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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: August 24, 2015

SUBJ: Revenues – July

July General Fund revenues were over budget by \$13.2 million or 5.7%. Compared to last July, FY16 General Fund revenues decreased by 2.5% (-\$6.3 million). \$12.7 million of the monthly positive variance was due to two General Fund transfers (Tourism Marketing and Multimodal Transportation) budgeted for July, but not acted on until August. The decrease in year-over-year receipts is because of an unusually large amount of corporate refunds in July (see details below).

June taxable sales (July revenue) increased by 4.9% over a year ago, resulting in a revenue surplus for sales and use and service provider taxes combined of \$1.6 million in July. With the exception of general merchandise and other retail sales, which were relatively flat year-over-year, the remaining business categories all reported solid growth. Taxable sales for the second quarter of 2015 increased by 5.7% compared to a year ago. Since the decline in energy prices began almost a year ago, taxable sales growth has been averaging over 5%. That pace is expected to continue as energy prices remain relatively low and the income growth has picked up.

Individual income tax receipts were under budget for the month by \$2.9 million. The monthly deficit was from refunds being \$6.5 million over budget. Withholding and estimated payments, which reflect current economic activity, continued to outperform projections in July by \$3 million. Final payments also exceeded budget by approximately \$600,000 in July.

Corporate income tax receipts were over budget for the month by \$1.2 million. Final and estimated payments exceeded budget by \$1.1 million. Refunds were essentially on budget for the month, but were unusually high because of prior tax year settlements with taxpayers. The Revenue Forecasting Committee was aware of the potential settlements when they met in April and factored them into their new projections for the first quarter of FY16.

Sales & Use Taxes

Revenue was \$2.9 million over budget for the first month of fiscal year 2016.

Taxable Sales

Total taxable sales for the month of June (July revenue) were 4.9% over June 2014. The annual rate of change excluding utilities was 4.8%. Building supply sales were up 3.1% for the month and 4.8% for the year ending in June. Sales of taxable items in food stores were up 4.1% for the month and 4.8% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 0.4% for the month and 3.1% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 0.9% for the month and 3.4% for the year. Auto/transportation sector sales were up 14.1% for the month and 7.7% for the year. Sales of meals and other prepared foods were up 2.6% for the month and 5.8% for the year. Lodging sales were up 5.8% for the month and 4.3% for the year. Business operating sales (primarily use tax paid by businesses) were up 2.9% for the month and 2.2% for the year.

Service Provider Tax

Revenue was \$1.3 million under budget for the month.

Individual Income Tax

Revenue was \$2.9 million under budget for the month. Fiscal year-to-date withholding payments were 10.6% over fiscal year 2014. Estimated payments were up 29.2% and final payments were up 6.8% fiscal year-to-date.

Corporate Income Tax

Revenue was \$1.2 million over budget for the month. Estimated payments were up 24.1% and final payments were up 143.6% fiscal year-to-date.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$3.4 million over budget for the month.

Insurance Companies Taxes

The Insurance Companies Taxes were \$62,684 under budget for the month.

Estate Tax

The estate tax was \$706,918 under budget for the month.

Transfers for Tax Relief Programs

Refunds for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were under budget in July by \$0.4 million.

Municipal Revenue Sharing

Revenue sharing was on budget in July.

Lottery

Lottery Revenues were under budget for the month by \$0.8 million.

Other Revenues

Other Revenues were over budget for the month by \$10.9 million. As reported in the opening paragraph of this report, the positive variance for the month on this line was because of a delay in transfers from the General Fund to other funds.

Highway Fund

Motor fuel excise tax receipts were under budget in July by \$0.5 million. The Highway Fund as a whole was under budget for the month by \$0.3 million.

National Economy

Volatility in international financial markets has impacted US financial markets, but is not expected to derail the US economic expansion that began 6 years ago. At this time most economic forecasters are assuming that the problems in China will shave a little off of US economic growth in the current quarter, but falling energy prices and continued employment growth should keep consumer spending strong enough to maintain 2% growth for the year. The one area that recent events have put into question is the expected date of the Federal Reserve's interest rate increase. The expectation was that the Fed would institute their first rate increase since 2006 during their September meeting, but now Fed watchers are thinking the Fed may not act until December.

Maine Economy

Through the first half of calendar year 2015 taxable sales in Maine have increased by 5%, year-over-year. If sales grow at a similar rate in the second half of the year, 2015 will be the best year of growth since the 2003-04 periods. While the recent volatility in the financial markets may impact consumer confidence, and thus sales tax receipts, the effect should be short-lived; as plunging energy prices should quickly offset any psychological effect from the stock market correction. If gasoline and home heating oil prices remain low, as is expected, the fall and holiday shopping season should be strong.

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 First Month Ended July 31, 2015
 For the Fiscal Year Ending June 30, 2016
 Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2016
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Sales and Use Tax	121,092,106	118,144,628	2,947,478	2.5%	121,092,106	118,144,628	2,947,478	2.5%	1,252,140,713
Service Provider Tax	3,798,787	5,137,495	(1,338,708)	(26.1%)	3,798,787	5,137,495	(1,338,708)	(26.1%)	59,073,214
Individual Income Tax	102,575,979	105,450,000	(2,874,021)	(2.7%)	102,575,979	105,450,000	(2,874,021)	(2.7%)	1,486,487,128
Corporate Income Tax	(9,270,079)	(10,500,000)	1,229,921	11.7%	(9,270,079)	(10,500,000)	1,229,921	11.7%	150,084,270
Cigarette and Tobacco Tax	16,397,430	13,018,509	3,378,921	26.0%	16,397,430	13,018,509	3,378,921	26.0%	133,441,000
Insurance Companies Tax	151,826	214,510	(62,684)	(29.2%)	151,826	214,510	(62,684)	(29.2%)	82,700,000
Estate Tax	1,656,990	2,363,908	(706,918)	(29.9%)	1,656,990	2,363,908	(706,918)	(29.9%)	30,675,326
Fines, Forfeits & Penalties	1,683,191	1,996,575	(313,384)	(15.7%)	1,683,191	1,996,575	(313,384)	(15.7%)	22,615,858
Income from Investments	-	-	-	-	-	-	-	-	439,232
Transfer from Lottery Commission	3,956,155	4,787,368	(831,213)	(17.4%)	3,956,155	4,787,368	(831,213)	(17.4%)	54,900,000
Transfers for Tax Relief Programs	361,189	(39,933)	401,122	1004.5%	361,189	(39,933)	401,122	1004.5%	(66,771,938)
Transfer to Municipal Revenue Sharing	(9,227,468)	(9,227,469)	1	0.0%	(9,227,468)	(9,227,469)	1	0.0%	(63,974,827)
Other Taxes and Fees	10,597,724	10,118,040	479,684	4.7%	10,597,724	10,118,040	479,684	4.7%	138,271,212
Other Revenues	2,533,679	(8,376,061)	10,909,740	130.2%	2,533,679	(8,376,061)	10,909,740	130.2%	31,329,748
Total Collected	<u>246,307,509</u>	<u>233,087,570</u>	<u>13,219,939</u>	<u>5.7%</u>	<u>246,307,509</u>	<u>233,087,570</u>	<u>13,219,939</u>	<u>5.7%</u>	<u>3,311,410,936</u>

NOTES: (1) Included in the above is \$9,227,468 for the month and \$9,227,468 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 2015, updated by PL 2015 c. 267, the Biennial Budget, PL 2015 c. 1 and c. 150.

(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 First Month Ended July 31, 2015 and 2014
 For the Fiscal Years Ending June 30, 2016 and 2015
 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	121,092,106	113,057,060	8,035,046	7.1%	121,092,106	113,057,060	8,035,046	7.1%
Service Provider Tax	3,798,787	4,916,263	(1,117,476)	(22.7%)	3,798,787	4,916,263	(1,117,476)	(22.7%)
Individual Income Tax	102,575,979	103,739,312	(1,163,333)	(1.1%)	102,575,979	103,739,312	(1,163,333)	(1.1%)
Corporate Income Tax	(9,270,079)	7,111,380	(16,381,459)	(230.4%)	(9,270,079)	7,111,380	(16,381,459)	(230.4%)
Cigarette and Tobacco Tax	16,397,430	14,099,211	2,298,219	16.3%	16,397,430	14,099,211	2,298,219	16.3%
Insurance Companies Tax	151,826	500,605	(348,778)	(69.7%)	151,826	500,605	(348,778)	(69.7%)
Estate Tax	1,656,990	2,655,249	(998,259)	(37.6%)	1,656,990	2,655,249	(998,259)	(37.6%)
Fines, Forfeits & Penalties	1,683,191	1,936,507	(253,316)	(13.1%)	1,683,191	1,936,507	(253,316)	(13.1%)
Income from Investments	-	6	(6)	(100.0%)	-	6	(6)	(100.0%)
Transfer from Lottery Commission	3,956,155	4,062,846	(106,691)	(2.6%)	3,956,155	4,062,846	(106,691)	(2.6%)
Transfers for Tax Relief Programs	361,189	159	361,029	226677.6%	361,189	159	361,029	226677.6%
Transfer to Municipal Revenue Sharing	(9,227,468)	(3,229,972)	(5,997,496)	(185.7%)	(9,227,468)	(3,229,972)	(5,997,496)	(185.7%)
Other Taxes and Fees	10,597,724	10,444,023	153,701	1.5%	10,597,724	10,444,023	153,701	1.5%
Other Revenues	2,533,679	(6,610,626)	9,144,305	138.3%	2,533,679	(6,610,626)	9,144,305	138.3%
Total Collected	246,307,509	252,682,023	(6,374,514)	(2.5%)	246,307,509	252,682,023	(6,374,514)	(2.5%)

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 First Month Ended July 31, 2015
 For the Fiscal Year Ending June 30, 2016
 Comparison to Budget

EXHIBIT III

	<u>Month</u>				<u>Year to Date</u>				<u>Total Budgeted Fiscal Year Ending 6-30-2016</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	1,516,119	1,389,599	126,520	9.1%	1,516,119	1,389,599	126,520	9.1%	32,633,941
0300s Aeronautical Gas Tax	22,731	23,102	(371)	(1.6%)	22,731	23,102	(371)	(1.6%)	266,376
0400s Alcohol Excise Tax	2,094,049	1,339,071	754,978	56.4%	2,094,049	1,339,071	754,978	56.4%	17,861,080
0700s Corporation Taxes	466,253	523,798	(57,546)	(11.0%)	466,253	523,798	(57,546)	(11.0%)	9,088,649
0800s Public Utilities	-	-	-	-	-	-	-	-	7,500,000
1000s Banking Taxes	2,225,350	2,195,991	29,359	1.3%	2,225,350	2,195,991	29,359	1.3%	26,851,990
1100s Alcoholic Beverages	406,450	465,617	(59,167)	(12.7%)	406,450	465,617	(59,167)	(12.7%)	4,722,838
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	910,586	856,917	53,669	6.3%	910,586	856,917	53,669	6.3%	9,119,142
1400s Business Taxes	764,146	807,735	(43,589)	(5.4%)	764,146	807,735	(43,589)	(5.4%)	9,692,993
1500s Motor Vehicle Licenses	475,459	573,192	(97,733)	(17.1%)	475,459	573,192	(97,733)	(17.1%)	4,281,202
1700s Inland Fisheries & Wildlife	1,689,246	1,911,498	(222,252)	(11.6%)	1,689,246	1,911,498	(222,252)	(11.6%)	15,850,342
1900s Other Licenses	27,335	31,520	(4,185)	(13.3%)	27,335	31,520	(4,185)	(13.3%)	402,659
Total Other Taxes & Fees	10,597,724	10,118,040	479,684	4.7%	10,597,724	10,118,040	479,684	4.7%	138,271,212
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	12,028	32,917	(20,889)	(63.5%)	12,028	32,917	(20,889)	(63.5%)	395,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	31,194	59,424	(28,230)	(47.5%)	31,194	59,424	(28,230)	(47.5%)	277,996
2500s Revenues from Private Sources	143,894	152,266	(8,372)	(5.5%)	143,894	152,266	(8,372)	(5.5%)	1,645,000
2600s Current Service Charges	2,399,163	2,707,359	(308,196)	(11.4%)	2,399,163	2,707,359	(308,196)	(11.4%)	23,950,276
2700s Transfers from Other Funds	(62,649)	(11,328,027)	11,265,378	99.4%	(62,649)	(11,328,027)	11,265,378	99.4%	4,927,876
2800s Sales of Property & Equipment	10,050	-	10,050	-	10,050	-	10,050	-	133,600
Total Other Revenues	2,533,679	(8,376,061)	10,909,740	130.2%	2,533,679	(8,376,061)	10,909,740	130.2%	31,329,748

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 First Month Ended July 31, 2015 and 2014
 For the Fiscal Years Ending June 30, 2016 and 2015
 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	1,516,119	1,246,805	269,314	21.6%	1,516,119	1,246,805	269,314	21.6%
0300s Aeronautical Gas Tax	22,731	22,898	(167)	(0.7%)	22,731	22,898	(167)	(0.7%)
0400s Alcohol Excise Tax	2,094,049	1,840,380	253,669	13.8%	2,094,049	1,840,380	253,669	13.8%
0700s Corporation Taxes	466,253	524,057	(57,805)	(11.0%)	466,253	524,057	(57,805)	(11.0%)
0800s Public Utilities	-	17,442	(17,442)	(100.0%)	-	17,442	(17,442)	(100.0%)
1000s Banking Taxes	2,225,350	2,171,000	54,350	2.5%	2,225,350	2,171,000	54,350	2.5%
1100s Alcoholic Beverages	406,450	584,773	(178,323)	(30.5%)	406,450	584,773	(178,323)	(30.5%)
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	910,586	858,027	52,558	6.1%	910,586	858,027	52,558	6.1%
1400s Business Taxes	764,146	593,794	170,352	28.7%	764,146	593,794	170,352	28.7%
1500s Motor Vehicle Licenses	475,459	464,385	11,074	2.4%	475,459	464,385	11,074	2.4%
1700s Inland Fisheries & Wildlife	1,689,246	2,094,509	(405,263)	(19.3%)	1,689,246	2,094,509	(405,263)	(19.3%)
1900s Other Licenses	27,335	25,952	1,384	5.3%	27,335	25,952	1,384	5.3%
Total Other Taxes & Fees	10,597,724	10,444,023	153,701	1.5%	10,597,724	10,444,023	153,701	1.5%
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	12,028	58,263	(46,235)	(79.4%)	12,028	58,263	(46,235)	(79.4%)
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	31,194	68,373	(37,179)	(54.4%)	31,194	68,373	(37,179)	(54.4%)
2500s Revenues from Private Sources	143,894	137,587	6,307	4.6%	143,894	137,587	6,307	4.6%
2600s Current Service Charges	2,399,163	3,275,598	(876,435)	(26.8%)	2,399,163	3,275,598	(876,435)	(26.8%)
2700s Transfers from Other Funds	(62,649)	(10,153,399)	10,090,750	99.4%	(62,649)	(10,153,399)	10,090,750	99.4%
2800s Sales of Property & Equipment	10,050	2,952	7,098	240.4%	10,050	2,952	7,098	240.4%
Total Other Revenues	2,533,679	(6,610,626)	9,144,305	138.3%	2,533,679	(6,610,626)	9,144,305	138.3%

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 First Month Ended July 31, 2015
 For the Fiscal Year Ending June 30, 2016
 Comparison to Budget

EXHIBIT V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2016
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Fuel Taxes	18,922,929	19,462,733	(539,804)	(2.8%)	18,922,929	19,462,733	(539,804)	(2.8%)	220,811,525
Motor Vehicle Registration & Fees	9,376,828	8,999,920	376,908	4.2%	9,376,828	8,999,920	376,908	4.2%	83,958,472
Motor Vehicle Inspection Fees	154,940	143,266	11,674	8.1%	154,940	143,266	11,674	8.1%	2,982,500
Miscellaneous Taxes & Fees	144,733	143,696	1,037	0.7%	144,733	143,696	1,037	0.7%	1,293,729
Fines, Forfeits & Penalties	65,155	59,274	5,881	9.9%	65,155	59,274	5,881	9.9%	905,910
Earnings on Investments	-	28,104	(28,104)	(100.0%)	-	28,104	(28,104)	(100.0%)	337,245
All Other	429,587	551,849	(122,262)	(22.2%)	429,587	551,849	(122,262)	(22.2%)	9,192,412
Total Collected	29,094,172	29,388,842	(294,670)	(1.0%)	29,094,172	29,388,842	(294,670)	(1.0%)	319,481,793

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 First Month Ended July 31, 2015 and 2014
 For the Fiscal Years Ending June 30, 2016 and 2015
 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	18,922,929	20,022,957	(1,100,028)	(5.5%)	18,922,929	20,022,957	(1,100,028)	(5.5%)
Motor Vehicle Registration & Fees	9,376,828	9,330,209	46,620	0.5%	9,376,828	9,330,209	46,620	0.5%
Motor Vehicle Inspection Fees	154,940	139,251	15,689	11.3%	154,940	139,251	15,689	11.3%
Miscellaneous Taxes & Fees	144,733	134,358	10,375	7.7%	144,733	134,358	10,375	7.7%
Fines, Forfeits & Penalties	65,155	156,863	(91,708)	(58.5%)	65,155	156,863	(91,708)	(58.5%)
Earnings on Investments	-	-	-	-	-	-	-	-
All Other	429,587	395,655	33,932	8.6%	429,587	395,655	33,932	8.6%
Total Collected	<u>29,094,172</u>	<u>30,179,293</u>	<u>(1,085,121)</u>	<u>(3.6%)</u>	<u>29,094,172</u>	<u>30,179,293</u>	<u>(1,085,121)</u>	<u>(3.6%)</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**

	June '15	% Ch.	June '14	% Ch.	June '13	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'15 vs. '14 Thru. June % Change
Building Supply	\$259,233.0	3.1%	\$251,434.2	6.6%	\$235,773.9	5.8%	4.8%	5.0%
Food Store	\$167,398.8	4.1%	\$160,801.6	4.4%	\$154,023.2	5.0%	4.8%	4.6%
General Merchandise	\$286,515.1	0.4%	\$285,316.9	0.8%	\$283,023.4	2.1%	3.1%	2.7%
Other Retail	\$227,849.6	0.9%	\$225,826.2	1.0%	\$223,551.5	3.2%	3.4%	3.7%
Auto/Transportation	\$457,635.0	14.1%	\$401,168.3	8.2%	\$370,868.8	9.6%	7.7%	7.5%
Restaurant	\$237,906.4	2.6%	\$231,764.9	3.5%	\$223,930.2	6.0%	5.8%	5.8%
Lodging	\$99,231.9	5.8%	\$93,777.3	5.4%	\$89,012.5	8.1%	4.3%	4.6%
Consumer Sales	\$1,735,769.8	5.2%	\$1,650,089.4	4.4%	\$1,580,183.5	5.8%	5.1%	5.1%
Business Operating	\$233,162.4	2.9%	\$226,612.7	3.6%	\$218,839.2	4.5%	2.2%	3.7%
Total	\$1,968,932.2	4.9%	\$1,876,702.1	4.3%	\$1,799,022.7	5.7%	4.8%	5.0%
Utilities	\$115,482.2	4.9%	\$110,058.2	0.1%	\$109,952.3			
Total plus Utilities	\$2,084,414.4	4.9%	\$1,986,760.3	4.1%	\$1,908,975.0			