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General Fund Report

December 2013 Accrual

Publication Date: March 12, 2014

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A copy of this report can be found at
http://www.nmdfa.state.nm.us/New_Mexico_Economic_Summary.aspx

December Highlights:

- General Fund recurring revenue accruals through December are up 6.0 percent compared to the prior year, while cash receipts increased 5.1 percent in FY14 year-to-date through January.
- Most of this increase is due to stronger than expected oil and gas taxes, rents and royalties. Growth has been minimal in broad-based revenues, such as personal income tax and gross receipts tax, which suggests that most of the economy is growing very slowly if at all. About 12.9 percent of the growth is attributable to a delay in distributions of royalty revenue due to the federal sequester.
- Taxable gross receipts (TGR) grew by only 1.2 percent in the first half of FY14. Growth was restrained due to the ongoing impact of federal budget austerity combined with the federal government shutdown in October. Second quarter TGR experienced the worst growth rate for the quarter since the Great Recession.
- Employment growth remained relatively unchanged from the prior year, growing 0.4 percent in December. Private sector employment grew by 1.0 percent while government employment fell by 1.4 percent.

Table 1**FY14 Appropriation Account Revenue - December 2013 Accruals (1)**

Summary by Major Revenue Category

	Current Month	Current Fiscal	Prior Fiscal	Year to Date Change	
		Year to Date	Year to Date	Amount	Percent
General Sales Tax	194,436,790	1,035,765,754	988,646,282	47,119,472	4.8%
Selective Sales Tax	25,157,170	215,223,272	212,578,191	2,645,081	1.2%
Personal Income Tax	40,884,614	547,954,215	552,829,685	(4,875,470)	-0.9%
Corporate Income Tax	(3,842,476)	61,169,800	37,772,771	23,397,030	61.9%
Mineral Production Taxes	2,148,840	224,898,093	183,337,654	41,560,439	22.7%
Interest Earnings	51,645,507	323,511,970	315,315,504	8,196,466	2.6%
Mineral Rents/Royalties	48,029,032	303,910,966	259,352,772	44,558,195	17.2%
Other	19,104,578	51,873,880	59,089,730	(7,215,850)	-12.2%
TOTAL RECURRING REVENUES	377,564,056	2,764,307,951	2,608,922,588	155,385,363	6.0%

Source: DFA Financial Control Division

(1) All figures on modified accrual basis accounting.

Appropriation Account Revenue Accruals – Appendix 1

Table 1 above presents a summary of year to date revenue collections for major categories of General Fund Appropriation Account revenues. Detailed information is contained in Appendix 1. Preliminary FY14 recurring revenue accruals through December 2013 are approximately \$2.8 billion, which represents an increase of \$155 million or approximately 6.0 percent from the same period of FY13.

Mineral production taxes and public land mineral rents and royalties contributed over half of the revenue increase. Strong oil volume growth, a spike in oil prices early in the fiscal year in response to political crisis in Egypt, and an increase in natural gas prices stemming from below average temperatures in the east and Midwest contributed to the increase. FY14 Federal Mineral Leasing revenue growth is inflated relative to FY13 due to federal sequestration, which pushed \$20 million in FY13 royalties into FY14. Without this adjustment, mineral rents and royalties increased 9.5 percent through December.

Gross receipts tax (GRT) and compensating tax revenues are up 4.8 percent year-to-date. Contributing to the increase is strong growth in compensating tax revenues due to a large refund issued in FY13. Much of the growth in GRT is due to lower tax credit claims in FY14 than were received in FY13.

Taxable gross receipts (TGR), on the other hand, showed remarkably weak growth in the first half of the year. Taxable gross receipts (TGR), the tax base for GRT, grew by only 1.2 percent in the first half of FY14. The second quarter was particularly worrisome for TGR with growth of negative 0.7 percent, including a 0.6 percent decline in the retail sector. This is typically the strongest quarter for retail, which is the largest sector. A detailed discussion of taxable gross receipts growth by sector is presented below.

Personal income tax (PIT) revenues year-to-date are down 0.9 percent from the prior year. Gross withholding, which is driven by job growth and wage and salary increase, is down 1.7 percent from the prior year. Refunds are up 10.6 percent. Some decrease in PIT revenues was expected by the consensus revenue group due to a decrease in payments related to capital gains transactions triggered by last year's federal tax changes.

Corporate income tax (CIT) revenues increased 61.9 percent year-to-date. However, cash receipts through January have fallen 25.1 percent from the prior fiscal year. In FY14, higher credit claims in the first half of the fiscal year reduced cash payments, but fewer refunds have led to an increase in accrued revenue. Timing might also play a part in this growth discrepancy as the accrual data include payments only through December whereas the cash report includes January payments as well.

"Other" revenues are down \$7 million compared to the prior year. This decline is largely due to a lag in revenues related to license fees for investment brokers, which usually accrue in December but were transferred in January this year.

General fund investment earnings have doubled year over year, and in fact, accrued revenue is now above the forecast of \$12.1 million. Investment earnings are highly volatile, however, so this strength could be offset by negative distributions in later months.

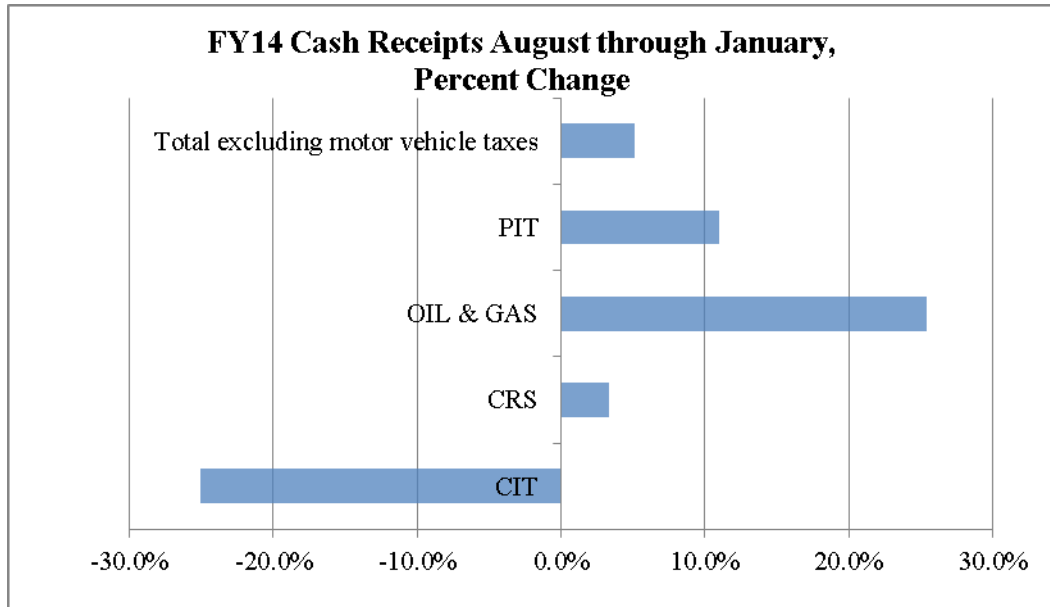
Cash Receipts: FY14 Year-to-date through January

Cash receipts showed 5.1 percent growth for the fiscal year-to-date compared to the prior year when excluding motor vehicle-related taxes and fees. Motor vehicle department cash receipts data were incomplete in FY13, preventing an accurate year over year comparison for these revenues.

Personal income tax cash receipts increased \$205.3 million, up 11.0 percent from the prior year. Most of this growth is in personal income tax withholding for oil and gas interest owners and pass-through entities. Cash receipts for final settlements and estimated payments are relatively unchanged from the same period last year. Oil and gas cash receipts totaled \$635.2 million for FY14 year-to-date, a 25.4 percent increase compared to the same period the prior year.

Corporate income tax receipts totaled \$138.5 million for FY14 year-to-date, a 25.1 percent decrease. As noted above, this decrease is partially due to an increase in credits claimed in FY14. Combined reporting system cash receipts, which include gross receipts and withholding taxes, totaled approximately \$2.4 billion year-to-date, a 3.3 percent increase from the prior year.

For purposes of comparison with the modified accrual revenues reported in the general fund, year-to-date cash receipts are presented on an August through July fiscal year as cash received in each month accrues to the prior month.



Source: New Mexico Taxation and Revenue Department

New Mexico Oil and Natural Gas Production: November 2013 Sales

Preliminary oil prices for November 2013 averaged \$88.31 per barrel (bbl), which compares to \$80.21 per bbl for November 2012. Preliminary year-to-date volumes are 15.7 percent higher than last year. While the monthly price is below the \$93.00 per bbl forecast, the FY14 year-to-date average New Mexico oil price is \$97.59 per bbl.

Preliminary natural gas prices for November 2013 averaged \$4.69 per thousand cubic feet (mcf), which compares to \$4.53 per mcf in November 2012. This amount includes the value of natural gas liquids, which added \$0.98 per mcf to the value of “dry” gas, down from a high in early 2012 near \$2.00 per mcf. Preliminary volumes are 4.1 percent lower than last year. Year-to-date, the average New Mexico natural gas price is \$4.66 per mcf, below the forecast of \$4.85 per mcf.

Update on New Mexico Employment Trends

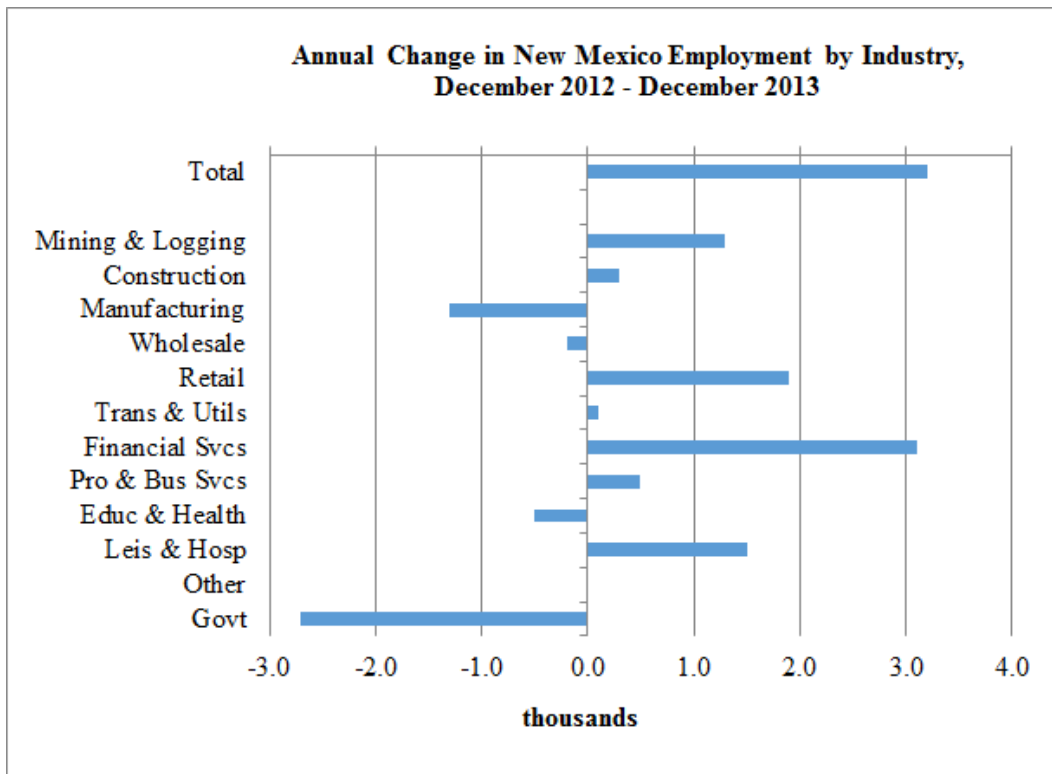
When adjusted for seasonal variation, New Mexico employment in December 2013 is projected to have increased 0.4 percent compared to December 2012, an increase of 3,200 jobs. For comparison, U.S. employment grew by 1.7 percent, while the regional average was 1.8 percent growth.

The largest annual increases were in the financial services, retail, and leisure and hospitality sectors which gained an estimated 3,100, 1,900 and 1,500 jobs, respectively. The mining sector continues to experience employment gains, growing by 1,300 jobs.

The largest private annual decrease was projected in the manufacturing sector, which saw an estimated loss of 1,300 jobs over the year. The government sector lost 2,700 jobs over the year, of which 1,300 were federal jobs and 1,300 were local government jobs. State government employment remained unchanged from the same period last year.

The New Mexico seasonally adjusted unemployment rate remained unchanged at 6.4 percent in December, slightly below the national average of 6.7 percent.

The data reported here are provided by the monthly Current Employment Statistics (CES) survey, which is drawn from a small sample of New Mexico employers. Each March, the CES data are adjusted to make them consistent with the Quarterly Census of Employment and Wages (QCEW). The QCEW reflects actual data drawn from unemployment insurance returns. Over the course of the year, the CES data show greater divergence with the QCEW data as the reporting date moves further from the March benchmarking. For this reason, the CES data may be less reliable than the unemployment insurance data, and should be used with caution.



Source: U.S. Bureau of Labor Statistics

New Mexico Taxable Gross Receipts (TGR), FY14 Q2 and Year-to-Date

Taxable gross receipts (TGR) in the second quarter of FY14 was down 0.7 percent from the prior year. This decrease is likely due to the 3-week shutdown of the federal government that occurred in October and the ongoing impact of sequestration. Moody's Analytics estimates a 0.75 percent decrease in gross state product for the quarter due to federal government actions. The second quarter is typically the strongest quarter for retail, the largest sector, but retail growth was down 0.6 percent this year. This decrease might be partially explained by the shorter holiday season (Thanksgiving came late this year). Manufacturing sector growth was relatively flat, while mining and extraction growth slowed to 1.5 percent. Professional services continued to show declines, dropping 5.7 percent for the quarter, while growth in the construction sector slowed from earlier highs.

FY14 Taxable Gross Receipts by Sector	Q2 FY14 (\$ millions)	Q2 FY13 (\$ millions)	Y/Y % Change
Agriculture, Forestry, Fishing and Hunting	\$18.9	\$15.5	21.8%
Mining and Oil and Gas Extraction	\$979.8	\$964.9	1.5%
Utilities	\$545.5	\$512.2	6.5%
Construction	\$1,510.8	\$1,477.1	2.3%
Manufacturing	\$527.6	\$528.9	-0.2%
Wholesale Trade	\$582.9	\$590.3	-1.2%
Retail Trade	\$3,252.1	\$3,270.5	-0.6%
Transportation and Warehousing	\$192.1	\$325.4	-41.0%
Information and Cultural Industries	\$612.0	\$612.4	-0.1%
Finance and Insurance	\$73.0	\$69.8	4.6%
Real Estate and Rental and Leasing	\$269.6	\$278.9	-3.3%
Professional, Scientific and Technical Services	\$1,133.1	\$1,201.9	-5.7%
Management of Companies and Enterprises	\$15.9	\$12.6	26.0%
Admin and Support, Waste Mgt and Remed	\$299.1	\$247.7	20.8%
Educational Services	\$49.2	\$50.5	-2.6%
Health Care and Social Assistance	\$543.3	\$526.4	3.2%
Arts, Entertainment and Recreation	\$50.2	\$49.3	1.8%
Accommodation and Food Services	\$871.4	\$839.3	3.8%
Other Services (except Public Admin)	\$1,206.8	\$1,276.0	-5.4%
Public Administration	\$45.1	\$42.6	6.0%
Unclassified Establishments	\$95.1	\$69.7	36.4%
All Industries	\$12,873.5	\$12,961.8	-0.7%
Excluding O&G	\$11,893.7	\$11,996.9	-0.9%

New Mexico taxable gross receipts reported for the first half of FY14 were approximately \$25.9 billion, up a dismal 1.2 percent from the prior year. Year-to-date growth was strongly affected by the weak second quarter as TGR grew 3.2 percent in the first quarter of FY14. Professional services, construction, and retail mimicked the weak growth pattern seen in the second quarter data though on a smaller scale. Mining and extraction growth has slowed to 3.3 percent. On a bright note, the agricultural sector showed growth of 24.5 percent year-to-date despite the ongoing drought.

Taxable Gross Receipts by Sector FY14 YTD through December 2013	FY14 YTD (\$ millions)	FY13 YTD (\$ millions)	Y/Y % Change
Agriculture, Forestry, Fishing and Hunting	\$36.8	\$29.6	24.5%
Mining and Oil and Gas Extraction	\$1,972.6	\$1,910.2	3.3%
Utilities	\$1,183.9	\$1,107.9	6.9%
Construction	\$2,962.2	\$2,887.8	2.6%
Manufacturing	\$1,087.3	\$1,018.0	6.8%
Wholesale Trade	\$1,195.9	\$1,181.3	1.2%
Retail Trade	\$6,319.8	\$6,271.4	0.8%
Transportation and Warehousing	\$341.1	\$501.2	-31.9%
Information and Cultural Industries	\$1,257.8	\$1,196.8	5.1%
Finance and Insurance	\$145.2	\$138.5	4.8%
Real Estate and Rental and Leasing	\$554.7	\$522.9	6.1%
Professional, Scientific and Technical Services	\$2,224.1	\$2,218.6	0.3%
Management of Companies and Enterprises	\$24.3	\$22.1	10.0%
Admin and Support, Waste Mgt and Remed	\$774.9	\$835.9	-7.3%
Educational Services	\$105.1	\$100.4	4.7%
Health Care and Social Assistance	\$1,093.8	\$1,057.1	3.5%
Arts, Entertainment and Recreation	\$104.4	\$101.6	2.8%
Accommodation and Food Services	\$1,808.4	\$1,737.1	4.1%
Other Services (except Public Admin)	\$2,391.7	\$2,483.5	-3.7%
Public Administration	\$85.7	\$85.4	0.4%
Unclassified Establishments	\$191.1	\$142.0	34.6%
All Industries	\$25,860.9	\$25,549.2	1.2%
Excluding O&G	\$23,888.3	\$23,639.0	1.1%

FY14 General Fund Report - December 2013 Accruals (1)

Appropriation Account Revenue:	Current Month	Current Fiscal Year to Date	Prior Fiscal Year to Date	Budget	
				Estimate Full Fiscal Year	Prior Year Full Fiscal Year
Gross Receipts Tax	190,919,088	1,000,030,881	962,056,290	1,976,200,000	1,917,660,342
Compensating Tax	3,517,703	35,734,873	26,589,992	50,400,000	50,910,770
SUBTOTAL Gen Sales Taxes	194,436,790	1,035,765,754	988,646,282	2,026,600,000	1,968,571,111
Selective Sales Taxes					
Tobacco and Cigarette Tax	6,215,290	61,058,540	60,308,134	83,600,000	86,058,159
Alcoholic Beverage Tax	2,535,865	18,617,530	18,388,722	27,300,000	26,240,234
Insurance Premiums Tax (2)	-	-	-	126,700,000	107,520,090
Fire Protection Fund Reversions	-	-	-	17,400,000	18,315,530
Franchise Fees	-	3,154	3,115	75,000	4,445
Racing receipts	-	668,542	660,326	400,000	942,268
Private Car Tax	-	399,514	394,604	500,000	563,090
Motor vehicle excise tax	9,946,404	89,045,505	87,951,141	133,200,000	125,504,020
Gaming Tax	5,446,756	44,750,593	44,200,611	64,400,000	63,073,137
Leased Vehicles Surcharge	369,614	3,636,451	3,591,759	5,500,000	5,125,348
Gasoline Tax (3)	598,485	(3,204,002)	(3,164,625)	800,000	(4,515,839)
Telecommunications Relay Surcharge	7,105	64,773	63,977	125,000	91,293
Boat excise tax	37,652	182,672	180,427	500,000	257,464
SUBTOTAL Sel Sales Taxes	25,157,170	215,223,272	212,578,191	460,500,000	429,179,241
INCOME TAXES					
Gross Withholding	108,100,636	488,979,714	493,330,453	1,083,500,000	1,077,952,471
PIT-Final Settlements	18,767,715	173,222,833	174,764,098	392,000,000	426,635,101
PIT-Estimated Payments	-	-	-	-	-
PIT TAA - Oil & Gas Withholding	614,947	44,635,857	45,033,008	100,000,000	91,226,806
Fiduciary Tax	882,305.18	4,463,585.67	4,503,300.81	10,000,000	7,388,430
Less PIT Refunds, RHCA, Legis Retirement	87,480,989	163,347,774	164,801,175	374,000,000	362,257,469
Net Personal Income Tax	40,884,614	547,954,215	552,829,685	1,211,500,000	1,240,945,339
Net Corporate Income Tax	(3,842,476)	61,169,800	37,772,771	279,000,000	267,156,968
MINERAL PRODUCTION TAXES					
Oil & Gas School Tax (2)	-	199,508,854	153,851,325	427,100,000	379,899,020
7% Oil Conservation Tax (2)	109,538	11,136,773	8,560,576	23,300,000	20,774,799
Resources excise tax	743,112	6,183,185	8,474,996	11,500,000	13,486,409
Natural Gas Processors Tax	1,296,190	8,069,282	12,450,757	15,800,000	24,196,501
TOTAL Mineral Production Taxes	2,148,840	224,898,093	183,337,654	477,700,000	438,356,729

FY14 General Fund Report - December 2013 Accruals (1)

Appropriation Account Revenue:	Current Month	Current Fiscal Year to Date	Prior Fiscal Year to Date	Budget	
				Estimate Full Fiscal Year	Prior Year Full Fiscal Year
LICENSE FEES					
Financial institution receipts	91,040	364,392	362,035	3,000,000	3,106,692
Manufactured housing receipts	14,415	170,694	167,330	335,000	335,527
Construction industries receipts	169,604	1,869,016	1,746,333	4,025,000	4,034,136
Securities receipts	617,200	6,587,695	12,276,795	19,040,000	19,065,230
Gaming License and Permit Fees	-	-	-	360,000	362,374
Public Utilities	229	1,134	1,239	11,240,000	11,274,827
Corporate Filing	289,563	1,925,808	1,445,158	3,200,000	3,150,612
Alcohol and Gaming	23,877	336,069	315,148	4,500,000	4,543,582
Corporate Special	-	2,270	-	4,000,000	3,962,785
Pipeline fees	-	1,311	49,580	50,000	50,080
Mtr. Veh. Misc.	7,945	55,437	62,331	150,000	125,346
TOTAL LICENSE FEES	1,213,872	11,313,827	16,425,949	49,900,000	50,011,191
INTEREST EARNINGS					
Perm.Fund Income	37,439,380	224,451,748	220,261,577	445,300,000	440,876,338
Earnings on State Balances (2)	72	13,823,898	6,967,585	12,100,000	14,737,115
Sev Tax Income Fund	14,206,054	85,236,324	88,086,342	170,400,000	176,172,684
TOTAL Interest Earnings	51,645,507	323,511,970	315,315,504	627,800,000	631,786,136
RENTS AND ROYALTIES					
Federal Mineral Leasing	41,854,170	278,359,486	231,225,280	490,000,000	459,631,160
Land Office Inc.	6,174,862	25,551,481	28,127,492	47,600,000	44,631,955
TOTAL Rents/Royalties	48,029,032	303,910,966	259,352,772	537,600,000	504,263,116
TRIBAL GAMING REVENUE SHARING	16,045,794	33,236,230	34,166,870	72,500,000	70,708,973
MISCELLANEOUS RECEIPTS					
MVD Penalty Assessment	453,613	2,866,719	2,807,490	8,200,000	6,017,615
Fines & Forfeitures	465,344	2,560,025	2,764,518	6,800,000	5,708,463
Birth/Death Certificates	58,139	322,186	323,096	1,600,000	1,044,689
District Judges' Rec Court Costs	68,411	440,649	502,359	1,600,000	1,051,337
Notary Public fees	45,593	276,162	307,000	800,000	648,411
Media Lease Payments	-	-	-	30,000	20,655
Legislative Receipts	1,875	4,108	6,375	55,000	35,184
Supreme Court Fees	73	299	280	1,000	597
Unclaimed Property	-	-	-	17,000,000	16,832,891
Small County Assistance Reversion	-	-	-	2,200,000	1,537,018
Law Enforcement Protection	-	-	-	5,700,000	4,575,549
Workers Compensation filing fees	-	-	2,150	4,000	3,890
Environment Dept. filing fees	751,864	761,955	1,655,650	4,700,000	3,350,233
Public Defender(Non-indigent reimb.)	-	59,825	127,993	510,000	445,532
TOTAL MISCELLANEOUS FEES	1,844,912	7,291,927	8,496,912	49,200,000	41,272,064
TOTAL RECURRING REVENUES	377,564,056	2,764,307,951	2,608,922,588	5,792,300,000	5,642,250,869

FY14 General Fund Report - December 2013 Accruals (1)

Appropriation Account Revenue:	Current Month	Current Fiscal Year to Date	Prior Fiscal Year to Date	Budget	
				Estimate Full Fiscal Year	Prior Year Full Fiscal Year
NON-RECURRING REVENUES					
Miscellaneous - Restitution Payments	1,591	40,000	95,398	-	133,416
Misc. Revenues-TRD >60day Non Benefica	(431,610)	289,852	263,466	-	484,122
Miscellaneous Transfers	-	-	-	-	-
Reversions (4)	236,736	1,773,768	3,474,450	71,400,000	65,760,933
TOTAL NON-RECURRING REVENUES	(193,283)	2,103,620	3,833,314	71,400,000	66,378,470
GRAND TOTAL REVENUES (5)	377,370,772	2,766,411,571	2,612,755,902	5,863,700,000	5,708,629,339

Source: DFA Financial Control Division and December 2013 Consensus Revenue Estimate

(1) All figures on modified accrual basis accounting.

(2) Preliminary figure. FY2014 accruals for Insurance Premiums Tax, Oil & Gas School Tax, Oil & Gas Conservation Tax, and Earnings on State Balances for the current month were unavailable at time of publication. FY2013 amounts for these revenues were excluded from year over year comparisons to preserve consistency.

(3) Gasoline tax revenues were negative in FY2013 due to a distribution adjustment resulting from an overpayment in FY2012.

(4) Reversions are included as recurring revenue in the consensus revenue forecast.

(5) Total excludes reversions to Operating Reserve and Appropriation Contingency Fund, Tobacco Settlement Investment Income, and Tobacco Settlement revenues.