

Quarterly Economic Summary

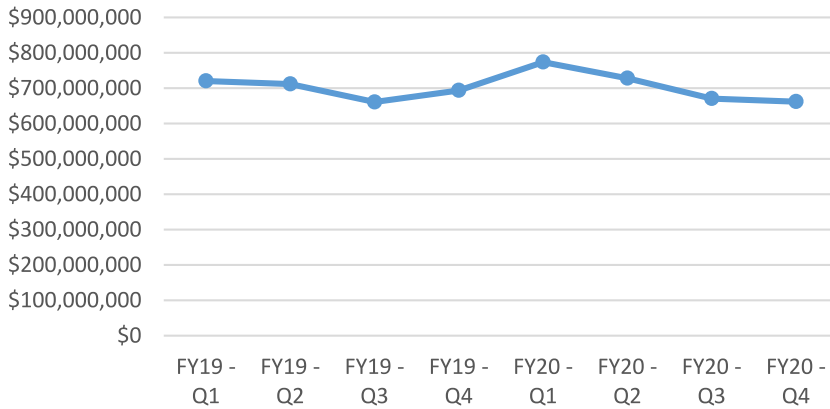
San Juan County

Released: August 2020



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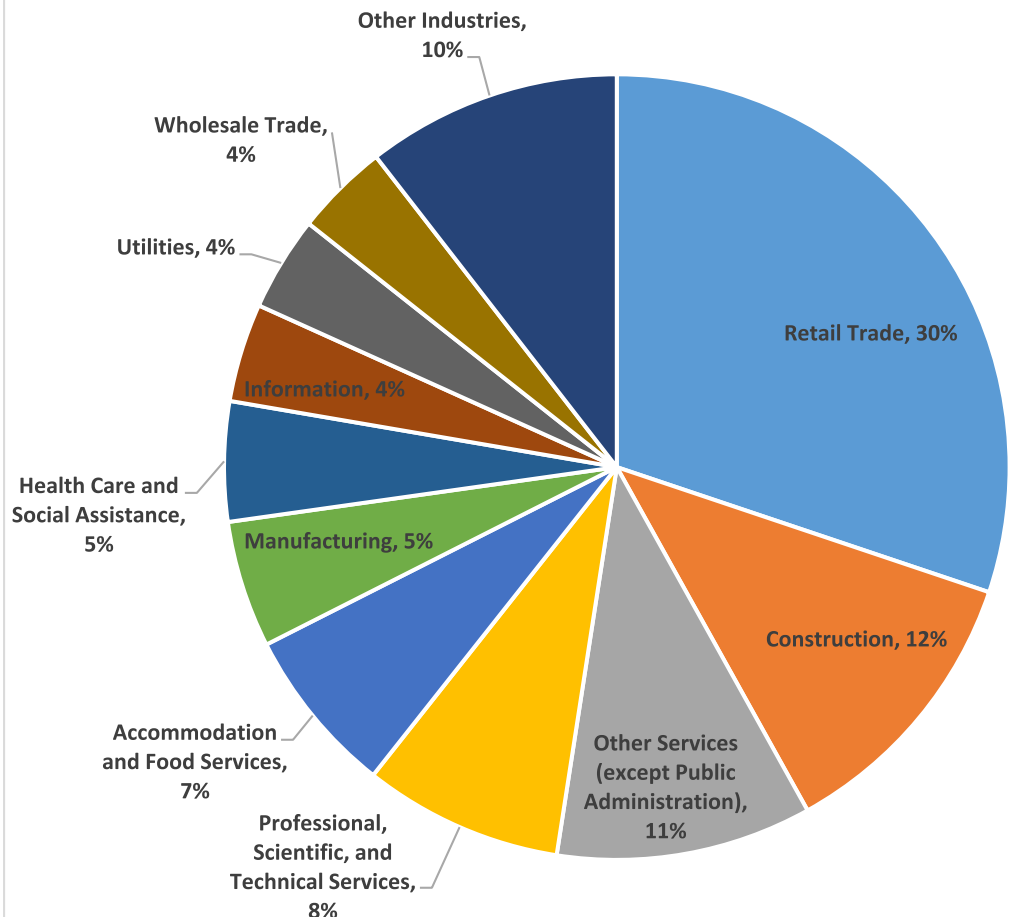
Chart 1. Matched Taxable Gross Receipts Per Quarter



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.

San Juan County saw a slight decrease of 1.3% or \$8.5M from Q3 FY20 to Q4 FY20 in its matched taxable gross receipts (MTGR), as seen in Chart 1. Table 1, on the next page, shows a decrease of \$31.5M from Q4 in FY19 to FY20 of the same period. Overall, the majority of industries are down, with utilities having the largest decline, \$20.7M. Two industries posted year over year change greater than 100%, (construction and public administration).

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	\$ 55,253,128	\$ 45,592,709	\$ (9,660,419)	-17%
Administrative/Support & Waste Management/Remediation	\$ 11,052,027	\$ 8,307,076	\$ (2,744,951)	-25%
Agriculture, Forestry, Fishing, and Hunting	\$ 531,954	\$ 432,120	\$ (99,834)	-19%
Arts, Entertainment, and Recreation	\$ 2,391,497	\$ 954,325	\$ (1,437,171)	-60%
Construction	\$ 31,031,431	\$ 77,891,225	\$ 46,859,793	151%
Educational Services	\$ 693,392	\$ 511,772	\$ (181,620)	-26%
Finance and Insurance	\$ 2,596,895	\$ 2,592,480	\$ (4,415)	0%
Health Care and Social Assistance	\$ 31,603,584	\$ 32,639,189	\$ 1,035,605	3%
Information	\$ 29,444,223	\$ 26,832,026	\$ (2,612,197)	-9%
Management of Companies and Enterprises	\$ 114,061	\$ 107,576	\$ (6,485)	-6%
Manufacturing	\$ 39,219,260	\$ 34,606,194	\$ (4,613,066)	-12%
Mining, Quarrying, and Oil and Gas Extraction	\$ 37,753,194	\$ 17,357,622	\$ (20,395,572)	-54%
Other Services (except Public Administration)	\$ 70,402,016	\$ 69,647,275	\$ (754,741)	-1%
Professional, Scientific, and Technical Services	\$ 61,301,964	\$ 54,292,354	\$ (7,009,610)	-11%
Public Administration	\$ 6,321,872	\$ 13,490,273	\$ 7,168,401	113%
Real Estate and Rental and Leasing	\$ 17,123,701	\$ 11,977,741	\$ (5,145,960)	-30%
Retail Trade	\$ 194,924,750	\$ 199,639,234	\$ 4,714,484	2%
Transportation and Warehousing	\$ 20,307,876	\$ 12,596,421	\$ (7,711,455)	-38%
Unclassified Establishments	\$ 1,632,282	\$ 1,290,168	\$ (342,114)	-21%
Utilities	\$ 46,508,608	\$ 25,788,860	\$ (20,719,748)	-45%
Wholesale Trade	\$ 33,416,290	\$ 25,493,989	\$ (7,922,301)	-24%
All Industries	\$ 693,624,006	\$ 662,040,629	\$ (31,583,376)	-5%

As seen in Chart 2, retail trade continues to be the largest contributor to MTGR. Retail trade, for all of FY20, has made up between 25% and 30% of total MTGR.

Chart 3 shows the annual GRT collections from FY19 to FY20 increasing by nearly \$1.5M or 5%. Since Q1 FY20, quarterly GRT collections have been steadily declining, as seen in Chart 4. From Q3 FY20 to Q4 FY20, collections decreased by \$448K or 5.5%.

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

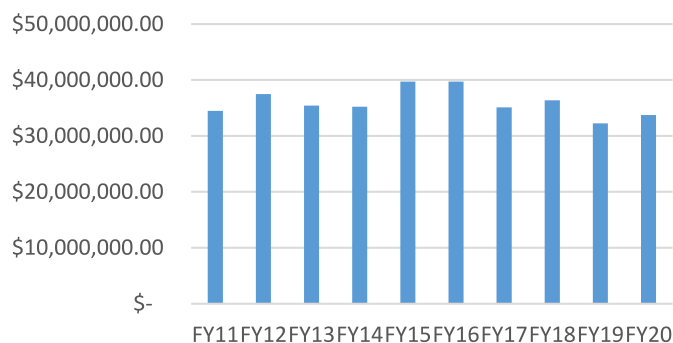
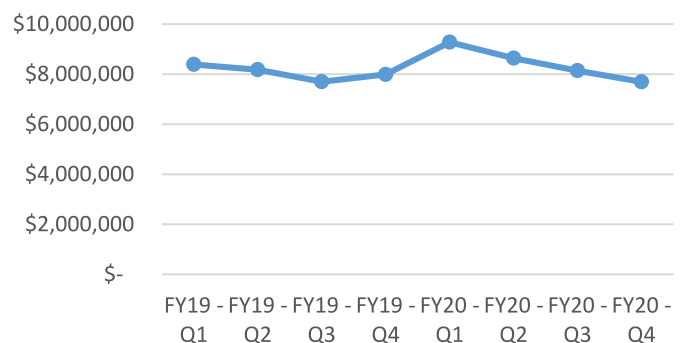


Chart 4. Quarterly GRT Revenue Collections



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Chart 5. Quarterly Average Total Employment & Weekly Wage

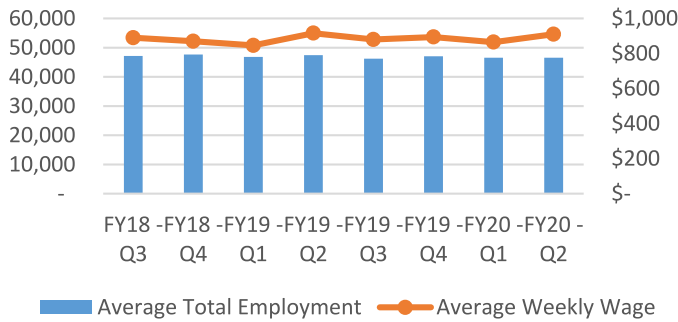
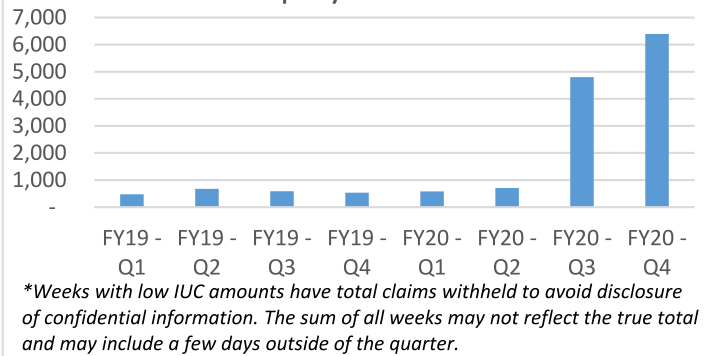


Chart 6. Quarterly Initial Unemployment Claims



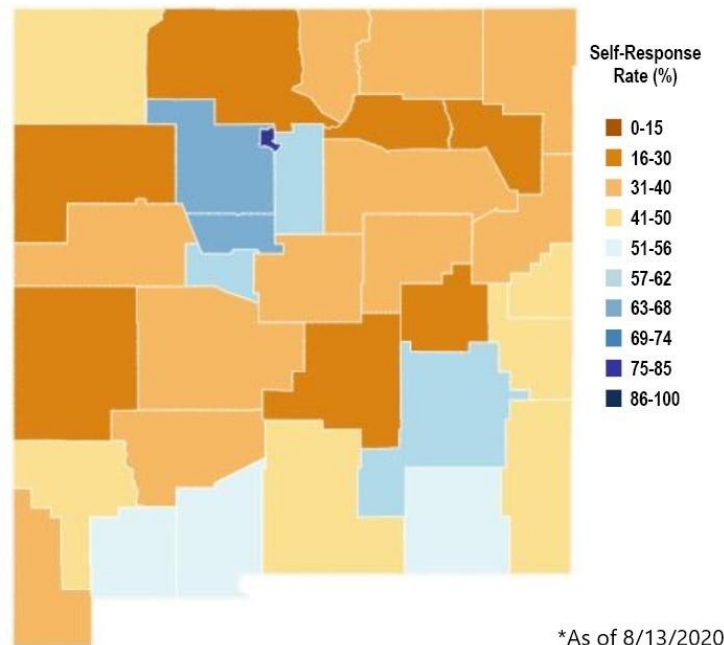
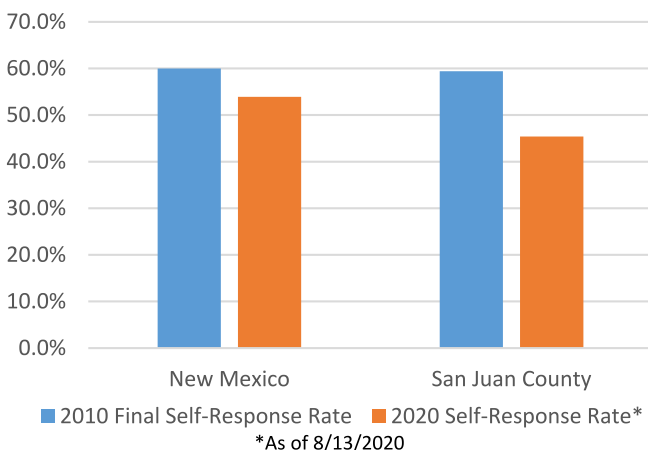
New Mexico receives over \$6 billion each year through federal programs which benefit the entire community: health care, nutrition, highways, education, housing, jobs and more that allocate funds on per capita basis. Each New Mexican not counted equates to a loss of approximately \$3,745 in funding per 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 San Juan County

\$37,722,407

Census Self-Response Rates



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