

Quarterly Economic Summary

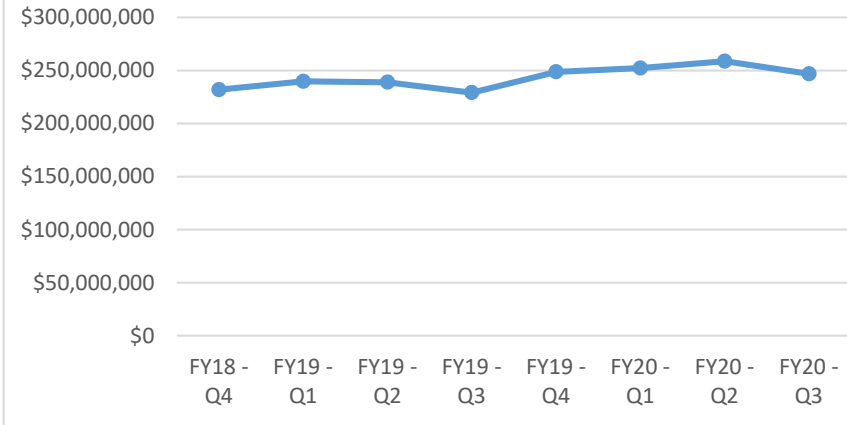
Otero County

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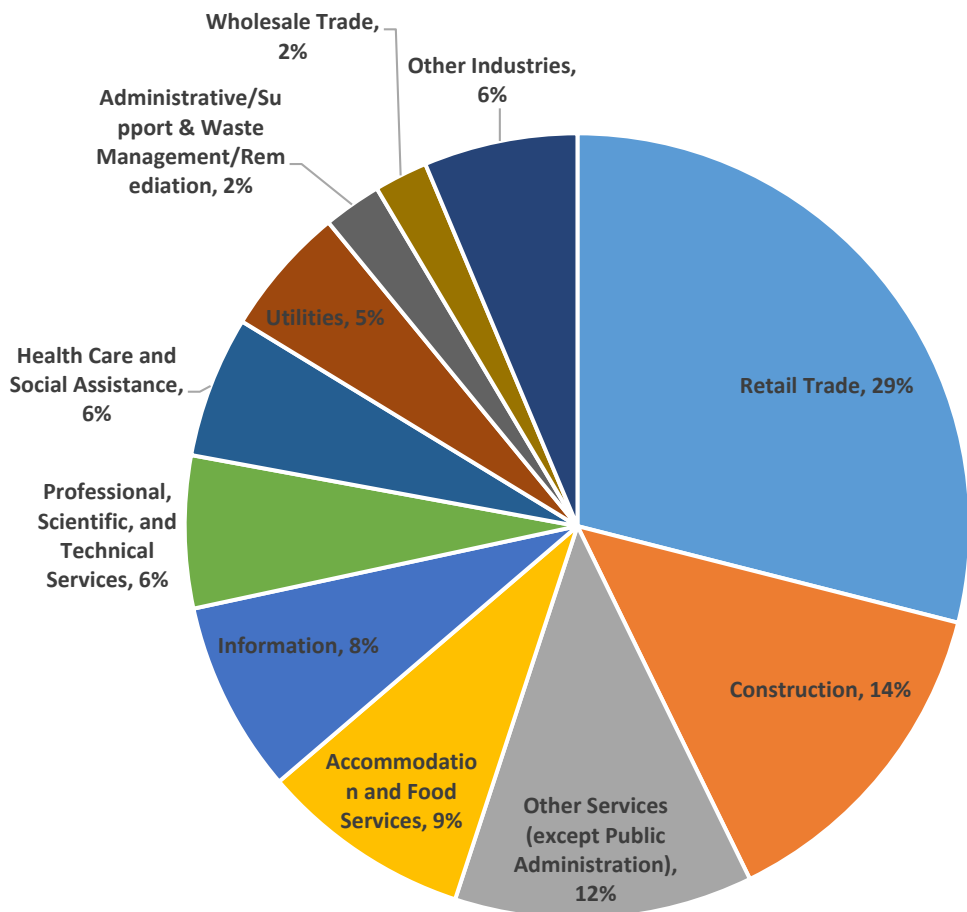
Chart 1. Matched Taxable Gross Receipts Per Quarter



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.

Otero County has seen its matched taxable gross receipts (MTGR) remain relatively stable over the last eight quarters, as seen in Chart 1. Otero County's MTGR has fluctuated between \$231M and \$258M. This flat trend dates to Q2 FY17. Table 1, on the next page, shows an increase of \$17M from Q3 in FY19 to FY20 of the same period.

Chart 2. FY20 - Q3 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.

Quarterly Economic Summary

Otero County



Table 1. Matched Taxable Gross Receipts by Industry

Industries	FY19 - Q3	FY20 - Q3	Growth	Year over year Change
Accommodation and Food Services	\$ 19,277,104	\$ 21,449,669	\$ 2,172,564	11%
Administrative/Support & Waste Management/Remediation	\$ 4,974,193	\$ 5,916,418	\$ 942,226	19%
Agriculture, Forestry, Fishing, and Hunting	\$ 1,278,002	\$ 1,320,317	\$ 42,316	3%
Arts, Entertainment, and Recreation	\$ 543,169	\$ 378,952	\$ (164,217)	-30%
Construction	\$ 30,248,494	\$ 34,086,278	\$ 3,837,784	13%
Educational Services	\$ 2,582,890	\$ 2,323,802	\$ (259,088)	-10%
Finance and Insurance	\$ 1,030,627	\$ 1,048,907	\$ 18,280	2%
Health Care and Social Assistance	\$ 13,908,415	\$ 14,374,105	\$ 465,690	3%
Information	\$ 16,695,150	\$ 19,496,731	\$ 2,801,580	17%
Management of Companies and Enterprises	\$ -	\$ -	\$ -	N/A
Manufacturing	\$ 3,236,006	\$ 3,628,342	\$ 392,336	12%
Mining, Quarrying, and Oil and Gas Extraction	\$ -	\$ 45,960	\$ 45,960	N/A
Other Services (except Public Administration)	\$ 23,883,823	\$ 30,298,247	\$ 6,414,424	27%
Professional, Scientific, and Technical Services	\$ 14,154,302	\$ 15,466,657	\$ 1,312,355	9%
Public Administration	\$ 138,538	\$ 255,197	\$ 116,659	84%
Real Estate and Rental and Leasing	\$ 4,546,317	\$ 5,037,736	\$ 491,419	11%
Retail Trade	\$ 71,996,215	\$ 71,474,547	\$ (521,668)	-1%
Transportation and Warehousing	\$ 1,008,298	\$ 564,126	\$ (444,172)	-44%
Unclassified Establishments	\$ 1,227,980	\$ 1,021,292	\$ (206,688)	-17%
Utilities	\$ 13,259,936	\$ 13,205,281	\$ (54,654)	0%
Wholesale Trade	\$ 5,098,711	\$ 5,439,500	\$ 340,788	7%
All Industries	\$ 229,088,169	\$ 246,832,063	\$ 17,743,895	8%

Chart 4 depicts gross receipts tax (GRT) revenue collections, which have been declining over the last two quarters. From Q2 to Q3 in FY20, GRT revenue collections fell 5%. Despite this decline, the quarterly GRT revenue collections in Q3 FY20 are still above the twelve quarter average (\$2.1M). GRT collections, in Q3 FY20 saw a year over year increase of 13%, equal to \$267K.

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

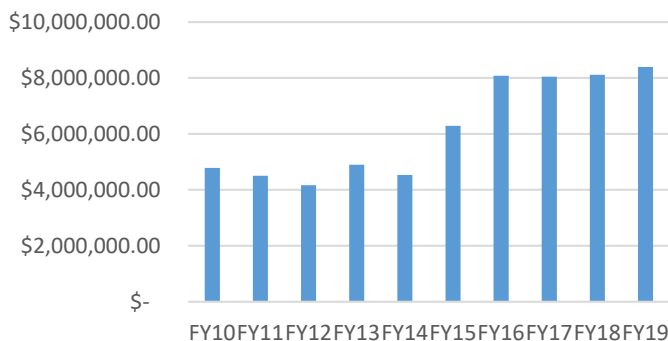
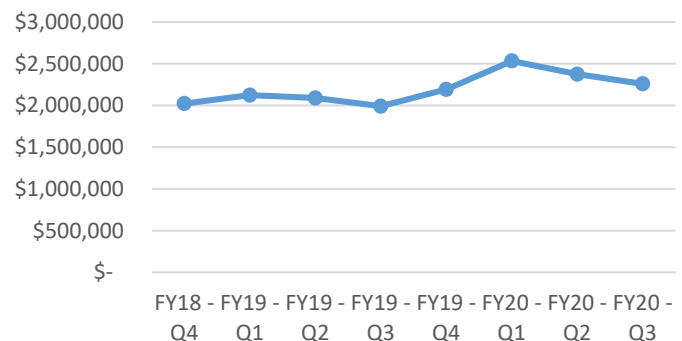


Chart 4. Quarterly GRT Revenue Collections



Quarterly Economic Summary

Otero County



Chart 5. Quarterly Average Total Employment & Weekly Wage

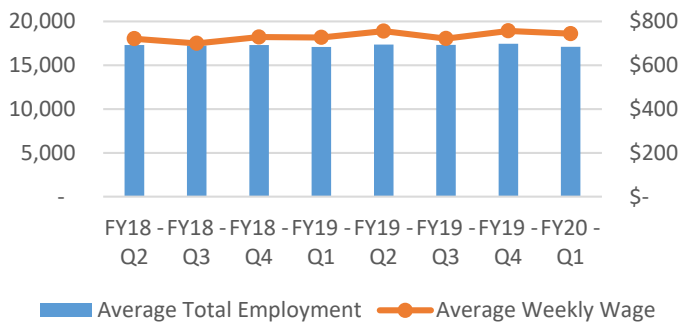
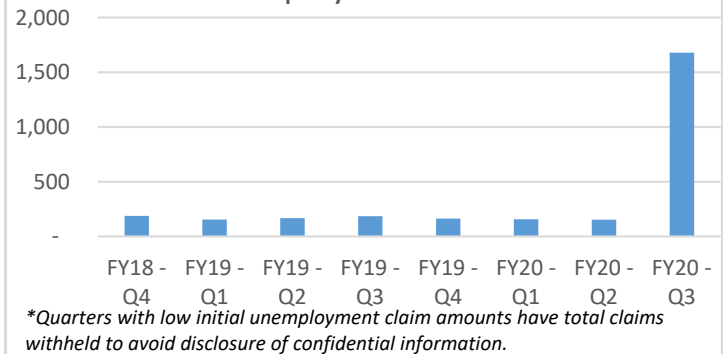


Chart 6. Quarterly Initial Unemployment Claims



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

