



Susana Martinez
GOVERNOR

State of New Mexico
Department of Finance & Administration
180 Bataan Memorial Building
Santa Fe, New Mexico 87501
Phone: (505) 827-4985
Fax: (505) 827-4984

Thomas E. Clifford, Ph.D.
Cabinet Secretary

General Fund Report

March 2015 Accrual Period

Publication Date: August 31, 2015

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

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)

March highlights:

- FY15 General Fund total recurring revenue through March increased 6.8 percent compared to the same period in FY14. This compares to the February forecast of 1.2 percent growth for the full fiscal year
- Growth has increased among the State's broad-based revenue sources, which is consistent with other evidence of an improving economy. In particular, sales and income tax revenues have grown year-to-date through March.
- Mineral production revenue accruals continue to reflect the sharp drop of oil and gas prices, which were anticipated in the full year forecast.
- Year-to-date taxable gross receipts increased 7.4 percent through March compared to the prior year. Retail taxable gross receipts increased 3.4 percent. Construction taxable gross receipts increased 9.5 percent.
- April employment increased 1.8 percent compared to the same month from the prior year with job gains across most sectors. Private employment increased 2.1 percent while government employment increased 0.6 percent.
- The unemployment rate increased to 6.2 percent from 6.1 percent in the prior month, reflecting an increase in the labor market.

Table 1

FY15 Appropriation Account Revenue - March 2015 Accruals (1)
Summary by Major Revenue Category

	Current Fiscal		Prior Fiscal	Year-to-Date Change		Full Year
	Current Month	Year to Date	Year to Date	Amount	Percent	Forecast
General Sales Tax	180,937,171	1,660,615,972	1,512,720,298	147,895,674	9.8%	6.5%
Selective Sales Tax	27,577,711	352,996,962	317,774,296	35,222,666	11.1%	7.7%
Personal Income Tax	93,703,713	817,522,090	801,194,407	16,327,683	2.0%	4.8%
Corporate Income Tax	49,417,258	204,133,502	130,329,631	73,803,871	56.6%	16.9%
Mineral Production Taxes	2,821,677	307,976,210	361,206,661	(53,230,451)	-14.7%	-24.3%
Interest Earnings	61,539,151	529,721,638	493,220,598	36,501,040	7.4%	8.6%
Mineral Rents/Royalties	41,685,544	488,727,358	455,217,534	33,509,824	7.4%	-10.8%
Other	23,812,465	109,981,486	114,389,618	(4,408,132)	-3.9%	2.4%
TOTAL RECURRING REVENUES	481,494,691	4,471,675,218	4,186,053,043	285,622,174	6.8%	1.2%

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 FY15 year-to-date revenue collections for major categories of General Fund Appropriation Account revenues. Detailed information is contained in Appendix 1. Preliminary FY15 recurring revenues through March 2015 are approximately \$4.5 billion, an increase of \$286 million or 6.8 percent from the same period of FY14.

Mineral production revenues, rents, and royalties decreased 2.4 percent year-to-date from the prior year. This decrease reflects the net effects of lower oil and natural gas prices and higher oil and gas production. Lower prices are expected to eventually cause lower production, but that process may take up to one year as producers continue to produce from recently drilled wells even as they suspend or postpone new well drilling activity. The February 2015 general fund forecast projected a decline of 17.2 percent in oil- and gas-related revenues.

General sales tax revenues increased 9.8 percent year-to-date through March. Gross receipts tax (GRT) revenue increased 8.9 percent from the prior year while compensating tax revenue increased 32.6 percent year to date. The sharp increase in compensating tax may be due to increases in equipment purchases in retail, transportation and warehousing, and utilities. DFA has been working with the Taxation and Revenue Department to better understand the source of this growth. Taxable gross receipts (TGR), which is the tax base for the GRT, reflected widespread growth during this time period. A detailed discussion of TGR by sector is presented below. The February forecast assumed full year general sales tax revenue would grow 6.5 percent over FY14.

Selective sales growth of 11.1 percent is primarily due to increases in insurance premium tax and motor vehicle excise tax revenues. Insurance premium revenue growth is likely due to increases in health insurance coverage and premium rates under the Affordable Care Act and Medicaid expansion. Additional nonrecurring revenue totaling \$25.1 million was generated by the Office of the Superintendent of Insurance through increased audit and compliance efforts. Motor

vehicle sales continue to benefit from low interest rates as well as lower gasoline prices, which likely accounts for the 8.4 percent growth in motor vehicle excise tax revenue. This increase might also reflect an improving economy as seen in recent employment figures. The February forecast assumed FY15 selective sales revenues would grow by 7.7 percent.

Personal income tax revenues year-to-date through March increased 2.0 percent from the prior year. Gross withholding, reflecting recent employment gains, grew by 3.0 percent through March. Oil and gas withholding fell 5.1 percent year-to date from the prior year in response to the recent oil price decline. Final settlements and estimated payments through March increased 1.2 percent, as did refunds. These growth rates do not reflect the totality of final settlements, which generally accrue in April. The February forecast assumed personal income tax revenue would grow 4.8 percent in FY15.

Corporate income tax (CIT) revenues year-to-date have increased 56.6 percent from the prior year. According to Taxation and Revenue Department data, some year-end collections expected to accrue in FY14 accrued in FY15, which explains some of the year-to-date strength. The growth might also reflect a strong rebound from FY14, the growth of which was hampered by the negative effects of federal sequestration and the government shutdown in the early half of the fiscal year. The February forecast assumed FY15 CIT revenues would grow by 16.9 percent.

The 7.4 percent year-to date growth in interest earnings reflects a larger 5-year average market value for permanent funds as the recessionary calendar year 2009 is replaced in the formula with calendar year 2014, which saw positive investment returns and the cumulative effect of strong oil and gas royalty revenue. Earnings on state balances have fallen by 44.6 percent year-to-date through March as a result of new accounting methodology at the State Treasurer's Office that reflects earnings on an accrued basis rather than a cash basis. These earnings remain at historically low levels due to low prevailing interest rates on short term investments maintained by the State Treasurer's Office for safety and liquidity purposes. Interest earnings were projected to grow 8.6 percent in the February forecast.

New Mexico Oil and Natural Gas Production: March 2015 Sales

Preliminary oil prices for March 2015 averaged \$42.01 per barrel (bbl), which compares to \$93.15 per bbl for March 2014. Preliminary year-to-date volumes are 20.6 percent higher than last year. The FY15 year-to-date average New Mexico oil price of \$64.36 per bbl is above the \$61.00 per bbl February forecast.

Preliminary natural gas prices for March 2015 averaged \$3.00 per thousand cubic feet (mcf), which compares to \$5.71 per mcf during March 2014, a month in which prices benefited from unusually cold weather in the northeastern U.S. This amount includes the value of natural gas liquids, which added \$0.29 per mcf to the value of "dry" gas. Preliminary year-to-date volumes are unchanged from last year. Year-to-date, the average New Mexico natural gas price is \$4.10 per mcf, below the \$4.30 per mcf February forecast.

Update on New Mexico Employment Trends

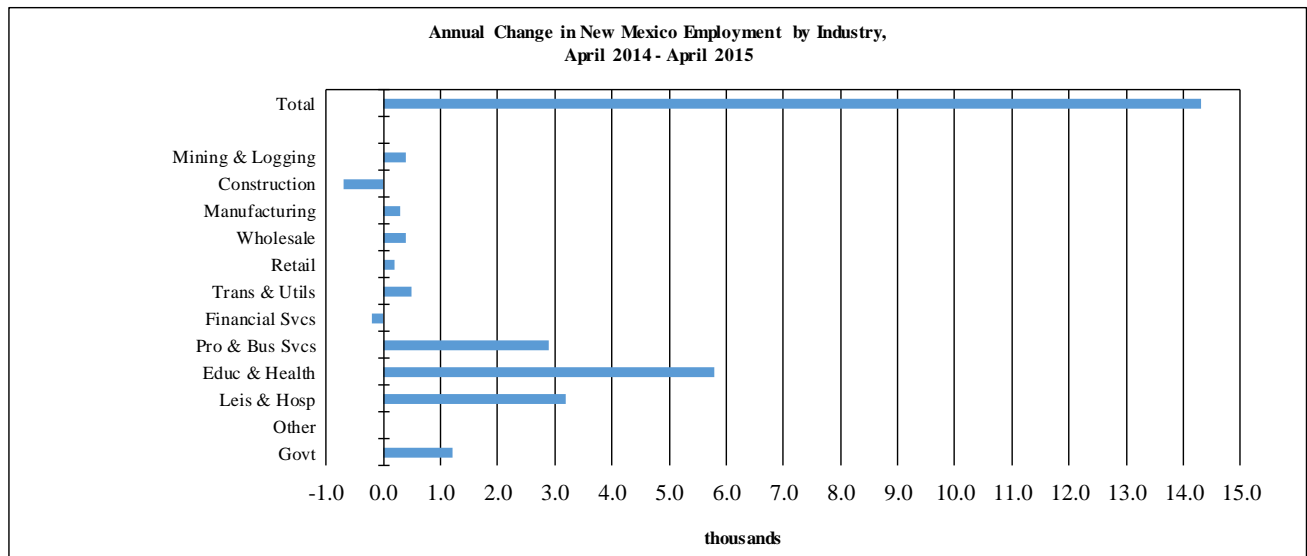
New Mexico seasonally adjusted non-farm employment added 14,300 jobs in April 2015, reflecting growth of 1.8 percent compared to the same period the prior year. Private employment grew 2.1 percent from the prior year, while government employment grew 0.6 percent. New Mexico has regained about 33,700 or two-thirds of the jobs lost during the Great Recession.

The health care and tourism sectors are leading the way for New Mexico job growth. Education and health gained 5,800 jobs over the last year, likely driven by the provisions of the Affordable Care Act and the Medicaid expansion. Leisure and hospitality grew 3,200 jobs over the past year, reflecting strength in tourism-related sectors.

Professional and business services gained 2,900 jobs or 2.9 percent from the prior year as federal procurement and related activity in the state has stabilized and the overall economy has grown. The Department of Workforce Solutions also reports recent strength for seasonal firms in the professional and business services sector.

The largest job losses were in construction, which fell by 700 jobs or 1.7 percent compared to the same month the prior year, perhaps reflecting the recent decline in oil drilling and related activity. Financial services also experienced employment declines, losing 200 jobs or 0.2 percent year-over-year.

The New Mexico unemployment rate increased to 6.2 percent in April 2015 from 6.1 percent the prior month as the economy continues to improve and discouraged workers return to the labor force.



Source: U.S. Bureau of Labor Statistics

New Mexico Taxable Gross Receipts (TGR), FY15 through March

Total taxable gross receipts (TGR) grew 7.4 percent year-to-date through March. Excluding oil and gas extraction, the growth was 6.7 percent, reflecting gains across most sectors.

Retail, the largest sector, representing almost one-fourth of TGR, saw 3.4 percent growth fiscal year-to-date, compared to a decline of 1.2 percent the prior fiscal year. Consumers may be willing to spend more as the economy expands and disposable income increases as a result of the decline in gasoline prices. The second largest sector, construction, saw 9.5 percent growth in TGR year-to-date, providing further evidence of an improving economy.

The mining sector, with 16.2 percent growth year-to-date, continues to provide substantial benefit, contributing 16.9 percent of total TGR growth, while manufacturing TGR experienced 8.2 percent growth year-to-date.

Professional services saw 20.5 percent year-to-date growth in TGR, partially due to the correction of an NAICS misclassification that attributed about \$365 million to the Administrative Services and Support sector. After accounting for this shift, professional services grew about 8.7 percent compared to the same period last year. Year-to-date growth in TGR of 14.8 percent in arts, entertainment and recreation and 6.5 percent growth in accommodation and food services demonstrate a strong recovery of the tourism sector following a sharp decline during the recession.

Table 2

FY15 Taxable Gross Receipts by Sector Year-to-Date through March	YTD (\$ millions)	YTD % Change	% of Total Growth
Agriculture, Forestry, Fishing and Hunting	\$66.9	24.3%	0.5%
Mining and Oil and Gas Extraction	\$3,437.2	16.2%	16.9%
Utilities	\$1,809.1	0.4%	0.2%
Construction	\$4,612.4	9.5%	14.1%
Manufacturing	\$1,748.2	8.2%	4.7%
Wholesale Trade	\$1,923.7	8.3%	5.2%
Retail Trade	\$9,495.5	3.4%	11.0%
Transportation and Warehousing	\$671.0	33.1%	5.9%
Information and Cultural Industries	\$1,916.8	2.3%	1.5%
Finance and Insurance	\$212.2	-2.1%	-0.2%
Real Estate and Rental and Leasing	\$902.8	9.0%	2.6%
Professional, Scientific and Technical Services	\$4,065.4	20.5%	24.3%
Management of Companies and Enterprises	\$32.2	-1.6%	0.0%
Admin and Support, Waste Mgt and Remed	\$796.8	-31.4%	-12.8%
Educational Services	\$147.0	-4.6%	-0.3%
Health Care and Social Assistance	\$1,807.6	10.7%	6.1%
Arts, Entertainment and Recreation	\$183.0	14.8%	0.8%
Accommodation and Food Services	\$2,861.6	6.5%	6.2%
Other Services (except Public Admin)	\$3,536.2	-0.5%	-0.7%
Public Administration	\$160.8	14.5%	0.7%
Unclassified Establishments	\$678.0	124.3%	13.2%
All Industries	\$41,064.4	7.4%	100%
Excluding O&G	\$37,627.2	6.7%	

FY15 General Fund Report - March 2015 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	
Gross Receipts Tax	179,780,513	1,586,991,508	1,457,185,020	2,129,000,000	1,992,034,860
Compensating Tax	1,156,658	73,624,464	55,535,278	75,000,000	78,369,405
SUBTOTAL Gen Sales Taxes	180,937,171	1,660,615,972	1,512,720,298	2,204,000,000	2,070,404,264
Selective Sales Taxes					
Tobacco and Cigarette Tax	6,383,039	60,610,535	57,290,999	79,000,000	78,478,968
Alcoholic Beverage Tax	1,269,138	18,573,141	19,305,528	26,700,000	26,356,823
Insurance Premiums Tax (2) (3)	-	110,678,791	88,340,074	140,000,000	115,067,195
Fire Protection Fund Reversions	-	-	-	14,900,000	16,082,190
Franchise Fees	-	-	-	-	-
Racing receipts	287,387	669,963	609,596	750,000	820,775
Private Car Tax	5	660,246	619,892	750,000	619,892
Motor vehicle excise tax	12,908,245	106,864,898	98,552,174	143,300,000	133,274,640
Gaming Tax	6,441,550	51,972,475	49,944,913	67,900,000	66,454,698
Leased Vehicles Surcharge	323,893	3,866,814	3,904,192	5,200,000	5,204,350
Gasoline Tax	(41,453)	(1,102,552)	(936,723)	(800,000)	1,227,183
Telecommunications Relay Surcharge	5,907	104,538	65,700	100,000	86,348
Boat excise tax	-	98,114	77,950	250,000	184,342
SUBTOTAL Sel Sales Taxes	27,577,711	352,996,962	317,774,296	478,050,000	443,857,403
INCOME TAXES					
Gross Withholding	90,008,530	882,305,945	856,524,951	1,173,000,000	1,116,248,847
PIT-Final Settlements	33,154,364	204,667,931	202,189,312	424,100,000	396,602,156
PIT-Estimated Payments	-	-	-	-	-
PIT TAA - Oil & Gas Withholding	8,852,331	62,106,764	65,477,640	82,600,000	109,642,518
Fiduciary Tax	4,098,739	4,778,874	7,589,625	8,000,000	7,951,489
Less PIT Refunds, RHCA, Legis Retirement	42,410,251	336,337,425	330,587,121	372,700,000	375,505,399
Net Personal Income Tax	93,703,713	817,522,090	801,194,407	1,315,000,000	1,254,939,612
Net Corporate Income Tax	49,417,258	204,133,502	130,329,631	230,000,000	196,761,877
MINERAL PRODUCTION TAXES					
Oil & Gas School Tax (2)	-	268,946,691	321,772,130	370,000,000	500,658,559
Oil Conservation Tax (2)	72,040	14,821,522	17,674,977	20,000,000	27,244,167
Resources excise tax	1,221,368	10,281,301	9,814,824	12,700,000	13,012,973
Natural Gas Processors Tax	1,528,270	13,926,696	11,944,729	19,000,000	16,197,464
TOTAL Mineral Production Taxes	2,821,677	307,976,210	361,206,661	421,700,000	557,113,164

FY15 General Fund Report - March 2015 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	731,126	2,963,932	2,644,440	3,200,000	3,194,862
Manufactured housing receipts	167,326	402,722	268,289	400,000	357,413
Construction industries receipts	1,263,979	3,637,873	2,851,044	4,700,000	3,901,608
Securities receipts	1,284,940	17,484,205	16,670,010	20,800,000	20,201,275
Gaming License and Permit Fees	-	284,782	-	400,000	373,404
Public Utilities	1,123,065	1,717,257	2,043,344	11,900,000	11,758,515
Corporate Filing	572,142	2,948,007	3,285,469	3,300,000	4,262,269
Alcohol and Gaming	1,526,176	2,043,731	1,826,143	3,800,000	3,770,030
Corporate Special	-	-	1,681,323	2,900,000	3,671,622
Pipeline fees	1,622	112,654	5,622	100,000	64,736
Mtr. Veh. Misc.	10,935	77,265	82,837	100,000	111,297
TOTAL LICENSE FEES	6,681,312	31,672,428	31,358,520	51,600,000	51,667,032
INTEREST EARNINGS					
Permanent Fund Income	41,935,021	376,888,787	336,849,267	496,200,000	449,382,121
Earnings on State Balances	4,377,215	15,790,616	28,516,845	15,000,000	18,996,698
Sev Tax Income Fund	15,226,915	137,042,235	127,854,485	182,700,000	170,472,647
TOTAL Interest Earnings	61,539,151	529,721,638	493,220,598	693,900,000	638,851,466
RENTS AND ROYALTIES					
Federal Mineral Leasing	38,484,640	461,191,397	416,504,914	510,000,000	569,860,173
Land Office Income	3,200,904	27,535,961	38,712,620	40,900,000	47,480,532
TOTAL Rents/Royalties	41,685,544	488,727,358	455,217,534	550,900,000	617,340,706
TRIBAL GAMING REVENUE SHARING	16,005,865	49,246,217	50,485,849	70,000,000	67,582,257
MISCELLANEOUS RECEIPTS					
MVD Penalty Assessment	518,028	4,422,964	4,412,198	6,000,000	5,981,903
Fines & Forfeitures	437,772	3,805,273	3,974,924	5,100,000	5,547,376
Birth/Death Certificates	-	345,213	469,020	1,100,000	1,009,912
District Judges' Rec Court Costs	84,798	639,797	684,624	950,000	935,769
Notary Public fees	57,821	532,538	456,539	600,000	627,563
Media Lease Payments	-	-	-	25,000	18,252
Legislative Receipts	884	13,641	14,212	24,000	17,921
Supreme Court Fees	81	496	555	1,000	802
Unclaimed Property	-	18,911,589	21,516,170	18,500,000	21,516,170
Small County Assistance Reversion	-	-	-	3,500,000	3,747,429
Small City Assistance Reversion	-	-	-	-	-
Law Enforcement Protection	-	-	-	7,000,000	3,936,258
Workers Compensation filing fees	-	158,201	-	-	-
Environment Dept. filing fees	922	39,084	764,091	3,350,000	1,322,463
Public Defender(Non-indigent reimb.)	24,981	192,702	221,020	400,000	353,578
TOTAL MISCELLANEOUS FEES	1,125,287	29,061,497	32,513,352	46,550,000	45,015,395
TOTAL RECURRING REVENUES	481,494,691	4,471,675,218	4,186,053,043	6,061,700,000	5,943,565,070

FY15 General Fund Report - March 2015 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	442	119,381	84,403	-	98,025
Misc. Revenues-TRD >60day Non Beneficiary	(94,296)	689,597	176,141	-	325,263
Miscellaneous Transfers (3)	-	25,000,000	-	-	-
Miscellaneous Revenues (State Aircraft)	-	476	20,000	-	20,000
Reversions (4)	9,771,825	12,756,636	63,020,325	53,000,000	96,538,307
Misc. Revenues	-	-	-	-	-
TOTAL NON-RECURRING REVENUES	9,677,970	38,566,090	63,300,868	53,000,000	96,981,595
GRAND TOTAL REVENUES (5)	491,172,661	4,510,241,308	4,249,353,912	6,114,700,000	6,040,546,665

Source: DFA Financial Control Division, February 2015 Consensus Revenue Estimate

(1) All figures on modified accrual basis accounting.

(2) March 2015 accruals for Insurance Premium Tax, Oil & Gas School Tax, and Oil & Gas Conservation Tax unavailable at the time of publication. March 2014 amounts for these revenues were excluded from year over year comparisons to preserve consistency.

(3) \$25 million in Insurance Premium Tax revenues generated from increased audit and compliance efforts treated as nonrecurring.

(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