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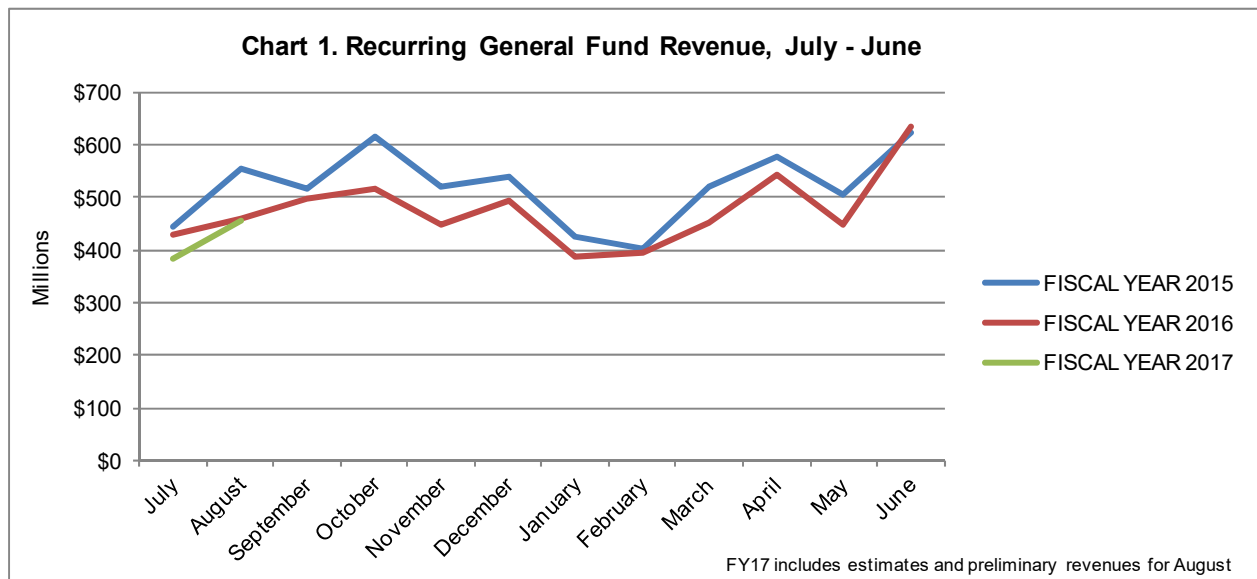
October 25, 2016



General Fund Revenue Tracking Report: Accruals through July 2016

This general fund revenue tracking report reflects revenue accruals through July 2016 and some preliminary revenues through August 2016 as reported by the Department of Finance and Administration, the Taxation and Revenue Department, and the State Treasurer's Office.

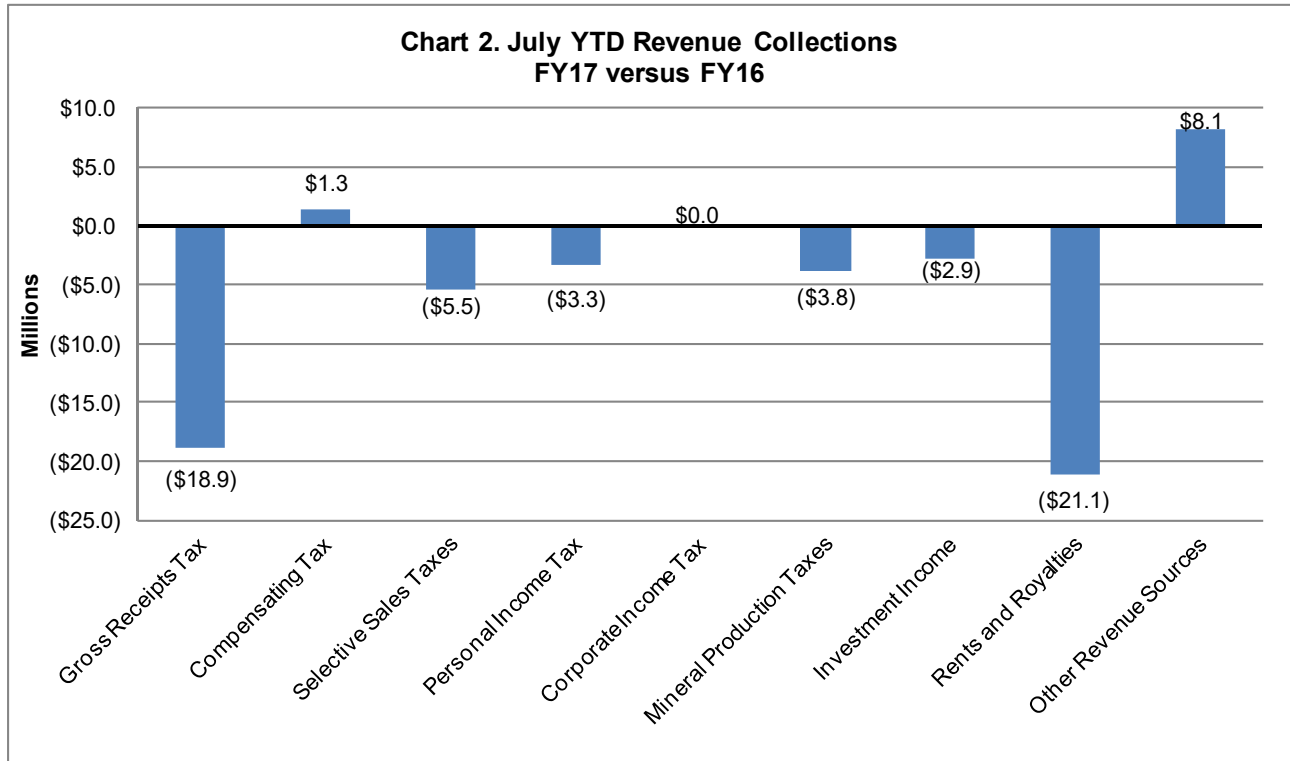
Summary. Chart 1 compares total recurring revenue between FY15, FY16, and July FY17. Total recurring revenue collection in July was \$384.3 million, down 10.7 percent from the same month a year ago. This compares with the August 2016 consensus revenue estimate of a 0.6 percent increase in revenue for the full fiscal year.



Traditionally, projections for revenue collections through the end of the fiscal year are based on historical monthly shares of revenue collections by revenue source. Recurring revenues are tracking at less than \$5.7 billion, or \$33.4 million below the August estimate of just over \$5.7 billion. Unaudited June revenues appeared higher than the estimate. The consensus revenue estimating group made estimates based on historical data of how revenues received at the end of the fiscal year would be booked between FY16 and FY17, and it appears the weakness in July is largely accounting, rather than economic, weakness.

July and Year-To-Date Revenues. Chart 2 presents the components of fiscal year-to-date (FYTD) revenue through July for FY17 versus FY16. Gross receipts tax (GRT) revenue for the month represented the lowest July

number recorded since July 2010, although this appears to be the largest source of accounting weakness due to unexpectedly high unaudited June numbers. Personal income tax (PIT) revenues were down slightly in July from the estimate, but again the unaudited June numbers were higher than expected. Another significant difference from the estimate was a reduction in rents and royalties, and this revenue source should be watched closely to see if it improves over the course of the fiscal year.



Revenue Tracking. The last page provides the general fund revenue tracking report and chart for FY17. The report details the actual revenues received year-to-date and the estimated revenues for the remainder of the fiscal year. Note that revenues can vary considerably within a given month, and it is difficult to see any trends with only one month of data for FY17.

Gross Receipts. Table 1 reports fiscal-year-to-date matched taxable gross receipts (TGR) by industry between FY16 and FY17 for July. Matched TGR reconciles tax returns against payments to account for total revenues generated by business activity within a given month. Total matched TGR decreased by 8.5 percent compared with the same period in the prior fiscal year. Only three of the 14 industries shown in Table 2 increased year-over-year, and mining led the declines with a drop of 48 percent. However, an individual month of reporting can be highly variable. The first full quarter of data for FY17 should provide valuable insight into industry trends.

Table 1. Matched Taxable Gross Receipts by Industry July 2016		
Industry	Matched Taxable Gross Receipts	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$134,212,934	-48.0%
Utilities	\$209,586,212	0.3%
Construction	\$501,252,298	-2.1%
Manufacturing	\$110,304,498	-32.2%
Wholesale Trade	\$141,351,451	-38.3%
Retail Trade	\$986,143,226	-6.5%
Transportation and Warehousing	\$42,668,928	-24.5%
Information	\$215,273,133	-1.0%
Real Estate and Rental and Leasing	\$95,466,143	-18.9%
Professional, Scientific, and Technical Services	\$605,712,323	13.4%
Administrative/Support & Waste Management/Remediation	\$111,913,446	21.6%
Health Care and Social Assistance	\$200,482,613	-11.6%
Leisure and Hospitality Services	\$391,260,019	-1.1%
Other Industries	\$432,469,806	n/a
Total	\$4,178,097,031	-8.5%

Oil and Gas. Chart 3 presents the oil and gas production data reported by the Energy, Minerals and Natural Resources Department's Oil Conservation Division. Reporting by producers is due 45 days after the production month. Oil production reported for July was 12 million barrels, down 4.5 percent year-over-year from 12.6 million barrels in July 2015. Production declined by 2.5 percent, or 2.1 million barrels, during the first seven months of 2016 compared with the same period a year ago. The average active drilling rig count in July was 24, up four rigs from June but down by half from the 50 active rigs in July 2015. Oil markets declined during July to an average of \$44.65/bbl from \$48.76/bbl in June, while gas continued its rally from the prior month, rising from \$2.66/mcf in June to \$2.91/mcf in July.

**Chart 3. Monthly Oil Production and Average Active Rig Count
July 2014 to Present, by Fiscal Year**

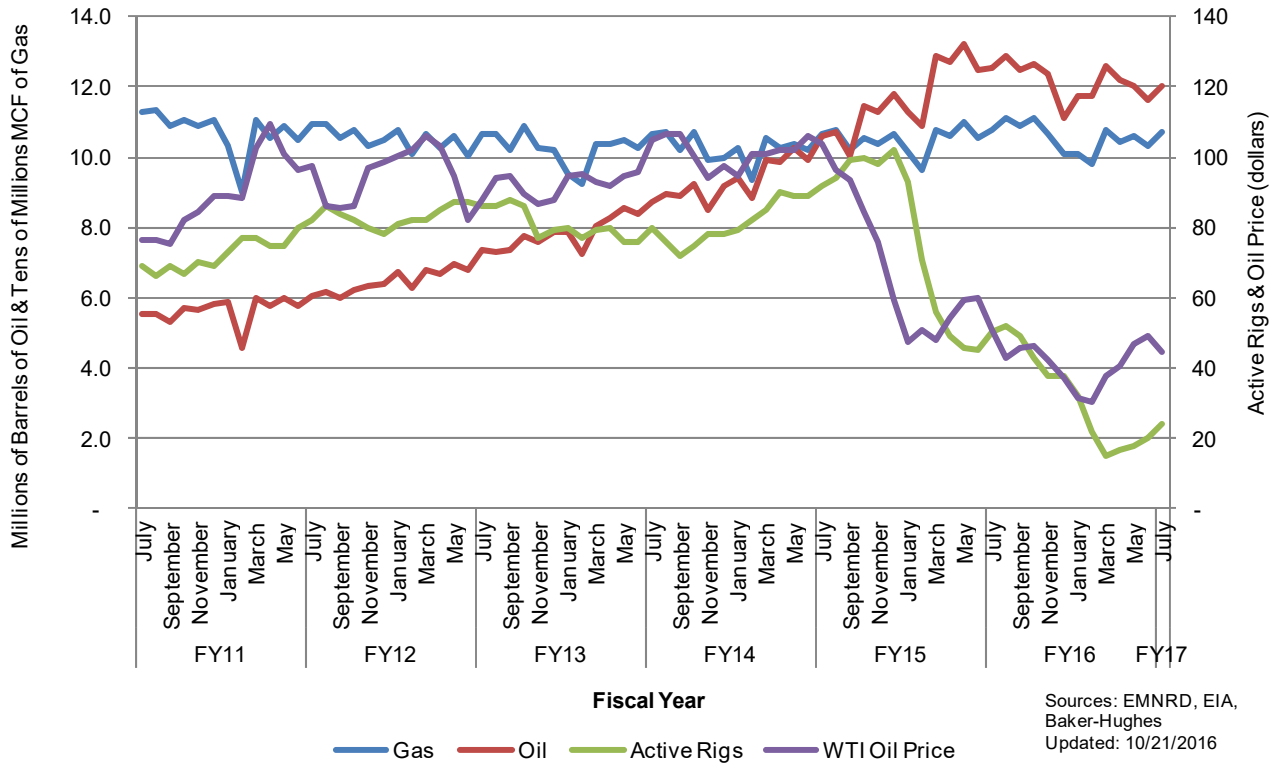
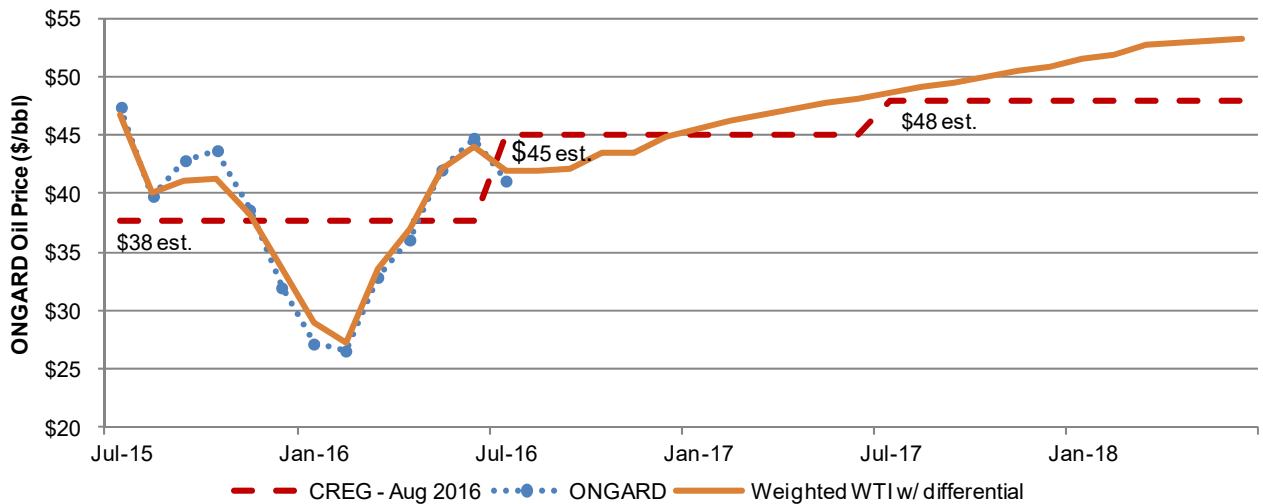
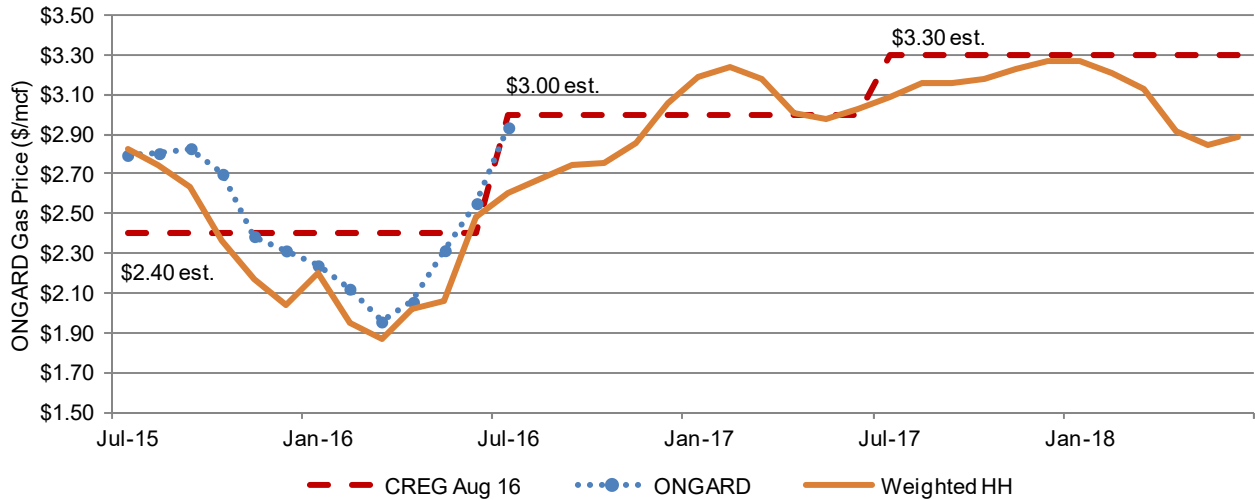


Chart 4: Current Oil Price



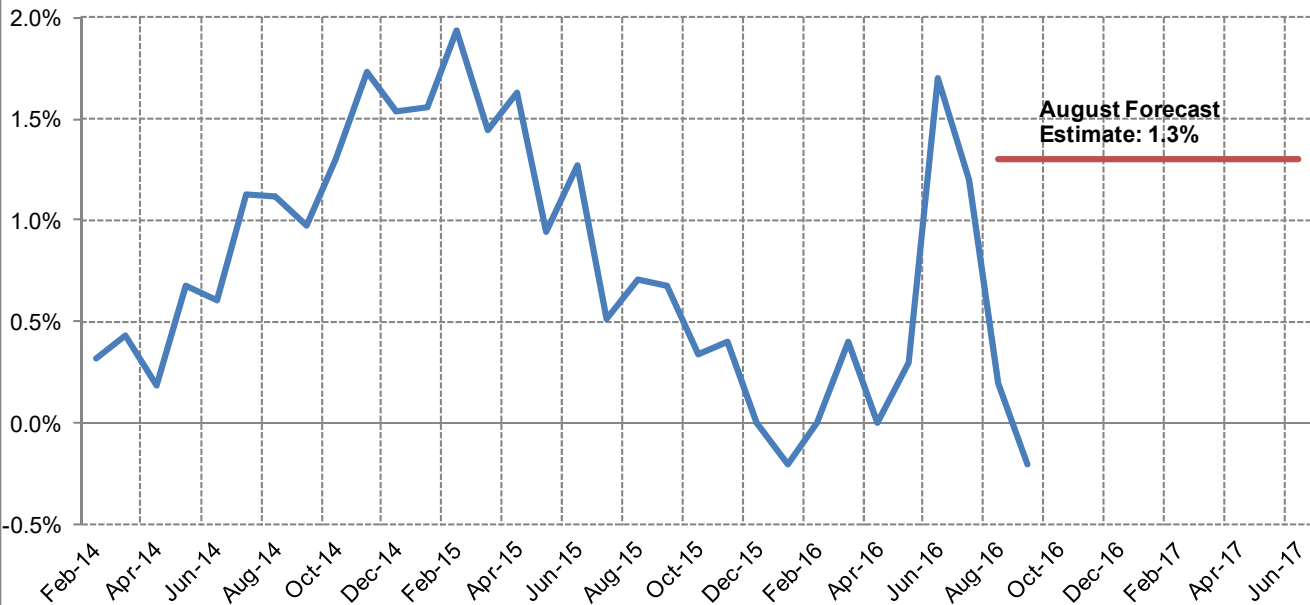
(*Oil deduction calculated at \$4.20/bbl. Weighted WTI calculated EIA, NYMEX & GI 33/33/33 average thru 02/2018; calculated NYMEX & GI 50/50 average from 03/2018 forward where EIA price not available.)

Chart 5: Current Natural Gas Price Data



(*Natural gas deduction calculated at zero/mmBtu. Weighted HH calculated at EIA, NYMEX & GI 33/33/33 average thru 12/2017; calculated at NYMEX & GI 50/50 average from 01/2018 forward where EIA data not available.)

Chart 6. New Mexico Employment Growth



Source: Workforce Solutions Department

Employment and Income Trends. New Mexico’s year-over-year job growth in August was nearly flat at just 1,800 jobs, or 0.2 percent, according to the Workforce Solutions Department. This is a return to the low job growth levels throughout most of FY16 and a significant drop from the 1.7 percent and 1.2 percent gains reported in June and July. The economic forecasts used by the consensus revenue estimating group for the August estimate predict an average of 1.3 percent growth for FY17.

Education and health services continued to grow at unprecedented levels, reaching 7.6 percent growth, followed by leisure and hospitality at 2.5 percent and professional and business services at 1.5 percent. However, those three industries were the only private sectors that gained jobs year-over-year. Leading the job losses were mining employment, down 27 percent, manufacturing, down 6 percent, and retail trade, down 1.7 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 May and finalized in August 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 “FY17 Actual + Estimate” is a sum of monthly DFA actuals, TRD accounting documents, and LFC estimates. The column entitled “FY17 Forecast” is the latest consensus revenue estimate. The next two columns calculate the tracking change in percentage and absolute terms, respectively.

FISCAL YEAR 2017 GENERAL FUND MONTHLY REVENUE TRACKING

(dollars in millions; italics indicate preliminary actual revenue; bold indicates actual revenue)

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Row #		ESTIMATED REVENUE ACCRUALS												FY17 Actual + Estimate	TRACKING CHANGE (Δ)		
		July Actual	Aug Prelim.	Sept Est.	Oct Est.	Nov Est.	Dec Est.	Jan Est.	Feb Est.	Mar Est.	Apr Est.	May Est.	June Est.		FY 17 Forecast	YTD % Δ	YTD \$ Δ
1	Gross Receipts Tax	148.4	159.4	151.1	163.0	163.3	180.7	154.6	148.1	153.5	165.2	155.1	185.7	1,928.0	1,944.5	-0.8%	(16.5)
2	Compensating Tax	3.9	4.4	4.6	4.8	3.7	4.2	3.8	3.7	4.4	3.8	3.9	4.8	50.0	49.5	1.0%	0.5
3	TOTAL GENERAL SALES TAXES	152.2	163.8	155.7	167.8	166.9	184.9	158.4	151.8	157.9	169.0	159.0	190.5	1,978.0	1,994.0	-0.8%	(16.0)
4	Tobacco Products & Cigarette Taxes	6.2	6.6	6.3	6.3	6.1	6.5	5.5	5.9	6.2	6.2	5.9	8.0	75.5	75.0	0.7%	0.5
5	Liquor Excise Tax	0.5	0.6	0.6	0.6	0.6	0.7	0.4	0.5	0.6	0.6	0.6	0.7	6.9	6.9	-0.6%	(0.0)
6	Insurance Premiums Tax	0.2	53.5	2.0	2.0	53.5	2.0	2.0	53.5	2.0	2.0	53.5	2.0	228.2	230.0	-0.8%	(1.8)
7	Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	13.1	13.1	0.0%	-	
8	Motor Vehicle Excise Tax	11.3	13.1	11.8	12.5	10.5	10.8	12.2	11.2	13.8	13.5	13.7	13.1	147.5	148.5	-0.7%	(1.0)
9	Gaming Excise Tax	5.2	5.2	5.0	4.9	4.9	5.1	5.0	5.2	5.8	5.2	5.5	4.9	62.0	62.0	0.1%	0.0
10	Leased Vehicle Surcharge	0.5	0.6	0.5	0.6	0.4	0.3	0.3	0.3	0.4	0.4	0.5	0.5	5.5	5.4	0.9%	0.1
11	Other	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.0	2.1	-1.3%	(0.0)
12	TOTAL SELECTIVE SALES TAXES	24.2	79.8	26.4	27.1	76.1	25.6	25.7	76.8	28.9	28.0	79.8	42.4	540.8	543.0	-0.4%	(2.2)
13	Withholding	99.4	86.0	100.8	96.5	93.9	135.2	94.4	98.8	107.7	94.8	99.1	108.8	1,215.5	1,222.8	-0.6%	(7.3)
14	Final Settlements	-	11.8	45.2	17.1	11.5	20.9	52.8	11.6	34.2	139.9	25.7	63.7	434.5	434.0	0.1%	0.5
15	Oil and Gas Withholding Tax	-	1.0	4.4	12.4	2.5	3.7	11.9	3.0	4.2	10.8	5.4	16.3	75.6	75.6	0.0%	0.0
16	Fiduciary Tax	(0.3)	1.1	(0.2)	0.0	0.3	0.9	(0.0)	(0.0)	3.5	0.4	1.4	(0.3)	6.8	7.0	-2.4%	(0.2)
17	Gross Personal Income Tax	99.1	99.9	150.3	126.1	108.2	160.8	159.1	113.4	149.7	246.0	131.6	188.5	1,732.5	1,739.4	-0.4%	(6.9)
18	Transfer to PIT Suspense	(6.4)	(7.4)	(8.2)	(6.4)	(6.9)	(88.2)	(95.6)	(67.7)	(43.6)	(18.5)	(11.2)	(7.4)	(367.6)	(367.7)	0.0%	0.1
19	Retiree Health Care	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(3.0)	(32.7)	(32.7)	0.0%	0.0
20	Less: Refunds, distributions to other funds	(9.1)	(10.1)	(10.9)	(9.1)	(9.6)	(90.9)	(98.3)	(70.4)	(46.3)	(21.2)	(13.9)	(10.4)	(400.3)	(400.4)	0.0%	0.1
21	NET PERSONAL INCOME TAX	90.0	89.8	139.3	116.9	98.6	69.9	60.8	43.0	103.4	224.8	117.6	178.1	1,332.2	1,339.0	-0.5%	(6.8)
22	Gross Corporate Payments	-	3.7	1.5	16.2	9.4	(1.0)	22.9	(1.2)	14.7	6.3	6.9	20.6	100.0	100.0	0.0%	-
23	Less: Refunds, Credits & Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	NET CORPORATE INCOME TAX	-	3.7	1.5	16.2	9.4	(1.0)	22.9	(1.2)	14.7	6.3	6.9	20.6	100.0	100.0	0.0%	-
25	TOTAL INCOME TAXES	90.0	93.5	140.8	133.1	108.0	68.9	83.7	41.8	118.1	231.1	124.5	198.8	1,432.2	1,439.0	-0.5%	(6.8)
26	Oil and Gas School Tax	22.0	23.9	22.0	23.8	23.2	24.9	25.1	22.9	26.6	25.6	24.3	24.5	288.8	289.5	-0.2%	(0.7)
27	Oil Conservation Tax	1.0	1.1	1.1	1.2	1.1	1.2	1.1	1.1	1.2	1.1	1.4	1.0	13.7	13.8	-0.7%	(0.1)
28	Resources Excise Tax	0.8	0.5	1.5	1.1	1.2	1.0	1.3	1.0	1.1	0.9	1.1	1.1	12.8	13.0	-1.7%	(0.2)
29	Natural Gas Processors Tax	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	10.0	10.0	0.3%	0.0
30	TOTAL MINERAL PROD. TAXES	24.7	26.5	25.5	26.9	26.3	27.9	28.3	25.8	29.8	28.5	27.6	27.5	325.3	326.3	-0.3%	(1.0)
31	LICENSE FEES	2.2	3.6	3.9	3.2	3.1	15.6	7.1	3.3	3.3	3.1	3.3	3.2	54.9	55.5	-1.0%	(0.6)
32	Land Grant Perm. Fund Distributions	45.1	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	538.4	538.2	0.0%	0.2
33	State Treasurer's Earnings	(0.2)	(2.0)	1.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	16.4	23.3	-29.6%	(6.9)
34	Severance Tax Perm. Fund Distributions	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	200.6	200.6	0.0%	(0.0)
35	TOTAL INVESTMENT EARNINGS	61.6	59.6	62.7	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5	755.4	762.1	-0.9%	(6.7)
36	Federal Mineral Leasing Royalties	19.6	22.3	33.1	26.4	26.4	26.4	26.4	26.4	26.4	26.4	26.4	85.5	371.7	376.0	-1.1%	(4.3)
37	State Land Office Bonuses, Rents	0.1	5.2	7.1	4.6	2.9	4.0	3.7	3.6	3.5	3.3	5.2	5.1	48.2	52.7	-8.6%	(4.5)
38	TOTAL RENTS & ROYALTIES	19.7	27.5	40.2	31.0	29.3	30.4	30.1	30.0	29.9	29.7	31.6	90.6	419.9	428.7	-2.1%	(8.8)
39	TRIBAL REVENUE SHARING	0.7	0.1	15.3	0.1	0.0	14.4	0.2	0.2	15.6	0.2	0.1	15.5	62.5	61.9	1.0%	0.6
40	MISCELLANEOUS RECEIPTS	1.1	1.2	1.2	1.2	1.7	10.8	2.8	1.1	11.6	6.1	1.6	17.6	58.1	58.0	0.1%	0.1
41	REVERSIONS	8.0	0.0	0.1	0.2	0.4	0.3	3.1	1.2	7.1	0.4	2.0	25.1	48.0	40.0	20.0%	8.0
42	TOTAL RECURRING REVENUE	384.3	455.5	471.7	454.0	475.5	442.5	402.9	395.6	465.6	559.7	493.0	674.7	5,675.1	5,708.4	-0.6%	(33.4)
43	Non-Recurring	(0.0)	-	-	-	-	-	-	-	-	-	-	62.0	62.0	62.0	0.0%	(0.0)
44	TOTAL NON-RECURRING REVENUE	(0.0)	-	-	-	-	-	-	-	-	-	-	62.0	62.0	62.0	0.0%	(0.0)
45	GRAND TOTAL REVENUE	384.3	455.5	471.7	454.0	475.5	442.5	402.9	395.6	465.6	559.7	493.0	736.7	5,737.0	5,770.4	-0.6%	(33.4)

Estimates are developed by LFC and based on the consensus revenue estimate and historical monthly patterns