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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 12, 2013

SUBJ: Revenues – October

October General Fund revenues were over budget by \$4.6 million or 1.8%. Year-to-date FY14 General Fund revenues are \$17.9 million over budget (+2.1%). Compared to the first four months of last fiscal year, revenues are up 6.1% (+\$50.5 million).

Sales & use tax receipts were over budget for the month by \$5 million and are now over budget for the fiscal year by \$12.6 million (+4.2%). Year-over-year taxable sales growth for the third quarter of the calendar year averaged 6.9%, well above the current budget forecast of 3-3.5% growth. As noted in the attached taxable sales report, auto/transportation and building supply establishments are the drivers of the recent increase in consumer sales, although the other retail category had a solid month in September (October revenue) too. The remaining areas of consumer taxable sales continue to experience weak growth.

Individual income taxes were under budget in October by \$8 million, bringing the year-to-date positive variance to \$5.3 million (+1.3%). Stronger than projected refunds and weaker than projected withholding were the primary cause of the monthly deficit. Final and estimated payments were both over budget by approximately \$4.5 million. The weak showing by withholding in October may be a timing issue surrounding the filing of quarterly returns which were due on October 31st. The overage in refunds may be a timing issue as well. November receipts from both these sources will provide more information on the reason why they deviated from budget so much in October.

Sales & Use Taxes

Revenue was \$5 million over budget for the month and \$12.6 million (+4.2%) over budget fiscal year-to-date. Fiscal year-to-date revenue was \$25.5 million (+9.0%) over fiscal year 2013.

Taxable Sales

Total taxable sales for the month of September (October revenue) were up 6.3% from September 2012. The annual rate of change was 2.9%. Building supply sales were up 13.6% for the month and 1.1% for the year ending in September. Sales of taxable items in food stores were up 1.4% for the month and 1.1% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were down 2.5% for the month and up 0.4% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 6.7% for the month and 1.5% for the year. Auto/transportation sector sales were up 14.5% for the month and 6.4% for the year. Sales of meals and other prepared foods were up 0.3% for the month and 2.9% for the year. Lodging sales were up 5.4% for the month and 5.8% for the year. Business operating sales (primarily use tax paid by businesses) were up 8.9% for the month and 4.2% for the year.

Service Provider Tax

Revenue was \$49,905 under budget for the month and \$1.3 million (-9.7%) under budget fiscal year-to-date.

Individual Income Tax

Revenue was \$8 million over budget for the month and \$5.3 million (+1.3%) over budget fiscal year-to-date. Fiscal year-to-date withholding payments were 0.9% under fiscal year 2013. Estimated payments were up 16.1% and final payments were up 20.8% fiscal year-to-date. Fiscal year-to-date revenue was \$12.8 million (-3.0%) under fiscal year 2013.

Corporate Income Tax

Revenue was \$141,684 under budget for the month and \$3.1 million (-6.5%) under budget fiscal year-to-date. Estimated payments were down 0.6% and final payments were down 28.9% fiscal year-to-date. Fiscal year-to-date revenue was \$3.5 million (+8.5%) over fiscal year 2013.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$2 million over budget for the month and \$2.1 million (+4.3%) over budget fiscal year-to-date.

Insurance Companies Taxes

The Insurance Companies Taxes were \$2.6 million over budget for the month and \$2.3 million over budget fiscal year-to-date.

Estate Tax

The estate tax was \$320,498 over budget for the month and \$2.8 million under 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 million. Year-to-date the tax relief programs are under budget by \$0.8 million (-5.1%).

Municipal Revenue Sharing

Revenue sharing was \$1 million over budget for the month and is now \$1.5 million over budget for the fiscal year.

Lottery

Lottery Revenues were under budget for the month by \$0.4 million or 9.9%. Year-to-date lottery receipts are \$750,531 under budget.

Other Revenues

Other Revenues were over budget by \$0.9 million for the month, a variance of 34.8%.

Highway Fund

Motor fuel tax receipts were on budget in October. The Highway Fund as a whole was also over budget for the month by \$1 million. Compared to the same four month period last fiscal year motor fuel excise tax receipts are up 0.3%.

National Economy

Recent economic reports that were delayed by the government shutdown in October are providing mixed news about the post-summer economic performance of the US economy. While the employment picture shows some improvement and automobile sales remain healthy, uncertainty about the direction of monetary and fiscal policy have slowed the housing market, weakened business investment, and pushed consumer sentiment down leading into the holiday shopping season. The January and February deadlines in Washington will increase the level of uncertainty that businesses and consumers are feeling, and are will likely lead to slower economic growth in the fourth quarter of 2013 and the early months of 2014.

Maine Economy

The Consensus Economic Forecasting Commission (CEFC) met late last month and released their economic forecast update as required on November 1st. The committee met after the end of the federal government shutdown and debt ceiling debate, but developed their forecast using projections from national forecasters that were created during the early part of October when the

outcome of the federal budget negotiations was still unclear. The national forecasters assumed that the shutdown would be short lived and that future deadlines for both the budget and debt ceiling would be extended to late 2014. Neither of those assumptions was accurate, and as a result the CEFC noted in their report that their next economic forecast will incorporate the actual outcome of the October agreement and the resolution of the January budget deadline.

The Revenue Forecasting Committee (RFC) is scheduled to meet November 21st to meet their statutorily required December 1st report date. At that time the RFC will review reports from the Office of Tax Policy in Maine Revenue Services and other state agencies on revenue performance through late November and projections for the remainder of FY14 and FY15-FY17. The CEFC November 1st report will be an important part of the revenue update.

HSM:mja

Attachments

cc: John McGough
Jonathan Nass
Grant Pennoyer
Maureen Dawson
Marc Cyr
David Boulter
Amanda Rector
Jim Breece
Jerome Gerard
Melissa Gott
Terry Brann

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Fourth Month Ended October 31, 2013
 For the Fiscal Year Ending June 30, 2014
 Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2014
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Sales and Use Tax	99,147,206	94,112,090	5,035,116	5.4%	309,942,778	297,322,985	12,619,793	4.2%	1,098,475,270
Service Provider Tax	4,515,824	4,565,729	(49,905)	(1.1%)	11,890,941	13,165,333	(1,274,392)	(9.7%)	50,591,819
Individual Income Tax	110,881,170	118,863,379	(7,982,209)	(6.7%)	416,553,441	411,295,770	5,257,671	1.3%	1,369,627,772
Corporate Income Tax	4,469,660	4,611,344	(141,684)	(3.1%)	44,722,334	47,810,849	(3,088,515)	(6.5%)	180,143,079
Cigarette and Tobacco Tax	13,723,137	11,715,501	2,007,636	17.1%	50,353,076	48,282,297	2,070,779	4.3%	135,900,000
Insurance Companies Tax	9,199,984	6,554,656	2,645,328	40.4%	10,135,694	7,854,990	2,280,704	29.0%	80,715,000
Estate Tax	2,429,863	2,109,365	320,498	15.2%	3,691,195	6,460,335	(2,769,140)	(42.9%)	27,553,982
Fines, Forfeits & Penalties	2,117,114	2,136,641	(19,527)	(0.9%)	8,062,236	8,549,175	(486,939)	(5.7%)	24,402,335
Income from Investments	58,401	14,372	44,029	306.4%	108,731	66,201	42,530	64.2%	77,710
Transfer from Lottery Commission	3,864,138	4,288,457	(424,319)	(9.9%)	17,475,426	18,225,957	(750,531)	(4.1%)	55,750,000
Transfers for Tax Relief Programs	(1,756,379)	(4,742,596)	2,986,217	63.0%	(14,681,821)	(15,469,693)	787,872	5.1%	(60,780,498)
Transfer to Municipal Revenue Sharing	(7,276,673)	(6,232,349)	(1,044,324)	(16.8%)	(22,126,692)	(20,633,669)	(1,493,023)	(7.2%)	(64,893,005)
Other Taxes and Fees	18,672,319	18,259,929	412,390	2.3%	44,461,572	42,236,650	2,224,922	5.3%	127,403,005
Other Revenues	(1,605,481)	(2,463,419)	857,938	34.8%	(133,163)	(2,619,504)	2,486,341	94.9%	36,809,186
Total Collected	<u>258,440,284</u>	<u>253,793,099</u>	<u>4,647,185</u>	<u>1.8%</u>	<u>880,455,748</u>	<u>862,547,676</u>	<u>17,908,072</u>	<u>2.1%</u>	<u>3,061,775,655</u>

NOTES: (1) Included in the above is \$7,276,673 for the month and \$22,126,692 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 2013.

(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, 2013 and 2012
 For the Fiscal Years Ending June 30, 2014 and 2013
 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	99,147,206	91,179,144	7,968,062	8.7%	309,942,778	284,393,752	25,549,026	9.0%
Service Provider Tax	4,515,824	4,472,815	43,010	1.0%	11,890,941	12,637,921	(746,980)	(5.9%)
Individual Income Tax	110,881,170	117,471,517	(6,590,347)	(5.6%)	416,553,441	429,350,514	(12,797,073)	(3.0%)
Corporate Income Tax	4,469,660	4,176,218	293,442	7.0%	44,722,334	41,219,625	3,502,709	8.5%
Cigarette and Tobacco Tax	13,723,137	13,354,207	368,929	2.8%	50,353,076	50,261,520	91,556	0.2%
Insurance Companies Tax	9,199,984	7,171,967	2,028,017	28.3%	10,135,694	9,404,209	731,485	7.8%
Estate Tax	2,429,863	3,381,626	(951,762)	(28.1%)	3,691,195	9,290,549	(5,599,355)	(60.3%)
Fines, Forfeits & Penalties	2,117,114	2,293,600	(176,486)	(7.7%)	8,062,236	8,512,835	(450,599)	(5.3%)
Income from Investments	58,401	18,238	40,164	220.2%	108,731	58,557	50,174	85.7%
Transfer from Lottery Commission	3,864,138	4,266,815	(402,677)	(9.4%)	17,475,426	16,946,174	529,252	3.1%
Transfers for Tax Relief Programs	(1,756,379)	(10,099,653)	8,343,275	82.6%	(14,681,821)	(45,169,599)	30,487,778	67.5%
Transfer to Municipal Revenue Sharing	(7,276,673)	(9,015,896)	1,739,223	19.3%	(22,126,692)	(31,794,430)	9,667,738	30.4%
Other Taxes and Fees	18,672,319	18,721,248	(48,929)	(0.3%)	44,461,572	49,224,737	(4,763,166)	(9.7%)
Other Revenues	(1,605,481)	(2,348,699)	743,217	31.6%	(133,163)	(4,361,974)	4,228,811	96.9%
Total Collected	258,440,284	245,043,147	13,397,137	5.5%	880,455,748	829,974,390	50,481,358	6.1%

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Fourth Month Ended October 31, 2013
 For the Fiscal Year Ending June 30, 2014
 Comparison to Budget

EXHIBIT III

	<u>Month</u>				<u>Year to Date</u>				<u>Total Budgeted Fiscal Year Ending 6-30-2014</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	12,157,450	12,186,412	(28,962)	(0.2%)	14,172,686	14,656,285	(483,599)	(3.3%)	26,487,214
0300s Aeronautical Gas Tax	22,195	21,548	647	3.0%	97,098	94,899	2,199	2.3%	254,932
0400s Alcohol Excise Tax	1,400,601	1,420,773	(20,172)	(1.4%)	7,042,478	5,606,454	1,436,024	25.6%	17,099,326
0700s Corporation Taxes	187,740	138,950	48,790	35.1%	1,062,955	888,175	174,780	19.7%	7,847,099
0800s Public Utilities	-	-	-	-	(1,169,972)	-	(1,169,972)	-	10,000,000
1000s Banking Taxes	2,296,650	1,945,992	350,658	18.0%	8,821,150	7,783,968	1,037,182	13.3%	23,851,990
1100s Alcoholic Beverages	443,643	367,388	76,255	20.8%	1,808,675	1,444,589	364,086	25.2%	4,547,838
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	836,676	697,296	139,380	20.0%	3,285,889	3,345,442	(59,553)	(1.8%)	8,923,813
1400s Business Taxes	273,095	266,506	6,589	2.5%	1,751,946	1,554,922	197,024	12.7%	7,408,553
1500s Motor Vehicle Licenses	332,968	343,881	(10,913)	(3.2%)	1,454,015	1,433,450	20,565	1.4%	4,411,202
1700s Inland Fisheries & Wildlife	687,493	841,310	(153,817)	(18.3%)	6,021,223	5,320,134	701,089	13.2%	16,188,579
1900s Other Licenses	33,807	29,873	3,934	13.2%	113,429	108,332	5,097	4.7%	382,459
Total Other Taxes & Fees	18,672,319	18,259,929	412,390	2.3%	44,461,572	42,236,650	2,224,922	5.3%	127,403,005
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	35,747	29,499	6,248	21.2%	155,978	117,999	37,979	32.2%	354,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	1,310	22,712	(21,402)	(94.2%)	150,467	90,848	59,619	65.6%	272,545
2500s Revenues from Private Sources	84,303	107,652	(23,349)	(21.7%)	553,821	445,385	108,436	24.3%	9,764,696
2600s Current Service Charges	2,186,750	1,962,455	224,295	11.4%	8,984,153	8,169,985	814,168	10.0%	23,639,227
2700s Transfers from Other Funds	(3,925,999)	(4,594,337)	668,338	14.5%	(10,010,123)	(11,464,589)	1,454,466	12.7%	2,708,118
2800s Sales of Property & Equipment	12,408	8,600	3,808	44.3%	32,541	20,868	11,673	55.9%	70,600
Total Other Revenues	(1,605,481)	(2,463,419)	857,938	34.8%	(133,163)	(2,619,504)	2,486,341	94.9%	36,809,186

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, 2013 and 2012
 For the Fiscal Years Ending June 30, 2014 and 2013
 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	12,157,450	10,691,418	1,466,032	13.7%	14,172,686	12,410,661	1,762,026	14.2%
0300s Aeronautical Gas Tax	22,195	21,253	942	4.4%	97,098	96,068	1,030	1.1%
0400s Alcohol Excise Tax	1,400,601	1,511,464	(110,863)	(7.3%)	7,042,478	6,987,350	55,128	0.8%
0700s Corporation Taxes	187,740	147,885	39,855	26.9%	1,062,955	1,075,281	(12,327)	(1.1%)
0800s Public Utilities	-	408	(408)	(100.0%)	(1,169,972)	(493,469)	(676,503)	(137.1%)
1000s Banking Taxes	2,296,650	1,881,050	415,600	22.1%	8,821,150	7,856,950	964,200	12.3%
1100s Alcoholic Beverages	443,643	438,677	4,967	1.1%	1,808,675	1,570,721	237,954	15.1%
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	836,676	735,717	100,960	13.7%	3,285,889	3,461,741	(175,852)	(5.1%)
1400s Business Taxes	273,095	384,866	(111,771)	(29.0%)	1,751,946	2,877,070	(1,125,124)	(39.1%)
1500s Motor Vehicle Licenses	332,968	329,268	3,701	1.1%	1,454,015	1,436,005	18,011	1.3%
1700s Inland Fisheries & Wildlife	687,493	799,785	(112,292)	(14.0%)	6,021,223	5,821,756	199,467	3.4%
1900s Other Licenses	33,807	1,779,458	(1,745,650)	(98.1%)	113,429	6,124,604	(6,011,175)	(98.1%)
Total Other Taxes & Fees	18,672,319	18,721,248	(48,929)	(0.3%)	44,461,572	49,224,737	(4,763,166)	(9.7%)
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	35,747	44,505	(8,758)	(19.7%)	155,978	122,547	33,432	27.3%
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	1,310	9,332	(8,022)	(86.0%)	150,467	139,457	11,010	7.9%
2500s Revenues from Private Sources	84,303	80,808	3,495	4.3%	553,821	394,966	158,856	40.2%
2600s Current Service Charges	2,186,750	2,042,946	143,804	7.0%	8,984,153	9,075,558	(91,405)	(1.0%)
2700s Transfers from Other Funds	(3,925,999)	(4,541,739)	615,740	13.6%	(10,010,123)	(14,146,404)	4,136,281	29.2%
2800s Sales of Property & Equipment	12,408	15,449	(3,041)	(19.7%)	32,541	51,902	(19,362)	(37.3%)
Total Other Revenues	(1,605,481)	(2,348,699)	743,217	31.6%	(133,163)	(4,361,974)	4,228,811	96.9%

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, 2013
 For the Fiscal Year Ending June 30, 2014
 Comparison to Budget

EXHIBIT V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2014
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Fuel Taxes	18,714,884	18,676,420	38,464	0.2%	58,119,041	56,741,457	1,377,584	2.4%	210,011,240
Motor Vehicle Registration & Fees	8,191,563	7,392,212	799,351	10.8%	29,059,989	27,469,731	1,590,258	5.8%	83,362,917
Motor Vehicle Inspection Fees	252,744	185,500	67,244	36.3%	840,858	1,175,850	(334,992)	(28.5%)	2,982,500
Miscellaneous Taxes & Fees	102,868	110,012	(7,144)	(6.5%)	419,037	473,999	(54,962)	(11.6%)	1,313,165
Fines, Forfeits & Penalties	93,584	80,684	12,900	16.0%	360,002	372,566	(12,564)	(3.4%)	1,039,868
Earnings on Investments	5,888	10,204	(4,316)	(42.3%)	22,379	40,816	(18,437)	(45.2%)	122,453
All Other	545,127	521,496	23,631	4.5%	1,925,064	2,159,363	(234,299)	(10.9%)	9,025,866
Total Collected	27,906,659	26,976,528	930,131	3.4%	90,746,370	88,433,782	2,312,588	2.6%	307,858,009

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, 2013 and 2012
 For the Fiscal Years Ending June 30, 2014 and 2013
 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	18,714,884	18,619,634	95,250	0.5%	58,119,041	57,951,171	167,870	0.3%
Motor Vehicle Registration & Fees	8,191,563	12,597,424	(4,405,861)	(35.0%)	29,059,989	33,659,296	(4,599,306)	(13.7%)
Motor Vehicle Inspection Fees	252,744	172,640	80,104	46.4%	840,858	1,152,993	(312,135)	(27.1%)
Miscellaneous Taxes & Fees	102,868	133,299	(30,431)	(22.8%)	419,037	458,622	(39,585)	(8.6%)
Fines, Forfeits & Penalties	93,584	94,540	(956)	(1.0%)	360,002	380,240	(20,238)	(5.3%)
Earnings on Investments	5,888	4,760	1,128	23.7%	22,379	21,863	517	2.4%
All Other	545,127	503,472	41,655	8.3%	1,925,064	2,101,390	(176,326)	(8.4%)
Total Collected	<u>27,906,659</u>	<u>32,125,769</u>	<u>(4,219,110)</u>	<u>(13.1%)</u>	<u>90,746,370</u>	<u>95,725,573</u>	<u>(4,979,203)</u>	<u>(5.2%)</u>

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**

	Sept. '13	% Ch.	Sept. '12	% Ch.	Sept. ' 11	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'13 vs. '12 Thru. Sept. % Change
Building Supply	\$222,278.1	13.6%	\$195,680.2	-6.7%	\$209,621.0	10.3%	1.1%	5.7%
Food Store	\$149,338.5	1.4%	\$147,205.8	1.6%	\$144,931.6	1.7%	1.1%	1.0%
General Merchandise	\$271,227.1	-2.5%	\$278,119.5	4.4%	\$266,271.7	0.6%	0.4%	1.0%
Other Retail	\$219,076.9	6.7%	\$205,266.3	0.7%	\$203,810.1	4.4%	1.5%	3.2%
Auto/Transportation	\$360,966.6	14.5%	\$315,326.1	3.3%	\$305,120.0	13.1%	6.4%	8.0%
Restaurant	\$223,550.7	0.3%	\$222,982.4	4.9%	\$212,596.6	3.4%	2.9%	3.1%
Lodging	\$104,072.7	5.4%	\$98,699.4	8.1%	\$91,332.7	6.8%	5.8%	5.9%
Consumer Sales	\$1,550,510.6	6.0%	\$1,463,279.7	2.1%	\$1,433,683.7	6.1%	2.7%	4.2%
Business Operating	\$197,328.1	8.9%	\$181,272.4	-5.9%	\$192,702.0	14.9%	4.2%	5.7%
Total	\$1,747,838.7	6.3%	\$1,644,552.1	1.1%	\$1,626,385.7	6.9%	2.9%	4.4%