Quarterly Economic Summary

Sierra County

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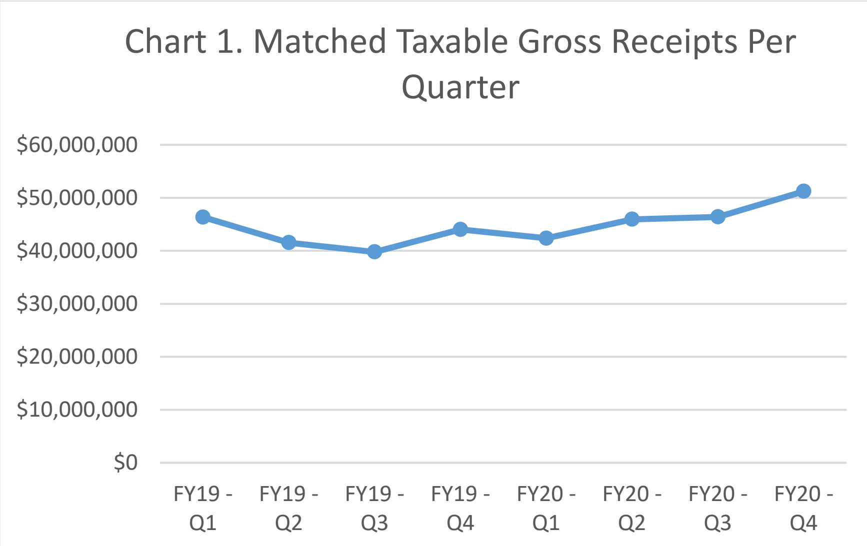
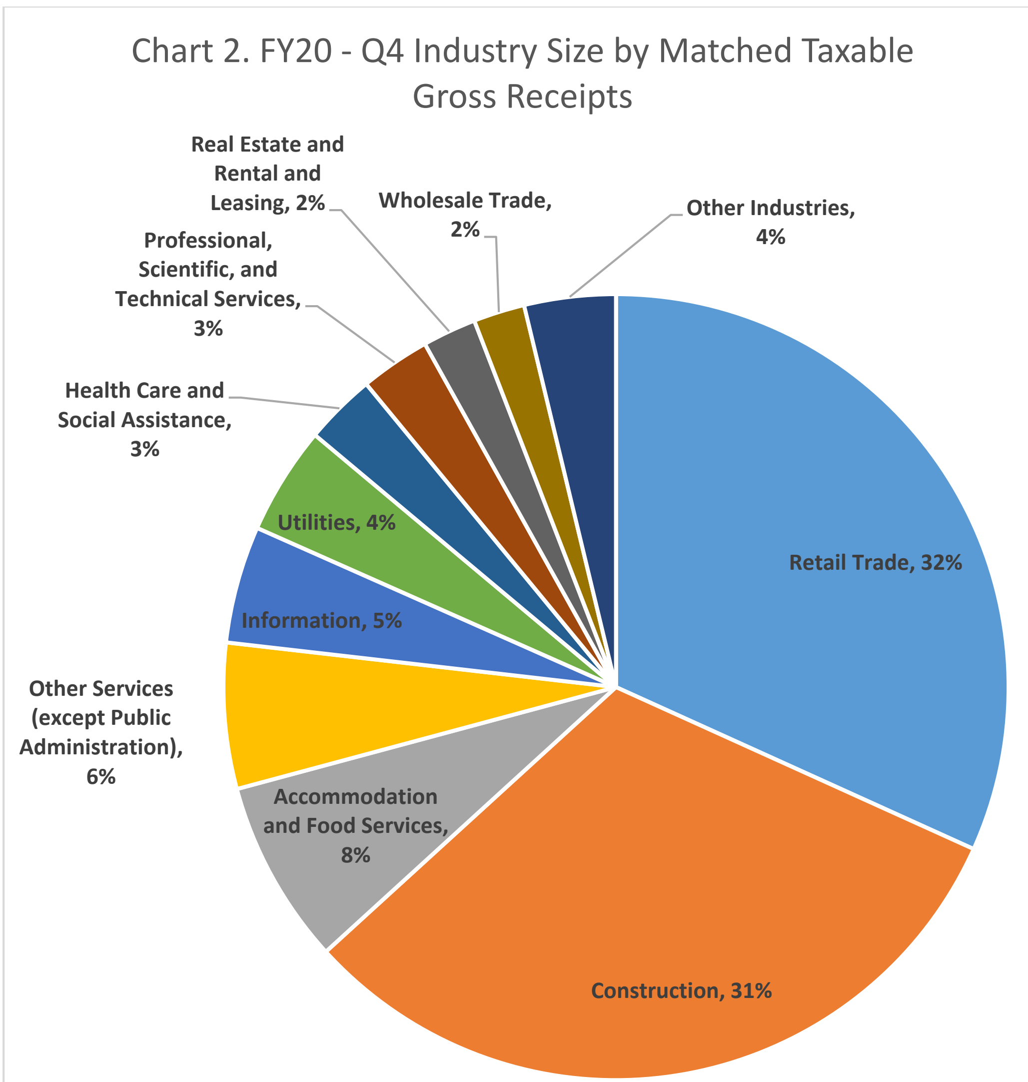
Prepared by: Joel Salas, Economist, and Ryan Eustice, Economist



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.

Sierra County has seen its matched taxable gross receipts (MTGR) increase from Q3 FY20 to Q4 FY20 by $4.8M or 10.4%, as seen in Chart 1. Sierra County's MTGR has risen every quarter of FY20. Table 1, on the next page, shows a year over year (YOY) increase of $7.2M in Q4 FY20 over Q4 FY19. The construction industry was the driver of this growth, posting an 83% increase YOY, while retail trade saw growth of roughly $2.5M.

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.



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

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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	$ 5,787,943	$ 3,885,573	$ (1,902,369)	-33%
Administrative/Support & Waste Management/Remediation	$ 543,032	$ 550,996	$ 7,965	1%
Agriculture, Forestry, Fishing, and Hunting	$ 109,649	$ 179,159	$ 69,509	63%
Arts, Entertainment, and Recreation	$ 148,341	$ 152,816	$ 4,475	3%
Construction	$ 8,788,523	$ 16,124,616	$ 7,336,093	83%
Educational Services	$ 115,460	$ 81,922	$ (33,537)	-29%
Finance and Insurance	$ 121,235	$ 90,305	$ (30,930)	-26%
Health Care and Social Assistance	$ 1,637,834	$ 1,503,052	$ (134,783)	-8%
Information	$ 2,396,230	$ 2,470,289	$ 74,059	3%
Management of Companies and Enterprises	$ 55,129	$ -	$ (55,129)	-100%
Manufacturing	$ 391,664	$ 659,539	$ 267,875	68%
Mining, Quarrying, and Oil and Gas Extraction	$ 20,176	$ (5,805)	$ (25,981)	-129%
Other Services (except Public Administration)	$ 3,390,844	$ 3,069,821	$ (321,024)	-9%
Professional, Scientific, and Technical Services	$ 1,292,029	$ 1,477,334	$ 185,305	14%
Public Administration	$ 22,400	$ -	$ (22,400)	-100%
Real Estate and Rental and Leasing	$ 799,920	$ 1,134,370	$ 334,450	42%
Retail Trade	$ 13,810,425	$ 16,270,221	$ 2,459,796	18%
Transportation and Warehousing	$ 97,264	$ 91,152	$ (6,112)	-6%
Unclassified Establishments	$ 264,939	$ 122,889	$ (142,050)	-54%
Utilities	$ 2,366,486	$ 2,280,028	$ (86,458)	-4%
Wholesale Trade	$ 1,861,880	$ 1,082,802	$ (779,077)	-42%
All Industries	**$ 44,021,401**	**$ 51,221,080**	**$ 7,199,679**	**16%**

Annual GRT collections, as seen in Chart 3, have increased by 4% from FY19 to FY20. Despite this increase and the three year high, FY20 is down from its ten-year high in FY17. From Q3 FY20 to Q4 FY20, quarterly GRT collections were up nearly $75K or roughly 14%, as seen in Chart 4. Quarterly GRT collections show a slight upward trend dating back to Q1 FY18.

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

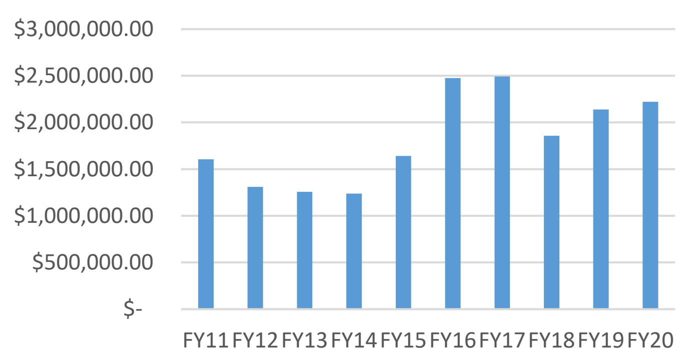
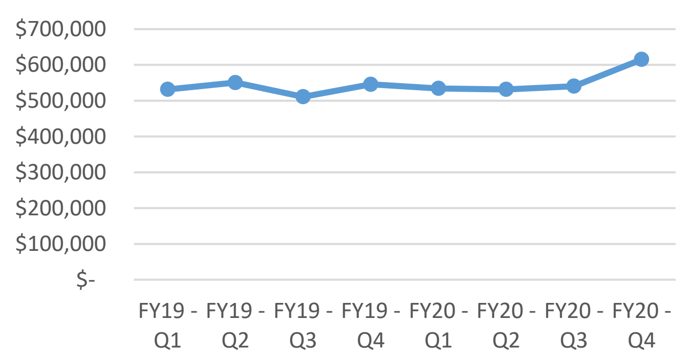


Chart 4. Quarterly GRT Revenue Collections



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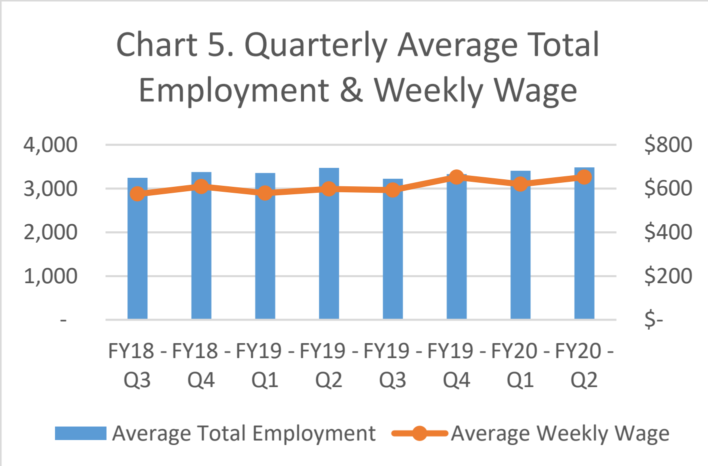
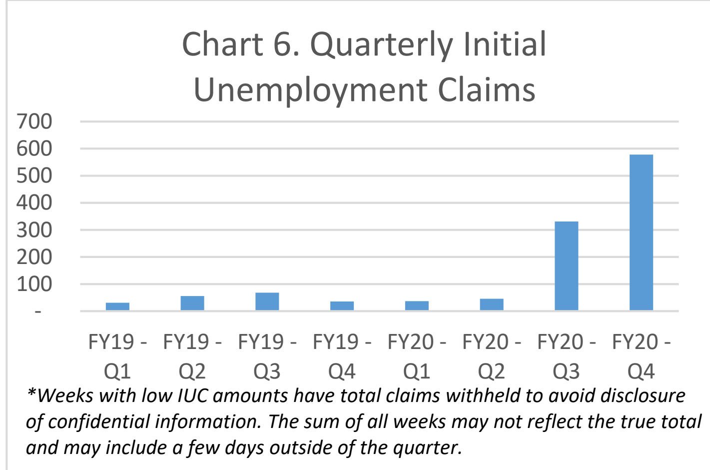
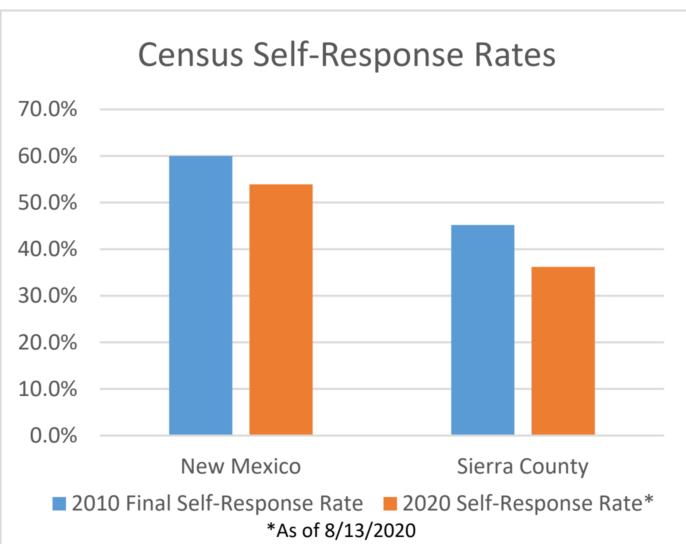




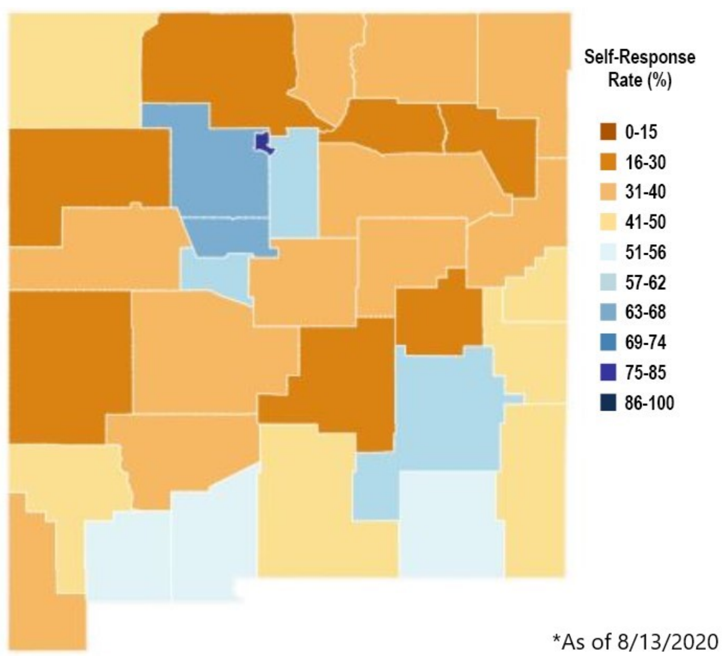
New Mexico receives over $6 billion each year through federal programs which benefit the entire community: health care, nutrition, highways, education, housing, jobs and more that allocate funds on per capita basis. Each New Mexican not counted equates to a loss of approximately $3,745 in funding per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

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

$3,303,675



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.



*As of 8/13/2020