Quarterly Economic Summary

San Juan County

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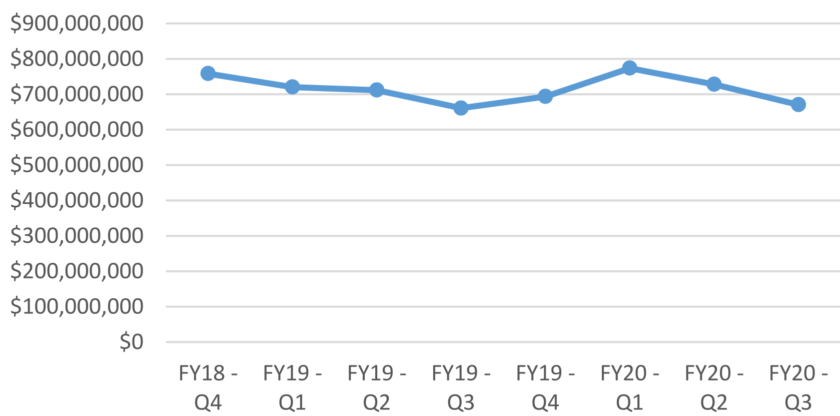
Chart 1. Matched Taxable Gross Receipts Per Quarter

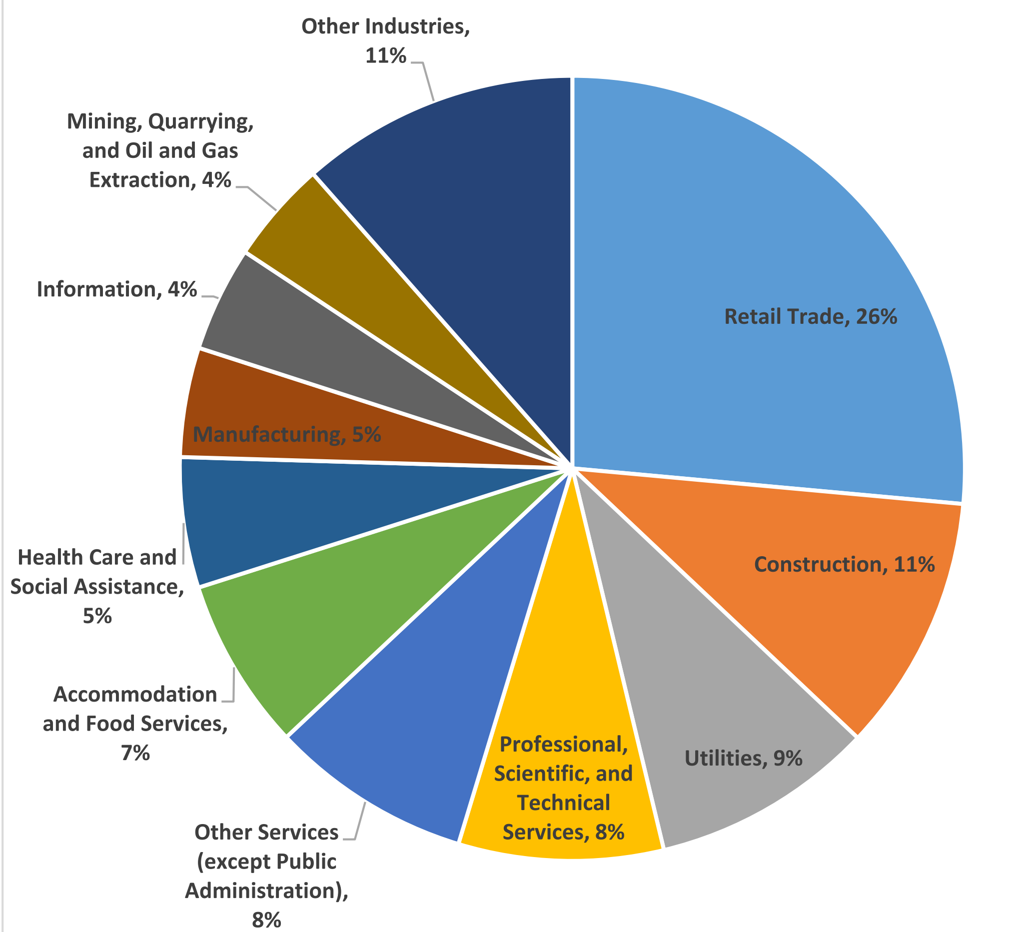


Due to the necessity of the statewide business closure, which went into effect on March 24th, and the health and economic effects COVID-19 had since early March, matched taxable gross receipts and revenue collections may have declined in the third quarter of FY20. Most of the gross receipts tax decline 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.

San Juan County, like many other counties in the State, demonstrates a seasonal trend in its matched taxable gross receipts (MTGR) with Q3 a low point in the fiscal year. FY20 Q3 is no different in its seasonality but the pace of decline is larger when comparing it to FY19. During FY19, the seasonal decline of Q2 to Q3 was 7%. In FY20, this decline was slightly larger, 8%. Table 1, on the next page, shows the year over year (YOY) change from Q3 FY19 to 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.

Chart 2. FY20 - Q3 Industry Size by Matched Taxable Gross Receipts



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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Table 1. Matched Taxable Gross Receipts by Industry

Industries	FY19 - Q3	FY20 - Q3	Growth	Year over year Change
Accommodation and Food Services	$ 52,676,793	$ 47,575,885	$ (5,100,909)	-10%
Administrative/Support & Waste Management/Remediation	$ 8,950,386	$ 8,071,771	$ (878,614)	-10%
Agriculture, Forestry, Fishing, and Hunting	$ 447,911	$ 310,688	$ (137,223)	-31%
Arts, Entertainment, and Recreation	$ 2,247,285	$ 2,059,776	$ (187,509)	-8%
Construction	$ 63,026,980	$ 71,056,514	$ 8,029,534	13%
Educational Services	$ 747,127	$ 707,375	$ (39,752)	-5%
Finance and Insurance	$ 2,497,077	$ 2,560,183	$ 63,106	3%
Health Care and Social Assistance	$ 30,760,307	$ 36,024,880	$ 5,264,573	17%
Information	$ 29,366,386	$ 29,020,551	$ (345,835)	-1%
Management of Companies and Enterprises	$ -	$ 107,292	$ 107,292	N/A
Manufacturing	$ 30,722,027	$ 30,220,367	$ (501,660)	-2%
Mining, Quarrying, and Oil and Gas Extraction	$ 40,705,690	$ 28,260,569	$ (12,445,120)	-31%
Other Services (except Public Administration)	$ 66,536,614	$ 55,668,140	$ (10,868,474)	-16%
Professional, Scientific, and Technical Services	$ 60,112,657	$ 56,566,706	$ (3,545,951)	-6%
Public Administration	$ 6,980,071	$ 6,667,717	$ (312,354)	-4%
Real Estate and Rental and Leasing	$ 15,288,945	$ 12,963,875	$ (2,325,070)	-15%
Retail Trade	$ 181,899,141	$ 177,326,295	$ (4,572,846)	-3%
Transportation and Warehousing	$ 10,910,743	$ 15,132,193	$ 4,221,450	39%
Unclassified Establishments	$ 1,710,097	$ 2,332,477	$ 622,379	36%
Utilities	$ 24,501,924	$ 61,712,052	$ 37,210,128	152%
Wholesale Trade	$ 30,716,181	$ 26,222,184	$ (4,493,997)	-15%
All Industries	**$ 660,804,342**	**$ 670,567,488**	**$ 9,763,147**	**1%**

same time period in FY20. The YOY growth was $9.7M, driven by the utilities industry, which posted an increase of $37M. This growth offset losses in multiple industries. One industry, the management of companies and enterprises, shows YOY change of "N/A". This is likely due to the timing of the filing by the taxpayers in this specific industry and will likely show up in subsequent reports.

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

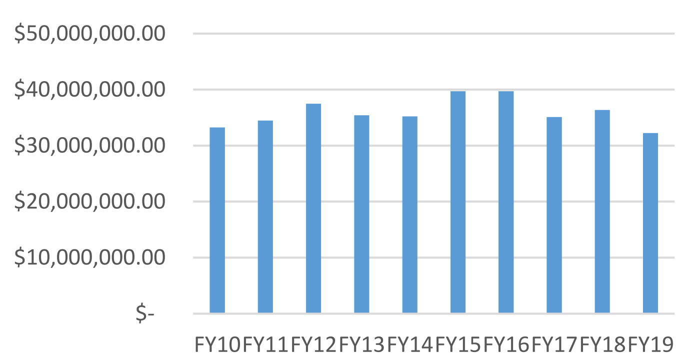

Chart 4. Quarterly GRT Revenue Collections

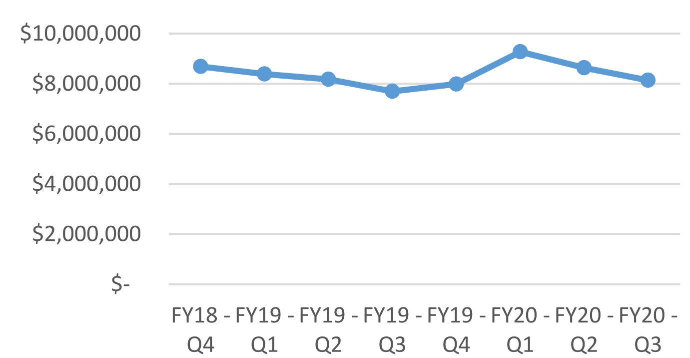

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Chart 5. Quarterly Average Total Employment & Weekly Wage

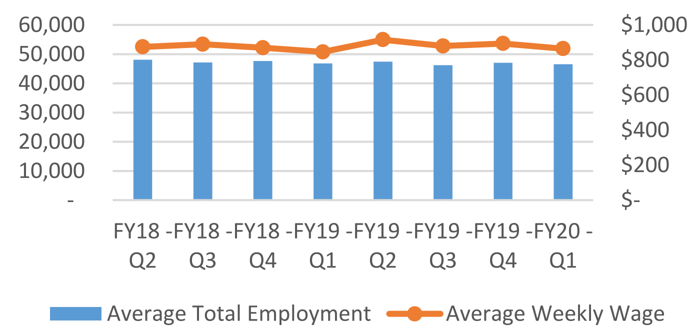
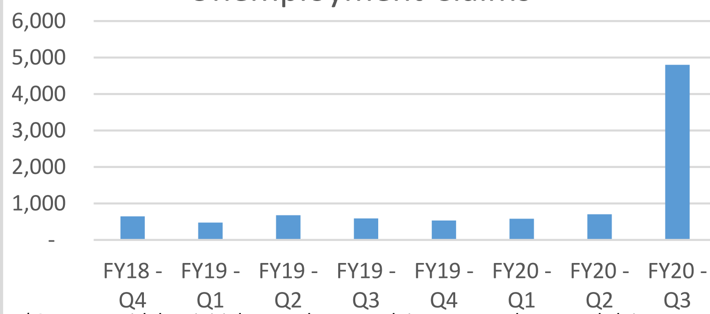


Chart 6. Quarterly Initial Unemployment Claims

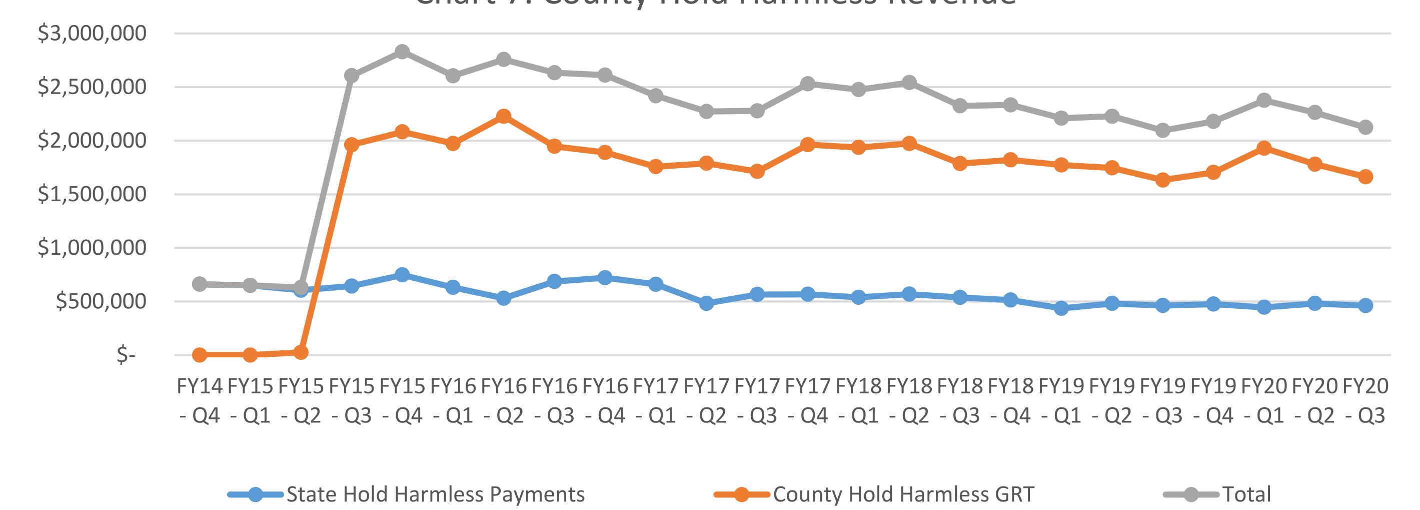


**Quarters with low initial unemployment claim amounts have total claims withheld to avoid disclosure of confidential information.*

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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