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December 22, 2016

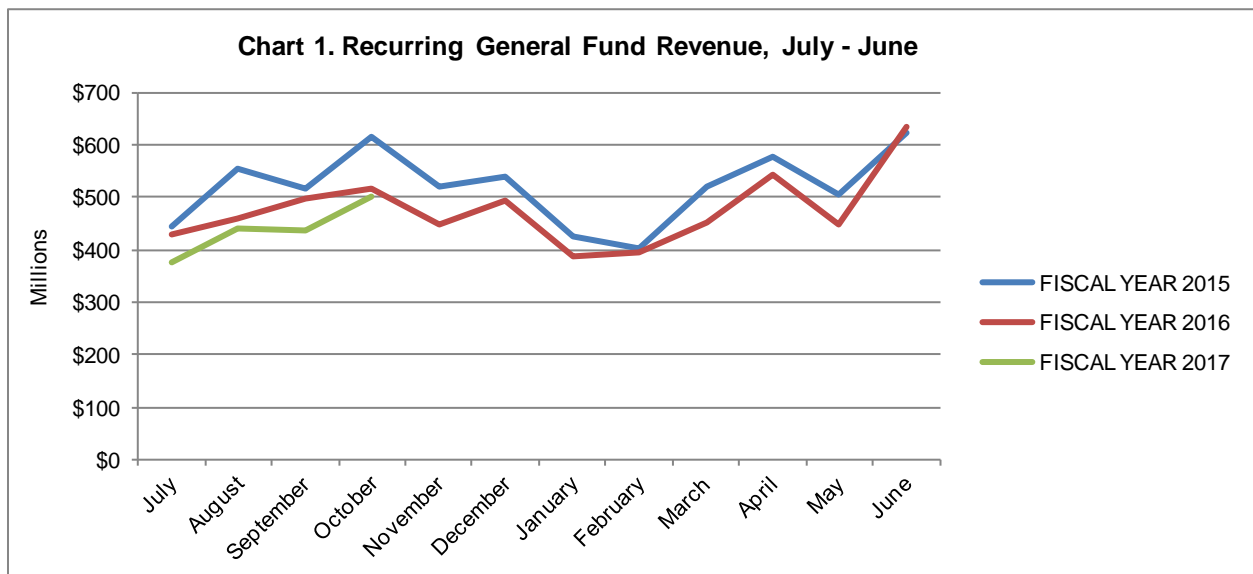


General Fund Revenue Tracking Report: Accruals through October 2016

This general fund revenue tracking report reflects revenue accruals through October 2016 as reported by the Department of Finance and Administration.

Summary. October recurring revenues were \$502.7 million, down \$15.2 million, or 2.9 percent, from a year ago. Gross receipts tax revenue came in surprisingly strong at \$195.1 million and is discussed in detail later in this report. Personal income tax withholding came in weaker than expected, falling \$11.4 million, or 9.9 percent, from October 2015. Corporate income tax continued its substantial decline, down \$23.8 million, or 54.9 percent, from a year ago. Federal mineral leasing royalties were up significantly from the last few months due to receipt of the annual distribution of federal sequestration payments but were down from a year ago due to a delay in BLM lease sale revenues.

Chart 1 compares total recurring revenue between FY15, FY16, and FY17. Total recurring revenue collection for FY17 through October was \$1.8 billion, down 7.7 percent from the same period a year ago. This compares with the December 2016 consensus revenue estimate of a 1.9 percent decrease in revenue for the full fiscal year. However, the year-over-year comparison is skewed because the annual BLM lease sale revenues for FY16 were received in October 2015, but the revenues for FY17 have not yet been received, leaving a \$69.9 million gap from revenues the state will receive later in the fiscal year. If this amount were included in October revenues, FY17 would be down 4 percent year-to-date compared with FY16, nearly halving the difference.

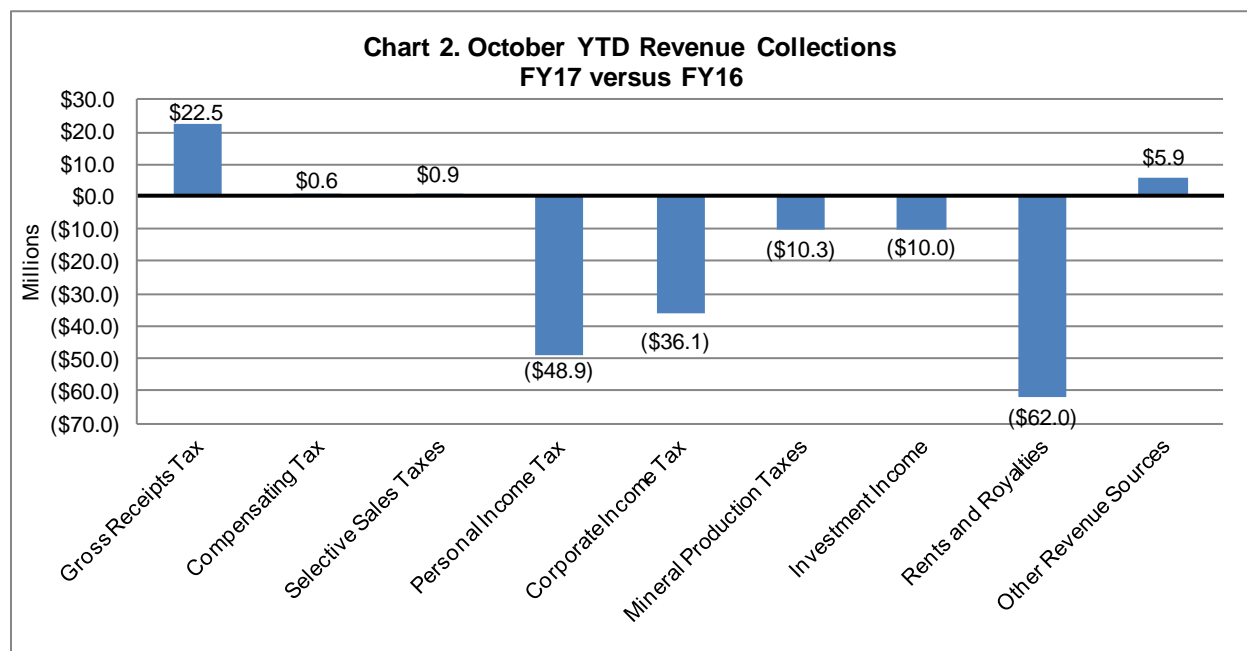


Traditionally, projections for revenue collections through the end of the fiscal year are based on historical monthly shares of revenue collections by revenue source. Recurring revenues are tracking at \$26 million, or 0.5 percent, above the December estimate of \$5.6 billion (see last page for revenue tracking).

October and Year-To-Date Revenues. Table 1 and Chart 2 present the components of fiscal year-to-date (FYTD) revenue through October for FY17 versus FY16.

Revenue Category	October Revenue FY16	October Revenue FY17	Fiscal Year-to-Date Through October		Year-over- Year Amount Change	Year-over- Year Growth	Projected Full- Year Growth: Dec. 2016 Forecast
	FY16	FY17	FY16	FY17			
Gross Receipts Tax	\$ 141.9	\$ 195.1	\$619.5	\$642.0	\$22.5	3.6%	-5.4%
Compensating Tax	\$ 3.6	\$ (0.4)	\$14.5	\$15.1	\$0.6	4.2%	6.7%
Selective Sales Taxes *	\$ 26.2	\$ 28.0	\$157.3	\$158.1	\$0.9	0.6%	0.7%
Personal Income Tax	\$ 115.4	\$ 104.0	\$468.4	\$419.6	(\$48.9)	-10.4%	0.3%
Corporate Income Tax	\$ 43.4	\$ 19.6	\$41.6	\$5.5	(\$36.1)	-86.8%	-40.9%
Mineral Production Taxes *	\$ 28.3	\$ 25.4	\$110.0	\$99.7	(\$10.3)	-9.4%	11.0%
License Fees	\$ 2.0	\$ 2.1	\$8.7	\$9.6	\$1.0	11.0%	1.7%
Investment Income	\$ 60.5	\$ 60.7	\$255.0	\$245.0	(\$10.0)	-3.9%	-3.8%
Rents and Royalties	\$ 94.7	\$ 66.4	\$208.7	\$146.8	(\$62.0)	-29.7%	8.5%
Tribal Revenue Sharing	\$ 0.7	\$ 0.8	\$17.1	\$13.7	(\$3.4)	-20.0%	-0.3%
Miscellaneous Receipts	\$ 1.0	\$ 0.9	\$4.0	\$4.0	(\$0.0)	-0.5%	28.0%
Reversions	\$ 0.1	\$ 0.2	\$0.2	\$0.2	\$0.1	n/a	-32.1%
Subtotal Recurring Rev.	\$ 517.9	\$ 502.7	\$1,905.0	\$1,759.2	(\$145.8)	-7.7%	-1.9%
Nonrecurring Revenue	\$ 0.0	\$ 0.0	(\$0.2)	\$8.1	\$8.3	n/a	n/a
Total Revenue	\$ 517.9	\$ 502.7	\$1,904.8	\$1,767.4	(\$137.4)	-7.2%	2.1%

*Includes estimates for Insurance, Oil and Gas School Tax, and Oil Conservation Tax



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 projected revenues for the remainder of the fiscal year based on the December 2016 consensus revenue estimate.

Gross Receipts. Gross receipts tax (GRT) revenues for July and August were the worst results for those months in six years, and revenues for September were the worst in four years. October revenues were sharply higher and were the highest for that month in at least eight years and probably the highest on record. A Taxation and Revenue Department (TRD) GenTax software error appeared during the recent transition to a new version, resulting in erroneously high distributions to local governments in October (August state revenue accruals) and November (September accruals). After discovering the error, TRD calculated the erroneous distributions for each local government and withheld those amounts from the December distributions. The agency is sending letters to every local government describing the issue and identifying the specific erroneous distributions for the prior two months and the reduction for the current month. Any community with questions about the issue should contact TRD for additional information.

However, the distributions withheld from the October GRT accruals do not appear to account for all of the surprising strength in revenues for the month. LFC and Department of Finance and Administration economists will work with TRD to analyze the data and determine what caused the remainder of the impact. Economic conditions seem unable to explain the increase, so it appears to be another non-economic factor. Because of the additional uncertainty in an already volatile revenue source, this should not yet be viewed as a positive development when compared with the December consensus revenue estimates.

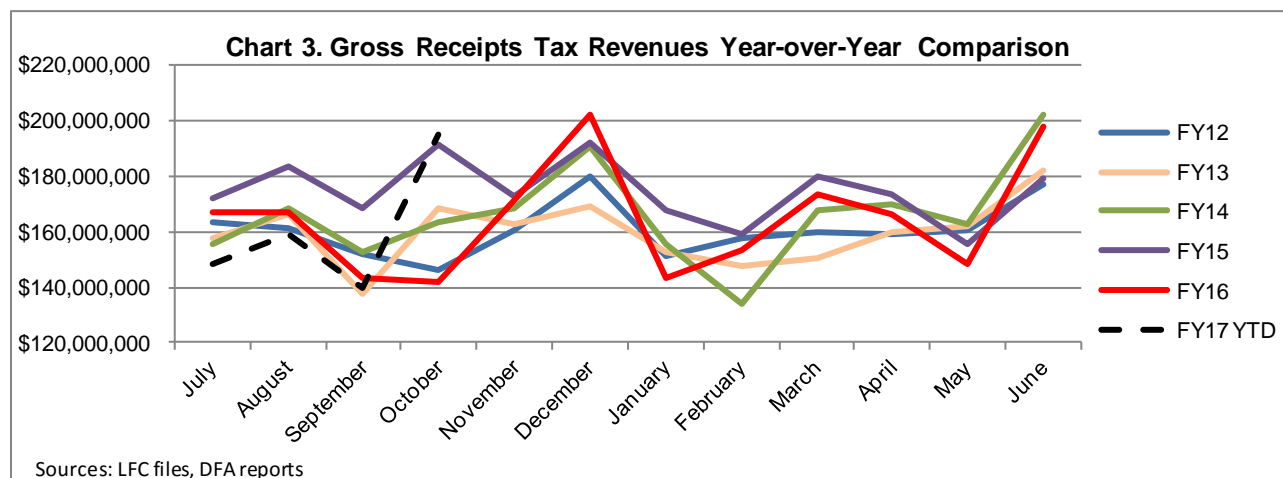
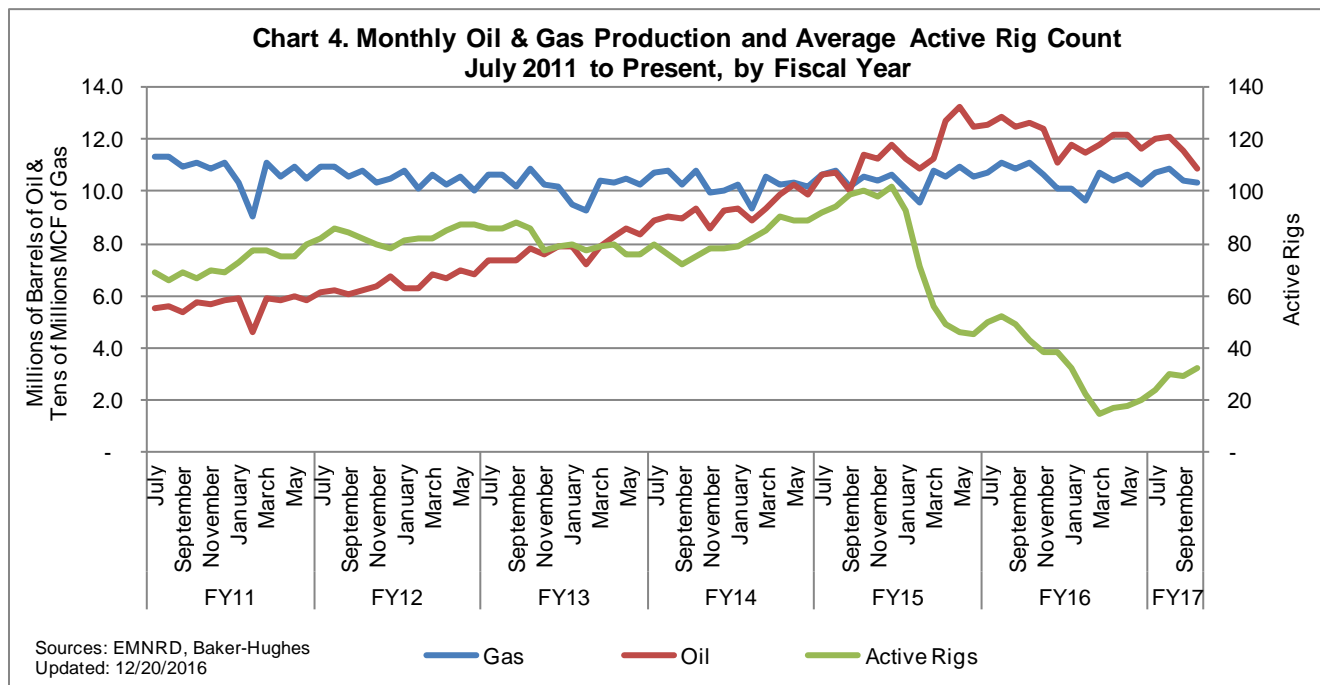


Table 2 reports fiscal-year-to-date matched taxable gross receipts (TGR) by industry between FY16 and FY17 for October. Matched TGR reconciles tax returns against payments to account for total revenues generated by business activity within a given month. Total matched TGR decreased by 5.3 percent compared with the same period in the prior fiscal year. Nine of the 14 industries shown in Table 2 showed declines year-over-year, and mining continued to lead the declines with a drop of 30.9 percent.

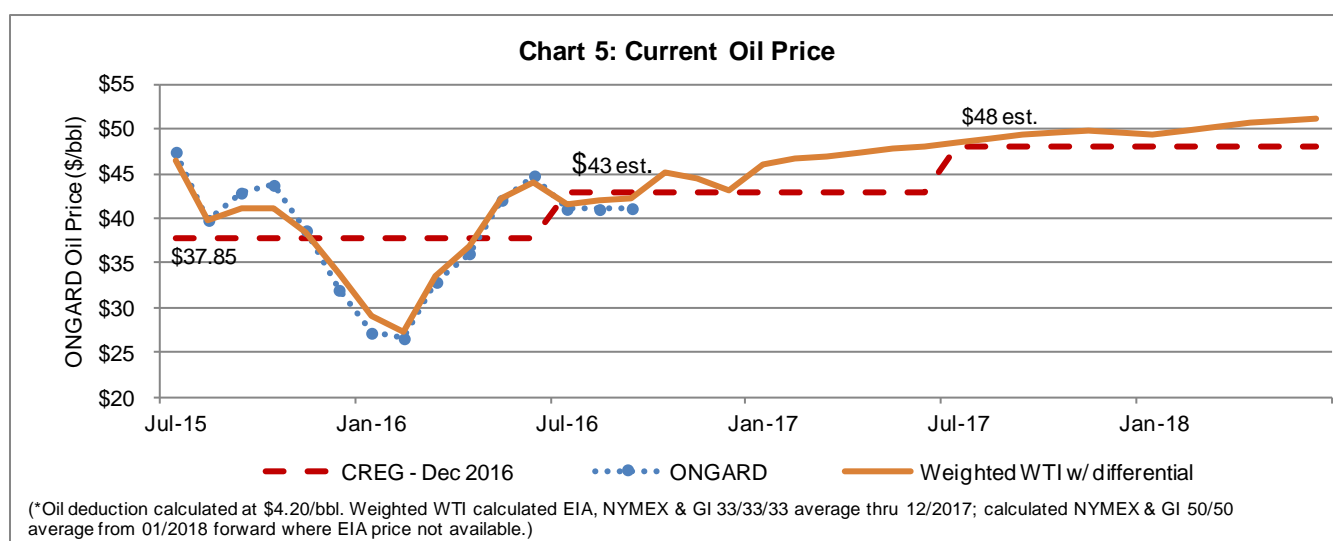
Table 2. Matched Taxable Gross Receipts by Industry July - October 2016		
Industry	Matched Taxable Gross Receipts	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$651,953,352	-30.9%
Utilities	\$807,268,038	1.0%
Construction	\$2,073,809,005	-3.6%
Manufacturing	\$505,065,827	-18.5%
Wholesale Trade	\$623,321,494	-21.2%
Retail Trade	\$3,892,938,116	-2.1%
Transportation and Warehousing	\$188,204,746	-23.0%
Information	\$837,752,716	-3.4%
Real Estate and Rental and Leasing	\$393,804,974	-9.5%
Professional, Scientific, and Technical Services	\$2,163,188,089	1.5%
Administrative/Support & Waste Management/Remediation	\$397,818,275	-7.0%
Health Care and Social Assistance	\$915,565,371	6.1%
Leisure and Hospitality Services	\$1,523,658,222	1.0%
Other Industries	\$1,781,070,569	n/a
Total	\$16,755,418,793	-5.3%

Oil and Gas. Chart 4 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 October was 10.8 million barrels, down 14.1 percent year-over-year from 12.6 million barrels in October 2015. Oil production declined by 4.5 percent, or 5.6 million barrels, during the first 10 months of 2016 compared with the same period a year ago. The average active drilling rig count in October was 32, up three rigs from September and down by 25.6 percent from the 43 active rigs in October 2015.

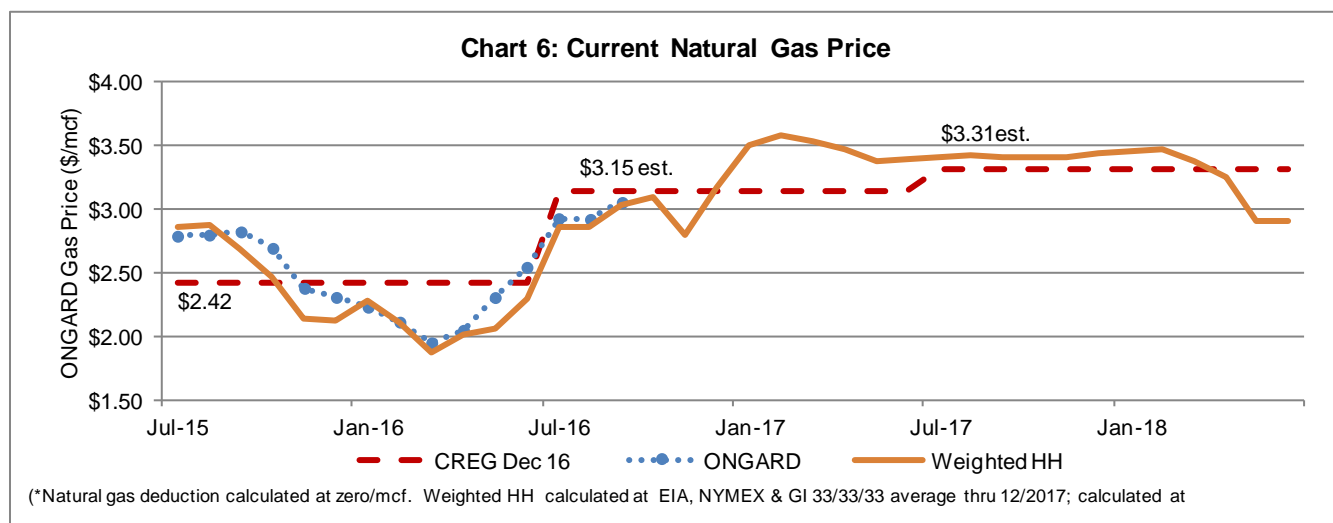


Natural Gas production in October was 103.1 billion cubic feet, down 7.2 percent year-over-year from 111 billion cubic feet in October 2015. Gas production declined by 2.1 percent, or 22.1 billion cubic feet, during the first 10 months of 2016 compared with the same period a year ago.

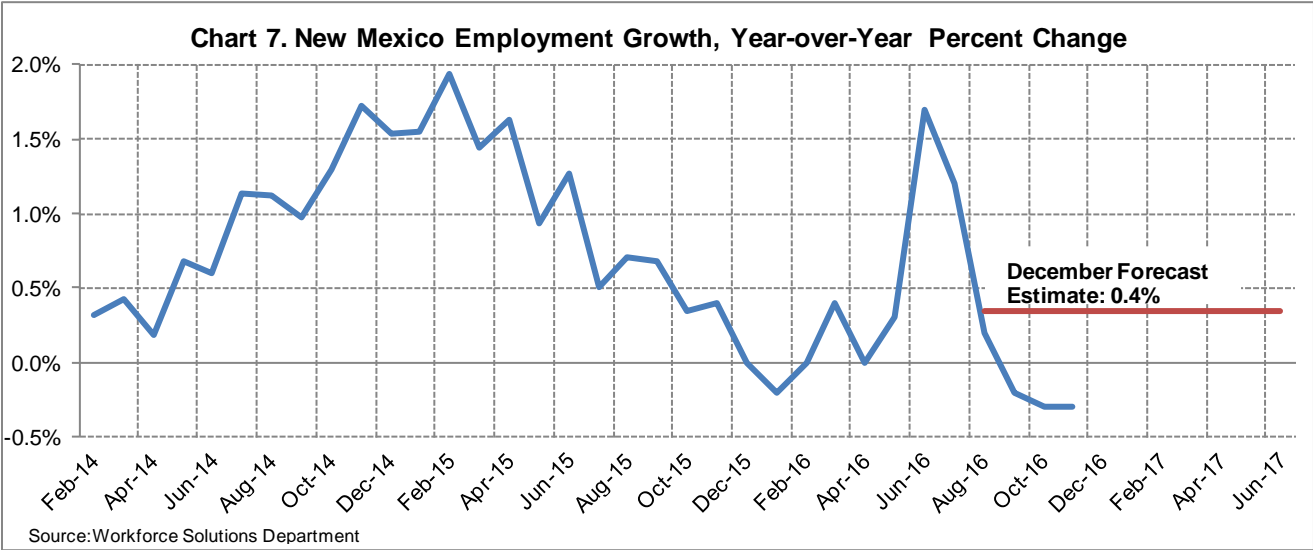
Oil markets rose during October to an average WTI price of \$49.78/bbl, up from \$45.18/bbl in September. Chart 5 presents New Mexico oil price data (ONGARD) and an average weighted West Texas Intermediate (WTI) price as indicated by the U.S. Energy Information Administration (EIA), Global Insight (GI), and NYMEX futures. The weighted WTI includes a price differential of -\$4.20/bbl, which represents the average price difference between New Mexico oil prices and WTI prices. Future weighted WTI prices are currently estimated above the forecast for FY17 and FY18, as oil markets have responded favorably to the recent agreement by the Organization of the Petroleum Exporting Countries (OPEC) to cut production. However, OPEC has a varied history of compliance with its own agreements, and there remains uncertainty on whether the cuts will be enforced.



Henry Hub gas prices fell to \$3.07/mcf, down from \$3.09/mcf in September. Chart 6 presents natural gas price data (ONGARD) and an average Henry Hub (HH) price as indicated by EIA, GI, and NYMEX. Natural gas price forecasts for FY17 and FY18 remain on par with the December forecast.



Employment Trends. New Mexico lost jobs in November for the third month in a row, shedding 2,300 jobs, or 0.3 percent, year-over-year. Mining employment losses were the smallest in several months at 5,100 jobs, or 22 percent. However, retail trade losses rose significantly to 5,500 jobs, or 5.6 percent. The retail losses are partly due to unexpected weakness in seasonal hiring in advance of the holidays and partly due to an unusually strong ramp up in hiring a year ago. Education and health services continues to be the fastest growing sector in the economy, but the growth rate fell by roughly one-third from rates seen over most of the last year to 4.4 percent for a gain of 6,000 jobs.



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	TRACKING CHANGE (Δ)		
		July Actual	Aug Actual	Sept Actual	Oct Actual	Nov Est.	Dec Est.	Jan Est.	Feb Est.	Mar Est.	Apr Est.	May Est.	June Est.	Actual + Estimate	FY17 Dec. Forecast	YTD % Δ	YTD \$ Δ
1	Gross Receipts Tax	148.4	158.8	139.8	195.1	158.0	174.8	149.7	143.4	148.6	159.8	150.1	179.5	1,905.9	1,868.6	2.0%	37.3
2	Compensating Tax	3.9	4.4	7.3	(0.4)	3.4	3.9	3.5	3.4	4.1	3.5	3.5	4.5	45.1	50.0	-9.9%	(4.9)
3	TOTAL GENERAL SALES TAXES	152.2	163.2	147.0	194.6	161.4	178.7	153.2	146.8	152.7	163.4	153.7	184.1	1,951.0	1,918.6	1.7%	32.4
4	Tobacco Products & Cigarette Taxes	6.2	8.2	5.9	7.1	5.9	6.3	5.3	5.7	6.0	6.0	5.7	7.8	76.0	75.0	1.4%	1.0
5	Liquor Excise Tax	0.5	0.6	0.5	0.6	0.6	0.7	0.5	0.5	0.6	0.6	0.6	0.7	6.9	6.9	0.7%	0.0
6	Insurance Premiums Tax	0.2	52.8	2.2	2.2	53.5	2.2	2.2	53.5	2.2	2.2	53.5	2.2	229.2	229.2	0.0%	-
7	Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	15.5	15.5	15.5	0.0%	-
8	Motor Vehicle Excise Tax	11.3	13.9	11.0	12.5	10.0	10.4	11.7	10.7	13.1	12.9	13.1	12.5	143.0	142.5	0.4%	0.5
9	Gaming Excise Tax	5.2	4.7	4.7	4.7	4.6	4.8	4.7	4.9	5.5	4.9	5.1	4.6	58.6	58.5	0.1%	0.1
10	Leased Vehicle Surcharge	0.5	0.6	0.5	0.5	0.4	0.3	0.3	0.3	0.4	0.4	0.5	0.5	5.3	5.4	-1.2%	(0.1)
11	Other	0.1	0.5	(0.1)	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.3	2.2	5.8%	0.1
12	TOTAL SELECTIVE SALES TAXES	24.2	81.3	24.7	28.0	75.2	24.9	24.9	75.9	28.0	27.2	78.7	44.0	536.9	535.2	0.3%	1.7
13	Withholding	99.4	86.0	109.8	83.5	93.7	135.1	94.3	98.6	107.6	94.6	98.9	108.7	1,210.3	1,223.1	-1.0%	(12.8)
14	Final Settlements	-	12.3	41.6	23.6	11.9	21.5	53.7	12.1	34.9	141.8	26.4	64.8	444.5	438.6	1.4%	5.9
15	Oil and Gas Withholding Tax	-	0.2	3.7	5.4	2.6	3.8	11.8	3.1	4.3	10.8	5.5	16.2	67.5	74.5	-9.4%	(7.0)
16	Fiduciary Tax	(0.3)	0.3	(0.2)	0.0	0.5	1.1	0.1	0.1	4.0	0.6	1.6	(0.2)	7.5	7.6	-1.3%	(0.1)
17	Gross Personal Income Tax	99.1	98.9	155.0	112.5	108.8	161.5	159.9	113.9	150.7	247.8	132.3	189.4	1,729.8	1,743.8	-0.8%	(14.0)
18	Transfer to PIT Suspense	(6.4)	(7.4)	(15.5)	(5.8)	(6.5)	(91.2)	(98.9)	(69.8)	(44.8)	(18.6)	(11.0)	(7.1)	(383.0)	(383.2)	0.0%	0.2
19	Retiree Health Care	(2.7)	(2.7)	(2.7)	(2.7)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.6)	(29.9)	(29.6)	1.1%	(0.3)
20	Less: Refunds, distributions to other funds	(9.1)	(10.1)	(18.2)	(8.5)	(8.9)	(93.6)	(101.3)	(72.2)	(47.1)	(21.0)	(13.4)	(9.7)	(413.0)	(412.8)	0.0%	(0.2)
21	NET PERSONAL INCOME TAX	90.0	88.8	136.8	104.0	99.9	67.9	58.6	41.7	103.6	226.8	118.9	179.7	1,316.8	1,331.0	-1.1%	(14.2)
22	Gross Corporate Payments	-	(4.7)	(9.4)	19.6	7.1	0.5	17.2	0.3	11.5	5.6	6.0	15.6	69.5	70.0	-0.7%	(0.5)
23	Less: Refunds, Credits & Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	NET CORPORATE INCOME TAX	-	(4.7)	(9.4)	19.6	7.1	0.5	17.2	0.3	11.5	5.6	6.0	15.6	69.5	70.0	-0.7%	(0.5)
25	TOTAL INCOME TAXES	90.0	84.1	127.5	123.5	107.0	68.4	75.8	42.1	115.1	232.5	125.0	195.4	1,386.4	1,401.0	-1.0%	(14.6)
26	Oil and Gas School Tax	22.0	22.1	22.0	22.4	21.8	23.5	23.7	21.6	25.1	24.2	22.9	23.2	274.6	273.3	0.5%	1.3
27	Oil Conservation Tax	1.0	1.0	1.0	1.2	1.2	1.2	1.2	1.2	1.3	1.2	1.4	1.1	14.1	14.3	-1.1%	(0.2)
28	Resources Excise Tax	0.8	0.8	0.9	0.8	1.3	1.1	1.4	1.1	1.2	1.0	1.2	1.2	12.7	13.0	-2.5%	(0.3)
29	Natural Gas Processors Tax	0.9	0.8	1.0	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	10.0	10.0	0.4%	0.0
30	TOTAL MINERAL PROD. TAXES	24.7	24.6	24.9	25.4	25.2	26.6	27.0	24.7	28.4	27.2	26.4	26.3	311.4	310.6	0.3%	0.9
31	LICENSE FEES	2.2	2.7	2.5	2.1	3.4	16.0	7.4	3.7	3.6	3.5	3.7	3.6	54.4	55.8	-2.5%	(1.4)
32	Land Grant Perm. Fund Distributions	45.1	45.1	45.1	45.1	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	540.6	540.5	0.0%	0.1
33	State Treasurer's Earnings	(0.2)	(2.0)	1.1	(1.1)	(4.7)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	-	0.0%	0.0
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	200.4	200.4	0.0%	0.0
35	TOTAL INVESTMENT EARNINGS	61.6	59.8	62.9	60.7	57.0	62.7	62.7	62.7	62.7	62.7	62.7	62.7	741.0	740.9	0.0%	0.1
36	Federal Mineral Leasing Royalties	19.6	22.3	33.1	53.1	26.5	28.0	28.0	28.0	28.0	28.0	28.0	97.9	420.3	420.0	0.1%	0.3
37	State Land Office Bonuses, Rents	0.1	3.2	2.0	13.3	9.5	4.7	4.3	4.2	4.1	3.9	5.9	5.8	61.0	55.0	10.9%	6.0
38	TOTAL RENTS & ROYALTIES	19.7	25.5	35.1	66.4	36.0	32.6	32.3	32.2	32.1	31.9	33.9	103.7	481.3	475.0	1.3%	6.3
39	TRIBAL REVENUE SHARING	0.7	-	12.2	0.8	0.4	15.3	0.6	0.6	16.5	0.6	0.5	16.4	64.5	64.2	0.5%	0.3
40	MISCELLANEOUS RECEIPTS	1.1	0.9	1.1	0.9	8.1	10.8	2.2	0.5	11.6	5.7	1.0	18.0	61.9	61.5	0.6%	0.4
41	REVERSIONS	-	0.0	0.0	0.2	0.4	0.3	2.9	1.2	6.6	0.4	1.8	23.6	37.5	37.5	-0.1%	(0.0)
42	TOTAL RECURRING REVENUE	376.3	442.1	438.0	502.7	474.1	436.4	389.1	390.2	457.4	554.9	487.3	677.6	5,626.2	5,600.2	0.5%	26.0
43	Non-Recurring	8.0	0.2	(0.1)	0.0	-	-	-	-	-	-	-	194.7	202.8	202.8	-	0.0
44	TOTAL NON-RECURRING REVENUE	8.0	0.2	(0.1)	0.0	-	-	-	-	-	-	-	194.7	202.8	202.8	-	0.0
45	GRAND TOTAL REVENUE	384.3	442.4	438.0	502.7	474.1	436.4	389.1	390.2	457.4	554.9	487.3	872.2	5,829.0	5,803.0	0.4%	26.0

Estimates are developed by LFC and based on the consensus revenue estimate and historical monthly patterns; the FML estimate for June includes \$69.9 million from a BLM lease sale (the month in which the revenue will be received is uncertain)