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**FY2019**

## **General Fund Monthly Report**

### **April 2019 Accruals**

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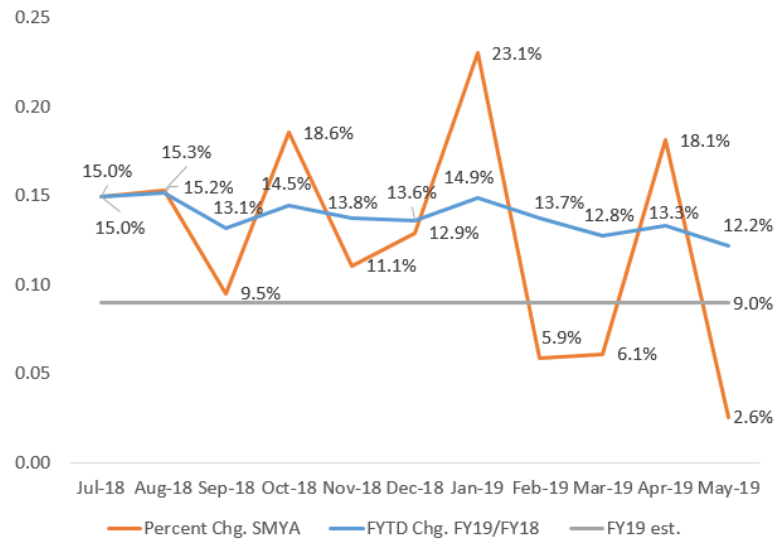
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This report summarizes General Fund revenues accrued through April 2019 during the fiscal year 2019. The report also includes more recent data on oil and gas prices and volumes, New Mexico employment, and taxable gross receipts.

#### **Highlights:**

- The State of New Mexico collected \$6.7 billion dollars in total general fund recurring revenues from July 2018 through April 2019. This is a \$1.4 billion increase or a 27 percent increase in fiscal year-to-date revenues through April 2019 compared to the same time period last year.
- Total general fund collections for the month of April were \$674 million, relatively flat when compared to the collections in April 2018 (\$674.6 million). This estimate takes into account the transfers to the Tax Stabilization Reserve in FY19.
- This increase in revenues is due to strong growth in Gross Receipts Taxes, Federal, Mineral, and Leasing, and Severance Taxes. The main driver for the growth in these three sectors is the unprecedented oil and gas production activity occurring in the Permian basin in the southeastern part of the state.
- For FY19, total general fund recurring revenues are estimated to complete the fiscal year four percent, or \$300 million ahead of the CREG's December forecast.
- Fiscal year-to-date total taxable gross receipts increased 12.2 percent through May compared to the same time period in the FY18, outperforming the forecast estimate of 9 percent for FY19. The greatest contributors to this increase have been the following sectors: mining and oil and gas extraction; wholesale trade; professional services; retail trade; administration and support, and waste management; and construction. Total gross receipts in May 2019 were up 2.6 percent compared to total receipts in May 2018. See Chart 1 for details.

Chart 1. Total Matched Gross Receipts Tax Growth July 2018 Through May 2019 (FY19)



Source: Author's calculations, TRD RP-500 Report

- FYTD Growth of total recurring revenue excluding direct oil and natural gas revenues and a significantly large one-time payment to mineral rents and royalties' revenues, is currently trending at 14.7 percent.
- Mineral rents and royalties revenues received a large one-time payment (\$497 million) from federal land lease sales. Adjusting the revenue for this one-time payment, Mineral rents and royalties have grown by 30.6 percent compared to the previous year.
- June non-farm employment increased by 1.7 percent compared to June 2018. The sectors with the strongest year-over-year job growth were Mining (8.1), Construction (6.6), Leisure and Hospitality (4.1). Transportation, Warehousing, and Utilities, and the Information sector both saw year-over-year employment declines of 4.3 percent and 4.9 percent, respectively.
- The New Mexico unemployment rate decreased slightly from 5.0 percent to 4.9 percent from May to June. While the national unemployment rate increased from 3.6 percent to 3.7 percent during the same time period.

Table 1. General Fund Revenue Accruals								
	April 2018	April 2019	% Change Apr '18 to Apr '19	FY18 Through April	FY19 Through April	\$ Difference from FY to FY to Date	FYTD % Change	Dec '18 Forecast Full Year Growth
General Sales Tax	\$178.8	\$249.1	39.3%	\$1,980.6	\$2,325.4	\$344.8	17.4%	8.8%
Selective Sales Tax <sub>1</sub>	\$23.3	\$83.9	260.6%	\$396.7	\$451.5	\$54.7	13.8%	2.2%
Personal Income Tax	\$250.1	\$133.3	-46.7%	\$1,150.7	\$1,245.9	\$95.2	8.3%	3.0%
Corporate Income Tax	\$39.7	(\$13.8)	-134.8%	\$67.0	\$104.8	\$37.8	56.4%	3.2%
Severance Taxes <sub>2</sub>	\$47.6	\$58.5	22.7%	\$393.6	\$526.2	\$132.7	33.7%	-14.4%
Interest Earnings	\$66.1	\$76.9	16.4%	\$665.0	\$773.7	\$108.7	16.3%	10.3%
Mineral Rents /Royalties <sub>3</sub>	\$50.6	\$56.4	11.5%	\$503.1	\$1,154.2	\$651.1	129.4%	29.8%
Other Revenues	\$18.4	\$29.5	60.8%	\$137.1	\$141.2	\$4.1	3.0%	n/a
<b>Total Recurring Revenues<sub>4</sub></b>	<b>\$674.6</b>	<b>\$673.8</b>	<b>-0.1%</b>	<b>\$5,293.7</b>	<b>\$6,722.8</b>	<b>\$1,429.1</b>	<b>27.0%</b>	<b>7.9%</b>
<b>Total Recurring Revenue (Excluding Oil &amp; Gas)</b>	<b>\$576.3</b>	<b>\$558.9</b>	<b>-3.0%</b>	<b>\$4,397.1</b>	<b>\$5,042.4</b>	<b>\$645.3</b>	<b>14.7%</b>	<b>6.6%</b>

Source: DFA Financial Control Division, figures in Millions

1. Includes estimates for Insurance

2. Oil and Gas School Tax Revenue in excess of the five-year average is transferred to the tax stabilization reserve fund beginning in FY19.

Because of this transfer, Severance taxes forecast estimates a decline. However, once adjusted for this, Severance Taxes forecasted percent change is 2.6%.

Budget estimates for full FY take this transfer into account. FY19 Transfer from Oil & Gas School Tax To Tax Stabilization Reserve is \$122.6 million

3. Mineral Rents and Royalties in FY19 includes a federal land lease payment of \$497 million. This payment was a one time event and increased the percent change to 129.4%.

Adjusting for this windfall payment, Mineral Rents and Royalties has a fiscal year to date percent change of 30.6%

4. Once Total Recurring Revenues are adjusted for the one time federal land lease payment, revenues are 15.3% higher when compared to one year prior.

Table 1 above presents a summary of April 2019 and FY19 year-to-date revenue collections for the major categories of General Fund Appropriation Account revenues. Preliminary General Fund recurring revenues through April are approximately \$6.7 billion, an increase of \$1.4 billion or a 27 percent increase from the same time period in FY18, well above the December 2018's forecasted full-year growth of 7.9 percent. However, once total recurring revenues are adjusted for the one-time federal land lease payment, total FYTD recurring revenues are 15.3% higher when compared to one year prior.

It should be noted, as part of the December 2018 full-year forecast, the CREG's consensus on the average price of oil for the FY19 is estimated at \$49.50/barrel and \$3.55/bcf for natural gas.

## General Sales Tax

General sales taxes fiscal year-to-date increased 12.2 percent, compared to the same period one year ago, outperforming the forecasted estimate for the full fiscal year of 8.8 percent. This percent change in taxable gross receipts, detailed in Table 2, represents the tax base for the gross receipt taxes. Revenue growth can diverge from tax base growth for a number of reasons, some of which may simply reflect the timing of payments, refund claims, etc. Year-over-year growth occurred in most industries. With the Mining and Oil and Gas Extraction leading the way, accounting for \$6,108 million in revenue collected and FYTD growth of 43.4 percent compared to one year period. Followed by the Retail Trade sector with \$12,483 million and FYTD growth of 5 percent for the same time period. Lastly, the third best performing sector was the Construction sector, which increased by 3.3 percent and accounted for \$6,891 million in revenue collected during the same time period. For additional detail on total gross receipt performance, please refer to Table 2 on page 8.

## Severance Taxes/ Mineral Rents/Royalties

Severance taxes, and mineral rents and royalties increased by 33.7 percent and 129.4 percent, respectively, when compared to the fiscal year-to-date from the prior year. Mineral production

taxes for the entire year is forecasted at 10.4 percent.

Mineral rents and royalties revenue fiscal year-to-date percent change is tracking just above the adjusted 29.8 percent full-year forecast. The strong positive growth in these two sectors is a direct reflection of the increased oil production in the Permian basin in the last two years. The increase in revenue is also attributable to increased production volumes even as oil prices have slightly decreased in the observed time period. With New Mexico experiencing record high rig counts in early 2019 and additional pipeline capacity coming online in the Permian region, production is expected to continue to grow in the near future. The mineral rents and royalties revenues percent change must be adjusted due to a large one-time payment (\$497 million) from federal land lease sales. Adjusting the revenue for this one-time payment, mineral rents and royalties have grown by 30.6 percent compared to the previous year.

### **Selective Sales Tax**

Selective sales tax growth experienced a fiscal year-to-date increase of 13.8 percent when compared to the same time period one year ago. The full-year forecast projects a full fiscal year growth of 2.2 percent.

### **Personal Income Tax**

Personal income tax revenues year-to-date through April increased 8.3 percent from the prior year. Personal income tax revenues in April 2019 were \$133 million. The full-year forecast for personal income tax calls for a 3 percent growth. However, accounting changes at the Taxation and Revenue Department (TRD) have led to distorted data leading to this higher than normal increase compared to the prior year. TRD staff are currently working to solve the accounting and reporting discrepancies.

### **Corporate Income Tax**

Corporate income tax (CIT) revenues year-to-date have experienced a substantial increase of 56.4 percent. However, the CIT percentage change can vary broadly due to a variation in the timing CIT payments which do not follow a regular schedule. The full-year forecast for corporate income tax estimates 3.2 percent growth for the full fiscal year.

### **Interest Earnings**

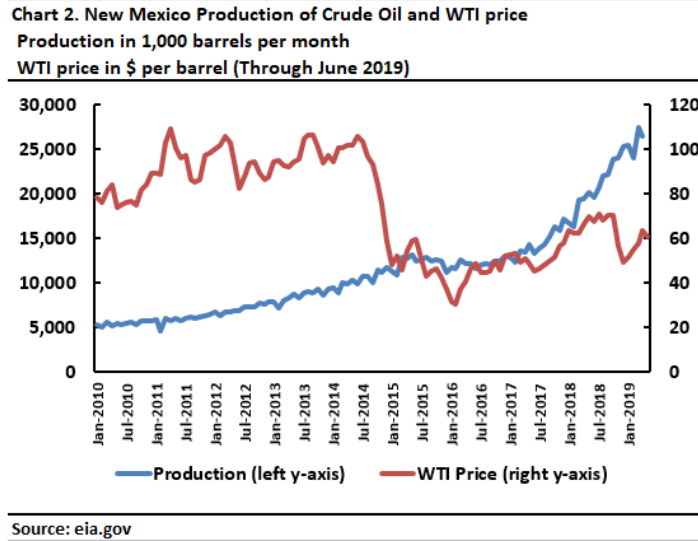
Interest earnings year-to-date growth increased by 16.3 percent when compared to the same time period in FY18. The December forecast for interest earnings estimated a 10.3 percent growth for the full fiscal year. This revenue stream is tracking well ahead of the estimate.

### **Other Revenues**

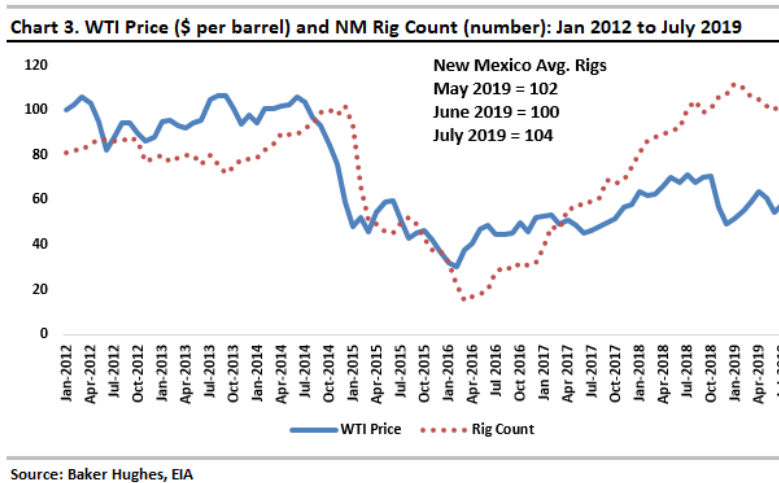
The other revenues category is the aggregate of the following individual revenue categories: License Fees, Tribal Revenue Sharing, Miscellaneous Receipts, and Reversions. The collections of these revenue streams vary per source and can cause the percent change to vary broadly on a month-to-month basis as well.

## New Mexico Oil and Natural Gas Prices and Production

New Mexico oil prices for June 2019 averaged \$54.66 per barrel (bbl.), which compares to \$63.89 per bbl. for June 2018. In June 2019 the benchmark WTI price of oil averaged \$54.66 per bbl. New Mexico field production of crude oil increased by 36 percent from April 2018 to April 2019. The price of oil trended downward through May and mid-June but completed the month of June with an average price of \$54.66/barrel. Chart 2 details New Mexico oil production and WTI price through June 2019.

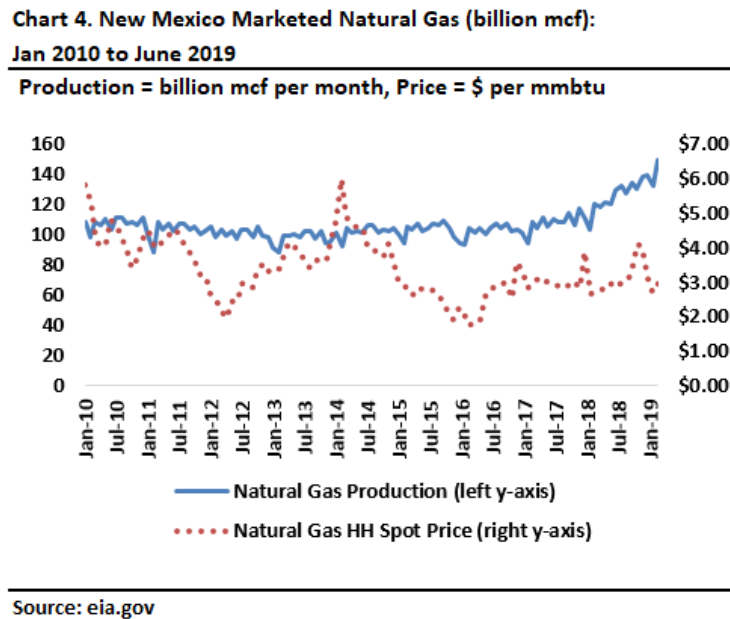


According to Baker-Hughes data as of July 19, 2019, the New Mexico rig count in July of 2019 is averaging 104 compared to rig counts in July of 2018, which totaled 101. This is an increase in rig counts from the month of June, which averaged 100 rigs. Chart 3 illustrates the trend of New Mexico rigs versus the WTI price from 2012 through July 2019.



The Henry Hub natural gas spot price for June 2019 was \$2.40 per MMBtu, which compares to \$2.97 per MMBtu in June 2018. Natural gas prices have remained low and flat during the time

period considered. New Mexico has vast amounts of natural gas in proved reserves. Natural gas production has increased as the energy industry increases its oil production. New Mexico is currently experiencing an oversupply of natural gas production. Additional pipeline capacity in the Permian Basin in the near future is expected to alleviate this issue, however, the oversupply of natural gas is expected to keep natural gas prices low as well.



### Update on New Mexico Employment Trends

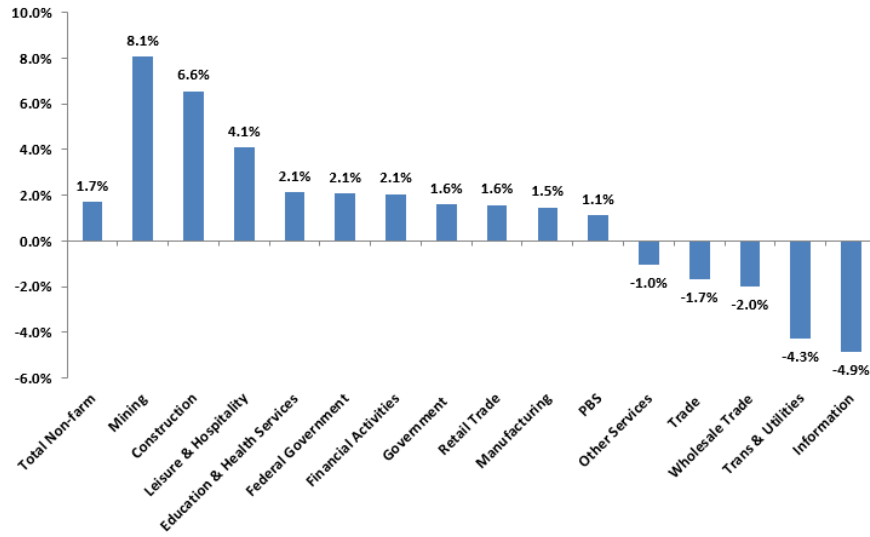
In June 2019 New Mexico employment grew by 1.7 percent, or 14,400 jobs, from the prior year (June 2018) when adjusted for seasonal variation.

Employment grew across several sectors in June. Economic growth in the state was led by the Mining sector, which experienced a 8.1 percent year-over-year growth in employment. This was followed by the Construction sector in which employment grew by 6.6 percent compared to the same month one year ago. The Leisure and Hospitality sector performed well, with employment growth of 4.1 percent during the same time period. Lastly, during the same time period, Education and Health Services added 3,000 jobs or 2.1 percent growth and Professional and business services experienced growth of 1,200 jobs or 1.1 percent growth.

The following sectors experienced slight to moderate declines in employment growth from June 2018 to June 2019: Trade, Wholesale Trade, Information, Transportation, Warehousing, and Utilities, and Government. Within the government sectors (Local, State, and Federal), State government lost 500 jobs from June 2018 to June 2019. During the same time period, Local and Federal government sectors gained jobs of 2,900 and 600, respectively.

The unemployment rate for the state in June 2019 was 4.9 percent, 0.1 percent higher when compared to the 4.8 percent rate in June 2018. The national unemployment rate for June increased slightly to 3.7 percent from 3.6 percent.

**Chart 5. Percent Change in Non-Farm Employment in New Mexico by Sector  
June 2018 to June 2019**



Source: bls.gov

### **New Mexico Matched Taxable Gross Receipts (TGR), FY19 Year-to-Date through May 2019**

Taxable gross receipts grew by 12.2 percent in FY19 year-to-date through May. Taxable gross receipts year-to-date growth was led by the mining and oil and gas extraction sector which grew by 43.4 percent from the previous year. Additionally, this sector accounts for a greater magnitude of the total year-over-year growth, accounting for 28.5 percent of the total growth in taxable gross receipts for the state. See Table 2 for details.

Retail trade, which is the largest sector in terms of revenue collected and represents nearly a quarter of all taxable gross receipts, increased by 5 percent from the prior year, suggesting that consumers are more willing to spend disposable income as the New Mexico economy grows. Retail trade accounted for 9 percent of the total growth in taxable gross receipts.

The second largest sector in terms of revenue collected, construction, experienced both taxable gross receipts growth of 3.3 percent and an increase in year-over-year employment growth of 6.6 percent. The construction sector accounted for 3.4 percent of the total growth in taxable gross receipts.

Additional sectors which performed well in terms of gross receipts collected but at the same time lost employment in year-over-year comparisons are the transportation and warehousing, and wholesale trade. These sectors all experienced positive gross receipts year-to-date growth when compared to the previous year, (30.9 percent, 27.7 percent, respectively).

Sector	FYTD	FYTD	Percent of Total Growth
	(\$millions)	Percent Change	
Agriculture, Forestry, Fishing and Hunting	\$ 110.33	-6.9%	-0.13%
Mining and Oil and Gas Extraction	\$ 6,108.33	43.4%	28.53%
Utilities	\$ 2,406.54	8.3%	2.86%
Construction	\$ 6,891.08	3.3%	3.39%
Manufacturing	\$ 1,831.13	25.5%	5.74%
Wholesale Trade	\$ 3,095.34	27.7%	10.35%
Retail Trade	\$ 12,483.47	5.0%	9.19%
Transportation and Warehousing	\$ 946.12	30.9%	3.45%
Information and Cultural Industries	\$ 2,355.53	2.0%	0.72%
Finance and Insurance	\$ 340.88	-38.8%	-3.34%
Real Estate and Rental and Leasing	\$ 1,588.82	28.9%	5.50%
Professional, Scientific and Technical Services	\$ 6,003.58	2.2%	2.00%
Management of Companies and Enterprises	\$ 30.53	5.5%	0.02%
Admin and Support, Waste Mgt and Remed	\$ 1,992.16	71.8%	12.85%
Educational Services	\$ 205.77	6.3%	0.19%
Health Care and Social Assistance	\$ 2,989.31	4.8%	2.10%
Arts, Entertainment and Recreation	\$ 318.98	13.7%	0.59%
Accommodation and Food Services	\$ 4,293.95	7.1%	4.41%
Other Services (except Public Admin)	\$ 4,466.82	7.1%	4.57%
Public Administration	\$ 415.82	147.2%	3.82%
Unclassified Establishments	\$ 645.76	47.2%	3.20%
<b>All Industries</b>	<b>\$ 59,520.27</b>	<b>12.2%</b>	<b>100%</b>
Excluding O&G	\$ 53,411.94	9.5%	n/a

Source: Author's calculations, TRD RP-500, (figures in millions)

A copy of this report can be found at  
[http://www.nmdfa.state.nm.us/New\\_Mexico\\_Economic\\_Summary.aspx](http://www.nmdfa.state.nm.us/New_Mexico_Economic_Summary.aspx)