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August 5, 2011

MEMORANDUM

TO: Senator John Arthur Smith, Chairman, LFC
Representative Luciano "Lucky" Varela, Vice-Chairman, LFC

THROUGH: David Abbey, Director, LFC

FROM: Elisa Walker-Moran Chief Economist, LFC
Leila Burrows, Economist, LFC
Charles Kasscieh, Economist, LFC

SUBJECT: July 2011 General Fund Revenue Tracking Report Reflecting Revenue Accruals through May 2011

Table 1: General Fund Revenue Accruals:

- The Consensus Revenue Estimates for July 2011 were released and presented to the LFC on July 14, 2011. These revenue estimates were based on data available through April 2011.
- This tracking report is based on data available through May 2011. Fiscal year-to-date recurring revenues through May are \$4.73 billion, up 7.1 percent from the same period last year. This compares to the anticipated full-year growth of 9.9 percent from the July forecast.
- Personal Income Tax revenue through May has shown growth of 11.1 percent over the same period last year, just over the expected growth rate of 10.3 percent. Revenues in May were higher than anticipated.
- Oil and gas revenues have increased over FY10. Average oil prices were lower in FY10 than FY11 while gas prices remained fairly stable.
- The Corporate Income Tax shows year-to-date growth through May of 148.8 percent. The June revenues are expected to be lower due to the pending film credits.

Table 2: FY11 Revenue Tracking:

- Actual recurring revenue accruals through May¹ are tracking approximately \$41.9 million greater than the July forecast.
- The major contributor to the surplus is the Gross Receipts Tax, with revenues exceeding expectations by \$21.2 million.
- Gross Personal Income Tax is tracking \$13.4 million above the forecast while Net PIT is close to expectations.
- Oil and Gas Taxes contributed \$5.5 million to the surplus.
- Corporate Income Tax is close to expectations.
- Rents and Royalties are \$11.9 million above the forecast. The June report had higher than average state land office bonus payments from leasing activity in oil rich southeast counties. This activity is not expected to continue in FY12.

Figure 1: Taxable gross receipts trends:

- Taxable gross receipts collected in the months of April and May showed year-over-year growth rates of 6.4 and 15.6 percent, respectively.
- The three month moving average of taxable gross receipts has trended up in recent months. Year-over-year growth is approximately 6.8 percent.
- During FY11, the industries showing the highest percentage growth are Mining and Oil and Gas Extraction, Educational Services, Admin and Support, Waste Mgt and Remed., and Manufacturing.
- Industries that have continued to decline include Management of Companies and Enterprises, and Agriculture, Forestry, Fishing and Hunting, and Construction.

¹ Accrued revenue for May is available for almost all General Fund revenues but some figures are still preliminary. In addition to these accruals, this report reflects preliminary information on revenue sources for June. Figures in italics indicate preliminary actual revenues.

Table 1
General Fund Revenue Accruals: FY11 vs FY10
(dollar amounts in millions)

Revenue Category	Fiscal Year-to-Date Through May		Year-to-Date Growth	Projected Full-Year Growth: July 2011 Forecast
	FY10	FY11		
General Sales Taxes (GRT & Comp)	\$1,510.7	\$1,706.5	13.0%	10.7%
Personal Income Tax	\$823.6	\$915.2	11.1%	10.3%
Corporate Income Tax	\$70.3	\$175.0	148.8%	43.9%
Oil & Gas Revenues	\$728.3	\$798.0	9.6%	6.6%
Investment Income & Other*	\$1,285.0	\$1,138.8	-11.4%	7.4%
Total Recurring Revenue	\$4,417.9	\$4,733.6	7.1%	9.9%
Total Recurring Excluding Oil & Gas	\$3,689.6	\$3,935.6	6.7%	10.6%

*FY10 includes \$104 million in reversions accrued in December 2009

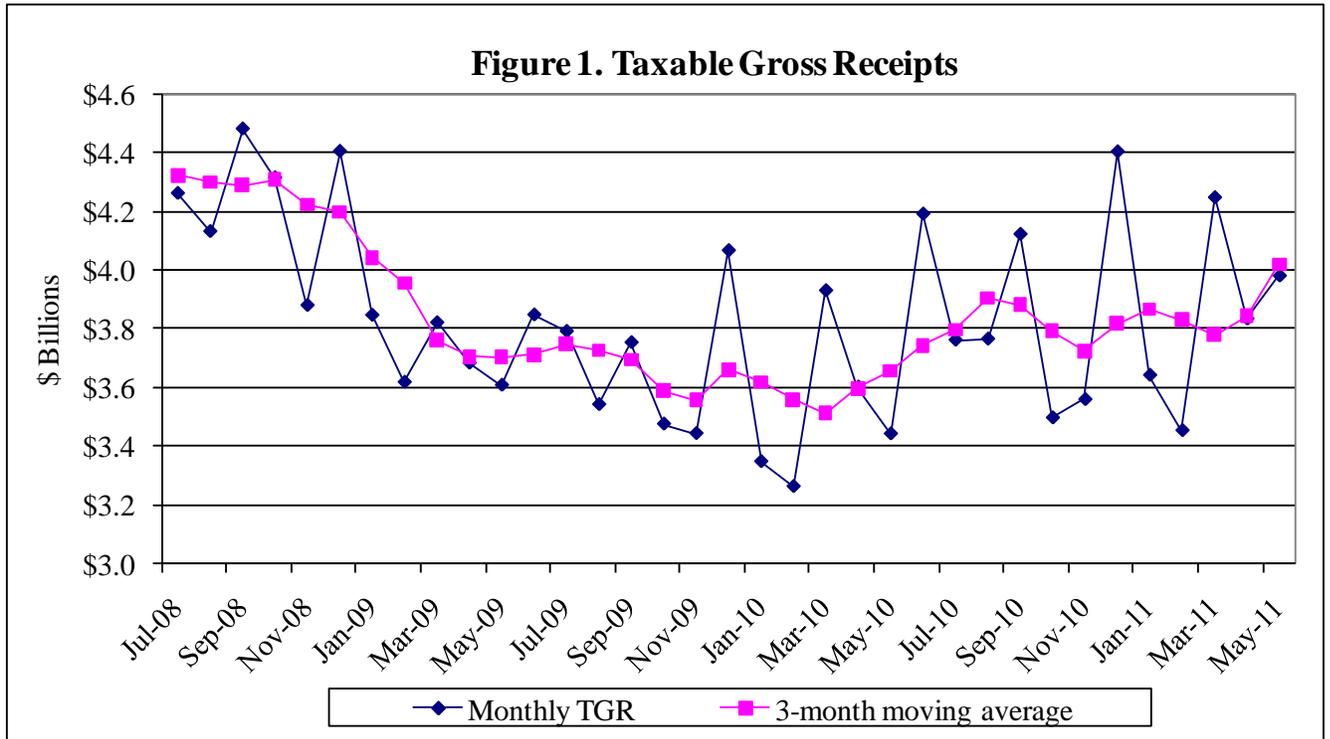


Table 2
FISCAL YEAR 2011 GENERAL FUND MONTHLY REVENUE TRACKING: Preliminary July through May Accruals
(dollars in millions; italics indicate preliminary actual revenue)

		PRELIM ACTUAL ACCRUALS											FORECAST REVENUE ACCRUALS											FY11	% Chng	TRACKING ERROR			FY10	Row
Row #		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June Est.	Actual + Forecast	FY10	July 11 Est	YTD % Error	YTD \$ Error	Prelim	Row #										
1	Gross Receipts Tax	137.9	149.9	148.6	141.0	134.6	171.9	143.5	136.0	169.8	152.8	158.7	173.5	1,818.2	11.2%	1,797.0	1.2%	21.2	1,634.4	1										
2	Compensating Tax	4.0	7.3	5.7	6.8	4.9	7.1	5.4	4.5	6.2	5.2	4.8	6.4	68.2	34.0%	68.0	0.3%	0.2	50.9	2										
3	TOTAL GENERAL SALES TAXES	141.9	157.2	154.2	147.9	139.5	179.0	148.9	140.5	176.0	158.0	163.5	179.9	1,886.4	11.9%	1,865.0	1.1%	21.4	1,685.3	3										
4	Tobacco Products & Cigarette Taxes	9.2	7.3	7.6	6.0	7.4	5.9	7.7	6.4	7.7	7.7	5.7	8.3	86.9	90.0%	87.0	-0.1%	(0.1)	45.7	4										
5	Liquor Excise Tax	2.0	2.2	2.2	2.2	2.1	2.7	1.5	1.8	2.2	2.1	1.7	2.4	25.0	-2.3%	24.8	0.8%	0.2	25.6	5										
6	Insurance Premiums Tax	0.6	32.5	12.7	4.9	30.8	0.6	1.6	21.9	0.6	1.2	25.5	4.4	137.3	5.3%	137.3	0.0%	-	130.3	6										
7	Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	18.3	18.3	266.3%	18.3	0.0%	-	5.0	7										
8	Motor Vehicle Excise Tax	8.4	8.7	8.7	8.5	7.2	7.9	7.6	7.8	10.3	9.3	9.7	9.5	103.5	12.1%	103.0	0.5%	0.5	92.3	8										
9	Gaming Excise Tax	5.6	5.4	5.3	5.4	4.9	5.6	5.6	5.5	6.1	5.6	5.6	5.0	65.7	0.9%	66.5	-1.2%	(0.8)	65.1	9										
10	Leased Vehicle Surcharge	0.5	0.5	0.5	0.5	0.4	0.2	0.3	0.3	0.4	0.4	0.5	0.5	5.0	-11.0%	5.0	0.8%	0.0	5.7	10										
11	Other	0.1	0.0	(0.3)	0.1	0.4	0.4	0.2	0.3	0.7	0.4	0.7	0.7	3.6	15.3%	3.0	22.5%	0.7	3.2	11										
12	TOTAL SELECTIVE SALES TAXES	26.4	56.6	36.5	27.7	53.3	23.3	24.5	44.0	28.1	26.7	49.2	49.1	445.4	19.4%	444.9	0.1%	0.5	372.9	12										
13	Withholding	84.4	77.0	86.1	89.6	75.2	119.6	78.2	79.3	87.7	84.8	78.7	96.4	1,037.1	1.7%	1,035.4	0.2%	1.7	1,020.1	13										
14	Final Settlements & Estimated Payments	0.2	9.3	34.4	9.7	10.2	12.4	52.1	10.0	27.9	112.5	28.7	40.2	347.7	13.5%	343.6	1.2%	4.1	306.4	14										
15	Oil and Gas Withholding Tax	-	0.4	0.1	6.1	1.1	0.0	6.6	0.7	0.3	6.0	2.3	11.3	34.8	10.9%	33.0	5.4%	1.8	31.3	15										
16	Fiduciary Tax	(0.1)	0.2	(0.7)	0.2	(0.0)	2.8	0.1	0.1	2.3	0.9	1.0	0.2	6.9	-613.2%	1.0	585.8%	5.9	(1.3)	16										
17	GROSS PERSONAL INCOME TAX	84.5	86.9	119.9	105.6	86.5	134.8	136.9	90.1	118.2	204.2	110.7	148.1	1,426.4	5.2%	1,413.0	0.9%	13.4	1,356.5	17										
18	Transfer to PIT Suspense	8.3	7.8	9.2	9.1	6.0	90.8	86.7	61.8	41.1	16.6	7.3	0.9	345.7	-9.4%	340.0	1.7%	5.7	381.7	18										
19	Refunds/Adj/TAA Suspense	-	-	-	-	-	-	-	1.5	1.5	1.5	1.5	-	6.0	NA	-	NA	6.0	-	19										
20	Retiree Health Care	1.5	1.5	1.5	1.5	1.5	1.5	1.5	-	-	-	-	2.7	13.1	-17.6%	15.6	-15.8%	(2.5)	15.9	20										
21	Legislative Retirement	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	-	0.2	0.3	2.3	-4.2%	2.4	-4.2%	(0.1)	2.4	21										
22	Less: Refunds, distributions to other funds	10.0	9.5	10.8	10.8	7.7	92.5	88.4	63.5	42.8	18.1	8.9	3.9	367.1	-8.2%	358.0	2.5%	9.1	400.0	22										
23	NET PERSONAL INCOME TAX	74.5	77.4	109.0	94.8	78.8	42.4	48.5	26.6	75.4	186.0	101.8	144.1	1,059.3	10.8%	1,055.0	0.4%	4.3	956.5	23										
24	NET CORPORATE INCOME TAX	-	2.6	3.7	43.6	36.0	(8.2)	46.5	(15.2)	30.2	12.7	23.2	8.0	183.0	46.3%	180.0	1.7%	3.0	125.1	24										
25	Oil and Gas School Tax	27.8	29.5	26.7	30.0	26.6	33.0	29.5	26.7	36.8	38.4	30.3	26.0	361.2	11.3%	355.7	1.5%	5.5	324.5	25										
26	Oil Conservation Tax	1.4	1.5	1.4	1.5	1.4	1.7	1.6	1.4	1.9	2.0	1.4	1.4	18.5	13.1%	17.9	3.3%	0.6	16.4	26										
27	Resources Excise Tax	0.6	0.5	1.0	1.1	0.8	0.5	1.0	0.8	1.1	0.6	0.7	0.8	9.4	-0.2%	10.0	-6.5%	(0.6)	9.4	27										
28	Natural Gas Processors Tax	1.6	1.6	1.6	1.6	1.5	1.6	1.4	1.2	1.6	1.5	1.5	1.4	18.1	-55.3%	18.0	0.5%	0.1	40.4	28										
29	TOTAL MINERAL PROD. TAXES	31.4	33.0	30.7	34.2	30.3	36.7	33.5	30.1	41.4	42.5	33.9	29.6	407.1	4.2%	401.6	1.4%	5.5	390.7	29										
30	LICENSE FEES	2.5	2.2	2.2	1.7	2.0	7.0	2.5	3.5	9.4	12.3	2.2	3.4	50.9	1.1%	51.7	-1.5%	(0.8)	50.3	30										
31	Land Grant Perm. Fund Distributions	37.2	37.2	37.2	37.2	37.2	37.2	37.2	37.2	37.2	37.2	37.2	36.7	445.7	2.0%	445.2	0.1%	0.5	437.1	31										
32	State Treasurer's Earnings	0.0	0.0	0.0	1.9	1.6	5.3	0.0	0.2	1.4	1.1	1.5	2.0	15.1	-31.6%	14.7	2.9%	0.4	22.1	32										
33	Severance Tax Perm. Fund Distributions	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	184.6	-1.3%	184.6	0.0%	(0.0)	187.1	33										
34	TOTAL INVESTMENT EARNINGS	52.5	52.5	52.6	54.4	54.2	57.9	52.6	52.8	54.0	53.7	54.1	54.1	645.4	-0.1%	644.5	0.1%	0.9	646.3	34										
35	Federal Mineral Leasing Royalties	29.8	39.1	28.8	36.6	31.6	33.4	33.9	32.6	42.0	25.6	38.1	40.5	411.8	15.9%	411.7	0.0%	0.1	355.3	35										
36	State Land Office Bonuses, Rents	1.8	3.4	5.9	13.4	2.7	3.4	1.8	4.7	4.7	4.1	3.3	16.4	65.6	-3.1%	53.7	22.2%	11.9	67.7	36										
37	TOTAL RENTS & ROYALTIES	31.6	42.5	34.7	50.0	34.4	36.7	35.7	37.3	46.7	29.6	41.4	56.9	477.4	12.9%	465.4	2.6%	12.0	423.0	37										
38	TRIBAL REVENUE SHARING	0.1	0.1	16.4	0.1	0.0	15.8	0.3	0.1	16.5	0.1	0.2	15.9	65.4	2.0%	65.4	0.0%	-	64.1	38										
39	MISCELLANEOUS RECEIPTS	1.2	4.4	1.4	1.4	1.6	1.2	6.9	1.1	2.0	14.1	1.4	12.8	49.5	11.5%	51.4	-3.8%	(2.0)	44.4	39										
40	REVERSIONS	-	0.0	0.5	0.6	0.2	0.7	4.1	5.2	3.3	1.0	1.9	29.5	47.0	17.5%	50.0	-6.0%	(3.0)	40.0	40										
41	TOTAL RECURRING REVENUE	362.0	428.5	442.0	456.3	430.3	392.3	403.8	326.0	483.0	536.6	472.8	583.2	5,316.8	10.8%	5,274.9	0.8%	41.9	4,798.5	41										
42	Amnesty	-	-	-	-	-	-	-	-	-	-	-	2.1	2.1	NA	2.1	NA	-	-	42										
43	Non-Recurring	0.1	0.2	-	-	-	36.0	-	-	-	-	-	28.4	64.7	NA	64.7	NA	(0.0)	478.9	43										
44	TOTAL NON-RECURRING REVENUE	0.1	0.2	-	-	-	36.0	-	-	-	-	-	30.5	66.8	NA	66.8	NA	(0.0)	478.9	44										
45	GRAND TOTAL REVENUE	362.1	428.7	442.0	456.3	430.3	428.3	403.8	326.0	483.0	536.6	472.8	613.8	5,383.6	2.0%	5,341.7	0.8%	41.9	5,277.4	45										