

MAINE REVENUE FORECASTING COMMITTEE

PRESENTATION TO THE JOINT STANDING COMMITTEE ON APPROPRIATIONS AND FINANCIAL AFFAIRS
130TH LEGISLATURE
DECEMBER 17, 2020

Michael J. Allen

Associate Commissioner for Tax Policy

Department of Administrative and Financial Services

Maine Revenue Services – Office of Tax Policy

Revenue Forecasting Committee

- Typically meets each February (April in odd-numbered years) and November; month after CEFC meeting
 - Met for off-cycle forecast in July to provide new revenue forecast on August 1, 2020 based on CEFC July 1, 2020 economic forecast
 - Additional meeting may be called by a majority vote of the RFC or by State Budget Officer (SBO)
- Members are State Budget Officer (Beth Ashcroft), Associate Commissioner for Tax Policy (Michael Allen), State Economist (Amanda Rector), Director of Office of Fiscal and Program Review (Chris Nolan), Analyst from OFPR (Mark Cyr), and University of Maine Economist (James Breece, UMaine)
 - Staff support from OFPR, Bureau of the Budget, MRS – Office of Tax Policy, and Office of the State Economist
- Current chair of the committee is Michael Allen and next year the committee must select a new chair for a 2-year term. SBO can not be chair because of unique role in being able to call meetings unilaterally
- Most members have served for 6 years or more and were members or part of the forecasting process during the 2007-09 recession
- Must use recommendations from independent CEFC
- Issues a report with supporting data typically within week of meeting
- CEFC and RFC traditionally meet jointly in September for annual “retreat” and jointly issue Stress-Test Report by October 1st of each even-numbered year. Planning joint meeting in mid-February prior to start of spring forecasting exercise²

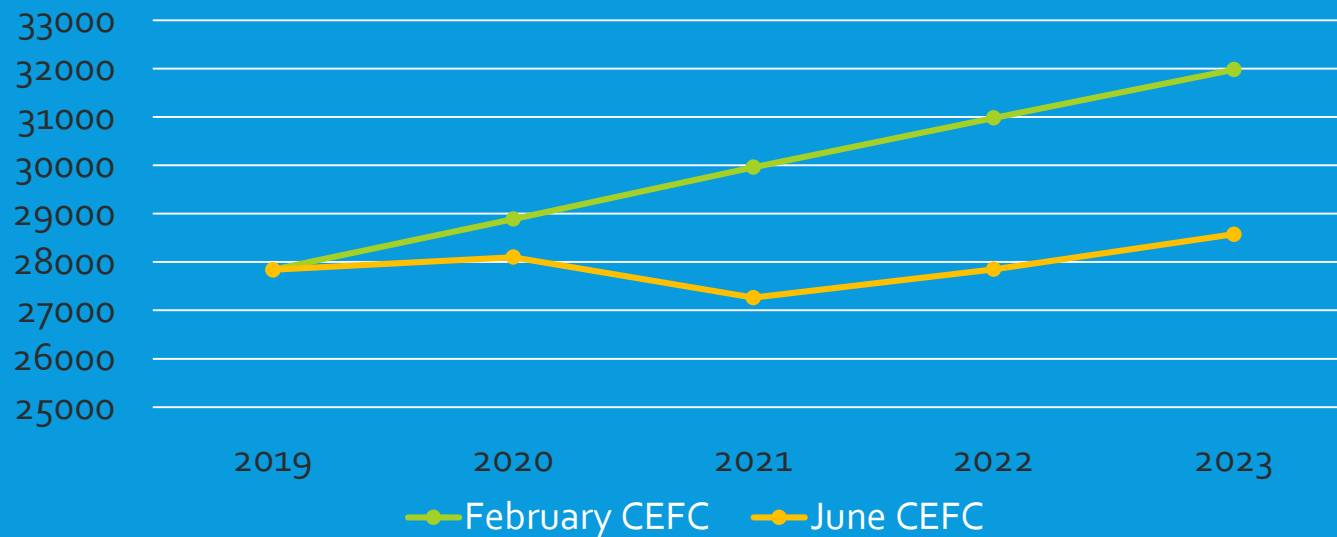
August 1, 2020 Revenue Forecast

- FY 2021 General Fund revised downward by \$527.8 million. Most of FY2021 change is from individual income and sales taxes, \$260.3 million and \$238.0 million, respectively
- General Fund revenues reduced by \$433.7 million for FY2022 and \$449.5 million for FY2023
- Approximately 60% of the \$238.0 million reduction in FY2021 sales & use tax line is attributable to taxable prepared foods and lodging. Improvements in these two areas help moderate revenue reductions in FY2022 and FY2023
- The evolution of wage income and unemployment insurance compensation are key to understanding why the downward forecast revision grows over time.

General Fund Summary

	FY20 Actual	FY21	FY22	FY23
Current Forecast	\$3,969,343,702	\$4,070,279,515	\$4,174,531,432	\$4,317,597,709
Annual % Growth	3.1%	2.5%	2.6%	3.4%
Net Increase (Decrease)		(\$527,809,542)	(\$433,731,150)	(\$449,465,768)
Revised Forecast	\$3,969,343,702	\$3,542,469,974	\$3,740,800,282	\$3,868,131,941
Annual % Growth	3.1%	-10.8%	5.6%	3.4%

INDIVIDUAL INCOME TAX: RESIDENT 1040 WAGES + UNEMPLOYMENT INSURANCE INCOME (\$MILLIONS)



	2020	2021	2022	2023
June wages relative to Feb.	-8.7%	-10.2%	-10.5%	-10.7%
June wages + UI relative to Feb.	-2.7%	-9%	-10.1%	-10.6%
Unemployment rate forecast	8%	5.7%	4.3%	3.7%

STATE OF MAINE

Undedicated Revenues - General Fund

For the Fifth Month Ended November 30, 2020

For the Fiscal Year Ending June 30, 2021

Comparison to Budget

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2021
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Sales and Use Tax	\$ 141,678,220	\$ 114,940,278	\$ 26,737,942	23.3 %	\$ 770,769,699	\$ 690,548,464	\$ 80,221,235	11.6 %	\$ 1,455,720,480
Service Provider Tax	4,353,448	4,837,313	(483,865)	(10.0)%	22,937,630	24,475,201	(1,537,571)	(6.3)%	57,454,000
Individual Income Tax	155,122,137	119,628,998	35,493,139	29.7 %	744,829,036	635,531,337	109,297,699	17.2 %	1,589,621,248
Corporate Income Tax	6,507,200	(7,426,898)	13,934,098	187.6 %	76,359,471	55,075,303	21,284,168	38.6 %	175,505,002
Cigarette and Tobacco Tax	13,864,413	12,513,256	1,351,157	10.8 %	63,131,226	62,389,805	741,421	1.2 %	144,451,400
Insurance Companies Tax	6,510,182	4,108,911	2,401,271	58.4 %	14,620,442	13,120,175	1,500,267	11.4 %	82,300,000
Estate Tax	2,061,957	1,100,000	961,957	87.5 %	12,960,811	4,269,225	8,691,586	203.6 %	12,050,000
Fines, Forfeits & Penalties	560,133	402,357	157,776	39.2 %	3,754,034	4,197,423	(443,389)	(10.6)%	11,253,699
Income from Investments	454,970	295,766	159,204	53.8 %	1,828,033	1,260,670	567,363	45.0 %	3,824,776
Transfer from Lottery Commission	4,884,356	5,585,329	(700,973)	(12.6)%	27,799,433	25,643,990	2,155,443	8.4 %	60,000,000
Transfers for Tax Relief Programs	(876,844)	(814,383)	(62,461)	(7.7)%	(531,784)	(4,921,801)	4,390,017	89.2 %	(75,567,000)
Transfer to Municipal Revenue Sharing	(12,461,329)	(10,284,589)	(2,176,740)	(21.2)%	(62,135,960)	(57,127,901)	(5,008,059)	(8.8)%	(127,745,420)
Other Taxes and Fees	12,223,076	8,307,863	3,915,213	47.1 %	59,780,582	56,894,407	2,886,175	5.1 %	134,284,714
Other Revenues	2,852,546	3,461,066	(608,520)	(17.6)%	(11,326,965)	(13,955,503)	2,628,538	18.8 %	19,317,074
Total Collected	\$ 337,734,464	\$ 256,655,267	\$ 81,079,197	31.6 %	\$ 1,724,775,687	\$ 1,497,400,795	\$ 227,374,892	15.2 %	\$ 3,542,469,973

NOTES:

(1) Included in the above is \$12,461,329 for the month and \$62,135,960 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 August 2020, laws enacted through the end of the 129th Legislature, 2nd Regular Session for all laws and any emergency laws.

(3) The Fiscal Year to Date figures above include adjustments of (\$257,992,054) for Individual Income Tax and (\$46,788,400) for Corporate Income Tax to reflect the reversal of amounts accrued in April and June for which collections were deferred until July 15th in response to the COVID-19 pandemic.

(4) 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, 2020 and 2019

For the Fiscal Year Ending June 30, 2021 and 2020

Comparison to To Prior Year

	Month				Fiscal 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	\$ 141,678,220	\$ 133,685,716	\$ 7,992,504	6.0 %	\$ 770,769,699	\$ 757,231,698	\$ 13,538,000	1.8 %
Service Provider Tax	4,353,448	5,046,423	(692,975)	(13.7)%	22,937,630	24,467,250	(1,529,620)	(6.3)%
Individual Income Tax	155,122,137	130,313,067	24,809,070	19.0 %	744,829,036	722,369,685	22,459,351	3.1 %
Corporate Income Tax	6,507,200	(6,426,898)	12,934,099	201.2 %	76,359,471	64,672,399	11,687,072	18.1 %
Cigarette and Tobacco Tax	13,864,413	10,835,556	3,028,857	28.0 %	63,131,226	60,287,485	2,843,740	4.7 %
Insurance Companies Tax	6,510,182	5,058,657	1,451,526	28.7 %	14,620,442	13,958,349	662,093	4.7 %
Estate Tax	2,061,957	637,048	1,424,909	223.7 %	12,960,811	12,936,438	24,372	0.2 %
Fines, Forfeits & Penalties	560,133	525,391	34,742	6.6 %	3,754,034	5,441,449	(1,687,415)	(31.0)%
Income from Investments	454,970	1,243,866	(788,896)	(63.4)%	1,828,033	5,171,232	(3,343,199)	(64.6)%
Transfer from Lottery Commission	4,884,356	7,614,872	(2,730,517)	(35.9)%	27,799,433	26,999,651	799,782	3.0 %
Transfers for Tax Relief Programs	(876,844)	(45,907)	(830,937)	(1,810.1)%	(531,784)	(6,224,742)	5,692,958	91.5 %
Transfer to Municipal Revenue Sharing	(12,461,329)	(9,269,507)	(3,191,822)	(34.4)%	(62,135,960)	(49,313,868)	(12,822,092)	(26.0)%
Other Taxes and Fees	12,223,076	8,587,032	3,636,044	42.3 %	59,780,582	57,787,984	1,992,598	3.4 %
Other Revenues	2,852,546	3,487,872	(635,326)	(18.2)%	(11,326,965)	(13,041,186)	1,714,221	13.1 %
Total Collected	\$ 337,734,464	\$ 291,293,188	\$ 46,441,276	15.9 %	\$ 1,724,775,687	\$ 1,682,743,825	\$ 42,031,861	2.5 %

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

OCTOBER TAXABLE SALES (NOV. REVENUE)

Maine Revenue Services								
Taxable Sales by Sector								
In Thousands of Dollars								
	October'20	% Ch.	October'19	% Ch.	October'18	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'20 vs. '19 Thru October % Change
Building Supply	\$338,324.5	18.7%	\$285,116.7	1.6%	\$280,651.1	21.4%	14.9%	17.6%
Food Store	\$213,551.2	7.9%	\$197,999.7	3.6%	\$191,202.6	5.5%	5.6%	5.3%
General Merchandise	\$325,949.1	7.1%	\$304,251.4	2.6%	\$296,421.6	0.9%	-3.8%	-5.3%
Other Retail	\$424,213.9	33.2%	\$318,478.4	31.3%	\$242,496.2	39.0%	40.4%	42.1%
Auto/Transportation	\$533,649.6	11.1%	\$480,224.4	5.9%	\$453,565.4	14.7%	2.9%	2.4%
Restaurant	\$223,476.3	-14.3%	\$260,710.3	7.2%	\$243,246.5	-18.9%	-21.6%	-25.6%
Lodging	\$83,056.9	-19.8%	\$103,527.6	11.2%	\$93,100.6	-21.6%	-33.2%	-35.8%
Consumer Sales	\$2,142,221.5	9.8%	\$1,950,308.6	8.3%	\$1,800,684.0	8.3%	4.0%	3.0%
Business Operating	\$233,073.9	1.2%	\$230,334.1	9.4%	\$210,638.4	2.8%	3.1%	2.6%
Total	\$2,375,295.4	8.9%	\$2,180,642.8	8.4%	\$2,011,322.4	7.7%	3.9%	2.9%
Utilities	\$100,750.0	-8.6%	\$110,200.5	-2.0%	\$112,503.6			
Total plus Utilities	\$2,476,045.4	8.1%	\$2,290,843.3	7.9%	\$2,123,825.9			
Taxable sales for return processed by the 13th day of the second month following the end of the reporting period.								
For example, October 2019 sales are the sales processed through November 13th 2019.								

STATE OF MAINE

Undedicated Revenues - Highway Fund
 For the Fifth Month Ended November 30, 2020
 For the Fiscal Year Ending June 30, 2021
 Comparison to Budget

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2021
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Fuel Taxes	\$ 18,588,737	\$ 17,854,392	\$ 734,345	4.1 %	\$ 93,793,119	\$ 89,475,911	\$ 4,317,208	4.8 %	\$ 207,519,747
Motor Vehicle Registration & Fees	7,529,887	6,827,174	702,713	10.3 %	44,638,972	39,443,914	5,195,058	13.2 %	90,815,021
Motor Vehicle Inspection Fees	36,912	202,468	(165,556)	(81.8)%	877,657	1,153,428	(275,772)	(23.9)%	3,202,500
Miscellaneous Taxes & Fees	140,409	112,200	28,209	25.1 %	693,467	622,119	71,348	11.5 %	1,377,454
Fines, Forfeits & Penalties	109,589	75,551	34,038	45.1 %	422,445	256,069	166,376	65.0 %	517,867
Earnings on Investments	29,319	4,700	24,619	523.8 %	94,197	(299)	94,496	31,604.1 %	63,394
All Other	6,281,884	525,345	5,756,539	1,095.8 %	8,356,167	6,020,021	2,336,146	38.8 %	9,741,159
Total Collected	\$ 32,716,737	\$ 25,601,830	\$ 7,114,907	27.8 %	\$ 148,876,023	\$ 136,971,163	\$ 11,904,860	8.7 %	\$ 313,237,142

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, 2020 and 2019

For the Fiscal Year Ending June 30, 2021 and 2020

Comparison to To Prior Year

	Month				Fiscal 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	\$ 18,588,737	\$ 20,258,466	\$ (1,669,729)	(8.2)%	\$ 93,793,119	\$ 104,246,225	\$ (10,453,106)	(10.0)%
Motor Vehicle Registration & Fees	7,529,887	7,228,077	301,810	4.2 %	44,638,972	41,342,274	3,296,698	8.0 %
Motor Vehicle Inspection Fees	36,912	414,268	(377,356)	(91.1)%	877,657	1,398,393	(520,737)	(37.2)%
Miscellaneous Taxes & Fees	140,409	117,071	23,337	19.9 %	693,467	622,923	70,544	11.3 %
Fines, Forfeits & Penalties	109,589	88,884	20,706	23.3 %	422,445	331,934	90,511	27.3 %
Earnings on Investments	29,319	21,420	7,899	36.9 %	94,197	223,812	(129,614)	(57.9)%
All Other	6,281,884	6,269,841	12,043	0.2 %	8,356,167	8,325,890	30,277	0.4 %
Total Collected	\$ 32,716,737	\$ 34,398,027	\$ (1,681,290)	(4.9)%	\$ 148,876,023	\$ 156,491,451	\$ (7,615,428)	(4.9)%

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

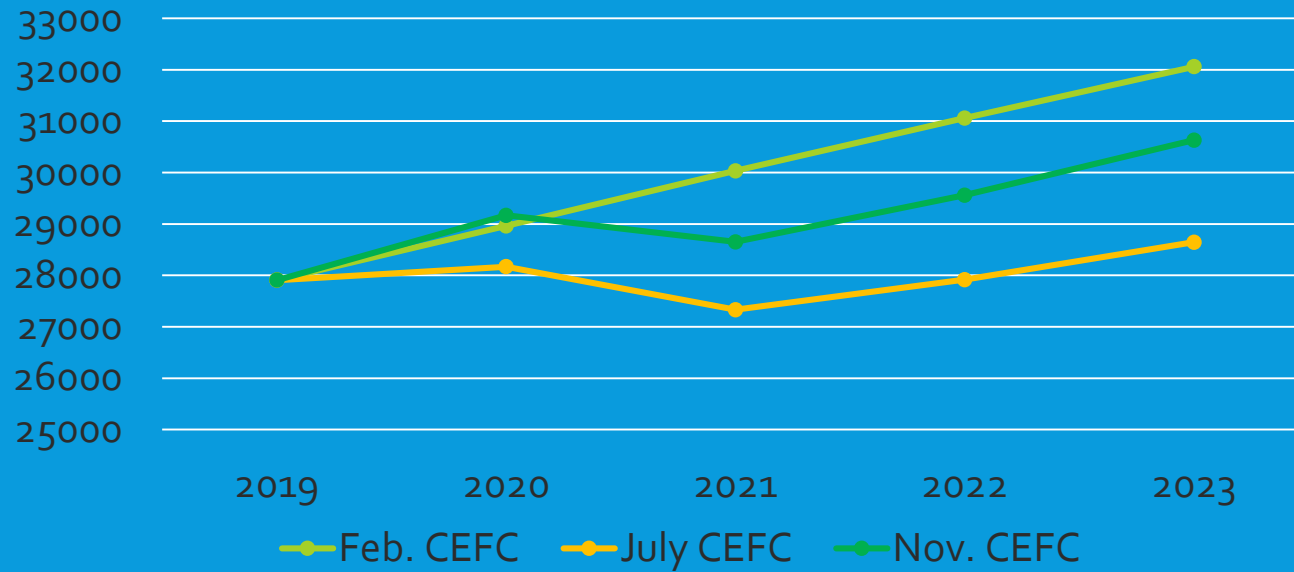
December 1, 2020 Revenue Forecast

- FY 2021 General Fund revised up by \$272.8 million. 90% of FY2021 change is from individual income and sales taxes, \$107.4 million and \$136.5 million, respectively. Stimulus from Congress and Federal Reserve has helped to moderate impact of COVID-recession on state revenues.
- General Fund revenues increased by \$232.0 million for FY2022 and \$255.5 million for FY2023
- Relative to March forecast FY2021 is now down \$255 million, FY2022 \$202 million and FY2023 \$194 million (\$396 for FY2022-23 biennium).
- FY2021 sales and use tax adjustment reflects \$53.5 million positive variance through October, primarily from better than projected lodging sales over the summer/fall and surging automobile sales. Lodging contributes \$22 million to total FY2021 upward adjustment and auto sales \$42 million.
- Less pessimistic CEFC forecast for wage and salary income and unemployment insurance compensation are key to understanding individual income tax increase.

General Fund Summary

	FY20 Actual	FY21	FY22	FY23	FY24	FY25
March 2020 Forecast	\$3,969,343,702	\$4,070,279,515	\$4,174,531,432	\$4,317,597,709		
Annual % Growth	3.1%	2.5%	2.6%	3.4%		
Net Increase (Decrease)		(\$527,809,542)	(\$433,731,150)	(\$449,465,768)		
August 2020 Forecast	\$3,969,343,702	\$3,542,469,974	\$3,740,800,282	\$3,868,131,941		
Annual % Growth	3.1%	-10.8%	5.6%	3.4%		
Net Increase (Decrease)		\$272,806,942	\$231,967,435	\$255,473,700		
December 2020 Forecast	\$3,969,343,702	\$3,815,276,916	\$3,972,767,717	\$4,123,605,641	\$4,276,170,128	\$4,431,148,462
Annual % Growth	3.1%	-3.9%	4.1%	3.8%	3.7%	3.6%

INDIVIDUAL INCOME TAX: RESIDENT 1040 WAGES + UNEMPLOYMENT INSURANCE INCOME(\$MILLION)



	2020	2021	2022	2023
June wages relative to Feb.	-8.7%	-10.2%	-10.5%	-10.7%
July wages + UI relative to Feb.	-2.7%	-9%	-10.1%	-10.6%
Nov. wages + UI relative to Feb.	.7%	-4.6%	-4.8%	-4.5%
Nov. wages + UI relative to July	3.5%	4.8%	5.9%	6.9%