



## Governor Richardson Announces 50 Million-Dollar Increase in State Revenues Unemployment at 5.7%

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Santa Fe: "I am heartened by today's news that our state revenues are up \$50 million dollars, and unemployment is down to 5.7 %. More New Mexicans are working for higher wages. Since I came into office last year, we have created over 26,400 new jobs," Governor Bill Richardson said.

An additional \$50 million General Fund revenue is expected by the end of the fiscal year. Growth is attributable to increased revenues generated by state Corporate Income Tax, Personal Income Tax, and Oil and Gas. The additional revenue will be transferred to the General Fund Operating Reserve. Reserve balances will be \$443.8 million instead of \$393.8 million, as expected after the 2004 Legislative Session. Current reserve balances are 9.6 percent, but will increase to 10.8 percent. New Mexico has the third highest budget reserve in the country. Wall street recommends a five percent reserve. "New Mexico is in great financial shape. My economic policies of cutting taxes, investing in education and governing in a fiscally responsible manner is paying off for all of us," Governor Richardson said.

"An additional \$30 million is expected from the Corporate Income Tax (CIT). Most of the strength in CIT is attributable to the improving economy (business cycle). Some of the sectors that are recovering: Energy producers-oil, gas, and minerals (especially coal and some copper) are enjoying higher prices and higher production levels. Manufacturing, similarly to the national level, is beginning to improve at the state level. Construction is another strong sector-home building in Albuquerque is particularly strong, and communications-particularly cell phone companies are reporting higher corporate earnings," Department of Finance economists said.

An additional \$25 million over the estimate is expected from natural gas and oil prices. Average natural gas prices are very strong. Average gas prices nationwide were \$6.39 per mcf (thousand cubic feet) through April. New Mexico's basins also saw very high prices at \$5.97 at the Permian and \$5.45 at San Juan. Note that these are prices during spring months when demand for natural gas is relatively low. Also note that the long-term price for natural gas is about \$2.50-\$2.70 for New Mexico producers. The revenue estimators expect gas prices for New Mexico producers to be \$0.10 higher than expected in January.

Oil prices are also very strong. The price of oil per barrel this week topped \$40 per barrel. Oil is less important for the New Mexico economy. However, oil prices for New Mexico producers are expected to be at least \$1 per barrel higher than expected in January.

An additional \$25 million is expected from the Personal Income Tax. Withholding payments are holding up at a healthy clip due to continued job growth. Payments from capital gains and stock options have not recovered, signaling continued weakness in capital markets. However, refunds are relatively low when compared with the last few years when job growth was weak. This is significant and signals the end of the national recession (again, business cycle). During recessions, people claim more refunds (they're earning less and are less likely to adjust their withholding, and therefore claim refunds when filing their tax return). Additional revenues are being generated from the Oil and Gas withholding bill that was signed during the 2003 Legislative Session. The bill requires out of state taxpayers that received income from oil and gas to pay withholding tax. These taxpayers were always required to pay withholding tax, but it was unclear whether or not the tax was being paid.

#### **New Mexico Labor Market:**

There were 26,400 new jobs (January 2003 through March 2004). This represents a 2.76 percent increase over this timeframe. All regions of the state have added jobs: All MSAs (Albuquerque, Las Cruces, and Santa Fe) and rural areas.

New Mexico is one of the largest job producers in the region over the last 15 months—consistently one of the top five.

The state unemployment rate remains at 5.7 percent in March (same as national unemployment rate).

Sectors that are adding jobs: Mining, construction, government and health services, finance, and leisure.

Declining sectors: Manufacturing, professional and business services, information, and wholesale trade. Job losses in these industries have moderated in the last few months, signaling improvements in the overall labor market.

Other Economic Variables: Personal income grew by 4.7 percent in 2003 to \$46.45 billion and real disposable income was up 2.9 percent during the same period.

