provide over \$2.3 billion in major investments.

Bolstered by an influx of federal funds supporting individuals, businesses, and the state, New Mexico is recovering from the pandemic-induced recession in 2020. FY21 revenues came in higher than expected, and future revenues are expected to climb due to projected increases in oil and gas prices and production, growing incomes, strong consumer spending, and rebounding employment. While the vaccine rollout has inspired confidence in economic recovery, the pandemic continues to affect supply chains, financial markets, and consumer behavior, and new variants add to uncertainty into the future.

The state's economic outlook is similarly tied to future economic stimulus, broader economic movements, and the success in fighting COVID-19. The consensus revenue forecast expects the New Mexico economy will experience steady but slower than national economic growth through the forecast period. After reaching the last employment peak in January 2020 (847.9 thousand jobs), employment contracted by 100.5 thousand jobs, or 11.8 percent, by the subsequent quarter as a result of the pandemic. By September 2021, preliminary data from the University of New Mexico Bureau of Business and Economic Research (BBER) and BLS indicates the state had recovered 45 percent of the jobs lost from the start of the pandemic, with total employment still down 55 thousand jobs from the prepandemic peak.

At the core of New Mexico's fiscal instability has been the significant reliance on volatile revenues from the extractives industry. Severance taxes and federal royalty payments made up about 16 percent of general fund revenues in FY21 and are expected to climb to nearly 20 percent in FY23. When including gross receipts taxes from Eddy and Lea counties and out-of-state receipts, also highly dependent on oil and gas activity, revenue dependent on the extractives industry made up 26.3 percent of general fund revenue in FY21 and is expected to climb to 31.1 percent in FY23 as oil and gas production surges in New Mexico.

Of the 3,025 underground storage tank systems at 1,149 regulated facilities across the state, 95 have outstanding violations that can threaten groundwater. In the fourth quarter, nine facilities cleared significant violations, achieving an annual average of 90 percent compliance. However, a very small number of facilities are actually being inspected. Due to the COVID-19 pandemic, inspections in FY21 were a small fraction of what they were in FY20. This issue resulted in a mediocre performance rating on the compliance measure despite the program meeting its target.

Upcoming Events

Good news! Sandia Resort and Casino will be the location of the 2022 NMPMA Convention and Trade Show on August 22-24, 2022. Please save the date.

