

**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 17, 2012

SUBJ: Revenues - August

August General Fund revenues were under budget by \$19.0 million or -18.4%. Year-to-date General Fund revenues are \$4.8 million under budget (-1.5%). Compared to the same two month period last fiscal year, revenues are down 0.8% or \$2.4 million.

Sales & use tax receipts were under budget for the month of August (July sales) by \$6.7 million. August is the month that the Controller's Office reverses the June accrual, so the actual and budgeted amounts reflect over \$90 million of revenue reversal on the sales & use tax line. Monthly revenue was under budget for three reasons; (1) monthly cash receipts were under budget; year-over-year growth was below the budgeted 3.7%, (2) the accrual was partially overstated because July cash receipts (June sales) were below budget, and (3) the overall magnitude of the accrual was overstated. Given the warm and dry weather in July the tourism related areas of restaurant and lodging sales were disappointing; year-over-year restaurant and lodging were up 1% and 2.4%, respectively.

Individual income tax receipts were under budget in August by \$10.7 million. Most of the monthly negative variance was from withholding; under budget by \$10.5 million. This was expected since withholding was over budget in July by \$11.4 million. The other revenue sources for individual income tax were close to budgeted amounts for the month.

The other revenue line with a significant negative variance was corporate income tax. Corporate receipts were under budget in August by \$8.6 million. \$3.7 million of the underage is from refunds being over budget. The other weak area in corporate were final payments. Similar to sales & use tax, the reversal of the accrual was likely overstated. Final payments on corporate this time of the year is relatively low and can be volatile year to year.

Sales & Use Taxes

Revenue was \$6.7 million under budget for the month and \$8.6 million (-8.4%) under budget fiscal year-to-date. Fiscal year-to-date revenue was \$4.9 million (-5.0%) under fiscal year 2012.

Taxable Sales

Total taxable sales for the month of July (August revenue) were up 2.2% from July 2011. The annual rate of change was 4.9%. Building supply sales were up 0.7% for the month and 9.0% for the year ending in July. Sales of taxable items in food stores were up 3.5% for the month and 3.4% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 2.1% for the month and 2.0% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 1.0% for the month and 3.0% for the year. Auto/transportation sector sales were up 4.7% for the month and 6.7% for the year. Sales of meals and other prepared foods were up 1.0% for the month and 5.1% for the year. Lodging sales were up 2.4% for the month and 4.4% for the year. Business operating sales (primarily use tax paid by businesses) were up 1.0% for the month and 5.6% for the year.

Service Provider Tax

Revenue was \$1.2 million over budget for the month and \$832,532 (+27.5%) over budget fiscal year-to-date.

Individual Income Tax

Revenue was \$10.7 million under budget for the month and \$1.4 million (+0.8%) over budget fiscal year-to-date. Fiscal year-to-date withholding payments were 9.9% over fiscal year 2012. Estimated payments were up 16.3% and final payments were down 0.6% fiscal year-to-date. Fiscal year-to-date revenue was \$7.6 million (+4.6%) over fiscal year 2012.

Corporate Income Tax

Revenue was \$8.6 million under budget for the month and \$7.5 million (-63.1%) under budget fiscal year-to-date. Estimated payments were up 15.6% and final payments were down 46.0% fiscal year-to-date. Fiscal year-to-date revenue was \$7.9 million (-64.4%) under fiscal year 2012.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$2 million over budget for the month and \$1.5 million (+5.8%) over budget fiscal year-to-date.

Insurance Companies Taxes

The Insurance Companies Taxes were \$52,140 over budget for the month and \$2.1 million over budget fiscal year-to-date.

Estate Tax

The estate tax was \$2.7 million over budget for the month and \$4.3 million over 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, and are now over budget for the fiscal year by \$1.2 million. August is the start of the T&R and BETR programs.

Municipal Revenue Sharing

Revenue sharing was over budget for the month of August by 0.546 million. Year-to-date revenue sharing is over budget by approximately \$1 million.

Lottery

Lottery Revenues were under budget in August by \$0.1 million or -2.7%. For the first two months of the fiscal year lottery receipts are \$391,972 over budget.

Other Revenues

Other Revenues were over budget by \$2.9 million for the month, a variance of 253%. For the fiscal year other revenues are \$2.2 million over budget.

Highway Fund

Motor fuel tax receipts were under budget in August by \$0.541 million. The Highway Fund as a whole was \$0.528 million under budget for the month. Year to date motor fuel excise taxes and the Highway Fund were up 2.5% and 3.2%, respectively.

National Economy

Earlier this month Federal Reserve Bank Chairman Ben Bernanke announced the Fed will begin another sustained round of quantitative easing. In its policy statement, the Fed noted that it was taking this action because “economic growth may not be strong enough to generate sustained improvement in labor market conditions.” The Fed further noted that its accommodative monetary policy will likely remain in place until mid-2015.

Maine Economy

The Boston Fed's August 29th Beige Book notes that contacts in the region are uncertain in their outlook for the remainder of the calendar year. Retailers were mixed in their view of the New England economy. Consistent with national reports, spending on furniture and electronics slowed, while demand for clothing was strong. Many contacts noted that consumer sentiment appears to have become more negative in recent weeks. In general retailers are not expecting much to change in the next six to eight months.

In Maine the recent taxable sales reports shows a clear slowdown in consumer spending on taxable goods and services. June and July taxable sales averaged just over 2% growth compared to the same months last year. This is much slower than the 6% year-over-year growth the state recorded for the January-May period. Steadily rising energy prices have pushed the average price of a gallon of gasoline in Maine to over \$4 a gallon. Rising energy prices may be the reason for the disappointing increase in restaurant and lodging sales in July. If gasoline prices remain at or above \$4 a gallon for an extended period, fall tourism activity may be affected and the holiday shopping season may be at risk as well.

HSM:mja

Attachments

cc: John McGough
Michael Cianchette
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STATE OF MAINE

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

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2013
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Sales and Use Tax	(115,870)	6,595,654	(6,711,524)	(101.8%)	94,435,627	103,048,416	(8,612,789)	(8.4%)	1,016,013,096
Service Provider Tax	(378,690)	(1,561,439)	1,182,749	75.7%	3,856,573	3,024,041	832,532	27.5%	53,586,812
Individual Income Tax	77,346,960	88,000,000	(10,653,040)	(12.1%)	173,191,001	171,749,714	1,441,287	0.8%	1,437,134,214
Corporate Income Tax	(5,183,938)	3,386,790	(8,570,728)	(253.1%)	4,376,616	11,864,153	(7,487,537)	(63.1%)	204,177,901
Cigarette and Tobacco Tax	13,950,033	11,916,336	2,033,697	17.1%	26,509,961	25,051,154	1,458,807	5.8%	139,555,285
Insurance Companies Tax	114,769	62,629	52,140	83.3%	3,167,369	1,037,043	2,130,326	205.4%	79,215,000
Estate Tax	(546,669)	(3,270,482)	2,723,813	83.3%	4,261,244	-	4,261,244	-	42,736,287
Fines, Forfeits & Penalties	2,078,692	2,506,731	(428,039)	(17.1%)	4,201,520	4,149,634	51,886	1.3%	25,145,756
Income from Investments	20,671	43,340	(22,669)	(52.3%)	20,671	43,340	(22,669)	(52.3%)	141,684
Transfer from Lottery Commission	3,932,921	4,042,304	(109,383)	(2.7%)	8,476,580	8,084,608	391,972	4.8%	52,550,000
Transfers for Tax Relief Programs	(13,400,101)	(11,825,919)	(1,574,182)	(13.3%)	(13,767,287)	(12,524,688)	(1,242,599)	(9.9%)	(110,914,175)
Transfer to Municipal Revenue Sharing	(7,045,813)	(6,499,511)	(546,302)	(8.4%)	(20,773,524)	(19,811,740)	(961,784)	(4.9%)	(94,598,329)
Other Taxes and Fees	9,496,120	8,777,894	718,226	8.2%	19,021,974	18,216,595	805,379	4.4%	156,489,377
Other Revenues	4,035,950	1,143,271	2,892,679	253.0%	(3,231,855)	(5,415,737)	2,183,882	40.3%	55,107,725
Total Collected	<u>84,305,036</u>	<u>103,317,598</u>	<u>(19,012,562)</u>	<u>(18.4%)</u>	<u>303,746,469</u>	<u>308,516,533</u>	<u>(4,770,064)</u>	<u>(1.5%)</u>	<u>3,056,340,633</u>

NOTES: (1) Included in the above is \$7,045,813 for the month and \$20,773,524 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 April 2012.

(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, 2012 and 2011
 For the Fiscal Years Ending June 30, 2013 and 2012
 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	(115,870)	6,360,322	(6,476,192)	(101.8%)	94,435,627	99,371,664	(4,936,038)	(5.0%)
Service Provider Tax	(378,690)	(1,468,898)	1,090,208	74.2%	3,856,573	2,844,819	1,011,754	35.6%
Individual Income Tax	77,346,960	76,878,302	468,658	0.6%	173,191,001	165,583,939	7,607,061	4.6%
Corporate Income Tax	(5,183,938)	3,722,868	(8,906,806)	(239.2%)	4,376,616	12,304,947	(7,928,332)	(64.4%)
Cigarette and Tobacco Tax	13,950,033	11,883,514	2,066,520	17.4%	26,509,961	24,861,084	1,648,877	6.6%
Insurance Companies Tax	114,769	140,720	(25,950)	(18.4%)	3,167,369	1,828,707	1,338,661	73.2%
Estate Tax	(546,669)	(1,043,671)	497,002	47.6%	4,261,244	1,496,809	2,764,435	184.7%
Fines, Forfeits & Penalties	2,078,692	2,559,959	(481,267)	(18.8%)	4,201,520	4,253,470	(51,951)	(1.2%)
Income from Investments	20,671	43,403	(22,733)	(52.4%)	20,671	43,405	(22,734)	(52.4%)
Transfer from Lottery Commission	3,932,921	4,344,646	(411,726)	(9.5%)	8,476,580	8,785,892	(309,312)	(3.5%)
Transfers for Tax Relief Programs	(13,400,101)	(12,082,956)	(1,317,146)	(10.9%)	(13,767,287)	(12,764,879)	(1,002,408)	(7.9%)
Transfer to Municipal Revenue Sharing	(7,045,813)	(6,536,482)	(509,330)	(7.8%)	(20,773,524)	(20,560,918)	(212,606)	(1.0%)
Other Taxes and Fees	9,496,120	8,517,344	978,776	11.5%	19,021,974	16,822,644	2,199,330	13.1%
Other Revenues	4,035,950	5,567,381	(1,531,431)	(27.5%)	(3,231,855)	1,238,971	(4,470,826)	(360.8%)
Total Collected	84,305,036	98,886,452	(14,581,416)	(14.7%)	303,746,469	306,110,555	(2,364,087)	(0.8%)

STATE OF MAINE

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

EXHIBIT III

	<u>Month</u>				<u>Year to Date</u>				<u>Total Budgeted Fiscal Year Ending 6-30-2013</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	109,659	330,402	(220,743)	(66.8%)	1,069,195	1,383,220	(314,025)	(22.7%)	28,353,916
0300s Aeronautical Gas Tax	25,645	27,215	(1,571)	(5.8%)	48,629	48,694	(65)	(0.1%)	266,830
0400s Alcohol Excise Tax	1,853,910	1,441,605	412,305	28.6%	3,693,063	2,883,210	809,853	28.1%	17,468,175
0700s Corporation Taxes	258,301	278,477	(20,177)	(7.2%)	744,891	527,737	217,154	41.1%	7,847,099
0800s Public Utilities	-	-	-	-	-	-	-	-	11,574,108
1000s Banking Taxes	2,175,800	1,904,581	271,219	14.2%	3,972,050	3,809,162	162,888	4.3%	23,265,980
1100s Alcoholic Beverages	464,573	374,679	89,894	24.0%	794,725	749,358	45,367	6.1%	4,496,138
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	1,005,904	1,292,745	(286,841)	(22.2%)	1,949,674	2,583,498	(633,824)	(24.5%)	15,497,162
1400s Business Taxes	838,400	817,032	21,368	2.6%	1,913,378	1,815,773	97,605	5.4%	12,444,958
1500s Motor Vehicle Licenses	372,643	377,237	(4,594)	(1.2%)	782,816	759,088	23,728	3.1%	4,469,015
1700s Inland Fisheries & Wildlife	2,353,186	1,907,392	445,794	23.4%	3,992,433	3,603,495	388,938	10.8%	16,214,189
1900s Other Licenses	38,100	26,529	11,571	43.6%	61,120	53,360	7,760	14.5%	14,591,807
Total Other Taxes & Fees	9,496,120	8,777,894	718,226	8.2%	19,021,974	18,216,595	805,379	4.4%	156,489,377
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	50,218	29,500	20,718	70.2%	53,050	58,999	(5,949)	(10.1%)	354,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	882	3,135	(2,253)	(71.9%)	52,047	39,605	12,442	31.4%	267,201
2500s Revenues from Private Sources	130,837	178,480	(47,643)	(26.7%)	197,001	357,560	(160,559)	(44.9%)	29,763,164
2600s Current Service Charges	3,157,080	2,826,452	330,628	11.7%	5,306,493	5,784,799	(478,306)	(8.3%)	27,609,827
2700s Transfers from Other Funds	660,480	(1,898,564)	2,559,044	134.8%	(8,876,899)	(12,110,968)	3,234,069	26.7%	(3,425,627)
2800s Sales of Property & Equipment	36,453	4,268	32,185	754.1%	36,453	454,268	(417,815)	(92.0%)	539,160
Total Other Revenues	4,035,950	1,143,271	2,892,679	253.0%	(3,231,855)	(5,415,737)	2,183,882	40.3%	55,107,725

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, 2012 and 2011
 For the Fiscal Years Ending June 30, 2013 and 2012
 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	109,659	72,504	37,156	51.2%	1,069,195	943,112	126,083	13.4%
0300s Aeronautical Gas Tax	25,645	26,029	(385)	(1.5%)	48,629	48,637	(8)	(0.0%)
0400s Alcohol Excise Tax	1,853,910	1,697,014	156,895	9.2%	3,693,063	3,488,371	204,692	5.9%
0700s Corporation Taxes	258,301	293,874	(35,573)	(12.1%)	744,891	553,865	191,027	34.5%
0800s Public Utilities	-	-	-	-	-	71,690	(71,690)	(100.0%)
1000s Banking Taxes	2,175,800	1,984,900	190,900	9.6%	3,972,050	3,505,200	466,850	13.3%
1100s Alcoholic Beverages	464,573	358,469	106,104	29.6%	794,725	650,910	143,816	22.1%
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	1,005,904	908,852	97,052	10.7%	1,949,674	1,522,347	427,326	28.1%
1400s Business Taxes	838,400	587,318	251,082	42.8%	1,913,378	1,397,400	515,978	36.9%
1500s Motor Vehicle Licenses	372,643	389,062	(16,419)	(4.2%)	782,816	792,551	(9,736)	(1.2%)
1700s Inland Fisheries & Wildlife	2,353,186	2,178,019	175,167	8.0%	3,992,433	3,808,077	184,356	4.8%
1900s Other Licenses	38,100	21,303	16,797	78.8%	61,120	40,483	20,637	51.0%
Total Other Taxes & Fees	9,496,120	8,517,344	978,776	11.5%	19,021,974	16,822,644	2,199,330	13.1%
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	50,218	415,505	(365,286)	(87.9%)	53,050	872,245	(819,195)	(93.9%)
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	882	6,102	(5,220)	(85.5%)	52,047	76,437	(24,390)	(31.9%)
2500s Revenues from Private Sources	130,837	17,785	113,052	635.7%	197,001	17,845	179,156	1004.0%
2600s Current Service Charges	3,157,080	3,845,018	(687,939)	(17.9%)	5,306,493	5,899,482	(592,990)	(10.1%)
2700s Transfers from Other Funds	660,480	1,274,826	(614,345)	(48.2%)	(8,876,899)	(5,635,118)	(3,241,780)	(57.5%)
2800s Sales of Property & Equipment	36,453	8,146	28,307	347.5%	36,453	8,080	28,373	351.2%
Total Other Revenues	4,035,950	5,567,381	(1,531,431)	(27.5%)	(3,231,855)	1,238,971	(4,470,826)	(360.8%)

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, 2012
 For the Fiscal Year Ending June 30, 2013
 Comparison to Budget

EXHIBIT V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2013
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Fuel Taxes	(822,332)	(281,421)	(540,911)	(192.2%)	18,127,657	17,793,594	334,063	1.9%	219,693,951
Motor Vehicle Registration & Fees	8,655,237	8,505,783	149,454	1.8%	17,089,219	16,270,356	818,863	5.0%	83,242,015
Motor Vehicle Inspection Fees	226,171	248,540	(22,370)	(9.0%)	722,998	497,080	225,918	45.4%	2,982,500
Miscellaneous Taxes & Fees	120,668	121,704	(1,036)	(0.9%)	230,420	221,764	8,656	3.9%	1,276,365
Fines, Forfeits & Penalties	91,038	68,783	22,255	32.4%	184,896	162,621	22,275	13.7%	993,049
Earnings on Investments	10,634	9,270	1,364	14.7%	10,634	18,540	(7,906)	(42.6%)	111,259
All Other	417,553	554,097	(136,544)	(24.6%)	802,975	1,156,165	(353,190)	(30.5%)	8,380,404
Total Collected	<u>8,698,969</u>	<u>9,226,756</u>	<u>(527,787)</u>	<u>(5.7%)</u>	<u>37,168,799</u>	<u>36,120,120</u>	<u>1,048,679</u>	<u>2.9%</u>	<u>316,679,543</u>

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, 2012 and 2011
 For the Fiscal Years Ending June 30, 2013 and 2012
 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	(822,332)	(345,311)	(477,021)	(138.1%)	18,127,657	17,688,204	439,453	2.5%
Motor Vehicle Registration & Fees	8,655,237	8,606,816	48,420	0.6%	17,089,219	16,472,142	617,077	3.7%
Motor Vehicle Inspection Fees	226,171	186,459	39,712	21.3%	722,998	424,921	298,077	70.1%
Miscellaneous Taxes & Fees	120,668	137,073	(16,405)	(12.0%)	230,420	248,507	(18,087)	(7.3%)
Fines, Forfeits & Penalties	91,038	73,038	18,001	24.6%	184,896	171,155	13,741	8.0%
Earnings on Investments	10,634	10,028	606	6.0%	10,634	10,028	606	6.0%
All Other	417,553	581,921	(164,369)	(28.2%)	802,975	987,297	(184,322)	(18.7%)
Total Collected	<u>8,698,969</u>	<u>9,250,023</u>	<u>(551,055)</u>	<u>(6.0%)</u>	<u>37,168,799</u>	<u>36,002,253</u>	<u>1,166,546</u>	<u>3.2%</u>

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