Quarterly Economic Summary

Valencia County

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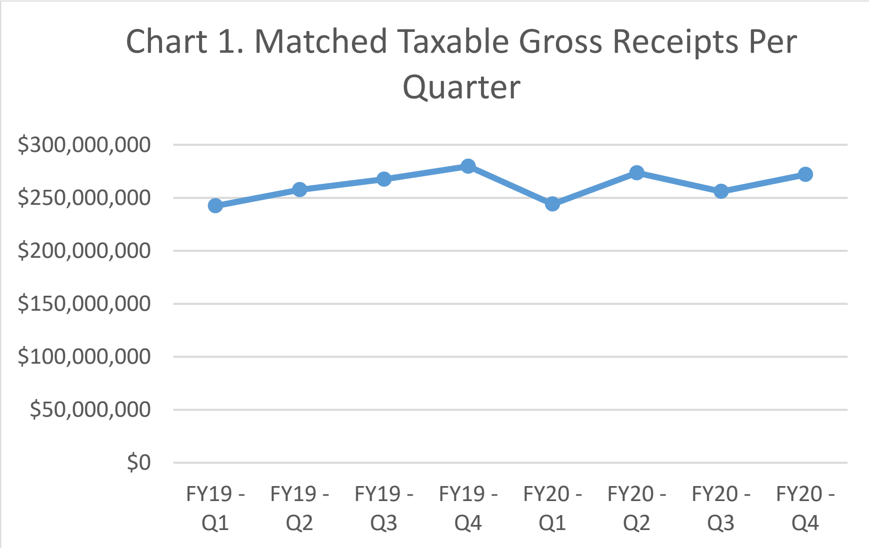
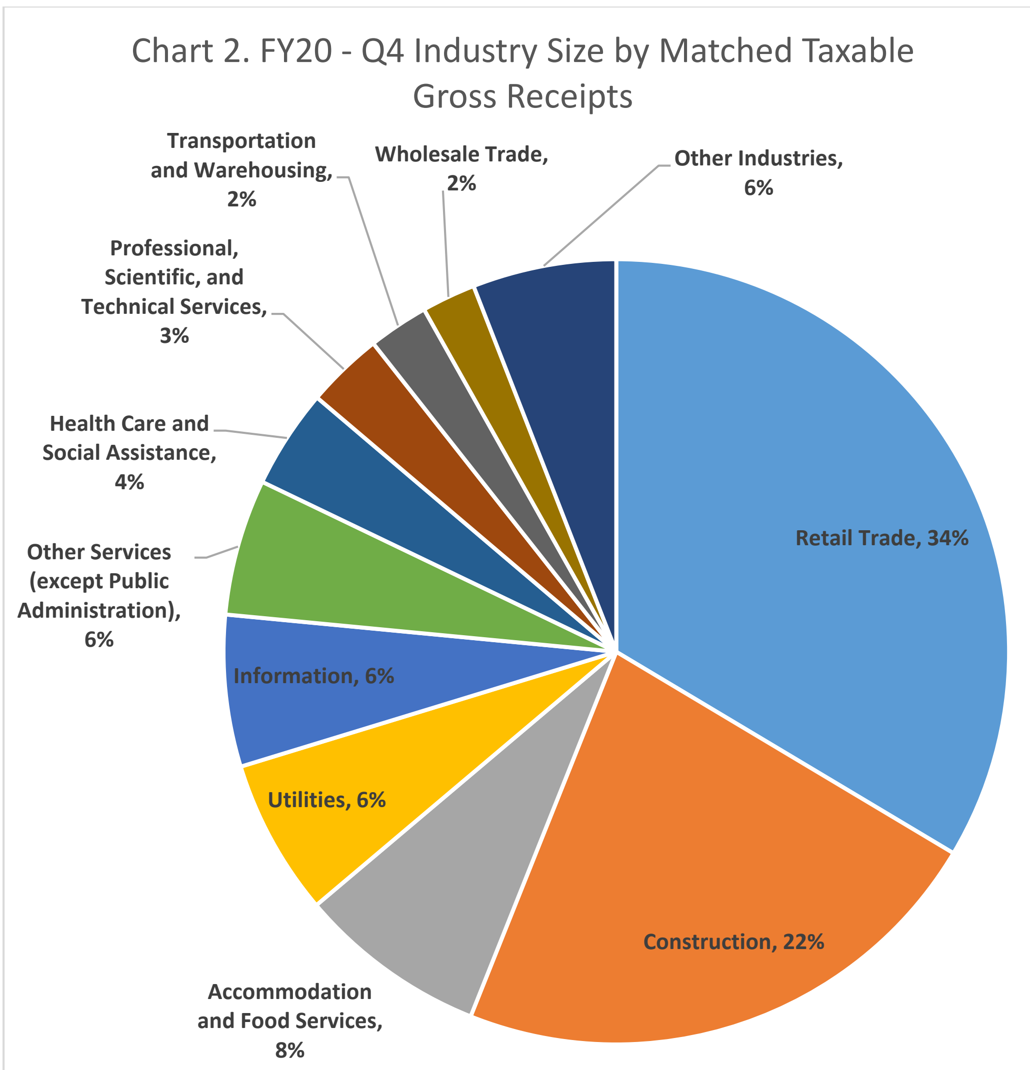


The fourth quarter of FY20 is the first full quarter of economic impacts from the COVID-19 pandemic. Business closures and reduced consumer spending locally began to take effect at the end of March. Since then, the state instituted reopening phases designed to slow the spread of the virus while providing 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.

Valencia County has seen its matched taxable gross receipts (MTGR) fluctuate over the last eight quarters, as seen in Chart 1. Valencia County saw an increase of nearly $16M in its MTGR from Q3 FY20 to Q4 FY20, this increase represents a 6.2% jump. Table 1, on the next page, shows a decrease of $7.7M, comparing Q4 in FY19 to FY20 of the same period. The construction industry, which has been elevated previously due to

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	$ 21,370,026	$ 21,171,698	$ (198,328)	-1%
Administrative/Support & Waste Management/Remediation	$ 5,042,936	$ 2,901,235	$ (2,141,701)	-42%
Agriculture, Forestry, Fishing, and Hunting	$ 358,468	$ 718,046	$ 359,578	100%
Arts, Entertainment, and Recreation	$ 907,144	$ 479,068	$ (428,076)	-47%
Construction	$ 100,528,017	$ 61,115,717	$ (39,412,300)	-39%
Educational Services	$ 233,644	$ 304,925	$ 71,282	31%
Finance and Insurance	$ 896,666	$ 800,207	$ (96,458)	-11%
Health Care and Social Assistance	$ 12,910,759	$ 11,110,923	$ (1,799,836)	-14%
Information	$ 16,240,064	$ 16,973,664	$ 733,600	5%
Management of Companies and Enterprises	$ -	$ -	$ -	N/A
Manufacturing	$ 4,277,775	$ 5,491,904	$ 1,214,128	28%
Mining, Quarrying, and Oil and Gas Extraction	$ 8,464	$ 96,768	$ 88,303	1043%
Other Services (except Public Administration)	$ 14,127,066	$ 15,254,542	$ 1,127,476	8%
Professional, Scientific, and Technical Services	$ 5,936,027	$ 8,619,100	$ 2,683,073	45%
Public Administration	$ -	$ -	$ -	N/A
Real Estate and Rental and Leasing	$ 4,590,956	$ 4,348,098	$ (242,858)	-5%
Retail Trade	$ 70,893,926	$ 91,301,927	$ 20,408,001	29%
Transportation and Warehousing	$ 2,670,751	$ 6,741,048	$ 4,070,297	152%
Unclassified Establishments	$ 873,900	$ 957,563	$ 83,663	10%
Utilities	$ 12,775,225	$ 17,524,047	$ 4,748,822	37%
Wholesale Trade	$ 5,068,197	$ 6,038,112	$ 969,915	19%
All Industries	**$ 279,710,013**	**$ 271,948,592**	**$ (7,761,421)**	**-3%**

the Facebook data centers, accounted for the largest decline. While retail trade posted strong year over year (YOY) growth, the largest percent change came from the mining, quarrying, and oil and gas industry. This 1,043% increase is likely due to a timing issue with filing by a taxpayer.

Annual gross receipts tax (GRT) collections, as seen in Chart 3, saw significant growth with an increase of $582K or 4% from FY19 to FY20. GRT revenue collections saw an increase of 6% from Q3 FY20 to Q4 FY20, 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

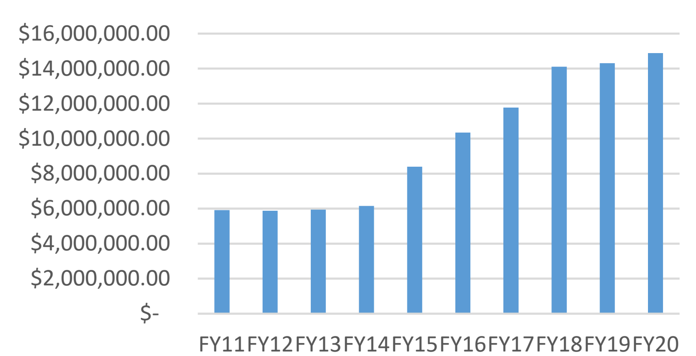

Chart 4. Quarterly GRT Revenue Collections

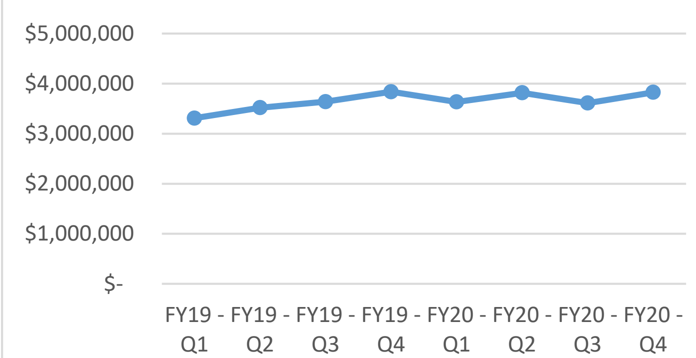

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Chart 5. Quarterly Average Total Employment & Weekly Wage

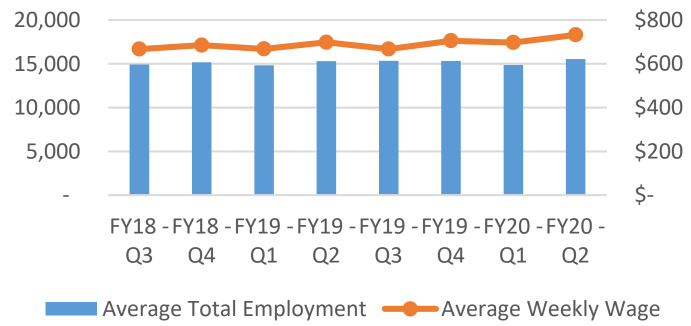
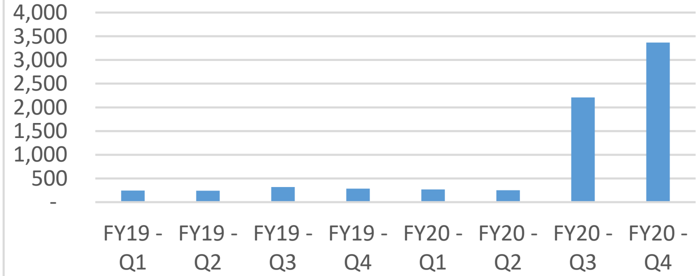


Chart 6. Quarterly Initial Unemployment Claims



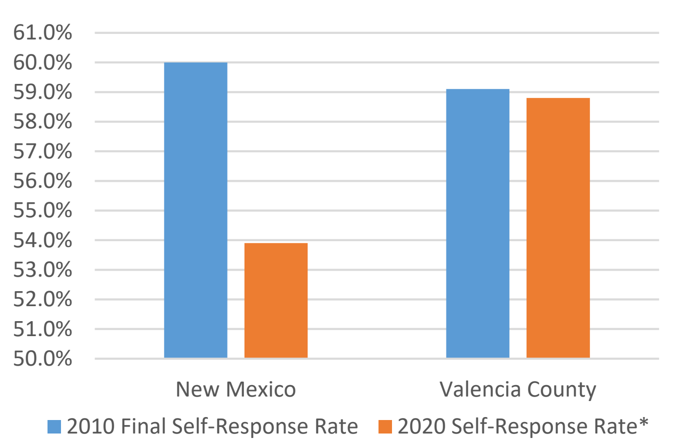
**Weeks with low IUC amounts have total claims withheld to avoid disclosure of confidential information. The sum of all weeks may not reflect the true total and may include a few days outside of the quarter.*

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 Valencia County

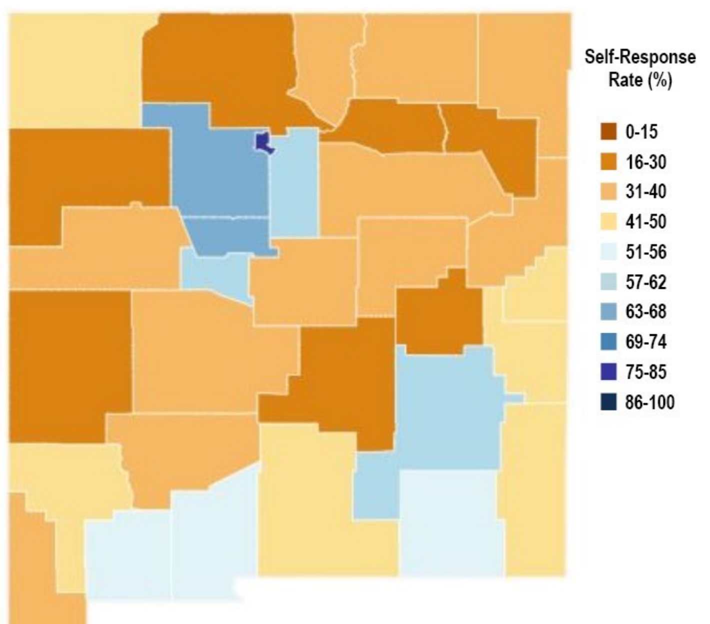
$22,569,368

Census Self-Response Rates



*As of 8/13/2020

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.



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