Quarterly Economic Summary

Santa Fe County

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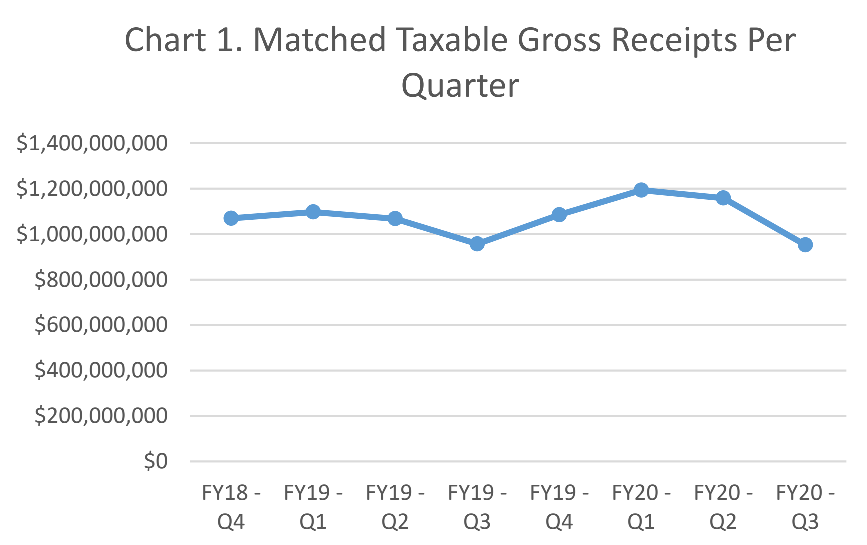

Due to the necessity of the statewide business closure, which went into effect on March 24th, and the health and economic effects COVID-19 had since early March, matched taxable gross receipts and revenue collections may have declined in the third quarter of FY20. Most of the gross receipts tax decline is due to COVID-19 and the loss in business revenue, but potential delays in taxpayer reporting may add to the level of decline seen in the quarter. It is anticipated that the next quarter will have greater declines.

Santa Fe County's matched taxable gross receipts (MTGR) decreased by 18% ($206M) from Q2 to Q3 of FY20. The County experiences a seasonality in its MTGR where it sees a high during the first quarter and a low during the third quarter, seen in Chart 1. Q3 had a year over year (YOY) decrease of $4.4M, as seen in Table 1 on page 2. The last time Q3 saw a YOY decrease was in FY17. The accommodations and food services industry saw the

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.

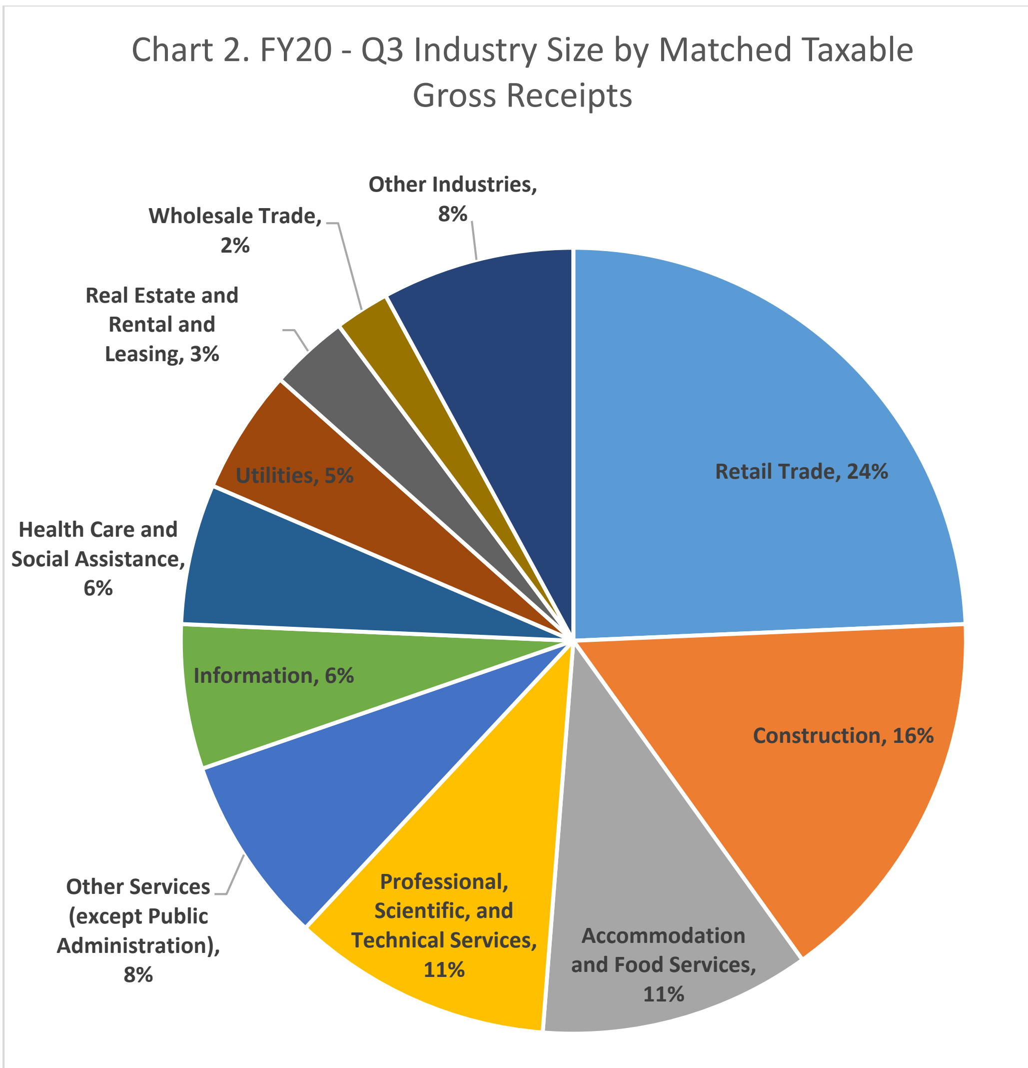

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Table 1. Matched Taxable Gross Receipts by Industry

Industries		FY19 - Q3		FY20 - Q3		Growth	Year over year Change
Accommodation and Food Services	$	121,161,774	$	106,299,554	$	(14,862,220)	-12%
Administrative/Support & Waste Management/Remediation	$	15,455,148	$	19,510,562	$	4,055,414	26%
Agriculture, Forestry, Fishing, and Hunting	$	973,110	$	1,233,897	$	260,788	27%
Arts, Entertainment, and Recreation	$	20,088,329	$	17,144,620	$	(2,943,709)	-15%
Construction	$	152,079,096	$	150,077,396	$	(2,001,700)	-1%
Educational Services	$	3,271,747	$	2,933,445	$	(338,302)	-10%
Finance and Insurance	$	12,557,631	$	12,469,778	$	(87,853)	-1%
Health Care and Social Assistance	$	49,457,326	$	55,012,209	$	5,554,884	11%
Information	$	58,004,714	$	56,699,377	$	(1,305,338)	-2%
Management of Companies and Enterprises	$	847,134	$	773,963	$	(73,171)	-9%
Manufacturing	$	14,339,656	$	13,803,931	$	(535,725)	-4%
Mining, Quarrying, and Oil and Gas Extraction	$	1,316	$	47,823	$	46,507	3534%
Other Services (except Public Administration)	$	82,493,432	$	73,969,132	$	(8,524,300)	-10%
Professional, Scientific, and Technical Services	$	84,704,801	$	101,986,678	$	17,281,877	20%
Public Administration	$	1,003,582	$	577,596	$	(425,987)	-42%
Real Estate and Rental and Leasing	$	29,903,678	$	30,756,647	$	852,969	3%
Retail Trade	$	232,916,920	$	231,625,175	$	(1,291,745)	-1%
Transportation and Warehousing	$	3,281,405	$	2,720,054	$	(561,350)	-17%
Unclassified Establishments	$	4,808,890	$	4,407,643	$	(401,247)	-8%
Utilities	$	50,707,580	$	48,768,732	$	(1,938,849)	-4%
Wholesale Trade	$	18,651,567	$	21,511,712	$	2,860,144	15%
All Industries	**$**	**956,708,835**	**$**	**952,329,923**	**$**	**(4,378,912)**	**0%**

largest YOY decline across all industries, decreasing by $14.9M, with MTGR now at $106M. The last time this industry had lower MTGR was in Q3 FY16. The professional, scientific, and technical services industry was the strongest performing with a YOY increase of $17.3M. This industry has been steadily increasing since Q3 FY19. Gross receipts tax (GRT) revenue collections decreased by $3M (17%) from Q2 to Q3 of FY20. Collections saw a YOY increase of $338K (2%) comparing Q3 of FY19 and FY20.

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 this delay, local governments will receive a distribution that is a portion of $2M each month. The portion distributed will be based on what the population of each county is to the total population of all counties, as per the most recent decennial census.

Chart 3. Annual Total GRT Revenue Collections

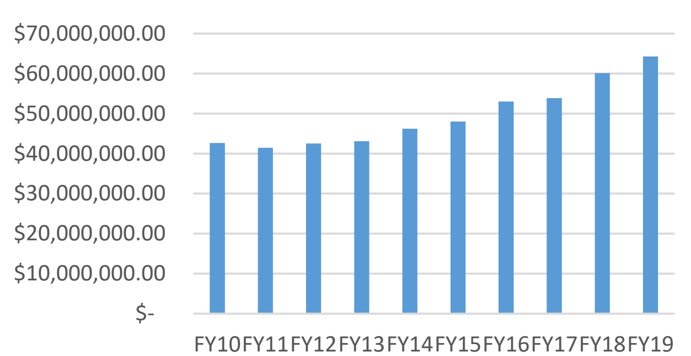
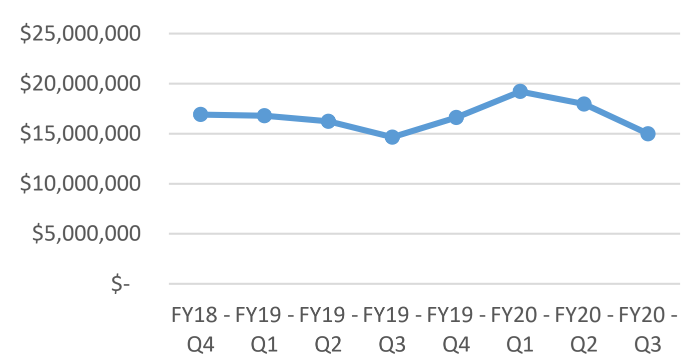


Chart 4. Quarterly GRT Revenue Collections



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

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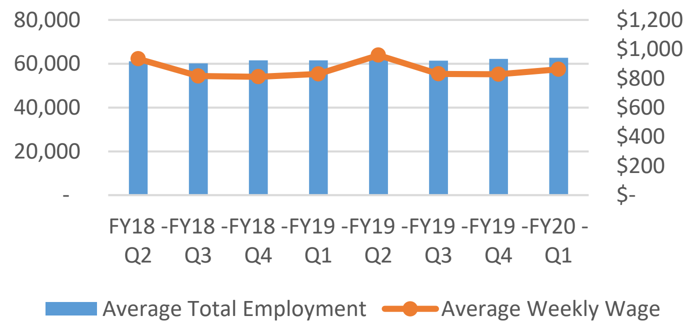


Chart 5. Quarterly Average Total Employment & Weekly Wage

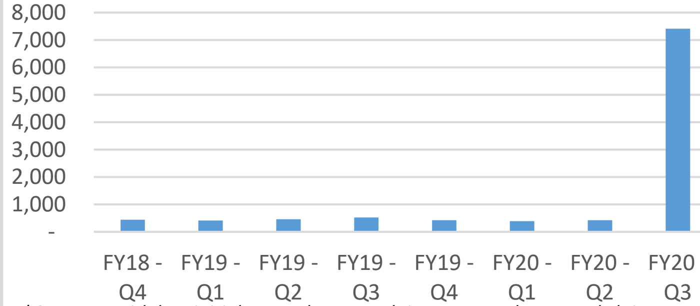


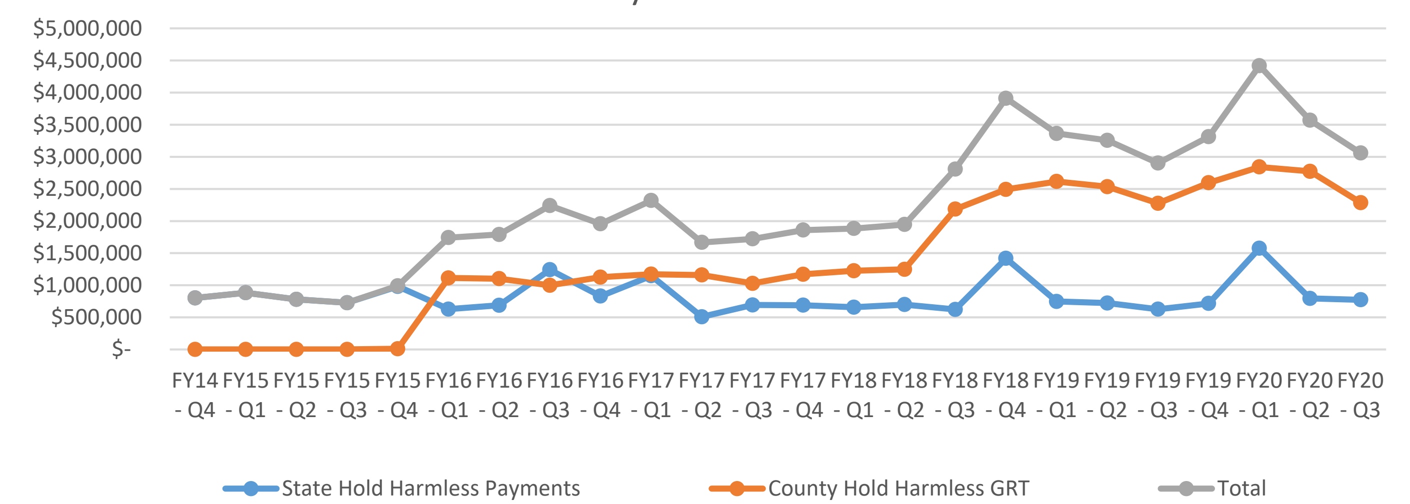
Chart 6. Quarterly Initial Unemployment Claims

**Quarters with low initial unemployment claim amounts have total claims withheld to avoid disclosure of confidential information.*

The state makes "hold harmless" payments to local governments equal to the tax revenue that would have been generated if the state had not enacted deductions for food and healthcare practitioner services. These payments will be gradually phased out by 2029, but local governments were able to enact up to three 1/8% GRT increments to offset this loss. These GRT increments were repealed and consolidated in 2019 with a number of other restricted local options under the unrestricted countywide local option with an increased rate cap.

A significant unexplained increase in **Initial Unemployment Claims** can be an early indicator of an incoming economic downturn. Explained increases commonly include seasonal job fluctuations, government shutdowns resulting in mass employee furloughs and the closing of a major regional facility. The major uptick in the initial unemployment claims is directly tied to the COVID-19 outbreak and the subsequent closure of "non-essential" businesses. These businesses tend to be a major component of the workforce. As the stay at home order stays in effect, it is likely that the initial unemployment claims will continue to increase as the economy shifts to handle the unprecedented changes.

Chart 7. County Hold Harmless Revenue



* Total may overlap state hold harmless payments

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