

# MAINE STATE LEGISLATURE

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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:** August 15, 2012

**SUBJ:** Revenues - July

\*\*\*\*\*

July General Fund revenues were over budget by \$14.5 million or 7.1%. Revenues for the first month of Fiscal Year 2013 were up 5.9% over last fiscal year.

One of the few weak areas in July's revenue report was sales & use tax receipts. Sales & use tax revenues were \$1.9 million below budget in July (June sales), an increase of only 1.7% over last year; the budgeted increase for the month was 3.7%. The building supply and other retail sectors were down 10.2% and 2.4%, respectively compared to the same month last year. The tourism related sectors of restaurant and lodging sales increased 7.6% and 14.8%, respectively. Hot dry weather in Maine and the Northeast likely contributed to another strong month for these two sectors. While auto/transportation sales increased in June by 2.3%, that is much slower than the 7.8% growth during the previous five month period.

Individual income tax receipts were the strongest revenue line in July; over budget by \$12.1 million (+14.4%). \$11.4 million of the monthly surplus came from withholding receipts. Withholding increased by 7.7% over the first month of FY12, in stark contrast to the 1.3% growth experienced for the first-half of calendar year 2012. Based on the performance of the withholding line during the first half of August it appears that the overage in July withholding is a timing issue associated with quarterly filings. We expect withholding to be much closer budget on a fiscal year basis at the end of August.

### Sales & Use Taxes

Revenue was \$1.9 million under budget for the month and \$1.9 million (-2.0%) under budget fiscal year-to-date. Fiscal year-to-date revenue was \$1.5 million (+1.7%) over fiscal year 2012.

### Taxable Sales

Total taxable sales for the month of June (July revenue) were up 2.0% from June 2011. The annual rate of change was 5.0%. Building supply sales were down 10.2% for the month and up 9.6% for the year ending in June. Sales of taxable items in food stores were up 0.1% 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 1.3% for the month and 1.7% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were down 2.4% for the month and up 3.2% for the year. Auto/transportation sector sales were up 2.3% for the month and 6.1% for the year. Sales of meals and other prepared foods were up 7.6% for the month and 5.5% for the year. Lodging sales were up 14.8% for the month and 5.1% for the year. Business operating sales (primarily use tax paid by businesses) were up 14.2% for the month and 6.1% for the year.

### Service Provider Tax

Revenue was \$350,217 under budget for the month and \$350,217 (-7.6%) under budget fiscal year-to-date.

### Individual Income Tax

Revenue was \$12.1 million over budget for the month and \$12.1 million (+14.4%) over budget fiscal year-to-date. Fiscal year-to-date withholding payments were 7.9% over fiscal year 2012. Estimated payments were up 47.2% and final payments were down 4.7% fiscal year-to-date. Fiscal year-to-date revenue was \$7.1 million (+8.0%) over fiscal year 2012.

### Corporate Income Tax

Revenue was \$1.1 million over budget for the month and \$1.1 million (+12.8%) over budget fiscal year-to-date. Estimated payments were up 19.3% and final payments were down 11.6% fiscal year-to-date. Fiscal year-to-date revenue was \$978,475 (+11.4%) over fiscal year 2012.

### Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$574,890 under budget for the month and \$574,890 (-4.4%) under budget fiscal year-to-date.

### Insurance Companies Taxes

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

### Estate Tax

The estate tax was \$1.5 million over budget for the month and \$1.5 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 July by \$0.332 million. July is not a significant month for any of these programs and refunds during July usually represent suspended returns from the previous year's program that have finally been resolved.

### Municipal Revenue Sharing

Revenue sharing was over budget for the month and fiscal year by \$415,483.

### Lottery

Lottery Revenues were over budget in July by \$0.5 million or 12.4%.

### Other Revenues

Other Revenues were under budget for the month by \$0.9 million. Current service charges are under budget by approximately \$1,000,000. This is a timing issue related to the transfer of Loan Insurance Reserve Funds from FAME. Sales of property and equipment are under budget by \$450,000 relating to the Bureau of General Services in DAFS not having sold property with proceeds budgeted for July.

### Highway Fund

Motor fuel tax receipts were over budget in July by \$0.9 million. The Highway Fund as a whole was \$1.6 million over budget for the month. Year-over-year motor fuel excise taxes and the Highway Fund as a whole were up 5.1% and 6.4%, respectively.

### National Economy

The Associated Press released a news story this week laying out the argument that the current economic recovery is the weakest since the Great Depression. Most economists point to the housing correction and financial crisis that followed as the reason for the relatively slow recovery. The most recent data on the first half of 2012 shows the economy remains weak, with economic growth persistently below 2%. The rule-of-thumb most economists use is that economic growth must be 3% or more to achieve sustainable and meaningful reduction in the national unemployment rate.

With the unlikely chance that the European debt crisis and the US fiscal cliff will be resolved soon, economists have downgraded their forecasts for the second-half of 2012, and many are projecting continued weak growth through the first quarter of 2013. All of this keeps the US economy susceptible to another recession from some other unknown event.

## Maine Economy

The Boston Federal Reserve Bank in their latest Beige Book report on the New England region indicates that the regional economy is growing at a “moderate pace.” The report points out that business while not laying off people is hesitant to engage in substantial hiring or investment until uncertainties about the national economy subside. Many retail contacts believe the fiscal uncertainties are affecting consumers as well, and are planning on “sluggish” growth in sales at least until the holiday season begins.

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 First Month Ended July 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)	
<b>Sales and Use Tax</b>	94,551,497	96,452,762	(1,901,265)	(2.0%)	94,551,497	96,452,762	(1,901,265)	(2.0%)	1,009,213,096
<b>Service Provider Tax</b>	4,235,263	4,585,480	(350,217)	(7.6%)	4,235,263	4,585,480	(350,217)	(7.6%)	53,586,812
<b>Individual Income Tax</b>	95,844,041	83,749,714	12,094,327	14.4%	95,844,041	83,749,714	12,094,327	14.4%	1,436,399,714
<b>Corporate Income Tax</b>	9,560,554	8,477,363	1,083,191	12.8%	9,560,554	8,477,363	1,083,191	12.8%	204,196,901
<b>Cigarette and Tobacco Tax</b>	12,559,928	13,134,818	(574,890)	(4.4%)	12,559,928	13,134,818	(574,890)	(4.4%)	139,555,285
<b>Insurance Companies Tax</b>	3,052,599	974,414	2,078,185	213.3%	3,052,599	974,414	2,078,185	213.3%	79,215,000
<b>Estate Tax</b>	4,807,912	3,270,482	1,537,430	47.0%	4,807,912	3,270,482	1,537,430	47.0%	42,736,287
<b>Fines, Forfeits &amp; Penalties</b>	2,122,828	1,642,903	479,925	29.2%	2,122,828	1,642,903	479,925	29.2%	25,103,649
<b>Income from Investments</b>	0	-	0	-	0	-	0	-	141,684
<b>Transfer from Lottery Commission</b>	4,543,660	4,042,304	501,356	12.4%	4,543,660	4,042,304	501,356	12.4%	52,550,000
<b>Transfers for Tax Relief Programs</b>	(367,185)	(698,769)	331,584	47.5%	(367,185)	(698,769)	331,584	47.5%	(110,955,175)
<b>Transfer to Municipal Revenue Sharing</b>	(13,727,712)	(13,312,229)	(415,483)	(3.1%)	(13,727,712)	(13,312,229)	(415,483)	(3.1%)	(94,222,554)
<b>Other Taxes and Fees</b>	9,525,854	9,012,451	513,403	5.7%	9,525,854	9,012,451	513,403	5.7%	153,944,440
<b>Other Revenues</b>	(7,267,805)	(6,391,091)	(876,714)	(13.7%)	(7,267,805)	(6,391,091)	(876,714)	(13.7%)	53,728,854
<b>Total Collected</b>	<u>219,441,433</u>	<u>204,940,602</u>	<u>14,500,831</u>	<u>7.1%</u>	<u>219,441,433</u>	<u>204,940,602</u>	<u>14,500,831</u>	<u>7.1%</u>	<u>3,045,193,993</u>

NOTES: (1) Included in the above is \$13,727,712 for the month and \$13,727,712 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 First Month Ended July 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)
<b>Sales and Use Tax</b>	94,551,497	93,011,342	1,540,154	1.7%	94,551,497	93,011,342	1,540,154	1.7%
<b>Service Provider Tax</b>	4,235,263	4,313,717	(78,454)	(1.8%)	4,235,263	4,313,717	(78,454)	(1.8%)
<b>Individual Income Tax</b>	95,844,041	88,705,638	7,138,403	8.0%	95,844,041	88,705,638	7,138,403	8.0%
<b>Corporate Income Tax</b>	9,560,554	8,582,079	978,475	11.4%	9,560,554	8,582,079	978,475	11.4%
<b>Cigarette and Tobacco Tax</b>	12,559,928	12,977,570	(417,642)	(3.2%)	12,559,928	12,977,570	(417,642)	(3.2%)
<b>Insurance Companies Tax</b>	3,052,599	1,687,988	1,364,611	80.8%	3,052,599	1,687,988	1,364,611	80.8%
<b>Estate Tax</b>	4,807,912	2,540,479	2,267,433	89.3%	4,807,912	2,540,479	2,267,433	89.3%
<b>Fines, Forfeits &amp; Penalties</b>	2,122,828	1,693,512	429,316	25.4%	2,122,828	1,693,512	429,316	25.4%
<b>Income from Investments</b>	0	2	(1)	(75.9%)	0	2	(1)	(75.9%)
<b>Transfer from Lottery Commission</b>	4,543,660	4,441,246	102,414	2.3%	4,543,660	4,441,246	102,414	2.3%
<b>Transfers for Tax Relief Programs</b>	(367,185)	(681,923)	314,738	46.2%	(367,185)	(681,923)	314,738	46.2%
<b>Transfer to Municipal Revenue Sharing</b>	(13,727,712)	(14,024,436)	296,724	2.1%	(13,727,712)	(14,024,436)	296,724	2.1%
<b>Other Taxes and Fees</b>	9,525,854	8,305,301	1,220,553	14.7%	9,525,854	8,305,301	1,220,553	14.7%
<b>Other Revenues</b>	(7,267,805)	(4,328,410)	(2,939,395)	(67.9%)	(7,267,805)	(4,328,410)	(2,939,395)	(67.9%)
<b>Total Collected</b>	<b>219,441,433</b>	<b>207,224,103</b>	<b>12,217,330</b>	<b>5.9%</b>	<b>219,441,433</b>	<b>207,224,103</b>	<b>12,217,330</b>	<b>5.9%</b>

**STATE OF MAINE**

Undedicated Revenues - General Fund  
 For the First Month Ended July 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 &amp; Fees</u>									
0100s All Others	959,536	1,052,818	(93,282)	(8.9%)	959,536	1,052,818	(93,282)	(8.9%)	28,353,916
0300s Aeronautical Gas Tax	22,985	21,479	1,506	7.0%	22,985	21,479	1,506	7.0%	266,830
0400s Alcohol Excise Tax	1,839,153	1,441,605	397,548	27.6%	1,839,153	1,441,605	397,548	27.6%	17,468,175
0700s Corporation Taxes	486,591	249,260	237,331	95.2%	486,591	249,260	237,331	95.2%	7,847,099
0800s Public Utilities	-	-	-	-	-	-	-	-	11,574,108
1000s Banking Taxes	1,796,250	1,904,581	(108,331)	(5.7%)	1,796,250	1,904,581	(108,331)	(5.7%)	23,265,980
1100s Alcoholic Beverages	330,152	374,679	(44,527)	(11.9%)	330,152	374,679	(44,527)	(11.9%)	4,496,138
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	943,770	864,503	79,267	9.2%	943,770	864,503	79,267	9.2%	12,997,162
1400s Business Taxes	1,074,978	998,741	76,237	7.6%	1,074,978	998,741	76,237	7.6%	12,444,958
1500s Motor Vehicle Licenses	410,173	381,851	28,322	7.4%	410,173	381,851	28,322	7.4%	4,461,515
1700s Inland Fisheries & Wildlife	1,639,247	1,696,103	(56,856)	(3.4%)	1,639,247	1,696,103	(56,856)	(3.4%)	16,176,752
1900s Other Licenses	23,020	26,831	(3,811)	(14.2%)	23,020	26,831	(3,811)	(14.2%)	14,591,807
<b>Total Other Taxes &amp; Fees</b>	<b>9,525,854</b>	<b>9,012,451</b>	<b>513,403</b>	<b>5.7%</b>	<b>9,525,854</b>	<b>9,012,451</b>	<b>513,403</b>	<b>5.7%</b>	<b>153,944,440</b>
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	2,832	29,499	(26,667)	(90.4%)	2,832	29,499	(26,667)	(90.4%)	354,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	51,165	36,470	14,695	40.3%	51,165	36,470	14,695	40.3%	267,201
2500s Revenues from Private Sources	66,164	179,080	(112,916)	(63.1%)	66,164	179,080	(112,916)	(63.1%)	29,763,164
2600s Current Service Charges	2,149,413	3,126,264	(976,851)	(31.2%)	2,149,413	3,126,264	(976,851)	(31.2%)	26,230,956
2700s Transfers from Other Funds	(9,537,379)	(10,212,404)	675,025	6.6%	(9,537,379)	(10,212,404)	675,025	6.6%	(3,425,627)
2800s Sales of Property & Equipment	-	450,000	(450,000)	(100.0%)	-	450,000	(450,000)	(100.0%)	539,160
<b>Total Other Revenues</b>	<b>(7,267,805)</b>	<b>(6,391,091)</b>	<b>(876,714)</b>	<b>(13.7%)</b>	<b>(7,267,805)</b>	<b>(6,391,091)</b>	<b>(876,714)</b>	<b>(13.7%)</b>	<b>53,728,854</b>

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, 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)
<b><u>Detail of Other Taxes &amp; Fees</u></b>								
0100s All Others	959,536	870,609	88,927	10.2%	959,536	870,609	88,927	10.2%
0300s Aeronautical Gas Tax	22,985	22,608	377	1.7%	22,985	22,608	377	1.7%
0400s Alcohol Excise Tax	1,839,153	1,791,357	47,796	2.7%	1,839,153	1,791,357	47,796	2.7%
0700s Corporation Taxes	486,591	259,991	226,600	87.2%	486,591	259,991	226,600	87.2%
0800s Public Utilities	-	71,690	(71,690)	(100.0%)	-	71,690	(71,690)	(100.0%)
1000s Banking Taxes	1,796,250	1,520,300	275,950	18.2%	1,796,250	1,520,300	275,950	18.2%
1100s Alcoholic Beverages	330,152	292,441	37,712	12.9%	330,152	292,441	37,712	12.9%
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	943,770	613,496	330,274	53.8%	943,770	613,496	330,274	53.8%
1400s Business Taxes	1,074,978	810,082	264,896	32.7%	1,074,978	810,082	264,896	32.7%
1500s Motor Vehicle Licenses	410,173	403,490	6,683	1.7%	410,173	403,490	6,683	1.7%
1700s Inland Fisheries & Wildlife	1,639,247	1,630,058	9,189	0.6%	1,639,247	1,630,058	9,189	0.6%
1900s Other Licenses	23,020	19,180	3,840	20.0%	23,020	19,180	3,840	20.0%
<b>Total Other Taxes &amp; Fees</b>	<b>9,525,854</b>	<b>8,305,301</b>	<b>1,220,553</b>	<b>14.7%</b>	<b>9,525,854</b>	<b>8,305,301</b>	<b>1,220,553</b>	<b>14.7%</b>
<b><u>Detail of Other Revenues</u></b>								
2200s Federal Revenues	2,832	456,741	(453,909)	(99.4%)	2,832	456,741	(453,909)	(99.4%)
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	51,165	70,335	(19,170)	(27.3%)	51,165	70,335	(19,170)	(27.3%)
2500s Revenues from Private Sources	66,164	60	66,104	110173.4%	66,164	60	66,104	110173.4%
2600s Current Service Charges	2,149,413	2,054,464	94,949	4.6%	2,149,413	2,054,464	94,949	4.6%
2700s Transfers from Other Funds	(9,537,379)	(6,909,944)	(2,627,435)	(38.0%)	(9,537,379)	(6,909,944)	(2,627,435)	(38.0%)
2800s Sales of Property & Equipment	-	(66)	66	100.0%	-	(66)	66	100.0%
<b>Total Other Revenues</b>	<b>(7,267,805)</b>	<b>(4,328,410)</b>	<b>(2,939,395)</b>	<b>(67.9%)</b>	<b>(7,267,805)</b>	<b>(4,328,410)</b>	<b>(2,939,395)</b>	<b>(67.9%)</b>

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, 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	18,949,989	18,075,016	874,973	4.8%	18,949,989	18,075,016	874,973	4.8%	219,693,952
Motor Vehicle Registration & Fees	8,433,982	7,764,573	669,409	8.6%	8,433,982	7,764,573	669,409	8.6%	83,190,515
Motor Vehicle Inspection Fees	496,828	248,540	248,288	99.9%	496,828	248,540	248,288	99.9%	2,982,500
Miscellaneous Taxes & Fees	109,752	100,060	9,692	9.7%	109,752	100,060	9,692	9.7%	1,276,365
Fines, Forfeits & Penalties	93,858	93,838	20	0.0%	93,858	93,838	20	0.0%	993,049
Earnings on Investments	-	9,270	(9,270)	(100.0%)	-	9,270	(9,270)	(100.0%)	111,259
All Other	385,422	602,068	(216,646)	(36.0%)	385,422	602,068	(216,646)	(36.0%)	8,410,404
<b>Total Collected</b>	<b>28,469,830</b>	<b>26,893,365</b>	<b>1,576,465</b>	<b>5.9%</b>	<b>28,469,830</b>	<b>26,893,365</b>	<b>1,576,465</b>	<b>5.9%</b>	<b>316,658,044</b>

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, 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	18,949,989	18,033,515	916,474	5.1%	18,949,989	18,033,515	916,474	5.1%
Motor Vehicle Registration & Fees	8,433,982	7,865,325	568,656	7.2%	8,433,982	7,865,325	568,656	7.2%
Motor Vehicle Inspection Fees	496,828	238,462	258,366	108.3%	496,828	238,462	258,366	108.3%
Miscellaneous Taxes & Fees	109,752	111,434	(1,682)	(1.5%)	109,752	111,434	(1,682)	(1.5%)
Fines, Forfeits & Penalties	93,858	98,118	(4,259)	(4.3%)	93,858	98,118	(4,259)	(4.3%)
Earnings on Investments	-	-	-	-	-	-	-	-
All Other	385,422	405,375	(19,953)	(4.9%)	385,422	405,375	(19,953)	(4.9%)
<b>Total Collected</b>	<b>28,469,830</b>	<b>26,752,230</b>	<b>1,717,601</b>	<b>6.4%</b>	<b>28,469,830</b>	<b>26,752,230</b>	<b>1,717,601</b>	<b>6.4%</b>

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