

Representative Patricia A. Lundstrom
Chairwoman

Representative Paul C. Bandy
Representative Randal S. Crowder
Representative George Dodge, Jr.
Representative Jimmie C. Hall
Representative Larry A. Larrañaga
Representative Nick L. Salazar
Representative Jim R. Trujillo

State of New Mexico
**LEGISLATIVE FINANCE
COMMITTEE**

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone (505) 986-4550 • Fax: (505) 986-4545

David Abbey
Director

Senator John Arthur Smith
Vice-Chairman

Senator William F. Burt
Senator Pete Campos
Senator Carlos R. Cisneros
Senator Carroll H. Leavell
Senator Howie C. Morales
Senator George K. Munoz
Senator Steven P. Neville

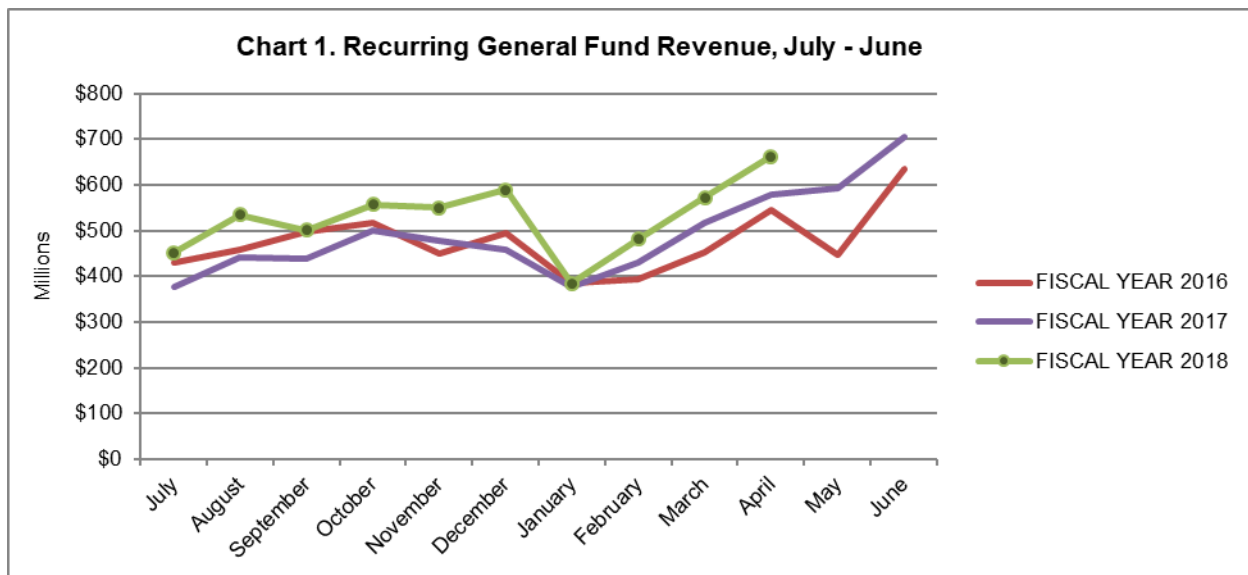


June 28, 2018

General Fund Revenue Tracking Report: Accruals through April 2018

This general fund revenue tracking report reflects revenue accruals through April 2018 as reported by the Department of Finance and Administration.

Summary. April recurring revenues were \$662.1 million, up \$82.3 million, or 14.2 percent, from a year ago. Revenue strength continues to be due primarily to gross receipts taxes (GRT) and energy revenues from oil and gas withholding, production taxes, and rents and royalties. Recurring revenue collection for FY18 through April was \$5.3 billion, up \$682.3 million, or 14.8 percent, from the same period a year ago.



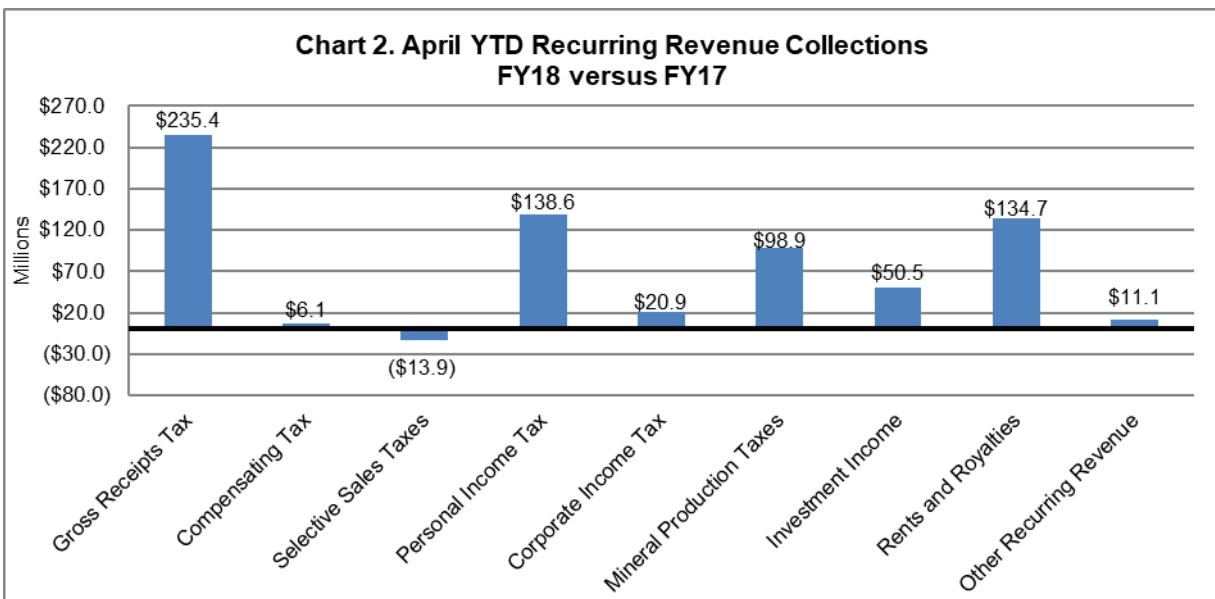
April and Year-To-Date Revenues. Table 1 and Chart 2 below present the components of fiscal year-to-date (FYTD) revenue through April for FY18 versus FY17. Energy-related revenues continue to rise due to rising oil and natural gas production. Combined, mineral production taxes and rents and royalties from production on state and federal lands are up \$223.6 million, or 35.9 percent, above last year. Personal income tax (PIT) revenues in April were up \$35.2 million from a year ago, and overall PIT revenues are up \$138.6 million, or 13.7 percent,

through April from the same period a year ago. GRT revenues in April were down \$17 million compared with the same month a year ago; however, GRT revenues so far this fiscal year are up 13.8 percent, or \$235.4 million. Nearly three-quarters of the growth still appears to be related directly and indirectly to the oil and gas industry.

Table 1. General Fund Revenue Accruals: FY18 vs. FY17

Revenue Category	April Revenue	April Revenue	Fiscal Year-to-Date Through April		Year-over-Year Amount Change	Year-over-Year Growth	Projected Full-Year Growth: Jan. 2018 Forecast
	FY17	FY18	FY17	FY18			
Gross Receipts Tax	\$ 190.1	\$ 173.1	\$1,700.6	\$1,936.0	\$235.4	13.8%	6.2%
Compensating Tax	\$ (0.2)	\$ 5.7	\$38.4	\$44.6	\$6.1	16.0%	10.2%
Selective Sales Taxes *	\$ 25.1	\$ 23.8	\$416.0	\$402.1	(\$13.9)	-3.3%	5.0%
Personal Income Tax	\$ 214.9	\$ 250.1	\$1,012.1	\$1,150.7	\$138.6	13.7%	0.0%
Corporate Income Tax	\$ 15.9	\$ 39.7	\$46.1	\$67.0	\$20.9	45.4%	49.7%
Mineral Production Taxes *	\$ 29.9	\$ 34.6	\$281.6	\$380.5	\$98.9	35.1%	14.3%
License Fees	\$ 13.4	\$ 15.2	\$48.1	\$51.9	\$3.9	8.0%	1.6%
Investment Income	\$ 63.1	\$ 66.1	\$614.5	\$665.0	\$50.5	8.2%	7.7%
Rents and Royalties	\$ 34.2	\$ 50.6	\$368.4	\$503.1	\$134.7	36.6%	19.3%
Tribal Revenue Sharing	\$ 0.1	\$ -	\$47.1	\$46.8	(\$0.3)	-0.7%	3.3%
Miscellaneous Receipts	\$ 1.2	\$ 1.3	\$24.9	\$27.4	\$2.5	10.0%	2.5%
Reversions	\$ (7.9)	\$ 1.9	\$2.7	\$7.8	\$5.0	184.7%	-47.7%
Subtotal Recurring Rev.	\$ 579.8	\$ 662.1	\$4,600.4	\$5,282.7	\$682.3	14.8%	6.2%
Nonrecurring Revenue	\$ 15.9	\$ 0.0	\$185.4	\$43.5	(\$141.8)	-76.5%	-88.2%
Total Revenue	\$ 595.7	\$ 662.1	\$4,879.7	\$5,326.2	\$446.6	9.2%	-2.2%

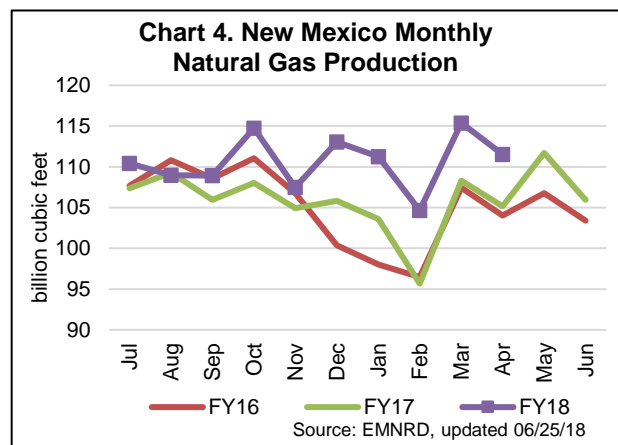
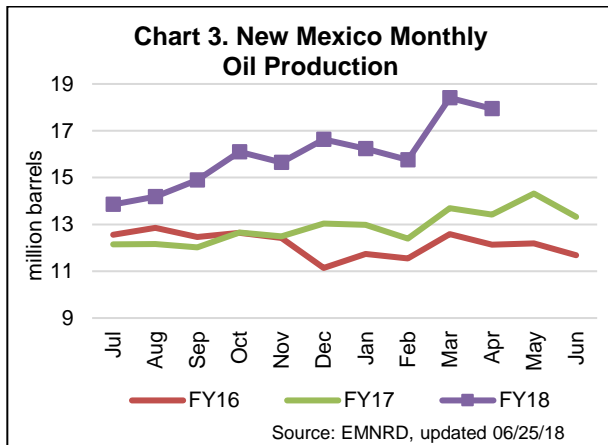
*Includes estimates for Insurance, Oil and Gas School Tax, and Oil Conservation Tax



Revenue Tracking. The last page provides the general fund revenue tracking chart for FY18. The chart details the actual revenues received year-to-date and the projected revenues for the remainder of the fiscal year based on the January 2018 consensus revenue estimate. Traditionally, projections for revenue collections through the end of the fiscal year are based on historical monthly shares of revenue collections by revenue source.

Strength in energy and GRT revenues continues to push recurring revenues to track above the consensus forecast. Recurring revenues for FY18 are tracking \$307.5 million, or 4.9 percent, above the January consensus estimate of \$6.2 billion. As discussed in previous reports, the primary driver of the revenue increase is the unexpected surge in oil production (see the LFC general fund revenue tracking reports for February and March 2018). The recent energy boom – in which per-day oil production has spiked over 20 percent above production levels known at the time of the consensus forecast – is driving up direct energy revenues (including mineral production taxes and rents and royalties for production on state and federal lands) as well as indirect revenues in GRT and PIT.

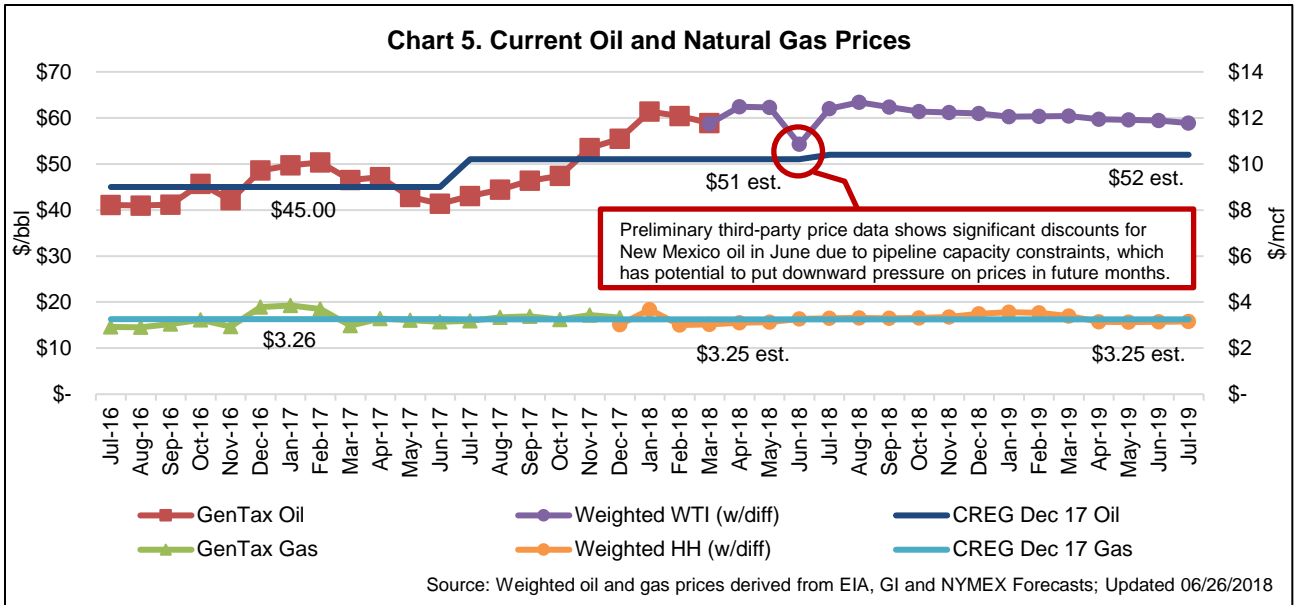
Oil and Gas. Oil and gas production data reported by the Energy, Minerals and Natural Resources Department’s Oil Conservation Division (OCD) are shown in Charts 3 and 4. Reporting by producers is due 45 days after the production month.



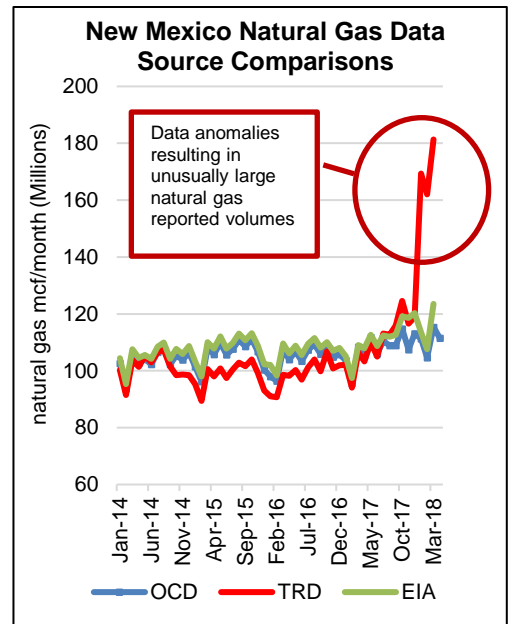
Preliminary data from OCD shows New Mexico produced 17.9 million barrels of oil in April, up from 13.4 million barrels last April. New Mexico oil production is now up 25.7 percent, or 32.6 million barrels, for FY18 through April from the same period a year ago. Along with oil production increases, New Mexico’s natural gas production for FY18 through March is up about 5 percent, or 52.3 billion cubic feet, from the same period a year ago.

New Mexico had 89 active drilling rigs in April, up from 56 active rigs a year ago. Active rig counts continued to climb in May and June, as reported by Baker Hughes, giving preliminary indication that oil and natural gas production levels are likely to be similarly high for those two months.

New Mexico oil prices are tracking about \$3 above the consensus forecast for FY18 at about \$54 per barrel. The average West Texas Intermediate (WTI) oil price in April was \$66.25, up from \$62.73 in March. While New Mexico price data for April is not yet available, the most recent data from the Taxation and Revenue Department shows New Mexico oil was \$58.86 in March, down from \$60.43 in February. The average price differential between New Mexico oil prices and WTI prices this fiscal year is now -\$3.16/bbl. However, oil and natural gas pipeline capacity constraints in the Permian basin are expected to cause significant increases in the price differential in future months. Preliminary industry data indicate the differential may be as high as -\$8 in May and over -\$11 in June.



New Mexico’s natural gas production in April was 111 billion cubic feet, up about 6 percent from the same month a year ago. Natural gas production over the last 6 months exceeded those production months in FY17 and FY16, with nearly all of the growth coming from the southeast region. The Henry Hub natural gas price in April was \$2.80, up from \$2.69 in March. While New Mexico natural gas prices tracked about 20 cents above Henry Hub prices this fiscal year, data anomalies with the Taxation and Revenue Department’s (TRD) reporting system continue to obfuscate volume and price data for recent months. Notably, natural gas volumes reported by TRD for January through March are particularly large, surpassing reported volumes by OCD and estimates by the U.S. Energy Information Administration. In turn, natural gas prices for these months as reported in TRD data is very low, suggesting New Mexico natural gas prices below Henry Hub as much as one dollar. However, this appears to be an error and the issue is reportedly under audit. Until resolved, state economists will have difficulties determining taxable volumes and New Mexico prices for natural gas.

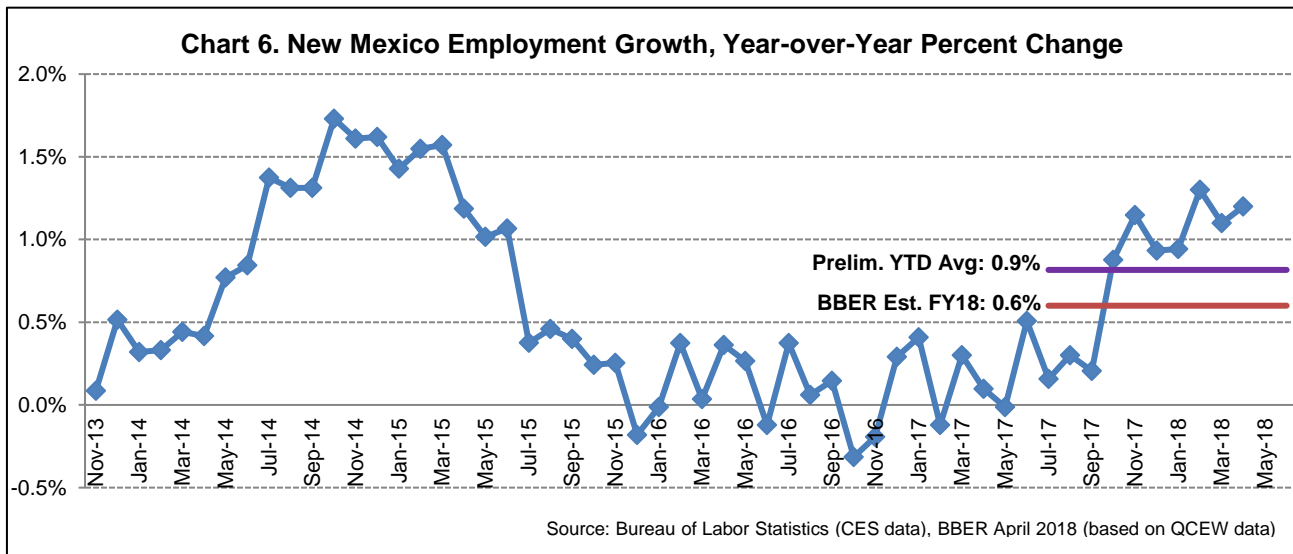


Gross Receipts. Underlying economic activity showed continued strength in April, with matched taxable gross receipts (MTGR) up 14 percent fiscal year-to-date. For the fourth straight month, all industries shown in Table 2 improved fiscal year-to-date. Industries with the most growth are mining, retail, construction, and wholesale trade, respectively. Combined, MTGR in these four industries grew by nearly \$4 billion from the same period last year, and total MTGR growth fiscal year-to-date was \$5.8 billion. About half of all MTGR growth continues to be concentrated in Eddy and Lea counties, indicating that the recent growth in GRT revenues is largely driven by the rebound in the energy sector.

Industry	Matched Taxable Gross Receipts	Year-over-Year Growth	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$3,804,463,165	\$1,943,223,283	104.4%
Utilities	\$2,056,036,821	\$51,519,768	2.6%
Construction	\$6,032,869,778	\$673,130,957	12.6%
Manufacturing	\$1,308,415,880	\$156,929,099	13.6%
Wholesale Trade	\$2,164,660,510	\$604,295,071	38.7%
Retail Trade	\$10,779,415,423	\$747,069,006	7.4%
Transportation and Warehousing	\$652,583,813	\$168,744,640	34.9%
Information	\$2,101,287,651	\$5,014,279	0.2%
Real Estate and Rental and Leasing	\$1,098,948,161	\$122,238,932	12.5%
Professional, Scientific, and Technical Services	\$5,192,794,900	\$251,438,323	5.1%
Administrative/Support & Waste Management/Remediation	\$1,047,762,517	\$66,117,960	6.7%
Health Care and Social Assistance	\$2,573,732,811	\$371,995,511	16.9%
Leisure and Hospitality Services	\$3,849,607,220	\$192,538,852	5.3%
Other Industries	\$4,943,489,329	\$482,271,030	n/a
Total	\$47,606,067,978	\$5,836,526,712	14.0%

Source: RP500

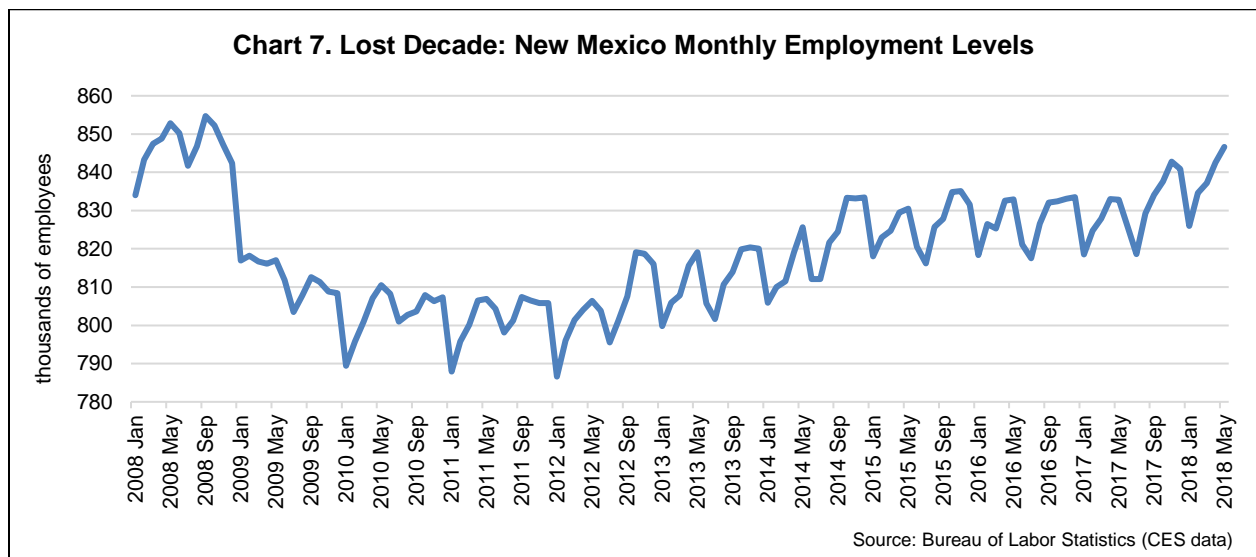
Employment Trends. Chart 6 below reflects New Mexico year-over-year employment growth, with data from the current employment statistics (CES) survey data. The state’s employment growth was 1.7 percent year-over-year in May, up significantly from 1.2 percent in April, according to data from the U.S. Bureau of Labor Statistics. This is the highest level of growth since October 2014, also at 1.7 percent. Additionally, it is noteworthy May was the first month since January 2013 in which New Mexico’s employment growth rate exceeded the national average.



The state’s unemployment rate in May was 5.1 percent, down from 6.2 percent for the same month last year, and compared with 3.8 percent nationally. New Mexico had the third highest state unemployment rate, behind Alaska and West Virginia. However, New Mexico ranked 16th nationally for annual job gains.

Based on CES preliminary data for May, the Workforce Solutions Department (WSD) reports New Mexico grew by 13,800 jobs, or 1.7 percent over the last year. The mining industry added 300 jobs, or 1.5 percent, in the last year, a growth rate at odds with the explosive growth in oil production. However, 11 of the 18 industry sectors and subsectors tracked by WSD showed gains. Notably, professional services rose by 3,800 jobs, or 3.7 percent; leisure and hospitality rose by 3,400 jobs, or 3.5 percent; and transportation and warehousing rose by 1,700 jobs, or 7 percent. Health care is no longer just flat-lining; it is now creating a drag on overall growth with both health care-related sectors declining by 0.6 percent.

Chart 7 below reflects the state’s total nonfarm employment levels since 2008, demonstrating the state has not yet reached pre-recession levels. This lost decade of job growth not only negatively impacts current economic and revenue growth, it might create a long-term drag on total earnings in New Mexico for years to come because of the decade of suppressed of wage inflation.



Explanation of Revenue Tracking Method. Appendix 1 shows the latest consensus revenue estimates and monthly accruals in detail. These estimates were finalized in January 2018. 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 “FY18 Actual + Estimate” is a sum of monthly DFA actuals, TRD accounting documents, and LFC estimates. The column entitled “FY18 Forecast” is the latest consensus revenue estimate. The next two columns calculate the tracking change in percentage and absolute terms.

FISCAL YEAR 2018 GENERAL FUND MONTHLY REVENUE TRACKING

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

6/28/18 1:17 PM

	ESTIMATED REVENUE ACCRUALS												FY18	TRACKING CHANGE		
	July Actual	Aug Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Est.	June Est.	Actual + Estimate	FY18 Jan. Forecast	% Diff.	\$ Diff.
Gross Receipts Tax	189.5	195.6	182.7	188.5	209.8	195.4	194.9	190.2	216.4	173.1	170.5	204.1	2,310.7	2,137.9	8.1%	172.8
Compensating Tax	4.5	4.9	6.7	5.6	(8.5)	6.6	6.1	6.4	6.5	5.7	4.2	5.2	53.9	53.5	0.8%	0.4
TOTAL GENERAL SALES TAXES	194.0	200.5	189.4	194.1	201.3	202.0	201.0	196.7	222.9	178.8	174.7	209.4	2,364.6	2,191.4	7.9%	173.2
Tobacco Products & Cigarette Taxes	7.5	7.4	6.2	6.3	5.6	6.1	5.1	8.9	3.8	6.6	6.3	8.4	78.2	79.4	-1.5%	(1.2)
Liquor Excise Tax	1.1	2.2	1.9	2.2	2.2	2.3	1.6	1.7	2.0	1.8	1.9	2.4	23.3	23.5	-0.6%	(0.2)
Insurance Premiums Tax	0.4	53.2	0.3	0.5	54.6	0.8	0.2	27.8	0.9	0.7	55.1	0.7	195.1	232.4	-16.0%	(37.3)
Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	18.7	18.7	17.8	4.9%	0.9
Motor Vehicle Excise Tax	12.4	14.1	12.9	12.1	11.5	11.8	12.6	11.1	14.2	12.5	13.8	13.2	152.2	150.3	1.3%	1.9
Gaming Excise Tax	5.2	5.0	5.1	4.8	4.7	5.1	4.8	5.0	6.0	1.7	5.0	5.0	57.3	59.6	-3.8%	(2.3)
Leased Vehicle Surcharge & Other	0.6	1.5	0.1	0.7	0.3	0.4	1.0	1.8	0.6	0.6	0.7	0.7	8.9	7.6	17.5%	1.3
TOTAL SELECTIVE SALES TAXES	27.3	83.5	26.5	26.6	78.8	26.5	25.2	56.3	27.5	23.8	82.8	49.0	533.8	570.6	-6.4%	(36.8)
Withholding	94.5	95.5	107.6	91.1	98.7	148.2	97.0	103.5	126.3	109.3	101.1	109.9	1,282.9	1,265.3	1.4%	17.6
Final Settlements	-	12.1	47.0	24.6	9.7	60.8	32.2	13.9	37.7	141.7	26.2	64.9	470.7	469.7	0.2%	1.0
Oil and Gas Withholding Tax	-	0.4	3.8	12.0	3.3	1.8	8.9	15.9	10.5	13.4	5.1	13.5	88.7	60.5	46.6%	28.2
Fiduciary Tax	(0.7)	0.7	(1.1)	(0.1)	1.6	1.5	0.1	0.3	4.4	(0.6)	1.6	(0.1)	7.6	6.1	25.8%	1.6
Gross Personal Income Tax	93.8	108.7	157.3	127.6	113.3	212.3	138.2	133.7	178.9	263.8	134.0	188.1	1,849.9	1,801.5	2.7%	48.4
Transfer to PIT Suspense	(8.6)	(7.8)	(11.7)	(9.4)	(8.5)	(11.1)	(165.3)	(72.6)	(48.6)	(11.5)	(12.9)	(8.4)	(376.5)	(393.4)	-4.3%	16.9
Retiree Health Care	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.5)	(26.6)	(27.1)	-1.8%	0.5
Less: Refunds, distributions to other funds	(10.8)	(10.0)	(13.8)	(11.6)	(10.7)	(13.3)	(167.5)	(74.7)	(50.8)	(13.7)	(15.1)	(10.9)	(403.1)	(420.4)	-4.1%	17.4
NET PERSONAL INCOME TAX	83.0	98.7	143.5	116.0	102.5	199.1	(29.2)	59.0	128.1	250.1	118.9	177.2	1,446.8	1,381.1	4.8%	65.7
CORPORATE INCOME TAX	-	3.8	0.5	25.3	(8.5)	(11.0)	9.1	6.0	2.1	39.7	9.3	24.4	100.7	105.0	-4.1%	(4.3)
TOTAL INCOME TAXES	83.0	102.5	144.0	141.3	94.0	188.1	(20.1)	65.0	130.1	289.8	128.2	201.7	1,547.5	1,486.1	4.1%	61.4
Oil and Gas School Tax	25.2	26.6	27.7	31.4	35.3	35.5	45.1	39.9	48.8	31.3	30.5	27.0	404.3	352.7	14.6%	51.6
Oil Conservation Tax	1.3	1.4	1.4	1.6	1.8	1.8	2.2	2.1	2.3	1.6	1.8	1.4	20.7	18.3	13.0%	2.4
Resources Excise Tax	0.7	0.8	0.7	0.7	0.9	0.7	0.7	0.3	0.9	0.7	0.7	0.8	8.7	9.3	-6.1%	(0.6)
Natural Gas Processors Tax	1.0	0.8	0.9	0.9	0.8	0.8	0.8	0.6	1.4	0.9	0.9	0.8	10.7	10.2	4.8%	0.5
TOTAL MINERAL PROD. TAXES	28.3	29.5	30.8	34.6	38.8	38.8	48.8	42.9	53.4	34.6	33.9	30.0	444.4	390.5	13.8%	53.9
LICENSE FEES	2.3	2.5	2.2	3.9	2.4	10.7	2.0	4.5	6.2	15.2	3.3	3.2	58.4	54.2	7.7%	4.2
Land Grant Perm. Fund Distributions	48.8	48.8	48.8	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.7	48.7	586.2	584.9	0.2%	1.3
State Treasurer's Earnings	1.5	2.3	(2.0)	(0.3)	(1.6)	0.5	(2.0)	0.3	2.7	(0.4)	-	-	1.0	-	0.0%	1.0
Severance Tax Perm. Fund Distributions	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	210.4	210.4	0.0%	(0.0)
TOTAL INVESTMENT EARNINGS	67.8	68.7	64.3	66.1	64.8	66.9	64.4	66.7	69.1	66.1	66.3	66.3	797.5	795.3	0.3%	2.2
Federal Mineral Leasing Royalties	33.0	33.8	29.4	66.4	32.2	36.2	44.6	39.2	43.2	46.3	38.2	115.0	557.7	510.0	9.4%	47.7
State Land Office Bonuses, Rents	14.9	12.1	13.2	7.7	15.9	3.0	15.6	8.4	3.4	4.4	6.3	2.5	107.4	95.0	13.0%	12.4
TOTAL RENTS & ROYALTIES	47.9	45.9	42.6	74.2	48.2	39.3	60.2	47.6	46.6	50.6	44.5	117.5	665.1	605.0	9.9%	60.1
TRIBAL REVENUE SHARING	0.1	0.0	0.1	15.5	-	16.1	0.4	0.1	14.5	-	0.4	15.9	63.1	64.8	-2.7%	(1.7)
MISCELLANEOUS RECEIPTS	0.9	0.9	0.8	0.8	17.8	1.1	1.9	0.9	1.0	1.3	1.1	20.4	48.8	50.7	-3.8%	(1.9)
REVERSIONS	0.0	0.0	0.0	0.1	3.6	0.0	0.6	(0.1)	1.6	1.9	2.5	22.6	32.9	40.0	-17.8%	(7.1)
TOTAL RECURRING REVENUE	451.5	534.0	500.8	557.2	549.8	589.5	384.3	480.6	573.0	662.1	537.5	735.9	6,556.1	6,248.6	4.9%	307.5
Non-Recurring	0.0	13.5	0.5	2.5	15.5	11.2	0.0	0.4	(0.1)	0.0	-	-	43.5	-	-	-
Additional Transfers	-	-	-	-	-	-	-	-	-	-	-	8.0	8.0	-	-	-
TOTAL NON-RECURRING REVENUE	0.0	13.5	0.5	2.5	15.5	11.2	0.0	0.4	(0.1)	0.0	-	8.0	51.5	68.2	-	(16.7)
GRAND TOTAL REVENUE	451.5	547.5	501.3	559.7	565.3	600.6	384.3	481.0	572.9	662.1	537.5	743.9	6,607.6	6,316.8	4.6%	290.8

Estimates are developed by LFC and based on the consensus revenue estimate and historical monthly patterns; the non-recurring additional transfers amount for June includes amounts expected due to solvency legislation