

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

March 2012 Accrual Period

Publication Date: June 05, 2012

Prepared by Leila Burrows, 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

Appropriation Account Revenue Accruals – Appendix 1

Table 1 below presents a summary of year-to-date revenue collections 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 March 2012 are approximately \$4.0 billion, which represents an increase of \$329 million or roughly 9.0 percent from the same period of FY11.

Mineral production taxes and public land mineral rents and royalties contributed almost half of all revenue growth. Higher oil and gas prices through FY12 year to date contributed to a revenue increase of \$157 million or 26 percent over FY11.

Gross receipts tax and compensating tax revenues increased by \$93 million or 6.7 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 \$62 million or 9.8 percent. About \$22 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 down \$3 million or 2.2 percent from last year. Motor vehicle excise tax revenues were up \$8.5 million FY12 year-to-date compared to the same period last

year. Unclaimed property was up \$10 million over the same period last year due to a mid-year revenue distribution that usually occurs in June.

Table 1

FY12 Appropriation Account Revenue - March 2012 Accruals (1)				
Summary by Major Revenue Category				
	Current Fiscal	Prior Fiscal	Year to Date Change	
	Year to Date	Year to Date	Amount	Percent
General Sales Tax	1,477,672,906	1,385,038,306	92,634,601	6.7%
Selective Sales Tax (2)	319,709,994	319,752,744	(42,750)	0.0%
Personal Income Tax	689,119,514	627,409,287	61,710,227	9.8%
Corporate Income Tax	136,083,576	139,197,150	(3,113,574)	-2.2%
Mineral Production Taxes (2)	316,873,154	264,346,046	52,527,107	19.9%
Interest Earnings	496,119,512	482,108,734	14,010,778	2.9%
Mineral Rents/Royalties	454,356,865	349,454,886	104,901,979	30.0%
Other	110,220,890	103,490,718	6,730,171	6.5%
TOTAL RECURRING REVENUES	4,000,156,410	3,670,797,871	329,358,539	9.0%
Source: DFA Financial Control Division				
(1) All figures on modified accrual basis accounting.				
(2) Preliminary figure. March 2012 accruals for oil and gas school tax, oil and gas conservation tax, insurance premiums tax, and earnings on state balances were unavailable at time of publication. March 2011 amounts for these revenues were excluded from year over year comparisons to preserve consistency.				

New Mexico Oil and Natural Gas Production: Year to Date through February 2012 Sales

Preliminary oil prices year-to-date through February 2012 averaged \$79.82 per barrel (bbl). Preliminary year-to-date volumes are 14.2 percent higher than last year.

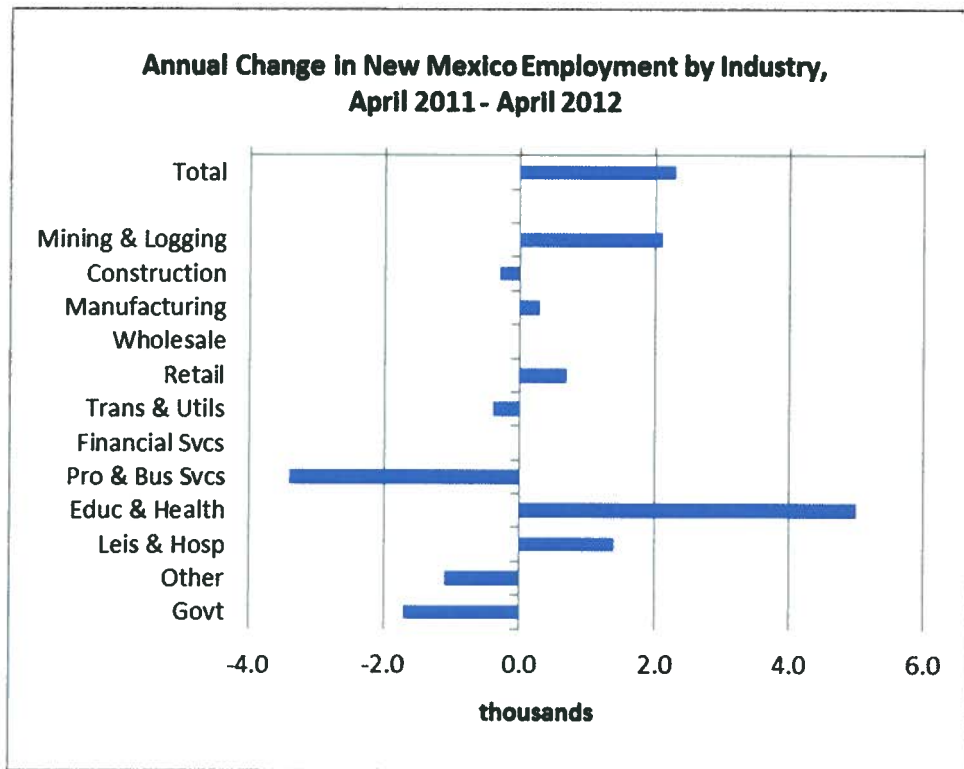
Preliminary natural gas prices year-to-date through February averaged \$5.59 per thousand cubic feet (mcf). This amount includes the value of natural gas liquids, which added \$1.90 per mcf to the value of “dry” gas. Preliminary year-to-date volumes as reported are 2.7 percent lower than last year. Total volumes include a correction for a producer reporting error that inflated volumes on about 7 percent of the total.

Update on New Mexico Employment Trends: Interpreting Employment Survey Data

When adjusted for seasonal variation, New Mexico employment in April 2012 grew 0.3 percent compared with April 2011, an increase of 2,300 jobs. The largest annual increases were in the education and health care sector, which grew by 5,000 jobs, and the mining and logging sector, which gained 2,100 jobs. The largest annual decrease was felt in the professional and business

services sector, which saw a loss of 3,400 jobs. Government continues to experience declines with the loss of 1,700 jobs since the same period last year. Construction declines have slowed, experiencing a loss of only 300 jobs since April 2011.

The New Mexico seasonally adjusted unemployment rate fell to 6.9 percent in April 2012 from 7.2 percent in March 2012 largely as a result of increased employment, but also a result of a slight decrease in the labor force.



The U.S. Bureau of Labor Statistics (BLS) employment numbers reported above are seasonally adjusted. In contrast, the New Mexico Department of Workforce Solutions generally publishes non-seasonally adjusted monthly estimates of employment. The BLS data series are adjusted for regularly recurring seasonal movements based on past experience. Adjusting for change attributable to normal seasonal variation yields a more accurate measure of the true amount of labor force growth. Adjustments correct for variations between reference periods in any given pair of months, differences in the number of working days from month-to-month, and floating holidays, for example Easter, which may change from year-to-year. Because of the complexity of the adjustment, some series are unavailable with the seasonal adjustment. Thus, although seasonally adjusted data generally provide a more accurate measure of true employment growth, these data are not always readily available.

For comparison with the above cited seasonally adjusted data, the non-seasonally adjusted employment growth from April 2011 to April 2012 was 0.1 percent or 900 jobs. Without adjusting for seasonal variation, the government sector fell by 2,200 jobs and the construction industry experienced a greater loss of 1,300 jobs since April 2011, rather than the smaller declines seen with seasonally adjusted data.

New Mexico Taxable Gross Receipts (TGR), March 2012

New Mexico taxable gross receipts reported for the third quarter of FY12 were \$11.8 billion, a 4.0 percent increase from the prior year. Fiscal year to date growth through March was 6.3%. The top six sectors for total amount of TGR were retail trade, construction, professional, scientific and technical services, other services (except public administration), 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	FY12 Q3 (\$ millions)	Y/Y % Change	FY12 YTD (\$ millions)	Y/Y % Change
Agriculture, Forestry, Fishing and Hunting	\$10.78	-1.4%	\$39.7	-3.6%
Mining and Oil and Gas Extraction	\$883.42	22.6%	\$2,558.1	28.6%
Utilities	\$645.30	14.5%	\$1,699.2	8.3%
Construction	\$1,170.96	-3.1%	\$3,873.6	-2.0%
Manufacturing	\$449.02	23.1%	\$1,355.4	31.4%
Wholesale Trade	\$546.84	10.0%	\$1,673.0	10.6%
Retail Trade	\$2,867.59	3.3%	\$9,045.0	4.3%
Transportation and Warehousing	\$160.75	0.5%	\$692.1	33.4%
Information and Cultural Industries	\$579.05	14.2%	\$1,775.8	17.3%
Finance and Insurance	\$66.75	5.0%	\$181.3	-1.8%
Real Estate and Rental and Leasing	\$212.96	22.2%	\$633.6	15.0%
Professional, Scientific and Technical Services	\$1,155.37	4.7%	\$3,473.1	7.0%
Management of Companies and Enterprises	\$7.55	-4.5%	\$24.1	-1.1%
Admin and Support, Waste Mgt and Remed	\$320.35	-35.3%	\$1,358.7	-9.2%
Educational Services	\$58.34	-9.1%	\$172.4	-9.5%
Health Care and Social Assistance	\$524.71	2.0%	\$1,578.9	2.2%
Arts, Entertainment and Recreation	\$50.32	1.8%	\$154.1	5.3%
Accommodation and Food Services	\$832.83	4.7%	\$2,520.9	3.8%
Other Services (except Public Admin)	\$1,148.05	-2.6%	\$3,524.2	-1.6%
Public Administration	\$57.65	3.2%	\$179.9	28.8%
Unclassified Establishments	\$39.94	54.6%	\$100.5	0.2%
All Industries	\$11,788.50	4.0%	\$36,613.6	6.3%

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 31 percent. This is a relatively small sector, however, as most manufactured goods exported from the state are not subject to tax. Professional services saw growth of seven percent over the same period last year. Construction was down by two percent year over year. This is the second largest sector.

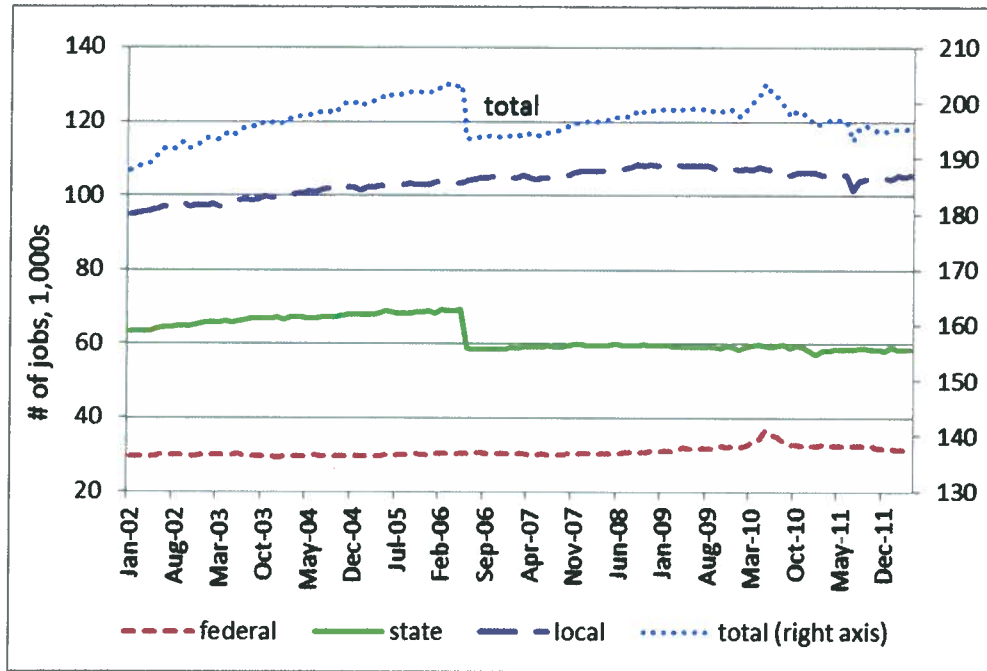
State Exposure to Cuts in Federal Spending

Because of our relatively large dependence on federal government spending, a significant risk to the New Mexico economic outlook comes from the potential for substantial federal spending cuts in the near future. The State's national forecasting service provider, IHS Global Insight (GI), expects real federal spending on goods and services to contract 2.4% in calendar 2012.

The US economy is facing a potential fiscal cliff in early 2013, when the Bush tax cuts, payroll tax cuts, and emergency unemployment benefits expire, and currently scheduled automatic federal spending cuts kick in. Using cost estimates from the Congressional Budget Office and the Office of Management and Budget, GI calculates that the fiscal tightening would reduce spending by \$405 billion, or 2.5% of Gross Domestic Product (GDP) in calendar year 2013. Looking at the different components, GI estimates the fiscal contraction from the Bush tax cuts would be equivalent to 1.0% of GDP in 2013, the payroll tax cut about 0.7% of GDP, and the emergency unemployment benefits about 0.2% of GDP. The automatic spending cuts, half of which would result in defense spending reductions, would equate to another 0.6% of GDP in 2013. In an extreme case involving the expiration of the Alternative Minimum Tax (AMT) and Medicare fixes, the fiscal drag would reach about 3.4% of GDP in 2013, or about \$550 billion.

In its national forecast, GI assumes an extension of the payroll tax cut and emergency unemployment insurance benefits for calendar year 2013, as well as a subsequent phase-out of these measures over several years. GI foresees a gradual and steady increase of income tax revenues starting in 2014. GI assumes Congress will enact legislation to prevent the automatic spending cuts from kicking in as scheduled in January 2013 (except perhaps as a temporary measure). Instead, GI assumes that the automatic spending cuts are replaced with gradual tax increases plus broader entitlement program reform efforts for Medicare, Medicaid, and Social Security.

New Mexico Government Employment



Source: US Bureau of Labor Statistics

The chart above shows total government employment in New Mexico and federal, state and local government employment. The June 2006 drop in government employment reflects the re-classification of employees at Los Alamos National Laboratory (LANL) resulting from an ownership transfer of LANL to a private partnership, and it corresponds to a similar increase in employment in the Professional and Business Services sector. The upward spike in mid-2010 primarily reflects the hiring of temporary federal workers for the decennial U.S. Census. The dip in total employment in the summer of 2011 was primarily a reduction in local government employment.

FY12 General Fund Report - March 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	159,764,297	1,432,115,102	1,333,211,797	1,865,000,000	1,822,456,613
Compensating Tax	5,729,029	45,557,804	51,826,509	69,500,000	69,134,779
SUBTOTAL Gen Sales Taxes	165,493,326	1,477,672,906	1,385,038,306	1,934,500,000	1,891,591,392
Selective Sales Taxes					
Tobacco and Cigarette Tax	7,067,340	63,729,901	65,258,141	86,400,000	88,157,899
Alcoholic Beverage Tax	2,138,289	19,297,694	18,878,487	25,900,000	25,672,555
Insurance Premiums Tax (2)	-	94,109,219	105,600,803	129,300,000	132,658,821
Fire Protection Fund Reversions	-	-	-	15,900,000	17,583,197
Franchise Fees	2,985	10,555	66,285	200,000	73,160
Racing receipts	46,685	630,408	147,237	500,000	413,120
Private Car Tax	1,689	552,552	480,229	490,000	480,255
Motor vehicle excise tax	10,845,163	83,480,134	75,013,154	110,200,000	103,652,599
Gaming Tax	6,028,071	49,551,044	49,450,096	66,600,000	65,787,203
Leased Vehicles Surcharge	429,864	3,976,237	3,693,116	5,200,000	5,047,179
Gasoline Tax	273,687	4,078,730	817,051	900,000	791,878
Telecommunications Relay Surcharge	7,831	73,494	93,149	200,000	120,781
Boat excise tax	11,671	220,025	254,996	500,000	494,115
SUBTOTAL Sel Sales Taxes	26,853,274	319,709,994	319,752,744	442,290,000	440,932,760
INCOME TAXES					
Gross Withholding	100,522,478	801,270,705	777,177,803	1,072,000,000	1,042,323,488
PIT-Final Settlements	27,551,386	167,140,930	166,301,974	357,000,000	359,322,450
PIT TAA - Oil & Gas Withholding	3,424,113	38,103,731	15,231,806	34,000,000	23,368,214
Fiduciary Tax (3)	2,103,919	7,708,398	4,736,063	1,000,000	6,588,873
Less PIT Refunds, RHCA, Legis Retirement	45,950,145	325,104,250	336,038,360	374,000,000	370,680,815
Net Personal Income Tax	87,651,752	689,119,514	627,409,287	1,090,000,000	1,060,922,210
Net Corporate Income Tax	19,883,790	136,083,576	139,197,150	310,000,000	229,817,986
MINERAL PRODUCTION TAXES					
Oil & Gas School Tax (2)	-	275,846,793	229,669,145	358,600,000	376,104,468
7% Oil Conservation Tax (2)	95,903	14,550,879	13,705,171	18,500,000	19,370,561
Resources excise tax	1,029,889	8,920,162	7,278,831	10,000,000	10,139,268
Natural Gas Processors Tax	1,827,850	17,555,320	13,692,899	22,000,000	18,181,973
TOTAL Mineral Production Taxes	2,953,642	316,873,154	264,346,046	409,100,000	423,796,270

FY12 General Fund Report - March 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
LICENSE FEES					
Financial institution receipts	319,918	2,560,741	2,826,493	3,200,000	3,108,796
Manufactured housing receipts	37,811	286,267	418,518	600,000	548,599
Construction industries receipts	104,726	3,268,479	4,635,297	7,200,000	5,682,231
Securities receipts	1,073,525	15,533,075	15,209,318	16,400,000	18,374,003
Gaming License and Permit Fees	-	126,075	63,341	400,000	262,257
Public Utilities	4,183,936	4,576,199	4,331,617	10,200,000	13,734,130
Corporate Filing	270,481	1,728,665	2,149,124	3,100,000	2,850,105
Alcoholic and Gaming	1,474,146	2,084,122	2,013,392	4,300,000	3,840,462
Corporate Special	-	18,874	1,208,062	5,800,000	1,125,397
Pipeline fees	500	33,154	46,247	60,000	74,152
Mtr. Veh. Misc.	9,305	100,931	107,421	200,000	150,066
TOTAL LICENSE FEES	7,474,349	30,316,582	33,008,830	51,460,000	49,750,197
INTEREST EARNINGS					
Perm.Fund Income	38,499,349	346,177,457	334,615,076	459,700,000	446,227,167
Earnings on State Balances (2)	-	12,374,427	9,065,612	17,300,000	17,632,846
Sev Tax Income Fund	15,285,292	137,567,628	138,428,046	183,400,000	184,570,728
TOTAL Interest Earnings	53,784,641	496,119,512	482,108,734	660,400,000	648,430,741
RENTS AND ROYALTIES					
Federal Mineral Leasing	41,144,214	382,192,044	307,569,440	420,000,000	411,818,949
Land Office Inc.	4,125,860	72,164,820	41,885,446	58,600,000	65,620,178
TOTAL Rents/Royalties	45,270,074	454,356,865	349,454,886	478,600,000	477,439,127
TRIBAL GAMING REVENUE SHARING	17,855,230	50,959,102	49,240,659	70,400,000	65,890,899
MISCELLANEOUS RECEIPTS					
MVD Penalty Assessment	573,988	4,242,998	4,257,773	6,420,000	5,737,375
Fines & Forfeitures	700,421	4,444,234	5,223,544	8,250,000	7,104,046
Birth/Death Certificates	84,556	584,835	694,382	940,000	1,050,631
District Judges' Rec Court Costs	104,650	767,823	883,586	1,230,000	1,196,435
Notary Public fees	56,213	1,220,813	775,372	700,000	606,716
Media Lease Payments	-	-	1,872	20,000	16,672
Legislative Receipts	1,354	12,459	14,998	60,000	45,652
Supreme Court Fees	81	493	373	-	502
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	-	-	12,425	50,000	14,825
Environment Dept. filing fees	304,299	2,045,262	3,867,586	3,120,000	5,200,950
Public Defender(Non-indigent reimb.)	-	174,578	222,124	450,000	413,815
TOTAL MISCELLANEOUS FEES	1,825,562	28,945,163	21,229,810	46,000,000	52,175,807
TOTAL RECURRING REVENUES	429,045,640	4,000,156,410	3,670,797,871	5,492,750,000	5,340,758,808

FY12 General Fund Report - March 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	2,100	413,765	28,143	-	35,921
Misc. Revenues-TRD >60day Non Benefica	(98,424)	396,712	3,244	-	239,801
Miscellaneous Transfers	-	-	-	11,400,000	26,031,000
Miscellaneous Revenues (State Aircraft)	5,392	2,259,533	225,557	-	228,883
Reversions (4)	13,135,707	22,404,606	14,569,602	40,000,000	67,326,524
Misc. Revenues (3)	-	-	36,000,000	6,900,000	36,000,000
TOTAL NON-RECURRING REVENUES	13,044,775	25,474,616	50,826,547	58,300,000	129,862,129
GRAND TOTAL REVENUES	442,090,414	4,025,631,026	3,721,624,418	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. March 2012 accruals for oil and gas school tax, oil and gas conservation tax, insurance premiums tax, and earnings on state balances were unavailable at time of publication. March 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.					