

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: Acting Commissioner Alec Porteous
Department of Administrative & Financial Services

DATE: August 18, 2017

SUBJECT: Revenues – July

July General Fund revenues were over budget by \$7.7 million or 3.2 percent. Compared to the first month of last fiscal year, General Fund revenues increased by 2.7 percent (+\$6.4 million).

June taxable sales (July revenue) increased 5.2 percent over a year ago. For the month, sales and use and service provider taxes, combined, were over budget by \$3.25 million. Once again, Maine automobile dealers experienced solid growth over last June, growing 7.6 percent. Tourism-related sales, specifically those tied to restaurants and lodging, both increased, 4.4 percent and 10 percent, respectively. Building supply (+5.5 percent) and general merchandise (+7.7 percent) were other areas with strong year-over-year results. Some of the growth in lodging and general merchandise sales is attributable to new taxpayers who began collecting and remitting Maine sales and use tax in April.

Individual income tax revenues were over budget in July by \$5.2 million. Weaker than projected refunds were the main contributor to the monthly overage. Withholding receipts were on budget for the first month of fiscal year 2018, posting a solid 3.9 percent growth over last July.

Other notable variances were recorded for corporate income, estate, and cigarette and tobacco taxes. Corporate income tax receipts exceeded budget in July by \$6.3 million. Half of the monthly surplus came from estimated payments exceeding budget.

Estate tax was over budget by approximately \$0.7 million. This was the first notable positive variance for estate tax since last November. Cigarette and tobacco receipts were under budget in July by \$7.7 million. The negative variance on this revenue line is a timing issue associated with an unusually large number of stamp sales in late June as distributors stocked-up in anticipation of a potential extended state government shutdown.

Sales & Use Taxes

Revenue was \$2,647,609 over budget for the month. Revenue was \$8 million or 6.2 percent over prior fiscal year-to-date collections.

Taxable Sales

Total taxable sales for the month of June (July revenue) were 5.2 percent over June 2016. The annual rate of change, excluding utilities, was 5.7 percent. Building supply sales were up 5.5 percent for the month and 2.5 percent for the year ending in June. Sales of taxable items in food stores were up 3.6 percent for the month and 13.6 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 7.7 percent for the month and 4.9 percent for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 3.4 percent for the month and 5.8 percent for the year. Auto/transportation sector sales were up 7.6 percent for the month and 5.3 percent for the year. Sales of meals and other prepared foods were up 4.4 percent for the month and 4.4 percent for the year. Lodging sales were up 10 percent for the month and 11.2 percent for the year. Business operating sales (primarily use tax paid by businesses) were up 3.2 percent for the month and 3.0 percent for the year.

Service Provider Tax

Revenue was \$0.6 million over budget for the month. Revenue was \$0.7 million or 14.3 percent over prior fiscal year-to-date collections.

Individual Income Tax

Revenue was \$5.2 million or 6.3 percent over budget for the month. Revenue was \$0.9 million or 1.0 percent over prior fiscal year-to-date collections.

Corporate Income Tax

Revenue was \$6.3 million or 125.1 percent over budget for the month. Estimated payments were up 32.2 percent and final payments were up 45.9 percent compared to last July. Revenue was \$5.4 million or 90.7 percent over prior fiscal year collections.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$7.7 million under budget for the month. Revenue was \$5.8 million or 48.7 percent less than prior fiscal year collections. The poor performance in July on this revenue line is the result of pre-buying by distributors based on concerns surrounding the state government shutdown.

Insurance Companies Taxes

The Insurance Companies Taxes were under budget for the month by \$136,000.

Estate Tax

The estate tax was \$0.7 million over budget for the month.

Municipal Revenue Sharing

Revenue sharing was over budget in July by \$0.4 million.

Lottery

Lottery revenues were close to budget for the month.

Other Revenues

Other Revenues were over budget for the month by \$0.6 million. Other revenues were 13.1 percent below revenues from a year ago.

Highway Fund

Motor fuel excise tax receipts were under budget in July by \$2.8 million. The Highway Fund, as a whole, was under budget for the month by \$3.3 million (-11.3 percent). Some of the monthly deficit was from payments made on the final day of June that were expected to be received during the first week of July.

National Economy

A recent survey of top economic forecasters by the Philadelphia Federal Reserve Bank shows that most economists are projecting economic growth will remain in the 2-2.5 percent range for the foreseeable future. While the outlook for 2017 has improved slightly, forecasters have become more pessimistic about 2018 and 2019, reducing their forecast for those years below 3 percent. Over the next year, forecasters see a lower probability of a negative quarter than estimated three months ago. The mean risk of a negative quarter in the third quarter of 2018 is only predicted to be 18 percent. This means most economists expect the economic expansion to continue beyond nine years.

Maine Economy

After four consecutive quarters of only 1.2 percent year-over-year growth taxable auto/transportation sales jumped 7.6 percent during the second quarter of calendar year 2017. Most of that growth came in May and June, which increased 14 percent and 7.6 percent, respectively.

The stronger than projected automobile sales are a major contributor to the recent surpluses recorded on the sales and use tax revenue line. The auto/transportation sector currently represents

22 percent of total monthly taxable sales. The revenue forecast still assumes that automobile sales will slow again over the next 12 months, averaging little to no year-over-year growth.

AP: mja

Attachments

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STATE OF MAINE

Undedicated Revenues - General Fund
 For the First Month Ended July 31, 2017
 For the Fiscal Year Ending June 30, 2018
 Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2018
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Sales and Use Tax	136,294,409	133,646,800	2,647,609	2.0%	136,294,409	133,646,800	2,647,609	2.0%	1,400,148,328
Service Provider Tax	5,501,114	4,900,000	601,114	12.3%	5,501,114	4,900,000	601,114	12.3%	59,424,469
Individual Income Tax	88,342,839	83,100,000	5,242,839	6.3%	88,342,839	83,100,000	5,242,839	6.3%	1,508,046,494
Corporate Income Tax	11,253,486	5,000,000	6,253,486	125.1%	11,253,486	5,000,000	6,253,486	125.1%	165,724,242
Cigarette and Tobacco Tax	6,044,893	13,708,246	(7,663,353)	(55.9%)	6,044,893	13,708,246	(7,663,353)	(55.9%)	136,682,000
Insurance Companies Tax	28,356	164,360	(136,005)	(82.7%)	28,356	164,360	(136,005)	(82.7%)	73,765,000
Estate Tax	1,722,036	1,044,000	678,036	64.9%	1,722,036	1,044,000	678,036	64.9%	12,416,710
Fines, Forfeits & Penalties	1,371,657	1,743,978	(372,321)	(21.3%)	1,371,657	1,743,978	(372,321)	(21.3%)	19,297,146
Income from Investments	-	-	-	-	-	-	-	-	2,993,949
Transfer from Lottery Commission	5,157,068	5,179,266	(22,198)	(0.4%)	5,157,068	5,179,266	(22,198)	(0.4%)	54,900,000
Transfers for Tax Relief Programs	30,856	-	30,856	-	30,856	-	30,856	-	(64,768,101)
Transfer to Municipal Revenue Sharing	(6,572,887)	(6,130,466)	(442,421)	(7.2%)	(6,572,887)	(6,130,466)	(442,421)	(7.2%)	(67,995,145)
Other Taxes and Fees	10,409,574	10,195,181	214,393	2.1%	10,409,574	10,195,181	214,393	2.1%	134,140,500
Other Revenues	(14,997,812)	(15,639,068)	641,256	4.1%	(14,997,812)	(15,639,068)	641,256	4.1%	13,924,077
Total Collected	244,585,588	236,912,297	7,673,291	3.2%	244,585,588	236,912,297	7,673,291	3.2%	3,448,699,669

NOTES: (1) Included in the above is \$6,572,887 for the month and \$6,572,887 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 2017 and laws enacted through the 128th Legislature, 1st Regular Session

(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, 2017 and 2016
 For the Fiscal Years Ending June 30, 2018 and 2017
 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	136,294,409	128,299,874	7,994,535	6.2%	136,294,409	128,299,874	7,994,535	6.2%
Service Provider Tax	5,501,114	4,814,022	687,093	14.3%	5,501,114	4,814,022	687,093	14.3%
Individual Income Tax	88,342,839	87,440,668	902,172	1.0%	88,342,839	87,440,668	902,172	1.0%
Corporate Income Tax	11,253,486	5,902,153	5,351,333	90.7%	11,253,486	5,902,153	5,351,333	90.7%
Cigarette and Tobacco Tax	6,044,893	11,791,822	(5,746,929)	(48.7%)	6,044,893	11,791,822	(5,746,929)	(48.7%)
Insurance Companies Tax	28,356	151,832	(123,477)	(81.3%)	28,356	151,832	(123,477)	(81.3%)
Estate Tax	1,722,036	1,336,415	385,622	28.9%	1,722,036	1,336,415	385,622	28.9%
Fines, Forfeits & Penalties	1,371,657	1,310,049	61,608	4.7%	1,371,657	1,310,049	61,608	4.7%
Income from Investments	-	-	-	-	-	-	-	-
Transfer from Lottery Commission	5,157,068	5,085,072	71,996	1.4%	5,157,068	5,085,072	71,996	1.4%
Transfers for Tax Relief Programs	30,856	973	29,883	3071.3%	30,856	973	29,883	3071.3%
Transfer to Municipal Revenue Sharing	(6,572,887)	(5,856,721)	(716,165)	(12.2%)	(6,572,887)	(5,856,721)	(716,165)	(12.2%)
Other Taxes and Fees	10,409,574	11,130,104	(720,530)	(6.5%)	10,409,574	11,130,104	(720,530)	(6.5%)
Other Revenues	(14,997,812)	(13,264,768)	(1,733,043)	(13.1%)	(14,997,812)	(13,264,768)	(1,733,043)	(13.1%)
Total Collected	244,585,588	238,141,493	6,444,096	2.7%	244,585,588	238,141,493	6,444,096	2.7%

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, 2017
 For the Fiscal Year Ending June 30, 2018
 Comparison to Budget

EXHIBIT III

	<u>Month</u>				<u>Year to Date</u>				<u>Total Budgeted Fiscal Year Ending 6-30-2018</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	1,945,783	1,377,112	568,671	41.3%	1,945,783	1,377,112	568,671	41.3%	32,214,337
0300s Aeronautical Gas Tax	24,634	23,489	1,145	4.9%	24,634	23,489	1,145	4.9%	270,520
0400s Alcohol Excise Tax	2,101,179	1,518,649	582,530	38.4%	2,101,179	1,518,649	582,530	38.4%	15,732,850
0700s Corporation Taxes	585,636	507,446	78,190	15.4%	585,636	507,446	78,190	15.4%	9,538,649
0800s Public Utilities	-	-	-	-	-	-	-	-	6,250,000
1000s Banking Taxes	1,745,300	2,196,000	(450,700)	(20.5%)	1,745,300	2,196,000	(450,700)	(20.5%)	26,891,990
1100s Alcoholic Beverages	316,463	448,590	(132,127)	(29.5%)	316,463	448,590	(132,127)	(29.5%)	5,053,838
1200s Amusements Tax	-	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	710,791	791,666	(80,875)	(10.2%)	710,791	791,666	(80,875)	(10.2%)	8,572,671
1400s Business Taxes	848,904	789,120	59,784	7.6%	848,904	789,120	59,784	7.6%	8,948,032
1500s Motor Vehicle Licenses	431,835	593,026	(161,191)	(27.2%)	431,835	593,026	(161,191)	(27.2%)	4,281,202
1700s Inland Fisheries & Wildlife	1,673,236	1,911,498	(238,262)	(12.5%)	1,673,236	1,911,498	(238,262)	(12.5%)	15,878,217
1900s Other Licenses	25,812	38,585	(12,773)	(33.1%)	25,812	38,585	(12,773)	(33.1%)	508,194
Total Other Taxes & Fees	10,409,574	10,195,181	214,393	2.1%	10,409,574	10,195,181	214,393	2.1%	134,140,500
<u>Detail of Other Revenues</u>									
2200s Federal Revenues	640	27,917	(27,277)	(97.7%)	640	27,917	(27,277)	(97.7%)	335,000
2300s County Revenues	-	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	76,914	23,166	53,748	232.0%	76,914	23,166	53,748	232.0%	277,996
2500s Revenues from Private Sources	213,542	176,264	37,278	21.1%	213,542	176,264	37,278	21.1%	1,545,000
2600s Current Service Charges	2,666,501	2,374,344	292,157	12.3%	2,666,501	2,374,344	292,157	12.3%	26,560,823
2700s Transfers from Other Funds	(17,955,821)	(18,248,559)	292,738	1.6%	(17,955,821)	(18,248,559)	292,738	1.6%	(14,928,342)
2800s Sales of Property & Equipment	413	7,800	(7,387)	(94.7%)	413	7,800	(7,387)	(94.7%)	133,600
Total Other Revenues	(14,997,812)	(15,639,068)	641,256	4.1%	(14,997,812)	(15,639,068)	641,256	4.1%	13,924,077

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, 2017 and 2016
 For the Fiscal Years Ending June 30, 2018 and 2017
 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	1,945,783	1,631,779	314,004	19.2%	1,945,783	1,631,779	314,004	19.2%
0300s Aeronautical Gas Tax	24,634	23,833	801	3.4%	24,634	23,833	801	3.4%
0400s Alcohol Excise Tax	2,101,179	2,095,461	5,718	0.3%	2,101,179	2,095,461	5,718	0.3%
0700s Corporation Taxes	585,636	560,936	24,700	4.4%	585,636	560,936	24,700	4.4%
0800s Public Utilities	-	-	-	-	-	-	-	-
1000s Banking Taxes	1,745,300	1,754,950	(9,650)	(0.5%)	1,745,300	1,754,950	(9,650)	(0.5%)
1100s Alcoholic Beverages	316,463	689,048	(372,585)	(54.1%)	316,463	689,048	(372,585)	(54.1%)
1200s Amusements Tax	-	-	-	-	-	-	-	-
1300s Harness Racing Pari-mutuel	710,791	759,482	(48,691)	(6.4%)	710,791	759,482	(48,691)	(6.4%)
1400s Business Taxes	848,904	1,312,057	(463,153)	(35.3%)	848,904	1,312,057	(463,153)	(35.3%)
1500s Motor Vehicle Licenses	431,835	464,110	(32,275)	(7.0%)	431,835	464,110	(32,275)	(7.0%)
1700s Inland Fisheries & Wildlife	1,673,236	1,812,808	(139,573)	(7.7%)	1,673,236	1,812,808	(139,573)	(7.7%)
1900s Other Licenses	25,812	25,638	174	0.7%	25,812	25,638	174	0.7%
Total Other Taxes & Fees	10,409,574	11,130,104	(720,530)	(6.5%)	10,409,574	11,130,104	(720,530)	(6.5%)
<u>Detail of Other Revenues</u>								
2200s Federal Revenues	640	16,768	(16,129)	(96.2%)	640	16,768	(16,129)	(96.2%)
2300s County Revenues	-	-	-	-	-	-	-	-
2400s Revenues from Cities and Towns	76,914	55,206	21,708	39.3%	76,914	55,206	21,708	39.3%
2500s Revenues from Private Sources	213,542	151,139	62,403	41.3%	213,542	151,139	62,403	41.3%
2600s Current Service Charges	2,666,501	2,495,315	171,186	6.9%	2,666,501	2,495,315	171,186	6.9%
2700s Transfers from Other Funds	(17,955,821)	(15,983,461)	(1,972,361)	(12.3%)	(17,955,821)	(15,983,461)	(1,972,361)	(12.3%)
2800s Sales of Property & Equipment	413	264	149	56.3%	413	264	149	56.3%
Total Other Revenues	(14,997,812)	(13,264,768)	(1,733,043)	(13.1%)	(14,997,812)	(13,264,768)	(1,733,043)	(13.1%)

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 First Month Ended July 31, 2017
 For the Fiscal Year Ending June 30, 2018
 Comparison to Budget

EXHIBIT V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2018
	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	Actual	Budget	Variance Over/(Under)	Percent Over/(Under)	
Fuel Taxes	16,800,511	19,582,099	(2,781,588)	(14.2%)	16,800,511	19,582,099	(2,781,588)	(14.2%)	226,821,293
Motor Vehicle Registration & Fees	8,773,400	9,333,497	(560,097)	(6.0%)	8,773,400	9,333,497	(560,097)	(6.0%)	87,121,559
Motor Vehicle Inspection Fees	254,831	230,220	24,611	10.7%	254,831	230,220	24,611	10.7%	2,982,500
Miscellaneous Taxes & Fees	127,742	132,327	(4,585)	(3.5%)	127,742	132,327	(4,585)	(3.5%)	1,293,729
Fines, Forfeits & Penalties	73,780	74,508	(728)	(1.0%)	73,780	74,508	(728)	(1.0%)	739,039
Earnings on Investments	-	49,476	(49,476)	(100.0%)	-	49,476	(49,476)	(100.0%)	593,712
All Other	388,407	375,383	13,024	3.5%	388,407	375,383	13,024	3.5%	9,959,100
Total Collected	26,418,670	29,777,510	(3,358,840)	(11.3%)	26,418,670	29,777,510	(3,358,840)	(11.3%)	329,510,932

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, 2016 and 2015
 For the Fiscal Years Ending June 30, 2018 and 2017
 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	16,800,511	19,584,997	(2,784,486)	(14.2%)	16,800,511	19,584,997	(2,784,486)	(14.2%)
Motor Vehicle Registration & Fees	8,773,400	9,641,585	(868,185)	(9.0%)	8,773,400	9,641,585	(868,185)	(9.0%)
Motor Vehicle Inspection Fees	254,831	140,439	114,392	81.5%	254,831	140,439	114,392	81.5%
Miscellaneous Taxes & Fees	127,742	133,598	(5,855)	(4.4%)	127,742	133,598	(5,855)	(4.4%)
Fines, Forfeits & Penalties	73,780	58,795	14,985	25.5%	73,780	58,795	14,985	25.5%
Earnings on Investments	-	-	-	-	-	-	-	-
All Other	388,407	368,240	20,167	5.5%	388,407	368,240	20,167	5.5%
Total Collected	26,418,670	29,927,652	(3,508,982)	(11.7%)	26,418,670	29,927,652	(3,508,982)	(11.7%)

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**

	June '17	% Ch.	June '16	% Ch.	June '15	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'17 vs. '16 Thru. June % Change
Building Supply	\$292,076.6	5.5%	\$276,905.3	5.7%	\$262,035.5	3.3%	2.5%	3.2%
Food Store	\$223,794.4	3.6%	\$216,087.3	28.1%	\$168,734.9	2.9%	13.6%	3.3%
General Merchandise	\$339,312.0	7.7%	\$315,064.5	9.4%	\$288,071.3	9.6%	4.9%	4.2%
Other Retail	\$258,517.2	3.4%	\$250,075.0	7.6%	\$232,372.7	4.1%	5.8%	4.1%
Auto/Transportation	\$497,032.7	7.6%	\$461,887.4	0.5%	\$459,763.4	7.6%	5.3%	4.6%
Restaurant	\$270,628.3	4.4%	\$259,307.3	7.8%	\$240,489.3	4.3%	4.4%	3.2%
Lodging	\$119,077.8	10.0%	\$108,215.2	7.7%	\$100,496.8	13.4%	11.2%	11.9%
Consumer Sales	\$2,000,439.0	6.0%	\$1,887,542.0	7.7%	\$1,751,963.9	6.1%	5.5%	4.2%
Business Operating	\$240,419.8	3.2%	\$232,944.2	-1.0%	\$235,357.3	2.6%	3.0%	3.7%
Total	\$2,240,858.8	5.7%	\$2,120,486.2	6.7%	\$1,987,321.2	5.7%	5.2%	4.1%
Utilities	\$109,176.9	-3.0%	\$112,537.1	-3.1%	\$116,193.1			
Total plus Utilities	\$2,350,035.7	5.2%	\$2,233,023.3	6.2%	\$2,103,514.3			