

# General Fund Revenue and Economic Update

Presented to the Legislative Finance Committee  
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# The Question

- ▶ Are the general fund revenues tracking with the January Forecast?

# Discussion of Indicators & Trends

- ▶ Income Trends
- ▶ Employment Trends
- ▶ New Mexico Oil and Gas Trends
- ▶ Gross Receipts Tax Trends
- ▶ Tax Credits by Program

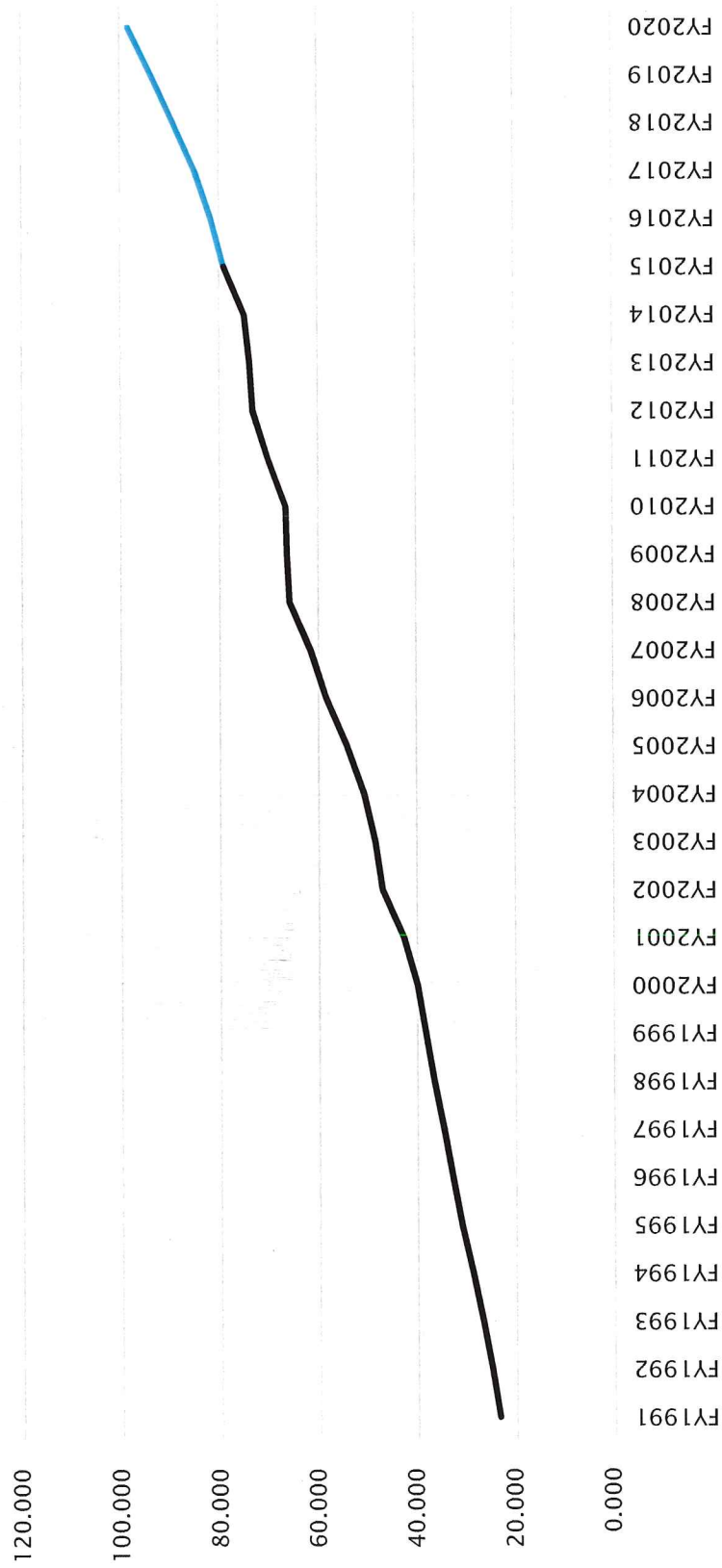
# Income Trends

- ▶ Income and wage data varies by source. However, all sources indicate that New Mexico incomes are rising.
- ▶ The Bureau of Economic Analysis data indicates that New Mexico per capita personal income (PCPI) increased 5.2% during the period 2013-2014.
- ▶ In contrast national PCPI increased only 3.6% for the same period.
- ▶ BBER forecasts personal income to grow 3.2% in FY16, 4.0% in FY17, 5.1% in FY18, 5.0% in FY19 and 4.9% in FY20.

# BBER Personal Income Forecast

## Personal Income

Source: Bureau of Business and Economic Research, January 2016



Forecast begins in blue line.

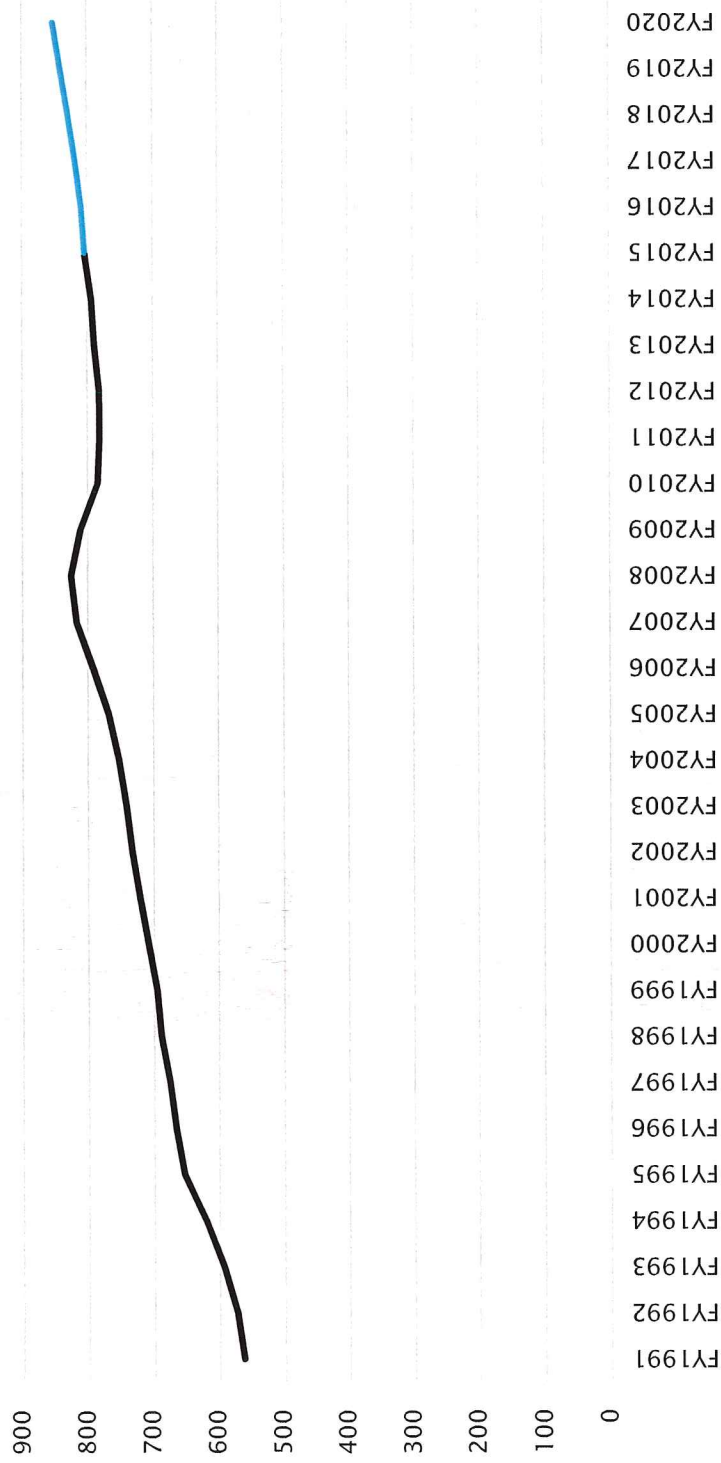
# Employments Trends

- ▶ NMDWS estimates that employment will increase approximately 12% during the period 2012–2022
- ▶ NMDWS also reports that 101,600 jobs will be created. 35% of these jobs will be new opportunities, while the balance of opportunities are anticipated as replacement due to workers leaving the occupation.
- ▶ BBER forecasts non-agricultural employment to grow 0.6% in FY16, 1.1% in FY17, 1.4% in FY18, 1.5% in FY19 and 1.4% in FY20.

# BBER Employment Forecast

## Total Employment

Source: Bureau of Business and Economic Research, January 2016



Forecast begins in blue line.

# Employments Trends

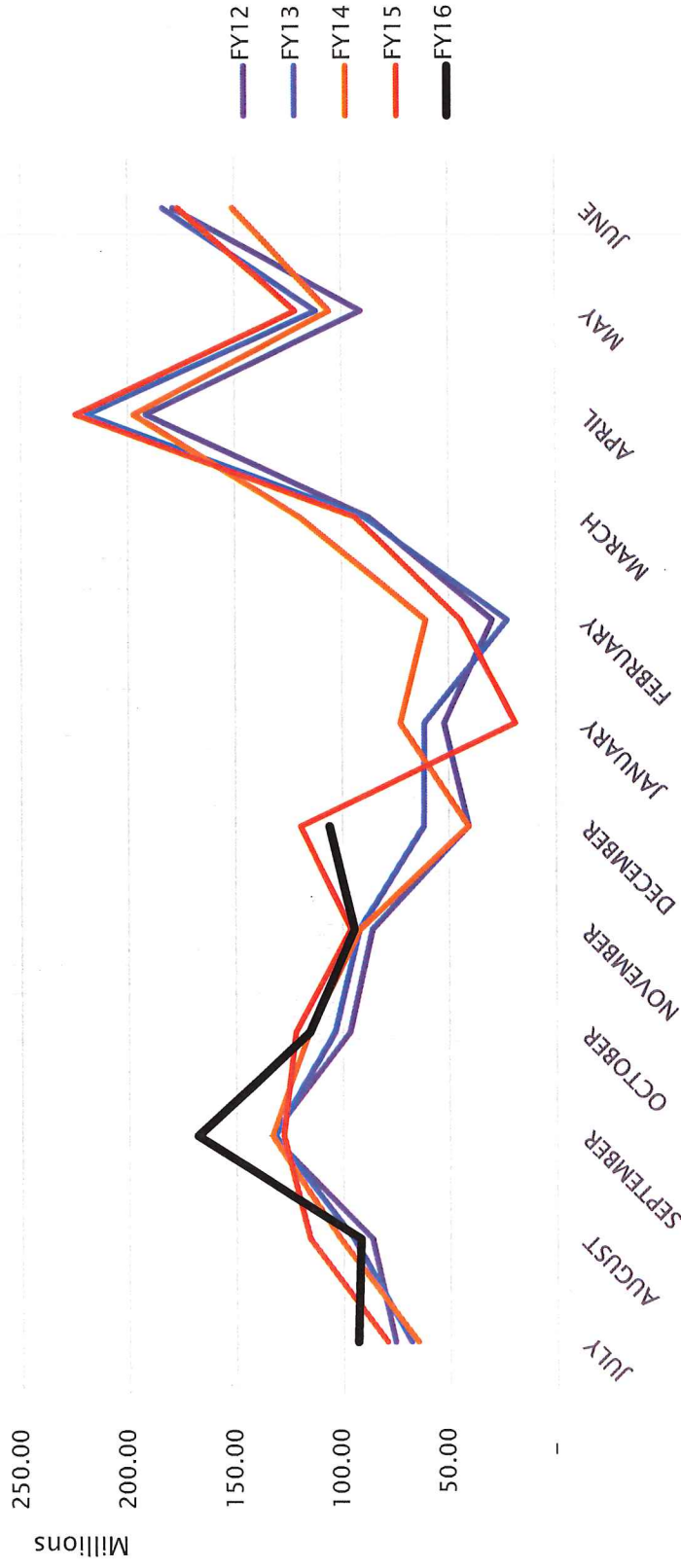
- ▶ The unemployment rate in NM in 2014 was 6.5%; overall employment is up, as the unemployment rate in 2010 was 8.1%.
- ▶ NM is recovering from the recession more slowly than neighboring states and the nation, but the trend remains positive.
- ▶ The Bureau of Labor Statistics data reports that the NM unemployment rate averaged 6.55% for the last six months of 2015 (July through December). During the same period the number of jobs grew at an average rate of 0.5%.
- ▶ Long-term unemployment – unemployment lasting 27 weeks or longer – is down.



# NET Personal Income Tax

NET Personal Income Tax , General Fund

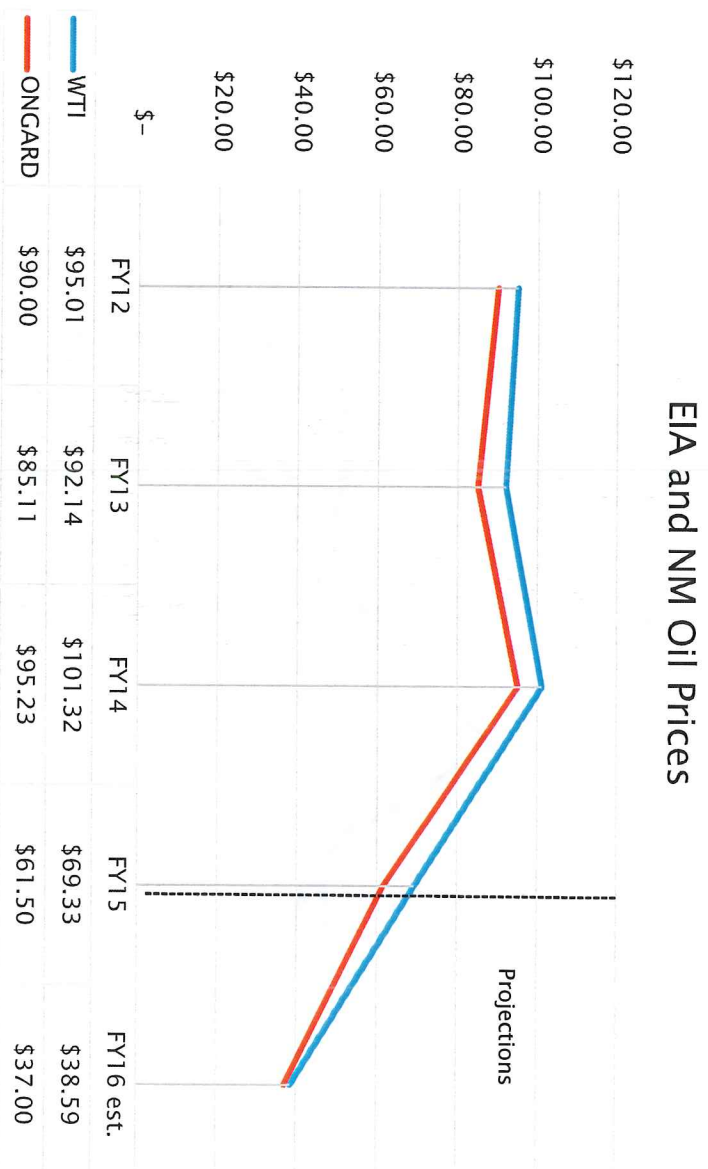
Source: DFA General Fund Report, February 23, 2016



Third quarter of fiscal year is the lowest quarter due to refunds. The fourth quarter is historically higher due to final return payments.

# Oil Prices

- Oil prices averaged \$31.98 per barrel during the sales month of December.
- The fiscal year-to-date average price is \$40.73, \$3.73 above January CREG forecast of \$37.00.

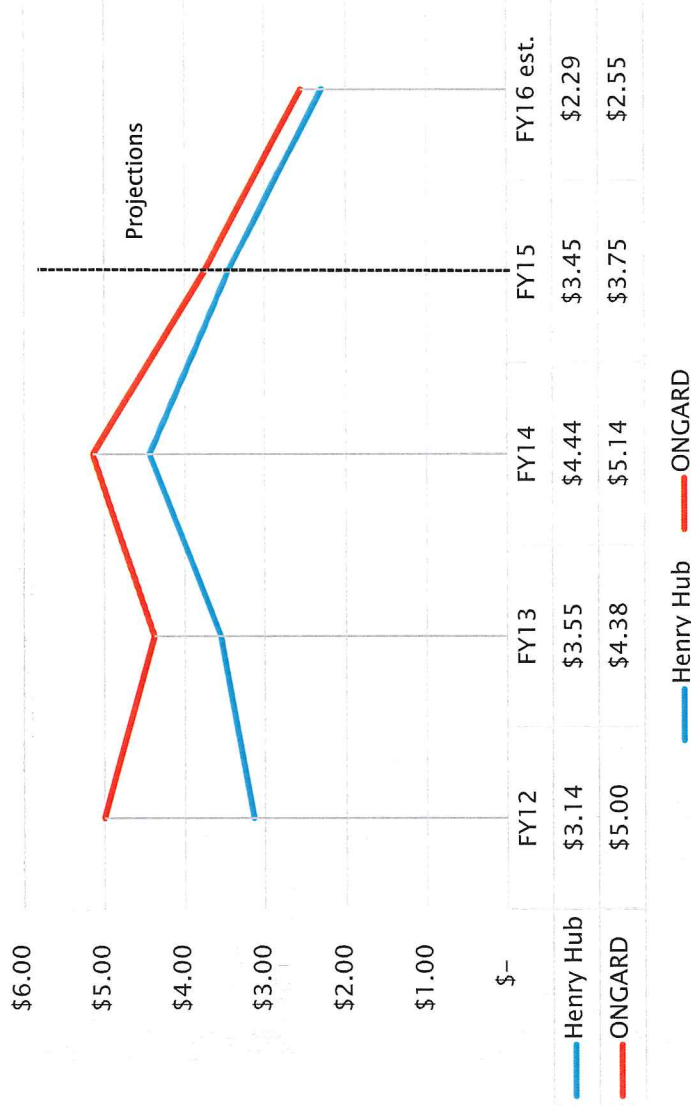


Source: US Energy Information Administration and the ONGARD system as of 3/17/2016

# Natural Gas Prices

- Natural gas prices averaged \$2.33 during the sales month of December.
- The fiscal year-to-date average price is \$2.65, \$0.10 above the January CREG forecast of \$2.55.

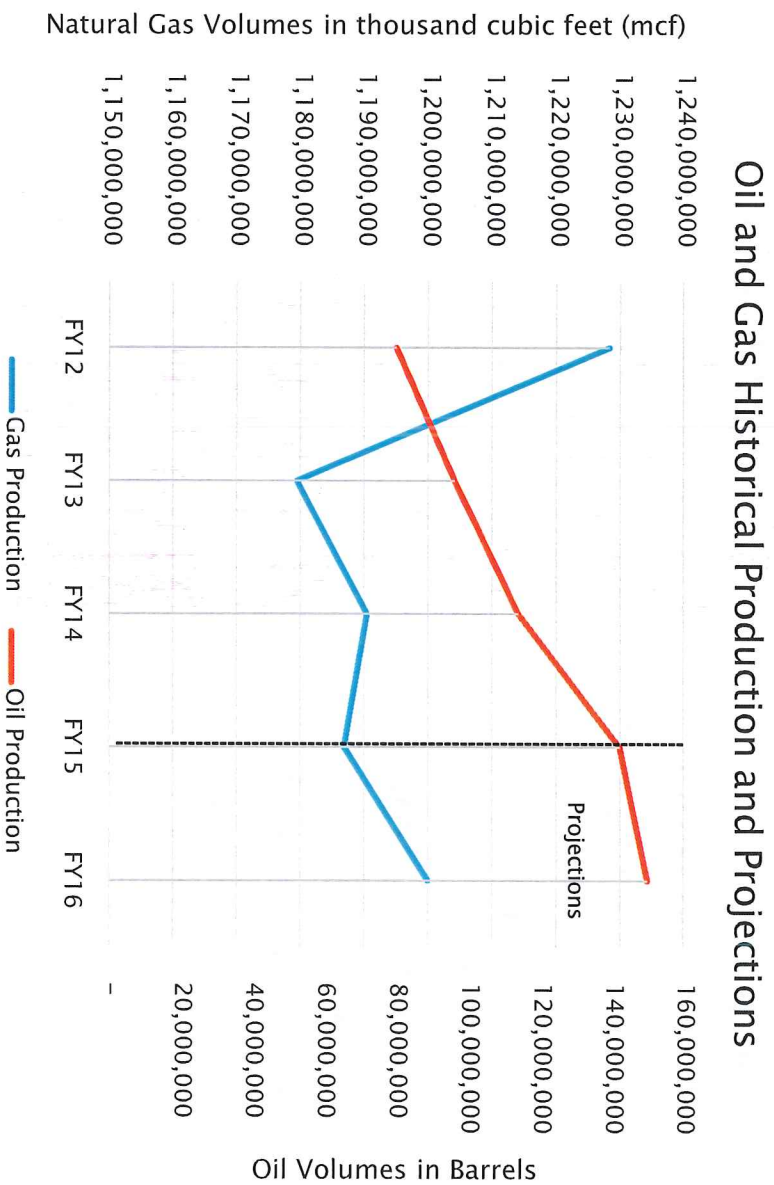
EIA and NM Natural Gas Prices



Source: US Energy Information Administration and the ONGARD system as of 3/17/2016

# New Mexico Oil and Natural Gas Production

- December oil production declined 9.3%, and natural gas production declined 7.2% over November.
- Lower production in the Permian Basin was caused by the severe winter storm that hit New Mexico and halted production approximately during 6 days.

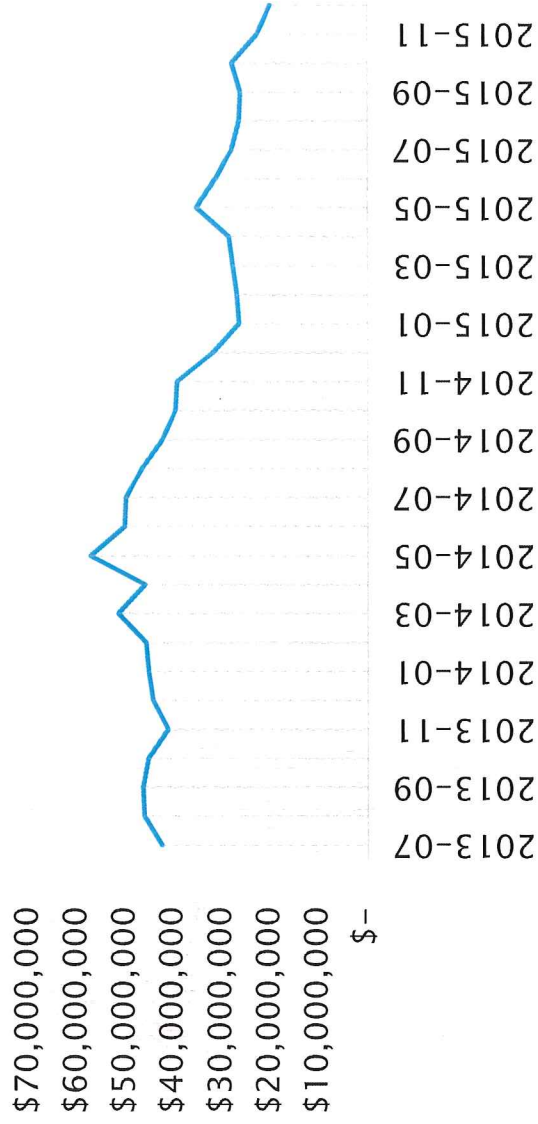


Source: the ONGARD system as of 3/17/2016

# General Fund Distributions

- Fiscal year-to-date deposits to the General Fund total \$153.1 million over 6 months.
- If price and production conditions stay the same on average in the next 6 months, FY16 total deposits will meet the January CREG projection of \$294.5 million.

Total Oil, Gas, Minerals to General Fund



Source: TRD and the ONGARD system as of 3/18/2016

# Domestic and Global Market Risks

- ▶ Downward Risks:
  - ▶ Low oil demand and high supply in the global market.
  - ▶ No official OPEC–Russian agreement yet to freeze oil production to January levels.
  - ▶ Lifting of sanctions on Iran; increasing oil production, target is 4m barrels/day.
- ▶ Upward Risks:
  - ▶ Increasing gasoline demand due to lower prices and upcoming driving season.
  - ▶ US inventory levels have been more favorable than analysts expected.
  - ▶ OPEC members and Russia will meet in Doha on April 17, presumably to reach a global supply deal.
  - ▶ Fed rates unchanged bringing stability to markets.

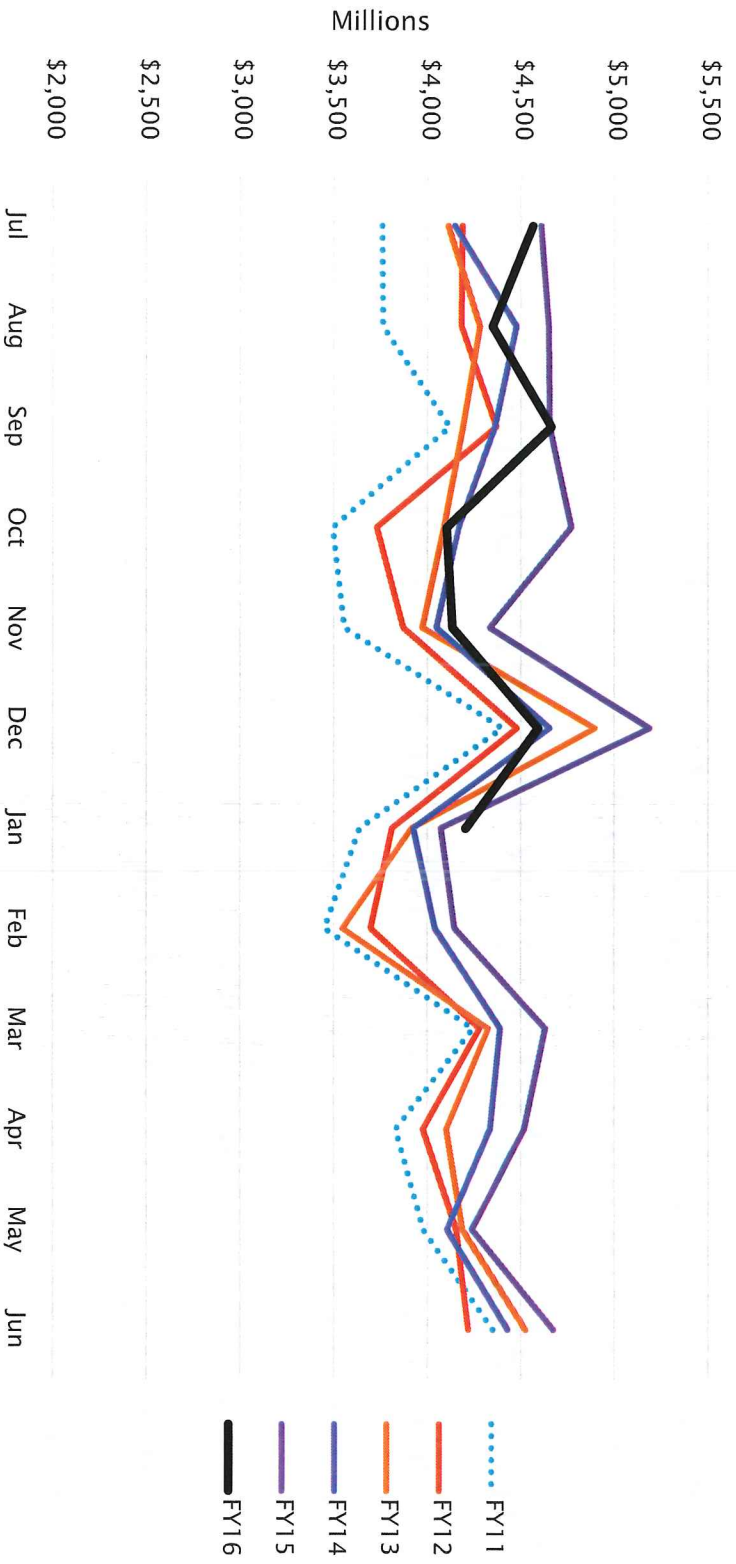
# Gross Receipts

- ▶ GRT Trends and RP-500 report
  - Matched taxable gross receipts
  - Gross receipts tax paid
- ▶ GRT estimating model reliability
  - Mining and construction employment
- ▶ Industry trends
  - Winners and losers
- ▶ Upward and downward risks
  - Local economy
  - U.S. economic conditions

# Matched Taxable Gross Receipts

Matched TGR. General Fund. All Industries

Source: RP-500 thru January 2016 Accrual

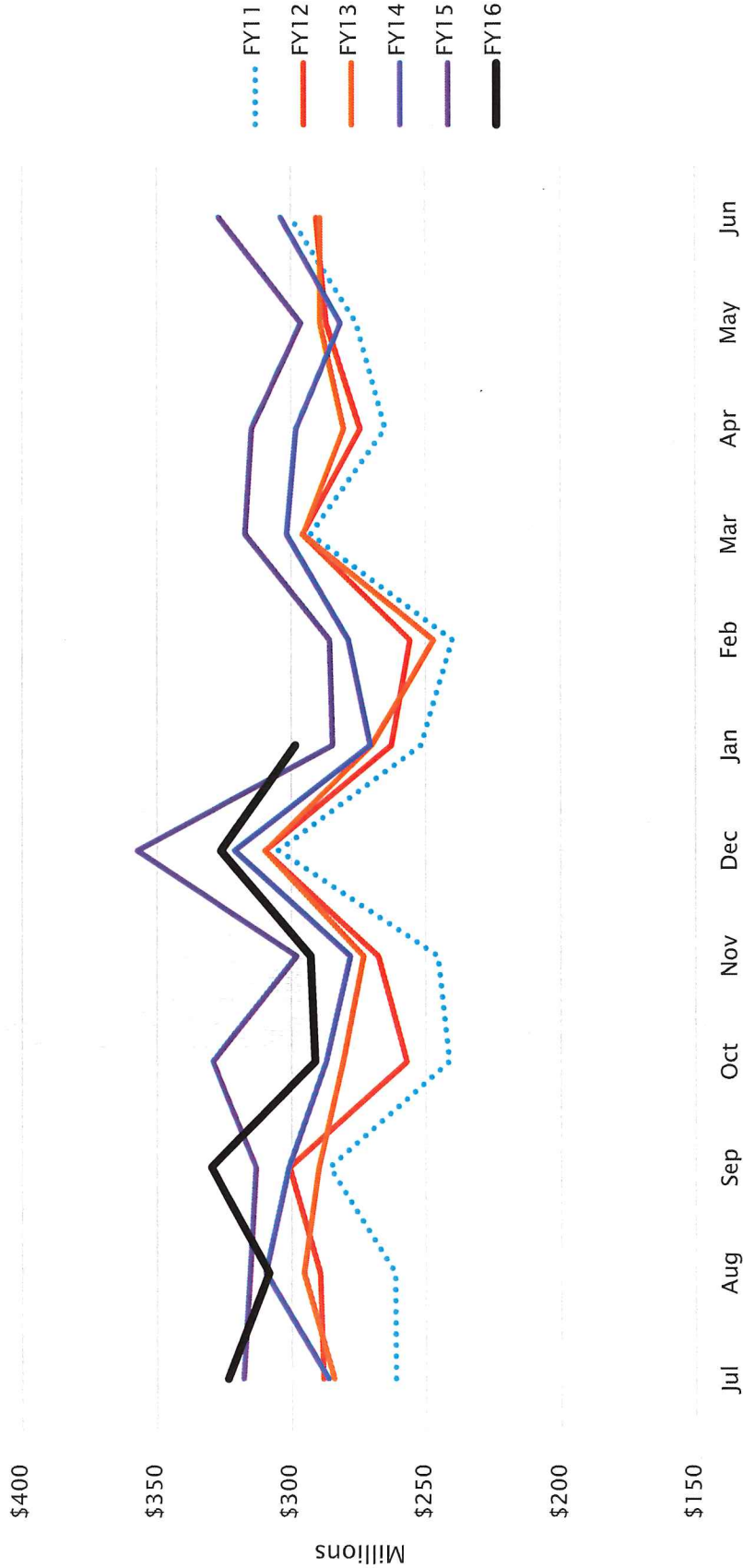




# Gross Receipts Tax

Total Gross Tax (Total Tax Paid). General Fund. All Industries

Source: RP-500 Thru January 2016 Accrual



# Business Tax Credits by Program

Credit	FY15 Final	FY16 To Date	Program applied to
High-Wage	\$66,817	\$44,687	MCT
Film	\$50,000	\$9,066	PIT or CIT
Investment	\$2,842	\$1,140	MCT
Technology Jobs	\$5,483	\$1,576	MCT, PIT or CIT
Advanced Energy	\$585	\$31	GRT or Comp.
REPTC*	\$30,600	\$31,600	PIT or CIT

- NOTES:
- Rounded to the \$thousands.
- MCT = Modified combined tax
- Comp. = Compensating Tax
- GRT = Gross Receipts Tax
- PIT = Personal Income Tax
- CIT = Corporate Income Tax
- \* REPTC: maximum estimated liability

# Revenues

- ▶ Are the general fund revenues tracking with the January Forecast?
- ▶ All trends and indicators evaluated lead to the conclusion that the revenues are tracking.

# Thank you!

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&  
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