

**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: Commissioner Alexander E. Porteous
Department of Administrative & Financial Services

DATE: August 27, 2018

SUBJECT: Revenues – July

July General Fund revenues were over budget by \$20.8 million or 8.3 percent. Compared to the first month of last fiscal year, General Fund revenues increased by 11.5 percent (+\$28.1 million).

June taxable sales (July revenue) increased 3.3 percent over a year ago. For the month, sales and use and service provider taxes, combined, were over budget by \$2.7 million. Once again, tourism-related sales, specifically those tied to restaurants and lodging, were strong—increasing by 6.8 percent and 7.5 percent, respectively. Building supply (+2.8 percent) sales were weaker compared to previous months, but other retail sales (+10.9 percent) continue to experience robust year-over-year results. Auto/Transportation sales were flat compared to last June, which played a major role in June total sales growth being lower than the 5.7 percent growth experienced during the first-half of 2018.

Individual income tax revenues were over budget in July by \$14.1 million. The biggest contributor to the monthly variance was from withholding being over budget by \$7.2 million. Withholding receipts have grown by 6.2 percent during the first 7 months of calendar year 2018. Refunds were under budget by \$3.7 million and final payments exceeded budget by \$1.8 million, accounting for most of the remaining monthly surplus.

Sales & Use Taxes

Revenue was \$3.2 million over budget for the month. Revenue was \$6.9 million or 5 percent over prior fiscal year-to-date collections.

Taxable Sales

Total taxable sales for the month of June (July revenue) were 3.3 percent over June 2017. The annual rate of change, excluding utilities, was 3.4 percent. Building supply sales were up 2.8 percent for the month and 8 percent for the year ending in June. Sales of taxable items in food stores were up 3.4 percent for the month and 3.8 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were down 3.5 percent for the month and up 5 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 10.9 percent for the month and 6.9 percent for the year. Auto/transportation sector sales were down 0.2 percent for the month and up 3.4 percent for the year. Sales of meals and other prepared foods were up 6.8 percent for the month and 4.4 percent for the year. Lodging sales were up 7.5 percent for the month and 7 percent for the year. Business operating sales (primarily use tax paid by businesses) were up 7.1 percent for the month and 4.3 percent for the year.

Service Provider Tax

Revenue was \$0.5 million under budget for the month. Revenue was \$0.4 million or 6.7 percent under prior fiscal year-to-date collections.

Individual Income Tax

Revenue was \$14.1 million or 15.5 percent over budget for the month. Revenue was \$16.6 million or 18.7 percent over prior fiscal year-to-date collections. Withholding receipts increased 12 percent year-over-year, and final and estimated payments grew by over 9 percent compared to last July.

Corporate Income Tax

Revenue was \$2.3 million or 20.7 percent over budget for the month. Estimated payments were up 32.3 percent and final payments were up 13.5 percent compared to last July. Revenue was \$2.3 million or 20.2 percent over prior fiscal year collections.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$3 million over budget for the month. Revenue was \$3.3 million or 54.4 percent more than prior fiscal year collections. Last July's receipts on this revenue line were depressed because of a shifting of purchases by distributors from July to late June based on concerns surrounding the state government shutdown.

Insurance Companies Taxes

The Insurance Companies Taxes were over budget for the month by \$0.3 million.

Estate Tax

The estate tax was \$1.1 million under budget for the month.

Municipal Revenue Sharing

Revenue sharing was slightly over budget in July.

Lottery

Lottery revenues were under budget for the month by \$0.3 million.

Other Revenues

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

Highway Fund

Motor fuel excise tax receipts were over budget in July by \$0.2 million. Total Highway Fund revenue was over budget for the month by \$1.4 million (+4.7 percent).

National Economy

US GDP growth exceeded 4 percent in the second quarter, as the fiscal stimulus from the federal tax cuts began to have their full effect, and strong job growth continued. A draw down in inventories was a drag on second quarter growth, which is giving economists a reason to project similar GDP growth in the third quarter as businesses restock their inventories. Early projections from the Atlanta Federal Reserve Bank's GDPNow model is that third quarter GDP is growing at a 4.3 percent growth rate through mid-August.

Maine Economy

With Maine's unemployment rate at 3 percent or lower in recent months, federal tax cuts and energy prices receding, Maine consumers and businesses are spending and investing at a solid rate. It appears that the summer tourism season will end on a strong note, and the prospects for a good fall season are positive, too. There is little evidence of the Maine economy slowing over the remainder of the calendar year, meaning revenues should continue to meet or exceed the monthly forecast for the foreseeable future, as well.

AP: mja

Attachments

cc: Holly Lusk
Nick Adolphsen
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 2018
For the Fiscal Year Ending June 30, 2019
Comparison to Budget**

Exhibit I

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2019
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Sales and Use Tax	\$ 143,177,272	\$ 139,933,669	\$ 3,243,603	2.3 %	\$ 143,177,272	\$ 139,933,669	\$ 3,243,603	2.3 %	\$ 1,465,838,307
Service Provider Tax	5,135,122	5,656,244	(521,122)	(9.2)%	5,135,122	5,656,244	(521,122)	(9.2)%	62,475,124
Individual Income Tax	104,904,527	90,800,000	14,104,527	15.5 %	104,904,527	90,800,000	14,104,527	15.5 %	1,663,055,151
Corporate Income Tax	13,531,314	11,210,000	2,321,314	20.7 %	13,531,314	11,210,000	2,321,314	20.7 %	183,559,196
Cigarette and Tobacco Tax	9,332,201	6,290,248	3,041,953	48.4 %	9,332,201	6,290,248	3,041,953	48.4 %	135,735,190
Insurance Companies Tax	540,278	269,044	271,234	100.8 %	540,278	269,044	271,234	100.8 %	74,150,000
Estate Tax	(90,416)	972,300	(1,062,716)	(109.3)%	(90,416)	972,300	(1,062,716)	(109.3)%	12,640,409
Fines, Forfeits & Penalties	1,549,661	1,355,812	193,849	14.3 %	1,549,661	1,355,812	193,849	14.3 %	18,205,011
Income from Investments	-	-	-	- %	-	-	-	- %	5,831,119
Transfer from Lottery Commission	4,676,066	4,978,541	(302,475)	(6.1)%	4,676,066	4,978,541	(302,475)	(6.1)%	57,000,000
Transfers for Tax Relief Programs	67,318	-	67,318	- %	67,318	-	67,318	- %	(66,388,623)
Transfer to Municipal Revenue Sharing	(6,515,842)	(6,588,518)	72,676	1.1 %	(6,515,842)	(6,588,518)	72,676	1.1 %	(71,201,499)
Other Taxes and Fees	10,978,439	10,782,399	196,040	1.8 %	10,978,439	10,782,399	196,040	1.8 %	139,992,142
Other Revenues	(14,617,396)	(13,799,984)	(817,412)	(5.9)%	(14,617,396)	(13,799,984)	(817,412)	(5.9)%	9,716,061
Total Collected	\$ 272,668,544	\$ 251,859,755	\$ 20,808,789	8.3 %	\$ 272,668,544	\$ 251,859,755	\$ 20,808,789	8.3 %	\$ 3,690,607,588

NOTES:

- (1) Included in the above is \$6,515,842 for the month and \$6,515,842 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 March 2018 and laws enacted through the end of the 128th Legislature, 2nd Regular Session emergency laws.
- (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 2018 and 2017

For the Fiscal Year Ending June 30, 2019 and 2018

Comparison to To Prior Year

Exhibit II

	Month				Fiscal 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	\$ 143,177,272	\$ 136,294,409	\$ 6,882,863	5.0 %	\$ 143,177,272	\$ 136,294,409	\$ 6,882,863	5.0 %
Service Provider Tax	5,135,122	5,501,114	(365,993)	(6.7)%	5,135,122	5,501,114	(365,993)	(6.7)%
Individual Income Tax	104,904,527	88,342,839	16,561,688	18.7 %	104,904,527	88,342,839	16,561,688	18.7 %
Corporate Income Tax	13,531,314	11,253,486	2,277,829	20.2 %	13,531,314	11,253,486	2,277,829	20.2 %
Cigarette and Tobacco Tax	9,332,201	6,044,893	3,287,308	54.4 %	9,332,201	6,044,893	3,287,308	54.4 %
Insurance Companies Tax	540,278	28,356	511,923	1,805.4 %	540,278	28,356	511,923	1,805.4 %
Estate Tax	(90,416)	1,722,036	(1,812,452)	(105.3)%	(90,416)	1,722,036	(1,812,452)	(105.3)%
Fines, Forfeits & Penalties	1,549,661	1,371,657	178,004	13.0 %	1,549,661	1,371,657	178,004	13.0 %
Income from Investments	-	-	-	- %	-	-	-	- %
Transfer from Lottery Commission	4,676,066	5,157,068	(481,002)	(9.3)%	4,676,066	5,157,068	(481,002)	(9.3)%
Transfers for Tax Relief Programs	67,318	30,856	36,461	118.2 %	67,318	30,856	36,461	118.2 %
Transfer to Municipal Revenue Sharing	(6,515,842)	(6,572,887)	57,045	0.9 %	(6,515,842)	(6,572,887)	57,045	0.9 %
Other Taxes and Fees	10,978,439	10,409,574	568,865	5.5 %	10,978,439	10,409,574	568,865	5.5 %
Other Revenues	(14,617,396)	(14,997,812)	380,416	2.5 %	(14,617,396)	(14,997,812)	380,416	2.5 %
Total Collected	\$ 272,668,544	\$ 244,585,588	\$ 28,082,955	11.5 %	\$ 272,668,544	\$ 244,585,588	\$ 28,082,955	11.5 %

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 2018
For the Fiscal Year Ending June 30, 2019
All Other Comparison to Budget**

Exhibit III

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2019
	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	\$ 1,847,255	\$ 1,333,894	\$ 513,361	38.5 %	\$ 1,847,255	\$ 1,333,894	\$ 513,361	38.5 %	\$ 32,072,264
0300s Aeronautical Gas Tax	24,204	23,813	391	1.6 %	24,204	23,813	391	1.6 %	274,270
0400s Alcohol Excise Tax	2,208,715	1,772,296	436,419	24.6 %	2,208,715	1,772,296	436,419	24.6 %	18,332,850
0700s Corporation Taxes	548,900	566,752	(17,853)	(3.1)%	548,900	566,752	(17,853)	(3.1)%	9,838,649
0400s Alcohol Excise Tax	-	4,024	(4,024)	(100.0)%	-	4,024	(4,024)	(100.0)%	6,250,000
1000s Banking Taxes	2,001,300	2,279,324	(278,024)	(12.2)%	2,001,300	2,279,324	(278,024)	(12.2)%	27,891,990
1100s Alcoholic Beverages	400,875	468,848	(67,973)	(14.5)%	400,875	468,848	(67,973)	(14.5)%	5,322,838
1200s Amusements Tax	-	40,000	(40,000)	(100.0)%	-	40,000	(40,000)	(100.0)%	110,000
1300s Harness Racing Pari-mutuel	718,768	763,416	(44,648)	(5.8)%	718,768	763,416	(44,648)	(5.8)%	8,216,649
1400s Business Taxes	656,732	1,103,342	(446,610)	(40.5)%	656,732	1,103,342	(446,610)	(40.5)%	10,822,855
1500s Motor Vehicle Licenses	492,315	483,074	9,241	1.9 %	492,315	483,074	9,241	1.9 %	4,331,202
1700s Inland Fisheries & Wildlife	2,033,375	1,919,498	113,877	5.9 %	2,033,375	1,919,498	113,877	5.9 %	16,020,381
1900s Other Licenses	46,000	24,118	21,882	90.7 %	46,000	24,118	21,882	90.7 %	508,194
Total Other Taxes & Fees	\$ 10,978,439	\$ 10,782,399	\$ 196,040	1.8 %	\$ 10,978,439	\$ 10,782,399	\$ 196,040	1.8 %	\$ 139,992,142
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	\$ 26,377	\$ 27,917	\$ (1,540)	(5.5)%	\$ 26,377	\$ 27,917	\$ (1,540)	(5.5)%	\$ 335,000
2300s County Revenues	-	-	-	%	-	-	-	%	-
2400s Revenues from Cities and Towns	88,146	23,166	64,980	280.5 %	88,146	23,166	64,980	280.5 %	277,996
2500s Revenues from Private Sources	155,668	171,715	(16,047)	(9.3)%	155,668	171,715	(16,047)	(9.3)%	1,527,000
2600s Current Service Charges	2,599,741	2,217,719	382,022	17.2 %	2,599,741	2,217,719	382,022	17.2 %	24,102,919
2700s Transfers from (to) Other Funds	(17,487,487)	(16,250,501)	(1,236,986)	(7.6)%	(17,487,487)	(16,250,501)	(1,236,986)	(7.6)%	(16,660,454)
2800s Sales of Property & Equipment	160	10,000	(9,840)	(98.4)%	160	10,000	(9,840)	(98.4)%	133,600
Total Other Revenues	\$ (14,617,396)	\$ (13,799,984)	\$ (817,412)	(5.9)%	\$ (14,617,396)	\$ (13,799,984)	\$ (817,412)	(5.9)%	\$ 9,716,061

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 2018 and 2017

For the Fiscal Year Ending June 30, 2019 and 2018

All Other Comparison to To Prior Year

	Month				Fiscal 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	\$ 1,847,255	\$ 1,945,783	\$ (98,528)	(5.1)%	\$ 1,847,255	\$ 1,945,783	\$ (98,528)	(5.1)%
0300s Aeronautical Gas Tax	24,204	24,634	(430)	(1.7)%	24,204	24,634	(430)	(1.7)%
0400s Alcohol Excise Tax	2,208,715	2,101,179	107,536	5.1 %	2,208,715	2,101,179	107,536	5.1 %
0700s Corporation Taxes	548,900	585,636	(36,737)	(6.3)%	548,900	585,636	(36,737)	(6.3)%
0800s Public Utilities	-	-	-	%	-	-	-	%
1000s Banking Taxes	2,001,300	1,745,300	256,000	14.7 %	2,001,300	1,745,300	256,000	14.7 %
1100s Alcoholic Beverages	400,875	316,463	84,411	26.7 %	400,875	316,463	84,411	26.7 %
1200s Amusements Tax	-	-	-	%	-	-	-	%
1300s Harness Racing Pari-mutuel	718,768	710,791	7,977	1.1 %	718,768	710,791	7,977	1.1 %
1400s Business Taxes	656,732	848,904	(192,172)	(22.6)%	656,732	848,904	(192,172)	(22.6)%
1500s Motor Vehicle Licenses	492,315	431,835	60,480	14.0 %	492,315	431,835	60,480	14.0 %
1700s Inland Fisheries & Wildlife	2,033,375	1,673,236	360,139	21.5 %	2,033,375	1,673,236	360,139	21.5 %
1900s Other Licenses	46,000	25,812	20,188	78.2 %	46,000	25,812	20,188	78.2 %
Total Other Taxes & Fees	\$ 10,978,439	\$ 10,409,574	\$ 568,865	5.5 %	\$ 10,978,439	\$ 10,409,574	\$ 568,865	5.5 %
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	\$ 26,377	\$ 640	\$ 25,737	4,024.5 %	\$ 26,377	\$ 640	\$ 25,737	4,024.5 %
2300s County Revenues	-	-	-	%	-	-	-	%
2400s Revenues from Cities and Towns	88,146	76,914	11,232	14.6 %	88,146	76,914	11,232	14.6 %
2500s Revenues from Private Sources	155,668	213,542	(57,874)	(27.1)%	155,668	213,542	(57,874)	(27.1)%
2600s Current Service Charges	2,599,741	2,666,501	(66,761)	(2.5)%	2,599,741	2,666,501	(66,761)	(2.5)%
2700s Transfers from (to) Other Funds	(17,487,487)	(17,955,821)	468,334	2.6 %	(17,487,487)	(17,955,821)	468,334	2.6 %
2800s Sales of Property & Equipment	160	413	(253)	(61.3)%	160	413	(253)	(61.3)%
Total Other Revenues	\$ (14,617,396)	\$ (14,997,812)	\$ 380,416	2.5 %	\$ (14,617,396)	\$ (14,997,812)	\$ 380,416	2.5 %

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 2018
For the Fiscal Year Ending June 30, 2019
Comparison to Budget**

Exhibit V

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2019
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Fuel Taxes	\$ 20,084,307	\$ 19,901,964	\$ 182,343	0.9 %	\$ 20,084,307	\$ 19,901,964	\$ 182,343	0.9 %	\$ 229,929,720
Motor Vehicle Registration & Fees	9,618,212	8,479,365	1,138,847	13.4 %	9,618,212	8,479,365	1,138,847	13.4 %	88,249,681
Motor Vehicle Inspection Fees	264,953	250,209	14,744	5.9 %	264,953	250,209	14,744	5.9 %	3,202,500
Miscellaneous Taxes & Fees	156,733	122,531	34,202	27.9 %	156,733	122,531	34,202	27.9 %	1,280,229
Fines, Forfeits & Penalties	65,286	73,780	(8,494)	(11.5)%	65,286	73,780	(8,494)	(11.5)%	739,039
Earnings on Investments	-	21,813	(21,813)	(100.0)%	-	21,813	(21,813)	(100.0)%	261,754
All Other	430,347	403,369	26,978	6.7 %	430,347	403,369	26,978	6.7 %	10,163,100
Total Collected	\$ 30,619,837	\$ 29,253,031	\$ 1,366,806	4.7 %	\$ 30,619,837	\$ 29,253,031	\$ 1,366,806	4.7 %	\$ 333,826,023

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 2018 and 2017****For the Fiscal Year Ending June 30, 2019 and 2018****Comparison to To Prior Year****Exhibit VI**

	Month				Fiscal 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	\$ 20,084,307	\$ 16,800,511	\$ 3,283,796	19.5 %	\$ 20,084,307	\$ 16,800,511	\$ 3,283,796	19.5 %
Motor Vehicle Registration & Fees	9,618,212	8,773,400	844,812	9.6 %	9,618,212	8,773,400	844,812	9.6 %
Motor Vehicle Inspection Fees	264,953	254,831	10,123	4.0 %	264,953	254,831	10,123	4.0 %
Miscellaneous Taxes & Fees	156,733	127,742	28,990	22.7 %	156,733	127,742	28,990	22.7 %
Fines, Forfeits & Penalties	65,286	73,780	(8,494)	(11.5)%	65,286	73,780	(8,494)	(11.5)%
Earnings on Investments	-	-	-	- %	-	-	-	- %
All Other	430,347	388,407	41,940	10.8 %	430,347	388,407	41,940	10.8 %
Total Collected	\$ 30,619,837	\$ 26,418,670	\$ 4,201,166	15.9 %	\$ 30,619,837	\$ 26,418,670	\$ 4,201,166	15.9 %

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**

	June'18	% Ch.	June'17	% Ch.	June'16	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'18 vs. '17 Thru. June % Change
Building Supply	\$301,474.7	2.8%	\$293,377.7	5.9%	\$276,905.3	8.7%	8.0%	7.6%
Food Store	\$232,256.3	3.4%	\$224,726.4	4.0%	\$216,087.3	3.8%	3.8%	4.1%
General Merchandise	\$328,412.2	-3.5%	\$340,317.2	8.0%	\$315,064.5	-4.2%	5.0%	0.6%
Other Retail	\$293,598.8	10.9%	\$264,646.4	5.9%	\$249,992.2	13.2%	6.9%	14.0%
Auto/Transportation	\$497,878.3	-0.2%	\$498,666.2	8.0%	\$461,879.9	3.9%	3.4%	3.6%
Restaurant	\$291,903.0	6.8%	\$273,198.7	5.4%	\$259,313.6	5.1%	4.4%	4.5%
Lodging	\$130,014.6	7.5%	\$120,992.9	11.8%	\$108,215.2	6.8%	7.0%	11.4%
Consumer Sales	\$2,075,537.9	3.0%	\$2,015,925.6	6.8%	\$1,887,458.0	3.8%	4.9%	7.0%
Business Operating	\$259,708.2	7.1%	\$242,551.8	4.1%	\$232,960.3	10.2%	4.3%	4.9%
Total	\$2,335,246.2	3.4%	\$2,258,477.4	6.5%	\$2,120,418.3	4.5%	4.8%	5.2%
Utilities	\$112,380.6	0.8%	\$111,539.3	-0.7%	\$112,368.8			
Total plus Utilities	\$2,447,626.8	3.3%	\$2,370,016.7	6.1%	\$2,232,787.1			