

**DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
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M E M O R A N D U M

TO: Governor Paul R. LePage
Members, Legislative Council
Members, Joint Standing Committee on Appropriations and Financial Affairs
Members, Joint Standing Committee on Taxation

FROM: H. Sawin Millett Jr., Commissioner
Department of Administrative & Financial Services

DATE: September 20, 2013

SUBJ: Revenues – August

August General Fund revenues were under budget by \$8.3 million or 8.9%. Year-to-date FY14 General Fund revenues are \$6.7 million under budget (-2.2%). Compared to the same two month period last fiscal year, revenues were down 0.2% (-\$0.5 million). Please note August is the month when the controller reverses the June accrual, as a result budgeted and actual figures will look much lower for many of the revenue lines than actual cash receipts recorded for the month of August.

Sales & use tax receipts were over budget for the month by \$3.4 million and are now over budget for the fiscal year by \$3.6 million (+3.5%). Year-over-year taxable sales growth in the last three months has averaged 5.4%, well above the current budget forecast of 3-3.5% growth. As noted in the attached taxable sales report, auto/transportation and building supply establishments are the drivers of the recent increase in sales. Outside of those two areas taxable sales remain subdued.

Individual income tax was the revenue line with the largest variance for the month of August; under budget by \$9.2 million or 12.7%. All of the monthly variance was the result of withholding receipts being under budget by \$5.8 million and refunds being over budget by \$4.4 million. In the case of withholding it appears to be a timing issue and we expect the state's largest revenue line to be very close to budget at the end of the first fiscal quarter.

Sales & Use Taxes

Revenue was \$3.4 million over budget for the month and \$3.6 million (+3.5%) over budget fiscal year-to-date. Fiscal year-to-date revenue was \$10.2 million (+10.8%) over fiscal year 2013.

Taxable Sales

Total taxable sales for the month of July (August revenue) were up 7.6% from July 2012. The annual rate of change was 2.1%. Building supply sales were up 6.4% for the month and down 2.0% for the year ending in July. Sales of taxable items in food stores were up 1.0% for the month and 1.1% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 2.3% for the month and 1.1% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 2.3% for the month and 0.6% for the year. Auto/transportation sector sales were up 16.3% for the month and 5.3% for the year. Sales of meals and other prepared foods were up 3.4% for the month and 3.5% for the year. Lodging sales were up 4.3% for the month and 5.7% for the year. Business operating sales (primarily use tax paid by businesses) were up 24.0% for the month and 2.0% for the year.

Service Provider Tax

Revenue was \$385,826 under budget for the month and \$610,223 (-14.5%) under budget fiscal year-to-date.

Individual Income Tax

Revenue was \$9.2 million under budget for the month and \$5.8 million (-3.7%) under budget fiscal year-to-date. Fiscal year-to-date withholding payments were 6.2% under fiscal year 2013. Estimated payments were up 13.2% and final payments were up 15.7% fiscal year-to-date. Fiscal year-to-date revenue was \$19.5 million (-11.3%) under fiscal year 2013.

Corporate Income Tax

Revenue was \$2.4 million over budget for the month and \$1.4 million (-17.9%) under budget fiscal year-to-date. Estimated payments were up 4.2% and final payments were down 28.1% fiscal year-to-date. Fiscal year-to-date revenue was \$2.2 million (+50.2%) over fiscal year 2013.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$286,279 under budget for the month and \$1.2 million (+4.8%) over budget fiscal year-to-date.

Insurance Companies Taxes

The Insurance Companies Taxes were \$51,921 over budget for the month and \$326,331 under budget fiscal year-to-date.

Estate Tax

The estate tax was \$1.7 million under budget for the month and \$2.2 million under budget fiscal year-to-date.

Transfers for Tax Relief Programs

Refunds for the tax & rent, Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) were over budget in August by \$1.6 million. Most the monthly variance was associated with BETR refunds.

Municipal Revenue Sharing

Revenue sharing was on budget for the month and is \$639,038 over budget year-to-date.

Lottery

Lottery Revenues were under budget for the month by \$0.3 million or 5.2%.

Other Revenues

Other Revenues were over budget by \$0.6 million for the month, a variance of 12.7%.

Highway Fund

Motor fuel tax receipts were under budget in August by \$0.9 million. The Highway Fund as a whole was also under budget for the month by \$0.8 million. Compared to the same two month period last fiscal year motor fuel excise tax receipts are down 2%.

National Economy

Economic growth continues to disappoint. The 2% average growth the US economy has been experiencing post-recession continued during the first half of 2013 and appears to be extending into the third quarter as well. In recent months the level of uncertainty over US fiscal and monetary policy and geo-political issues has risen and has prevented the economy from moving beyond the 2% growth trend. The Federal Reserve removed some of the uncertainty this week by announcing they will continue the pace of their asset purchase program for the foreseeable future.

Maine Economy

Consistent with the national economy, Maine consumers have ramped up their purchases of automobiles and building supply materials over the last 3 months. Concern about the Federal Reserve reducing their monetary stimulus has caused mortgage rates to jump, resulting in some households jumping into the housing market earlier than desired. Outside of autos and housing related sales, consumers remain hesitant to increase spending on any sustained basis. The back to school shopping season was weak, and some national retailers are concerned that the holiday shopping season may be the same.

HSM:mja

Attachments

cc: John McGough
Grant Pennoyer
Maureen Dawson
Marc Cyr
David Boulter
Amanda Rector
Jim Breece
Jerome Gerard
Melissa Gott
Terry Brann

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Second Month Ended August 31, 2013
 For the Fiscal Year Ending June 30, 2014
 Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2014
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Sales and Use Tax	6,555,774	3,169,573	3,386,201	106.8%	104,613,205	101,030,373	3,582,832	3.5%	1,097,901,379
Service Provider Tax	(500,576)	(114,750)	(385,826)	(336.2%)	3,594,177	4,204,400	(610,223)	(14.5%)	50,591,819
Individual Income Tax	62,916,969	72,071,330	(9,154,361)	(12.7%)	153,652,064	159,475,687	(5,823,623)	(3.7%)	1,369,627,772
Corporate Income Tax	927,712	(1,474,598)	2,402,310	162.9%	6,575,289	8,013,197	(1,437,908)	(17.9%)	180,143,079
Cigarette and Tobacco Tax	11,104,159	11,390,438	(286,279)	(2.5%)	25,302,184	24,146,434	1,155,750	4.8%	135,900,000
Insurance Companies Tax	111,846	59,925	51,921	86.6%	765,147	1,091,478	(326,331)	(29.9%)	80,715,000
Estate Tax	(6,043,627)	(4,350,970)	(1,692,657)	(38.9%)	(2,199,661)	-	(2,199,661)	-	27,553,982
Fines, Forfeits & Penalties	1,507,401	2,265,745	(758,344)	(33.5%)	3,701,648	4,379,177	(677,529)	(15.5%)	24,402,335
Income from Investments	28,083	26,859	1,224	4.6%	28,080	26,859	1,221	4.5%	77,710
Transfer from Lottery Commission	5,081,930	5,360,586	(278,656)	(5.2%)	9,602,939	9,649,043	(46,104)	(0.5%)	55,750,000
Transfers for Tax Relief Programs	(5,048,768)	(3,412,934)	(1,635,834)	(47.9%)	(5,548,139)	(3,412,934)	(2,135,205)	(62.6%)	(60,780,498)
Transfer to Municipal Revenue Sharing	(4,488,430)	(4,515,293)	26,863	0.6%	(13,368,566)	(12,729,528)	(639,038)	(5.0%)	(64,864,310)
Other Taxes and Fees	7,896,222	8,471,018	(574,796)	(6.8%)	18,079,493	16,917,769	1,161,724	6.9%	127,428,615
Other Revenues	4,936,200	4,379,843	556,357	12.7%	(1,574,216)	(2,833,524)	1,259,308	44.4%	36,803,082
Total Collected	<u>84,984,895</u>	<u>93,326,772</u>	<u>(8,341,877)</u>	<u>(8.9%)</u>	<u>303,223,645</u>	<u>309,958,431</u>	<u>(6,734,786)</u>	<u>(2.2%)</u>	<u>3,061,249,965</u>

NOTES: (1) Included in the above is \$4,488,430 for the month and \$13,368,566 year-to-date, that was set aside for Revenue Sharing with cities and towns.

(2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in May 2013.

(3) This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Second Month Ended August 31, 2013 and 2012
 For the Fiscal Years Ending June 30, 2014 and 2013
 Comparison to Prior Year

EXHIBIT II

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(Under)	Percent Over/(Under)	Current Year	Prior Year	Variance Over/(Under)	Percent Over/(Under)
Sales and Use Tax	6,555,774	(115,870)	6,671,644	5757.9%	104,613,205	94,435,627	10,177,578	10.8%
Service Provider Tax	(500,576)	(378,690)	(121,886)	(32.2%)	3,594,177	3,856,573	(262,396)	(6.8%)
Individual Income Tax	62,916,969	77,346,960	(14,429,991)	(18.7%)	153,652,064	173,191,001	(19,538,936)	(11.3%)
Corporate Income Tax	927,712	(5,183,938)	6,111,650	117.9%	6,575,289	4,376,616	2,198,674	50.2%
Cigarette and Tobacco Tax	11,104,159	13,950,033	(2,845,875)	(20.4%)	25,302,184	26,509,961	(1,207,777)	(4.6%)
Insurance Companies Tax	111,846	114,769	(2,923)	(2.5%)	765,147	3,167,369	(2,402,221)	(75.8%)
Estate Tax	(6,043,627)	(546,669)	(5,496,958)	(1005.5%)	(2,199,661)	4,261,244	(6,460,905)	(151.6%)
Fines, Forfeits & Penalties	1,507,401	2,078,692	(571,291)	(27.5%)	3,701,648	4,201,520	(499,871)	(11.9%)
Income from Investments	28,083	20,671	7,413	35.9%	28,080	20,671	7,409	35.8%
Transfer from Lottery Commission	5,081,930	3,932,921	1,149,009	29.2%	9,602,939	8,476,580	1,126,358	13.3%
Transfers for Tax Relief Programs	(5,048,768)	(13,400,101)	8,351,333	62.3%	(5,548,139)	(13,767,287)	8,219,147	59.7%
Transfer to Municipal Revenue Sharing	(4,488,430)	(7,045,813)	2,557,383	36.3%	(13,368,566)	(20,773,524)	7,404,958	35.6%
Other Taxes and Fees	7,896,222	9,496,120	(1,599,898)	(16.8%)	18,079,493	19,021,974	(942,481)	(5.0%)
Other Revenues	4,936,200	4,035,950	900,250	22.3%	(1,574,216)	(3,231,855)	1,657,639	51.3%
Total Collected	84,984,895	84,305,036	679,860	0.8%	303,223,645	303,746,469	(522,824)	(0.2%)

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Second Month Ended August 31, 2013
 For the Fiscal Year Ending June 30, 2014
 Comparison to Budget

EXHIBIT III

	<u>Month</u>				<u>Year to Date</u>				<u>Total Budgeted Fiscal Year Ending 6-30-2014</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over/(Under)</u>	<u>Percent Over/(Under)</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over/(Under)</u>	<u>Percent Over/(Under)</u>	
<u>Detail of Other Taxes & Fees</u>									
0100s All Others	626,875	800,670	(173,795)	(21.7%)	1,823,373	1,713,230	110,143	6.4%	26,487,214
0300s Aeronautical Gas Tax	25,675	26,152	(477)	(1.8%)	48,657	48,008	649	1.4%	254,932
0400s Alcohol Excise Tax	1,983,496	1,381,490	602,006	43.6%	3,827,860	2,762,479	1,065,381	38.6%	17,099,326
0700s Corporation Taxes	235,524	232,790	2,734	1.2%	696,697	581,075	115,622	19.9%	7,847,099
0800s Public Utilities	(1,208,323)	-	(1,208,323)	-	(1,208,323)	-	(1,208,323)	-	10,000,000
1000s Banking Taxes	2,067,000	1,945,992	121,008	6.2%	4,390,600	3,891,984	498,616	12.8%	23,851,990
1100s Alcoholic Beverages	457,308	371,403	85,905	23.1%	767,556	703,563	63,993	9.1%	4,547,838
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	945,080	1,000,420	(55,340)	(5.5%)	1,713,559	1,950,851	(237,292)	(12.2%)	8,923,813
1400s Business Taxes	835,054	408,520	426,534	104.4%	1,240,570	960,184	280,386	29.2%	7,408,553
1500s Motor Vehicle Licenses	462,667	368,840	93,827	25.4%	809,265	761,905	47,360	6.2%	4,411,202
1700s Inland Fisheries & Wildlife	1,439,306	1,900,105	(460,799)	(24.3%)	3,912,596	3,489,977	422,619	12.1%	16,214,189
1900s Other Licenses	26,559	34,636	(8,077)	(23.3%)	57,083	54,513	2,570	4.7%	382,459
Total Other Taxes & Fees	7,896,222	8,471,018	(574,796)	(6.8%)	18,079,493	16,917,769	1,161,724	6.9%	127,428,615
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	24,093	29,499	(5,406)	(18.3%)	54,063	58,998	(4,935)	(8.4%)	354,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	15,888	22,712	(6,824)	(30.0%)	87,105	45,424	41,681	91.8%	272,545
2500s Revenues from Private Sources	158,627	102,599	56,028	54.6%	276,367	204,527	71,840	35.1%	9,764,696
2600s Current Service Charges	3,063,157	2,778,799	284,358	10.2%	5,296,861	4,720,290	576,571	12.2%	23,633,123
2700s Transfers from Other Funds	1,653,351	1,433,966	219,385	15.3%	(7,310,070)	(7,875,031)	564,961	7.2%	2,708,118
2800s Sales of Property & Equipment	21,084	12,268	8,816	71.9%	21,459	12,268	9,191	74.9%	70,600
Total Other Revenues	4,936,200	4,379,843	556,357	12.7%	(1,574,216)	(2,833,524)	1,259,308	44.4%	36,803,082

NOTE: This report has been prepared from preliminary month end figures and is subject to change

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Second Month Ended August 31, 2013 and 2012
 For the Fiscal Years Ending June 30, 2014 and 2013
 Comparison to Prior Year

EXHIBIT IV

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(Under)	Percent Over/(Under)	Current Year	Prior Year	Variance Over/(Under)	Percent Over/(Under)
<u>Detail of Other Taxes & Fees</u>								
0100s All Others	626,875	109,659	517,216	471.7%	1,823,373	1,069,195	754,178	70.5%
0300s Aeronautical Gas Tax	25,675	25,645	31	0.1%	48,657	48,629	28	0.1%
0400s Alcohol Excise Tax	1,983,496	1,853,910	129,587	7.0%	3,827,860	3,693,063	134,797	3.7%
0700s Corporation Taxes	235,524	258,301	(22,777)	(8.8%)	696,697	744,891	(48,194)	(6.5%)
0800s Public Utilities	(1,208,323)	-	(1,208,323)	-	(1,208,323)	-	(1,208,323)	-
1000s Banking Taxes	2,067,000	2,175,800	(108,800)	(5.0%)	4,390,600	3,972,050	418,550	10.5%
1100s Alcoholic Beverages	457,308	464,573	(7,266)	(1.6%)	767,556	794,725	(27,169)	(3.4%)
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	945,080	1,005,904	(60,824)	(6.0%)	1,713,559	1,949,674	(236,115)	(12.1%)
1400s Business Taxes	835,054	838,400	(3,347)	(0.4%)	1,240,570	1,913,378	(672,808)	(35.2%)
1500s Motor Vehicle Licenses	462,667	372,643	90,024	24.2%	809,265	782,816	26,449	3.4%
1700s Inland Fisheries & Wildlife	1,439,306	2,353,186	(913,880)	(38.8%)	3,912,596	3,992,433	(79,837)	(2.0%)
1900s Other Licenses	26,559	38,100	(11,541)	(30.3%)	57,083	61,120	(4,037)	(6.6%)
Total Other Taxes & Fees	7,896,222	9,496,120	(1,599,898)	(16.8%)	18,079,493	19,021,974	(942,481)	(5.0%)
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	24,093	50,218	(26,125)	(52.0%)	54,063	53,050	1,012	1.9%
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	15,888	882	15,006	1701.4%	87,105	52,047	35,058	67.4%
2500s Revenues from Private Sources	158,627	130,837	27,790	21.2%	276,367	197,001	79,366	40.3%
2600s Current Service Charges	3,063,157	3,157,080	(93,922)	(3.0%)	5,296,861	5,306,493	(9,632)	(0.2%)
2700s Transfers from Other Funds	1,653,351	660,480	992,871	150.3%	(7,310,070)	(8,876,899)	1,566,829	17.7%
2800s Sales of Property & Equipment	21,084	36,453	(15,369)	(42.2%)	21,459	36,453	(14,994)	(41.1%)
Total Other Revenues	4,936,200	4,035,950	900,250	22.3%	(1,574,216)	(3,231,855)	1,657,639	51.3%

NOTE: This report has been prepared from preliminary month end figures and is subject to change

STATE OF MAINE

Undedicated Revenues - Highway Fund
 For the Second Month Ended August 31, 2013
 For the Fiscal Year Ending June 30, 2014
 Comparison to Budget

EXHIBIT V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2014
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Fuel Taxes	(1,193,666)	(288,140)	(905,526)	(314.3%)	17,769,054	17,580,771	188,283	1.1%	210,011,240
Motor Vehicle Registration & Fees	8,567,283	8,501,040	66,243	0.8%	17,370,739	16,731,286	639,453	3.8%	83,282,917
Motor Vehicle Inspection Fees	254,766	230,250	24,516	10.6%	422,800	730,300	(307,501)	(42.1%)	2,982,500
Miscellaneous Taxes & Fees	116,183	132,469	(16,286)	(12.3%)	221,335	258,817	(37,482)	(14.5%)	1,313,165
Fines, Forfeits & Penalties	89,636	102,747	(13,111)	(12.8%)	175,664	195,520	(19,856)	(10.2%)	1,039,868
Earnings on Investments	8,816	10,204	(1,388)	(13.6%)	8,816	20,408	(11,592)	(56.8%)	122,453
All Other	548,942	535,765	13,177	2.5%	897,825	1,060,354	(162,529)	(15.3%)	9,025,866
Total Collected	8,391,961	9,224,335	(832,374)	(9.0%)	36,866,233	36,577,456	288,777	0.8%	307,778,009

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - Highway Fund
 For the Second Month Ended August 31, 2013 and 2012
 For the Fiscal Years Ending June 30, 2014 and 2013
 Comparison to Prior Year

EXHIBIT VI

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(Under)	Percent Over/(Under)	Current Year	Prior Year	Variance Over/(Under)	Percent Over/(Under)
Fuel Taxes	(1,193,666)	(822,332)	(371,334)	(45.2%)	17,769,054	18,127,657	(358,602)	(2.0%)
Motor Vehicle Registration & Fees	8,567,283	8,655,237	(87,954)	(1.0%)	17,370,739	17,089,219	281,521	1.6%
Motor Vehicle Inspection Fees	254,766	226,171	28,595	12.6%	422,800	722,998	(300,199)	(41.5%)
Miscellaneous Taxes & Fees	116,183	120,668	(4,485)	(3.7%)	221,335	230,420	(9,084)	(3.9%)
Fines, Forfeits & Penalties	89,636	91,038	(1,402)	(1.5%)	175,664	184,896	(9,233)	(5.0%)
Earnings on Investments	8,816	10,634	(1,819)	(17.1%)	8,816	10,634	(1,819)	(17.1%)
All Other	548,942	417,553	131,390	31.5%	897,825	802,975	94,850	11.8%
Total Collected	<u>8,391,961</u>	<u>8,698,969</u>	<u>(307,008)</u>	<u>(3.5%)</u>	<u>36,866,233</u>	<u>37,168,799</u>	<u>(302,566)</u>	<u>(0.8%)</u>

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

**Maine Revenue Services
Taxable Sales by Sector
In Thousands of Dollars**

	July '13	% Ch.	July '12	% Ch.	July ' 11	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'13 vs. '12 Thru. July % Change
Building Supply	\$203,746.7	6.4%	\$191,438.7	0.8%	\$189,930.4	7.1%	-2.0%	3.5%
Food Store	\$165,055.5	1.0%	\$163,406.9	4.0%	\$157,098.0	0.1%	1.1%	0.6%
General Merchandise	\$267,882.1	2.3%	\$261,970.5	2.2%	\$256,371.1	3.6%	1.1%	1.4%
Other Retail	\$187,543.0	2.3%	\$183,295.7	1.7%	\$180,298.6	2.6%	0.6%	2.2%
Auto/Transportation	\$368,540.3	16.3%	\$316,886.9	5.0%	\$301,870.6	9.7%	5.3%	6.8%
Restaurant	\$262,551.8	3.4%	\$253,813.9	2.1%	\$248,657.8	3.6%	3.5%	2.8%
Lodging	\$155,915.8	4.3%	\$149,538.0	3.8%	\$144,128.5	4.0%	5.7%	4.0%
Consumer Sales	\$1,611,235.2	6.0%	\$1,520,350.6	2.8%	\$1,478,355.0	5.1%	2.1%	3.4%
Business Operating	\$192,178.4	24.0%	\$155,041.5	1.0%	\$153,463.7	7.7%	2.0%	4.1%
Total	\$1,803,413.6	7.6%	\$1,675,392.1	2.7%	\$1,631,818.7	5.4%	2.1%	3.5%