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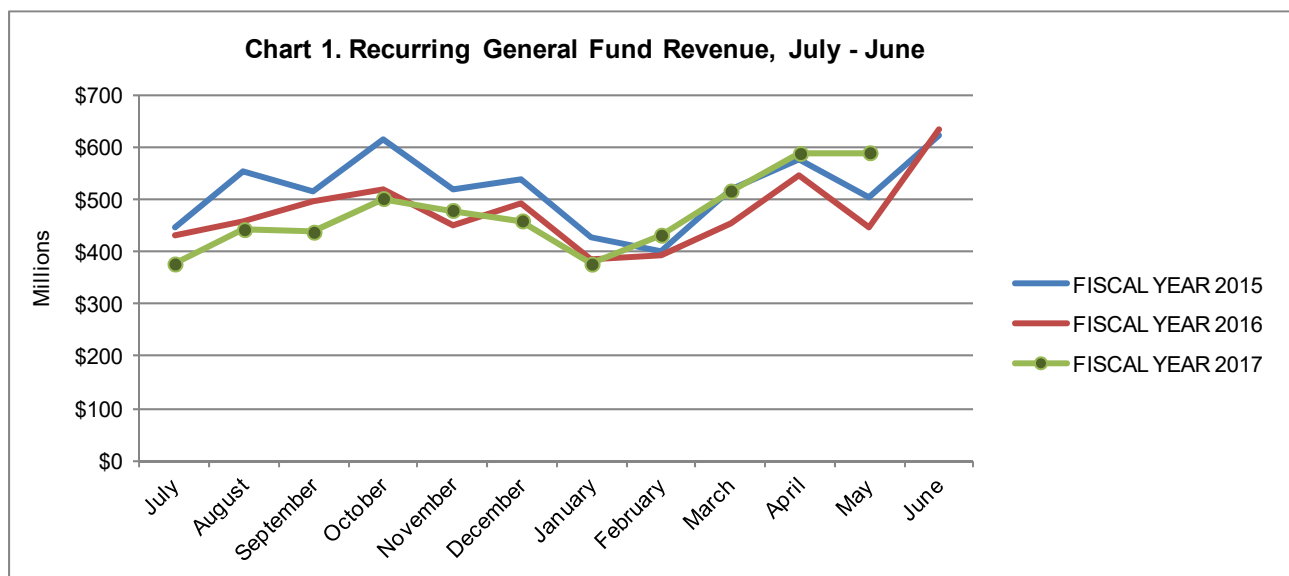
July 26, 2017

General Fund Revenue Tracking Report: Accruals through May 2017

This general fund revenue tracking report reflects revenue accruals through May 2017 as reported by the Department of Finance and Administration.

Summary. May recurring revenues were \$589 million, up \$141 million, or 32 percent, from a year ago. As shown in Chart 1 below, monthly recurring revenues for FY17 were stronger than FY16 for the fourth month in a row and stronger than FY15 for the second month in a row.

Revenue collection for FY17 through May was \$5.2 billion, up \$121 million, or 2.4 percent from the same period a year ago. This growth significantly exceeds the consensus revenue forecast of a 1.9 percent decrease in revenue for the full fiscal year.



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

Gross receipts tax (GRT) revenue for May was \$39.3 million stronger than last year at \$187.5 million, and GRT revenue year-to-date was up \$110.3 million, or 6.2 percent. GRT revenues in May exceeded expectations again at \$37.4 million above projections for the month, and this was the fifth month in a row revenues were stronger than the same time a year ago. However, about \$10 million of May's strength was attributed to continued abnormal revenue from "60-day money and other credits" (60-day money is disencumbrance of tax payments held in suspense), totaling \$135 million over the last 12 months above the historical trend. The cause of the abnormal increase is unknown but is being researched by the Taxation and Revenue Department (TRD), and the agency should determine the cause and whether the new trend will continue or reverse before the August revenue forecast is released. Year-to-date GRT revenue was \$110.3 million higher than the same period in FY16, but about \$97 million of the strength was due to this above-trend 60-day money and other credits issue.

Table 1. General Fund Revenue Accruals: FY17 vs. FY16

Revenue Category	May Revenue	May Revenue	Fiscal Year-to-Date Through May		Year-over-Year Amount Change	Year-over-Year Growth	Projected Full-Year Growth: Dec. 2016 Forecast
	FY16	FY17	FY16	FY17			
Gross Receipts Tax	\$ 148.2	\$ 187.5	\$1,777.8	\$1,888.1	\$110.3	6.2%	-5.4%
Compensating Tax	\$ 3.1	\$ 5.1	\$42.0	\$43.5	\$1.5	3.6%	6.7%
Selective Sales Taxes *	\$ 76.8	\$ 79.3	\$488.3	\$495.3	\$7.0	1.4%	0.7%
Personal Income Tax	\$ 105.2	\$ 119.3	\$1,161.0	\$1,131.4	(\$29.7)	-2.6%	0.3%
Corporate Income Tax	\$ 18.1	\$ 3.1	\$114.1	\$49.1	(\$65.0)	-56.9%	-40.9%
Mineral Production Taxes *	\$ 9.0	\$ 25.8	\$237.9	\$307.4	\$69.5	29.2%	11.0%
License Fees	\$ 2.6	\$ 2.5	\$51.8	\$50.5	(\$1.3)	-2.5%	1.7%
Investment Income	\$ 61.1	\$ 62.9	\$700.6	\$677.3	(\$23.2)	-3.3%	-3.8%
Rents and Royalties	\$ 22.4	\$ 102.4	\$401.6	\$470.8	\$69.2	17.2%	8.5%
Tribal Revenue Sharing	\$ 0.0	\$ 0.0	\$49.1	\$44.5	(\$4.6)	-9.4%	-0.3%
Miscellaneous Receipts	\$ 1.3	\$ 1.4	\$26.5	\$26.2	(\$0.3)	-1.0%	28.0%
Reversions	\$ 0.0	\$ 0.0	\$23.6	\$10.7	(\$12.9)	-54.6%	-32.1%
Subtotal Recurring Rev.	\$ 447.9	\$ 589.2	\$5,074.4	\$5,194.9	\$120.5	2.4%	-1.9%
Nonrecurring Revenue	\$ 0.2	\$ 4.1	\$0.2	\$275.4	\$275.2	n/a	n/a
Total Revenue	\$ 448.1	\$ 593.3	\$5,074.6	\$5,470.3	\$395.7	7.8%	2.1%

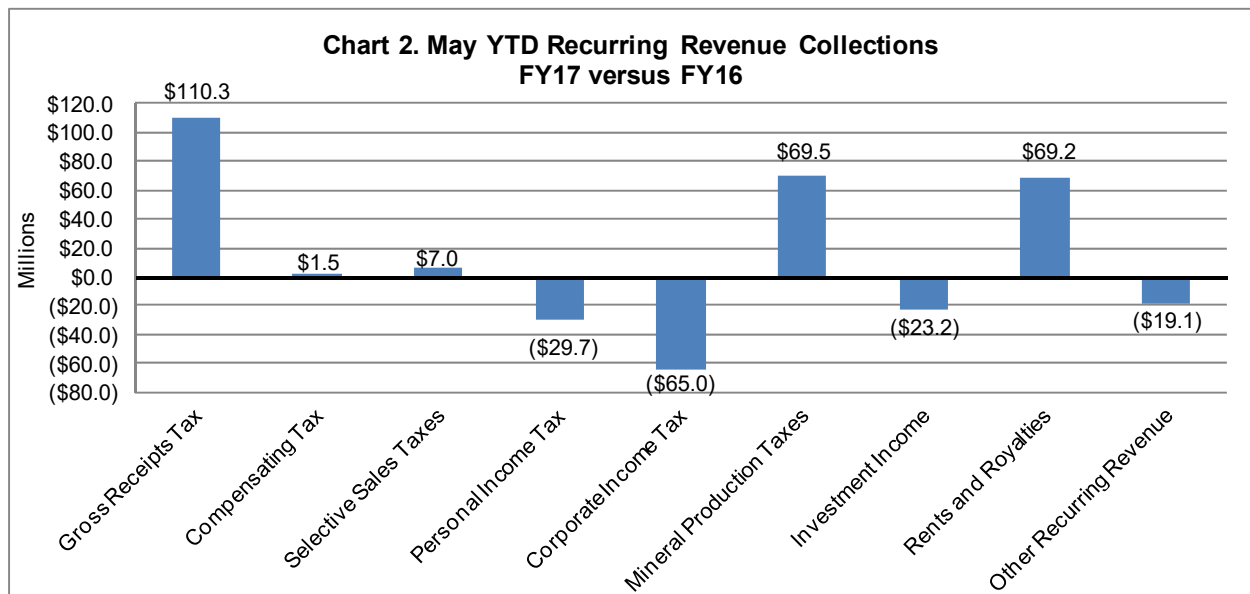
*Includes estimates for Insurance, Oil and Gas School Tax, and Oil Conservation Tax

Personal income tax revenues for May were up \$14.1 million from a year ago, although revenues year-to-date were down \$29.7 million, or 2.6 percent. Withholding tax revenues continue to be weaker than projected and are likely a lingering result of the last two years' replacement of high-wage, full-time jobs in the oil and gas industry with lower-wage jobs requiring fewer hours per week in the leisure and hospitality and healthcare sectors.

Corporate income tax revenues for May barely reached positive territory at \$3.1 million, down \$15 million from May 2016, and year-to-date revenues fell by \$65 million, or 56.9 percent, from FY16. Including preliminary revenues for June, this volatile revenue source generated just \$40.7 million in FY17, down significantly from the forecast of \$70 million and FY16 revenues of \$118.5 million – already low compared with historical averages.

Mineral production taxes from the oil and gas industry were up \$69.5 million year-to-date, or 29.2 percent, from this time last year. Rents and royalties from the oil and gas industry are similarly tracking \$69.2 million above last year after finally receiving in May the nearly \$70 million payment for the annual federal lease sale that occurred in September by the Bureau of Land Management.

Miscellaneous receipts in May barely exceeded \$1 million for the fifth straight month, and year-to-date revenues are tracking down by more than half, or \$12.9 million; however, this is partly due to the significant volatility in the timing of unclaimed property revenue collections, and TRD reported more than \$8 million was received for unclaimed property in June.



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. 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 now tracking at about \$145 million, or 2.6 percent, above the December estimate of \$5.6 billion.

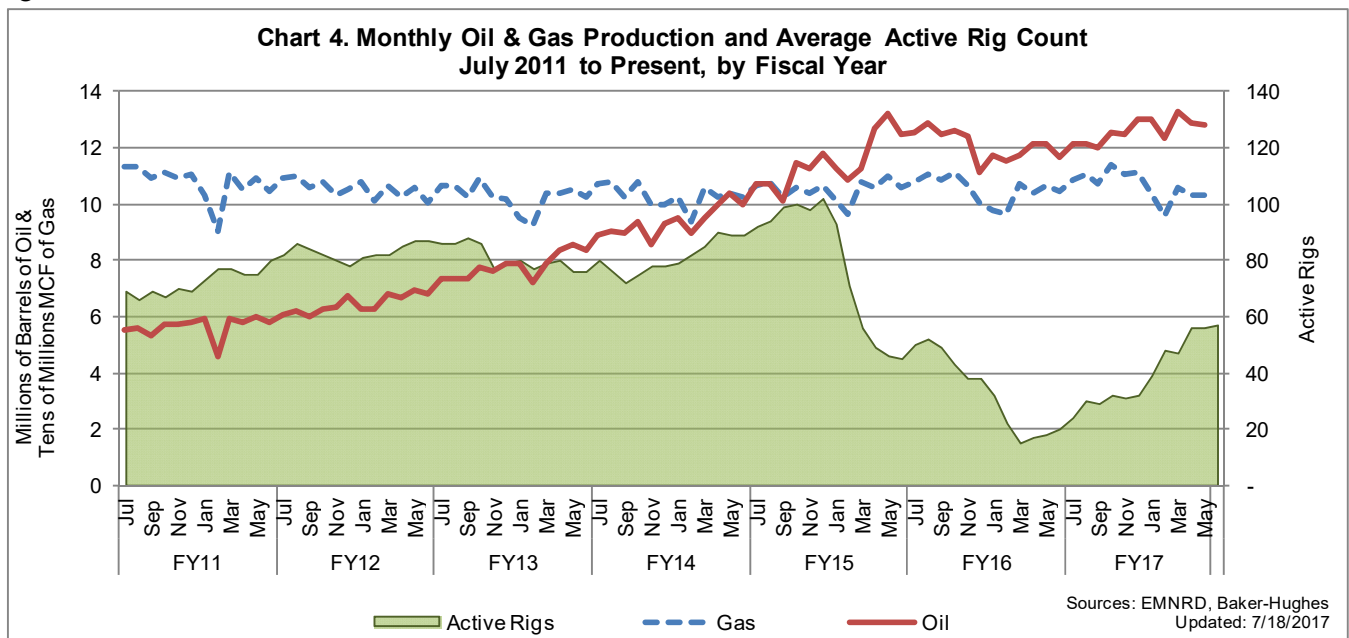
Gross Receipts. All industries shown below in Table 2 improved from April to May with the exception of leisure and hospitality, which remained flat at 2.6 percent growth FYTD compared with the same period a year ago.

Underlying economic activity remains slightly weak year-over-year but improved again in May; matched taxable gross receipts (MTGR) rose from -2.7 percent year-to-date through April to -1.3 percent through May. MTGR reconciles tax returns against payments to account for total revenues generated by business activity within a given month. The mining industry again showed substantial improvement, rising from -12.1 percent through March to -5.6 percent through April and -3.9 percent through May. Construction grew significantly, rising from 2 percent growth through April to 3.6 percent growth through May, as did the administrative and waste management industries grouping, improving from -9.2 percent through April to -5.3 percent through May.

Table 2. Matched Taxable Gross Receipts by Industry July 2016 - May 2017		
Industry	Matched Taxable Gross Receipts	Year-over-Year Change
Mining, Quarrying, and Oil and Gas Extraction	\$2,047,137,261	-3.9%
Utilities	\$2,184,318,651	5.4%
Construction	\$5,956,555,710	3.6%
Manufacturing	\$1,284,652,693	-14.0%
Wholesale Trade	\$1,746,045,671	-7.6%
Retail Trade	\$11,041,264,887	0.0%
Transportation and Warehousing	\$540,127,258	-7.3%
Information	\$2,312,593,624	-0.3%
Real Estate and Rental and Leasing	\$1,087,999,589	-3.6%
Professional, Scientific, and Technical Services	\$5,523,546,963	-6.1%
Administrative/Support & Waste Management/Remediation	\$1,096,414,763	-5.3%
Health Care and Social Assistance	\$2,439,985,075	2.5%
Leisure and Hospitality Services	\$4,044,018,078	2.6%
Other Industries	\$4,929,826,080	n/a
Total	\$46,234,486,304	-1.3%

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 (OCD). Reporting by producers is due 45 days after the production month. Oil production reported for April was revised to 12.9 million barrels, up from the 12.5 million barrels initially reported for April. OCD reported May oil production at 12.8 million barrels, up 5.4 percent from 12.2 million barrels in May 2016. Oil production fiscal-year-to-date is tracking above that of a year ago, up 3.3 percent, or 4.4 million barrels. The state had 56 active drilling rigs in May, equal to active rigs for April.

Current data for natural gas production show a drop in May to 103 billion cubic feet, down 3.1 billion cubic feet, or 3.4 percent, from May 2016. As was the case with oil production, OCD revised April natural gas production figures upward to 103 billion cubic feet, compared with the 101.7 billion cubic feet initially reported. Natural gas production fiscal-year-to-date is up by 1.3 percent, or 14.7 billion cubic feet, compared with the same period a year ago.



The average West Texas Intermediate (WTI) oil price in May was \$48.52/bbl, down from \$51.06/bbl in April. The most recent ONGARD data show New Mexico oil was priced at \$47.20/bbl in April, up from \$46.62 in March. The average price differential between New Mexico oil prices and WTI prices this fiscal year is now -\$3.40/bbl.

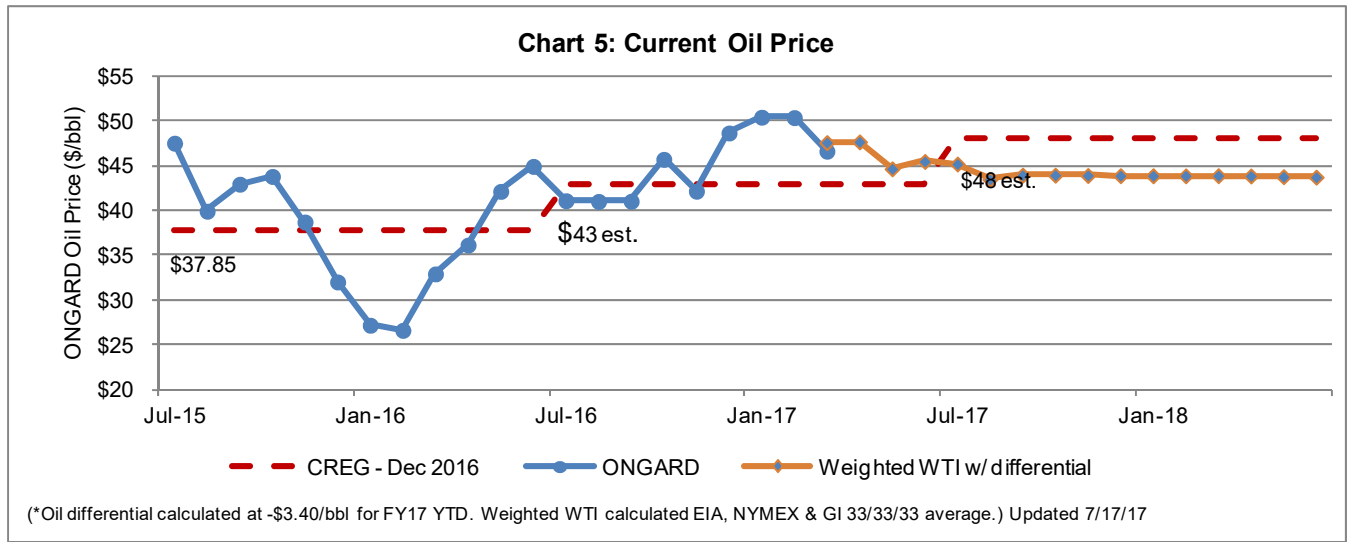


Chart 5 presents New Mexico oil price data (ONGARD) and an average weighted WTI price as indicated by the U.S. Energy Information Administration (EIA), IHS Global Insight (GI), and NYMEX futures and includes the average price differential. Average weighted WTI prices are on par with the consensus forecast for FY17; however, due to market pressures beginning in March and continuing into July, future weighted prices are now tracking below the estimate for FY18.

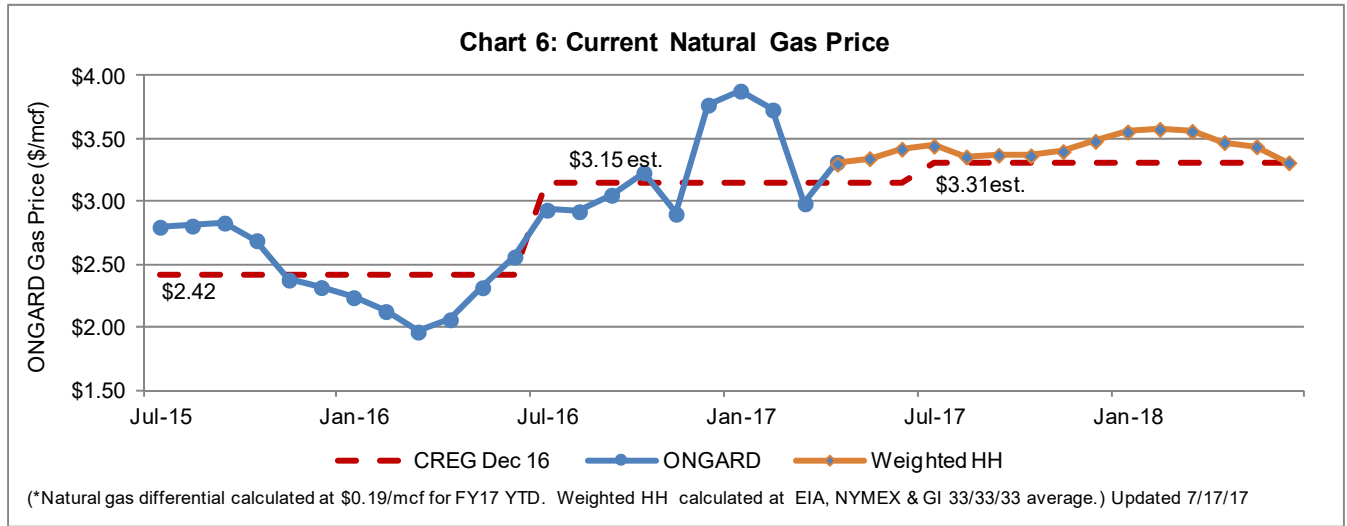
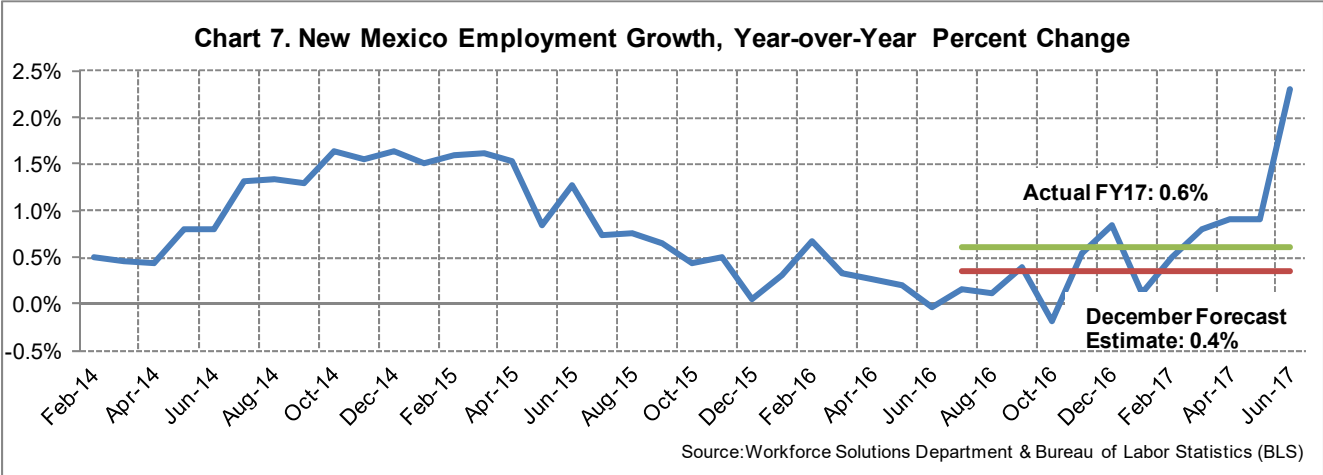


Chart 6 presents natural gas price data (ONGARD) and an average Henry Hub (HH) price as indicated by EIA, GI, and NYMEX. Natural gas prices for FY17 are tracking slightly above the December forecast, and forecasts for FY18 prices show relative strength over the December estimate. Henry Hub gas prices in May rose to \$3.25/mcf,

up from \$3.20/mcf in April. The most recent ONGARD data show New Mexico natural gas prices rose to \$3.31/mcf in April from \$2.98/mcf in March.

Employment Trends. Chart 7 below reflects New Mexico year-over-year employment growth. Average employment for FY17 was 0.6 percent compared with the December consensus forecast of 0.4 percent. New Mexico added jobs significantly faster in June than over the last two years, gaining 19.3 thousand jobs year-over-year, or 2.3 percent growth. The Workforce Solutions Department reports part of this apparent growth is actually due to shifts in seasonality in government employment. However, private industries added 18.9 thousand jobs, or 3 percent, which was the strongest growth in more than a decade.

The leisure and hospitality sector led the growth, adding 7,500 jobs, or 7.7 percent. The majority of this year-over-year growth came in the last month, and LFC economists believe the unprecedented growth level warrants a cautious view, as this might be revised down later. Other economic indicators related to this industry are not yet available for June but will be reviewed as soon as they become available to corroborate or refute the reported job growth. Construction gained 3,500 jobs, or 8.1 percent, falling relatively in line with other recent indicators of construction activity. Only two of 13 industries posted job losses, manufacturing at 800 jobs and mining by 200 jobs – the smallest decline since the downturn two years ago.



Explanation of Revenue Tracking Method. Appendix 1 shows the latest consensus revenue estimates and monthly accruals in detail. These estimates were finalized in December 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.

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	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Actual +	FY17 Dec.	YTD	YTD
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Est.	Estimate	Forecast + Solvency	% Δ	\$ Δ
1	Gross Receipts Tax	148.4	158.8	139.8	195.1	156.4	192.2	163.2	165.1	191.6	190.1	187.5	146.6	2,034.7	1,868.6	8.9%	166.1
2	Compensating Tax	3.9	4.4	7.3	(0.4)	3.8	5.5	4.2	5.7	4.3	(0.2)	5.1	4.5	48.0	50.0	-4.0%	(2.0)
3	TOTAL GENERAL SALES TAXES	152.2	163.2	147.0	194.6	160.1	197.6	167.4	170.9	195.9	190.0	192.6	151.2	2,082.8	1,918.6	8.6%	164.2
4	Tobacco Products & Cigarette Taxes	6.2	8.2	5.9	7.1	5.6	6.4	4.2	7.1	6.7	5.9	6.2	7.8	77.3	75.0	3.1%	2.3
5	Liquor Excise Tax	0.5	0.6	0.5	0.6	0.6	0.7	0.4	0.5	0.6	0.5	0.6	0.7	6.7	6.9	-2.5%	(0.2)
6	Insurance Premiums Tax	0.2	52.8	1.3	0.2	53.4	0.7	0.6	61.8	0.8	0.5	56.2	0.9	229.5	229.2	0.1%	0.3
7	Fire Protection Fund Reversion	-	-	-	-	-	-	-	-	-	-	-	15.5	15.5	0.0%	-	
8	Motor Vehicle Excise Tax	11.3	13.9	11.0	12.5	10.9	11.7	11.7	10.7	13.7	12.6	12.1	12.5	144.5	142.5	1.4%	2.0
9	Gaming Excise Tax	5.2	4.7	4.7	4.7	4.5	5.1	4.8	5.1	5.6	5.1	3.5	4.6	57.6	58.5	-1.5%	(0.9)
10	Leased Vehicle Surcharge	0.5	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.5	0.3	0.6	0.5	5.5	5.4	1.4%	0.1
11	Other	0.1	0.5	(0.1)	0.3	0.1	(0.3)	0.8	(0.0)	(0.8)	0.2	0.2	0.2	1.3	2.2	-39.8%	(0.9)
12	TOTAL SELECTIVE SALES TAXES	24.2	81.3	23.8	25.9	75.6	24.8	22.8	85.5	27.0	25.1	79.3	42.7	538.0	535.2	0.5%	2.8
13	Withholding	99.4	86.0	109.8	83.5	91.6	130.2	89.1	92.8	115.5	89.3	92.8	108.7	1,188.8	1,223.1	-2.8%	(34.3)
14	Final Settlements	-	12.3	41.6	23.6	11.7	31.8	35.3	13.2	32.0	145.2	25.8	64.8	437.4	438.6	-0.3%	(1.2)
15	Oil and Gas Withholding Tax	-	0.2	3.7	5.4	6.7	1.7	8.9	3.1	6.7	4.9	13.0	16.2	70.4	74.5	-5.5%	(4.1)
16	Fiduciary Tax	(0.3)	0.3	(0.2)	0.0	(0.1)	0.2	(0.4)	(0.0)	3.9	0.0	0.9	(0.2)	4.1	7.6	-46.4%	(3.5)
17	Gross Personal Income Tax	99.1	98.9	155.0	112.5	110.0	163.9	132.8	109.0	158.1	239.5	132.5	189.4	1,700.7	1,743.8	-2.5%	(43.1)
18	Transfer to PIT Suspense	(6.4)	(7.4)	(15.5)	(5.8)	(5.8)	(78.9)	(95.7)	(62.4)	(42.6)	(22.4)	(11.0)	(7.1)	(360.8)	(383.2)	-5.8%	22.4
19	Retiree Health Care	(2.7)	(2.7)	(2.7)	(2.7)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.6)	(28.7)	(29.6)	-3.0%	0.9
20	Less: Refunds, distributions to other funds	(9.1)	(10.1)	(18.2)	(8.5)	(8.0)	(81.1)	(97.8)	(64.6)	(44.8)	(24.6)	(13.2)	(9.7)	(389.6)	(412.8)	-5.6%	23.2
21	NET PERSONAL INCOME TAX	90.0	88.8	136.8	104.0	102.0	82.7	35.0	44.5	113.4	214.9	119.3	179.7	1,311.1	1,331.0	-1.5%	(19.9)
22	Gross Corporate Payments	-	(4.7)	(9.4)	19.6	7.2	(8.4)	18.3	1.0	6.7	15.9	3.1	(8.4)	40.7	70.0	-41.8%	(29.3)
23	Less: Refunds, Credits & Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	NET CORPORATE INCOME TAX	-	(4.7)	(9.4)	19.6	7.2	(8.4)	18.3	1.0	6.7	15.9	3.1	(8.4)	40.7	70.0	-41.8%	(29.3)
25	TOTAL INCOME TAXES	90.0	84.1	127.5	123.5	109.2	74.3	53.3	45.5	120.0	230.8	122.4	171.3	1,351.8	1,401.0	-3.5%	(49.2)
26	Oil and Gas School Tax	22.0	22.1	22.0	23.4	25.0	27.8	30.3	26.6	26.3	26.8	22.9	23.2	298.4	273.3	9.2%	25.1
27	Oil Conservation Tax	1.0	1.0	1.0	1.1	1.2	1.4	1.5	1.4	1.4	1.4	1.4	1.1	15.0	14.3	4.7%	0.7
28	Resources Excise Tax	0.8	0.8	0.9	0.8	0.8	0.9	0.8	0.8	0.9	0.8	0.7	1.2	10.1	13.0	-22.6%	(2.9)
29	Natural Gas Processors Tax	0.9	0.8	1.0	0.9	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8	10.2	10.0	2.2%	0.2
30	TOTAL MINERAL PROD. TAXES	24.7	24.6	24.9	26.2	27.8	30.9	33.4	29.6	29.4	29.9	25.8	26.3	333.6	310.6	7.4%	23.1
31	LICENSE FEES	2.2	2.7	2.5	2.1	2.2	9.0	2.6	3.5	7.8	13.4	2.5	3.6	54.1	55.8	-3.0%	(1.7)
32	Land Grant Perm. Fund Distributions	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.2	45.2	45.2	45.0	541.4	540.5	0.2%	0.9
33	State Treasurer's Earnings	(0.2)	(2.0)	1.1	(1.1)	(4.7)	0.2	0.9	0.8	0.0	1.2	1.0	(0.5)	(3.3)	-	0.0%	(3.3)
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	57.1	62.0	62.7	62.6	61.9	63.1	62.9	61.2	738.6	740.9	-0.3%	(2.3)
36	Federal Mineral Leasing Royalties	19.6	22.3	33.1	53.1	26.5	30.2	26.2	30.2	34.0	30.6	96.8	32.9	435.6	420.0	3.7%	15.6
37	State Land Office Bonuses, Rents	0.1	3.2	2.0	13.3	9.5	3.0	5.7	1.5	20.6	3.6	5.7	5.8	74.0	55.0	34.6%	19.0
38	TOTAL RENTS & ROYALTIES	19.7	25.5	35.1	66.4	36.0	33.2	31.9	31.7	54.6	34.2	102.4	38.7	509.6	475.0	7.3%	34.6
39	TRIBAL REVENUE SHARING	0.7	-	12.2	0.8	0.0	14.5	0.9	0.0	15.2	0.1	0.0	16.4	60.9	64.2	-5.2%	(3.3)
40	MISCELLANEOUS RECEIPTS	1.1	0.9	1.1	0.9	7.9	8.3	1.0	1.4	1.1	1.2	1.4	18.0	44.2	61.5	-28.1%	(17.3)
41	REVERSIONS	-	0.0	0.0	0.2	2.8	4.1	(0.0)	0.6	2.9	0.0	0.0	28.3	39.0	45.1	-13.5%	(6.1)
42	TOTAL RECURRING REVENUE	376.3	442.1	437.1	501.5	478.8	458.8	376.0	431.4	515.9	587.7	589.2	557.6	5,752.5	5,607.8	2.6%	144.7
43	Non-Recurring	8.0	0.2	(0.1)	0.0	0.4	(0.2)	28.0	30.7	11.0	8.0	3.0	-	88.9	-	-	-
44	Additional Transfers	49.0	3.0	5.3	8.6	14.5	17.1	42.6	40.8	3.8	0.6	1.1	155.5	342.0	-	-	-
45	TOTAL NON-RECURRING REVENUE	57.0	3.2	5.3	8.6	14.9	16.9	70.6	71.5	14.7	8.6	4.1	155.5	430.9	430.9	-	-
46	GRAND TOTAL REVENUE	433.3	445.4	442.4	510.1	493.7	475.7	446.6	503.0	530.6	596.3	593.3	713.2	6,183.5	6,038.7	2.4%	144.7

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