



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

Michelle Lujan Grisham
GOVERNOR

Olivia Padilla-Jackson
Cabinet Secretary

FY2020

General Fund Monthly Report

November 2019 Accruals

Publication Date: March 25, 2020

Prepared by Leonardo Delgado, Chief Economist and Noel Martinez, Senior Economist

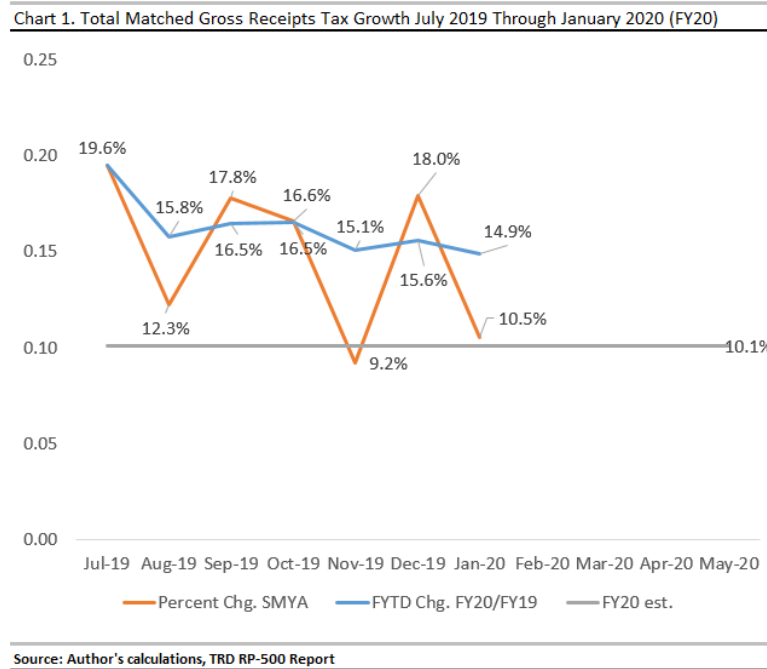
This report summarizes general fund revenues accrued through November 2019 during the fiscal year 2020. The report also includes more recent data on oil and gas prices and volumes, New Mexico employment, and taxable gross receipts.

This report does not account for the changes oil prices in 2020 as a result of the Covid-19 outbreak and the Saudi Arabia-Russia price war. As this data are not available yet. DFA economists continue to monitor the energy markets, labor markets, economic conditions, COVID-19 updates, and state and national policy responses evolving daily, in order to incorporate more recent data which better reflects the current economic outlook.

Highlights:

- The state of New Mexico collected \$3.25 billion in total general fund recurring revenues from July 2019 through November 2019. This is a decline of \$291 million or a 2.9 percent decline in fiscal year-to-date revenues through November 2019 (FYTD) compared to the same time period last year.
- Total general fund collections for the month of November 2019 were \$649.1 million, a decline of 36.4 percent when compared to the collections in November 2018 (\$1,021 million).
- The Department of Finance's revenue tracking model which incorporates actual FYTD revenues and monthly estimates based on historical patterns estimates a 0.5 percent difference from the 2019 December revenue forecast. This indicates FY20 revenues through November 2019 are right on track with the December 2019 forecast. The tracking model's summary table is on page 8.

- Fiscal year-to-date total matched taxable gross receipts increased 14.9 percent through November 2019 when compared to the same time period in FY19. The greatest contributors to this performance have been the following sectors: construction, retail trade, and mining and oil and gas extraction. See Chart 1 and Table 2 for details.



- January 2020 non-farm employment increased by 1.7 percent compared to January 2019. The sectors with the strongest year-over-year job growth rate were construction (7.1), wholesale trade (6.6), and manufacturing (5.4). The information and retail trade sectors saw a year-over-year employment declines of 1 percent each.
- The New Mexico unemployment rate increased slightly from 4.7 percent to 4.8 percent from December 2019 to January 2020. While the national unemployment rate decreased slightly from 3.6 percent to 3.5 percent from January 2020 to February 2020.

	November 2018	November 2019	% Change Nov '18 to Nov '19	FY19 Through November	FY20 Through November	\$ Difference from FY to FY to Date	FYTD % Change	Dec '19 Forecast Full Year Growth
Gross Receipts Tax	\$222.3	\$233.8	5.2%	\$1,105.7	\$1,192.9	\$87.2	7.9%	10.1%
Compensating Tax	\$6.3	\$5.6	-10.9%	\$29.4	\$32.2	\$2.7	9.3%	6.0%
Selective Sales Tax*	\$29.6	\$30.7	3.8%	\$208.1	\$212.6	\$4.5	2.2%	3.0%
Personal Income Tax	\$101.3	\$166.8	64.6%	\$618.3	\$697.5	\$79.1	12.8%	-2.9%
Corporate Income Tax	\$1.4	(\$11.5)	-896.6%	\$64.8	(\$37.4)	(\$102.2)	-157.7%	-54.7%
Severance Taxes**	\$51.7	\$65.1	26.0%	\$267.6	\$288.1	\$20.5	7.7%	2.5%
Interest Earnings	\$78.0	\$75.8	-2.8%	\$373.6	\$401.5	\$27.9	7.5%	3.5%
Mineral Rents /Royalties***	\$515.9	\$60.8	-88.2%	\$826.4	\$415.2	(\$411.2)	-49.8%	-30.9%
Other Revenues	\$14.4	\$21.9	52.0%	\$49.6	\$50.0	\$0.4	0.7%	n/a
Total Recurring Revenues	\$1,021.0	\$649.1	-36.4%	\$3,543.6	\$3,252.6	(\$291.0)	-8.2%	-2.9%
Total Recurring Revenue (Excluding Oil & Gas)	\$453.4	\$523.2	15.4%	\$2,449.6	\$2,549.3	\$99.7	4.1%	2.4%

* Includes estimates for Insurance
 ** Includes estimates for Oil & Gas Emergency School Tax
 ***Mineral Rents and Royalties in FY19 includes an unprecedented federal land lease payment of \$497 million

Table 1 above presents a summary of November 2019 and FY20 year-to-date revenue collections for the major categories of general fund appropriation account revenues. Preliminary general fund recurring revenues through November are approximately \$3.25 billion, a decrease of \$291 million or a decline of 8.2 percent from the same time period in FY19. However, when accounting for FY19 unprecedented federal land lease payment of \$497 million, revenues have increased by \$205 million or 6.8 percent through November 2019.

It should be noted, as part of the December 2019 full-year forecast, the CREG's consensus on the average price of oil for New Mexico in FY20 is estimated at \$52.00/barrel and \$2.10/mcf for natural gas. This estimate was derived using the best available information at the time and before the Covid-19 outbreak and current 2020 economic outlook.

Gross Receipts Tax

Year-to-date matched taxable gross receipts through January increased by 14.9 percent year-to-date. 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.

The construction sector accounted for \$5.35 billion in revenue collected and FYTD growth of 21.5 percent compared to the prior fiscal year. The retail trade sector collected \$8.7 billion and FYTD growth compared to the previous fiscal year was 9 percent. Lastly, the mining and oil and gas extraction sector collected \$4.2 billion or 8.4 percent during the same time period. Gross receipts tax revenue which is derived from total matched taxable gross receipts (See Table 2).

Total FYTD gross receipts through November 2019 were \$1,192.9 million, an 7.9 percent increase from the prior year. This is slightly below the FY20 revenue CREG forecast of 10.1 percent. In November 2019 gross receipts tax revenue was \$233.8 million, this represents a 5.2 percent increase from the same month one-year-ago.

Sector	FYTD	FYTD	Percent of Total Growth
	(\$millions)	Percent Change	
Agriculture, Forestry, Fishing and Hunting	\$ 81.74	5.5%	0.08%
Mining and Oil and Gas Extraction	\$ 4,225.09	8.4%	5.84%
Utilities	\$ 1,819.42	19.4%	5.27%
Construction	\$ 5,350.83	21.5%	16.87%
Manufacturing	\$ 1,226.55	9.2%	1.84%
Wholesale Trade	\$ 2,106.83	8.8%	3.04%
Retail Trade	\$ 8,690.75	9.0%	12.78%
Transportation and Warehousing	\$ 586.65	-4.3%	-0.47%
Information and Cultural Industries	\$ 1,732.52	16.5%	4.38%
Finance and Insurance	\$ 233.24	4.0%	0.16%
Real Estate and Rental and Leasing	\$ 1,186.06	19.2%	3.40%
Professional, Scientific and Technical Services	\$ 3,906.39	-2.6%	-1.89%
Management of Companies and Enterprises	\$ 24.72	34.2%	0.11%
Admin and Support, Waste Mgt and Remed	\$ 1,777.54	65.8%	12.59%
Educational Services	\$ 204.58	74.6%	1.56%
Health Care and Social Assistance	\$ 2,060.30	9.5%	3.20%
Arts, Entertainment and Recreation	\$ 222.44	17.3%	0.59%
Accommodation and Food Services	\$ 2,828.74	5.1%	2.45%
Other Services (except Public Admin)	\$ 3,960.78	40.3%	20.30%
Public Administration	\$ 505.69	221.6%	6.22%
Unclassified Establishments	\$ 504.88	22.8%	1.67%
All Industries	\$ 43,235.74	14.9%	100%
Excluding O&G	\$ 39,010.65	15.6%	n/a

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

Selective Sales Tax

Selective sales tax growth experienced a fiscal year-to-date increase of 2.2 percent when compared to the same time period one year ago. The full-year forecast projects a full fiscal year growth of 3.0 percent.

Severance Taxes/ Mineral Rents/Royalties

Severance tax revenue collected through November were \$288 million, an increase of 7.7 percent when compared to the prior year. Mineral rents and royalties' revenue through November was \$401 million, an a decline of 49.8 percent when compared to the FYTD revenue from the prior year. However, when accounting for FY19 unprecedented federal land lease payment of \$497 million, mineral rents and royalties have increased by \$28 million or 26 percent through November 2019.

Severance tax revenues for the entire year are forecasted to grow by 2.5 percent. The full-year forecast for mineral rents and royalties is expected to decline by 30.9%. This is due to the unprecedented federal mineral payment in FY19.

This positive growth in these two sectors is directly related to the increased oil production in the Permian Basin last year. Increased production volumes have continued even as oil prices have decreased in the observed time period. New Mexico has experienced record high rig counts in the calendar year 2019.

This report does not account for the 2020 oil price collapse as a result of the Covid-19 outbreak and the Saudi Arabia-Russia price war. As this data are not available yet.

Personal Income Tax

Personal income tax revenues year-to-date through November were \$697.5 million or an increase of 12.8 percent from the prior year. Personal income tax revenues in November 2019 were \$166.8 million, higher than the same month in the prior year \$101.3 million. The full-year forecast for personal income tax growth calls for a decline of 2.9 percent.

Corporate Income Tax

Corporate income tax (CIT) revenues year-to-date have experienced a decline of 158 percent. 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 growth estimates a decline of 54.7 percent for the full fiscal year.

Interest Earnings

Interest earnings year-to-date growth increased by 7.5 percent when compared to the same time period in FY19. The December 2019 forecast for interest earnings estimated 3.5 percent growth for the full fiscal year.

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.

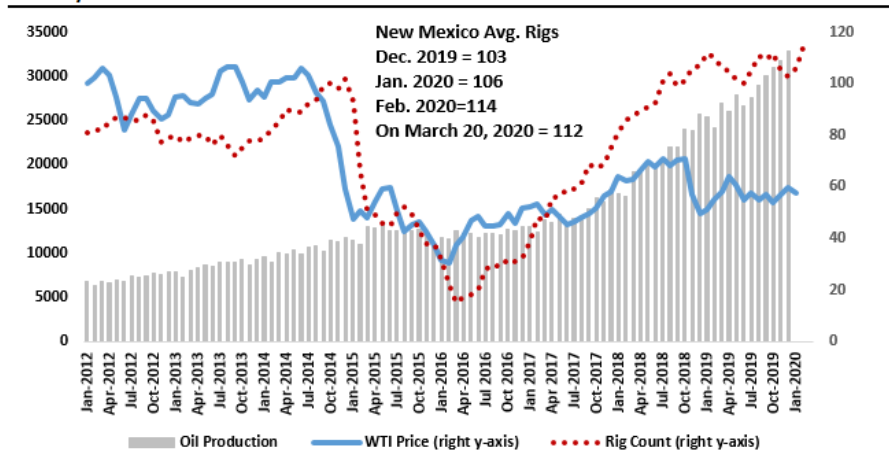
New Mexico Oil and Natural Gas Prices and Production

New Mexico oil prices for November 2019 averaged \$55.44 per barrel (bbl.), which compares to \$48.53 per bbl. for November 2018. In November 2019 the benchmark WTI price of oil averaged \$57.03 per bbl. According to the Energy Information Administration (EIA), the New Mexico field production of crude oil increased by 34 percent from November 2018 to November 2019.

In the first couple of months of 2020 rig counts climbed to a record high 117 on March 13, 2020 as reported by Baker Hughes. However, due to the loss of demand from the effects of the Covid-19 outbreak and the increased supply caused by the Saudi Arabia and Russia price war, oil prices have collapsed to the low to mid \$20 per barrel in mid-March. New Mexico rig counts on March 20th declined to 112. This represents a loss of five rigs in one week.

Chart 2 details the trends and the relationship between New Mexico oil production and rig counts, and the WTI price. Post-mid-2018 producers have maintained increasing production levels with relatively lower prices. Rig counts and production have increased illustrating the conducive relationship between New Mexico's geology and more modern extractive techniques.

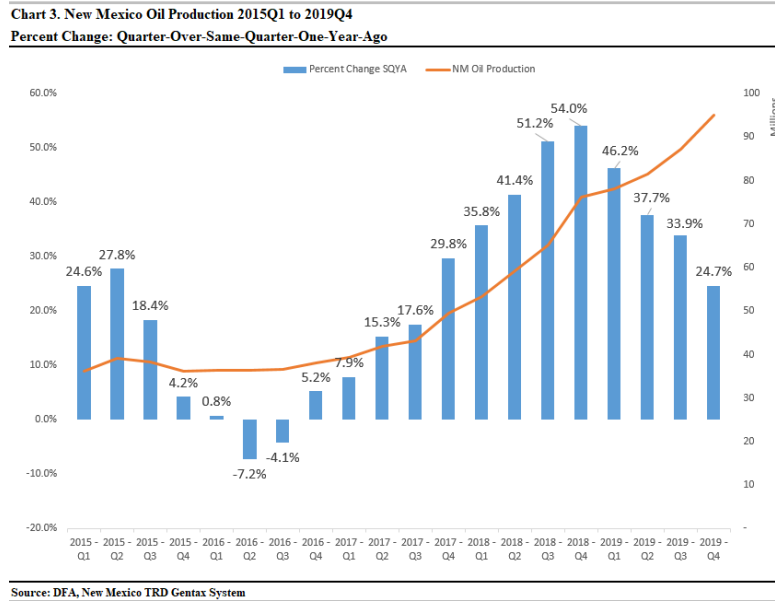
Chart 2. NM Oil Production (1000 barrels), WTI Price (\$ per barrel), & NM Rig Count (number) January 2012 to December 2019



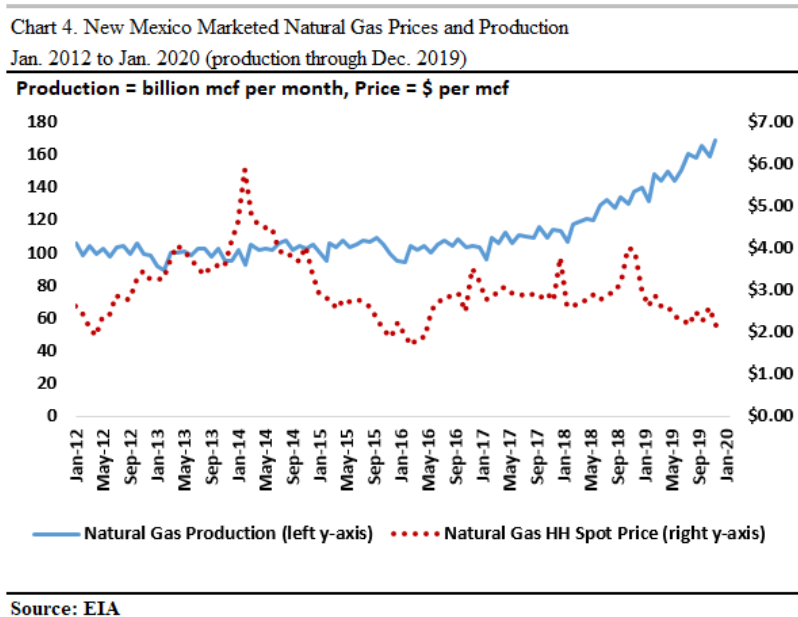
Source: Baker Hughes, EIA (Production through Dec. 2019, Price through Jan. 2020, Rigs through Mar. 20, 2020)

Chart 3 illustrates New Mexico's oil production from 2015Q1 through 2019Q3 using data from the Taxation and Revenue Department's GenTax system. The trendline shows the increase in oil production from 2016Q4 through 2018Q4. From 2018Q4 through 2019Q3 the chart also illustrates the change in the rate of growth in oil production. In the more recently available data,

oil production continues to grow but at a slower pace.



Natural gas production has increased as the energy industry continues to increase its oil production. Natural gas prices have remained low through 2019 and into 2020. New Mexico continues to experience an oversupply of natural gas production. Chart 4 illustrates the downward trend of natural gas prices.



Update on New Mexico Employment Trends

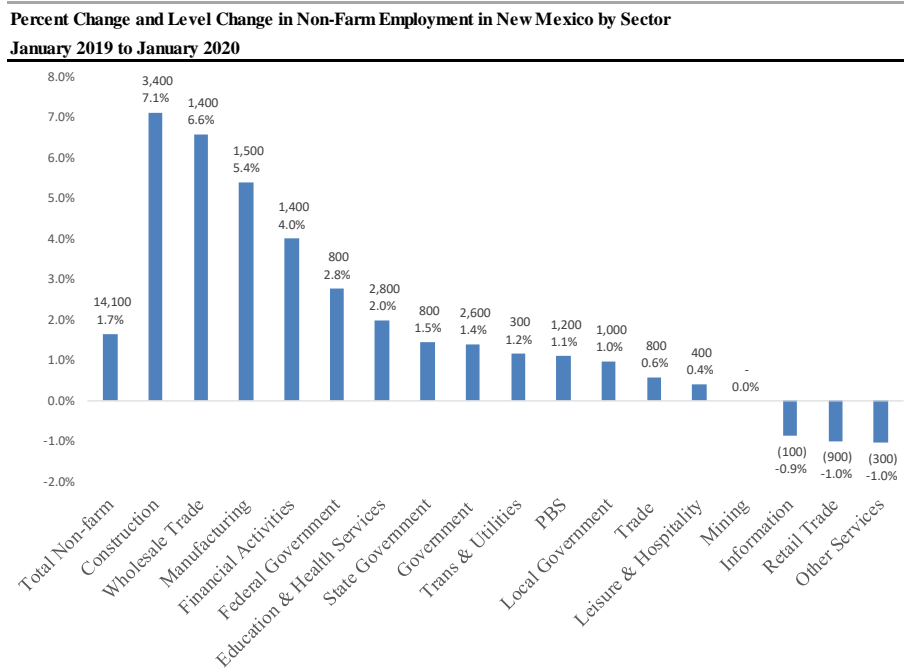
The Bureau of Labor Statistics Current Employment Statistics (CES) produces employment estimates by industry sectors for all states in the country. The CES estimates are subject to revision, however, they can be viewed as a leading indicator for labor market trends.

In January 2020, New Mexico’s employment grew by 1.7 percent, or 14,100 jobs, from the prior year (January 2019) when adjusted for seasonal variation.

Employment grew across several sectors in January. Economic growth in the state was led by the construction sector, which experienced a 7.1 percent year-over-year growth in employment. This was followed by the wholesale trade sector in which employment grew by 6.6 percent compared to the same month one year ago. The manufacturing sector performed well, with employment growth of 5.4 percent during the same time period. The mining sector did not experience employment growth in January 2020 when compared to the same month a year ago. The state’s mining sector had the same level of employment in January 2020 compared to a year ago.

The following sectors experienced slight to moderate declines in employment growth from January 2019 to January 2020: information (-0.9 percent), retail trade (-1.0 percent) and other services (-1.0 percent).

The state’s unemployment rate was 4.8 percent in January 2019, or 0.3 percent lower when compared to the 5.1 percent rate in January 2019. The national unemployment rate decreased to 3.5 percent in February 2020 compared to 3.8 percent in February 2019.



Source: bls.gov, CES seasonally adjusted

The DFA general fund tracking model is based on actual fiscal-year-to-date revenues plus estimated monthly revenues for the rest of the fiscal year. The estimated figures are based on monthly percentage shares, historical patterns, and assumptions made by the author.

Table 3 illustrates that FY20 actual revenues through November 2019 plus estimated revenues based on historical patterns and shares are 0.5 percent or \$40 million ahead of the December 2019 CREG forecast. For estimated details on the general fund tracking model see the table below. This report does not account for the 2020 oil price changes as a result of the Covid-19 outbreak and the Saudi Arabia-Russia price war. As this data are not available yet.

Department of Finance & Administration				
Fiscal Year 2020 General Fund Revenue Tracking Summary Report				
(millions \$)	FY20 Actual + Estimate	FY20 Forecast	% Difference to Forecast	Forecast Year-to- Date Variance
Gross Receipts Tax	2,939.6	2,928.8	0.4%	10.8
Compensating Tax	82.7	82.9	-0.3%	-0.2
Insurance Premiums Tax	191.4	206.1	-7.1%	-14.7
Motor Vehicle Excise Tax	149.7	150.0	-0.2%	-0.3
Other Selective Excise Taxes	204.3	203.5	0.4%	0.8
Personal Income Tax	1,667.7	1,623.3	2.7%	44.4
Corporate Income Tax	8.2	55.6	-85.3%	-47.4
O&G Emergency School Tax	424.5	382.4	11.0%	42.1
Other Mineral Taxes	52.5	52.9	-0.8%	-0.4
License Fees	47.4	52.8	-10.2%	-5.4
Land Grant Permanent Fund Distributions	671.8	671.8	0.0%	0.0
State Treasurer's Earnings	71.3	82.1	-13.2%	-10.8
Severance Tax Perm. Fund Distributions	225.3	225.3	0.0%	0.0
Federal Mineral Leasing	819.4	810.4	1.1%	9.1
State Land Office (Bonuses, Rents)	72.2	74.0	-2.5%	-1.8
Tribal Revenue Sharing	80.1	80.1	0.0%	0.0
Miscellaneous Revenues	67.8	49.9	35.8%	17.9
Reversions	46.4	45.5	1.9%	0.9
Recurring Total	7,822.1	7,776.2	0.6%	45.8
Nonrecurring	22.6	28.8	-21.5%	-6.2
Total	7,844.7	7,805.0	0.5%	39.6

Source: DFA, CREG, and historical monthly patterns

A copy of this report can be found at http://www.nmdfa.state.nm.us/New_Mexico_Economic_Summary.aspx