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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: November 15, 2012

SUBJ: Revenues - October

October General Fund revenues were over budget by \$0.861 million or 0.4%. For the first four months of FY13, General Fund revenues are \$26.0 million under budget (-3.0%). Compared to the same four month period last fiscal year, revenues are down 1.2% or \$10.3 million.

Sales & use tax receipts were under budget for the month of October (September sales) by \$3.6 million. Auto/transportation growth slowed in September, up only 3.1% compared to a year ago; nationally motor vehicle sales increased by 14%. Rising gasoline prices may have accounted for the relatively slow growth in Maine. Building supply and business operating sales both posted year-over-year declines of 7% or more. Overall year-over-year growth in September was flat.

Individual income tax receipts were on budget in October. Overages in estimated and final payments offset a negative variance in withholding. Fiscal year-to-date withholding is under budget by \$5.6 million and is up only 1% for the calendar year. Withholding is on pace to have the slowest calendar year growth since the end of the recession.

Sales & Use Taxes

Revenue was \$3.6 million under budget for the month and \$13.1 million (-4.4%) under budget fiscal year-to-date. Fiscal year-to-date revenue was \$1.8 million (-0.6%) under fiscal year 2012.

Taxable Sales

Total taxable sales for the month of September (October revenue) were up 0.1% from September 2011. The annual rate of change was 4.6%. Building supply sales were down 7.0% for the month and up 6.0% for the year ending in September. Sales of taxable items in food stores were up 0.7% for the month and 3.3% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 4.0% for the month and 2.5% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were down 0.8% for the month and up 2.4% for the year. Auto/transportation sector sales were up 3.1% for the month and 7.0% for the year. Sales of meals and other prepared foods were up 3.1% for the month and 5.7% for the year. Lodging sales were up 6.0% for the month and 6.2% for the year. Business operating sales (primarily use tax paid by businesses) were down 7.6% for the month and up 3.7% for the year.

Service Provider Tax

Revenue was \$126,084 under budget for the month and \$512,887 (+4.2%) over budget fiscal year-to-date.

Individual Income Tax

Revenue was \$87,083 under budget for the month and \$4.9 million (-1.1%) under budget fiscal year-to-date. Fiscal year-to-date withholding payments were 3.1% over fiscal year 2012. Estimated payments were up 2.2% and final payments were down 4.2% fiscal year-to-date. Fiscal year-to-date revenue was \$2.1 million (+0.5%) over fiscal year 2012.

Corporate Income Tax

Revenue was \$1.3 million under budget for the month and \$14.5 million (-26.0%) under budget fiscal year-to-date. Estimated payments were down 6.9% and final payments were down 31.7% fiscal year-to-date. Fiscal year-to-date revenue was \$20.3 million (-33.0%) under fiscal year 2012.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$1.9 million over budget for the month and \$912,205 (+1.8%) over budget fiscal year-to-date.

Insurance Companies Taxes

The Insurance Companies Taxes were \$755,290 over budget for the month and \$1.7 million over budget fiscal year-to-date.

Estate Tax

The estate tax was \$206,174 under budget for the month and \$2.4 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 October by \$3.1 million, and are now \$3.1 million under budget for the fiscal year.

Municipal Revenue Sharing

Revenue sharing was under budget for the month by \$0.7 million. Year-to-date revenue sharing is under budget by approximately \$0.928 million.

Lottery

Lottery Revenues were over budget for the month by \$0.224 million or 5.6%. For the first four months of the fiscal year lottery receipts are \$233,631 under budget.

Other Revenues

Other Revenues were over budget by \$0.2 million for the month, a variance of 7.6%. For the fiscal year other revenues are \$1.0 million over budget.

Highway Fund

Motor fuel tax receipts were under budget in October by \$0.622 million. The Highway Fund as a whole was \$3.3 million over budget for the month. Fiscal year-to-date motor fuel excise taxes are \$899,771 under budget (-1.5%) and the total Highway Fund is over budget by \$5.3 million (+5.9%).

National Economy

Now that the election is over, attention has shifted to the handling of the “fiscal cliff”. Most economists continue to believe that the economy will fall into a new recession if the cliff is allowed to happen or debate extends past the first quarter of 2013. Most baseline economic forecasts for 2013 assume that there will be an agreement that contains some fiscal drag for 2013, but nowhere near the extent of the fiscal cliff. As a result, the consensus view is that 2013 will once again see slow growth similar to 2012, roughly 2%, and then begin to grow by 4% in 2014 and 2015. Economic growth of 4% or more will generate enough job growth to achieve steady declines in the unemployment rate.

Maine Economy

Retail sale activity slowed significantly during the third quarter of the calendar year. Year-over-year growth in the third quarter slowed to 2.3%; slower than the 4% growth in the second quarter and much slower than the 6.3% growth recorded in the first quarter. Certainly some of the slowdown is related to increased activity during the first quarter from the mild winter weather, but that should have little impact on the July-September quarter. The likely explanation is the combination of the July 4th holiday in the middle of the weak and rising energy prices in August and September.

With energy prices dropping consumers will have some extra disposable income to spend during the upcoming holiday shopping season. Consumer sentiment will be the real key to the holiday season, and that is difficult to judge given the many issues here and abroad that consumers are grappling with.

HSM:mja

Attachments

cc: John McGough
Michael Cianchette
Grant Pennoyer
Maureen Dawson
Marc Cyr
David Boulter
Amanda Rector
Jim Breece
Jerome Gerard
Shirrin Blaisdell
Terry Brann

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Fourth Month Ended October 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	91,179,144	94,756,755	(3,577,611)	(3.8%)	284,393,752	297,527,193	(13,133,441)	(4.4%)	1,015,901,512
Service Provider Tax	4,472,815	4,598,899	(126,084)	(2.7%)	12,637,921	12,125,034	512,887	4.2%	53,586,812
Individual Income Tax	117,471,517	117,558,600	(87,083)	(0.1%)	429,350,514	434,208,314	(4,857,800)	(1.1%)	1,437,134,214
Corporate Income Tax	4,176,218	5,478,440	(1,302,222)	(23.8%)	41,219,625	55,708,756	(14,489,131)	(26.0%)	204,177,901
Cigarette and Tobacco Tax	13,354,207	11,468,994	1,885,213	16.4%	50,261,520	49,349,315	912,205	1.8%	139,555,285
Insurance Companies Tax	7,171,967	6,416,677	755,290	11.8%	9,404,209	7,668,145	1,736,064	22.6%	79,215,000
Estate Tax	3,381,626	3,587,800	(206,174)	(5.7%)	9,290,549	6,858,282	2,432,267	35.5%	42,736,287
Fines, Forfeits & Penalties	2,293,600	1,814,145	479,455	26.4%	8,512,835	8,158,165	354,670	4.3%	25,145,756
Income from Investments	18,238	22,812	(4,574)	(20.1%)	58,557	96,017	(37,460)	(39.0%)	141,684
Transfer from Lottery Commission	4,266,815	4,042,304	224,511	5.6%	16,946,174	17,179,805	(233,631)	(1.4%)	52,550,000
Transfers for Tax Relief Programs	(10,099,653)	(13,160,285)	3,060,632	23.3%	(45,169,599)	(48,204,601)	3,035,002	6.3%	(110,914,175)
Transfer to Municipal Revenue Sharing	(9,015,896)	(9,668,295)	652,399	6.7%	(31,794,430)	(32,722,673)	928,243	2.8%	(94,592,750)
Other Taxes and Fees	18,721,248	19,805,807	(1,084,559)	(5.5%)	49,224,737	53,479,823	(4,255,086)	(8.0%)	156,489,377
Other Revenues	(2,348,699)	(2,540,629)	191,930	7.6%	(4,361,974)	(5,417,279)	1,055,305	19.5%	55,107,725
Total Collected	<u>245,043,147</u>	<u>244,182,024</u>	<u>861,123</u>	<u>0.4%</u>	<u>829,974,390</u>	<u>856,014,296</u>	<u>(26,039,906)</u>	<u>(3.0%)</u>	<u>3,056,234,628</u>

NOTES: (1) Included in the above is \$9,015,896 for the month and \$31,794,430 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 Fourth Month Ended October 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	91,179,144	90,662,252	516,892	0.6%	284,393,752	286,197,872	(1,804,120)	(0.6%)
Service Provider Tax	4,472,815	4,326,340	146,475	3.4%	12,637,921	11,406,431	1,231,490	10.8%
Individual Income Tax	117,471,517	107,808,252	9,663,265	9.0%	429,350,514	427,205,434	2,145,080	0.5%
Corporate Income Tax	4,176,218	8,061,555	(3,885,337)	(48.2%)	41,219,625	61,539,746	(20,320,121)	(33.0%)
Cigarette and Tobacco Tax	13,354,207	11,782,554	1,571,653	13.3%	50,261,520	49,624,742	636,778	1.3%
Insurance Companies Tax	7,171,967	5,496,312	1,675,656	30.5%	9,404,209	8,194,840	1,209,369	14.8%
Estate Tax	3,381,626	2,752,486	629,140	22.9%	9,290,549	5,875,363	3,415,186	58.1%
Fines, Forfeits & Penalties	2,293,600	1,740,280	553,320	31.8%	8,512,835	8,135,344	377,491	4.6%
Income from Investments	18,238	34,997	(16,759)	(47.9%)	58,557	114,786	(56,229)	(49.0%)
Transfer from Lottery Commission	4,266,815	4,655,413	(388,597)	(8.3%)	16,946,174	17,546,851	(600,677)	(3.4%)
Transfers for Tax Relief Programs	(10,099,653)	(13,596,365)	3,496,712	25.7%	(45,169,599)	(49,539,816)	4,370,217	8.8%
Transfer to Municipal Revenue Sharing	(9,015,896)	(10,465,891)	1,449,995	13.9%	(31,794,430)	(34,129,657)	2,335,226	6.8%
Other Taxes and Fees	18,721,248	18,988,061	(266,813)	(1.4%)	49,224,737	44,144,126	5,080,611	11.5%
Other Revenues	(2,348,699)	(1,671,520)	(677,179)	(40.5%)	(4,361,974)	3,926,902	(8,288,877)	(211.1%)
Total Collected	245,043,147	230,574,725	14,468,422	6.3%	829,974,390	840,242,965	(10,268,575)	(1.2%)

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Fourth Month Ended October 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	10,691,418	12,647,623	(1,956,205)	(15.5%)	12,410,661	15,133,959	(2,723,299)	(18.0%)	28,353,916
0300s Aeronautical Gas Tax	21,253	23,143	(1,890)	(8.2%)	96,068	98,108	(2,040)	(2.1%)	266,830
0400s Alcohol Excise Tax	1,511,464	1,441,605	69,859	4.8%	6,987,350	5,808,630	1,178,720	20.3%	17,468,175
0700s Corporation Taxes	147,885	179,058	(31,173)	(17.4%)	1,075,281	892,696	182,585	20.5%	7,847,099
0800s Public Utilities	408	-	408	-	(493,469)	-	(493,469)	-	11,574,108
1000s Banking Taxes	1,881,050	1,904,581	(23,531)	(1.2%)	7,856,950	7,618,324	238,626	3.1%	23,265,980
1100s Alcoholic Beverages	438,677	374,679	63,998	17.1%	1,570,721	1,498,716	72,005	4.8%	4,496,138
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	735,717	1,286,745	(551,028)	(42.8%)	3,461,741	5,160,992	(1,699,251)	(32.9%)	15,497,162
1400s Business Taxes	384,866	722,568	(337,702)	(46.7%)	2,877,070	3,284,231	(407,161)	(12.4%)	12,444,958
1500s Motor Vehicle Licenses	329,268	345,506	(16,238)	(4.7%)	1,436,005	1,444,792	(8,787)	(0.6%)	4,469,015
1700s Inland Fisheries & Wildlife	799,785	847,443	(47,658)	(5.6%)	5,821,756	5,343,170	478,586	9.0%	16,214,189
1900s Other Licenses	1,779,458	32,856	1,746,602	5315.9%	6,124,604	7,196,205	(1,071,601)	(14.9%)	14,591,807
Total Other Taxes & Fees	18,721,248	19,805,807	(1,084,559)	(5.5%)	49,224,737	53,479,823	(4,255,086)	(8.0%)	156,489,377
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	44,505	29,499	15,006	50.9%	122,547	117,999	4,548	3.9%	354,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	9,332	23,450	(14,118)	(60.2%)	139,457	89,955	49,502	55.0%	267,201
2500s Revenues from Private Sources	80,808	118,219	(37,411)	(31.6%)	394,966	654,859	(259,893)	(39.7%)	29,763,164
2600s Current Service Charges	2,042,946	2,094,301	(51,355)	(2.5%)	9,075,558	10,015,600	(940,042)	(9.4%)	27,609,827
2700s Transfers from Other Funds	(4,541,739)	(4,816,098)	274,359	5.7%	(14,146,404)	(16,769,960)	2,623,556	15.6%	(3,425,627)
2800s Sales of Property & Equipment	15,449	10,000	5,449	54.5%	51,902	474,268	(422,366)	(89.1%)	539,160
Total Other Revenues	(2,348,699)	(2,540,629)	191,930	7.6%	(4,361,974)	(5,417,279)	1,055,305	19.5%	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 Fourth Month Ended October 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	10,691,418	12,809,184	(2,117,765)	(16.5%)	12,410,661	14,668,188	(2,257,527)	(15.4%)
0300s Aeronautical Gas Tax	21,253	22,844	(1,591)	(7.0%)	96,068	97,880	(1,812)	(1.9%)
0400s Alcohol Excise Tax	1,511,464	1,506,534	4,930	0.3%	6,987,350	6,826,020	161,330	2.4%
0700s Corporation Taxes	147,885	191,308	(43,423)	(22.7%)	1,075,281	939,289	135,992	14.5%
0800s Public Utilities	408	-	408	-	(493,469)	71,690	(565,160)	(788.3%)
1000s Banking Taxes	1,881,050	1,759,300	121,750	6.9%	7,856,950	7,468,450	388,500	5.2%
1100s Alcoholic Beverages	438,677	427,886	10,791	2.5%	1,570,721	1,463,406	107,315	7.3%
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	735,717	675,536	60,181	8.9%	3,461,741	3,138,723	323,018	10.3%
1400s Business Taxes	384,866	331,950	52,916	15.9%	2,877,070	2,473,664	403,406	16.3%
1500s Motor Vehicle Licenses	329,268	321,810	7,457	2.3%	1,436,005	1,456,766	(20,762)	(1.4%)
1700s Inland Fisheries & Wildlife	799,785	911,146	(111,361)	(12.2%)	5,821,756	5,447,507	374,250	6.9%
1900s Other Licenses	1,779,458	30,563	1,748,895	5722.3%	6,124,604	92,543	6,032,061	6518.1%
Total Other Taxes & Fees	18,721,248	18,988,061	(266,813)	(1.4%)	49,224,737	44,144,126	5,080,611	11.5%
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	44,505	12,403	32,102	258.8%	122,547	1,569,381	(1,446,834)	(92.2%)
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	9,332	26,633	(17,301)	(65.0%)	139,457	153,704	(14,247)	(9.3%)
2500s Revenues from Private Sources	80,808	105,125	(24,318)	(23.1%)	394,966	639,431	(244,465)	(38.2%)
2600s Current Service Charges	2,042,946	1,768,656	274,290	15.5%	9,075,558	9,883,956	(808,398)	(8.2%)
2700s Transfers from Other Funds	(4,541,739)	(3,605,868)	(935,872)	(26.0%)	(14,146,404)	(8,395,628)	(5,750,777)	(68.5%)
2800s Sales of Property & Equipment	15,449	21,530	(6,080)	(28.2%)	51,902	76,058	(24,156)	(31.8%)
Total Other Revenues	(2,348,699)	(1,671,520)	(677,179)	(40.5%)	(4,361,974)	3,926,902	(8,288,877)	(211.1%)

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 Fourth Month Ended October 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	18,619,634	19,241,637	(622,003)	(3.2%)	57,951,171	58,850,942	(899,771)	(1.5%)	219,693,951
Motor Vehicle Registration & Fees	12,597,424	8,571,948	4,025,476	47.0%	33,659,296	27,519,118	6,140,178	22.3%	83,242,015
Motor Vehicle Inspection Fees	172,640	248,540	(75,900)	(30.5%)	1,152,993	994,160	158,833	16.0%	2,982,500
Miscellaneous Taxes & Fees	133,299	120,725	12,574	10.4%	458,622	439,072	19,550	4.5%	1,276,365
Fines, Forfeits & Penalties	94,540	68,572	25,968	37.9%	380,240	308,054	72,186	23.4%	993,049
Earnings on Investments	4,760	9,270	(4,510)	(48.7%)	21,863	37,080	(15,217)	(41.0%)	111,259
All Other	503,472	519,163	(15,691)	(3.0%)	2,101,390	2,252,072	(150,682)	(6.7%)	8,380,404
Total Collected	32,125,769	28,779,855	3,345,914	11.6%	95,725,573	90,400,498	5,325,075	5.9%	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 Fourth Month Ended October 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	18,619,634	19,536,679	(917,045)	(4.7%)	57,951,171	58,369,764	(418,593)	(0.7%)
Motor Vehicle Registration & Fees	12,597,424	8,620,670	3,976,754	46.1%	33,659,296	27,783,438	5,875,857	21.1%
Motor Vehicle Inspection Fees	172,640	167,917	4,723	2.8%	1,152,993	871,033	281,960	32.4%
Miscellaneous Taxes & Fees	133,299	110,409	22,890	20.7%	458,622	465,131	(6,510)	(1.4%)
Fines, Forfeits & Penalties	94,540	72,852	21,688	29.8%	380,240	325,123	55,117	17.0%
Earnings on Investments	4,760	7,057	(2,297)	(32.6%)	21,863	24,989	(3,126)	(12.5%)
All Other	503,472	493,482	9,990	2.0%	2,101,390	2,050,809	50,581	2.5%
Total Collected	<u>32,125,769</u>	<u>29,009,067</u>	<u>3,116,702</u>	<u>10.7%</u>	<u>95,725,573</u>	<u>89,890,287</u>	<u>5,835,286</u>	<u>6.5%</u>

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