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FY2019

General Fund Monthly Report

January 2019 Accruals

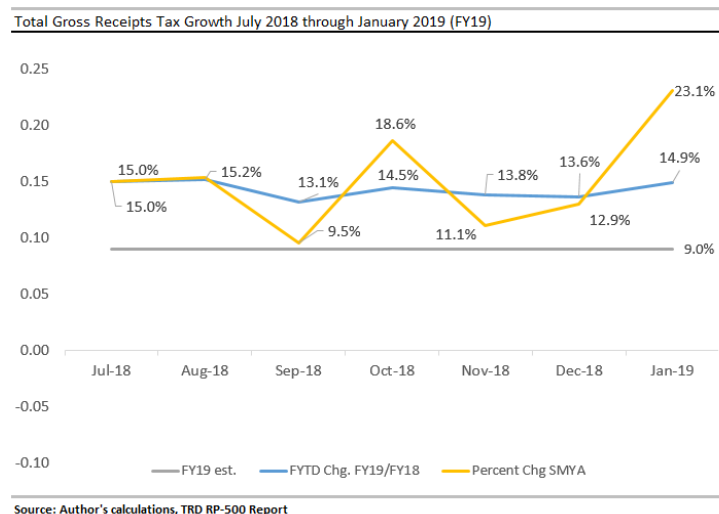
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This report summarizes General Fund revenues accrued through January 2019 during the fiscal year 2019. The report also includes more recent data on oil and gas prices and volumes, New Mexico employment, and taxable gross receipts.

Highlights:

- Fiscal year-to-date total taxable gross receipts increased 14.9 percent through January 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 January 2019 were up 23.1 percent compared to total receipts in January 2018.



- General Fund total recurring revenue in January 2019 increased by 42.8 percent when compared to total recurring revenue in January 2018. General Fund total recurring revenue FYTD through January 2019 in FY19 increased 30.9 percent compared to recurring revenue through January 2018 in FY18.
- 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 13.4 percent.
- Growth has increased among the State's most broad-based revenue sources. Compared to the same period in FY18. The following revenue sources have experienced growth: general sales tax, severance taxes, and mineral rents and royalties. General sales and severance tax revenues have increased by 16.3 percent and 45.5 percent respectively.
- Mineral rents and royalties revenues received a large one-time payment (\$492 million) from federal land lease sales. Adjusting the revenue for this one-time payment, Mineral rents and royalties have grown by 26.9 percent compared to the previous year.
- April non-farm employment increased 1.6 percent compared to the same month from the prior year. The sectors with the strongest year over year job growth were Mining (10.8), Leisure & Hospitality (5.4), Construction (5.3), and Education & Health Services (2.4). Wholesale Trade and Information sector both saw year over year employment declines of 3.3 percent and 1.7 percent respectively.
- The New Mexico unemployment rate decreased from 5.1 percent in March to 5.0 percent in April 2019. The national unemployment rate also declined from 3.8 percent to 3.6 percent during the same time period.

	January 2018	January 2019	% Change Jan '18 to Jan '19	FY18 Through January	FY19 Through January	\$ Difference from FY to FY to Date	FYTD % Change	Dec '18 Forecast Full Year Growth
General Sales Tax	\$201.0	\$223.4	11.1%	\$1,382.2	\$1,607.9	\$225.7	16.3%	8.8%
Selective Sales Tax ₁	\$25.2	\$75.7	200.1%	\$294.4	\$310.0	\$15.6	5.3%	2.2%
Personal Income Tax	(\$29.2)	\$41.3	-241.3%	\$713.5	\$732.9	\$19.4	2.7%	3.0%
Corporate Income Tax	\$9.1	(\$8.8)	-197.2%	\$19.2	\$85.6	\$66.3	344.8%	3.2%
Severance Taxes ₂	\$48.8	\$48.5	-0.6%	\$249.6	\$363.1	\$113.5	45.5%	-14.4%
Interest Earnings	\$64.4	\$78.8	22.5%	\$463.0	\$536.6	\$73.5	15.9%	10.3%
Mineral Rents /Royalties ₃	\$60.2	\$61.1	1.5%	\$358.2	\$951.5	\$593.3	165.6%	29.8%
Other Revenues	\$4.8	\$28.5	492.7%	\$86.8	\$83.2	(\$3.7)	-4.2%	n/a
Total Recurring Revenues₄	\$384.3	\$548.6	42.8%	\$3,567.1	\$4,670.6	\$1,103.6	30.9%	7.9%
Total Recurring Revenue (Excluding Oil & Gas)	\$275.3	\$439.0	59.5%	\$2,959.2	\$3,356.1	\$396.8	13.4%	6.6%

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 10.4%.

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 \$492 million. This payment was a one time event and increased the percent change to 165.6%.

Adjusting for this windfall payment, Mineral Rents and Royalties has a fiscal year to date percent change of 26.9%

4. Once Total Recurring Revenues are adjusted for the one time federal land lease payment, revenues are 17% higher when compared to one year prior.

Table 1 above presents a summary of January 2019 and FY19 year-to-date revenue collections for major categories of General Fund Appropriation Account revenues. Preliminary General Fund recurring revenues through January are approximately \$4.7 billion, an increase of \$1.1 billion or 31 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 17% higher when compared to one year prior.

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

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 at 13.4 percent

General Sales Tax

Compared to the same period one year ago, general sales taxes fiscal year-to-date increased 16.3 percent, 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 \$3,898 million in revenue collected and FYTD growth of 77.7 percent compared to one year period. Followed by the Retail Trade sector with \$7,974 million and FYTD growth of 4.8 percent for the same time period. Lastly, the third best performing sector was the Construction sector, which increased by 4.8 percent and accounted for \$4,405 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 45.5 percent and 165.6 percent respectively, when compared to the fiscal year-to-date from the prior year. Mineral production taxes fiscal year-to-date growth is well ahead of the adjusted 10.4 percent forecast. Mineral rents and royalties revenue fiscal year-to-date revenue is tracking just under 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 the strong energy prices observed during the same 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 (\$492 million) from federal land lease sales. Adjusting the revenue for this one-time payment, mineral rents and royalties have grown by 26.9 percent compared to the previous year.

Selective Sales Tax

Selective sales tax growth experienced an increase of 5.3 percent over the seven months of the fiscal year 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 January increased 5.3 percent from the prior year. Personal income tax revenues in January 2019 were \$41.3 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 in January 2018. This issue led to a reported personal income tax revenue in January 2018 of negative \$29.2 million. Taxation and Revenue Department staff is 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 344.8 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 15.9 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 this estimate.

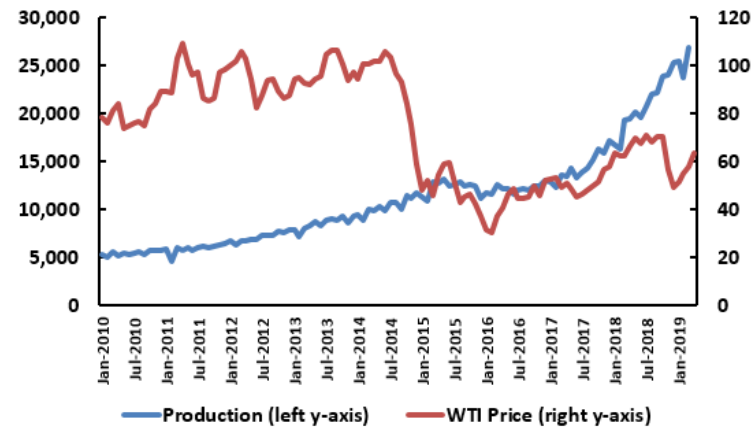
Other Revenues

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 January 2019 averaged \$41.32 per barrel (bbl.), which compares to \$61.36 per bbl. for January 2018. In January 2019 the benchmark WTI price of oil averaged \$51 per bbl. New Mexico field production of crude oil increased by 51 percent from January 2018 to January 2019. Chart 1 details New Mexico oil production substantially increasing starting in mid-2016 through present day. WTI prices have increased during this time period as well, slightly dipping in December and then stabilizing through the first quarter of 2019.

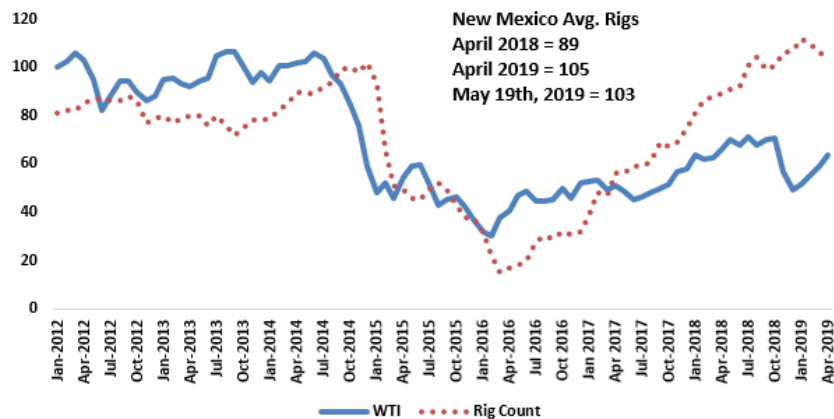
Chart 1. New Mexico Production of Crude Oil and WTI price
Production in 1,000 barrels per month
WTI price in \$ per barrel (Through April 2019)



Source: eia.gov

The New Mexico rig count in January of 2019 was 112, a record high for the state. Compared to rig counts in January of 2018 which totaled 81. According to Baker-Hughes data as of May 31, 2019, New Mexico average active rigs are 103. Chart 2 illustrates the trend of New Mexico rigs versus the WTI price from 2012 through April 2019.

Chart 2. WTI Price (\$ per barrel) and NM Rig Count (number): Jan 2012 to April 2019

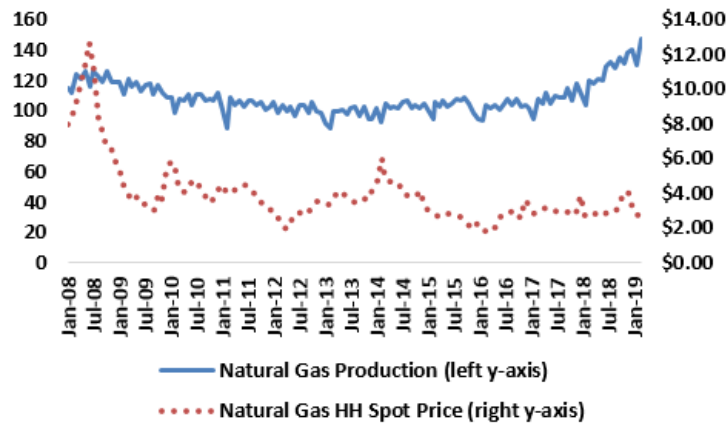


Source: Baker Hughes, EIA

The Henry Hub natural gas spot price for January 2019 was \$3.11 per MMBtu, which compares to \$3.87 per MMBtu in January 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. Additional pipeline capacity in the Permian Basin and an oversupply is expected to keep natural gas prices low into the near future.

**Chart 3. New Mexico Marketed Natural Gas (billion cf):
Jan 08 to Apr 2019**

Production = billion mcf per month, Price = \$ per mmbtu



Source: eia.gov

Update on New Mexico Employment Trends

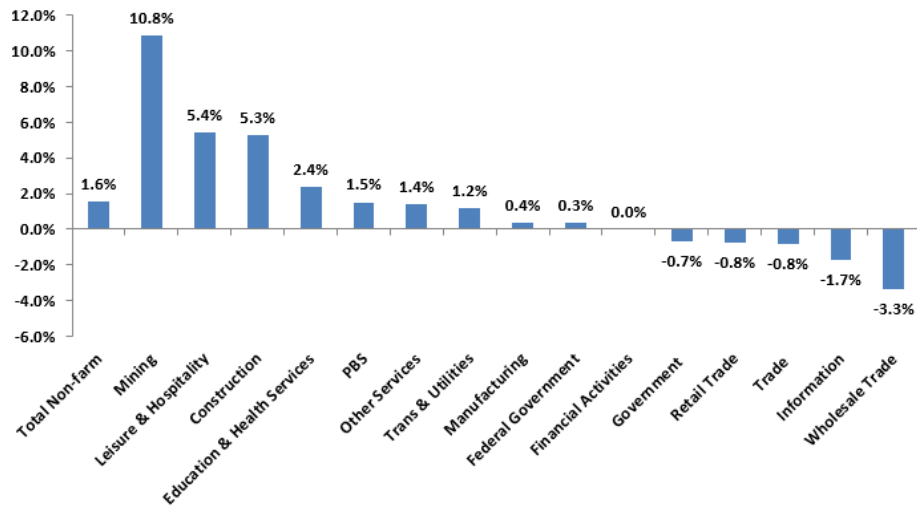
In April 2019 New Mexico employment grew by 1.6 percent, or 13,100 jobs, from the prior year (April 2018) when adjusted for seasonal variation.

Employment grew across several sectors in April. Economic growth in the state was led by the Mining sector, which experienced 10.8 percent year over year growth in employment. This was followed by the Leisure & Hospitality sector in which employment grew by 5.4 percent compared to the same month one year ago. The Construction sector performed well, with employment growth of 5.3 percent during the same time period. Lastly, during the same time period, Education & Health Services added 3,300 jobs or 2.4 percent growth and Professional and business services experienced growth of 1,600 jobs or 1.5 percent growth.

The following sectors experienced slight to moderate declines in employment growth from April 2018 to April 2019: Manufacturing, Trade, Information, Financial Activities, Government, and Other Services. Within the government sectors (Local, State, and Federal), State government lost 1,700 jobs from April 2018 to April 2019. During the same time period, Local and Federal government sectors gained jobs of 300 and 100 respectively.

The unemployment rate for the state in April 2019 was 5.0 percent, 0.1 percent higher when compared to the 4.9 percent rate in April 2018. The national unemployment rate for April was 3.6 percent.

Chart 4. Percent Change in Non-Farm Employment in New Mexico by Sector
April 2018 to April 2019



Source: bls.gov

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

Taxable gross receipts grew by 14.9 percent in FY19 year-to-date through January. Taxable gross receipts year-to-date growth was led by the mining and oil and gas extraction sector which grew by 77.7 percent from the previous year. Additionally, this sector accounts for a greater magnitude of the total year over year growth, accounting for 35 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 4.8 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 7.5 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 4.8 percent and an increase in year over year employment growth of 5.3 percent. The construction sector accounted for 4.1 percent of the total growth in taxable gross receipts.

Additional sectors which performed well during the time period considered are: professional, scientific, and technical services, transportation and warehousing, wholesale trade, and manufacturing sectors all experienced positive year-to-date growth when compared to the previous year, each experienced a percent change of 10 percent, 39.7 percent, 34.1 percent, and 24.1 percent respectively.

Table 2. FY19 Taxable Gross Receipts by Sector			
Fiscal Year-to-Date through January 2019			
Sector	FYTD (\$millions)	FYTD Percent Change	Percent of Total Growth
Agriculture, Forestry, Fishing and Hunting	\$ 77.49	11.1%	0.16%
Mining and Oil and Gas Extraction	\$ 3,897.94	77.7%	35.00%
Utilities	\$ 1,523.90	3.1%	0.95%
Construction	\$ 4,405.04	4.8%	4.14%
Manufacturing	\$ 1,123.27	24.1%	4.47%
Wholesale Trade	\$ 1,936.39	34.1%	10.11%
Retail Trade	\$ 7,974.19	4.8%	7.50%
Transportation and Warehousing	\$ 612.85	39.5%	3.56%
Information and Cultural Industries	\$ 1,487.05	-0.3%	-0.08%
Finance and Insurance	\$ 224.19	-7.6%	-0.38%
Real Estate and Rental and Leasing	\$ 995.21	21.2%	3.57%
Professional, Scientific and Technical Services	\$ 4,012.35	10.0%	7.50%
Management of Companies and Enterprises	\$ 18.43	-0.5%	0.00%
Admin and Support, Waste Mgt and Remed	\$ 1,072.00	48.7%	7.21%
Educational Services	\$ 117.19	-4.5%	-0.11%
Health Care and Social Assistance	\$ 1,880.86	8.2%	2.93%
Arts, Entertainment and Recreation	\$ 189.57	6.2%	0.23%
Accommodation and Food Services	\$ 2,691.40	8.2%	4.19%
Other Services (except Public Admin)	\$ 2,822.97	8.4%	4.49%
Public Administration	\$ 157.25	44.7%	1.00%
Unclassified Establishments	\$ 411.10	72.8%	3.56%
All Industries	\$37,630.65	14.9%	100%
Excluding O&G	\$33,732.71	10.4%	n/a
Source: Author's calculations, TRD RP-500			

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