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**FY2019**

## **General Fund Monthly Report**

### **March 2019 Accruals**

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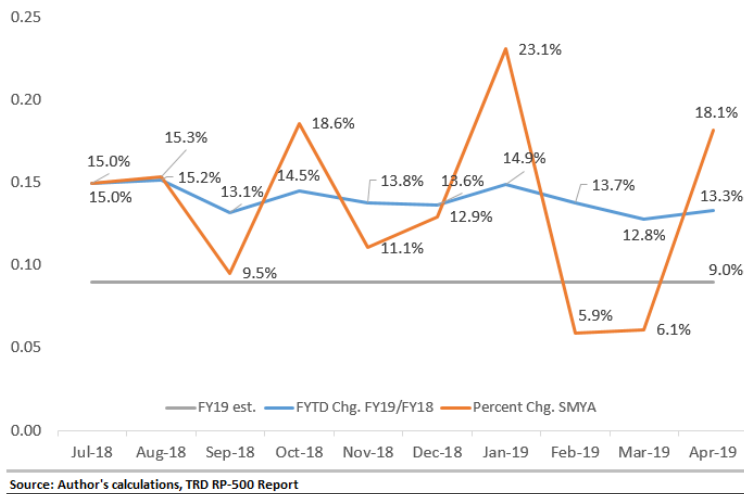
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This report summarizes General Fund revenues accrued through March 2019 during the fiscal year 2019. The report also includes more recent data on oil and gas prices and volumes, New Mexico employment, and taxable gross receipts.

#### **Highlights:**

- The State of New Mexico collected \$5.9 billion dollars in total general fund recurring revenues from July 2018 through March 2019. This is a \$1.3 billion increase or a 29.7 percent increase in fiscal year-to-date revenues in March 2019 compared to the same time period last year.
- Total general fund collections for the month of March were \$735 million, \$153 million higher than the collections of \$582 million in March 2018. This represents a 26.2% increase in revenues from March 2018 to March 2019. This estimate takes into account the transfers to the Tax Stabilization Reserve in FY19. This increase in revenues is due to strong growth in Gross Receipts Taxes, Federal, Mineral, and Leasing, and Severance Taxes. The main driver for the growth in these three sectors is the unprecedented oil and gas production activity occurring in the Permian basin in the southeastern part of the state.
- For FY19, total general fund recurring revenues are estimated to complete the fiscal year four percent, or \$300 million ahead of the CREG's December forecast.
- Fiscal year-to-date total taxable gross receipts increased 13.3 percent through April 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 April 2019 were up 23.1 percent compared to total receipts in April 2018. See Chart 1 for details.

Chart 1. Total Matched Gross Receipts Tax Growth July 2018 Through April 2019 (FY19)



- 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 17.3 percent.
- Growth has increased among the State's most broad-based revenue sources when comparing the revenues of FY18 and FY19. 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 15.2 percent and 18.1 percent, respectively.
- Mineral rents and royalties revenues received a large one-time payment (\$497 million) from federal land lease sales. Adjusting the revenue for this one-time payment, Mineral rents and royalties have grown by 32.8 percent compared to the previous year.
- May non-farm employment increased 1.8 percent compared to May of 2018. The sectors with the strongest year-over-year job growth were Mining (10.2), Construction (6.1), Leisure and Hospitality (4.6), and Education and Health Services (3). Transportation, Warehousing, and Utilities, and the Information sector both saw year-over-year employment declines of 4.8 percent and 2.5 percent, respectively.
- Both the New Mexico and the national unemployment rate remained unchanged in May at 5 percent and 3.6 percent, respectively.

	March 2018	March 2019	% Change Mar '18 to Mar '19	FY18 Through March	FY19 Through March	\$ Difference from FY to FY to Date	FYTD % Change	Dec '18 Forecast Full Year Growth
General Sales Tax	\$222.9	\$246.2	10.5%	\$1,801.7	\$2,076.3	\$274.5	15.2%	8.8%
Selective Sales Tax <sub>1</sub>	\$27.5	\$33.0	20.0%	\$373.5	\$367.5	(\$5.9)	-1.6%	2.2%
Personal Income Tax	\$128.1	\$274.8	114.5%	\$900.6	\$1,112.6	\$212.0	23.5%	3.0%
Corporate Income Tax	\$2.1	\$30.0	1349.6%	\$27.3	\$118.6	\$91.3	334.4%	3.2%
Severance Taxes <sub>2</sub>	\$53.4	\$1.8	-96.6%	\$345.9	\$408.6	\$62.7	18.1%	-14.4%
Interest Earnings	\$75.5	\$84.8	12.4%	\$598.9	\$696.8	\$97.9	16.3%	10.3%
Mineral Rents /Royalties <sub>3</sub>	\$46.6	\$56.2	20.7%	\$452.4	\$1,097.8	\$645.3	142.6%	29.8%
Other Revenues	\$26.5	\$8.4	-68.3%	\$118.7	\$111.6	(\$7.1)	-6.0%	n/a
<b>Total Recurring Revenues<sub>4</sub></b>	<b>\$582.5</b>	<b>\$735.2</b>	<b>26.2%</b>	<b>\$4,619.1</b>	<b>\$5,989.8</b>	<b>\$1,370.7</b>	<b>29.7%</b>	<b>7.9%</b>
<b>Total Recurring Revenue (Excluding Oil &amp; Gas)</b>	<b>\$482.5</b>	<b>\$677.1</b>	<b>40.3%</b>	<b>\$3,820.7</b>	<b>\$4,483.4</b>	<b>\$662.7</b>	<b>17.3%</b>	<b>6.6%</b>

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 18.1%. Additionally oil & school tax data was not complete. Estimate will be revised as soon as updated data is available.

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 \$497 million. This payment was a one time event and increased the percent change to 143%.

Adjusting for this windfall payment, Mineral Rents and Royalties has a fiscal year to date percent change of 32.8%

4. Once Total Recurring Revenues are adjusted for the one time federal land lease payment, revenues are 15.8% higher when compared to one year prior.

Table 1 above presents a summary of March 2019 and FY19 year-to-date revenue collections for the major categories of General Fund Appropriation Account revenues. Preliminary General Fund recurring revenues through March are approximately \$5.9 billion, an increase of \$1.3 billion or a 29.7 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 16% higher when compared to one year prior.

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

## General Sales Tax

General sales taxes fiscal year-to-date increased 15.2 percent, compared to the same period one year ago, 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 \$5,584 million in revenue collected and FYTD growth of 46.8 percent compared to one year period. Followed by the Retail Trade sector with \$11,315 million and FYTD growth of 4.9 percent for the same time period. Lastly, the third best performing sector was the Construction sector, which increased by 3.4 percent and accounted for \$6,236 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 18.1 percent and 142.6 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. Additionally, due to oil and school tax data being on a 90-day accrual; oil and school tax data was not complete for the month of March.

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 increased production volumes even as oil prices have slightly decreased in the observed 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 (\$497 million) from federal land lease sales. Adjusting the revenue for this one-time payment, mineral rents and royalties have grown by 32.8 percent compared to the previous year.

### **Selective Sales Tax**

Selective sales tax growth experienced a slight decrease of 1.6 percent over the nine 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 March increased 23.5 percent from the prior year. Personal income tax revenues in March 2019 were \$274.8 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 leading to this higher than normal increase compared to the prior year. TRD staff are 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 334.4 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 16.3 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 the estimate.

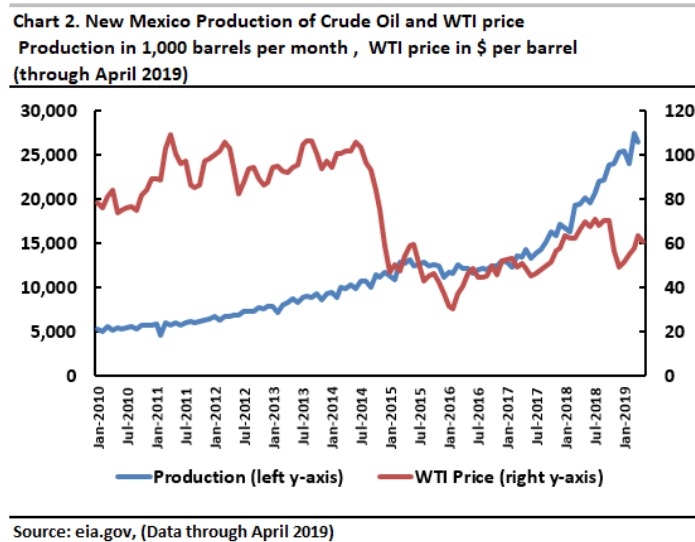
### **Other Revenues**

The other revenues category is the aggregate of the following individual revenue categories:

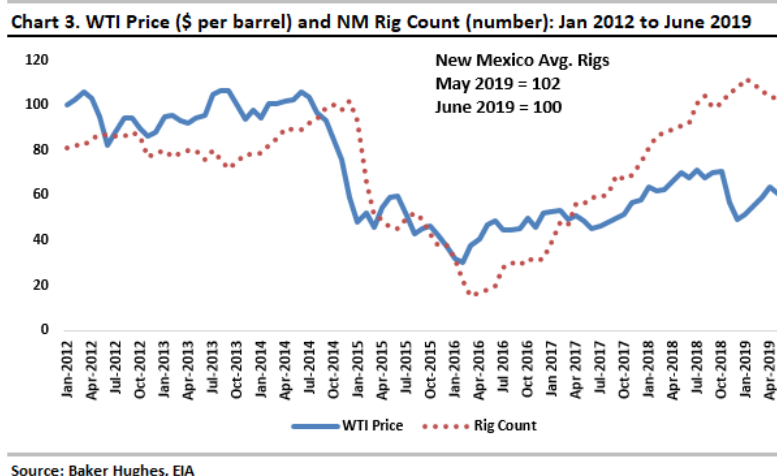
License Fees, Tribal Revenue Sharing, Miscellaneous Receipts, and Reversions. The collections of these revenue streams vary per source and can cause the percent change to vary broadly on a month-to-month basis as well.

### New Mexico Oil and Natural Gas Prices and Production

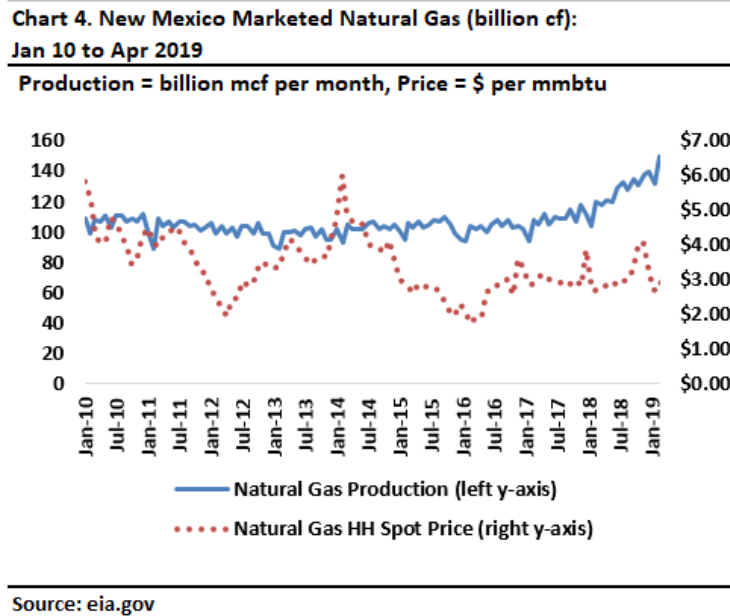
New Mexico oil prices for March 2019 averaged \$54.70 per barrel (bbl.), which compares to \$59.56 per bbl. for March 2018. In March 2019 the benchmark WTI price of oil averaged \$58.15 per bbl. New Mexico field production of crude oil increased by 54 percent from March 2018 to March 2019. The price of oil trended downward through May and mid-June but completed the month of June with an average price of \$57.73/barrel. Chart 2 details New Mexico oil production and WTI price through April 2019.



According to Baker-Hughes data as of June 28, 2019, the New Mexico rig count in March of 2019 was 105 compared to rig counts in March of 2018, which totaled 88. Since March, rig counts have declined; ending the month of June with an average high rig count of 100. Chart 3 illustrates the trend of New Mexico rigs versus the WTI price from 2012 through April 2019.



The Henry Hub natural gas spot price for March 2019 was \$2.95 per MMBtu, which compares to \$2.69 per MMBtu in March 2018. Natural gas prices decreased through the month of June to a low of 2.40 per MMBtu. 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.



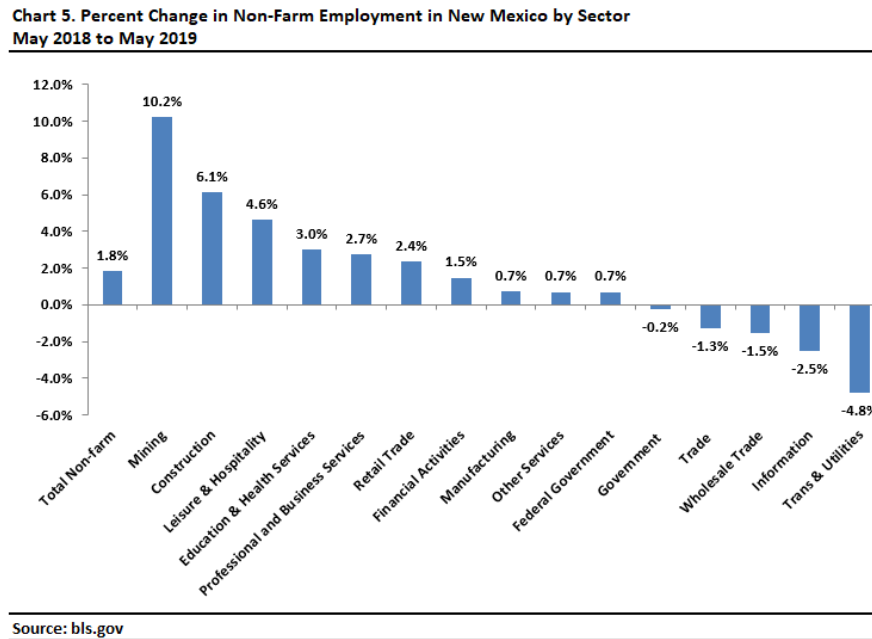
### Update on New Mexico Employment Trends

In May 2019 New Mexico employment grew by 1.8 percent, or 15,300 jobs, from the prior year (May 2018) when adjusted for seasonal variation.

Employment grew across several sectors in May. Economic growth in the state was led by the Mining sector, which experienced 10.2 percent year-over-year growth in employment. This was followed by the Construction sector in which employment grew by 6.1 percent compared to the same month one year ago. The Leisure and Hospitality sector performed well, with employment growth of 4.6 percent during the same time period. Lastly, during the same time period, Education and Health Services added 4,200 jobs or 3 percent growth and Professional and business services experienced growth of 2,900 jobs or 2.7 percent growth.

The following sectors experienced slight to moderate declines in employment growth from May 2018 to May 2019: Trade, Wholesale Trade, Information, Transportation, Warehousing, and Utilities, and Government. Within the government sectors (Local, State, and Federal), State government lost 1,100 jobs from May 2018 to May 2019. During the same time period, Local and Federal government sectors gained jobs of 500 and 200, respectively.

The unemployment rate for the state in May 2019 was 5.0 percent, 0.2 percent higher when compared to the 4.8 percent rate in May 2018. The national unemployment rate for May was 3.6 percent.



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

Taxable gross receipts grew by 13.3 percent in FY19 year-to-date through April. Taxable gross receipts year-to-date growth was led by the mining and oil and gas extraction sector which grew by 46.8 percent from the previous year. Additionally, this sector accounts for a greater magnitude of the total year-over-year growth, accounting for 28 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 4.9 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 8.4 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 3.4 percent and an increase in year-over-year employment growth of 6.1 percent. The construction sector accounted for 3.2 percent of the total growth in taxable gross receipts.

Additional sectors which performed well in terms of gross receipts collected but at the same time lost employment in year-over-year comparisons are the transportation and warehousing, wholesale trade, and manufacturing sectors. These sectors all experienced positive gross receipts year-to-date growth when compared to the previous year, (30.8 percent, 39.7 percent, 27.1 percent, and 26.5 percent, respectively).

Sector	FYTD (\$millions)	FYTD Percent Change	Percent of Total Growth
Agriculture, Forestry, Fishing and Hunting	\$ 100.75	-7.2%	-0.12%
Mining and Oil and Gas Extraction	\$ 5,584.44	46.8%	28.08%
Utilities	\$ 2,218.45	7.9%	2.56%
Construction	\$ 6,235.97	3.4%	3.20%
Manufacturing	\$ 1,655.36	26.5%	5.47%
Wholesale Trade	\$ 2,751.01	27.1%	9.25%
Retail Trade	\$11,315.09	4.9%	8.39%
Transportation and Warehousing	\$ 853.51	30.8%	3.17%
Information and Cultural Industries	\$ 2,139.52	1.8%	0.60%
Finance and Insurance	\$ 316.16	-3.9%	-0.20%
Real Estate and Rental and Leasing	\$ 1,435.55	30.6%	5.31%
Professional, Scientific and Technical Services	\$ 5,517.37	6.3%	5.12%
Management of Companies and Enterprises	\$ 27.48	4.3%	0.02%
Admin and Support, Waste Mgt and Remed	\$ 1,781.57	70.0%	11.57%
Educational Services	\$ 184.94	6.5%	0.18%
Health Care and Social Assistance	\$ 2,702.13	5.0%	2.03%
Arts, Entertainment and Recreation	\$ 288.25	14.8%	0.59%
Accommodation and Food Services	\$ 3,871.73	7.6%	4.31%
Other Services (except Public Admin)	\$ 4,043.74	7.5%	4.44%
Public Administration	\$ 345.70	124.0%	3.02%
Unclassified Establishments	\$ 577.05	49.7%	3.02%
<b>All Industries</b>	<b>\$53,945.78</b>	<b>13.3%</b>	<b>100%</b>
Excluding O&G	\$48,361.34	10.4%	n/a

Source: Author's calculations, TRD RP-500, (figures in millions)

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)