

STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE SECRETARY
BATAAN MEMORIAL BUILDING, SUITE 180, SANTA FE, NM 87501
(505) 827-4985 FAX (505) 827-4984

THOMAS E. CLIFFORD, Ph.D.
CABINET SECRETARY

SUSANA MARTINEZ
GOVERNOR

DUFFY RODRIGUEZ
DEPUTY CABINET SECRETARY

General Fund Report

February 2012 Accrual Period

Publication Date: May 9, 2012

Prepared by Leila Burrows, Chief Economist and Gillis Lang, Senior Economist

Appropriation Account Revenue Accruals – Appendix 1

Table 1 below presents a summary of year-to-date revenue performance for major categories of General Fund Appropriation Account revenues. Detailed information for each revenue is contained in Appendix 1 at the back of this report. Preliminary FY12 recurring revenue accruals through February 2012 are approximately \$3.5 billion, which represents an increase of \$345 million or roughly 10.9 percent from the same period of FY11.

Severance taxes and public land mineral rents and royalties saw the largest year over year increases. Higher oil and gas prices in the first half of FY12 contributed to a revenue increase of \$155 million or 22 percent over FY11.

Gross receipts tax and compensating tax revenues increased by \$103 million or 8.5 percent over the same period last year. The mining and oil and gas extraction industries contributed strongly to growth. Other sectors contributing to growth were manufacturing and retail trade. A detailed discussion of taxable gross receipts growth by sector is presented below. The compensating tax revenues were down about \$7 million year-to-date due to a backlog of refunds from prior fiscal years that were processed in November.

Personal income tax revenue increased by \$49 million or 9 percent. About \$19 million of this increase is in oil and gas withholding payments, about half of which is due to a change in the timing of accrual for these payments.

Corporate income tax revenue was up \$7 million or 6.6 percent from last year. Motor vehicle excise tax revenues were up \$8 million FY12 year-to-date compared to the same period last year.

Table 1

FY12 Appropriation Account Revenue - February 2012 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	163,029,697	1,312,179,580	1,209,035,949	103,143,631	8.5%
Selective Sales Tax (2)	24,439,473	279,029,607	268,768,749	10,260,858	3.8%
Personal Income Tax	29,604,487	601,467,762	552,012,899	49,454,863	9.0%
Corporate Income Tax	16,997,782	116,199,786	108,977,652	7,222,134	6.6%
Severance Taxes (2)	2,904,059	280,716,284	231,841,276	48,875,009	21.1%
Interest Earnings	56,700,097	442,334,871	429,531,477	12,803,394	3.0%
Mineral Rents/Royalties	50,007,046	409,086,790	302,800,175	106,286,615	35.1%
Other	4,908,940	83,065,749	75,550,363	7,515,386	9.9%
TOTAL RECURRING REVENUES	348,591,582	3,524,080,430	3,178,518,540	345,561,890	10.9%

Source: DFA Financial Control Division

(1) All figures on modified accrual basis accounting.

(2) Preliminary figure. February 2012 accruals for oil and gas school tax and insurance premiums tax unavailable at time of publication. February 2011 amounts for these revenues were excluded from year over year comparisons to preserve consistency.

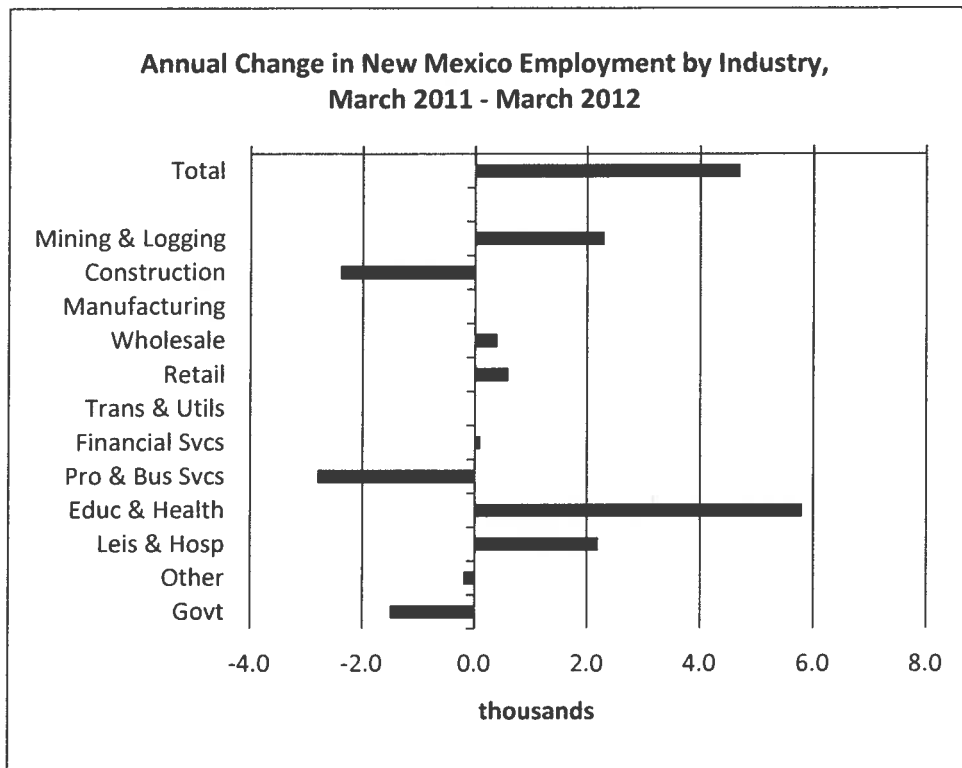
New Mexico Oil and Natural Gas Production: January 2012 Sales

Preliminary oil prices for January 2012 averaged \$96.42 per barrel (bbl). Preliminary year-to-date volumes are 10.6 percent higher than last year.

Preliminary natural gas prices for January averaged \$5.08 per thousand cubic feet (mcf). This amount includes the value of natural gas liquids, which added \$1.89/mcf to the value of “dry” gas. Preliminary year-to-date volumes as reported are 3.7 percent lower than last year. Total volumes include a correction for a producer reporting error that inflated volumes on about 7 percent of the total.

New Mexico Employment

New Mexico employment in March 2012 grew 0.6 percent compared with March 2011, an increase of 4,700 jobs when adjusted for seasonal variation. Seasonally adjusted employment levels increased by 0.1 percent from February 2012 to March 2012. The largest annual increases were in the education and health care sector, which grew by 5,800 jobs, and the mining and logging sector, which gained 2,300 jobs. The largest annual decrease was felt in the professional and business services sector, which saw a loss of 2,800 jobs. Construction continues to experience declines with the loss of 2,400 jobs since March 2011.



New Mexico Taxable Gross Receipts (TGR), February 2012

New Mexico taxable gross receipts reported in February of 2012 were \$3.7 billion, a 7.2 percent increase from the prior year. The top six sectors for TGR were retail trade, other services (except public administration), professional, scientific and technical services, construction, accommodation and food services, and mining and oil and gas extraction, which together accounted for two thirds of TGR.

FY12 Taxable Gross Receipts by Industry	Feb-12 (\$ millions)	Year % Change	FY12 YTD (\$ millions)	Year % Change
Agriculture, Forestry, Fishing and Hunting	\$3.24	4.7%	\$35.36	-1.9%
Mining and Oil and Gas Extraction	\$259.35	13.9%	\$2,229.23	29.7%
Utilities	\$185.66	-4.5%	\$1,519.26	8.9%
Construction	\$358.14	-3.0%	\$3,450.56	-1.5%
Manufacturing	\$153.93	49.5%	\$1,200.97	33.4%
Wholesale Trade	\$176.20	18.4%	\$1,483.25	11.8%
Retail Trade	\$931.98	4.0%	\$7,977.97	4.2%
Transportation and Warehousing	\$49.68	5.8%	\$633.61	35.9%
Information and Cultural Industries	\$187.36	18.2%	\$1,572.13	17.7%
Finance and Insurance	\$21.88	51.5%	\$157.18	-1.2%
Real Estate and Rental and Leasing	\$69.55	34.0%	\$558.55	15.8%
Professional, Scientific and Technical Services	\$379.61	49.2%	\$3,058.19	10.2%
Management of Companies and Enterprises	\$2.63	3.3%	\$21.51	-1.3%
Admin and Support, Waste Mgt and Remed	\$32.28	-76.2%	\$1,210.26	-5.4%
Educational Services	\$20.25	1.1%	\$154.39	-7.7%
Health Care and Social Assistance	\$167.42	2.9%	\$1,364.44	1.4%
Arts, Entertainment and Recreation	\$16.29	8.6%	\$135.79	4.5%
Accommodation and Food Services	\$272.89	6.0%	\$2,213.97	3.6%
Other Services (except Public Admin)	\$379.78	3.4%	\$3,116.58	-0.9%
Public Administration	\$21.03	13.3%	\$163.29	34.3%
Unclassified Establishments	\$10.15	127.0%	\$81.75	-11.0%
All Industries	\$3,699.29	7.2%	\$32,338.23	7.1%

Growth in TGR appears to be driven by oil and gas production with large year over year increases in the mining and oil and gas extraction sector. The manufacturing sector also experienced strong year over year growth with an increase of 33 percent. This is a relatively small sector, however. Professional services saw growth of 10 percent over the same period last year. Construction was down by 1.5 percent year over year. This is the fourth largest sector.

March 2012 Economic Forecast Update

The FOR-UNM economic forecasting service recently updated their outlook for the New Mexico economy. Their outlook is based in part on the March 2012 forecast of the U.S. economy prepared by the IHS Global Insight forecasting service. The new forecast updates the November 2011 forecast by FOR-UNM which was used in the latest consensus revenue forecast for the state's General Fund.

The U.S. economic outlook has improved slightly since the last consensus forecast. Gross Domestic Product (GDP) is expected to grow by 2.1 percent in 2012 compared with 1.6 percent in the November 2011 forecast. U.S. employment is now expected to grow by 1.5 percent in 2012 versus a previous forecast of 0.9 percent. Inflation is also expected to be higher in 2012, at 2.2 percent versus 1.5 percent. Positive factors include recovering consumer and business confidence, falling unemployment and rising private sector wages. Offsetting these are continuing weakness in housing, tighter federal budgets and potential weakness in the European economy.

New Mexico's outlook has also improved slightly. Employment is now expected to grow by 1.2 percent in 2012 versus 0.9 percent previously. All of the employment growth has been in the private sector, where wages are expected to increase significantly this year. The mining sector has been one of the fastest growing, thanks to high oil prices and growing production, but most private industries appear to be growing with the notable exception of construction. Government employment has continued to shrink, creating a major headwind for New Mexico. In addition to mining, the health care and social assistance sector is expected to dominate employment growth through the recovery. Temporary employment has increased significantly, a trend Global Insight expects to continue as a means for employers to manage uncertainty about the economic outlook and compensation costs. Global Insight expects the construction industry to begin experiencing significant growth this year, albeit from sharply reduced levels. Federal government and military employment will continue to decrease in response to spending cutbacks and deficit reduction.

Total personal income in New Mexico – a measure of all forms of income accruing to New Mexico households – grew at a healthy pace of around 5 percent in 2011, due primarily to higher private sector wages and rising transfer payments from federal entitlement programs. Income growth will slow in 2012 according to Global Insight, as federal spending cuts reduce transfer payments and defense cutbacks hit the national labs and military bases. The March forecast for private wages and salaries is much more optimistic than the November forecast, primarily starting in 2014.

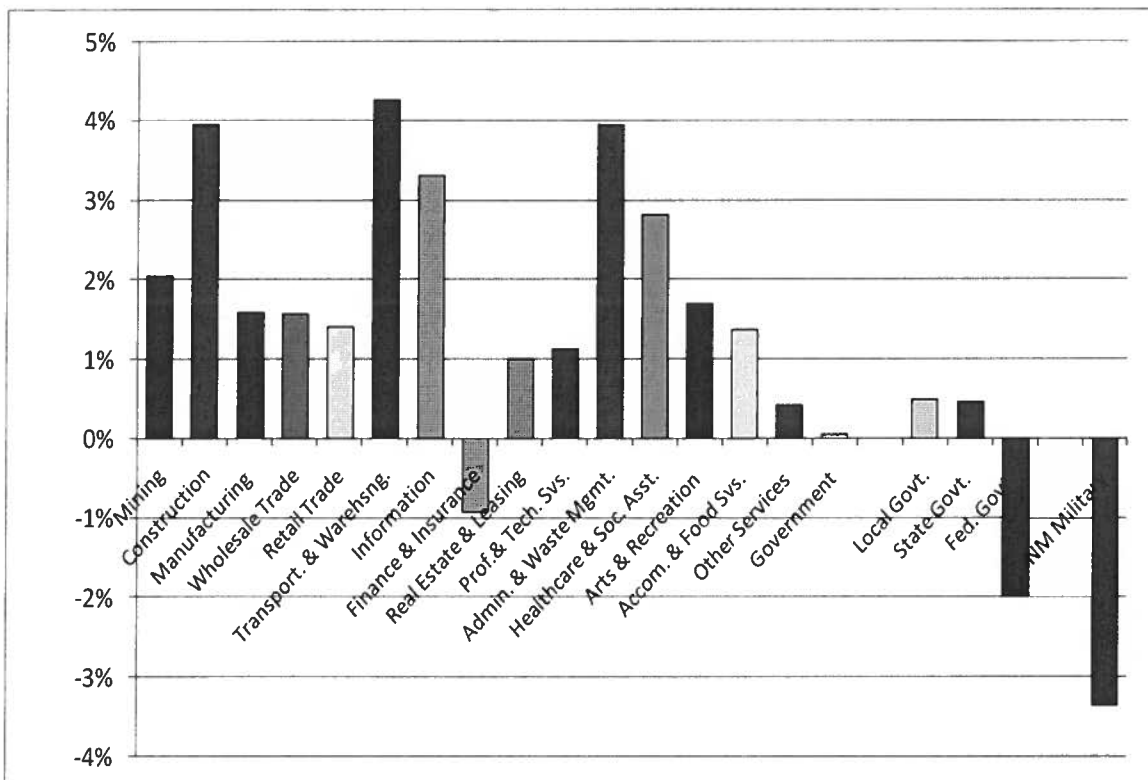
Global Insight expects oil prices to rise in the next few years in response to growing international demand. Natural gas prices have come down from the last forecast, as record warm temperatures and abundant supplies have filled inventories close to maximum capacity. The net impacts on

New Mexico’s industry are uncertain, as the oil boom and the heightened value of natural gas liquids have so far offset the impacts of low “dry” natural gas prices.

Fluctuating monthly jobs figures have recently highlighted the uncertain pace of this economic recovery. Coupled with the re-surfacing of concerns over the European debt crisis, there remains a significant potential for lower-than-expected growth. Countering these risks is the potential for a rebound in the housing market due to pent-up demand and low mortgage interest rates. High oil prices are clearly of benefit to the New Mexico economy although they represent a head wind to consumer spending.

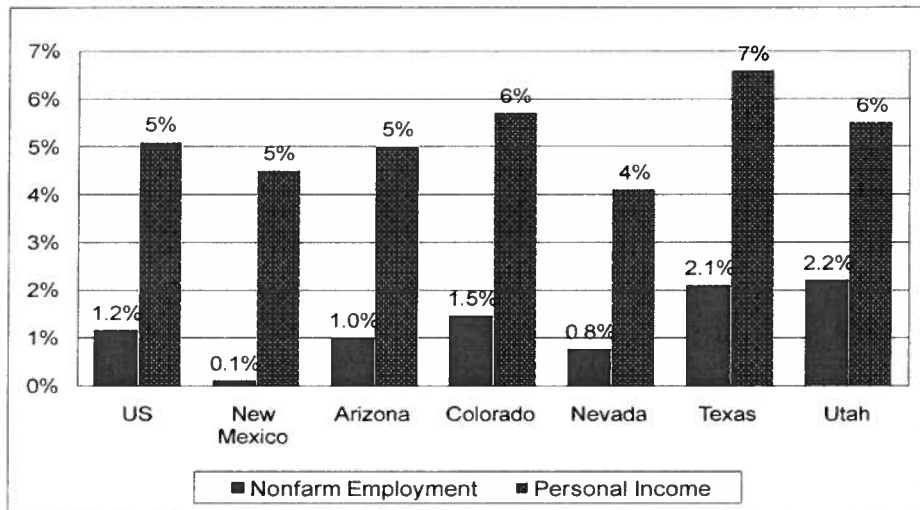
Figure 1: New Mexico Employment Growth by Industry Sector

Average Annual Employment Growth, By Sector, 2011 – 2015



New Mexico experienced much slower payroll employment growth compared to the nation and surrounding states in 2011. New Mexico personal income growth, however, was similar to that of the nation and region.

US & Western States: Nonfarm Employment and Personal Income Growth, 2011



U.S. and New Mexico Economic Indicators

	FY11		FY12		FY13		FY14		FY15		FY16	
	Dec11 Prelim	Mar12 Prelim	Dec11 Est	Mar12 Est	Dec11 Est	Mar12 Est	Dec11 Est	Mar12 Est	Dec11 Est	Mar12 Est	Dec11 Est	Mar12 Est
National Economic Indicators												
US Real GDP Growth (annual avg., % YOY)*	2.6	2.6	1.7	2.0	1.8	3.8	3.2	4.0	3.6	3.8	3.0	3.1
US Inflation Rate (CPI-U, annual avg., % YOY)**	2.2	2.2	2.3	2.3	2.3	+ 2.3	2.3	2.4	2.4	2.4	2.4	2.5
Federal Funds Rate (%)	0.16	0.16	0.09	0.09	0.10	0.15	0.42	1.27	2.27	3.38	3.87	4.00
New Mexico Labor Market and Income Data												
NM Non-Agricultural Employment Growth (%)	-0.3	-0.4	0.7	0.7	1.0	1.5	1.2	1.6	1.4	1.8	1.5	1.7
NM Personal Income Growth (%)***	4.5	4.5	4.2	4.3	3.1	3.4	3.0	3.7	4.4	5.1	4.9	5.4
NM Private Wages & Salaries Growth (%)	2.6	2.6	2.6	3.2	2.8	4.6	3.4	4.8	3.6	5.1	3.8	4.8

* Real GDP is BEA chained 2005 dollars, billions, annual rate

** CPI is all urban, BIS 1982-84=1.00 base.

***Personal income growth rates are for the calendar year in which each fiscal year begins

Sources: April IHS Global Insight, March FOR-UNM forecast

FY12 General Fund Report - February 2012 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	157,726,400	1,272,350,805	1,163,368,508	1,865,000,000	1,822,456,613
Compensating Tax	5,303,297	39,828,776	45,667,441	69,500,000	69,134,779
SUBTOTAL Gen Sales Taxes	163,029,697	1,312,179,580	1,209,035,949	1,934,500,000	1,891,591,392
Tobacco and Cigarette Tax	7,242,533	56,662,561	57,552,375	86,400,000	88,157,899
Alcoholic Beverage Tax	1,855,753	17,159,405	16,676,196	25,900,000	25,672,555
Insurance Premiums Tax (2)	-	80,282,107	82,078,416	129,300,000	132,658,821
Fire Protection Fund Reversions	-	-	-	15,900,000	17,583,197
Franchise Fees	550	7,570	61,260	200,000	73,160
Racing receipts	37,078	583,723	79,237	500,000	413,120
Private Car Tax	-	550,864	480,229	490,000	480,255
Motor vehicle excise tax	9,164,195	72,634,972	64,724,523	110,200,000	103,652,599
Gaming Tax	5,756,614	43,522,972	43,337,436	66,600,000	65,787,203
Leased Vehicles Surcharge	361,431	3,546,372	3,288,508	5,200,000	5,047,179
Gasoline Tax	2,267	3,805,044	182,309	900,000	791,878
Telecommunications Relay Surcharge	8,595	65,662	80,930	200,000	120,781
Boat excise tax	10,456	208,354	227,330	500,000	494,115
SUBTOTAL Sel Sales Taxes	24,439,473	279,029,607	268,768,749	442,290,000	440,932,760
INCOME TAXES					
Gross Withholding	77,604,211	700,748,227	689,466,773	1,072,000,000	1,042,323,488
PIT-Final Settlements	8,990,880	139,589,543	138,364,313	357,000,000	359,322,450
PIT TAA - Oil & Gas Withholding	1,045,400	34,679,618	14,933,520	34,000,000	23,368,214
Fiduciary Tax (3)	124,260	5,604,479	2,464,405	1,000,000	6,588,873
Less PIT Refunds, RHCA, Legis Retirement	58,160,263	279,154,105	293,216,113	374,000,000	370,680,815
Net Personal Income Tax	29,604,487	601,467,762	552,012,899	1,090,000,000	1,060,922,210
Net Corporate Income Tax	16,997,782	116,199,786	108,977,652	310,000,000	229,817,986
SEVERANCE TAXES					
Oil & Gas School Tax (2)	-	244,288,509	203,017,736	358,600,000	376,104,468
7% Oil Conservation Tax (2)	95,254	12,810,032	10,523,104	18,500,000	19,370,561
Resources excise tax	959,983	7,890,273	6,186,754	10,000,000	10,139,268
Natural Gas Processors Tax	1,848,822	15,727,470	12,113,681	22,000,000	18,181,973
TOTAL Severance Taxes	2,904,059	280,716,284	231,841,276	409,100,000	423,796,270

FY12 General Fund Report - February 2012 Accruals (1)					
Appropriation Account Revenue:	Current Month	Current Fiscal Year to Date	Prior Fiscal Year to Date	Budget	Prior Year Full
				Estimate Full Fiscal Year	Fiscal Year
LICENSE FEES					
Financial institution receipts	1,845,958	2,240,823	2,313,073	3,200,000	3,108,796
Manufactured housing receipts	-	248,456	363,041	600,000	548,599
Construction industries receipts	-	3,163,752	4,033,082	7,200,000	5,682,231
Securities receipts	1,032,145	14,459,550	14,174,888	16,400,000	18,374,003
Gaming License and Permit Fees	-	126,075	63,341	400,000	262,257
Public Utilities	408,533	411,137	25	10,200,000	13,734,130
Corporate Filing	200,866	1,458,184	1,820,762	3,100,000	2,850,105
Alcoholic and Gaming	96,879	609,976	574,168	4,300,000	3,840,462
Corporate Special	-	-	147,232	5,800,000	1,125,397
Pipeline fees	-	32,654	46,247	60,000	74,152
Mtr. Veh. Misc.	15,760	91,626	96,861	200,000	150,066
Sub total other license fees	15,760	124,280	143,108	260,000	224,218
TOTAL LICENSE FEES	3,600,142	22,842,233	23,632,718	51,460,000	49,750,197
INTEREST EARNINGS					
Perm.Fund Income	38,490,293	307,678,108	297,418,713	459,700,000	446,227,167
Earnings on State Balances	2,924,512	12,374,427	9,065,612	17,300,000	17,632,846
Sev Tax Income Fund	15,285,292	122,282,336	123,047,152	183,400,000	184,570,728
TOTAL Interest Earnings	56,700,097	442,334,871	429,531,477	660,400,000	648,430,741
RENTS AND ROYALTIES					
Federal Mineral Leasing	41,043,442	341,047,831	265,607,053	420,000,000	411,818,949
Land Office Inc.	8,963,604	68,038,960	37,193,123	58,600,000	65,620,178
TOTAL Rents/Royalties	50,007,046	409,086,790	302,800,175	478,600,000	477,439,127
TRIBAL GAMING REVENUE SHARING	-	33,103,872	32,718,819	70,400,000	65,890,899
MISCELLANEOUS RECEIPTS					
MVD Penalty Assessment	491,448	3,669,010	3,734,529	6,420,000	5,737,375
Fines & Forfeitures	600,734	3,743,813	4,316,827	8,250,000	7,104,046
Birth/Death Certificates	79,825	500,279	583,147	940,000	1,050,631
District Judges' Rec Court Costs	74,738	663,173	769,077	1,230,000	1,196,435
Notary Public fees	60,264	1,164,599	407,628	700,000	606,716
Media Lease Payments	-	-	1,872	20,000	16,672
Legislative Receipts	1,087	11,105	14,506	60,000	45,652
Unclaimed Property	-	15,451,669	5,275,776	12,210,000	18,352,252
Small County Assistance Reversion	-	-	-	2,840,000	3,346,593
Law Enforcement Protection	-	-	-	9,710,000	9,089,342
Workers Compensation filing fees	-	-	-	50,000	14,825
Environment Dept. filing fees	627	1,740,962	3,867,354	3,120,000	5,200,950
Public Defender(Non-indigent reimb.)	-	174,578	222,124	450,000	413,815
TOTAL MISCELLANEOUS FEES	1,308,798	27,119,601	19,193,177	46,000,000	52,175,807
TOTAL RECURRING REVENUES	348,591,582	3,524,080,430	3,178,518,540	5,492,750,000	5,340,758,808

FY12 General Fund Report - February 2012 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	-	411,665	24,573	-	35,921
Misc. Revenues-TRD >60day Non Beneficiary	198,204	495,137	192,660	-	239,801
Miscellaneous Transfers	-	-	-	11,400,000	26,031,000
Miscellaneous Revenues (State Aircraft)	15,630	2,254,141	111,590	-	228,883
Reversions (4)	941,911	9,268,899	11,259,689	40,000,000	67,326,524
Misc. Revenues (3)	-	-	36,000,000	6,900,000	36,000,000
TOTAL NON-RECURRING REVENUES	1,155,745	12,429,842	47,588,513	58,300,000	129,862,129
GRAND TOTAL REVENUES	349,747,326	3,536,510,272	3,226,107,053	5,551,050,000	5,470,620,937
Source: DFA Financial Control Division and December 2011 Consensus Revenue Estimate					
(1) All figures on modified accrual basis accounting.					
(2) Preliminary figure. February 2012 accruals for oil and gas school tax and insurance premiums tax unavailable at time of publication. February 2011 amounts for these revenues were excluded from year over year comparisons to preserve consistency.					
(3) A one-time fiduciary tax payment of \$36 million was received in FY11. This is treated as non-recurring revenue for the purpose of this report.					
(4) Reversions are included as recurring revenue in the consensus revenue forecast.					