

Quarterly Economic Summary

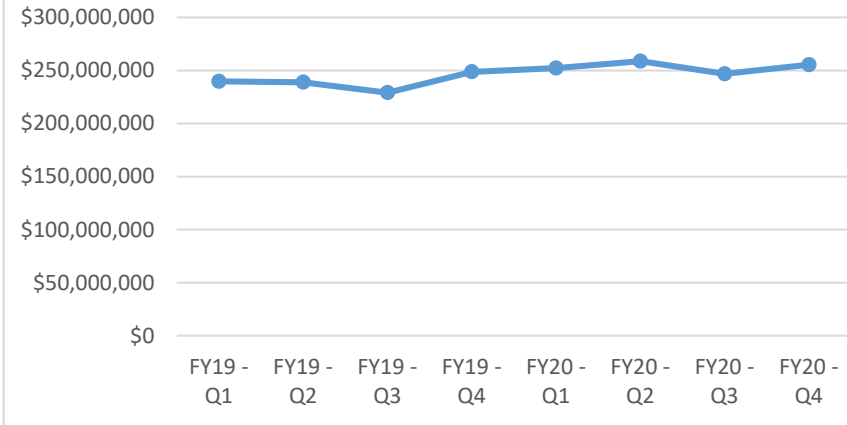
Otero County

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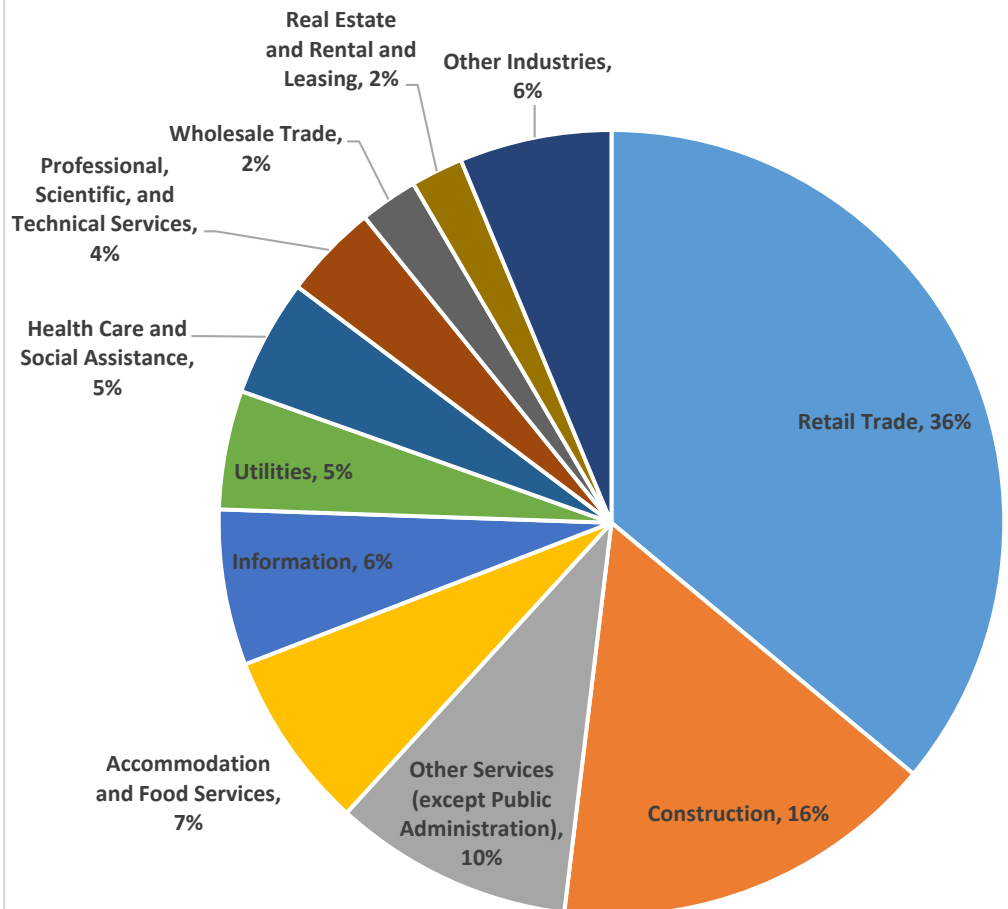
Chart 1. Matched Taxable Gross Receipts Per Quarter



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.

Otero County's matched taxable gross receipts (MTGR) have remained relatively stable over the last eight quarters, as seen in Chart 1. From Q3 FY20 to Q4 FY20, Otero County's MTGR increased by \$8.5M or 3.5%. Table 1, on the next page, shows an increase of \$6.7M from Q4 in FY19 to FY20 of the same period. The retail trade industry carried the largest growth and was one of the main factors for Otero County's year over year increase.

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	\$ 21,022,491	\$ 18,795,108	\$ (2,227,383)	-11%
Administrative/Support & Waste Management/Remediation	\$ 4,947,984	\$ 4,341,726	\$ (606,258)	-12%
Agriculture, Forestry, Fishing, and Hunting	\$ 1,149,491	\$ 1,534,668	\$ 385,177	34%
Arts, Entertainment, and Recreation	\$ 740,347	\$ 224,794	\$ (515,554)	-70%
Construction	\$ 37,889,767	\$ 40,565,409	\$ 2,675,642	7%
Educational Services	\$ 1,583,645	\$ 2,329,776	\$ 746,131	47%
Finance and Insurance	\$ 1,032,966	\$ 868,772	\$ (164,194)	-16%
Health Care and Social Assistance	\$ 14,901,211	\$ 12,323,573	\$ (2,577,637)	-17%
Information	\$ 16,738,629	\$ 16,378,121	\$ (360,508)	-2%
Management of Companies and Enterprises	\$ -	\$ -	\$ -	N/A
Manufacturing	\$ 5,199,578	\$ 4,380,383	\$ (819,195)	-16%
Mining, Quarrying, and Oil and Gas Extraction	\$ 28,913	\$ 109,232	\$ 80,319	278%
Other Services (except Public Administration)	\$ 29,814,137	\$ 25,168,291	\$ (4,645,846)	-16%
Professional, Scientific, and Technical Services	\$ 11,753,675	\$ 10,019,336	\$ (1,734,339)	-15%
Public Administration	\$ 347,443	\$ 146,420	\$ (201,023)	-58%
Real Estate and Rental and Leasing	\$ 6,159,865	\$ 5,503,500	\$ (656,365)	-11%
Retail Trade	\$ 75,729,657	\$ 92,057,165	\$ 16,327,508	22%
Transportation and Warehousing	\$ 1,051,862	\$ 715,505	\$ (336,357)	-32%
Unclassified Establishments	\$ 1,801,718	\$ 1,346,547	\$ (455,171)	-25%
Utilities	\$ 10,814,054	\$ 12,499,840	\$ 1,685,786	16%
Wholesale Trade	\$ 5,969,127	\$ 6,121,535	\$ 152,408	3%
All Industries	\$ 248,676,560	\$ 255,429,700	\$ 6,753,141	3%

The construction industry posted an increase of nearly \$2.7M comparing timeframes. Otero County's growth occurred despite substantial losses from accommodation and food services (\$2.2M) and health care and social assistance (\$2.6M). Annual GRT collections saw a substantial increase between FY19 and FY20, as seen in Chart 3. From FY19 to FY20, annual collections rose over \$1M or roughly 13%. Quarterly GRT collections also increased by \$64K or nearly 3% from Q3 to Q4 of FY20, as seen in Chart 4. Quarterly collections have remained fairly constant over the last eight quarters.

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

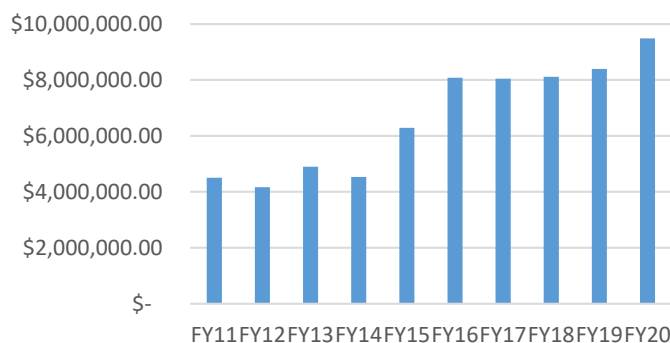
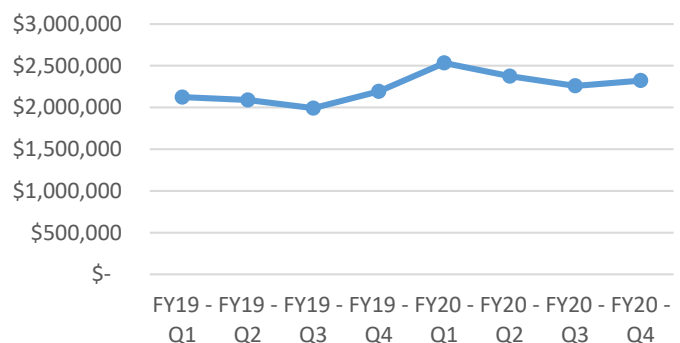


Chart 4. Quarterly GRT Revenue Collections



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Chart 5. Quarterly Average Total Employment & Weekly Wage

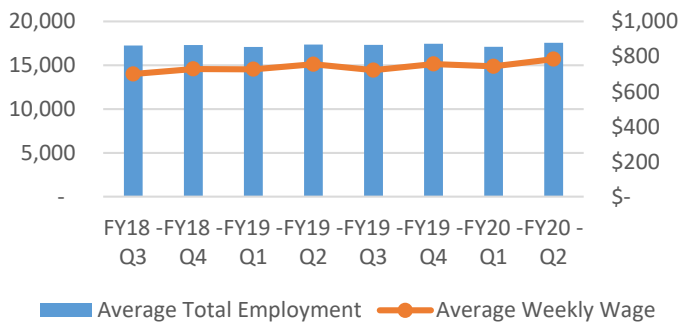
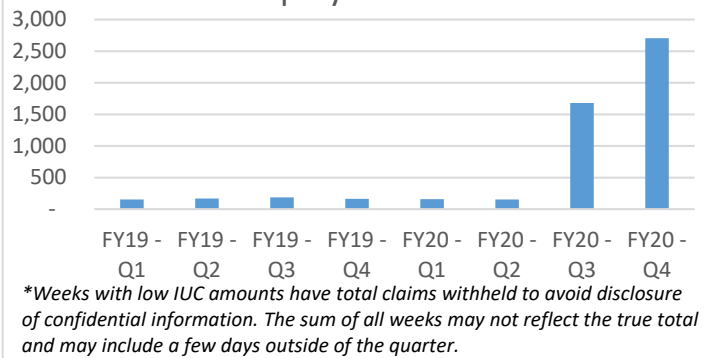


Chart 6. Quarterly Initial Unemployment Claims



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 Otero County

\$19,560,812

Census Self-Response Rates

