State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

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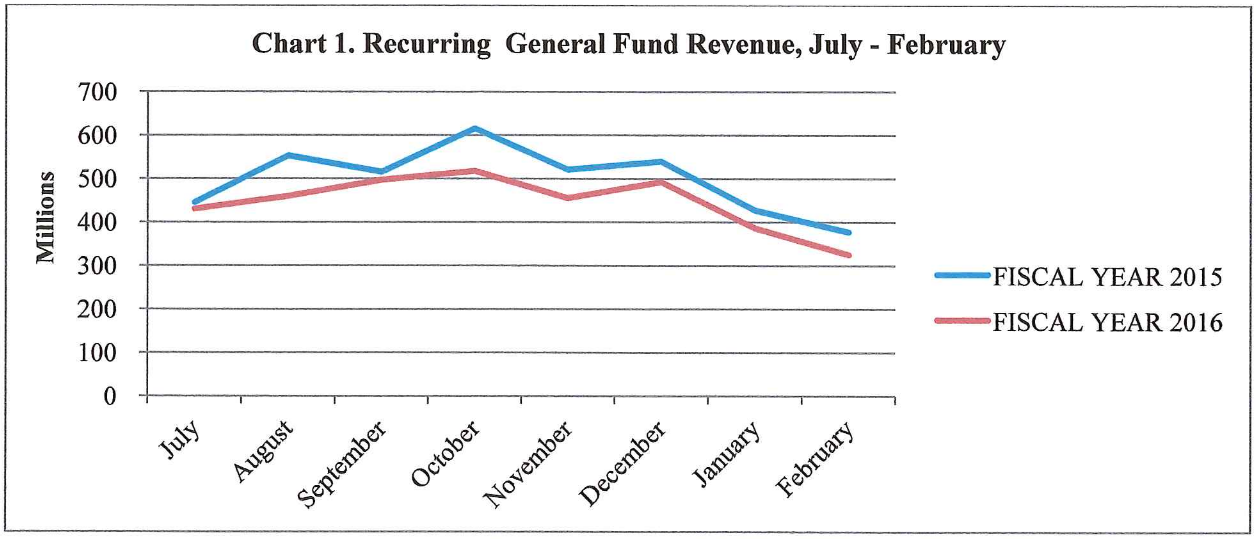
Director

April 21, 2016

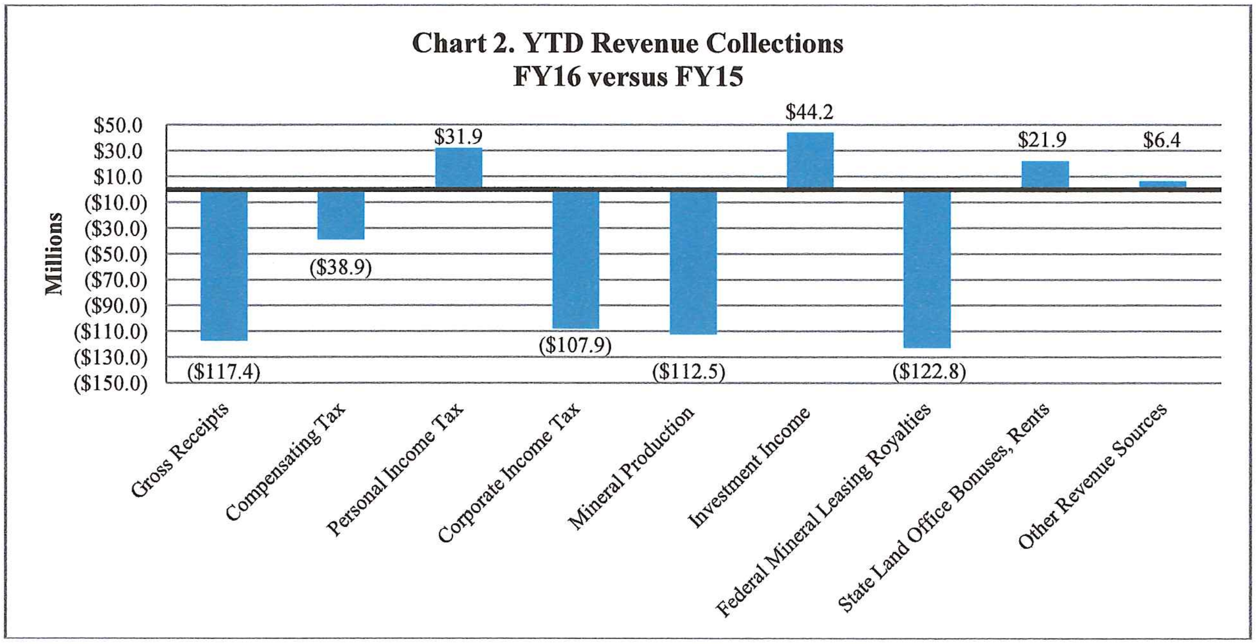
General Fund Revenue Tracking Report: Accruals through February 2016

This general fund revenue tracking report reflects revenue accruals through February 2016 as reported by the Department of Finance and Administration, and some preliminary revenues through March 2016.

Summary. Chart 1 compares total recurring revenue between FY16 and FY15 through February. Total recurring revenue collection in February was $382 million, and year-to-date revenues were down -9.8 percent from the same period a year ago.



Projections for revenue collections through the remainder of the year are based on historical monthly shares of revenue collections by revenue source. Revenues are tracking at $6 billion, at -0.8 percent or $48.6 million below the consensus revenue estimating group's (CREG) revised January forecast. Revenues appear to be tracking approximately with the February guidance for a 2 percent revenue reduction from the January estimate. However, weakness in corporate income taxes in February was offset by a large reversion of Medicaid appropriations from fiscal years 2013 and 2015.



February and Year-To-Date Revenues. Chart 2 and Table 1 compare the components of fiscal year-to-date (FYTD) revenue through February for FY16 versus FY15. Revenue collections are based on general fund accruals and GenTax general fund transfer data from Taxation and Revenue Department (TRD) and rents and royalties. Revenue is -9.8 percent below the same period in 2015, compared with estimated full-year growth of –2.8 percent.

- February gross receipts tax was $153.1 million, down 8.3 percent from February 2015. A substantial decline in manufacturing during the month hindered GRT revenue collections. Some strength in the healthcare and hospitality sectors has helped to offset a portion of the downturn.
- Compensating tax continues to reflect the pull-back in the oil and gas industry over the last year and lags nearly 54 percent behind the prior year's revenues received.
- February corporate income tax was -$28.6 million bringing year to date collections to $46.8 million. CIT is down -70 percent year to date due to deep weakness in manufacturing, wholesale trade and the petroleum industry. TRD has noted an unusually high number of refund transactions during February.
- Year-to-date personal income tax (PIT) revenues are 4.4 percent greater than FY15, consistent with the January forecast of 4.6 percent growth. TRD has stated the actual amount of PIT revenues is unknown at this time as refund payments and the level of transfers to PIT are varied. During a recent hearing TRD informed the LFC that refund delays are attributed in large part to increased audit efforts by the department.
- Preliminary federal mineral leasing revenues for February 2016 were $25.3 million, down more than half compared to the average for the prior eight months. Early reporting for March 2016 state FML revenues received are $15.7 million.
- Reversions for February were $21.9 million, the largest year to date. The increase is mostly due to an $18 million reversion from the Human Services Department for FY13 and FY15. A Centers for Medicare and Medicaid reconciliation from the end of FY15 identified allowable expenses to drawdown additional Federal funds which allowed HSD to revert part of a special appropriation that had been previously allocated for a budget shortfall.

Table 1. General Fund Revenue Accruals: FY16 vs. FY15						
Revenue Category	**February Revenue**	**Fiscal Year-to-Date Through February**		**Year-over-Year Amount Change**	**Year-over-Year Growth**	**Projected Full-Year Growth: January 2016 Forecast**
	FY16	**FY15**	**FY16**			
Gross Receipts	$ 153.1	$1,407.2	$1,289.8	($117.4)	-8.3%	-0.2%
Compensating Tax	$ 4.0	$72.5	$33.6	($38.9)	-53.6%	-24.3%
Selective Sales	$ 59.7	$326.3	$337.0	$10.7	3.3%	6.5%
Personal Income Tax	$ 49.6	$723.8	$755.8	$31.9	4.4%	4.6%
Corporate Income Tax	$ (28.6)	$154.7	$46.8	($107.9)	-69.8%	-12.4%
Mineral Production	$ 20.8	$305.2	$192.7	($112.5)	-36.9%	-31.1%
License Fees	$ 4.6	$25.0	$26.5	$1.5	6.1%	-2.5%
Investment Income	$ 64.3	$468.2	$512.3	$44.2	9.4%	8.4%
Federal Mineral Leasing Royalties	$ 25.3	$422.7	$299.9	($122.8)	-29.1%	-26.2%
State Land Office Bonuses, Rents	$ 5.5	$22.8	$44.7	$21.9	96.2%	18.4%
Tribal Revenue Sharing	$ 0.3	$33.2	$33.0	($0.2)	-0.7%	-4.3%
Miscellaneous Receipts	$ 0.9	$27.8	$25.0	($2.7)	-9.9%	0.6%
Reversions	$ 21.9	$2.4	$24.4	$22.0	922.2%	-2.9%
Subtotal Recurring Revenue	**$ 381.3**	**$3,991.7**	**$3,621.5**	**($370.3)**	**-9.3%**	**-2.8%**
Nonrecurring Revenue	$ 0.3	$25.2	$0.3	($24.8)	-98.7%	-86.3%
Total Revenue	**$ 381.7**	**$4,016.9**	**$3,621.8**	**($395.1)**	**-9.8%**	**-3.4%**

February reporting of insurance and severance tax are not available at time of reporting. YTD comparisons of these revenues for the month include actual plus the estimated tracking amounts.

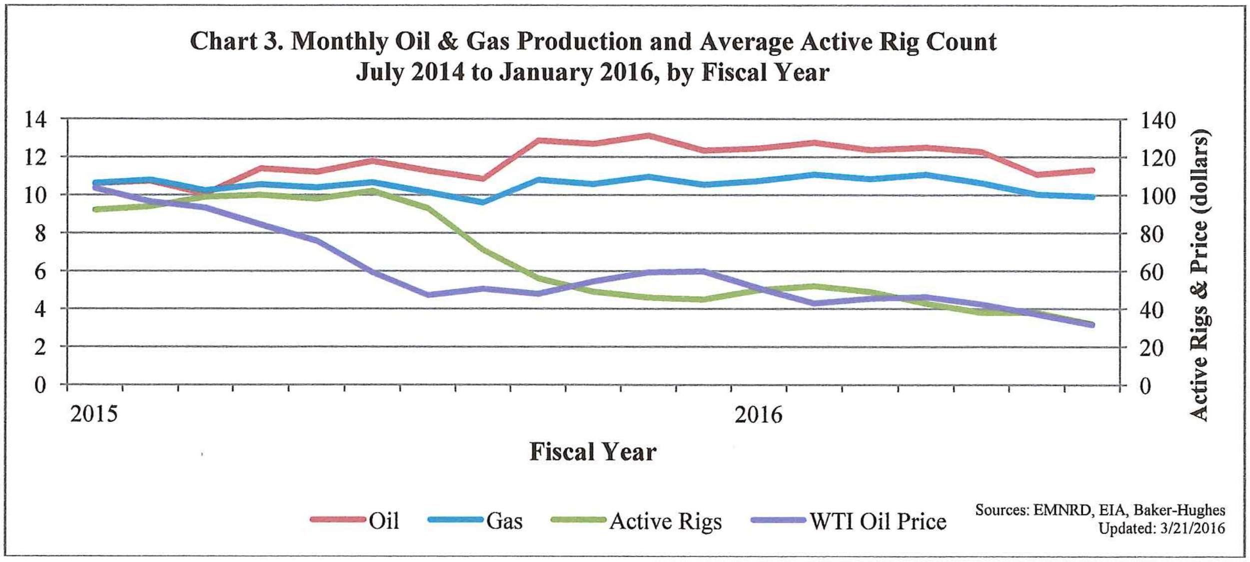
Revenue Tracking. The last pages provide the general fund revenue tracking report and chart for FY16. The report details the actual revenues received year-to-date and the estimated revenues for the remainder of the year.

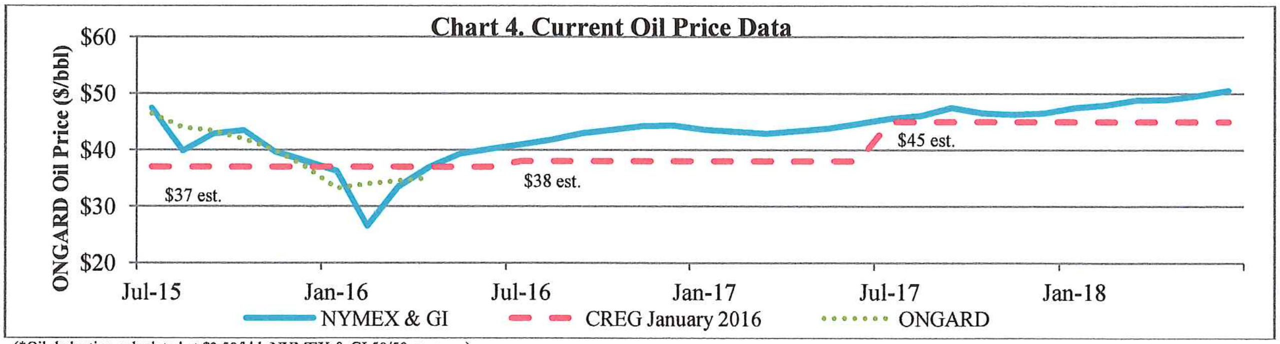
Taxable Gross Receipts. Table 2 compares fiscal-year-to-date growth of taxable gross receipts (TGR) by industry between FY15 and FY16 through February for both periods. Total TGR decreased by -5.5 percent compared with the same period in the prior fiscal year. The category of professional services continues to be a bright spot in TGR, up 20.4 percent year-to-date compared with FY15; however, the increase appears to be slowing with TGR for January and February up 5.7 percent and 4.1 percent respectively compared with the same months in the prior year. Other positive moves are in healthcare and agriculture of 6.2 percent and 4.4 percent. Sectors which were down significantly include manufacturing down -25.7 percent, wholesale trade down -15.8 percent, while mining and oil and gas extraction was down -43.8 percent. Total food deductions reached $555 million during February, more than twice the average for the prior seven months through January. Food hold harmless payments reached a record high of $17 million in February. However, this is likely a timing issue, as food deductions for November and January were near-record lows.

Table 2. Gross Receipts Tax -- Sectoral Performance			
July - February 2016 over same period of FY15			
	Matched Taxable Gross Receipts	**General Fund Portion Taxes Paid**	**General Fund Taxes Pd for Period (millions)**
Agriculture	4.4%	2.3%	$2.9
Mining	-43.8%	-42.3%	$80.9
Construction	2.2%	1.6%	$186.2
Manufacturing	-25.7%	-25.6%	$50.9
Wholesale	-15.8%	-16.6%	$63.7
Retail	-3.2%	-3.4%	$333.1
Healthcare	6.2%	6.1%	$67.4
Professional Services	20.4%	20.8%	$190.7
Unclassified	-65.5%	-53.5%	$10.5
All Others	-2.0%	-2.3%	$492.4
All Categories	-5.5%	-5.4%	$1,478.6

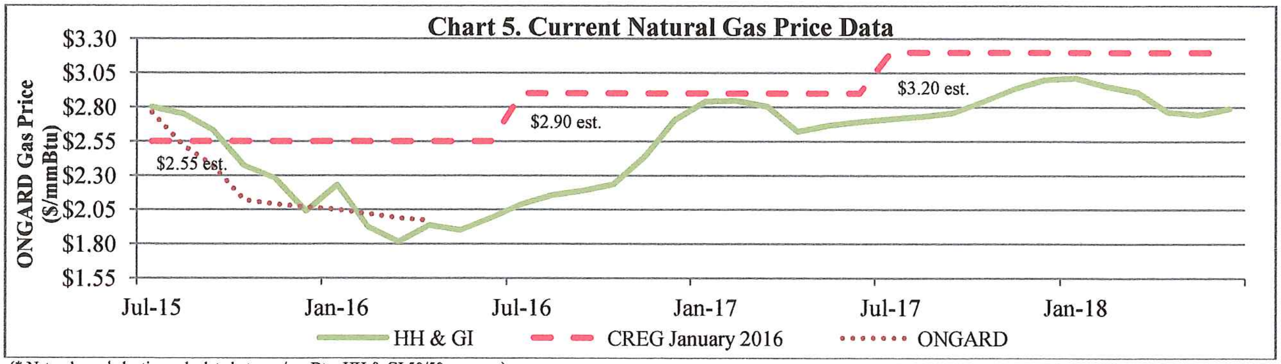
Note: these are RP-500 data and do not include CRS credits or administrative fees from the local governments.

Oil and Gas. Chart 3 below presents the oil and gas production data reported by EMNRD's Oil Conservation Division. Reporting by producers is due 45 days after the production month. But for a couple of weeks after the initial due date, revisions to the latest month may represent as much as ten percent of production. Accordingly the chart just shows data through January. It is evident that expected production declines from reduced drilling activity have halted productions gains but not yet triggered significant production delays. January was revised upward to reflect additional reporting by petroleum producers delayed by the winter storm in December and January.





(*Oil deduction calculated at $3.50/bbl. NYMEX & GI 50/50 average.)



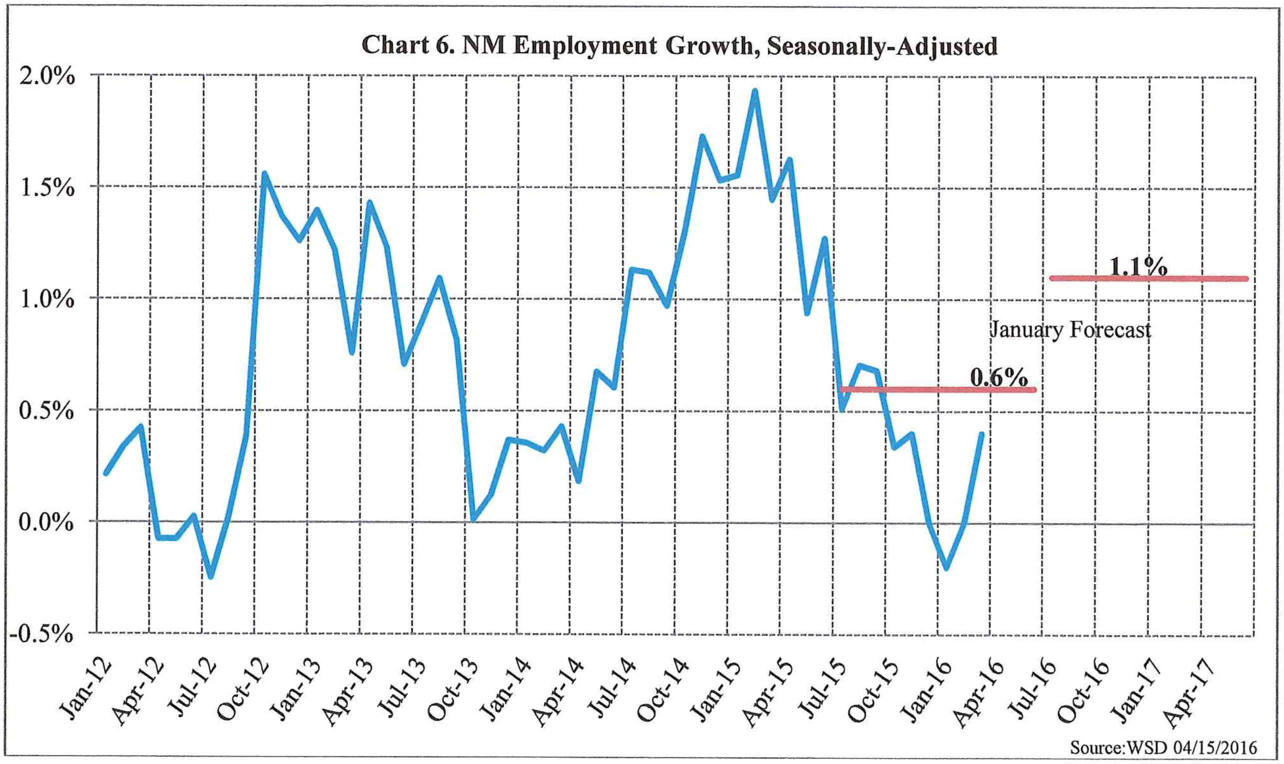
(* Natural gas deduction calculated at zero/mmBtu. HH & GI 50/50 average.)

Employment and Income Trends.

- New Mexico had essentially flat job growth in February, adding just 300 jobs year-over-year and rounding to 0 percent growth. However, it is a slight improvement from January's -0.2 percent decline in employment. The Albuquerque, Santa Fe, and Las Cruces metro areas continued a trend over most of the past year for about 1 percent combined job growth, and Farmington lost fewer jobs in February than in the previous four months. The remainder of the state lost more jobs than in every month in 2015, only shedding more jobs in January 2016.

- February continued the previous month's loss of 7,700 jobs in the mining industry, a decline of -27.4 percent from February 2015. The transportation, warehousing, and utilities sector lost 1,700 jobs, or -6.9 percent, and manufacturing lost 700 jobs, or -2.6 percent.

- Education and health services continued January's strong job growth, gaining 6,100 jobs, or 4.6 percent. The industry expanded more year-over-year in the past two months than at any time since 2002. The leisure and hospitality industry also helped offset job losses in other sectors, adding 3,200 jobs, or 3.6 percent.



Explanation of Revenue Tracking Method. Appendix 1 shows the latest consensus revenue estimates and monthly accruals in detail. These estimates were based on data available through December and finalized in January 2016. The monthly numbers shown in bold are actuals as reported by the Department of Finance and Administration. The entries in italics are extrapolated from Taxation and Revenue Department accounting documents. The entries in ordinary typeface are a monthly allocation of the annual estimate for the remaining months, based on seasonal historical patterns. They are prepared by LFC staff.

The four shaded columns are of particular importance. The column labeled "FY16 Actual + Estimate" is a sum of monthly DFA actuals, TRD accounting documents, and LFC estimates. The column entitled "FY16 Jan 16 Est" is the latest consensus revenue estimate. The next two columns calculate the tracking change in percentage and absolute terms, respectively.

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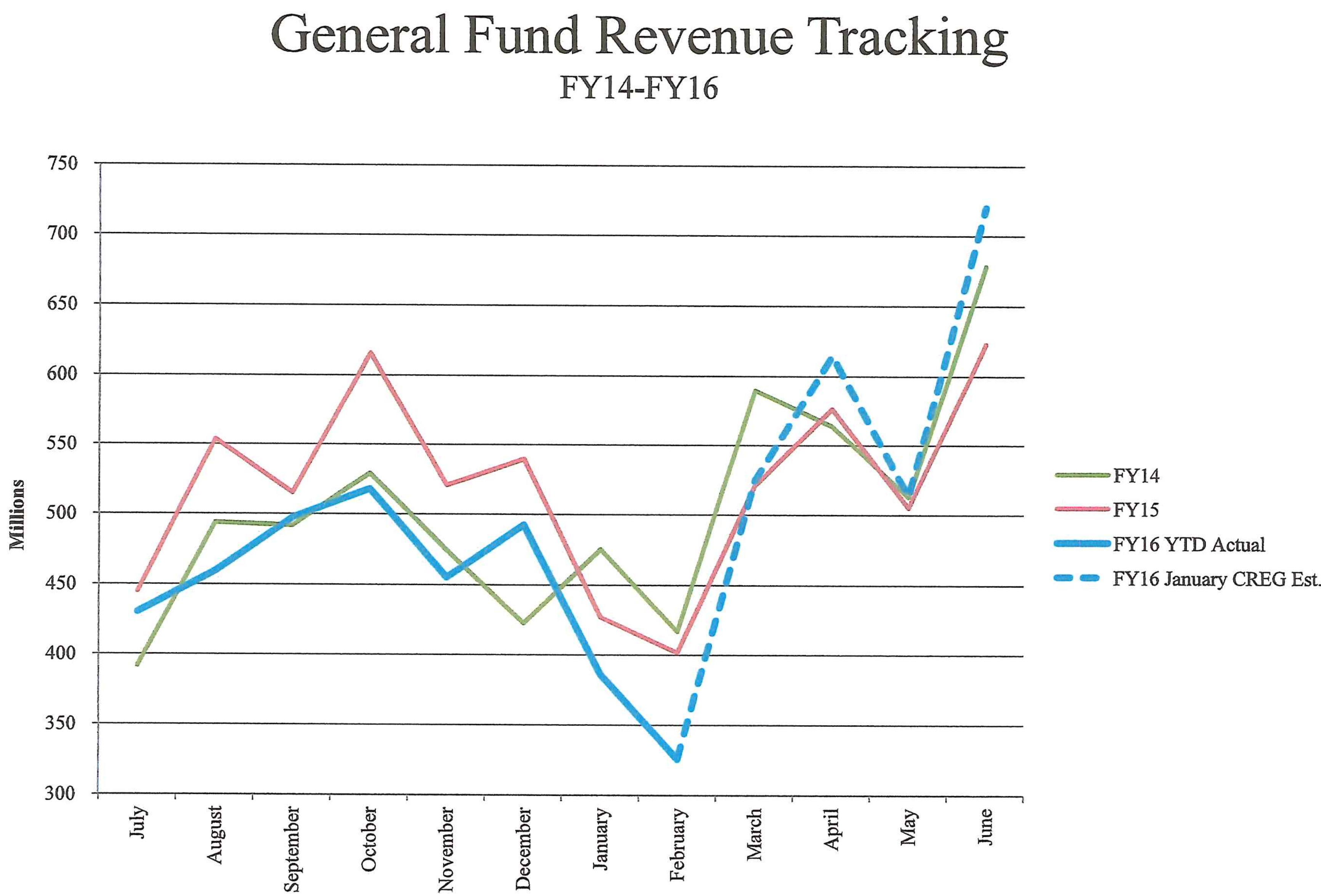
FISCAL YEAR 2016 GENERAL FUND MONTHLY REVENUE TRACKING

($ dollars in millions; '*italics*' indicates preliminary actual revenue; '**bold**' indicates actual revenue; 'regular' indicates estimated revenue)

February reporting of insurance and oil and gas school and conservation taxes are not available at time of reporting

	ESTIMATED REVENUE ACCRUALS												FY16	TRACKING CHANGE (Δ)		
	July Actual	Aug Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual	Mar Est.	Apr Est.	May Est.	June Est.	Actual + Estimate	FY 16 Jan 16 Est	YTD % Δ	YTD $ Δ
Gross Receipts Tax	167.2	167.0	143.3	141.9	171.4	202.3	143.5	153.1	174.5	187.8	176.3	211.0	2,039.4	2,090.0	-2.4%	(50.6)
Compensating Tax	2.5	3.3	5.0	3.6	2.3	5.7	7.2	4.0	5.1	4.8	6.5	6.7	56.7	54.4	4.2%	2.3
TOTAL GENERAL SALES TAXES	169.8	170.3	148.4	145.5	173.7	208.0	150.7	157.1	179.6	192.6	182.8	217.8	2,096.1	2,144.4	-2.3%	(48.3)
Tobacco Products & Cigarette Taxes	6.0	7.2	7.8	6.9	5.4	6.7	5.6	5.6	6.9	6.9	6.6	8.9	80.4	82.4	-2.5%	(2.0)
Liquor Excise Tax	0.5	0.5	0.7	0.6	0.6	0.7	0.4	0.5	0.5	0.5	0.5	0.7	6.7	6.7	0.6%	0.0
Insurance Premiums Tax	0.5	45.7	1.0	1.2	45.1	0.8	1.1	37.3	2.2	1.5	43.1	1.4	181.1	188.0	-3.7%	(6.9)
Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	13.7	13.7	13.7	0.0%	-
Motor Vehicle Excise Tax	16.3	13.5	12.7	11.7	12.7	11.1	11.3	10.8	13.1	12.8	13.0	12.4	151.6	151.0	0.4%	0.6
Gaming Excise Tax	5.7	5.3	5.0	5.5	4.6	4.8	5.4	5.4	6.9	6.2	6.5	5.9	67.2	70.1	-4.1%	(2.9)
Leased Vehicle Surcharge	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	5.3	5.2	2.5%	0.1
Other	0.0	0.4	0.4	(0.3)	(0.0)	0.4	0.6	(0.1)	0.3	0.3	0.3	0.4	2.7	3.2	-15.8%	(0.5)
TOTAL SELECTIVE SALES TAXES	29.7	73.6	28.6	26.0	68.8	25.3	25.3	59.7	30.3	28.6	70.5	43.8	508.7	520.3	-2.2%	(11.6)
Withholding	102.4	86.4	128.0	98.1	84.0	141.0	85.7	86.3	115.9	102.0	106.6	117.1	1,253.5	1,293.8	-3.1%	(40.3)
Final Settlements	0.0	13.4	45.3	23.6	12.0	33.1	41.2	13.2	36.4	149.2	27.4	67.9	462.6	466.1	-0.7%	(3.5)
Oil and Gas Withholding Tax	0.0	2.2	6.8	7.7	5.4	4.5	11.3	4.6	5.4	13.9	6.9	20.9	89.6	93.1	-3.7%	(3.5)
Fiduciary Tax	(0.1)	1.0	(0.7)	0.2	0.3	0.6	0.6	0.3	12.4	1.4	4.8	(1.1)	19.6	21.0	-6.7%	(1.4)
Gross Personal Income Tax	102.3	103.0	179.4	129.6	101.6	179.2	138.8	104.4	170.1	266.5	145.7	204.8	1,825.4	1,874.1	-2.6%	(48.7)
Refunds	6.6	8.6	9.2	11.7	4.7	70.7	99.2	52.4	52.9	22.4	13.6	9.0	361.0	443.8	-18.7%	(82.8)
Retiree Health Care	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.6	29.4	29.3	0.4%	0.1
Less: Refunds, distributions to other funds	9.0	11.0	11.6	14.2	7.1	73.2	101.6	54.8	55.3	24.9	16.0	11.7	390.4	473.1	-17.5%	(82.7)
NET PERSONAL INCOME TAX	93.3	92.0	167.8	115.4	94.5	106.1	37.2	49.6	114.8	241.6	129.7	193.1	1,435.0	1,401.0	2.4%	34.0
Gross Corporate Payments	0.0	(5.4)	3.6	43.4	(9.1)	(3.6)	46.4	(28.6)	40.4	17.5	18.9	56.7	180.3	223.0	-19.2%	(42.7)
Less: Refunds, Credits & Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	NA	-
NET CORPORATE INCOME TAX	0.0	(5.4)	3.6	43.4	(9.1)	(3.6)	46.4	(28.6)	40.4	17.5	18.9	56.7	180.3	223.0	-19.2%	(42.7)
TOTAL INCOME TAXES	93.3	86.6	171.4	158.8	85.4	102.4	83.6	21.0	155.3	259.1	148.6	249.9	1,615.3	1,624.0	-0.5%	(8.7)
Oil and Gas School Tax	24.6	22.9	23.2	23.8	19.5	16.9	15.2	17.7	20.6	19.8	18.7	19.0	242.0	248.5	-2.6%	(6.5)
Oil Conservation Tax	1.2	1.1	1.1	1.1	0.9	0.9	0.7	1.1	1.2	1.1	1.3	1.0	12.7	13.3	-4.6%	(0.6)
Resources Excise Tax	1.1	1.0	0.4	1.5	0.8	1.1	0.8	0.5	1.2	1.0	1.2	1.2	11.8	13.0	-9.2%	(1.2)
Natural Gas Processors Tax	1.6	1.7	1.8	1.8	1.7	1.5	1.6	1.6	1.6	1.6	1.6	1.6	19.8	19.7	0.6%	0.1
TOTAL MINERAL PROD. TAXES	28.6	26.7	26.5	28.3	23.0	20.4	18.4	20.8	24.5	23.5	22.9	22.7	286.3	294.5	-2.8%	(8.2)
LICENSE FEES	2.2	2.0	2.4	2.0	2.0	8.6	2.6	4.6	8.4	15.7	3.1	2.5	56.1	54.5	3.0%	1.6
Land Grant Perm. Fund Distributions	46.2	46.2	46.2	46.2	46.2	46.3	46.3	46.3	46.0	46.0	46.0	46.0	554.0	553.2	0.1%	0.7
State Treasurer's Earnings	2.1	0.0	5.4	(1.9)	(3.3)	(1.5)	10.7	1.9	2.7	0.5	0.6	1.8	19.0	15.0	27.0%	4.0
Severance Tax Perm. Fund Distributions	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	193.5	193.5	0.0%	(0.0)
TOTAL INVESTMENT EARNINGS	64.4	62.3	67.7	60.5	59.1	60.8	73.1	64.3	64.8	62.6	62.8	64.0	766.5	761.7	0.6%	4.8
Federal Mineral Leasing Royalties	30.9	35.0	29.5	88.7	33.2	29.7	27.6	25.3	*15.7*	23.2	27.1	28.0	393.9	400.0	-1.5%	(6.1)
State Land Office Bonuses, Rents	9.9	2.2	6.6	6.0	8.6	3.8	2.1	5.5	2.1	1.9	3.1	3.0	54.7	50.0	9.5%	4.7
TOTAL RENTS & ROYALTIES	40.8	37.2	36.1	94.7	41.9	33.5	29.7	30.7	17.7	25.1	30.2	31.0	448.7	450.0	-0.3%	(1.3)
TRIBAL REVENUE SHARING	0.8	0.0	15.6	0.7	0.0	14.9	0.7	0.3	15.9	0.2	0.1	15.8	65.0	64.3	1.2%	0.7
MISCELLANEOUS RECEIPTS	0.8	1.0	1.2	1.0	0.9	17.9	1.2	0.9	1.9	5.5	5.7	22.2	60.4	56.5	6.9%	3.9
REVERSIONS	0.0	0.0	0.0	0.1	0.1	1.2	1.1	21.9	9.0	0.5	2.5	31.9	68.2	50.0	36.4%	18.2
TOTAL RECURRING REVENUE	430.4	459.8	497.8	517.6	454.9	493.1	386.5	381.3	507.4	613.3	529.2	701.5	5,971.4	6,020.2	-0.8%	(48.8)
Non-Recurring	0.0	(0.1)	(0.1)	0.0	0.2	(0.1)	0.0	0.3	-	-	-	-	5.7	5.5	4.1%	0.2
TOTAL NON-RECURRING REVENUE	0.0	(0.1)	(0.1)	0.0	0.2	(0.1)	0.0	0.3	-	-	-	-	5.7	5.5	4.1%	0.2
GRAND TOTAL REVENUE	430.4	459.7	497.6	517.7	455.1	493.0	386.6	381.7	507.4	613.3	529.2	701.5	5,977.1	6,025.7	-0.8%	(48.6)


General Fund Revenue Tracking
FY14-FY16
Millions
750
700
650
600
550
500
450
400
350
300
July
August
September
October
November
December
January
February
March
April
May
June
FY14
FY15
FY16 YTD Actual
FY16 January CREG Est.