

Quarterly Economic Summary

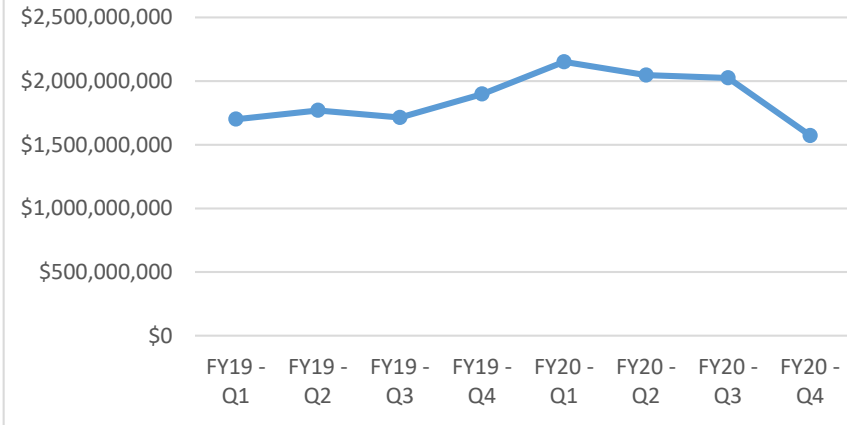
Eddy County



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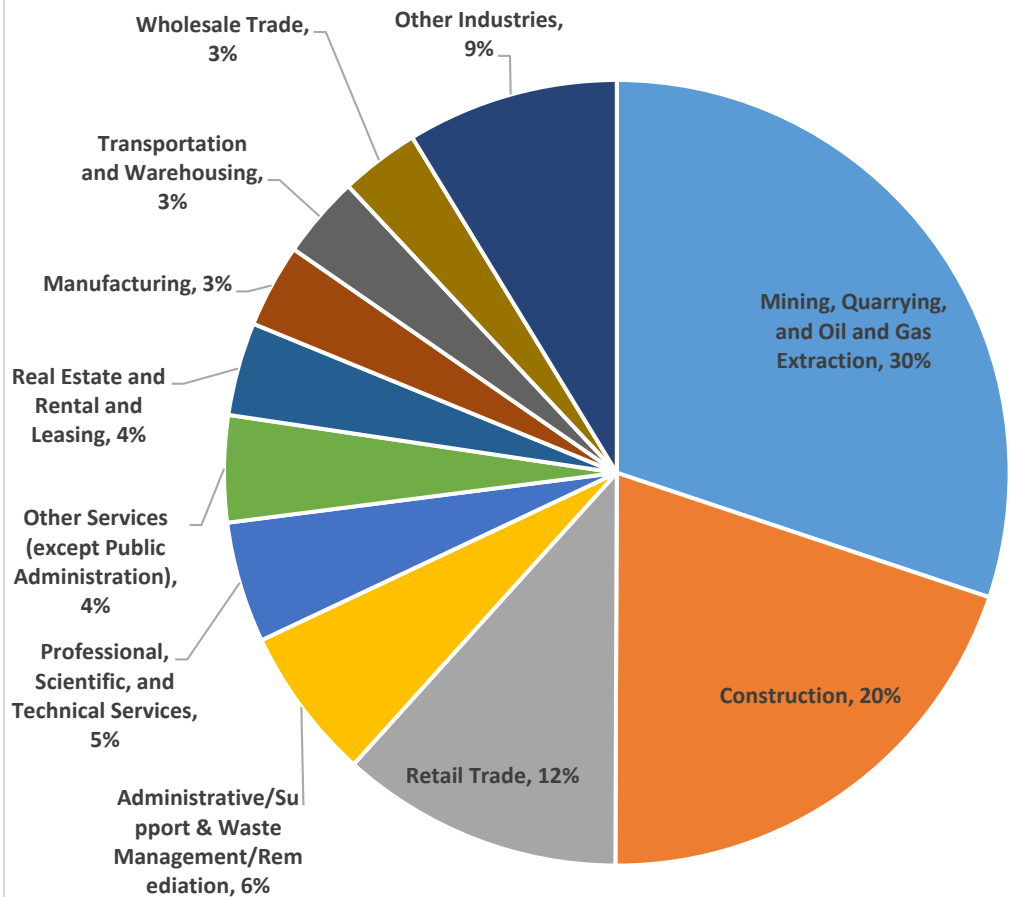
Chart 1. Matched Taxable Gross Receipts Per Quarter



The fourth quarter of FY20 is the first full quarter of economic impacts from the COVID-19 pandemic. Business closures and reduced consumer spending locally began to take effect at the end of March. Since then, the state instituted reopening phases designed to slow the spread of the virus while providing a systematic approach to reopening the economy. However, the continuation of the COVID-19 health crisis and the subsequent closures of many businesses statewide caused downward trends in matched taxable gross receipts across the state.

Eddy County saw a decline, from Q3 FY20 to Q4 FY20, of \$452M or 22% in its matched taxable gross receipts (MTGR), as seen in Chart 1. Table 1, on the next page, shows a decrease of \$326M from Q4 in FY19 to FY20 of the same period. Table 1 also shows the mining, quarrying, and oil and gas extraction industry suffer the largest loss in year over year growth (-\$78M). Despite this large loss, the industry still accounted for 30% of the county's MTGR

Chart 2. FY20 - Q4 Industry Size by Matched Taxable Gross Receipts



Matched Taxable Gross Receipts (MTGR) is the best tax data available to show underlying economic activity. It matches a tax payment with reported receipts for each taxpayer, by industry.

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Table 1. Matched Taxable Gross Receipts by Industry

Industry	FY19 - Q4	FY20 - Q4	Growth	Year over year Change
Accommodation and Food Services	\$ 61,187,417	\$ 36,688,709	\$ (24,498,709)	-40%
Administrative/Support & Waste Management/Remediation	\$ 98,206,018	\$ 99,126,298	\$ 920,279	1%
Agriculture, Forestry, Fishing, and Hunting	\$ 1,616,982	\$ 2,231,396	\$ 614,414	38%
Arts, Entertainment, and Recreation	\$ 441,198	\$ 151,515	\$ (289,683)	-66%
Construction	\$ 319,371,864	\$ 313,134,738	\$ (6,237,126)	-2%
Educational Services	\$ 357,910	\$ 408,369	\$ 50,459	14%
Finance and Insurance	\$ 3,859,059	\$ 3,292,027	\$ (567,032)	-15%
Health Care and Social Assistance	\$ 20,125,213	\$ 13,370,155	\$ (6,755,057)	-34%
Information	\$ 21,241,081	\$ 25,942,305	\$ 4,701,224	22%
Management of Companies and Enterprises	\$ -	\$ -	\$ -	N/A
Manufacturing	\$ 79,372,560	\$ 54,084,396	\$ (25,288,164)	-32%
Mining, Quarrying, and Oil and Gas Extraction	\$ 551,903,846	\$ 473,628,177	\$ (78,275,668)	-14%
Other Services (except Public Administration)	\$ 81,760,679	\$ 68,953,411	\$ (12,807,268)	-16%
Professional, Scientific, and Technical Services	\$ 66,269,205	\$ 78,244,497	\$ 11,975,292	18%
Public Administration	\$ -	\$ 1,407	\$ 1,407	N/A
Real Estate and Rental and Leasing	\$ 64,769,980	\$ 60,299,050	\$ (4,470,930)	-7%
Retail Trade	\$ 246,198,146	\$ 182,750,046	\$ (63,448,099)	-26%
Transportation and Warehousing	\$ 75,640,226	\$ 53,229,058	\$ (22,411,167)	-30%
Unclassified Establishments	\$ 9,226,968	\$ 3,671,374	\$ (5,555,594)	-60%
Utilities	\$ 79,833,001	\$ 51,243,209	\$ (28,589,792)	-36%
Wholesale Trade	\$ 116,448,466	\$ 51,279,699	\$ (65,168,767)	-56%
All Industries	\$ 1,897,829,818	\$ 1,571,729,837	\$ (326,099,981)	-17%

in Q4 of FY20.

Eddy County has seen large year over year increases in the its annual GRT collections dating back to FY11, as seen in Chart 3. From FY11 to FY20, annual collections have increased by 376%. From FY19 to FY20, annual collections increased by \$7.3M or roughly 16%. Quarterly GRT collections dropped from Q3 FY20 to Q4 FY20 by \$3.2M or 23%, as seen in Chart 4.

HB6, passed in 2019, made widespread tax changes within New Mexico. One notable change is the conversion to destination-based sourcing that will begin after a two-year delay. During the 2020 Special Session, that legislation was amended, increasing a temporary distribution to municipalities and counties. Now municipalities will receive a distribution that is a portion of \$2.5 million while counties will receive a distribution that is a portion of \$1.5 million. The amounts distributed will be proportional to the size of the community's population versus that of the entire group. These amounts are subject to change if the federal government provides municipalities and counties future grants to offset revenue declines attributable to COVID-19.

Chart 3. Annual Total GRT Revenue Collections

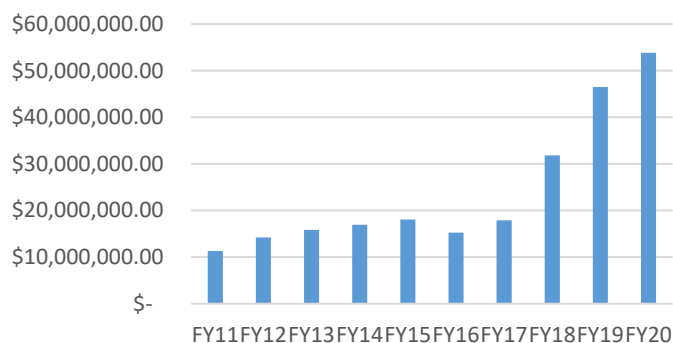
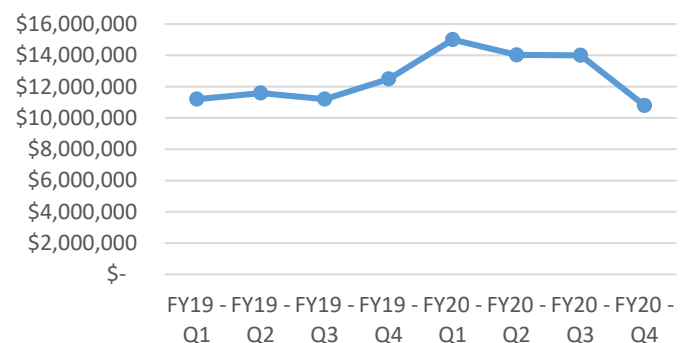


Chart 4. Quarterly GRT Revenue Collections



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Chart 5. Quarterly Average Total Employment & Weekly Wage

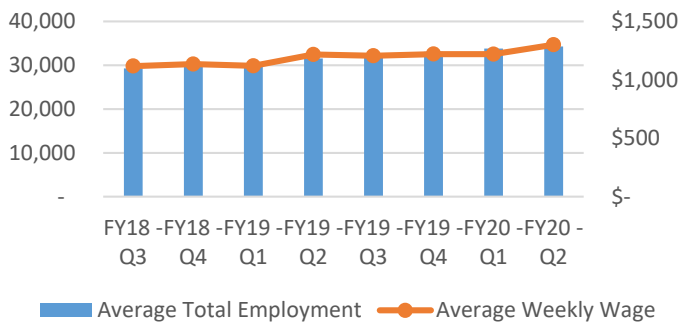
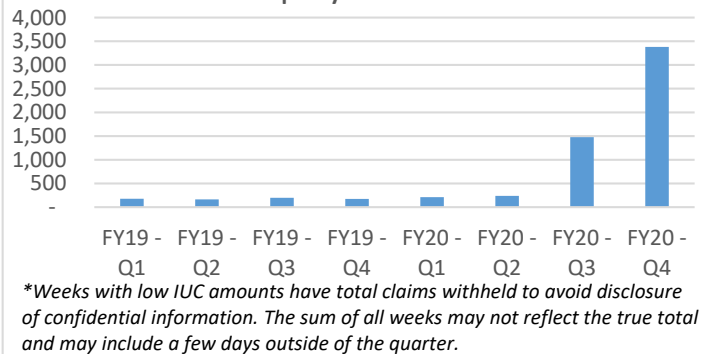


Chart 6. Quarterly Initial Unemployment Claims



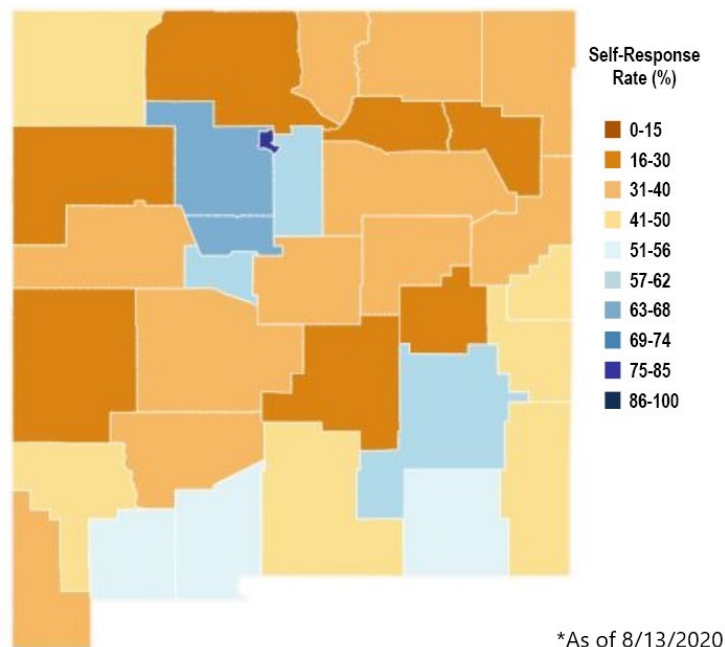
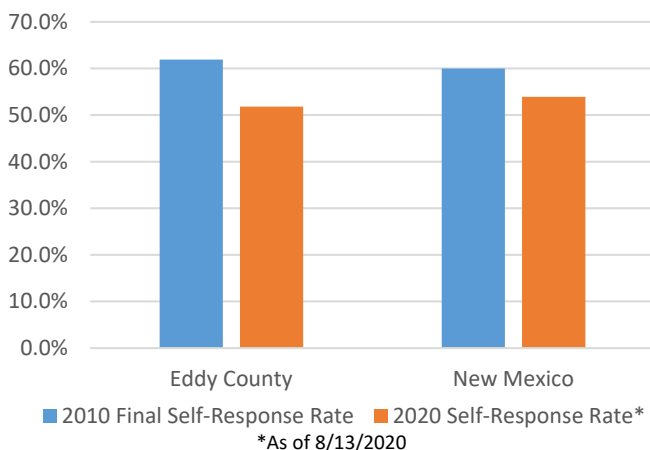
New Mexico receives over \$6 billion each year through federal programs which benefit the entire community: health care, nutrition, highways, education, housing, jobs and more that allocate funds on per capita basis. Each New Mexican not counted equates to a loss of approximately \$3,745 in funding per year. If New Mexico undercounts residents by only 1%, the state would lose \$780 million in revenue over the next 10 years.

A significant unexplained increase in initial unemployment claims can be an early indicator of an economic downturn. Explained increases commonly include seasonal job fluctuations, federal government shutdowns resulting in employee furloughs, or the closing of a major regional facility. This unprecedented uptick in initial unemployment claims is obviously tied directly to the COVID-19 pandemic and subsequent furloughs and layoffs by affected businesses. As the phased reopening continues, it is likely the number of initial unemployment claims will flatten out and then decrease, but it is impossible to predict how quickly the employment numbers will return to pre-COVID levels.

Cost of 1% Census Undercount Over 10 Years in Eddy County

\$13,939,508

Census Self-Response Rates



SOURCES: NEW MEXICO TAXATION AND REVENUE DEPT, NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS, U.S. BUREAU OF LABOR STATISTICS, U.S. BUREAU OF ECONOMIC ANALYSIS AND EDD CALCULATIONS