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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: Acting Commissioner Alec Porteous
Department of Administrative & Financial Services

DATE: September 19, 2017

SUBJECT: Revenues – August

August General Fund revenues were over budget by \$5.3 million or 1.8 percent. For the first two months of fiscal year 2018, General Fund revenues are \$13 million over budget (+2.4 percent). Compared to the same two-month period of last fiscal year, fiscal year 2018 General Fund revenues are up by 2.8 percent (+\$15.2 million).

July taxable sales (August revenue) increased 5.2 percent over a year ago. For the month, sales and use and service provider taxes, combined, were over budget by \$2 million. Once again, Maine automobile dealers experienced solid growth over last July, growing 6 percent. Tourism-related sales, specifically those tied to restaurants and lodging, both increased, 3.8 percent and 5.5 percent, respectively. Building supply (+5.6 percent) and general merchandise (+9.4 percent) were other areas with strong year-over-year results. Some of the growth in lodging and general merchandise sales is attributable to new taxpayers who began collecting and remitting Maine sales and use tax in April.

Individual income tax revenues were over budget in August by \$5 million. Withholding receipts accounted for most of the monthly surplus (+\$4.9 million), posting a solid 9.9 percent growth over the first two months of fiscal year 2017. Some of that growth is a timing issue associated with the number of Thursday's this August compared to a year ago; Thursday is the largest deposit day of the week for withholding.

September 2017 has one fewer Thursday than last year, so the year-over-year growth rate for the first quarter of the fiscal year should be a better representation of current wage growth.

September is a key revenue month for individual income tax, the third estimated payment of the calendar year is due on September 15.

Sales & Use Taxes

Revenue was \$1,996,438 over budget for the month and \$4,644,046 million over budget for the fiscal year. Revenue was \$15.6 million or 5.9 percent over prior fiscal year-to-date collections.

Taxable Sales

Total taxable sales for the month of July (August revenue) were 5.2 percent over July 2016. The annual rate of change, excluding utilities, was 5.2 percent. Building supply sales were up 5.6 percent for the month and 2.8 percent for the year ending in July. Sales of taxable items in food stores were up 3.5 percent for the month and 11.7 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 9.4 percent for the month and 5.2 percent for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 3.8 percent for the month and 5.8 percent for the year. Auto/transportation sector sales were up 6.0 percent for the month and 4.0 percent for the year. Sales of meals and other prepared foods were up 3.8 percent for the month and 4.0 percent for the year. Lodging sales were up 5.5 percent for the month and 9.9 percent for the year. Business operating sales (primarily use tax paid by businesses) were up 1.5 percent for the month and 3.2 percent for the year.

Service Provider Tax

Revenue was on budget for the month and is now \$0.675 million over budget for the fiscal year. Revenue is \$0.9 million or -7.7 percent under prior fiscal year-to-date collections.

Individual Income Tax

Revenue was \$5 million or 3.9 percent over budget for the month and \$10.2 million or 4.9 percent over budget fiscal year-to-date. Fiscal year-to-date withholding payments were 8.5 percent over fiscal year 2017. Estimated payments were up 23 percent and final payments were down 6.6 percent fiscal year-to-date.

Corporate Income Tax

Revenue was \$3.7 million or 75.9 percent under budget for the month and \$2.5 million or 25.6 percent over budget fiscal year-to-date. Estimated payments were down 5.5 percent and final payments were up 45.6 percent fiscal year-to-date. Revenue was \$0.25 million or 2.1 percent over prior fiscal year-to-date collections.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$204,968 under budget for the month and \$7.9 million or 30.7 percent under budget fiscal year-to-date. Fiscal year-to-date revenue was \$6.9 million or 28 percent under prior fiscal year-to-date collections.

Insurance Companies Taxes

The Insurance Companies Taxes were \$61,676 under budget for the month and \$197,680 under budget fiscal year-to-date.

Estate Tax

The estate tax was \$1 million under budget for the month and \$0.333 million under budget fiscal year-to-date.

Property Tax Relief Programs

Refunds for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were under budget in August by \$1.4 million and are now \$1.4 million under budget year-to-date.

Municipal Revenue Sharing

Revenue sharing was over budget in August by \$294,901 and for the first two months of the fiscal year by \$0.737 million.

Lottery

Lottery revenues were over budget for the month by \$1.2 million and are now over budget for the fiscal year by \$1.2 million.

Other Revenues

Other Revenues were on budget for the month. For the fiscal year, other revenues are over budget by \$0.65 million or 5.4 percent.

Highway Fund

Motor fuel excise tax receipts were on budget in August. The Highway Fund, as a whole, was over budget for the month by \$1.5 million (+5 percent). For the first two months of the fiscal year, motor fuel excise tax revenues are under budget by \$2.9 million and total Highway Fund receipts are under budget by \$1.8 million.

National Economy

Moody's Analytics estimates that Hurricanes Harvey and Irma will reduce third quarter GDP by 0.5 percentage points. It is likely that the economic disruptions from these storms will prevent the United States from recording two consecutive quarters of 3 percent GDP growth. Moody's expects fourth quarter GDP and at least the first quarter of 2018 to be boosted by the recovery efforts from both storms. The spike in energy prices in the aftermath of Harvey will reduce GDP growth, but prices are expected to return to levels forecasted prior to Harvey sometime in early 2018.

Maine Economy

The most recent Beige Book report from the 12 regional Federal Reserve Banks indicates moderate growth across the country during the July/August period. The Boston Federal Reserve's summary of the region's economic activity used similar language, saying that contacts indicated the district expanded "modestly to moderately". One area highlighted throughout the Boston Fed's report was labor supply shortages. The region's tourism industry reported severe staffing shortages which were impacting their revenues. One change from previous reports was a slowdown in leasing activity in Portland. While the supply of commercial property remains tight, the Boston Fed noted that in Portland "demand for office space was also soft".

AP: mja

Attachments

cc: John McGough
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STATE OF MAINE

Undedicated Revenues - General Fund
 For the Second Month Ended August 31, 2017
 For the Fiscal Year Ending June 30, 2018
 Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2018
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Sales and Use Tax	141,498,659	139,502,221	1,996,438	1.4%	277,793,067	273,149,021	4,644,046	1.7%	1,400,148,328
Service Provider Tax	4,974,113	4,900,000	74,113	1.5%	10,475,228	9,800,000	675,228	6.9%	59,424,469
Individual Income Tax	131,323,542	126,350,000	4,973,542	3.9%	219,666,382	209,450,000	10,216,382	4.9%	1,508,046,494
Corporate Income Tax	1,182,361	4,900,000	(3,717,639)	(75.9%)	12,435,847	9,900,000	2,535,847	25.6%	165,724,242
Cigarette and Tobacco Tax	11,750,546	11,955,514	(204,968)	(1.7%)	17,795,439	25,663,760	(7,868,321)	(30.7%)	136,682,000
Insurance Companies Tax	5,112	66,788	(61,676)	(92.3%)	33,468	231,148	(197,680)	(85.5%)	73,765,000
Estate Tax	32,176	1,044,000	(1,011,824)	(96.9%)	1,754,212	2,088,000	(333,788)	(16.0%)	12,416,710
Fines, Forfeits & Penalties	1,950,878	1,781,768	169,110	9.5%	3,322,535	3,525,746	(203,211)	(5.8%)	19,297,146
Income from Investments	452,646	210,006	242,640	115.5%	452,646	210,006	242,640	115.5%	2,993,949
Transfer from Lottery Commission	5,341,986	4,143,413	1,198,573	28.9%	10,499,054	9,322,679	1,176,375	12.6%	54,900,000
Transfers for Tax Relief Programs	(1,592,156)	(3,000,000)	1,407,844	46.9%	(1,561,300)	(3,000,000)	1,438,700	48.0%	(64,768,101)
Transfer to Municipal Revenue Sharing	(4,827,837)	(4,532,936)	(294,901)	(6.5%)	(11,400,724)	(10,663,402)	(737,322)	(6.9%)	(67,995,145)
Other Taxes and Fees	10,357,921	9,822,577	535,344	5.5%	20,767,494	20,017,758	749,736	3.7%	134,140,500
Other Revenues	3,655,367	3,642,856	12,511	0.3%	(11,342,445)	(11,996,212)	653,767	5.4%	13,924,077
Total Collected	306,105,314	300,786,207	5,319,107	1.8%	550,690,903	537,698,504	12,992,399	2.4%	3,448,699,669

NOTES: (1) Included in the above is \$4,827,837 for the month and \$11,400,724 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 2017 and laws enacted through the 128th Legislature, 1st Regular Session.

(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, 2017 and 2016
 For the Fiscal Years Ending June 30, 2018 and 2017
 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	141,498,659	133,919,277	7,579,381	5.7%	277,793,067	262,219,151	15,573,916	5.9%
Service Provider Tax	4,974,113	6,533,722	(1,559,609)	(23.9%)	10,475,228	11,347,744	(872,516)	(7.7%)
Individual Income Tax	131,323,542	116,134,751	15,188,792	13.1%	219,666,382	203,575,418	16,090,964	7.9%
Corporate Income Tax	1,182,361	6,278,846	(5,096,485)	(81.2%)	12,435,847	12,180,999	254,848	2.1%
Cigarette and Tobacco Tax	11,750,546	12,913,944	(1,163,398)	(9.0%)	17,795,439	24,705,766	(6,910,327)	(28.0%)
Insurance Companies Tax	5,112	66,161	(61,048)	(92.3%)	33,468	217,993	(184,525)	(84.6%)
Estate Tax	32,176	3,874,422	(3,842,246)	(99.2%)	1,754,212	5,210,837	(3,456,624)	(66.3%)
Fines, Forfeits & Penalties	1,950,878	2,156,612	(205,734)	(9.5%)	3,322,535	3,466,661	(144,126)	(4.2%)
Income from Investments	452,646	241,977	210,669	87.1%	452,646	241,977	210,669	87.1%
Transfer from Lottery Commission	5,341,986	4,731,578	610,408	12.9%	10,499,054	9,816,650	682,404	7.0%
Transfers for Tax Relief Programs	(1,592,156)	4,934	(1,597,090)	(32370.7%)	(1,561,300)	5,907	(1,567,207)	(26532.5%)
Transfer to Municipal Revenue Sharing	(4,827,837)	(4,529,134)	(298,703)	(6.6%)	(11,400,724)	(10,385,856)	(1,014,868)	(9.8%)
Other Taxes and Fees	10,357,921	11,685,080	(1,327,160)	(11.4%)	20,767,494	22,815,184	(2,047,690)	(9.0%)
Other Revenues	3,655,367	3,296,690	358,677	10.9%	(11,342,445)	(9,968,079)	(1,374,366)	(13.8%)
Total Collected	306,105,314	297,308,860	8,796,455	3.0%	550,690,903	535,450,352	15,240,551	2.8%

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, 2017
 For the Fiscal Year Ending June 30, 2018
 Comparison to Budget

EXHIBIT III

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2018
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
<u>Detail of Other Taxes & Fees</u>									
0100s All Others	670,278	1,430,796	(760,518)	(53.2%)	2,616,061	2,807,908	(191,847)	(6.8%)	32,214,337
0300s Aeronautical Gas Tax	26,149	26,121	28	0.1%	50,784	49,610	1,174	2.4%	270,520
0400s Alcohol Excise Tax	1,982,986	1,518,648	464,338	30.6%	4,084,165	3,037,297	1,046,868	34.5%	15,732,850
0700s Corporation Taxes	325,961	253,435	72,526	28.6%	911,597	760,881	150,716	19.8%	9,538,649
0800s Public Utilities	1,202	-	1,202	-	1,202	-	1,202	-	6,250,000
1000s Banking Taxes	2,532,450	2,196,000	336,450	15.3%	4,277,750	4,392,000	(114,250)	(2.6%)	26,891,990
1100s Alcoholic Beverages	466,179	453,689	12,490	2.8%	782,642	902,279	(119,637)	(13.3%)	5,053,838
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	890,796	791,668	99,128	12.5%	1,601,587	1,583,334	18,253	1.2%	8,572,671
1400s Business Taxes	769,658	609,524	160,134	26.3%	1,618,563	1,398,644	219,919	15.7%	8,948,032
1500s Motor Vehicle Licenses	366,091	572,458	(206,367)	(36.0%)	797,926	1,165,484	(367,558)	(31.5%)	4,281,202
1700s Inland Fisheries & Wildlife	2,284,460	1,930,105	354,355	18.4%	3,957,695	3,841,603	116,092	3.0%	15,878,217
1900s Other Licenses	41,711	40,133	1,578	3.9%	67,523	78,718	(11,195)	(14.2%)	508,194
Total Other Taxes & Fees	10,357,921	9,822,577	535,344	5.5%	20,767,494	20,017,758	749,736	3.7%	134,140,500
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	52,566	27,917	24,649	88.3%	53,206	55,834	(2,628)	(4.7%)	335,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	-	23,166	(23,166)	(100.0%)	76,914	46,332	30,582	66.0%	277,996
2500s Revenues from Private Sources	126,835	176,266	(49,431)	(28.0%)	340,377	352,530	(12,153)	(3.4%)	1,545,000
2600s Current Service Charges	2,848,537	2,993,594	(145,057)	(4.8%)	5,515,039	5,367,938	147,101	2.7%	26,560,823
2700s Transfers from Other Funds	562,550	409,845	152,705	37.3%	(17,393,271)	(17,838,714)	445,443	2.5%	(14,928,342)
2800s Sales of Property & Equipment	64,877	12,068	52,809	437.6%	65,290	19,868	45,422	228.6%	133,600
Total Other Revenues	3,655,367	3,642,856	12,511	0.3%	(11,342,445)	(11,996,212)	653,767	5.4%	13,924,077

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, 2017 and 2016
 For the Fiscal Years Ending June 30, 2018 and 2017
 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	670,278	1,552,185	(881,907)	(56.8%)	2,616,061	3,183,965	(567,903)	(17.8%)
0300s Aeronautical Gas Tax	26,149	25,772	378	1.5%	50,784	49,605	1,179	2.4%
0400s Alcohol Excise Tax	1,982,986	1,836,010	146,976	8.0%	4,084,165	3,931,471	152,695	3.9%
0700s Corporation Taxes	325,961	280,996	44,965	16.0%	911,597	841,932	69,665	8.3%
0800s Public Utilities	1,202	-	1,202	-	1,202	-	1,202	-
1000s Banking Taxes	2,532,450	2,723,400	(190,950)	(7.0%)	4,277,750	4,478,350	(200,600)	(4.5%)
1100s Alcoholic Beverages	466,179	729,384	(263,205)	(36.1%)	782,642	1,418,432	(635,790)	(44.8%)
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	890,796	756,230	134,566	17.8%	1,601,587	1,515,712	85,876	5.7%
1400s Business Taxes	769,658	1,137,699	(368,041)	(32.3%)	1,618,563	2,449,756	(831,193)	(33.9%)
1500s Motor Vehicle Licenses	366,091	345,683	20,407	5.9%	797,926	809,794	(11,868)	(1.5%)
1700s Inland Fisheries & Wildlife	2,284,460	2,265,499	18,961	0.8%	3,957,695	4,078,307	(120,612)	(3.0%)
1900s Other Licenses	41,711	32,223	9,488	29.4%	67,523	57,861	9,662	16.7%
Total Other Taxes & Fees	10,357,921	11,685,080	(1,327,160)	(11.4%)	20,767,494	22,815,184	(2,047,690)	(9.0%)
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	52,566	26,052	26,515	101.8%	53,206	42,820	10,386	24.3%
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	-	4,824	(4,824)	(100.0%)	76,914	60,030	16,884	28.1%
2500s Revenues from Private Sources	126,835	95,593	31,242	32.7%	340,377	246,732	93,645	38.0%
2600s Current Service Charges	2,848,537	3,103,487	(254,950)	(8.2%)	5,515,039	5,598,802	(83,763)	(1.5%)
2700s Transfers from Other Funds	562,550	41,721	520,830	1248.4%	(17,393,271)	(15,941,740)	(1,451,531)	(9.1%)
2800s Sales of Property & Equipment	64,877	25,014	39,863	159.4%	65,290	25,278	40,012	158.3%
Total Other Revenues	3,655,367	3,296,690	358,677	10.9%	(11,342,445)	(9,968,079)	(1,374,366)	(13.8%)

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, 2017
 For the Fiscal Year Ending June 30, 2018
 Comparison to Budget

EXHIBIT V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2018
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Fuel Taxes	20,792,406	20,920,671	(128,265)	(0.6%)	37,592,917	40,502,770	(2,909,853)	(7.2%)	226,821,293
Motor Vehicle Registration & Fees	10,046,868	8,515,014	1,531,854	18.0%	18,820,268	17,848,511	971,757	5.4%	87,121,559
Motor Vehicle Inspection Fees	254,050	300,200	(46,150)	(15.4%)	508,881	530,420	(21,540)	(4.1%)	2,982,500
Miscellaneous Taxes & Fees	148,145	113,928	34,217	30.0%	275,887	246,255	29,632	12.0%	1,293,729
Fines, Forfeits & Penalties	106,644	73,024	33,620	46.0%	180,424	147,532	32,892	22.3%	739,039
Earnings on Investments	38,786	49,476	(10,690)	(21.6%)	38,786	98,952	(60,166)	(60.8%)	593,712
All Other	629,797	517,117	112,680	21.8%	1,018,204	892,500	125,704	14.1%	9,959,100
Total Collected	32,016,695	30,489,430	1,527,265	5.0%	58,435,365	60,266,940	(1,831,575)	(3.0%)	329,510,932

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, 2017 and 2016
 For the Fiscal Years Ending June 30, 2018 and 2017
 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	20,792,406	21,037,308	(244,902)	(1.2%)	37,592,917	40,622,305	(3,029,388)	(7.5%)
Motor Vehicle Registration & Fees	10,046,868	8,826,110	1,220,758	13.8%	18,820,268	18,467,695	352,573	1.9%
Motor Vehicle Inspection Fees	254,050	381,724	(127,674)	(33.4%)	508,881	522,163	(13,283)	(2.5%)
Miscellaneous Taxes & Fees	148,145	116,725	31,419	26.9%	275,887	250,323	25,564	10.2%
Fines, Forfeits & Penalties	106,644	74,508	32,136	43.1%	180,424	133,303	47,121	35.3%
Earnings on Investments	38,786	45,628	(6,842)	(15.0%)	38,786	45,628	(6,842)	(15.0%)
All Other	629,797	505,668	124,129	24.5%	1,018,204	873,908	144,296	16.5%
Total Collected	32,016,695	30,987,672	1,029,023	3.3%	58,435,365	60,915,324	(2,479,959)	(4.1%)

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 '17	% Ch.	July '16	% Ch.	July '15	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'17 vs. '16 Thru. July % Change
Building Supply	\$248,902.3	5.6%	\$235,757.2	1.9%	\$231,381.2	5.6%	2.8%	3.6%
Food Store	\$228,480.7	3.5%	\$220,778.3	23.6%	\$178,630.0	3.1%	11.7%	3.3%
General Merchandise	\$324,609.6	9.4%	\$296,777.3	5.6%	\$281,040.3	15.7%	5.2%	5.0%
Other Retail	\$224,883.2	3.8%	\$216,614.2	4.4%	\$207,538.4	17.0%	5.8%	4.0%
Auto/Transportation	\$438,254.1	6.0%	\$413,281.1	-2.5%	\$423,894.6	15.4%	4.0%	4.9%
Restaurant	\$332,725.8	3.8%	\$320,686.8	7.6%	\$298,067.1	4.4%	4.0%	3.3%
Lodging	\$207,133.2	5.5%	\$196,390.4	11.4%	\$176,317.9	8.8%	9.9%	9.2%
Consumer Sales	\$2,004,988.9	5.5%	\$1,900,285.3	5.8%	\$1,796,869.5	6.6%	5.4%	4.4%
Business Operating	\$178,397.3	1.5%	\$175,737.7	-0.6%	\$176,773.2	3.2%	3.2%	3.4%
Total	\$2,183,386.2	5.2%	\$2,076,023.0	5.2%	\$1,973,642.7	6.3%	5.2%	4.3%
Utilities	\$112,928.6	-1.1%	\$114,229.3	-4.3%	\$119,335.5			
Total plus Utilities	\$2,296,314.8	4.8%	\$2,190,252.3	4.6%	\$2,092,978.2			