

MAINE STATE LEGISLATURE

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**DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
78 STATE HOUSE STATION
AUGUSTA, ME 04333-0078**

**PHONE: 207-624-7800
FAX: 207-624-7804
TDD: 207-287-4537**

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: December 18, 2012

SUBJ: Revenues - November

November General Fund revenues were under budget by \$4.4 million or 1.8%. For the first five months of FY13, General Fund revenues are \$30.4 million under budget (-2.8%). Compared to the same five month period last fiscal year, revenues are up 0.2% or \$2.6 million. Please note that the November Controller's report does not reflect changes made by the Revenue Forecasting Committee at its November 28th meeting. December's revenue report will be based on the new revenue forecast.

Once again sales & use tax receipts were under budget for the month of November (October sales) by \$5.5 million. Approximately \$3 million of the monthly negative variance is the result of the Use Tax Compliance Program falling short of its revenue estimate. The Revenue Forecasting Committee was aware of this shortfall when it met last month and reduced its projection for the program by \$3.4 million. With the exception of lodging sales in October (up 8.2% over last year) all the remaining business sectors were below expectations. Overall taxable sales increased by 0.8% compared to a year ago, well below the base forecast of 3.9%. Monthly year-over-year taxable sales growth has been averaging only 2% since the start of the fiscal year.

Individual income tax receipts were under budget in November. Withholding receipts accounted for most of the monthly variance; under budget by \$11.6 million. Fiscal year-to-date withholding is under budget by \$17.2 million and is up only 1% for the calendar year. The new revenue forecast was adjusted to reflect the much lower level of withholding.

Sales & Use Taxes

Revenue was \$5.5 million under budget for the month and \$18.6 million (-4.9%) under budget fiscal year-to-date. Fiscal year-to-date revenue was \$426,146 (-0.1%) under fiscal year 2012.

Taxable Sales

Total taxable sales for the month of October (November revenue) were up 0.8% from October 2011. The annual rate of change was 4.3%. Building supply sales were down 2.9% for the month and up 4.7% for the year ending in October. Sales of taxable items in food stores were up 3.4% for the month and 3.4% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were down 1.4% for the month and up 2.4% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were flat for the month and up 2.3% for the year. Auto/transportation sector sales were up 1.0% for the month and 6.3% for the year. Sales of meals and other prepared foods were up 1.8% for the month and 5.8% for the year. Lodging sales were up 8.2% for the month and 7.4% for the year. Business operating sales (primarily use tax paid by businesses) were up 3.9% for the month and 3.5% for the year.

Service Provider Tax

Revenue was \$483,423 under budget for the month and \$29,464 (+0.2%) over budget fiscal year-to-date.

Individual Income Tax

Revenue was \$15.4 million under budget for the month and \$20.2 million (-3.5%) under budget fiscal year-to-date. Fiscal year-to-date withholding payments were 3.0% over fiscal year 2012. Estimated payments were up 1.6% and final payments were down 4.3% fiscal year-to-date. Fiscal year-to-date revenue was \$223,989 (-0.0%) under fiscal year 2012.

Corporate Income Tax

Revenue was \$4.5 million under budget for the month and \$19 million (-33.3%) under budget fiscal year-to-date. Estimated payments were down 8.6% and final payments were down 35.4% fiscal year-to-date. Fiscal year-to-date revenue was \$26.4 million (-41.0%) under fiscal year 2012.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$546,224 under budget for the month and \$365,981 (+0.6%) over budget fiscal year-to-date.

Insurance Companies Taxes

The Insurance Companies Taxes were \$235,670 under budget for the month and \$1.5 million over budget fiscal year-to-date.

Estate Tax

The estate tax was \$12.7 million over budget for the month and \$15.1 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 \$5.6 million, and are now \$8.7 million under budget for the fiscal year.

Municipal Revenue Sharing

Revenue sharing was under budget for the month by \$0.3 million. Year-to-date revenue sharing is under budget by approximately \$1.2 million.

Lottery

Lottery Revenues were over budget for the month by \$0.040 million or 1%. For the first five months of the fiscal year lottery receipts are \$193,065 under budget.

Other Revenues

Other Revenues were over budget by \$2.1 million for the month, a variance of 76.3%. For the fiscal year other revenues are \$3.1 million over budget.

Highway Fund

Motor fuel tax receipts were under budget in November by \$0.436 million. The Highway Fund as a whole was on budget for the month. Fiscal year-to-date motor fuel excise taxes are \$1.4 million under budget (-1.7%) and the total Highway Fund is over budget by \$5.4 million (+4.6%).

National Economy

Negotiations between Congress and the president continue as the so-called “fiscal cliff” approaches. While there is some evidence that the uncertainty surrounding US fiscal policy is causing consumers and businesses to be cautious in their spending, it hasn’t yet derailed the struggling economic recovery. If negotiations in Washington do produce a credible road map to fiscal sustainability and do so with minimal impact on short-term economic growth then there is a strong possibility that US economic growth can begin to grow sufficiently to have a steady decline in unemployment.

The Federal Reserve announced earlier this month that it will continue its accommodative monetary policy as long as the unemployment rate remains above 6.5% and inflationary expectations are contained. Chairman Ben Bernanke in prepared remarks noted that, “monetary policy has its limits; only the private and public sectors working together can get the US economy fully back on track. In particular, it will be critical that fiscal policymakers come together soon to achieve longer-term fiscal sustainability without adopting policies that could derail the ongoing recovery.”

Maine Economy

Maine consumer activity remains sluggish as the calendar year comes to a close. Maine households were cautious as the holiday shopping season begins. Anecdotal reports indicate that the holiday shopping has been reasonably good. The steady drop in energy prices will certainly help as the winter heating season begins as well. If the fiscal cliff can be resolved with little or no disruption to household after-tax pay then it’s certainly possible that we will see an uptick in consumer sentiment and buying during the first part of 2013.

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 Fifth Month Ended November 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	78,364,108	83,872,389	(5,508,281)	(6.6%)	362,757,860	381,399,582	(18,641,722)	(4.9%)	1,015,901,512
Service Provider Tax	4,055,516	4,538,939	(483,423)	(10.7%)	16,693,437	16,663,973	29,464	0.2%	53,586,812
Individual Income Tax	121,283,232	136,672,400	(15,389,168)	(11.3%)	550,633,746	570,880,714	(20,246,968)	(3.5%)	1,437,134,214
Corporate Income Tax	(3,193,761)	1,334,343	(4,528,104)	(339.4%)	38,025,864	57,043,099	(19,017,235)	(33.3%)	204,177,901
Cigarette and Tobacco Tax	11,298,417	11,844,641	(546,224)	(4.6%)	61,559,937	61,193,956	365,981	0.6%	139,555,285
Insurance Companies Tax	4,909,846	5,145,516	(235,670)	(4.6%)	14,314,055	12,813,661	1,500,394	11.7%	79,215,000
Estate Tax	16,261,084	3,587,800	12,673,284	353.2%	25,551,633	10,446,082	15,105,551	144.6%	42,736,287
Fines, Forfeits & Penalties	1,404,210	1,787,001	(382,791)	(21.4%)	9,917,046	9,945,166	(28,120)	(0.3%)	25,145,756
Income from Investments	11,689	11,666	23	0.2%	70,246	107,683	(37,437)	(34.8%)	141,684
Transfer from Lottery Commission	4,082,870	4,042,304	40,566	1.0%	21,029,044	21,222,109	(193,065)	(0.9%)	52,550,000
Transfers for Tax Relief Programs	(11,806,379)	(17,446,693)	5,640,314	32.3%	(56,975,978)	(65,651,294)	8,675,316	13.2%	(110,914,175)
Transfer to Municipal Revenue Sharing	(7,238,306)	(7,492,956)	254,650	3.4%	(39,032,736)	(40,215,629)	1,182,893	2.9%	(94,592,750)
Other Taxes and Fees	10,283,263	8,299,338	1,983,925	23.9%	59,508,001	61,779,161	(2,271,160)	(3.7%)	156,489,377
Other Revenues	4,834,192	2,741,452	2,092,740	76.3%	472,218	(2,675,827)	3,148,045	117.6%	55,107,725
Total Collected	<u>234,549,981</u>	<u>238,938,140</u>	<u>(4,388,159)</u>	<u>(1.8%)</u>	<u>1,064,524,371</u>	<u>1,094,952,436</u>	<u>(30,428,065)</u>	<u>(2.8%)</u>	<u>3,056,234,628</u>

NOTES: (1) Included in the above is \$7,238,306 for the month and \$39,032,736 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 Fifth Month Ended November 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	78,364,108	76,986,134	1,377,974	1.8%	362,757,860	363,184,006	(426,146)	(0.1%)
Service Provider Tax	4,055,516	4,269,933	(214,417)	(5.0%)	16,693,437	15,676,364	1,017,073	6.5%
Individual Income Tax	121,283,232	123,652,302	(2,369,069)	(1.9%)	550,633,746	550,857,736	(223,989)	(0.0%)
Corporate Income Tax	(3,193,761)	2,892,463	(6,086,224)	(210.4%)	38,025,864	64,432,209	(26,406,345)	(41.0%)
Cigarette and Tobacco Tax	11,298,417	13,491,022	(2,192,605)	(16.3%)	61,559,937	63,115,763	(1,555,827)	(2.5%)
Insurance Companies Tax	4,909,846	6,274,867	(1,365,021)	(21.8%)	14,314,055	14,469,707	(155,652)	(1.1%)
Estate Tax	16,261,084	3,773,259	12,487,825	331.0%	25,551,633	9,648,622	15,903,011	164.8%
Fines, Forfeits & Penalties	1,404,210	1,738,978	(334,767)	(19.3%)	9,917,046	9,874,322	42,723	0.4%
Income from Investments	11,689	31,613	(19,924)	(63.0%)	70,246	146,399	(76,153)	(52.0%)
Transfer from Lottery Commission	4,082,870	3,986,556	96,314	2.4%	21,029,044	21,533,406	(504,362)	(2.3%)
Transfers for Tax Relief Programs	(11,806,379)	(17,984,875)	6,178,496	34.4%	(56,975,978)	(67,524,691)	10,548,713	15.6%
Transfer to Municipal Revenue Sharing	(7,238,306)	(7,247,887)	9,581	0.1%	(39,032,736)	(41,377,544)	2,344,807	5.7%
Other Taxes and Fees	10,283,263	6,694,353	3,588,911	53.6%	59,508,001	50,838,479	8,669,522	17.1%
Other Revenues	4,834,192	3,168,651	1,665,541	52.6%	472,218	7,095,554	(6,623,336)	(93.3%)
Total Collected	234,549,981	221,727,367	12,822,614	5.8%	1,064,524,371	1,061,970,333	2,554,039	0.2%

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Fifth Month Ended November 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	729,425	1,062,546	(333,121)	(31.4%)	13,140,086	16,196,505	(3,056,419)	(18.9%)	28,353,916
0300s Aeronautical Gas Tax	22,831	22,615	216	1.0%	118,899	120,723	(1,824)	(1.5%)	266,830
0400s Alcohol Excise Tax	1,300,663	1,441,605	(140,942)	(9.8%)	8,288,014	7,250,235	1,037,779	14.3%	17,468,175
0700s Corporation Taxes	167,249	132,400	34,849	26.3%	1,242,530	1,025,096	217,434	21.2%	7,847,099
0800s Public Utilities	-	-	-	-	(493,469)	-	(493,469)	-	11,574,108
1000s Banking Taxes	1,965,650	1,904,581	61,069	3.2%	9,822,600	9,522,905	299,695	3.1%	23,265,980
1100s Alcoholic Beverages	409,586	374,679	34,907	9.3%	1,980,307	1,873,395	106,912	5.7%	4,496,138
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	2,570,454	1,287,760	1,282,694	99.6%	6,032,194	6,448,752	(416,558)	(6.5%)	15,497,162
1400s Business Taxes	918,317	784,648	133,669	17.0%	3,795,387	4,068,879	(273,492)	(6.7%)	12,444,958
1500s Motor Vehicle Licenses	262,900	289,896	(26,996)	(9.3%)	1,698,904	1,734,688	(35,784)	(2.1%)	4,469,015
1700s Inland Fisheries & Wildlife	864,619	968,781	(104,162)	(10.8%)	6,686,376	6,311,951	374,425	5.9%	16,214,189
1900s Other Licenses	1,071,571	29,827	1,041,744	3492.6%	7,196,175	7,226,032	(29,857)	(0.4%)	14,591,807
Total Other Taxes & Fees	10,283,263	8,299,338	1,983,925	23.9%	59,508,001	61,779,161	(2,271,160)	(3.7%)	156,489,377
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	11,229	29,500	(18,271)	(61.9%)	133,775	147,499	(13,724)	(9.3%)	354,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	2,219	26,335	(24,116)	(91.6%)	141,676	116,290	25,386	21.8%	267,201
2500s Revenues from Private Sources	114,236	133,266	(19,030)	(14.3%)	509,202	788,125	(278,923)	(35.4%)	29,763,164
2600s Current Service Charges	3,143,645	1,597,816	1,545,829	96.7%	12,219,203	11,613,416	605,787	5.2%	27,609,827
2700s Transfers from Other Funds	1,551,757	954,535	597,222	62.6%	(12,594,647)	(15,815,425)	3,220,778	20.4%	(3,425,627)
2800s Sales of Property & Equipment	11,106	-	11,106	-	63,008	474,268	(411,260)	(86.7%)	539,160
Total Other Revenues	4,834,192	2,741,452	2,092,740	76.3%	472,218	(2,675,827)	3,148,045	117.6%	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 Fifth Month Ended November 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	729,425	836,429	(107,004)	(12.8%)	13,140,086	15,504,617	(2,364,532)	(15.3%)
0300s Aeronautical Gas Tax	22,831	23,031	(200)	(0.9%)	118,899	120,910	(2,012)	(1.7%)
0400s Alcohol Excise Tax	1,300,663	1,276,332	24,331	1.9%	8,288,014	8,102,352	185,662	2.3%
0700s Corporation Taxes	167,249	143,881	23,368	16.2%	1,242,530	1,083,170	159,360	14.7%
0800s Public Utilities	-	29,096	(29,096)	(100.0%)	(493,469)	100,786	(594,256)	(589.6%)
1000s Banking Taxes	1,965,650	1,880,950	84,700	4.5%	9,822,600	9,349,400	473,200	5.1%
1100s Alcoholic Beverages	409,586	319,480	90,106	28.2%	1,980,307	1,782,886	197,421	11.1%
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	2,570,454	650,473	1,919,981	295.2%	6,032,194	3,789,195	2,242,999	59.2%
1400s Business Taxes	918,317	388,172	530,145	136.6%	3,795,387	2,861,836	933,551	32.6%
1500s Motor Vehicle Licenses	262,900	291,172	(28,273)	(9.7%)	1,698,904	1,747,938	(49,034)	(2.8%)
1700s Inland Fisheries & Wildlife	864,619	825,066	39,554	4.8%	6,686,376	6,272,572	413,803	6.6%
1900s Other Licenses	1,071,571	30,272	1,041,299	3439.8%	7,196,175	122,815	7,073,360	5759.4%
Total Other Taxes & Fees	10,283,263	6,694,353	3,588,911	53.6%	59,508,001	50,838,479	8,669,522	17.1%
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	11,229	11,103	126	1.1%	133,775	1,580,484	(1,446,709)	(91.5%)
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	2,219	11,851	(9,633)	(81.3%)	141,676	165,555	(23,879)	(14.4%)
2500s Revenues from Private Sources	114,236	151,369	(37,132)	(24.5%)	509,202	790,799	(281,597)	(35.6%)
2600s Current Service Charges	3,143,645	1,953,197	1,190,449	60.9%	12,219,203	11,837,153	382,050	3.2%
2700s Transfers from Other Funds	1,551,757	1,040,748	511,009	49.1%	(12,594,647)	(7,354,880)	(5,239,768)	(71.2%)
2800s Sales of Property & Equipment	11,106	383	10,723	2796.7%	63,008	76,442	(13,433)	(17.6%)
Total Other Revenues	4,834,192	3,168,651	1,665,541	52.6%	472,218	7,095,554	(6,623,336)	(93.3%)

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 Fifth Month Ended November 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	18,132,745	18,568,767	(436,022)	(2.3%)	76,083,916	77,419,709	(1,335,793)	(1.7%)	219,693,951
Motor Vehicle Registration & Fees	6,982,090	7,001,526	(19,436)	(0.3%)	40,641,385	34,520,644	6,120,741	17.7%	83,242,015
Motor Vehicle Inspection Fees	185,748	248,540	(62,793)	(25.3%)	1,338,741	1,242,700	96,041	7.7%	2,982,500
Miscellaneous Taxes & Fees	105,385	102,552	2,833	2.8%	564,007	541,624	22,383	4.1%	1,276,365
Fines, Forfeits & Penalties	79,158	72,862	6,296	8.6%	459,398	380,916	78,482	20.6%	993,049
Earnings on Investments	6,586	9,270	(2,684)	(29.0%)	28,448	46,350	(17,902)	(38.6%)	111,259
All Other	2,903,647	2,313,140	590,507	25.5%	5,005,037	4,565,212	439,825	9.6%	8,380,404
Total Collected	28,395,358	28,316,657	78,701	0.3%	124,120,932	118,717,155	5,403,777	4.6%	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 Fifth Month Ended November 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	18,132,745	18,933,860	(801,115)	(4.2%)	76,083,916	77,303,623	(1,219,707)	(1.6%)
Motor Vehicle Registration & Fees	6,982,090	7,077,939	(95,849)	(1.4%)	40,641,385	34,861,377	5,780,008	16.6%
Motor Vehicle Inspection Fees	185,748	255,189	(69,442)	(27.2%)	1,338,741	1,126,222	212,519	18.9%
Miscellaneous Taxes & Fees	105,385	110,899	(5,514)	(5.0%)	564,007	576,031	(12,024)	(2.1%)
Fines, Forfeits & Penalties	79,158	77,151	2,007	2.6%	459,398	402,274	57,124	14.2%
Earnings on Investments	6,586	8,466	(1,880)	(22.2%)	28,448	33,455	(5,006)	(15.0%)
All Other	2,903,647	2,726,613	177,035	6.5%	5,005,037	4,777,421	227,616	4.8%
Total Collected	28,395,358	29,190,116	(794,758)	(2.7%)	124,120,932	119,080,403	5,040,529	4.2%

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