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General Fund Report

February 2014 Accrual

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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)

February Highlights:

- General Fund total recurring revenues through February are up 6.3 percent compared to the prior year. Most of this growth is driven by oil and natural gas activity and prices. General sales taxes and personal income tax revenues contributed just under half of total growth.
- Taxable gross receipts year-to-date are up 2.5 percent for FY14 compared to the prior fiscal year-to-date. Professional services, manufacturing and extraction sectors all experienced strong increases year-to-date, while retail trade remained unchanged from the same period last year.
- March 2014 employment showed a seasonally adjusted 0.2 percent job loss of 1,900 from the prior year. The decline was mainly driven by the federal and local government which fell by 3,300 jobs. Private sector employment grew by 0.3 percent.
- New Mexico's average consumer debt burden has decreased from a peak of \$16,000 in 2008, but declining personal income growth has raised the debt to income ratio to the highest level seen since 2007.
- New Mexico bank lending has declined since the Great Recession, most likely a result of stagnant personal income growth and tighter credit restrictions.

Table 1

FY14 Appropriation Account Revenue - February 2014 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	141,305,942	1,338,895,057	1,293,558,016	45,337,041	3.5%
Selective Sales Tax	24,297,867	266,448,148	262,793,836	3,654,312	1.4%
Personal Income Tax	60,811,702	681,563,630	637,010,668	44,552,962	7.0%
Corporate Income Tax	(220,583)	105,529,568	117,313,664	(11,784,097)	-10.0%
Mineral Production Taxes	2,198,082	315,002,147	254,750,635	60,251,512	23.7%
Interest Earnings	55,558,151	437,979,633	423,763,324	14,216,309	3.4%
Mineral Rents/Royalties	55,506,686	410,481,967	351,444,526	59,037,441	16.8%
Other	4,116,886	65,891,854	67,974,319	(2,082,465)	-3.1%
TOTAL RECURRING REVENUES	343,574,734	3,621,792,004	3,408,608,989	213,183,015	6.3%

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 February 2014 are approximately \$3.6 billion, an increase of \$213 million or approximately 6.3 percent from the same period of FY13. The December 2013 consensus revenue forecast estimated an increase of 2.7 percent in recurring revenues in FY14.

Mineral production taxes, rents and royalties again contributed more than half of the revenue increase. The general fund continues to benefit from strong oil price and volume growth and a run-up in natural gas prices resulting from below average winter temperatures in the east. Year to date, oil- and gas- related revenues have increased 19.7 percent, compared to 7.7 percent in the December 2013 forecast.

Personal income tax (PIT) revenues year-to-date are up 7.0 percent from the prior year. February withholding was unusually large, pushing year-to-date growth to 5.1 percent. The reason for this increase is unclear as February employment totals remained relatively unchanged from the prior month. Final settlements grew by 5.7 percent, slightly offset by refunds which increased by 3.3 percent from the prior year. Oil and gas withholding has also benefitted from stronger prices and volume growth, increasing 19 percent year over year.

Corporate income taxes are down 10 percent from the prior year. Corporate tax cash receipts through February are down about \$45 million from the prior year or about 24 percent. Refunds have decreased about \$25 million during the same period, partially offsetting the decline in receipts. The December 2013 consensus forecast estimated an increases in corporate income tax revenues of 4.4 percent.

Gross receipts tax (GRT) and compensating tax increased 3.5 percent year-to-date.

Compensating tax revenues continue to outperform the estimate with 58 percent growth year over year. Much of this growth is attributable to unusually large total refunds in FY13. Gross receipts tax grew 2.1 percent year-to-date through February, below the December 2013 forecast of 3.1 percent. Pending credits for the High Wage Jobs Tax Credits are expected to limit additional growth.

Taxable gross receipts (TGR), the tax base for GRT has shown weak growth in the fiscal year-to-date through February at 2.5 percent. Retail, which constitutes 25 percent of TGR, shows notably flat growth for the fiscal year. A detailed discussion of taxable gross receipts growth by sector is presented below.

Insurance premiums have decreased by 8.4 percent year-to-date from the prior year, compared to the forecast of 17.9 percent growth. Insurance premiums taxes are filed on a quarterly lag, so February accruals do not reflect the impact of the Affordable Care Act, which went into effect in January 2014. Motor vehicle excise taxes are up 7.1 percent year-to-date continuing a growth trend. General Fund investment earnings have doubled from the same period last year. The State Treasurer's Office with the assistance of DFA is investigating the source of this increase.

New Mexico Oil and Natural Gas Production: January 2014 Sales

Preliminary oil prices for January 2014 averaged \$89.14 per barrel (bbl), which compares to \$79.11 per bbl for January 2013. Preliminary year-to-date volumes are 16.4 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 \$96.60 per bbl.

Preliminary natural gas prices for January 2014 averaged \$5.50 per thousand cubic feet (mcf), which compares to \$4.28 per mcf in January 2013. The New Mexico average price includes the value of natural gas liquids, which added \$0.88 per mcf to the value of "dry" gas. Preliminary volumes are 1.8 percent lower than last year. Year-to-date, the average New Mexico natural gas price is \$4.83 per mcf, just below the forecast of \$4.85 per mcf.

Update on New Mexico Employment Trends

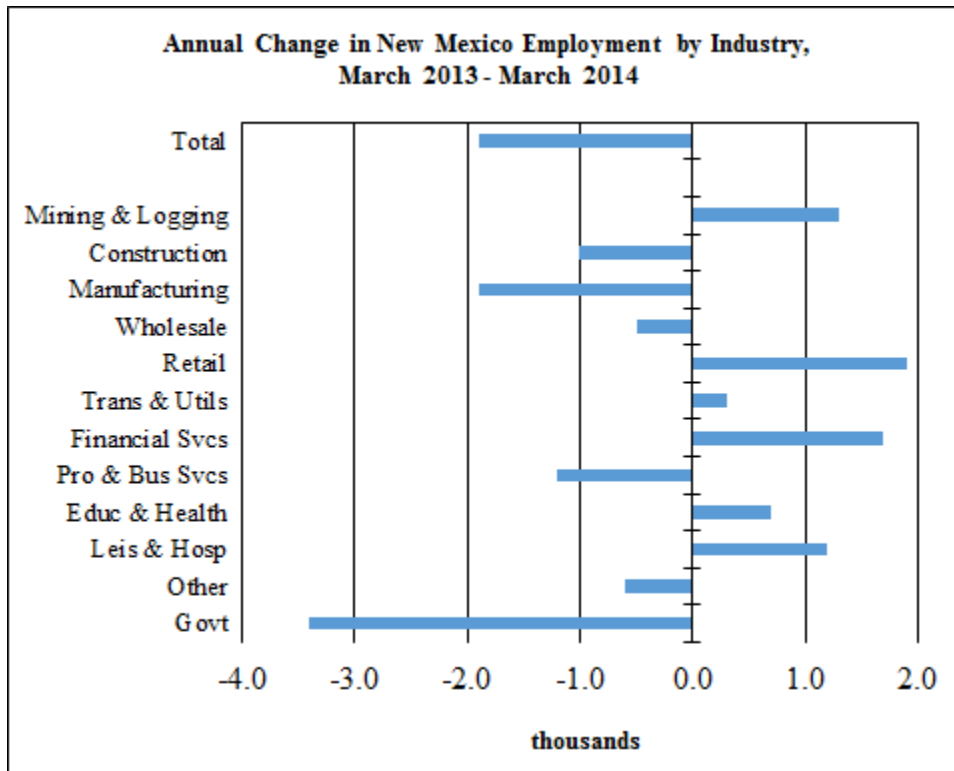
New Mexico seasonally adjusted employment in March 2014 fell 0.2 percent, or 1,900 jobs, from the prior year.

Manufacturing continues to show employment losses, down 6.5 percent or 1,900 jobs, despite gains in manufacturing taxable gross receipts. Professional and business services and construction also experienced declines, falling by 1,200 and 1,000 jobs respectively. The government sector continues to lead employment declines with local and federal government employment down 2,200 and 1,100 jobs.

Retail employment saw the largest employment increase in February, adding 1,900 jobs.

Employment gains were also seen in financial services, mining and logging, and leisure and hospitality, up 1,700, 1,300, and 1,200 respectively.

The seasonally adjusted unemployment rate went up substantially in March 2014, from 6.7 percent the prior month to 7.0 percent, on recent large increases to the labor force. Labor force increases may indicate growing confidence in the economy as discouraged workers re-enter the job market.



Source: U.S. Bureau of Labor Statistics

New Mexico Taxable Gross Receipts (TGR), FY14 YTD through February

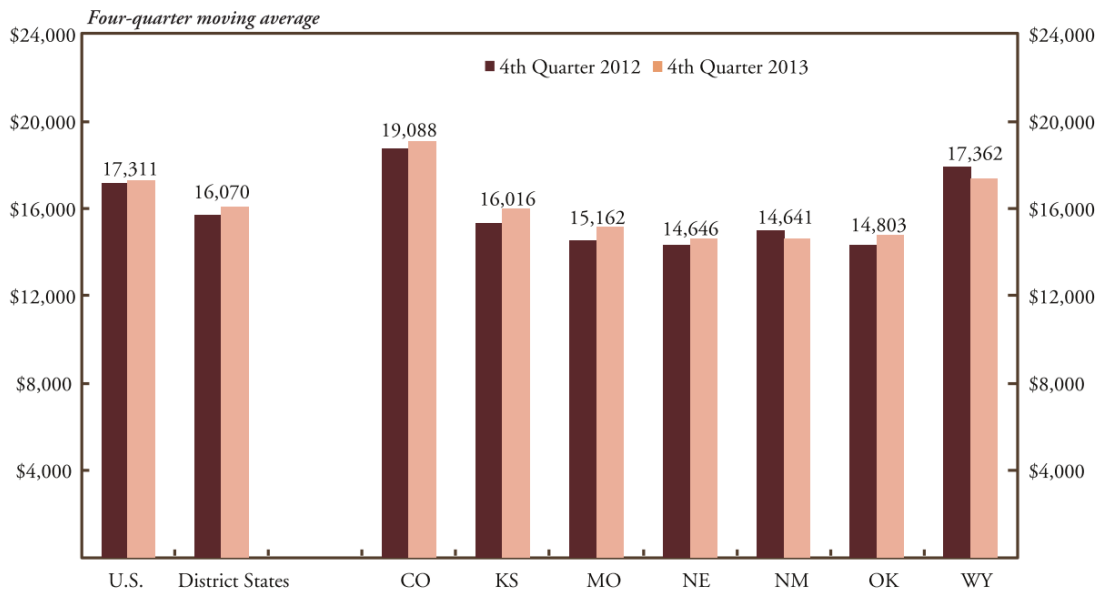
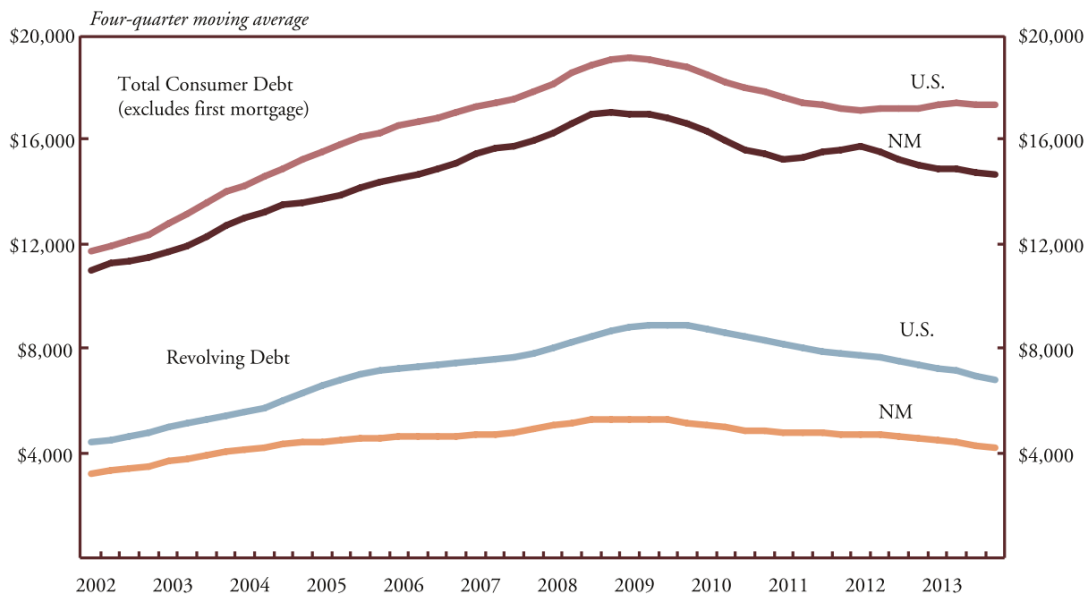
Taxable gross receipts grew 2.5 percent year-to-date through February. The largest sector, retail, continues to move sideways, with growth impeded by declining personal income and stagnant employment growth. Construction growth has also slowed to 1.7 percent year-to-date from higher growth rates earlier in the fiscal year. Other services, which are primarily household services such as auto repair and dry cleaning, experienced a decline of 2.5 percent year-to-date, reflecting the weak consumer spending seen in retail.

The extraction sector and manufacturing continue to report strong growth in TGR. According to the more detailed RP-80, much of the growth in manufacturing is attributable to petroleum refining. Professional services growth increased to 9.4 percent year-to-date in February from 1.4 percent year-to-date in January. The increase is largely due to very weak TGR reported in February 2013, likely a decrease in federal activity in anticipation of the federal austerity measures that went into effect in March 2013.

Taxable Gross Receipts by Sector FY14 YTD through February 2014	FY14 YTD (\$ millions)	FY13 YTD (\$ millions)	Y/Y % Change
Agriculture, Forestry, Fishing and Hunting	\$46.6	\$36.7	26.8%
Mining and Oil and Gas Extraction	\$2,611.1	\$2,452.0	6.5%
Utilities	\$1,619.2	\$1,467.8	10.3%
Construction	\$3,760.4	\$3,698.2	1.7%
Manufacturing	\$1,425.3	\$1,296.3	9.9%
Wholesale Trade	\$1,571.3	\$1,532.9	2.5%
Retail Trade	\$8,126.2	\$8,122.4	0.0%
Transportation and Warehousing	\$455.4	\$613.9	-25.8%
Information and Cultural Industries	\$1,662.0	\$1,600.3	3.9%
Finance and Insurance	\$192.4	\$185.2	3.9%
Real Estate and Rental and Leasing	\$728.9	\$670.3	8.7%
Professional, Scientific and Technical Services	\$2,974.4	\$2,719.0	9.4%
Management of Companies and Enterprises	\$29.8	\$27.9	6.8%
Admin and Support, Waste Mgt and Remed	\$1,018.9	\$1,127.3	-9.6%
Educational Services	\$137.7	\$132.8	3.7%
Health Care and Social Assistance	\$1,440.0	\$1,395.5	3.2%
Arts, Entertainment and Recreation	\$137.8	\$133.6	3.1%
Accommodation and Food Services	\$2,355.0	\$2,266.2	3.9%
Other Services (except Public Admin)	\$3,156.3	\$3,238.7	-2.5%
Public Administration	\$124.4	\$122.3	1.7%
Unclassified Establishments	\$257.2	\$175.7	46.4%
All Industries	\$33,830.2	\$33,015.0	2.5%
Excluding O&G	\$31,219.1	\$30,563.0	2.1%

New Mexico Consumer Debt

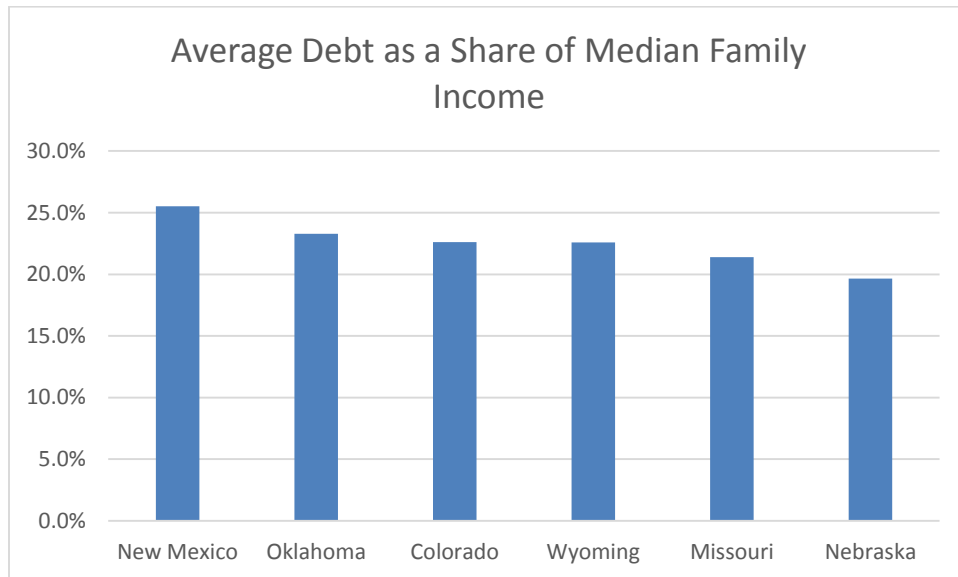
Average consumer debt in New Mexico peaked in 2008 at approximately \$17,000, and has since declined by about 14 percent to \$14,640 in 2013. In comparison, the 2013 national average was \$17,310, while the Kansas City Federal Reserve district average was \$16,070.



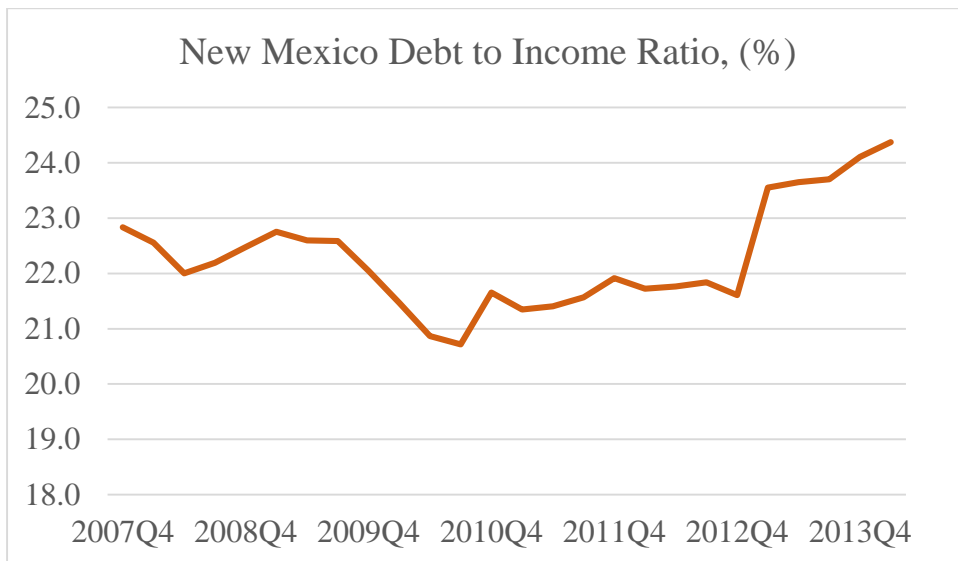
Source: Kansas City Federal Reserve

When considered as a share of median family income, however, New Mexico, at approximately 25 percent, leads other states in the district. Moreover, New Mexico debt to income ratios are at the highest level since 2007 and have increased from a fourth quarter low of 21.7 percent in 2010 to 23.7 percent in 2013. This increase in debt to income ratios can be directly attributed to the

sluggish income growth that has been characteristic of the economic recovery in New Mexico.

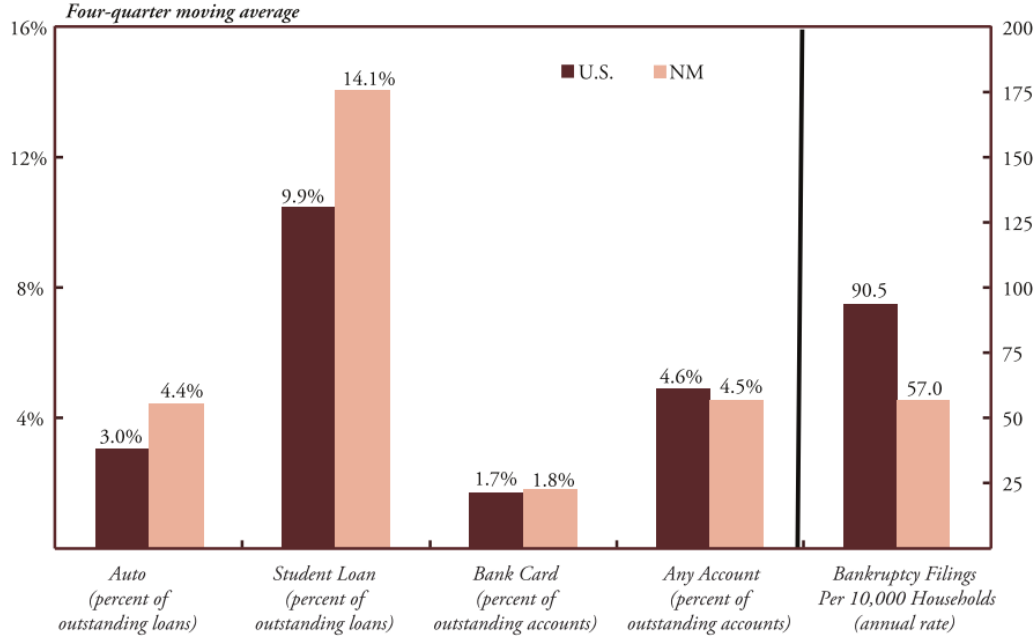


Source: American Community Survey, 2013 Q4



Source: Moody's Analytics

Consumer credit delinquency rates on all accounts, including home mortgages, were 4.5 percent in the fourth quarter of 2013, just below the national average of 4.6 percent. Compared to national averages, New Mexico household bankruptcy filings are a bright spot. The state had an average of 57 household bankruptcies per 10,000 households in 2013 compared to 90.5 nationwide. Auto loan delinquencies are slightly higher than national averages at 4.4 percent compared to 3.0 percent, respectively, while bank card delinquencies are close to national averages. CoreLogic reports that mortgage foreclosures have declined from 2.9 percent in April 2013 to 2.2 percent in April 2014 with 4.6 percent of foreclosures in serious delinquency. This compares to the national foreclosure rate of 1.8 percent with 4.5 percent in serious delinquency.



Source: Kansas City Federal Reserve, 2013 Q4

Student loans remain especially problematic in New Mexico with 14.1 percent of all outstanding student loans in the state in delinquency compared to a national average of 9.9 percent. According to the Institute for College Access and Success, the average student loan debt for New Mexicans graduating in 2012 was \$17,994, significantly less than the national average of \$29,400. However, the percentage of graduates with student loan debt at 61 percent was near the national average of 71 percent, despite the Legislative Lottery Scholarship, which provides full tuition to eligible students.

New Mexico Consumer Lending

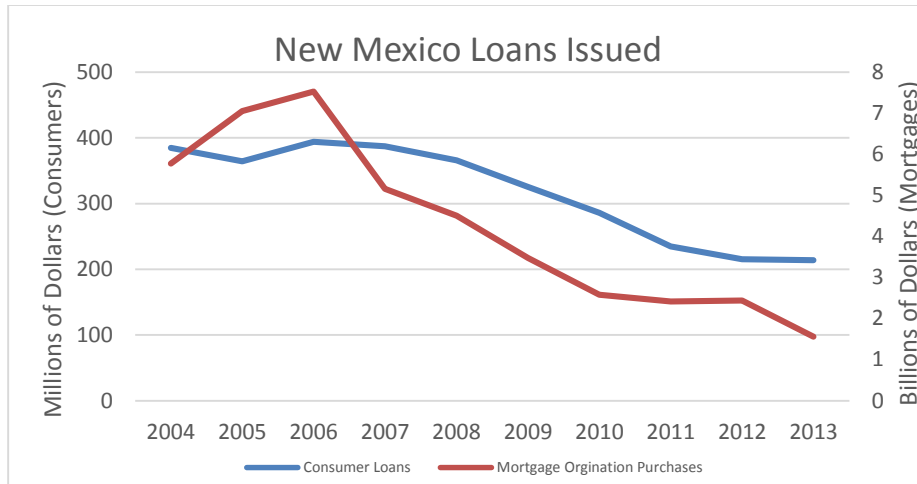
New Mexico loan activity has declined significantly since the peak in 2008. Real estate loans have decreased in most categories with the exception of multifamily housing and farmland. Most notably, loans for construction and land development have fallen by 72 percent. Reflecting the weak economic recovery and decline in real estate prices, loans for commercial real estate and residential housing remain 20 percent below the peak.

Tightened lending standards in the wake of the financial crisis may have affected credit availability. A declining trend is seen in loans to individuals, including automobile loans and other revolving credit, which have declined from \$377.7 million in 2008 to \$219.6 million in 2013. Credit card issuance, which is not subject to the same credit standards as bank loans, have increased 5.2 percent during the same time period.

New Mexico Bank Lending (\$ millions)	12/31/2008	12/31/2013	Pct Chg
All real estate loans	10,391.9	7,013.2	-32.5%
Construction and land development	2,823.8	780.1	-72.4%
Commercial real estate	4,129.8	3,273.0	-20.7%
Multifamily	242.9	297.5	22.5%
1-4 family residential	3,008.1	2,395.4	-20.4%
Farmland	187.2	267.2	42.7%
Commercial and industrial loans	2,011.9	1,575.4	-21.7%
Individual loans	377.7	219.7	-41.8%
Credit cards	15.3	16.1	5.2%
Other revolving credit plans	29.3	25.6	-12.6%
Other individual loans	333.1	178.0	-46.6%
Source: FDIC			

The outlook is similar for commercial and industrial loans, which have fallen by 22 percent since 2008. New Mexico loans to small businesses have continued to decline through the recovery period. Loans secured by nonresidential properties with less than \$100,000 in value have declined by the greatest percentage, falling 46 percent since 2010, the most recent year in which data on small business lending became available. Small business loans secured by more valuable nonresidential property and commercial and industrial loans of less than \$1 million have also suffered in the post-recession period. Loans secured by farmland or to finance agricultural production have fared better than other types of small business lending, despite the impact of the four-year drought.

New Mexico Small Business Loans (\$ millions)	12/31/2010	12/31/2013	Pct Chg
Loans secured by <\$1 million nonresidential properties	1,586.3	1,167.9	-26.4%
<\$100,000	118.3	63.6	-46.2%
\$100,000-\$250,000	310.7	244.6	-21.3%
\$250,000-\$1 million	1,157.4	859.7	-25.7%
Commercial and industrial loans of <\$1 million	908.6	757.0	-16.7%
<\$100,000	253.7	187.3	-26.2%
\$100,000-\$250,000	213.9	180.3	-15.7%
\$250,000-\$1 million	441.0	389.4	-11.7%
Loans secured by farmland <\$500,000	107.3	113.9	6.2%
Loans to finance ag production <\$500,000	109.4	107.0	-2.2%
Source: FDIC			



Source: Moody's Analytics

New Mexico mortgage originations on purchases began to decline at an earlier date than consumer loan issuance, but this is likely due to the fact that the financial crisis lagged the end of the housing bubble. The total value of mortgage originations on a quarterly basis peaked in the fourth quarter of 2006 at \$7.5 billion, and as of the fourth quarter of 2012, Moody's Analytics reports that levels declined to \$2.4 billion. This represents a decline of nearly 70 percent. While part of this decline can be explained by lower home prices, much of this is due to reductions in the number of consumers that have received mortgages. The trend of buyers and institutional investors purchasing homes in cash may also have contributed to the decline in mortgage originations.

FY14 General Fund Report - February 2014 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	134,129,380	1,289,308,383	1,262,234,724	1,976,200,000	1,917,660,342
Compensating Tax	7,176,562	49,586,675	31,323,293	50,400,000	50,910,770
SUBTOTAL Gen Sales Taxes	141,305,942	1,338,895,057	1,293,558,016	2,026,600,000	1,968,571,111
Selective Sales Taxes					
Tobacco and Cigarette Tax	6,500,136	50,983,635	55,131,307	83,600,000	86,058,159
Alcoholic Beverage Tax	1,822,612	17,312,041	17,146,670	27,300,000	26,240,234
Insurance Premiums Tax (2)	-	63,617,021	69,484,570	126,700,000	107,520,090
Fire Protection Fund Reversions	-	-	-	17,400,000	18,315,530
Franchise Fees	-	-	2,475	75,000	4,445
Racing receipts	-	440,893	584,675	400,000	942,268
Private Car Tax	619,823	619,823	559,229	500,000	563,090
Motor vehicle excise tax	9,214,471	86,280,133	80,597,454	133,200,000	125,504,020
Gaming Tax	5,633,624	43,620,906	40,810,594	64,400,000	63,073,137
Leased Vehicles Surcharge	333,708	3,497,394	3,491,227	5,500,000	5,125,348
Gasoline Tax (3)	161,977	(60,324)	(5,240,898)	800,000	(4,515,839)
Telecommunications Relay Surcharge	7,144	58,674	61,929	125,000	91,293
Boat excise tax	4,373	77,950	164,603	500,000	257,464
SUBTOTAL Sel Sales Taxes	24,297,867	266,448,148	262,793,836	460,500,000	429,179,241
INCOME TAXES					
Gross Withholding	112,912,421	746,461,700	710,421,989	1,083,500,000	1,077,952,471
PIT-Final Settlements	10,820,766	166,811,633	157,808,982	392,000,000	426,635,101
PIT TAA - Oil & Gas Withholding	8,809,892	55,924,677	46,994,461	100,000,000	91,226,806
Fiduciary Tax	(388,062)	2,028,737	1,318,729	10,000,000	7,388,430
Less PIT Refunds, RHCA, Legis Retirement	71,343,314	289,663,117	279,533,493	374,000,000	362,257,469
Net Personal Income Tax	60,811,702	681,563,630	637,010,668	1,211,500,000	1,240,945,339
Net Corporate Income Tax	(220,583)	105,529,568	117,313,664	279,000,000	267,156,968
MINERAL PRODUCTION TAXES					
Oil & Gas School Tax (2)	-	280,167,280	216,098,600	427,100,000	379,899,020
7% Oil Conservation Tax (2)	-	15,417,282	11,855,706	23,300,000	20,774,799
Resources excise tax	1,036,738	8,872,300	10,692,912	11,500,000	13,486,409
Natural Gas Processors Tax	1,161,344	10,545,284	16,103,416	15,800,000	24,196,501
TOTAL Mineral Production Taxes	2,198,082	315,002,147	254,750,635	477,700,000	438,356,729

FY14 General Fund Report - February 2014 Accruals (1)

Appropriation Account Revenue:	Current Month	Current Fiscal Year to Date	Prior Fiscal Year to Date	Budget	Prior Year Full Fiscal Year
				Estimate Full Fiscal Year	
LICENSE FEES					
Financial institution receipts	520,609	967,896	2,097,556	3,000,000	3,106,692
Manufactured housing receipts	28,204	236,774	218,450	335,000	335,527
Construction industries receipts	281,949	2,529,832	2,295,742	4,025,000	4,034,136
Securities receipts	1,219,700	15,342,120	14,719,665	19,040,000	19,065,230
Gaming License and Permit Fees	-	-	-	360,000	362,374
Public Utilities	233,449	234,747	410,279	11,240,000	11,274,827
Corporate Filing	406,685	2,672,550	1,947,141	3,200,000	3,150,612
Alcohol and Gaming	40,040	467,771	430,707	4,500,000	4,543,582
Corporate Special	-	2,270	-	4,000,000	3,962,785
Pipeline fees	1,000	2,311	49,580	50,000	50,080
Mtr. Veh. Misc.	8,530	73,417	83,566	150,000	125,346
TOTAL LICENSE FEES	2,740,167	22,529,688	22,252,686	49,900,000	50,011,191
INTEREST EARNINGS					
Permanent Fund Income	37,463,787	299,368,718	293,759,121	445,300,000	440,876,338
Earnings on State Balances	3,888,310	24,962,484	12,555,747	12,100,000	14,737,115
Sev Tax Income Fund	14,206,054	113,648,431	117,448,456	170,400,000	176,172,684
TOTAL Interest Earnings	55,558,151	437,979,633	423,763,324	627,800,000	631,786,136
RENTS AND ROYALTIES					
Federal Mineral Leasing	51,726,774	375,350,594	318,061,756	490,000,000	459,631,160
Land Office Income	3,779,912	35,131,373	33,382,770	47,600,000	44,631,955
TOTAL Rents/Royalties	55,506,686	410,481,967	351,444,526	537,600,000	504,263,116
TRIBAL GAMING REVENUE SHAI	254,148	33,740,140	34,446,350	72,500,000	70,708,973
MISCELLANEOUS RECEIPTS					
MVD Penalty Assessment	516,203	3,894,894	3,701,424	8,200,000	6,017,615
Fines & Forfeitures	473,129	3,463,872	3,656,751	6,800,000	5,708,463
Birth/Death Certificates	-	395,001	568,384	1,600,000	1,044,689
District Judges' Rec Court Costs	74,252	607,613	693,082	1,600,000	1,051,337
Notary Public fees	56,740	398,868	422,308	800,000	648,411
Media Lease Payments	-	-	-	30,000	20,655
Legislative Receipts	748	7,663	12,750	55,000	35,184
Supreme Court Fees	68	448	407	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	-	-	3,890	4,000	3,890
Environment Dept. filing fees	1,432	761,946	1,956,024	4,700,000	3,350,233
Public Defender(Non-indigent reimb.)	-	59,825	260,263	510,000	445,532
TOTAL MISCELLANEOUS FEES	1,122,571	9,590,130	11,275,283	49,200,000	41,272,064
TOTAL RECURRING REVENUES	343,574,734	3,621,792,004	3,408,608,989	5,792,300,000	5,642,250,869

FY14 General Fund Report - February 2014 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	34,668	80,217	121,645	-	133,416
Misc. Revenues-TRD >60day Non Benefi	50,095	162,380	392,044	-	484,122
Miscellaneous Revenues (State Aircraft)	-	20,000	-	-	-
Reversions (4)	5,681,981	17,368,994	11,649,710	71,400,000	65,760,933
TOTAL NON-RECURRING REVEN	5,766,744	17,631,591	12,163,399	71,400,000	66,378,470
GRAND TOTAL REVENUES (5)	349,341,477	3,639,423,595	3,420,772,388	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 and Oil & Gas Conservation Tax for the current month were not fully available at time of publication. 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.