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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: Richard W. Rosen, Commissioner
Department of Administrative & Financial Services

DATE: March 23, 2015

SUBJ: Revenues – February

February General Fund revenues were over budget by \$37.8 million or 34%. For the first eight months of FY15 General Fund revenues are \$42.4 million over budget (+2.2%). Compared to the same eight month period of last fiscal year, FY15 General Fund revenues are up 9.4% (+\$165.4 million).

After one of the strongest quarters in many years, January taxable sales (February revenue) only increased by 1% over a year ago. The cold snowy weather at the end of the month hit auto sales particularly hard. The auto/transportation sector was down 3.6% compared to last January. Lodging sales fell 2.2%, but all the remaining sectors posted solid growth. As a result, February receipts were under budget by \$2.8 million and are now \$706,773 under budget year-to-date.

Individual income tax receipts were over budget in February by \$52 million. Refunds represented most of the positive variance, ending the month \$49 million under budget. Withholding accounted for the remaining portion of the monthly surplus. While some portion of the weak performance in refunds is related to a slowdown in processing by Maine Revenue Services because of a concern over fraudulently filed tax returns, it's also possible that tax year 2014 was better than projected. March refunds will provide additional information that will help clarify the reason for January's low level of refunds.

Corporate income receipts were under budget for the month by \$6.7 million and are under budget for the fiscal year by \$14.3 million. Refunds are running over budget, which means the

2013 tax year was weaker than forecasted. March and April are big months for corporate calendar year filers and will provide initial data on the 2014 tax year and preliminary data on 2015.

Sales & Use Taxes

Revenue was \$2.8 million under budget for the month and \$706,773 (-0.1%) under budget fiscal year-to-date. Fiscal year-to-date revenue was \$63.9 million (+9.7%) over fiscal year 2014.

Taxable Sales

Total taxable sales for the month of January (February revenue) were 0.4% under January 2014. The annual rate of change excluding utilities was 3.9%. Building supply sales were up 0.9% for the month and 4.1% for the year ending in January. Sales of taxable items in food stores were up 1.8% for the month and 4.0% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 3.8% for the month and 2.2% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 4.2% for the month and 2.2% for the year. Auto/transportation sector sales were down 3.4% for the month and up 6.1% for the year. Sales of meals and other prepared foods were up 6.6% for the month and 5.0% for the year. Lodging sales were down 2.2% for the month and up 4.2% for the year. Business operating sales (primarily use tax paid by businesses) were down 2.0% for the month and up 2.4% for the year.

Service Provider Tax

Revenue was \$353,777 under budget for the month and \$593,294 (-2.0%) under budget fiscal year-to-date.

Individual Income Tax

Revenue was \$51.9 million over budget for the month and \$58.8 million (+6.8%) over budget fiscal year-to-date. Fiscal year-to-date withholding payments were 3.4% over fiscal year 2014. Estimated payments were up 5.5% and final payments were up 6.4% fiscal year-to-date. Fiscal year-to-date revenue was \$79.4 million (+9.5%) over fiscal year 2014.

Corporate Income Tax

Revenue was \$6.7 million under budget for the month and \$14.3 million (-15.6%) under budget fiscal year-to-date. Estimated payments were down 1.6% and final payments were up 23.9% fiscal year-to-date. Fiscal year-to-date revenue was \$10.1 million (-11.6%) under fiscal year 2014.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$450,565 under budget for the month and \$365,334 (+0.4%) over budget fiscal year-to-date.

Insurance Companies Taxes

The Insurance Companies Taxes were \$716,466 over budget for the month and \$530,302 over budget fiscal year-to-date.

Estate Tax

The estate tax was \$1.5 million under budget for the month and \$2.5 million under budget fiscal year-to-date.

Transfers for Tax Relief Programs

Refunds for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were over budget in February by \$2 million and are now on budget for the fiscal year.

Municipal Revenue Sharing

Revenue sharing was under budget in February by \$0.4 million. For the fiscal year revenue sharing is \$0.8 million over budget or 2.1%.

Lottery

Lottery Revenues were slightly over budget for the month. Year-to-date lottery receipts are \$1.9 million below projections.

Other Revenues

Other Revenues were under budget for the month by \$1.1 million. For the fiscal year other revenues are over budget by \$0.4 million (+2.6%).

Highway Fund

Motor fuel excise tax receipts were over budget in February by \$0.6 million. The Highway Fund as a whole was under budget for the month by \$0.1 million. Through the first eight months of the fiscal year motor fuel excise taxes are \$0.2 million under budget and the Highway Fund is \$0.8 million over budget. Compared to the first eight months of FY14, motor fuel excise tax receipts have increased this fiscal year by 0.9%.

National Economy

Weather has once again slowed the national economy at the start of the new calendar year. Early estimates put US GDP growth at less than 2% in the first quarter of 2015. Consumer spending and nonresidential investment slowed considerably from the strong growth posted in the final quarter of 2014.

With the winter season ending, it's expected that economy will pick up in the remaining quarters of 2015. For the most part the fundamentals of the economy are strong and should support on-going growth in the 3-3.5% range.

Maine Economy

Similar to the national economy January's taxable sales report supports the view that the stormy month impacted consumer spending. Early indications are that February sales were affected as well. With energy prices falling again it's expected that consumer spending will pick up again once the spring weather begins to take hold.

The Consensus Economic Forecasting Committee (CEFC) will meet later this month to review the performance of their November forecast and to make whatever changes are necessary. The Revenue Forecasting Committee will meet late next month to go through a similar exercise to meet their deadline of May 1st.

RWR:mja

Attachments

cc: John McGough
Aaron Chadbourne
Grant Pennoyer
Chris Nolan
Marc Cyr
Amanda Rector
Jim Breece
Jerome Gerard
Melissa Gott

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Eighth Month Ended February 28, 2015
 For the Fiscal Year Ending June 30, 2015
 Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2015
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Sales and Use Tax	72,226,235	74,984,540	(2,758,305)	(3.7%)	723,511,738	724,218,511	(706,773)	(0.1%)	1,194,004,518
Service Provider Tax	3,772,557	4,126,334	(353,777)	(8.6%)	28,497,155	29,090,449	(593,294)	(2.0%)	50,303,776
Individual Income Tax	58,276,335	6,333,333	51,943,002	820.2%	919,476,751	860,696,566	58,780,185	6.8%	1,448,905,200
Corporate Income Tax	(2,907,356)	3,750,000	(6,657,356)	(177.5%)	77,217,877	91,482,911	(14,265,034)	(15.6%)	186,481,769
Cigarette and Tobacco Tax	9,161,720	9,612,285	(450,565)	(4.7%)	90,898,519	90,533,185	365,334	0.4%	134,890,000
Insurance Companies Tax	1,679,719	963,253	716,466	74.4%	15,364,451	14,834,149	530,302	3.6%	82,250,000
Estate Tax	822,229	2,295,000	(1,472,771)	(64.2%)	22,293,313	24,754,951	(2,461,638)	(9.9%)	38,406,991
Fines, Forfeits & Penalties	1,801,622	2,283,008	(481,386)	(21.1%)	14,403,469	15,068,826	(665,357)	(4.4%)	23,000,770
Income from Investments	75,946	15,594	60,352	387.0%	293,454	74,482	218,972	294.0%	112,451
Transfer from Lottery Commission	4,565,433	4,442,342	123,091	2.8%	36,657,740	38,570,509	(1,912,769)	(5.0%)	57,350,462
Transfers for Tax Relief Programs	(5,419,715)	(3,379,375)	(2,040,340)	(60.4%)	(57,007,078)	(57,036,428)	29,350	0.1%	(59,183,362)
Transfer to Municipal Revenue Sharing	(6,748,780)	(7,181,445)	432,665	6.0%	(41,097,374)	(40,264,221)	(833,153)	(2.1%)	(61,599,125)
Other Taxes and Fees	8,360,054	8,577,523	(217,469)	(2.5%)	82,900,724	79,402,080	3,498,644	4.4%	132,333,097
Other Revenues	3,023,839	4,103,804	(1,079,965)	(26.3%)	17,063,014	16,625,416	437,598	2.6%	49,587,338
Total Collected	<u>148,689,837</u>	<u>110,926,196</u>	<u>37,763,641</u>	<u>34.0%</u>	<u>1,930,473,753</u>	<u>1,888,051,386</u>	<u>42,422,367</u>	<u>2.2%</u>	<u>3,276,843,885</u>

NOTES: (1) Included in the above is \$6,748,780 for the month and \$41,097,374 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 December 2014, updated by PL 2013 c. 380, and PL 2015 c.1.

(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 Eighth Month Ended February 28, 2015
 For the Fiscal Years Ending June 30, 2015 and 2014
 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	72,226,235	71,244,691	981,544	1.4%	723,511,738	659,646,979	63,864,759	9.7%
Service Provider Tax	3,772,557	4,013,944	(241,387)	(6.0%)	28,497,155	28,339,918	157,236	0.6%
Individual Income Tax	58,276,335	12,004,102	46,272,232	385.5%	919,476,751	840,075,278	79,401,473	9.5%
Corporate Income Tax	(2,907,356)	2,763,428	(5,670,783)	(205.2%)	77,217,877	87,364,915	(10,147,038)	(11.6%)
Cigarette and Tobacco Tax	9,161,720	9,348,714	(186,994)	(2.0%)	90,898,519	91,435,407	(536,888)	(0.6%)
Insurance Companies Tax	1,679,719	1,135,792	543,927	47.9%	15,364,451	13,976,713	1,387,739	9.9%
Estate Tax	822,229	2,405,393	(1,583,164)	(65.8%)	22,293,313	11,583,842	10,709,471	92.5%
Fines, Forfeits & Penalties	1,801,622	1,962,847	(161,225)	(8.2%)	14,403,469	14,890,544	(487,075)	(3.3%)
Income from Investments	75,946	26,641	49,305	185.1%	293,454	179,862	113,592	63.2%
Transfer from Lottery Commission	4,565,433	4,422,296	143,137	3.2%	36,657,740	34,132,805	2,524,934	7.4%
Transfers for Tax Relief Programs	(5,419,715)	(4,245,902)	(1,173,813)	(27.6%)	(57,007,078)	(62,568,933)	5,561,855	8.9%
Transfer to Municipal Revenue Sharing	(6,748,780)	(7,356,458)	607,678	8.3%	(41,097,374)	(45,280,463)	4,183,089	9.2%
Other Taxes and Fees	8,360,054	8,144,315	215,739	2.6%	82,900,724	78,584,044	4,316,681	5.5%
Other Revenues	3,023,839	4,113,758	(1,089,919)	(26.5%)	17,063,014	12,674,669	4,388,345	34.6%
Total Collected	148,689,837	109,983,560	38,706,277	35.2%	1,930,473,753	1,765,035,580	165,438,173	9.4%

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 Eighth Month Ended February 28, 2015
 For the Fiscal Year Ending June 30, 2015
 Comparison to Budget

EXHIBIT III

	<u>Month</u>				<u>Year to Date</u>				<u>Total Budgeted Fiscal Year Ending 6-30-2015</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	777,770	1,049,352	(271,582)	(25.9%)	20,205,244	19,490,200	715,044	3.7%	29,853,525
0300s Aeronautical Gas Tax	20,957	20,400	557	2.7%	182,398	180,003	2,395	1.3%	262,277
0400s Alcohol Excise Tax	1,132,912	1,471,816	(338,904)	(23.0%)	12,343,834	11,774,528	569,306	4.8%	17,661,852
0700s Corporation Taxes	433,097	655,425	(222,328)	(33.9%)	2,260,101	2,204,655	55,446	2.5%	8,313,649
0800s Public Utilities	-	-	-	-	52,290	-	52,290	-	8,250,000
1000s Banking Taxes	2,691,350	1,987,666	703,684	35.4%	18,908,300	17,401,334	1,506,966	8.7%	25,351,990
1100s Alcoholic Beverages	514,146	398,808	115,338	28.9%	4,356,018	3,601,085	754,933	21.0%	5,221,140
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	536,219	719,563	(183,344)	(25.5%)	5,739,206	6,064,698	(325,492)	(5.4%)	8,922,512
1400s Business Taxes	487,447	593,157	(105,710)	(17.8%)	4,083,962	4,321,343	(237,381)	(5.5%)	7,898,295
1500s Motor Vehicle Licenses	467,074	508,553	(41,479)	(8.2%)	2,900,447	3,014,853	(114,406)	(3.8%)	4,411,202
1700s Inland Fisheries & Wildlife	1,274,521	1,144,743	129,778	11.3%	11,611,555	11,044,456	567,099	5.1%	15,785,896
1900s Other Licenses	24,561	28,040	(3,480)	(12.4%)	257,369	304,925	(47,556)	(15.6%)	400,759
Total Other Taxes & Fees	8,360,054	8,577,523	(217,469)	(2.5%)	82,900,724	79,402,080	3,498,644	4.4%	132,333,097
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	33,193	32,916	277	0.8%	298,832	263,333	35,499	13.5%	395,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	29,763	23,166	6,597	28.5%	183,050	185,328	(2,278)	(1.2%)	277,996
2500s Revenues from Private Sources	(65,306)	222,228	(287,534)	(129.4%)	4,681,209	4,763,290	(82,081)	(1.7%)	5,384,980
2600s Current Service Charges	1,546,320	2,169,223	(622,903)	(28.7%)	16,134,513	15,976,822	157,691	1.0%	25,271,252
2700s Transfers from Other Funds	1,477,474	1,642,293	(164,819)	(10.0%)	(4,288,588)	(4,615,376)	326,788	7.1%	18,124,510
2800s Sales of Property & Equipment	2,394	13,978	(11,584)	(82.9%)	53,998	52,019	1,979	3.8%	133,600
For the Fifth Total Other Revenues	3,023,839	4,103,804	(1,079,965)	(26.3%)	17,063,014	16,625,416	437,598	2.6%	49,587,338

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 Eighth Month Ended February 28, 2015
 For the Fiscal Years Ending June 30, 2015 and 2014
 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	777,770	1,177,133	(399,363)	(33.9%)	20,205,244	18,543,364	1,661,880	9.0%
0300s Aeronautical Gas Tax	20,957	19,864	1,093	5.5%	182,398	181,478	920	0.5%
0400s Alcohol Excise Tax	1,132,912	1,193,464	(60,552)	(5.1%)	12,343,834	12,276,413	67,421	0.5%
0700s Corporation Taxes	433,097	599,789	(166,692)	(27.8%)	2,260,101	2,275,067	(14,966)	(0.7%)
0800s Public Utilities	-	4,123	(4,123)	(100.0%)	52,290	(1,165,849)	1,218,139	104.5%
1000s Banking Taxes	2,691,350	2,344,050	347,300	14.8%	18,908,300	18,085,550	822,750	4.5%
1100s Alcoholic Beverages	514,146	269,475	244,671	90.8%	4,356,018	3,440,796	915,222	26.6%
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	536,219	630,940	(94,722)	(15.0%)	5,739,206	5,818,212	(79,006)	(1.4%)
1400s Business Taxes	487,447	657,715	(170,268)	(25.9%)	4,083,962	4,533,664	(449,702)	(9.9%)
1500s Motor Vehicle Licenses	467,074	443,172	23,902	5.4%	2,900,447	2,938,372	(37,925)	(1.3%)
1700s Inland Fisheries & Wildlife	1,274,521	782,377	492,144	62.9%	11,611,555	11,408,947	202,608	1.8%
1900s Other Licenses	24,561	22,213	2,348	10.6%	257,369	248,030	9,339	3.8%
Total Other Taxes & Fees	8,360,054	8,144,315	215,739	2.6%	82,900,724	78,584,044	4,316,681	5.5%
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	33,193	22,940	10,253	44.7%	298,832	287,971	10,861	3.8%
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	29,763	4,166	25,597	614.5%	183,050	159,814	23,236	14.5%
2500s Revenues from Private Sources	(65,306)	129,182	(194,487)	(150.6%)	4,681,209	1,127,300	3,553,909	315.3%
2600s Current Service Charges	1,546,320	2,413,283	(866,963)	(35.9%)	16,134,513	16,820,488	(685,975)	(4.1%)
2700s Transfers from Other Funds	1,477,474	1,544,187	(66,714)	(4.3%)	(4,288,588)	(5,796,263)	1,507,675	26.0%
2800s Sales of Property & Equipment	2,394	-	2,394	-	53,998	75,359	(21,361)	(28.3%)
Total Other Revenues	3,023,839	4,113,758	(1,089,919)	(26.5%)	17,063,014	12,674,669	4,388,345	34.6%

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 Eighth Month Ended February 28, 2015
 For the Fiscal Year Ending June 30, 2015
 Comparison to Budget

EXHIBIT V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2015
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Fuel Taxes	17,176,822	16,609,954	566,868	3.4%	129,723,202	129,907,139	(183,937)	(0.1%)	217,413,634
Motor Vehicle Registration & Fees	8,208,671	9,343,802	(1,135,131)	(12.1%)	55,919,526	55,352,533	566,993	1.0%	83,467,472
Motor Vehicle Inspection Fees	567,203	123,398	443,805	359.7%	2,193,114	1,989,194	203,920	10.3%	2,982,500
Miscellaneous Taxes & Fees	101,880	83,365	18,515	22.2%	791,247	805,580	(14,333)	(1.8%)	1,270,229
Fines, Forfeits & Penalties	52,491	67,925	(15,434)	(22.7%)	633,247	666,818	(33,571)	(5.0%)	1,007,998
Earnings on Investments	19,669	9,418	10,251	108.8%	71,684	67,851	3,833	5.6%	105,523
All Other	493,023	487,516	5,507	1.1%	7,551,317	7,293,319	257,998	3.5%	9,726,971
Total Collected	26,619,759	26,725,378	(105,619)	(0.4%)	196,883,337	196,082,434	800,903	0.4%	315,974,327

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 Eighth Month Ended February 28, 2015
 For the Fiscal Years Ending June 30, 2015 and 2014
 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	17,176,822	15,739,430	1,437,392	9.1%	129,723,202	128,901,137	822,065	0.6%
Motor Vehicle Registration & Fees	8,208,671	9,074,153	(865,482)	(9.5%)	55,919,526	55,934,016	(14,489)	(0.0%)
For the Fifth Month Ended November, 2014 and 2013	567,203	88,619	478,584	540.0%	2,193,114	2,050,000	143,115	7.0%
Miscellaneous Taxes & Fees	101,880	87,840	14,040	16.0%	791,247	775,367	15,881	2.0%
Fines, Forfeits & Penalties	52,491	60,350	(7,859)	(13.0%)	633,247	666,135	(32,888)	(4.9%)
Earnings on Investments	19,669	3,612	16,057	444.6%	71,684	36,000	35,684	99.1%
All Other	493,023	473,323	19,700	4.2%	7,551,317	6,708,407	842,910	12.6%
Total Collected	26,619,759	25,527,327	1,092,432	4.3%	196,883,337	195,071,060	1,812,277	0.9%

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**

	January '15	% Ch.	January '14	% Ch.	January '13	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'15 vs. '14 Thru. Jan. % Change
Building Supply	\$128,220.2	0.9%	\$127,057.5	0.8%	\$126,099.2	5.1%	4.1%	0.9%
Food Store	\$122,571.0	1.8%	\$120,382.1	4.5%	\$115,178.0	6.5%	4.0%	1.8%
General Merchandise	\$181,671.1	3.8%	\$174,980.1	-8.0%	\$190,292.2	4.2%	2.2%	3.8%
Other Retail	\$132,284.9	4.2%	\$126,963.7	-1.8%	\$129,287.7	4.9%	2.2%	4.2%
Auto/Transportation	\$260,456.2	-3.4%	\$269,604.6	4.2%	\$258,743.4	7.4%	6.1%	-3.4%
Restaurant	\$143,583.6	6.6%	\$134,678.4	0.5%	\$133,950.5	7.2%	5.0%	6.6%
Lodging	\$17,229.9	-2.2%	\$17,615.7	11.2%	\$15,835.9	9.8%	4.2%	-2.2%
Consumer Sales	\$986,016.9	1.5%	\$971,282.1	0.2%	\$969,386.9	5.9%	4.1%	1.5%
Business Operating	\$157,437.4	-2.0%	\$160,587.6	2.5%	\$156,654.3	2.2%	2.4%	-2.0%
Total	\$1,143,454.3	1.0%	\$1,131,869.7	0.5%	\$1,126,041.2	5.4%	3.9%	1.0%
Utilities	\$122,396.5	-11.8%	\$138,805.0	12.6%	\$123,294.8			
Total plus Utilities	\$1,265,850.8	-0.4%	\$1,270,674.7	1.7%	\$1,249,336.0			