

New Mexico Medical Society

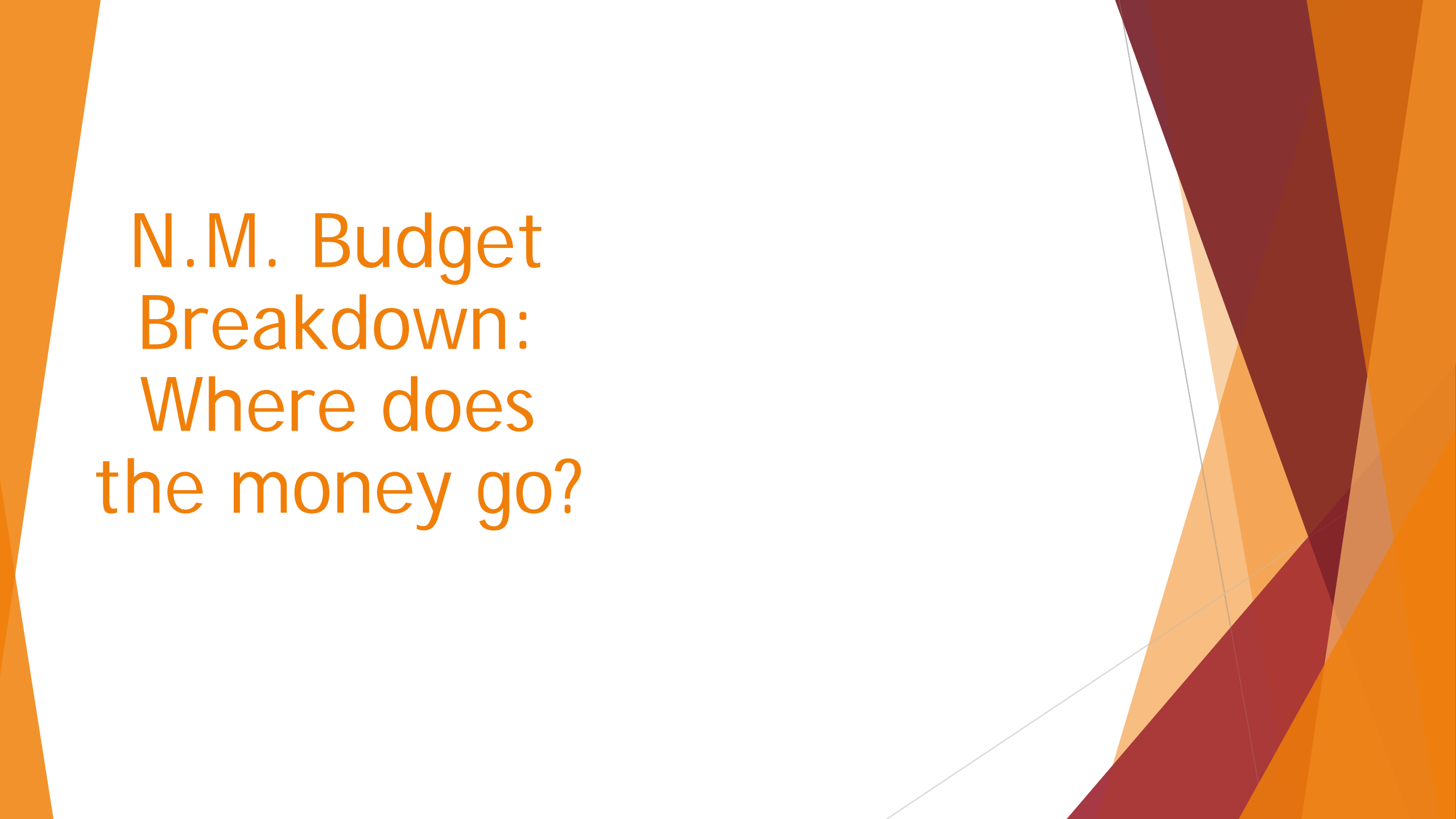
Special Session Details

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Zia Strategies, LLC

Topics

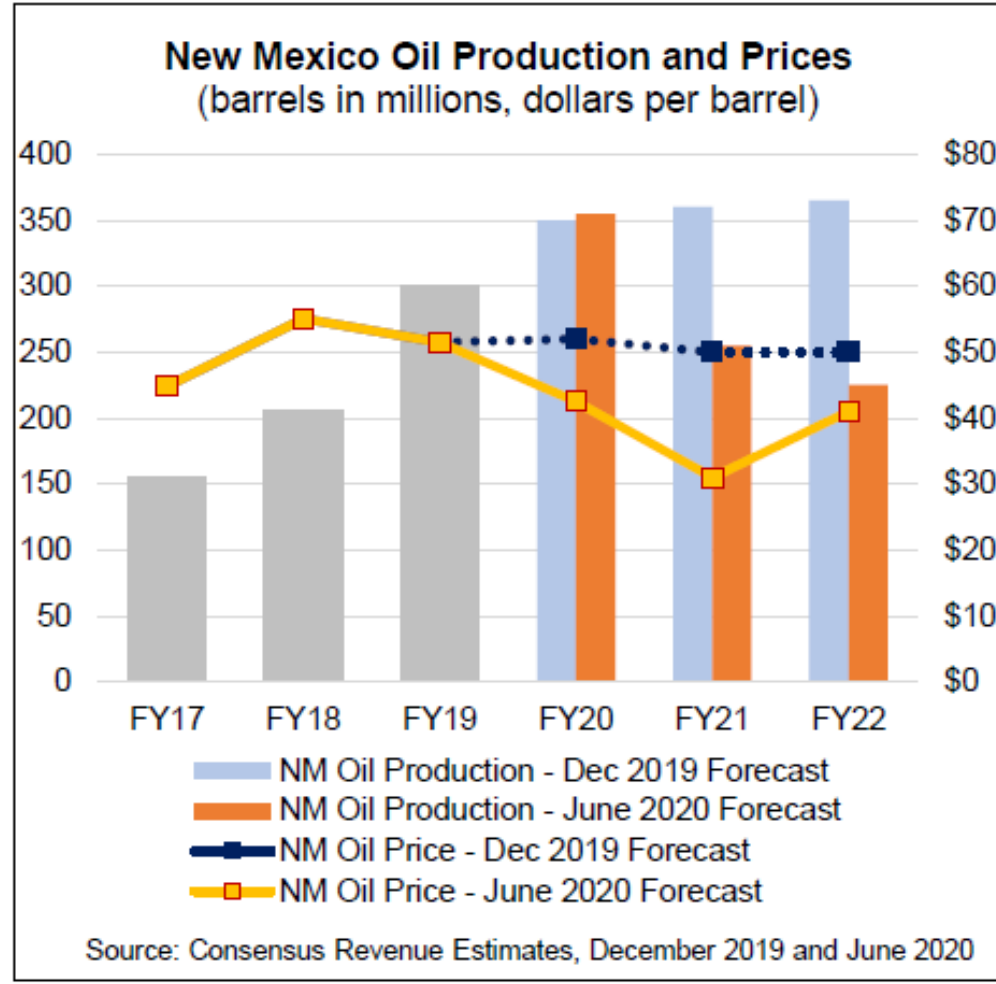
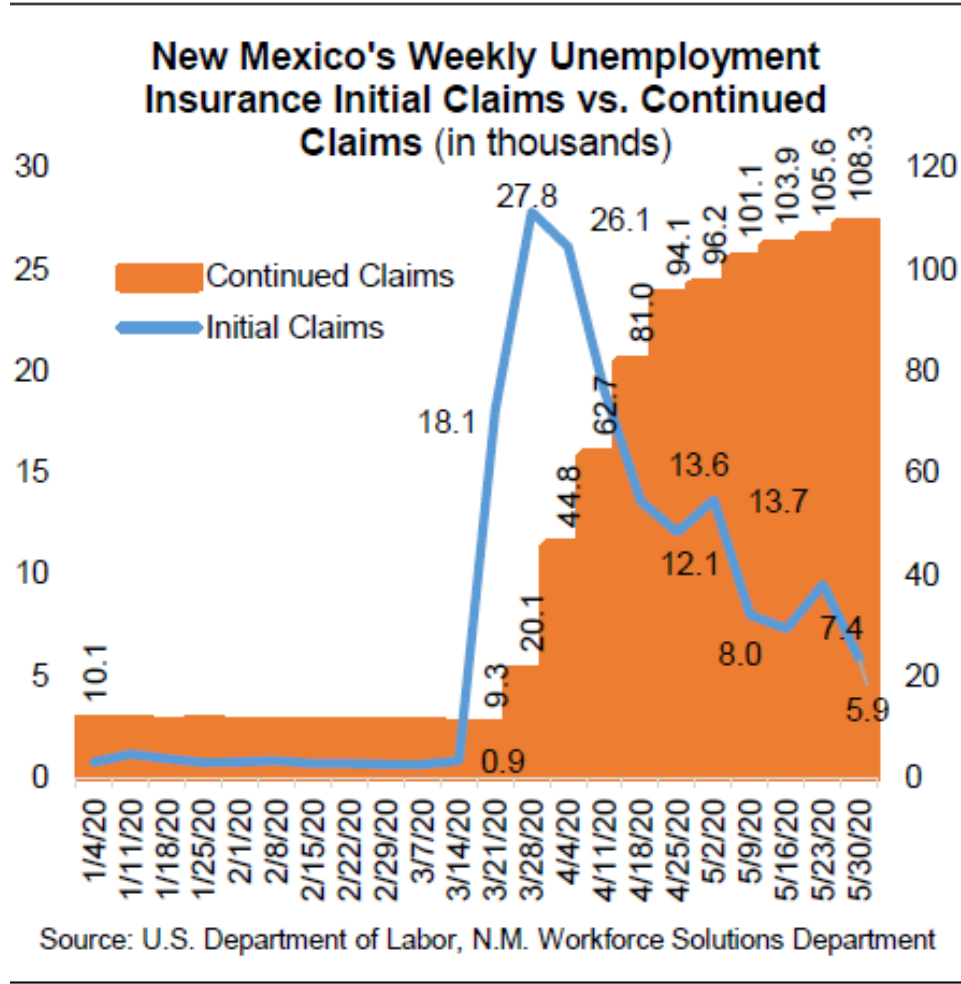
- ▶ Revised Revenue Forecast
- ▶ Budget Framework for the Special Session
- ▶ Update on Gross Receipts Taxes



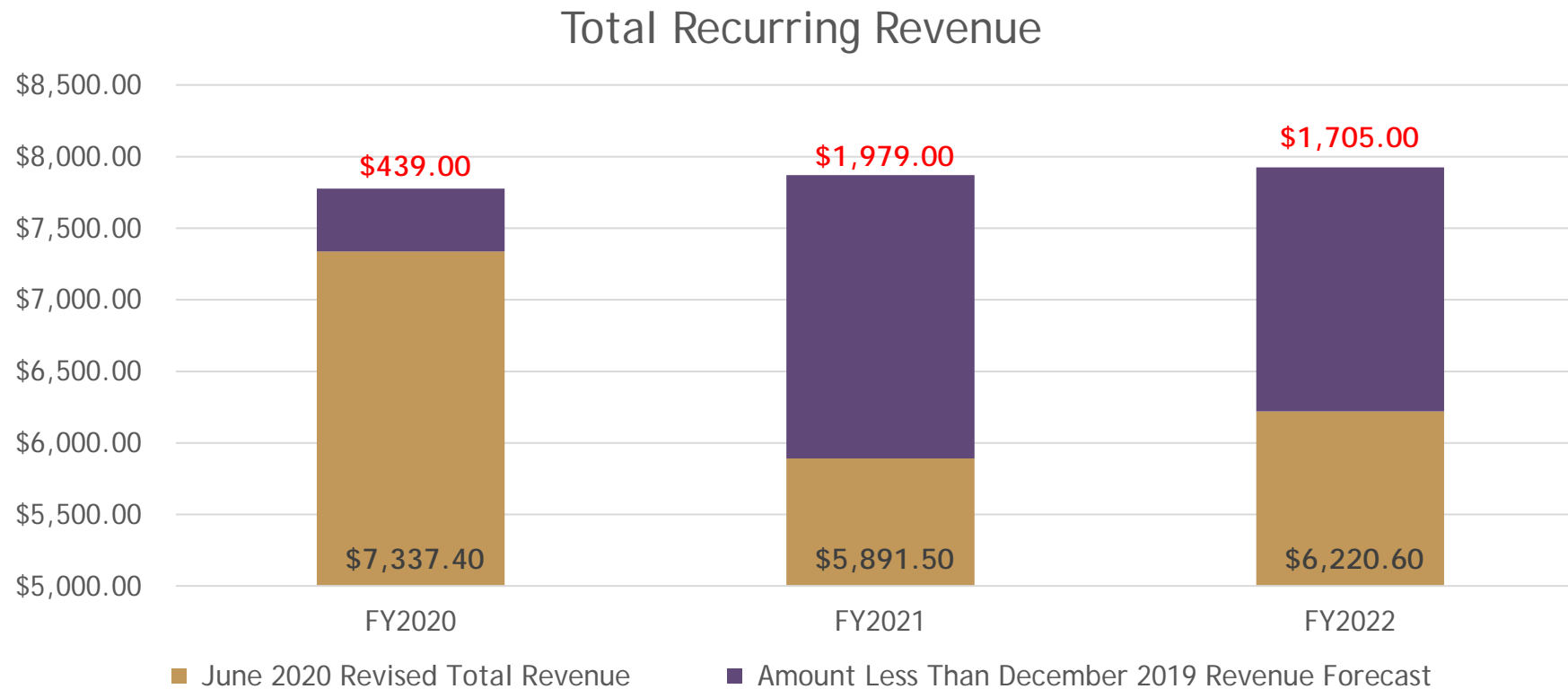
N.M. Budget Breakdown: Where does the money go?

Revised Revenue Forecasts

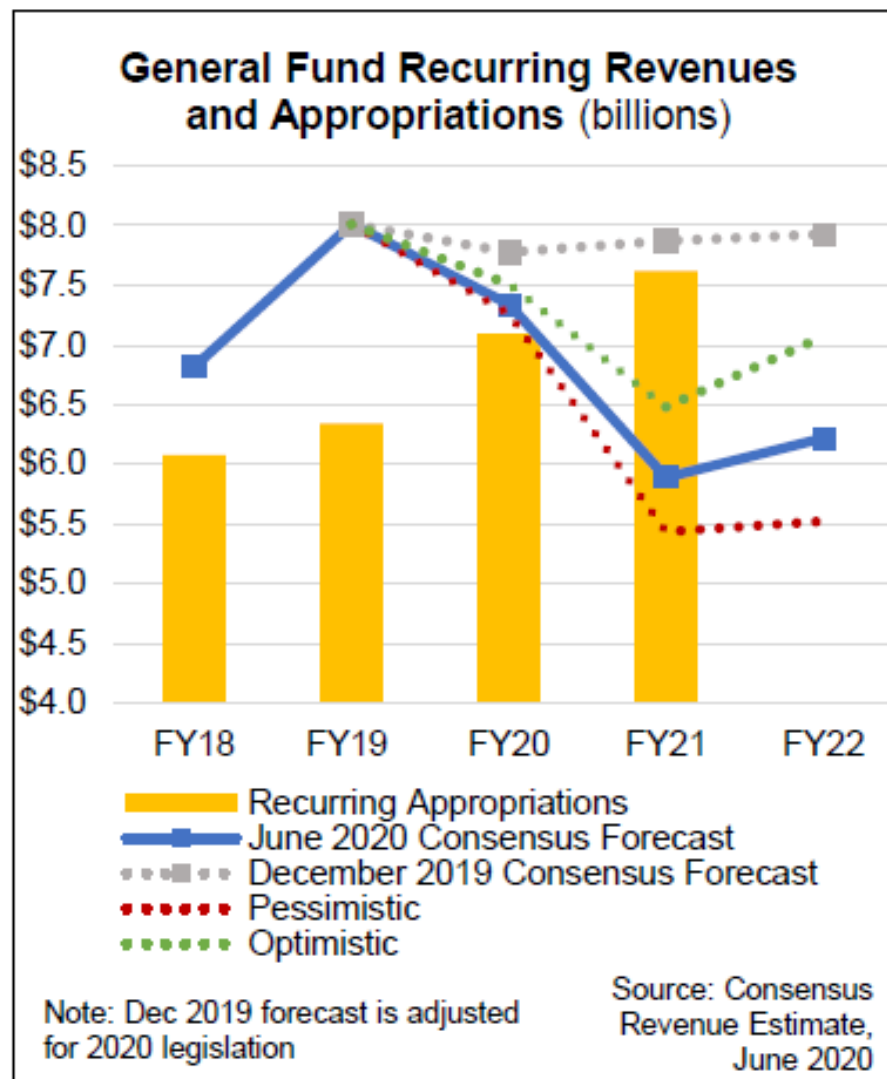
Economic Indicators



Revised Revenue Projections: June 2020 “U-Shaped Recovery”

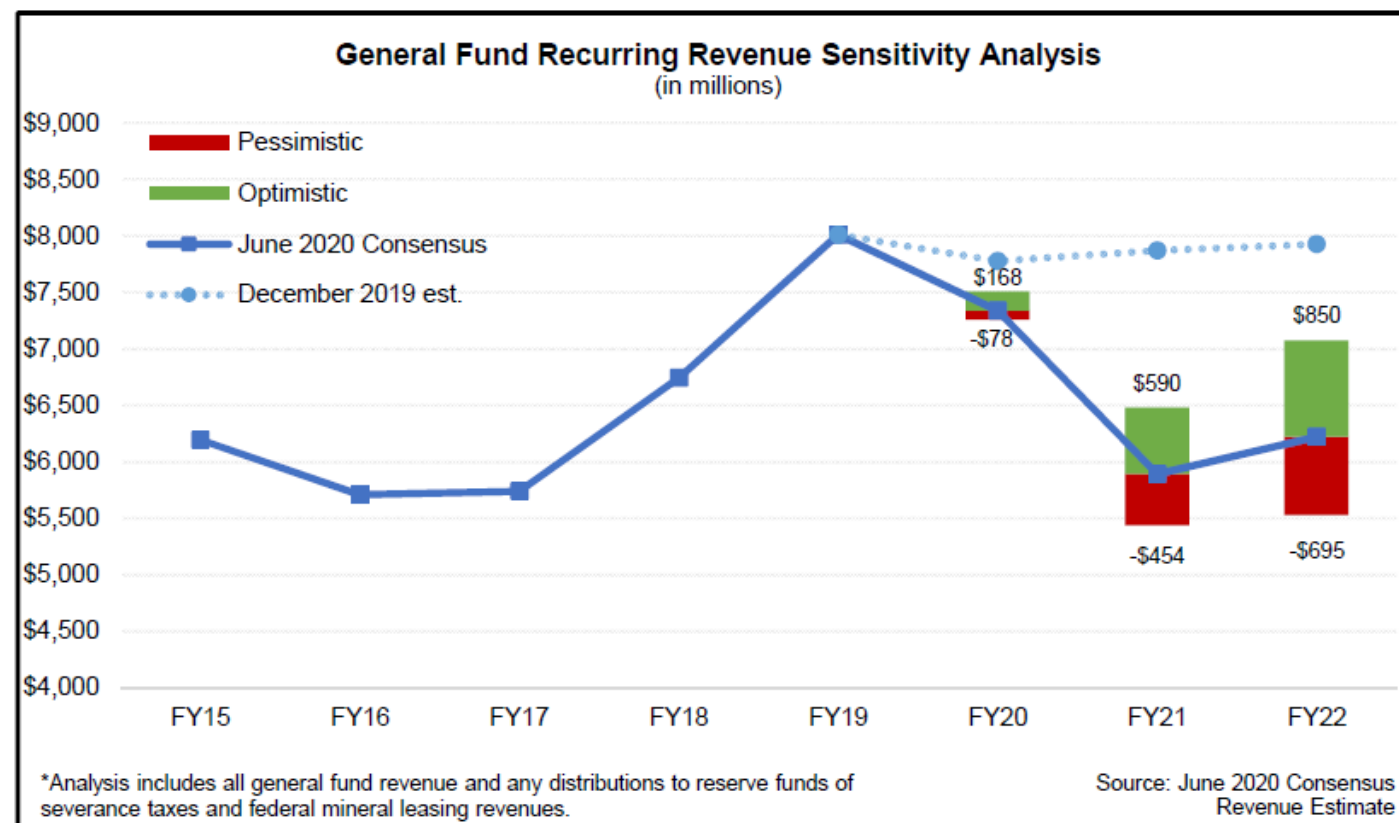


- Amounts shown in million
- In the “U-Shaped Recovery” scenario, general fund revenues sharply contract in FY21 and begin a modest recovery into FY22.



Recurring Revenue: All Recent Forecasts

Stress Testing the Revenue Forecast



Revenue Scenarios, Difference from Baseline Forecast	Optimistic			Pessimistic		
	FY20	FY21	FY22	FY20	FY21	FY22
Severance Taxes	\$0	\$111	\$119	-\$2	-\$110	-\$146
Federal Mineral Leasing	\$12	\$147	\$281	-\$8	-\$115	-\$174
Gross Receipts Taxes	\$39	\$124	\$187	-\$37	-\$149	-\$256
Income Taxes	\$46	\$164	\$220	-\$2	-\$52	-\$94
Other Revenues	\$71	\$44	\$44	-\$28	-\$28	-\$24
Total Difference from Baseline	\$168	\$590	\$850	-\$78	-\$454	-\$695
Difference from Dec 2019 est.	-\$271	-\$1,389	-\$930	-\$517	-\$2,433	-\$2,475

Note: dollars in millions

2020 Special Session: Budget Framework



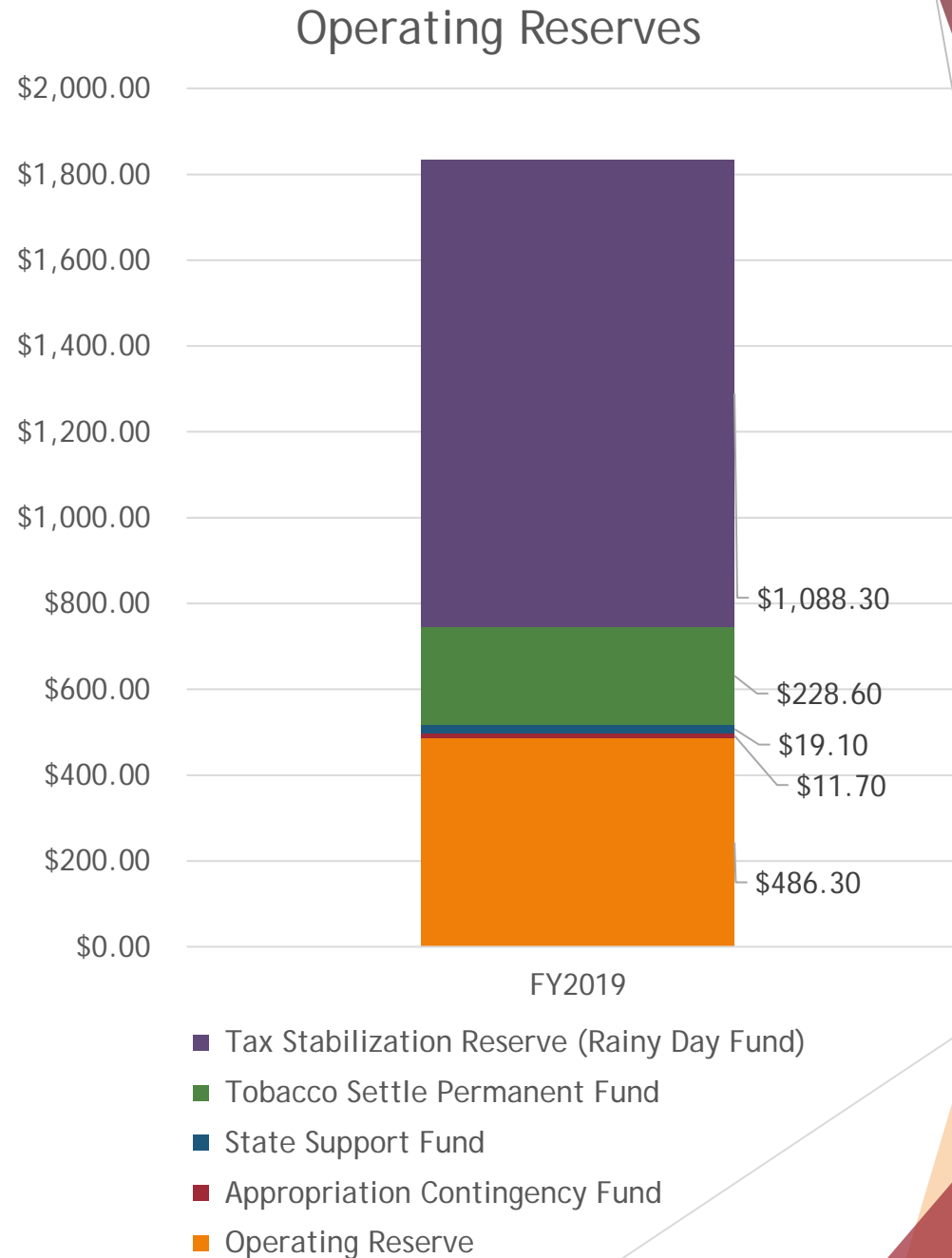
2020 Special Session Logistics

- ▶ June 18, 2020
- ▶ Session will hopefully last no more than 3 days...
- ▶ Other issues will be discussed

2020 Special Session Strategy

FY2020

- ▶ FY2020 ends June 30, 2020
- ▶ \$439 million will be authorized from Operating Reserves

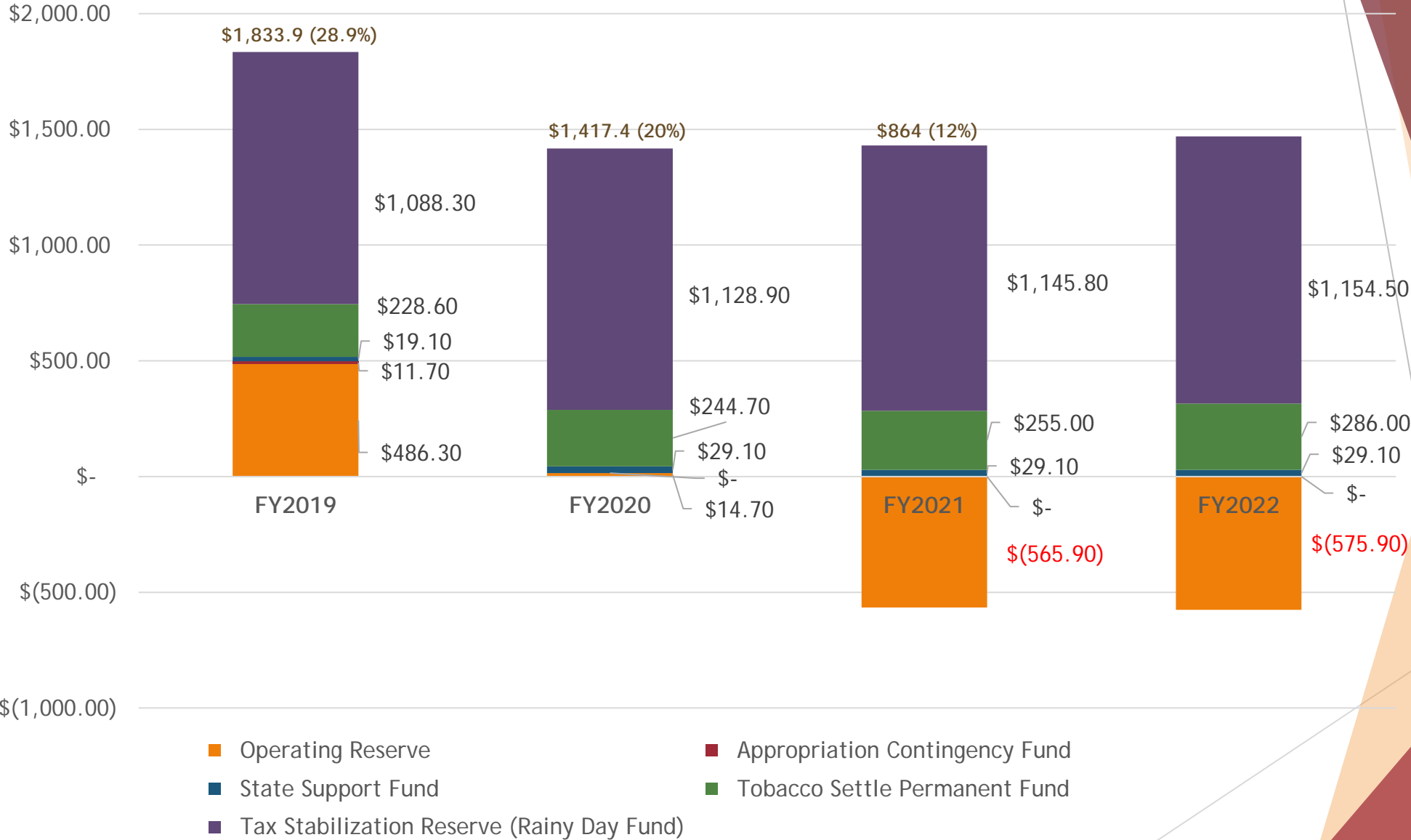


2020 Special Session Strategy

FY2021 \$1.979 Billion Challenge

- ▶ FY2021 runs July 1, 2020 - June 30, 2021
- ▶ Create \$750 million CARES Act Appropriations Account
- ▶ Sanding (across the board % decline) → \$226 million savings
 - ▶ -2% Public School SEG, Dept. of Health
 - ▶ -3% Medicaid Reimbursements
 - ▶ -4% All Other State Agencies
 - ▶ -6% Public School and Higher Ed Categorical Spending
- ▶ Decrease Salary Increases to be 0%-1% total → \$118-\$157 million savings
- ▶ Swaps, Other Reductions
 - ▶ Swap funding sources or “take credit for federal grants”
 - ▶ Eliminate Opportunity Scholarships and other school programs, decrease ECTF
 - ▶ Cancel PERA transfer
 - ▶ Void Unspent Capital Outlay, Sweep Severance Tax Bonds
- ▶ Authorize additional draw down of Reserves

Operating Reserve Forecast



*shown in millions

General Fund Financial Summary:
LFC Special Session Scenario - June 10, 2020
RESERVE DETAIL
(millions of dollars)

June 9, 2020	Audited FY2019	Estimate FY2020	Estimate FY2021	Estimate FY2022
OPERATING RESERVE				
Beginning Balance	\$ 485.9	\$ 486.3	\$ 14.7	\$ (565.9)
BOF Emergency Appropriations/Reversions	\$ (2.0)	\$ (2.0)	\$ (2.5)	\$ (2.0)
Transfers from/to Appropriation Account	\$ 393.2	\$ (518.0)	\$ (1,320.1)	\$ -
Transfers to Tax Stabilization Reserve	\$ (378.7)	\$ -	\$ -	\$ -
Disaster Allotments ¹	\$ (12.1)	\$ (42.1)	\$ (8.0)	\$ (8.0)
Transfer from (to) ACF/Other Appropriations (federal stimulus)	\$ -	\$ 11.0	\$ 750.0	\$ (0.0)
Transfers from tax stabilization reserve ³	\$ -	\$ 79.5	\$ -	\$ -
Ending Balance	\$ 486.3	\$ 14.7	\$ (565.9)	\$ (575.9)
APPROPRIATION CONTINGENCY FUND				
Beginning Balance	\$ 12.3	\$ 11.7	\$ (0.0)	\$ (0.0)
Disaster Allotments	\$ (15.3)	\$ (11.7)	\$ (8.0)	\$ (8.0)
Other Appropriations	\$ -	\$ -	\$ -	\$ 0.0
Transfers In	\$ -	\$ -	\$ -	\$ -
Revenue and Reversions	\$ 14.7	\$ -	\$ 8.0	\$ 8.0
Ending Balance	\$ 11.7	\$ (0.0)	\$ (0.0)	\$ -
STATE SUPPORT FUND				
Beginning Balance	\$ 1.0	\$ 19.1	\$ 29.1	\$ 29.1
Revenues ²	\$ 18.1	\$ 10.0	\$ -	\$ -
Appropriations	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 19.1	\$ 29.1	\$ 29.1	\$ 29.1
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)				
Beginning Balance	\$ 158.7	\$ 228.6	\$ 244.7	\$ 255.0
Transfers In	\$ 34.2	\$ 33.8	\$ 34.0	\$ 34.0
Appropriation to Tobacco Settlement Program Fund	\$ (17.0)	\$ (16.9)	\$ (34.0)	\$ (17.0)
Gains/Losses	\$ 12.7	\$ (0.7)	\$ 10.2	\$ 14.0
Additional Transfers to/from TSPF	\$ 40.0	\$ -	\$ -	\$ -
Ending Balance	\$ 228.6	\$ 244.7	\$ 255.0	\$ 286.0
TAX STABILIZATION RESERVE (RAINY DAY FUND)				
Beginning Balance	\$ 526.8	\$ 1,088.3	\$ 1,128.9	\$ 1,145.8
Revenues from Excess Oil and Gas Emergency School Tax	\$ 182.8	\$ 114.7	\$ -	\$ -
Gains/Losses	\$ -	\$ 5.4	\$ 16.9	\$ 8.7
Transfers In (From Operating Reserve)	\$ 378.7	\$ -	\$ -	\$ -
Transfer Out to Operating Reserve ³	\$ -	\$ (79.5)	\$ -	\$ -
Ending Balance	\$ 1,088.3	\$ 1,128.9	\$ 1,145.8	\$ 1,154.5
Percent of Recurring Appropriations	17.2%	15.9%	15.9%	
TOTAL GENERAL FUND ENDING BALANCES	\$ 1,833.9	\$ 1,417.4	\$ 864.0	
Percent of Recurring Appropriations	28.9%	20.0%	12.0%	

Notes:

1) DFA using operating reserve to cover disaster allotments due to low balance in the appropriation contingency fund. Includes \$35.5 million for COVID-19 related responses.

2) Laws 2019, Chapter 271 (HB2) contained a \$10 million appropriation to the state support reserve fund.

3) Laws 2020, Chapter 34 (House Bill 341) transfers from the tax stabilization reserve to the operating reserve if operating reserve balances are below one percent of appropriations, up to an amount necessary for the operating reserve to be at least one percent of total appropriations for the current year.

* Note: totals may not foot due to rounding

Gross Receipts Taxes

- ▶ Other Issues will be on the call - this is good because it opens the door to more issues than the budget
- ▶ NMMS to exempt Emergency Fund payments under the CARES Act from GRT remains an issue the Governor's Office is discussing
 - ▶ However, no commitments made about solution during the Special Session
- ▶ Two categories of money: (1) Healthcare related expenses attributable to corona virus; and (2) loss revenues attributable to corona virus
 - ▶ Each of these may be treated differently, so think about how you account for payments
- ▶ To solve the overarching issue, we continue to feel legislation is best.
- ▶ Call the Governor's Office, send emails, reach out to those you have a relationship with...
- ▶ Be sure you can answer this question: "Why will hospitals and providers spend this money in a more effective way than the State would if the funds landed in the General Fund?"
 - ▶ Return on investments
 - ▶ Salaries
 - ▶ Fast turnaround...



Local Advocacy is the Most Effective



Questions?