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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: October 12, 2012

SUBJ: Revenues - September

September General Fund revenues were under budget by \$22.1 million or -7.3%. For the first quarter of FY13, General Fund revenues are \$26.9 million under budget (-4.4%). Compared to the same three month period last fiscal year, revenues are down 4.1% or \$24.7 million.

Sales & use tax receipts were under budget for the month of September (August sales) by \$0.9 million. The auto/transportation, restaurant and lodging sectors posted strong growth in August. The only sector reporting negative year-over-year growth was building supply stores (-3.7%).

Individual income tax receipts were under budget in September by \$6.2 million. Most of the monthly negative variance was from withholding (-\$4.6 million) and estimated payments (-\$3.2 million). Withholding is close to budget through the first quarter of the fiscal year. Estimated payments were not only under budget, but were below last September's payments by 1%. The growth rate of the third estimated payment was below the average growth of 6% for the first two payments. Other states have reported similar results for the September estimated payment.

The other revenue line with a significant negative variance was corporate income tax. Corporate receipts were under budget in September by \$5.7 million. \$5.2 million of the underage was from estimated payments. Similar to individual income tax filers, September is an estimated payment month for calendar year filers. Corporate estimated payments were budgeted to decline compared to the same month last year, but not by 21%. The other weak area in corporate was

refunds; over budget by \$2.3 million. This may be a timing issue associated with early filings of 2011 returns that requested an extension earlier this year.

Sales & Use Taxes

Revenue was \$943,040 under budget for the month and \$9.6 million (-4.7%) under budget fiscal year-to-date. Fiscal year-to-date revenue was \$2.3 million (-1.2%) under fiscal year 2012.

Taxable Sales

Total taxable sales for the month of August (September revenue) were up 3.9% from August 2011. The annual rate of change was 4.9%. Building supply sales were down 3.7% for the month and up 7.6% for the year ending in August. Sales of taxable items in food stores were up 2.4% for the month and 3.2% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 3.3% for the month and 2.3% 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 2.7% for the year. Auto/transportation sector sales were up 8.4% for the month and 6.9% for the year. Sales of meals and other prepared foods were up 6.1% for the month and 5.7% for the year. Lodging sales were up 7.5% for the month and 5.8% for the year. Business operating sales (primarily use tax paid by businesses) were up 2.8% for the month and 5.3% for the year.

Service Provider Tax

Revenue was \$193,561 under budget for the month and \$638,971 (+8.5%) over budget fiscal year-to-date.

Individual Income Tax

Revenue was \$6.2 million under budget for the month and \$4.8 million (-1.5%) under budget fiscal year-to-date. Fiscal year-to-date withholding payments were 1.8% over fiscal year 2012. Estimated payments were up 1.0% and final payments were down 9.1% fiscal year-to-date. Fiscal year-to-date revenue was \$7.5 million (-2.4%) under fiscal year 2012.

Corporate Income Tax

Revenue was \$5.7 million under budget for the month and \$13.2 million (-26.3%) under budget fiscal year-to-date. Estimated payments were down 14.5% and final payments were down 17.7% fiscal year-to-date. Fiscal year-to-date revenue was \$16.4 million (-30.7%) under fiscal year 2012.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$2.4 million under budget for the month and \$973,008 (-2.6%) under budget fiscal year-to-date.

Insurance Companies Taxes

The Insurance Companies Taxes were \$1,149,552 under budget for the month and \$980,774 over budget fiscal year-to-date.

Estate Tax

The estate tax was \$1.6 million under budget for the month and \$2.6 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 under budget in September by \$1.2 million, and are now on budget for the fiscal year.

Municipal Revenue Sharing

Revenue sharing was under budget for the month of September by \$1.2 million. Year-to-date revenue sharing is under budget by approximately \$0.278 million.

Lottery

Lottery Revenues were under budget for the month by \$0.9 million or -16.8%. For the first quarter of the fiscal year lottery receipts are \$458,142 under budget.

Other Revenues

Other Revenues were under budget by \$1.3 million for the month, a variance of 7.3%. For the fiscal year other revenues are \$0.9 million over budget.

Highway Fund

Motor fuel tax receipts were under budget in September by \$0.612 million. The Highway Fund as a whole was \$0.930 million over budget for the month. Year to date motor fuel excise taxes and the Highway Fund are up 1.3% and 4.5%, respectively.

National Economy

Economic reports over the last few weeks continue to show an economy that is growing, but at a rate of only 2%. The recent jobs report created a stir as the unemployment rate fell to an unexpected 7.8%. It's likely that future employment reports will reverse some of September's decline in unemployment rate, but the underlying data does support previous data releases showing a slowly improving labor market. The economy is expected to remain in this slow growth pattern until late next year based on the assumption that the European debt crisis will improve, and uncertainty about US fiscal policy will be resolved.

Maine Economy

The Boston Fed's October 10th Beige Book on economic activity in the region during late summer and early fall is consistent with the national economic report; "expanding at a modest pace." Tourism and other retail respondents told the Fed that sales were positive during the weeks leading up and following the start of the school year. Looking ahead, the concern mentioned the most by retailers was how consumer holiday spending would be impacted by the "fiscal cliff". Employers across the region indicated that they remain cautious in their hiring and investment decisions.

HSM:mja

Attachments

cc: John McGough
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Amanda Rector
Jim Breece
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STATE OF MAINE

Undedicated Revenues - General Fund
 For the Third Month Ended September 30, 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	98,778,982	99,722,022	(943,040)	(0.9%)	193,214,608	202,770,438	(9,555,830)	(4.7%)	1,015,901,512
Service Provider Tax	4,308,533	4,502,094	(193,561)	(4.3%)	8,165,106	7,526,135	638,971	8.5%	53,586,812
Individual Income Tax	138,687,996	144,900,000	(6,212,004)	(4.3%)	311,878,997	316,649,714	(4,770,717)	(1.5%)	1,437,134,214
Corporate Income Tax	32,666,791	38,366,163	(5,699,372)	(14.9%)	37,043,406	50,230,316	(13,186,910)	(26.3%)	204,177,901
Cigarette and Tobacco Tax	10,397,352	12,829,167	(2,431,815)	(19.0%)	36,907,313	37,880,321	(973,008)	(2.6%)	139,555,285
Insurance Companies Tax	(935,127)	214,425	(1,149,552)	(536.1%)	2,232,242	1,251,468	980,774	78.4%	79,215,000
Estate Tax	1,647,680	3,270,482	(1,622,802)	(49.6%)	5,908,923	3,270,482	2,638,441	80.7%	42,736,287
Fines, Forfeits & Penalties	2,017,716	2,194,386	(176,670)	(8.1%)	6,219,235	6,344,020	(124,785)	(2.0%)	25,145,756
Income from Investments	19,648	29,865	(10,217)	(34.2%)	40,319	73,205	(32,886)	(44.9%)	141,684
Transfer from Lottery Commission	4,202,778	5,052,893	(850,115)	(16.8%)	12,679,359	13,137,501	(458,142)	(3.5%)	52,550,000
Transfers for Tax Relief Programs	(21,302,659)	(22,519,628)	1,216,969	5.4%	(35,069,945)	(35,044,316)	(25,629)	(0.1%)	(110,914,175)
Transfer to Municipal Revenue Sharing	(2,005,010)	(3,242,638)	1,237,628	38.2%	(22,778,534)	(23,054,378)	275,844	1.2%	(94,592,750)
Other Taxes and Fees	11,481,515	15,457,421	(3,975,906)	(25.7%)	30,503,489	33,674,016	(3,170,527)	(9.4%)	156,489,377
Other Revenues	1,218,579	2,539,087	(1,320,508)	(52.0%)	(2,013,276)	(2,876,650)	863,374	30.0%	55,107,725
Total Collected	<u>281,184,774</u>	<u>303,315,739</u>	<u>(22,130,965)</u>	<u>(7.3%)</u>	<u>584,931,243</u>	<u>611,832,272</u>	<u>(26,901,029)</u>	<u>(4.4%)</u>	<u>3,056,234,628</u>

NOTES: (1) Included in the above is \$2,005,010 for the month and \$22,778,534 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 Third Month Ended September 30, 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	98,778,982	96,163,956	2,615,026	2.7%	193,214,608	195,535,620	(2,321,012)	(1.2%)
Service Provider Tax	4,308,533	4,235,272	73,261	1.7%	8,165,106	7,080,091	1,085,015	15.3%
Individual Income Tax	138,687,996	153,813,242	(15,125,246)	(9.8%)	311,878,997	319,397,182	(7,518,185)	(2.4%)
Corporate Income Tax	32,666,791	41,173,243	(8,506,453)	(20.7%)	37,043,406	53,478,191	(16,434,784)	(30.7%)
Cigarette and Tobacco Tax	10,397,352	12,981,104	(2,583,753)	(19.9%)	36,907,313	37,842,188	(934,875)	(2.5%)
Insurance Companies Tax	(935,127)	869,821	(1,804,948)	(207.5%)	2,232,242	2,698,529	(466,287)	(17.3%)
Estate Tax	1,647,680	1,626,069	21,611	1.3%	5,908,923	3,122,878	2,786,046	89.2%
Fines, Forfeits & Penalties	2,017,716	2,141,594	(123,878)	(5.8%)	6,219,235	6,395,064	(175,829)	(2.7%)
Income from Investments	19,648	36,384	(16,736)	(46.0%)	40,319	79,789	(39,470)	(49.5%)
Transfer from Lottery Commission	4,202,778	4,105,546	97,232	2.4%	12,679,359	12,891,438	(212,079)	(1.6%)
Transfers for Tax Relief Programs	(21,302,659)	(23,178,572)	1,875,913	8.1%	(35,069,945)	(35,943,451)	873,505	2.4%
Transfer to Municipal Revenue Sharing	(2,005,010)	(3,102,848)	1,097,838	35.4%	(22,778,534)	(23,663,766)	885,232	3.7%
Other Taxes and Fees	11,481,515	8,333,421	3,148,094	37.8%	30,503,489	25,156,065	5,347,424	21.3%
Other Revenues	1,218,579	4,359,451	(3,140,872)	(72.0%)	(2,013,276)	5,598,422	(7,611,698)	(136.0%)
Total Collected	281,184,774	303,557,684	(22,372,910)	(7.4%)	584,931,243	609,668,240	(24,736,997)	(4.1%)

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Third Month Ended September 30, 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	650,047	1,103,116	(453,069)	(41.1%)	1,719,242	2,486,336	(767,094)	(30.9%)	28,353,916
0300s Aeronautical Gas Tax	26,186	26,271	(85)	(0.3%)	74,815	74,965	(150)	(0.2%)	266,830
0400s Alcohol Excise Tax	1,782,824	1,483,815	299,009	20.2%	5,475,887	4,367,025	1,108,862	25.4%	17,468,175
0700s Corporation Taxes	182,505	185,901	(3,396)	(1.8%)	927,396	713,638	213,758	30.0%	7,847,099
0800s Public Utilities	(493,878)	-	(493,878)	-	(493,878)	-	(493,878)	-	11,574,108
1000s Banking Taxes	2,003,850	1,904,581	99,269	5.2%	5,975,900	5,713,743	262,157	4.6%	23,265,980
1100s Alcoholic Beverages	337,319	374,679	(37,360)	(10.0%)	1,132,044	1,124,037	8,007	0.7%	4,496,138
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	776,350	1,290,749	(514,399)	(39.9%)	2,726,024	3,874,247	(1,148,223)	(29.6%)	15,497,162
1400s Business Taxes	578,826	745,890	(167,064)	(22.4%)	2,492,204	2,561,663	(69,459)	(2.7%)	12,444,958
1500s Motor Vehicle Licenses	323,921	340,198	(16,277)	(4.8%)	1,106,737	1,099,286	7,451	0.7%	4,469,015
1700s Inland Fisheries & Wildlife	1,029,538	892,232	137,306	15.4%	5,021,972	4,495,727	526,245	11.7%	16,214,189
1900s Other Licenses	4,284,027	7,109,989	(2,825,962)	(39.7%)	4,345,147	7,163,349	(2,818,202)	(39.3%)	14,591,807
Total Other Taxes & Fees	11,481,515	15,457,421	(3,975,906)	(25.7%)	30,503,489	33,674,016	(3,170,527)	(9.4%)	156,489,377
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	24,991	29,501	(4,510)	(15.3%)	78,042	88,500	(10,458)	(11.8%)	354,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	78,078	26,900	51,178	190.3%	130,125	66,505	63,620	95.7%	267,201
2500s Revenues from Private Sources	117,157	179,080	(61,923)	(34.6%)	314,158	536,640	(222,482)	(41.5%)	29,763,164
2600s Current Service Charges	1,726,119	2,136,500	(410,381)	(19.2%)	7,032,612	7,921,299	(888,687)	(11.2%)	27,609,827
2700s Transfers from Other Funds	(727,766)	157,106	(884,872)	(563.2%)	(9,604,665)	(11,953,862)	2,349,197	19.7%	(3,425,627)
2800s Sales of Property & Equipment	-	10,000	(10,000)	(100.0%)	36,453	464,268	(427,815)	(92.1%)	539,160
Total Other Revenues	1,218,579	2,539,087	(1,320,508)	(52.0%)	(2,013,276)	(2,876,650)	863,374	30.0%	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 Third Month Ended September 30, 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	650,047	915,892	(265,845)	(29.0%)	1,719,242	1,859,004	(139,762)	(7.5%)
0300s Aeronautical Gas Tax	26,186	26,399	(213)	(0.8%)	74,815	75,035	(221)	(0.3%)
0400s Alcohol Excise Tax	1,782,824	1,831,115	(48,292)	(2.6%)	5,475,887	5,319,486	156,400	2.9%
0700s Corporation Taxes	182,505	194,117	(11,612)	(6.0%)	927,396	747,982	179,415	24.0%
0800s Public Utilities	(493,878)	-	(493,878)	-	(493,878)	71,690	(565,568)	(788.9%)
1000s Banking Taxes	2,003,850	2,203,950	(200,100)	(9.1%)	5,975,900	5,709,150	266,750	4.7%
1100s Alcoholic Beverages	337,319	384,611	(47,292)	(12.3%)	1,132,044	1,035,520	96,524	9.3%
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	776,350	940,839	(164,489)	(17.5%)	2,726,024	2,463,186	262,838	10.7%
1400s Business Taxes	578,826	744,314	(165,487)	(22.2%)	2,492,204	2,141,714	350,490	16.4%
1500s Motor Vehicle Licenses	323,921	342,405	(18,483)	(5.4%)	1,106,737	1,134,956	(28,219)	(2.5%)
1700s Inland Fisheries & Wildlife	1,029,538	728,284	301,255	41.4%	5,021,972	4,536,361	485,611	10.7%
1900s Other Licenses	4,284,027	21,497	4,262,530	19828.5%	4,345,147	61,980	4,283,167	6910.6%
Total Other Taxes & Fees	11,481,515	8,333,421	3,148,094	37.8%	30,503,489	25,156,065	5,347,424	21.3%
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	24,991	684,732	(659,741)	(96.4%)	78,042	1,556,978	(1,478,936)	(95.0%)
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	78,078	50,634	27,444	54.2%	130,125	127,071	3,054	2.4%
2500s Revenues from Private Sources	117,157	516,460	(399,303)	(77.3%)	314,158	534,305	(220,147)	(41.2%)
2600s Current Service Charges	1,726,119	2,215,818	(489,698)	(22.1%)	7,032,612	8,115,300	(1,082,688)	(13.3%)
2700s Transfers from Other Funds	(727,766)	845,358	(1,573,125)	(186.1%)	(9,604,665)	(4,789,760)	(4,814,905)	(100.5%)
2800s Sales of Property & Equipment	-	46,449	(46,449)	(100.0%)	36,453	54,528	(18,076)	(33.1%)
Total Other Revenues	1,218,579	4,359,451	(3,140,872)	(72.0%)	(2,013,276)	5,598,422	(7,611,698)	(136.0%)

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 Third Month Ended September 30, 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	21,203,880	21,815,711	(611,831)	(2.8%)	39,331,537	39,609,305	(277,768)	(0.7%)	219,693,951
Motor Vehicle Registration & Fees	3,972,653	2,676,814	1,295,839	48.4%	21,061,872	18,947,170	2,114,702	11.2%	83,242,015
Motor Vehicle Inspection Fees	257,355	248,540	8,815	3.5%	980,353	745,620	234,733	31.5%	2,982,500
Miscellaneous Taxes & Fees	94,902	96,583	(1,681)	(1.7%)	325,322	318,347	6,975	2.2%	1,276,365
Fines, Forfeits & Penalties	100,804	76,861	23,943	31.2%	285,700	239,482	46,218	19.3%	993,049
Earnings on Investments	6,469	9,270	(2,801)	(30.2%)	17,103	27,810	(10,707)	(38.5%)	111,259
All Other	794,942	576,744	218,198	37.8%	1,597,917	1,732,909	(134,992)	(7.8%)	8,380,404
Total Collected	26,431,005	25,500,523	930,482	3.6%	63,599,804	61,620,643	1,979,161	3.2%	316,679,543

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 Third Month Ended September 30, 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	21,203,880	21,144,881	58,999	0.3%	39,331,537	38,833,084	498,453	1.3%
Motor Vehicle Registration & Fees	3,972,653	2,690,627	1,282,027	47.6%	21,061,872	19,162,768	1,899,103	9.9%
Motor Vehicle Inspection Fees	257,355	278,195	(20,840)	(7.5%)	980,353	703,116	277,237	39.4%
Miscellaneous Taxes & Fees	94,902	106,215	(11,313)	(10.7%)	325,322	354,722	(29,400)	(8.3%)
Fines, Forfeits & Penalties	100,804	81,116	19,687	24.3%	285,700	252,271	33,429	13.3%
Earnings on Investments	6,469	7,904	(1,435)	(18.2%)	17,103	17,932	(829)	(4.6%)
All Other	794,942	570,029	224,913	39.5%	1,597,917	1,557,326	40,591	2.6%
Total Collected	26,431,005	24,878,967	1,552,038	6.2%	63,599,804	60,881,220	2,718,584	4.5%

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