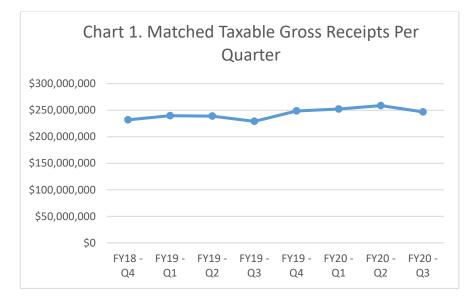
Quarterly Economic Summary Otero County

ECONOMIC DEVELOPMENT DEPARTMENT

Released: May 2020

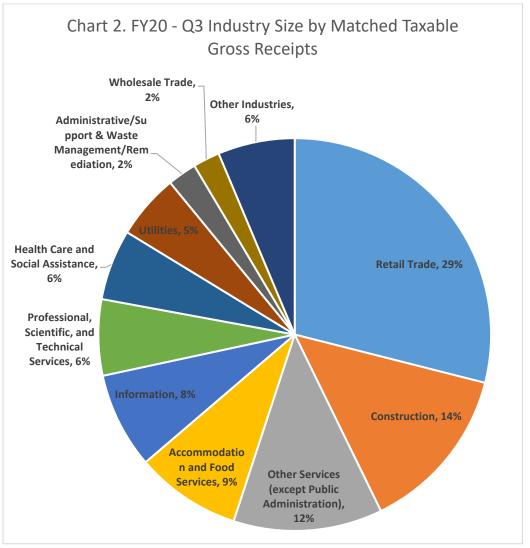
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Due to the necessity of the statewide business closure, which went into effect on March 24th, and the health and economic effects COVID-19 had since early March, matched taxable gross receipts and revenue collections may have declined in the third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

Otero County has seen its taxable matched 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 increase of \$17M from Q3 in FY19 to FY20 of the same period.

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.



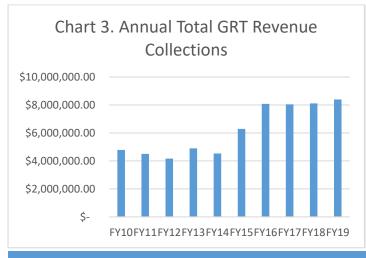
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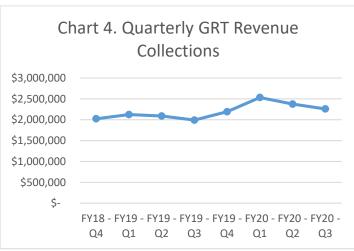


Table 1. Matched Taxable Gross Receipts by Industry									
Industries		FY19 - Q3	FY20 - Q3		Growth	Year over year Change		nange	
Accommodation and Food Services	\$	19,277,104	\$	21,449,669	\$	2,172,564			11%
Administrative/Support & Waste Management/Remediation	\$	4,974,193	\$	5,916,418	\$	942,226			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.

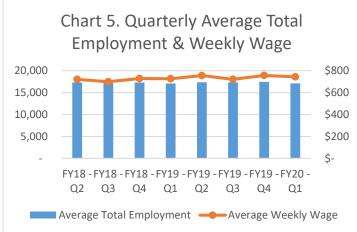
HB6, passed in 2019, made widespread tax changes within New Mexico. One notable change is the conversion to destination-based sourcing that will begin after a two-year delay. During this delay, local governments will receive a distribution that is a portion of \$2M each month. The portion distributed 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.

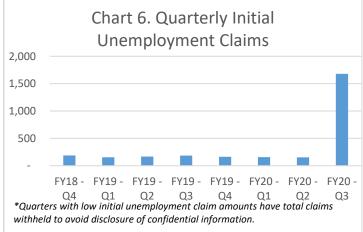




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The state makes "hold harmless" payments to local governments equal to the tax revenue that would have been generated if the state had not enacted deductions for food and healthcare practitioner services. These payments will be gradually phased out 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.

significant unexplained increase **Unemployment Claims** can be an early indicator of an incoming economic downturn. Explained increases commonly include seasonal iob 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.

