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General Fund Report

November 2014 Accrual

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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)

This report summarizes General Fund revenues accrued through November 2014. The report also includes more recent data on oil and gas prices and volumes, New Mexico employment, and taxable gross receipts.

Highlights:

- General Fund total recurring revenue through November increased 11.0 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 most broad-based revenue sources, which is consistent with other evidence of an improving economy. In particular, sales and income tax revenues have grown strongly year-to-date through November as have mineral royalties and permanent fund interest earnings.
- Revenue accruals have not yet reflected the sharp drop of oil and gas prices, which have been included in the full year forecast.
- Year-to-date taxable gross receipts increased 8.7 percent through January compared to the prior year. The greatest contributors to the increase were professional services and mining. Retail and construction, the two largest sectors, also contributed to the growth.
- January employment increased 1.6 percent compared to the same month from the prior year with job gains across most sectors. Private employment increased 2.4 percent while government employment decreased 0.1 percent. The unemployment rate decreased to 5.9 percent from 6.0 percent the prior month.

Table 1

FY15 Appropriation Account Revenue - November 2014 Accruals (1)
Summary by Major Revenue Category

	Current Fiscal Current Month	Current Fiscal Year to Date	Prior Fiscal Year to Date	Year-to-Date Change		Full Year Forecast
				Amount	Percent	
General Sales Tax	182,116,228	936,215,617	841,328,964	94,886,653	11.3%	6.5%
Selective Sales Tax	52,438,534	205,127,367	190,066,102	15,061,265	7.9%	7.7%
Personal Income Tax	96,270,868	541,042,778	507,069,601	33,973,177	6.7%	4.8%
Corporate Income Tax	37,983,440	90,559,173	65,012,276	25,546,897	39.3%	16.9%
Mineral Production Taxes	39,532,218	219,083,545	222,749,253	(3,665,708)	-1.6%	-24.3%
Interest Earnings	60,942,284	294,264,763	271,866,463	22,398,299	8.2%	8.6%
Mineral Rents/Royalties	48,151,486	329,399,451	255,881,934	73,517,517	28.7%	-10.8%
Other	3,151,130	33,164,167	32,769,302	394,865	1.2%	2.4%
TOTAL RECURRING REVENUES	520,586,188	2,648,856,861	2,386,743,895	262,112,966	11.0%	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 General Fund recurring revenues through November 2014 are approximately \$2.6 billion, an increase of \$262 million or 11.0 percent from the same period of FY14.

Mineral taxes, rents and royalties increased 14.6 percent year-to-date from the prior year. This increase is partially due to production volumes, which were growing strongly during the early part of the fiscal year. The increase in revenue is also attributable to the strong energy prices seen at the beginning of the fiscal year. Revenue growth is expected to slow substantially in the latter half of the fiscal year due to falling prices and the slower production growth they bring about. Production responses typically lag price changes by six months to one year as producers continue to produce from recently drilled wells even as they suspend or postpone new well drilling activity.

Much of the increase in mineral rents and royalties is due to a change in Bureau of Land Management lease auctions, which are now held only once annually for each of the New Mexico field offices rather than four times per year. In FY15, the annual totality of lease revenue was received in October, thus driving up the year over year growth for that time period.

Gross receipts tax (GRT) and compensating tax increased 11.3 percent year-to-date thru November. Taxable gross receipts (TGR), which is the tax base for the GRT, grew by 8.6 percent during that time period. Revenue growth can diverge from tax base growth for a number of reasons, some of which may simply reflect timing of payments, refund claims, etc. Large increases occurred in most industries. Retail and construction, the two largest sectors, grew by 4.2 percent and 10.7 percent respectively. For more recent TGR performance, please refer to Table 2 below. The February forecast assumed full year general sales tax revenues would grow 6.5 percent over FY14.

Selective sales growth of 7.9 percent is primarily due to increases in premiums tax and motor vehicle excise tax revenues. Insurance premiums revenue growth is likely due to increases in insured populations and premiums rates under the Affordable Care Act and Medicaid expansion. Motor vehicle sales continue to benefit from low interest rates, which may explain the 10 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 thru November increased 6.7 percent from the prior year. Gross withholding, reflecting the recent upsurge in job growth, grew by 8.4 percent thru November. According to the Bureau of Economic Analysis, wages and salaries grew by 2.6 percent in calendar year 2014, perhaps contributing to payroll withholding growth. Oil and gas withholding fell by 9.4 percent year-to-date from the prior year, a result of the energy price decline. Final settlements through November have increased by 3.4 percent but may be affected by timing. Refunds have also increased from the prior year but are also subject to timing changes. 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 39.3 percent from the prior year. According to the Taxation and Revenue Department, some year-end collections expected to accrue in FY14 actually accrued in FY15, which explains some of the year-to-date strength. CIT gains are also likely affected by a stronger state and national economy. FY14 was a particularly low year for CIT revenue as the New Mexico economy was still reeling from the after-effects of federal budget austerity combined with the federal government shutdown in the early half of the fiscal year.

The year-to-date growth in interest earnings reflects a larger 5-year average market value of permanent funds as recessionary years are dropped from the average. Earnings on state balances have fallen by 35.6 percent year-to-date thru November as a result of a new accounting methodology at the State Treasurer's Office that reflects earnings on an accrued basis rather than a cash basis. Interest earnings were projected to grow 8.6 percent in the February forecast.

New Mexico Oil and Natural Gas Production: December 2014 Sales

Preliminary oil prices for December 2014 averaged \$54.26 per barrel (bbl), which compares to \$90.47 per bbl for December 2013. Preliminary year-to-date volumes are 19.3 percent higher than last year. The FY15 year-to-date average New Mexico oil price of \$75.71 per bbl is above the \$61.00 per bbl forecast.

Preliminary natural gas prices for December 2014 averaged \$4.10 per thousand cubic feet (mcf), which compares to \$4.97 per mcf in December 2013. This amount includes the value of natural gas liquids, which added \$0.69 per mcf to the value of "dry" gas. Preliminary year-to-date volumes are 1.7 percent higher than last year. Year-to-date, the average New Mexico natural gas price is \$4.69 per mcf, above the forecast of \$4.30 per mcf.

Update on New Mexico Employment Trends

January 2015 New Mexico employment grew by 1.6 percent, or 12,900 jobs, from the prior year when adjusted for seasonal variation. New Mexico employment is still 2.1 percent below the 2008 peak for the same month. The state has thus far recovered approximately 31,500 jobs, or 60.2 percent, of those lost in the recession.

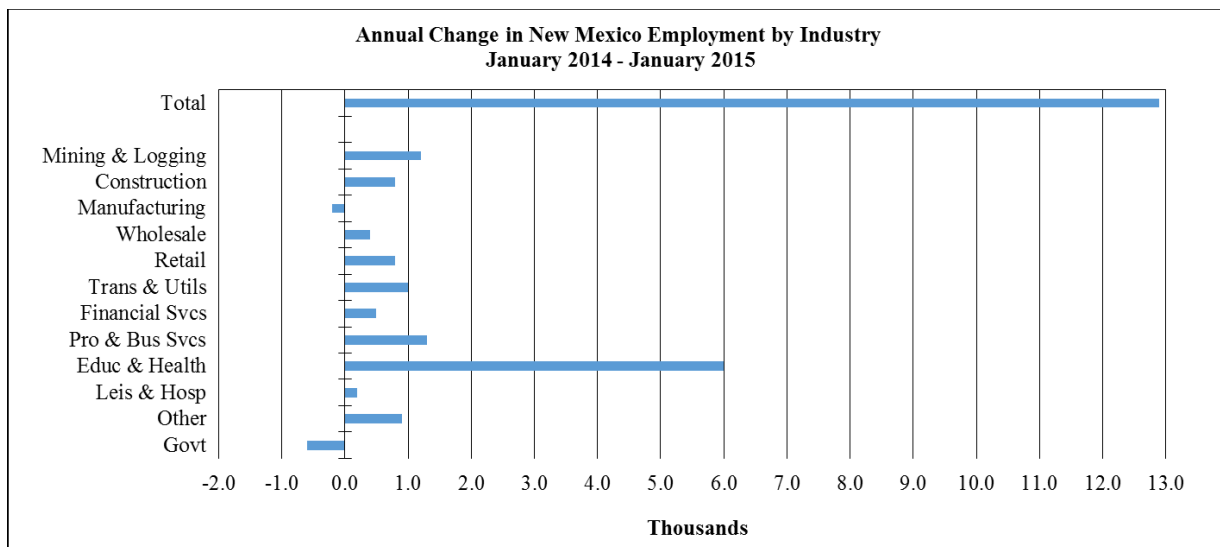
Employment grew across most sectors in January. Education and health care led all other sectors in growth with an increase of 6,000 jobs over prior year. Strong growth was likely driven by the provisions of the Affordable Care Act and Medicaid expansion.

Professional and business services experienced growth of 1,300 jobs, again, evidence of an improving economy. The mining and logging sector continued its growth trend by adding 1,200 jobs, an increase of 4.4 percent over January 2014. Data show mining sector employment growth peaked in November 2014 and, though still positive, has since been declining, perhaps an early indication of production curtailment in response to low energy prices.

Manufacturing experienced the only private sector decline with a loss of 200 jobs. Government, the largest employer in the state, lost approximately 600 jobs from the prior year, mostly in the federal government.

The unemployment rate in the state decreased in January to 5.9 percent from 6.0 percent the prior month. The state unemployment rate remains above the national average of 5.5 percent for January.

Figure 1



Source: U.S. Bureau of Labor Statistics

New Mexico Matched Taxable Gross Receipts (TGR), FY15 Year-to-Date through January

Taxable gross receipts (TGR) expanded by 8.7 percent in FY15 year-to-date thru January. Retail, which is the largest sector and represents nearly a quarter of all TGR, increased by 4.4 percent from the prior year, suggesting that consumers are more willing to spend disposable income as the economy expands. This is a robust recovery from a decline of 1.2 percent in FY14. The decline in gasoline prices is likely contributing to the increase in retail spending.

The second largest sector, construction, experienced growth of 10.2 percent, another reflection of an improving economy. Manufacturing TGR increased by 14.2 percent, contrary to the decline in employment for the sector over the same time period. According to the Taxation and Revenue Department, petroleum refining, which is not labor-intensive, is pushing that growth.

The largest contributors to growth year-to-date through January included professional services and mining. Professional services saw a 21.4 percent increase in FY15 year-to-date, though the growth may be partially due to a weak FY14 for this sector. Mining demonstrated a 15.7 percent increase year-to-date, however, January reflected the beginnings of the oil price decline – TGR fell by 35 percent for the month compared to the prior year.

Table 2

FY15 Taxable Gross Receipts by Sector Year-to-Date thru January	YTD (\$ millions)	YTD % Change	% of Total Growth
Agriculture, Forestry, Fishing and Hunting	\$54.5	32.4%	0.5%
Mining and Oil and Gas Extraction	\$2,677.6	15.8%	14.2%
Utilities	\$1,427.7	5.5%	2.9%
Construction	\$3,707.3	10.2%	13.3%
Manufacturing	\$1,427.3	14.2%	6.9%
Wholesale Trade	\$1,520.3	10.0%	5.4%
Retail Trade	\$7,504.4	4.4%	12.2%
Transportation and Warehousing	\$513.8	28.7%	4.4%
Information and Cultural Industries	\$1,492.2	2.3%	1.3%
Finance and Insurance	\$171.2	0.7%	0.0%
Real Estate and Rental and Leasing	\$718.9	13.0%	3.2%
Professional, Scientific and Technical Services	\$3,159.8	21.4%	21.7%
Management of Companies and Enterprises	\$25.4	-6.3%	-0.1%
Admin and Support, Waste Mgt and Remed	\$633.7	-31.4%	-11.2%
Educational Services	\$116.3	-3.0%	-0.1%
Health Care and Social Assistance	\$1,423.4	11.8%	5.8%
Arts, Entertainment and Recreation	\$141.9	16.3%	0.8%
Accommodation and Food Services	\$2,214.6	6.7%	5.4%
Other Services (except Public Admin)	\$2,768.1	-0.1%	-0.2%
Public Administration	\$161.1	52.7%	2.2%
Unclassified Establishments	\$504.9	141.0%	11.5%
All Industries	\$32,364.6	8.7%	100%
Excluding O&G	\$29,687.0	8.0%	

FY15 General Fund Report - November 2014 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	172,962,558	888,457,212	809,111,793	2,129,000,000	1,992,034,860
Compensating Tax	9,153,671	47,758,405	32,217,171	75,000,000	78,369,405
SUBTOTAL Gen Sales Taxes	182,116,228	936,215,617	841,328,964	2,204,000,000	2,070,404,264
Selective Sales Taxes					
Tobacco and Cigarette Tax	6,488,548	33,506,234	31,664,433	79,000,000	78,478,968
Alcoholic Beverage Tax	1,794,710	10,308,856	10,871,237	26,700,000	26,356,823
Insurance Premiums Tax	28,322,127	69,555,982	61,187,484	140,000,000	115,067,195
Fire Protection Fund Reversions	-	-	-	14,900,000	16,082,190
Racing receipts	-	382,576	440,893	750,000	820,775
Private Car Tax	-	-	-	750,000	619,892
Motor vehicle excise tax	10,093,372	60,678,650	55,480,851	143,300,000	133,274,640
Gaming Tax	5,645,094	28,263,452	27,098,428	67,900,000	66,454,698
Leased Vehicles Surcharge	357,979	2,522,552	2,529,204	5,200,000	5,204,350
Gasoline Tax	(285,659)	(245,180)	726,709	(800,000)	1,227,183
Telecommunications Relay Surcharge	6,585	79,121	37,234	100,000	86,348
Boat excise tax	15,778	75,123	29,630	250,000	184,342
SUBTOTAL Sel Sales Taxes	52,438,534	205,127,367	190,066,102	478,050,000	443,857,403
INCOME TAXES					
Gross Withholding	80,994,203	466,180,748	430,055,987	1,173,000,000	1,116,248,847
PIT-Final Settlements	12,049,814	90,089,884	87,105,360	424,100,000	396,602,156
PIT TAA - Oil & Gas Withholding	10,000,566	29,392,242	32,443,100	82,600,000	109,642,518
Fiduciary Tax	485,674	881,134	1,131,325	8,000,000	7,951,489
Less PIT Refunds, RHCA, Legis Retirement	7,259,389	45,501,231	43,666,172	372,700,000	375,505,399
Net Personal Income Tax	96,270,868	541,042,778	507,069,601	1,315,000,000	1,254,939,612
Net Corporate Income Tax	37,983,440	90,559,173	65,012,276	230,000,000	196,761,877
MINERAL PRODUCTION TAXES					
Oil & Gas School Tax	35,135,743	194,898,017	199,508,854	370,000,000	500,658,559
7% Oil Conservation Tax	1,886,385	10,605,742	11,027,234	20,000,000	27,244,167
Resources excise tax	938,502	5,643,269	5,440,073	12,700,000	13,012,973
Natural Gas Processors Tax	1,571,587	7,936,517	6,773,092	19,000,000	16,197,464
TOTAL Mineral Production Taxes	39,532,218	219,083,545	222,749,253	421,700,000	557,113,164
TOTAL TAXES	408,341,288	1,992,028,480	1,826,258,092	4,648,750,000	4,523,108,215
LICENSE FEES					
Financial institution receipts	181,839	364,993	273,352	3,200,000	3,194,862
Manufactured housing receipts	26,351	155,191	156,279	400,000	357,413
Construction industries receipts	265,020	1,608,589	1,699,413	4,700,000	3,901,608
Securities receipts	1,063,410	6,267,175	5,970,495	20,800,000	20,201,275
Gaming License and Permit Fees	-	-	-	400,000	373,404
Public Utilities	181	1,432	905	11,900,000	11,758,515
Corporate Filing	211,729	1,382,865	1,636,245	3,300,000	4,262,269
Alcohol and Gaming	53,959	356,837	312,192	3,800,000	3,770,030
Corporate Special	-	-	2,270	2,900,000	3,671,622
Pipeline fees	4,866	98,476	1,311	100,000	64,736
Mtr. Veh. Misc.	8,420	43,810	47,492	100,000	111,297
TOTAL LICENSE FEES	1,815,775	10,279,368	10,099,955	51,600,000	51,667,032

FY15 General Fund Report - November 2014 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
INTEREST EARNINGS					
Permanent Fund Income	41,879,383	209,225,029	187,012,368	496,200,000	449,382,121
Earnings on State Balances	3,835,985	8,905,159	13,823,826	15,000,000	18,996,698
Sev Tax Income Fund	15,226,915	76,134,575	71,030,270	182,700,000	170,472,647
TOTAL Interest Earnings	60,942,284	294,264,763	271,866,463	693,900,000	638,851,466
RENTS AND ROYALTIES					
Federal Mineral Leasing	47,118,514	313,319,812	236,505,316	510,000,000	569,860,173
Land Office Income	1,032,972	16,079,639	19,376,618	40,900,000	47,480,532
TOTAL Rents/Royalties	48,151,486	329,399,451	255,881,934	550,900,000	617,340,706
TRIBAL GAMING REVENUE SHARING	146,229	17,225,511	17,190,436	70,000,000	67,582,257
MISCELLANEOUS RECEIPTS					
MVD Penalty Assessment	384,995	2,507,735	2,413,106	6,000,000	5,981,903
Fines & Forfeitures	444,122	2,172,023	2,094,681	5,100,000	5,547,376
Birth/Death Certificates	93,791	175,113	264,047	1,100,000	1,009,912
District Judges' Rec Court Costs	59,708	326,483	372,238	950,000	935,769
Notary Public fees	36,241	277,943	230,569	600,000	627,563
Media Lease Payments	-	-	-	25,000	18,252
Legislative Receipts	3,800	3,800	2,233	24,000	17,921
Supreme Court Fees	51	226	226	1,000	802
Unclaimed Property	-	-	-	18,500,000	21,516,170
Small County Assistance Reversion	-	-	-	3,500,000	3,747,429
Law Enforcement Protection	-	-	-	7,000,000	3,936,258
Workers Compensation filing fees	164,624	164,624	-	-	-
Environment Dept. filing fees	1,793	31,341	10,090	3,350,000	1,322,463
Public Defender(Non-indigent reimb.)	-	-	59,825	400,000	353,578
TOTAL MISCELLANEOUS FEES	1,189,126	5,659,288	5,447,015	46,550,000	45,015,395
TOTAL - OTHER REVENUE SOURCES	110,429,125	646,549,013	550,385,848	1,361,350,000	1,368,789,824
TOTAL RECURRING REVENUES	520,586,188	2,648,856,861	2,386,743,895	6,061,700,000	5,943,565,070

FY15 General Fund Report - November 2014 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	2,275	68,481	38,409	-	98,025
Misc. Revenues-TRD >60day Non Beneficiary	163,616	462,812	721,463	-	325,263
Miscellaneous Revenues (State Aircraft)	476	476	-	-	20,000
Reversions (2)	49,498	635,768	1,537,032	53,000,000	96,538,307
TOTAL NON-RECURRING REVENUES	215,865	1,167,536	2,296,904	53,000,000	96,981,595
GRAND TOTAL REVENUES (3)	520,802,053	2,650,024,397	2,389,040,799	6,114,700,000	6,040,546,665

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

(1) All figures on modified accrual basis accounting.

(2) Reversions are included as recurring revenue in the consensus revenue forecast.

(3) Total excludes reversions to Operating Reserve and Appropriation Contingency Fund, Tobacco Settlement Investment Income, and Tobacco Settlement revenues.