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General Fund Report

July 2011 - May 2012 Accrual Period

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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 May 2012 are approximately \$5.0 billion, which represents an increase of \$397 million or roughly 8.5 percent from the same period of FY11.

Mineral production taxes and public land mineral rents, bonuses and royalties contributed almost half of all revenue growth. Higher oil prices and volumes through FY12 year-to-date contributed to a revenue increase of \$178 million or 23 percent over FY11.

Gross receipts tax and compensating tax revenues increased by \$101 million or 5.9 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. Compensating tax revenues were down about \$6 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 \$56 million or 6.2 percent. About \$36 million of this increase is in oil and gas withholding payments, about 25 percent of which is due to a change in the timing of accrual for these payments. Personal income tax withholding contributed about \$23 million to the revenue growth, while refunds were down \$7 million in FY12 year-to-date compared to the same period last year.

Corporate income tax revenue was up \$47 million or 27 percent from last year. Film credit claims, which reduce net corporate income tax, were down significantly and account for most of the year over year growth. Motor vehicle excise tax revenues were up \$10 million in FY12 year-to-date compared to the same period last year.

Table 1

| FY12 Appropriation Account Revenue - May 2012 Accruals (1) | | | | | |
|--|--------------------|--------------------------------|------------------------------|---------------------|-------------|
| Summary by Major Revenue Category | | | | | |
| | Current Month | Current Fiscal Year to Date | Prior Fiscal Year to Date | Year to Date Change | |
| | | | | Amount | Percent |
| General Sales Tax | 166,384,066 | 1,807,384,903 | 1,706,521,775 | 100,863,128 | 5.9% |
| Selective Sales Tax (2) | 27,328,420 | 373,569,070 | 370,405,613 | 3,163,457 | 0.9% |
| Personal Income Tax | 91,058,592 | 971,785,942 | 915,215,487 | 56,570,454 | 6.2% |
| Corporate Income Tax | 52,827,456 | 221,919,561 | 175,031,041 | 46,888,520 | 26.8% |
| Mineral Production Taxes (2) | 2,992,633 | 390,564,662 | 345,838,537 | 44,726,125 | 12.9% |
| Interest Earnings | 55,081,502 | 606,741,579 | 591,299,906 | 15,441,673 | 2.6% |
| Mineral Rents/Royalties | 59,055,979 | 554,125,470 | 420,514,889 | 133,610,581 | 31.8% |
| Other | 4,736,042 | 129,839,760 | 133,596,475 | (3,756,714) | -2.8% |
| TOTAL RECURRING REVENUES | 459,464,690 | 5,055,930,947 | 4,658,423,722 | 397,507,225 | 8.5% |

Source: DFA Financial Control Division

(1) All figures on modified accrual basis accounting.

(2) Preliminary figure. May 2012 accruals for oil and gas school tax, oil and gas conservation tax, and insurance premiums tax were unavailable at time of publication. May 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 April 2012 Sales

Preliminary oil prices year-to-date through April 2012 averaged \$91.92 per barrel (bbl) and preliminary year-to-date volumes are 15 percent higher than last year.

Preliminary natural gas prices year-to-date through April 2012 averaged \$5.34 per thousand cubic feet (mcf). This amount includes the value of natural gas liquids, which added \$1.93 per mcf to the value of “dry” gas. Preliminary year-to-date volumes as reported are 2 percent lower than last year. Total volumes include a correction for a producer reporting error that inflated volumes during the fiscal year.

Risks to New Mexico Revenues from Declines in Oil and Natural Gas Liquids Prices

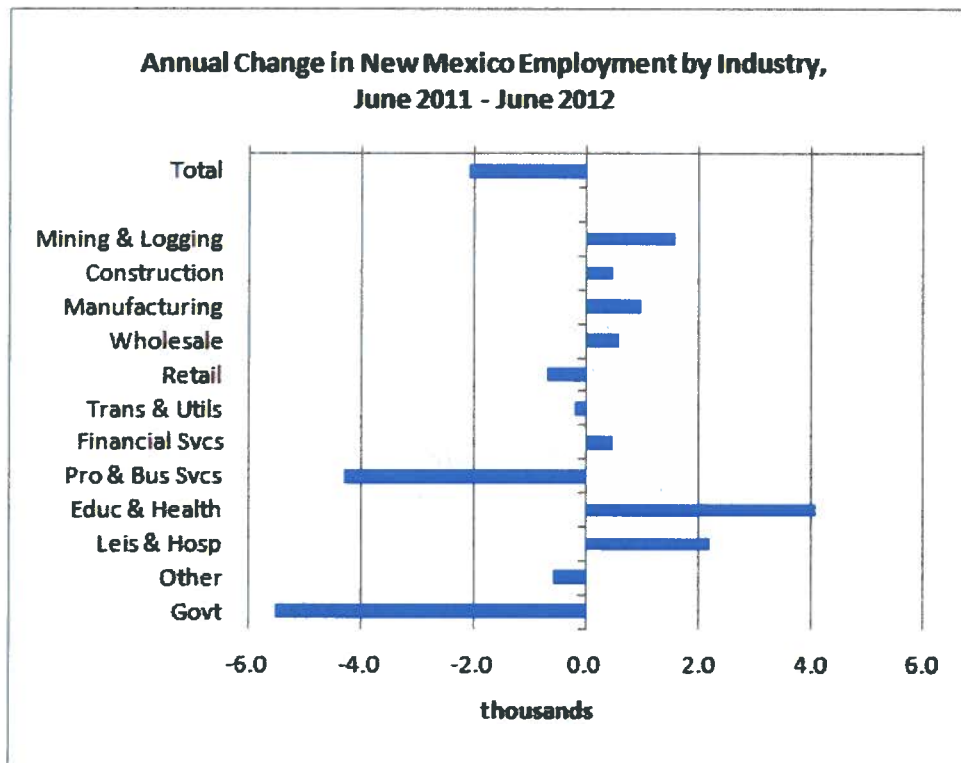
Oil and gas prices and production drive a substantial portion of New Mexico state revenues. In general, New Mexico prices follow regional prices. These regional prices have fallen recently, with west Texas oil prices down about 26% from early May to late June. New Mexico natural gas liquids prices are down about 14% from December 2011 to May 2012, with prices at regional market hubs dropping even further in the last month. Though oil prices have rebounded

slightly since June, New Mexico General Fund revenues are still vulnerable to energy price fluctuations and production activities.

Update on New Mexico Employment Trends

When adjusted for seasonal variation, New Mexico employment in June 2012 shrank 0.3 percent compared with June 2011, a decrease of 2,100 jobs. The largest annual increases were in the education and health care sector, which grew by 4,100 jobs, and the leisure and hospitality sector, which gained 2,200 jobs, replacing the mining and oil and gas sector as the second largest source of employment growth. The largest private annual decrease was felt in the professional and business services sector, which saw a loss of 4,300 jobs. Government continues to experience declines with the loss of 5,500 jobs since the same period last year. Construction experienced a gain of 500 jobs since June 2011.

The New Mexico seasonally adjusted unemployment rate fell to 6.5 percent in June 2012 from 6.7 percent in May 2012. The decrease in unemployment resulted from a slight increase in employment offset by a similar decrease in labor force participation.



Source: U.S. Bureau of Labor Statistics (BLS)

New Mexico Taxable Gross Receipts (TGR), May 2012

New Mexico taxable gross receipts reported for May of 2012 were \$4.2 billion, a 4.4 percent increase from the same month last year. Fiscal year-to-date growth through May was 5.9%. The top six sectors for total amount of TGR were retail trade, construction, other services (except public administration), professional, scientific and technical services, accommodation and food services, and mining and oil and gas extraction, which together accounted for two thirds of TGR.

| FY12 Taxable Gross Receipts by Sector | May 2012 (\$ millions) | Year % Change | FY12 YTD (\$ millions) | YTD % Change |
|---|---------------------------|------------------|---------------------------|-----------------|
| Agriculture, Forestry, Fishing and Hunting | \$6.3 | 6.6% | \$51.2 | -1.3% |
| Mining and Oil and Gas Extraction | \$294.8 | 8.8% | \$3,127.8 | 24.6% |
| Utilities | \$148.6 | 0.3% | \$2,009.3 | 7.5% |
| Construction | \$436.9 | 1.6% | \$4,696.8 | -2.3% |
| Manufacturing | \$186.6 | 46.5% | \$1,661.8 | 30.3% |
| Wholesale Trade | \$192.9 | 0.2% | \$2,071.9 | 9.9% |
| Retail Trade | \$974.8 | 5.3% | \$10,968.4 | 3.9% |
| Transportation and Warehousing | \$53.0 | 20.7% | \$795.9 | 29.0% |
| Information and Cultural Industries | \$211.4 | 5.3% | \$2,169.4 | 14.6% |
| Finance and Insurance | \$22.7 | 19.4% | \$226.3 | 0.1% |
| Real Estate and Rental and Leasing | \$81.3 | 31.1% | \$791.5 | 17.4% |
| Professional, Scientific and Technical Services | \$387.1 | 3.9% | \$4,270.1 | 6.6% |
| Management of Companies and Enterprises | \$3.0 | 45.5% | \$30.2 | 1.7% |
| Admin and Support, Waste Mgt and Remed | \$183.0 | -26.1% | \$1,768.6 | -6.3% |
| Educational Services | \$18.4 | -1.1% | \$208.1 | -8.1% |
| Health Care and Social Assistance | \$181.6 | 3.8% | \$1,938.5 | 2.0% |
| Arts, Entertainment and Recreation | \$15.8 | -11.0% | \$183.1 | 3.0% |
| Accommodation and Food Services | \$317.1 | 8.2% | \$3,122.9 | 4.3% |
| Other Services (except Public Admin) | \$414.1 | 1.5% | \$4,324.9 | -1.3% |
| Public Administration | \$13.1 | -3.6% | \$207.4 | 24.0% |
| Unclassified Establishments | \$13.2 | 167.7% | \$122.3 | 10.5% |
| Total | \$4,155.6 | 4.4% | \$44,746.4 | 5.9% |

Growth in TGR from oil and gas production appears to be fading, with the accommodation and food service replacing the mining and oil and gas extraction sector in the top six ranking. The manufacturing sector continued to experience strong year over year growth with an increase of 30 percent FY12 year-to-date. This is a relatively small sector, however, as most manufactured goods exported from the state are not subject to tax. Construction TGR turned from a year over year decrease last month to an increase of almost two percent year over year for May 2012. This is the second largest sector.

| FY12 General Fund Report - May 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 | 160,358,074 | 1,751,804,387 | 1,644,699,057 | 1,865,000,000 | 1,822,456,613 |
| Compensating Tax | 6,025,992 | 55,580,516 | 61,822,718 | 69,500,000 | 69,134,779 |
| SUBTOTAL Gen Sales Taxes | 166,384,066 | 1,807,384,903 | 1,706,521,775 | 1,934,500,000 | 1,891,591,392 |
| Selective Sales Taxes | | | | | |
| Tobacco and Cigarette Tax | 7,538,877 | 77,895,535 | 78,595,565 | 86,400,000 | 88,157,899 |
| Alcoholic Beverage Tax | 2,402,488 | 23,687,436 | 22,632,968 | 25,900,000 | 25,672,555 |
| Insurance Premiums Tax (2) | - | 96,095,966 | 106,999,813 | 129,300,000 | 132,658,821 |
| Fire Protection Fund Reversions | - | - | - | 15,900,000 | 17,583,197 |
| Franchise Fees | 5,255 | 18,680 | 71,685 | 200,000 | 73,160 |
| Racing receipts | - | 630,408 | 147,237 | 500,000 | 413,120 |
| Private Car Tax | - | 552,552 | 480,240 | 490,000 | 480,255 |
| Motor vehicle excise tax | 10,903,342 | 104,418,190 | 93,999,536 | 110,200,000 | 103,652,599 |
| Gaming Tax | 5,489,232 | 60,371,295 | 60,662,690 | 66,600,000 | 65,787,203 |
| Leased Vehicles Surcharge | 481,790 | 4,790,076 | 4,560,836 | 5,200,000 | 5,047,179 |
| Gasoline Tax | 466,253 | 4,745,040 | 1,782,207 | 900,000 | 791,878 |
| Telecommunications Relay Surcharge | 8,043 | 89,817 | 118,560 | 200,000 | 120,781 |
| Boat excise tax | 33,141 | 274,073 | 354,276 | 500,000 | 494,115 |
| SUBTOTAL Sel Sales Taxes | 27,328,420 | 373,569,070 | 370,405,613 | 442,290,000 | 440,932,760 |
| INCOME TAXES | | | | | |
| Gross Withholding | 82,921,776 | 964,191,613 | 940,682,614 | 1,072,000,000 | 1,042,323,488 |
| PIT-Final Settlements | 18,070,985 | 295,455,920 | 307,460,987 | 357,000,000 | 359,322,450 |
| PIT TAA - Oil & Gas Withholding | 2,194,470 | 59,053,457 | 23,527,618 | 34,000,000 | 23,368,214 |
| Fiduciary Tax (3) | 1,218,471 | 9,180,559 | 6,661,813 | 1,000,000 | 6,588,873 |
| Less PIT Refunds, RHCA, Legis Retirement | 13,347,110 | 356,095,607 | 363,117,545 | 374,000,000 | 370,680,815 |
| Net Personal Income Tax | 91,058,592 | 971,785,942 | 915,215,487 | 1,090,000,000 | 1,060,922,210 |
| Net Corporate Income Tax | 52,827,456 | 221,919,561 | 175,031,041 | 310,000,000 | 229,817,986 |
| MINERAL PRODUCTION TAXES | | | | | |
| Oil & Gas School Tax (2) | - | 340,111,507 | 304,880,207 | 358,600,000 | 376,104,468 |
| 7% Oil Conservation Tax (2) | 72,179 | 18,063,993 | 15,684,709 | 18,500,000 | 19,370,561 |
| Resources excise tax | 988,889 | 10,888,120 | 8,563,567 | 10,000,000 | 10,139,268 |
| Natural Gas Processors Tax | 1,931,565 | 21,501,042 | 16,710,053 | 22,000,000 | 18,181,973 |
| TOTAL Mineral Production Taxes | 2,992,633 | 390,564,662 | 345,838,537 | 409,100,000 | 423,796,270 |

| FY12 General Fund Report - May 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 | 152,715 | 2,833,219 | 3,003,751 | 3,200,000 | 3,108,796 |
| Manufactured housing receipts | 28,594 | 342,496 | 506,687 | 600,000 | 548,599 |
| Construction industries receipts | 342,381 | 4,112,189 | 5,317,807 | 7,200,000 | 5,682,231 |
| Securities receipts | 1,249,745 | 17,783,935 | 17,333,953 | 16,400,000 | 18,374,003 |
| Gaming License and Permit Fees | - | 126,075 | 63,341 | 400,000 | 262,257 |
| Public Utilities | 128,357 | 11,056,315 | 13,733,669 | 10,200,000 | 13,734,130 |
| Corporate Filing | 961,871 | 3,066,172 | 2,639,332 | 3,100,000 | 2,850,105 |
| Alcoholic and Gaming | 489,121 | 3,634,764 | 3,599,135 | 4,300,000 | 3,840,462 |
| Corporate Special | - | 4,096,354 | 1,125,397 | 5,800,000 | 1,125,397 |
| Pipeline fees | 59 | 33,213 | 48,058 | 60,000 | 74,152 |
| Mtr. Veh. Misc. | 10,350 | 121,671 | 138,106 | 200,000 | 150,066 |
| TOTAL LICENSE FEES | 3,363,192 | 47,206,404 | 47,509,235 | 51,460,000 | 49,750,197 |
| INTEREST EARNINGS | | | | | |
| Perm.Fund Income | 38,520,320 | 423,207,738 | 409,018,778 | 459,700,000 | 446,227,167 |
| Earnings on State Balances (2) | 1,275,891 | 15,395,629 | 13,091,294 | 17,300,000 | 17,632,846 |
| Sev Tax Income Fund | 15,285,292 | 168,138,212 | 169,189,834 | 183,400,000 | 184,570,728 |
| TOTAL Interest Earnings | 55,081,502 | 606,741,579 | 591,299,906 | 660,400,000 | 648,430,741 |
| RENTS AND ROYALTIES | | | | | |
| Federal Mineral Leasing | 49,380,509 | 468,105,873 | 371,257,171 | 420,000,000 | 411,818,949 |
| Land Office Inc. | 9,675,470 | 86,019,597 | 49,257,717 | 58,600,000 | 65,620,178 |
| TOTAL Rents/Royalties | 59,055,979 | 554,125,470 | 420,514,889 | 478,600,000 | 477,439,127 |
| TRIBAL GAMING REVENUE SHARING | 27,318 | 51,146,698 | 49,332,182 | 70,400,000 | 65,890,899 |
| MISCELLANEOUS RECEIPTS | | | | | |
| MVD Penalty Assessment | 450,711 | 5,160,846 | 5,164,607 | 6,420,000 | 5,737,375 |
| Fines & Forfeitures | 503,375 | 5,420,297 | 6,278,491 | 8,250,000 | 7,104,046 |
| Birth/Death Certificates | 64,682 | 757,432 | 780,168 | 940,000 | 1,050,631 |
| District Judges' Rec Court Costs | 106,111 | 958,289 | 1,072,395 | 1,230,000 | 1,196,435 |
| Notary Public fees | 56,630 | 1,333,490 | 562,517 | 700,000 | 606,716 |
| Media Lease Payments | - | - | 2,005 | 20,000 | 16,672 |
| Legislative Receipts | 38 | 19,281 | 43,077 | 60,000 | 45,652 |
| Unclaimed Property | - | 15,451,669 | 18,352,252 | 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 | 1,294 | 2,047,510 | 4,129,532 | 3,120,000 | 5,200,950 |
| Public Defender(Non-indigent reimb.) | 162,637 | 337,215 | 345,722 | 450,000 | 413,815 |
| TOTAL MISCELLANEOUS FEES | 1,345,532 | 31,486,615 | 36,743,638 | 46,000,000 | 52,175,807 |
| TOTAL RECURRING REVENUES | 459,464,690 | 5,055,930,947 | 4,658,423,722 | 5,492,750,000 | 5,340,758,808 |

| FY12 General Fund Report - May 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 | 96,950 | 511,415 | 35,490 | - | 35,921 |
| Misc. Revenues-TRD >60day Non Benefica | 62,847 | 502,617 | 1,042,748 | - | 239,801 |
| Miscellaneous Transfers | - | - | - | 11,400,000 | 26,031,000 |
| Miscellaneous Revenues (State Aircraft) | - | 2,259,533 | 225,557 | - | 228,883 |
| Reversions (4) | 6,674,333 | 31,327,272 | 17,491,168 | 40,000,000 | 67,326,524 |
| Misc. Revenues (3) | - | - | 36,000,000 | 6,900,000 | 36,000,000 |
| TOTAL NON-RECURRING REVENUES | 6,834,130 | 34,600,837 | 54,794,963 | 58,300,000 | 129,862,129 |
| GRAND TOTAL REVENUES | 466,298,820 | 5,090,531,784 | 4,713,218,685 | 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. May 2012 accruals for oil and gas school tax, oil and gas conservation tax, and insurance premiums tax were unavailable at time of publication. May 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. | | | | | |