

# *Annual Report of the State Treasurer*

*Fiscal Year 2001-2002*



*Jennifer M. Granholm, Governor*  
*State of Michigan*

*Jay B. Rising, State Treasurer*  
*Michigan Department of Treasury*

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*Note: Dollar figures in financial tables represent thousands of dollars unless indicated otherwise.  
Figures may not add to totals because of rounding.*



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

JAY B. RISING  
STATE TREASURER

July 2003

The Honorable Jennifer Granholm  
Members of the Michigan Legislature  
People of the State of Michigan

Fiscal Year 2002 was both rewarding and challenging for the State of Michigan. While the State reaped the benefits of its first AAA credit rating in a quarter century, it struggled economically. As state government tightened its belt, in hopes an economic rebound was around the corner, Wall Street was rocked by corporate scandals that shook investor and consumer confidence and delayed the recovery. Despite the ups and downs, Fiscal Year 2002 was highlighted by technological initiatives, forward thinking employees, and accountability.

The Department of Treasury plays a key role in state government, operating as the State's bank and having relationships with every other state department. Among Treasury's many responsibilities, none is more critical than the processing of millions of individual and business tax returns. In 2002, less than half of the State's five million individual taxpayers filed their returns "the old fashioned way"— in paper form. Tax processing technologies have saved the State millions and benefited taxpayers. Thousands of individual and business taxpayers have also utilized Treasury's Customer Call Center. The state-of-the-art computer and telephone system allows for personal and web-based interaction as well as self-service options for both individual and business taxpayers.

Michigan citizens, employees, and companies that do business with the State have also benefited from the expanded use of Electronic Fund Transfer (EFT). This method of making paperless payments, to and from the State, has produced significant savings of both time and money.

In June of 2002, the Department of Treasury launched a Strategic Planning initiative utilizing the Balanced Scorecard approach. A Balanced Scorecard is a set of critical measures that enables staff to assess the Department's progress toward accomplishing its strategic plan. The development process included employees from all levels. The Balanced Scorecard also provides administrators with a clearer vision of how to plan and implement future initiatives.

Thanks to these and many other innovations, the leadership of Governor Jennifer Granholm, hard work and dedication from Treasury employees, and the support of the State Legislature, I believe we can make Fiscal Year 2003 one to remember.

Sincerely,

Jay B. Rising  
State Treasurer



# Introduction

The Michigan Constitution provides for the office of the State Treasurer in Article 5, Section 3. The Governor appoints the State Treasurer with the advice and consent of the State Senate. Governor Jennifer Granholm appointed Jay B. Rising as Michigan's 42<sup>nd</sup> State Treasurer effective January 6, 2003.

Under the State Treasurer's direction, the Michigan Department of Treasury collects, invests, and disburses all State monies. The Department also administers major tax laws, property tax laws, and safeguards the credit of the State and its local units of government. Treasury also invests retirement funds of Michigan's state employees, public school employees, state police and judges. In addition, Treasury distributes revenue sharing monies to local units of government, audits municipal finance records, and reunites abandoned property with its rightful owner.

The Michigan Department of Treasury provides support services to many programs and authorities including the Investment Advisory Committee, Michigan Education Trust, Michigan Education Savings Program, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education

Student Loan Authority, Michigan Merit Award, Michigan Municipal Bond Authority, Michigan Public Educational Facilities Authority, Michigan State Hospital Finance Authority, State Assessors Board and State Tax Commission.

## Administration

The Department of Treasury is organized into an executive office and four areas of responsibility. During fiscal year 2002, the Department's operating expenditures were \$191.6 million. After the early retirement program offered in FY 2002, the Department of Treasury had 1,260 employees.

The main Treasury Department office is located in downtown Lansing with its Operations Center in nearby Dimondale. Field offices are located throughout Michigan, many of which offer taxpayers access to information and forms. These offices also house Treasury auditors and collectors assigned to Michigan's 83 counties. The Department of Treasury also maintains offices in California, Illinois, New Jersey, New York, Ohio and Texas for proximity to multi-state taxpayers doing business in Michigan.

## Commissions, Boards and Authorities

### **Commissions, boards and authorities within Treasury:**

Investment Advisory Committee  
Local Emergency Financial Assistance Loan Board  
Michigan Broadband Development Authority  
Michigan Debt Advisory Board  
Michigan Education Trust  
Michigan Higher Education Assistance Authority  
Michigan Higher Education Facilities Authority/Commission  
Michigan Higher Education Student Loan Authority  
Michigan Merit Award  
Michigan Municipal Bond Authority  
Michigan Public Educational Facilities Authority  
Michigan School District Accountability Board  
Michigan State Hospital Finance Authority  
Michigan Underground Storage Tank Financial Assurance Authority  
State Assessors Board  
State Tax Commission

### **The State Treasurer serves as investment fiduciary of the following:**

Judges' Retirement Fund  
Public School Employees' Retirement Fund  
State Employees' Retirement Fund  
State Police Retirement Fund

### **The State Treasurer serves as treasurer of the following:**

Mackinac Bridge Authority  
Michigan Judges Retirement System

Michigan Legislative Retirement System  
Michigan Public School Employees Retirement System  
Michigan State Employees Retirement System  
Michigan State Police Retirement System

### **The State Treasurer sits as a board member of the following:**

Michigan Debt Advisory Board, Chair  
Michigan Education Trust, Chair  
Michigan Higher Education Assistance Authority, Chair  
Michigan Higher Education Student Loan Authority, Chair  
Michigan Merit Award Board, Chair  
Michigan Municipal Bond Authority, Chair  
Michigan School District Accountability Board, Chair  
Local Emergency Financial Assistance Loan Board  
Michigan Broadband Development Authority Board  
Michigan Capitol Park Commission  
Michigan Economic Development Corporation Corporate Board  
Michigan Economic Growth Authority  
Michigan Forest Finance Authority  
Michigan Public Educational Facilities Authority  
Michigan State Hospital Finance Authority  
Michigan State Housing Development Authority  
Michigan Strategic Fund  
Michigan Underground Storage Tank Financial Assurance Authority/Advisory Board  
Michigan Judges, State Employees and State Police Retirement Boards  
State Administrative Board

# *Fiscal Year 2002: The Year in Review*

## ***Credit Ratings Hold Strong at AAA***

Michigan continues to get “Straight A’s” from Wall Street Rating agencies. Standard & Poor’s and Moody’s upgraded the State’s credit rating to AAA, the highest rating possible, in the fall of 2000. Despite the economic slowdown in 2001, and a slower-than-expected recovery, Michigan has maintained those high marks which reflect the underlying strength of the State’s economy and the availability of financial reserves to meet budget demands. Before being upgraded to AAA, Michigan had not received such a rating from S&P since 1976, and had never before received a AAA rating from Moody’s. Michigan is currently the largest state to hold a AAA bond rating and the only manufacturing state to carry that distinction. The ten AAA rated states are Delaware, Georgia, Maryland, Michigan, Minnesota, Missouri, North Carolina, South Carolina, Utah, and Virginia.

## ***Michigan’s Low Debt Burden***

One of the many reasons behind Michigan’s AAA rating is the State’s low debt burden. Michigan issues long-term debt to build highways, clean the environment, and construct new buildings on college and university campuses, prisons and other State facilities. Michigan’s debt as a percent of personal income was 1.43 percent in 2002, third lowest among the ten states rated AAA by Moody’s and second lowest among the ten largest states. Michigan’s debt as a percent of personal income is also well below the 2.3 percent median debt level for all fifty states. Michigan’s debt per person is currently \$429, well below the U.S. median value. This is the third lowest among the ten AAA states and second lowest among the ten largest states.

## ***The Customer is “Priority One”***

### ***Customer Call Center/Self-Service***

Since early 2002, Michigan taxpayers have had access to a state-of-the-art *Customer Call Center*. With a toll-free telephone call, taxpayers can get assistance from a customer service representative regarding questions about their tax records, current state law, or Treasury rules and regulations. The call center, which was integrated with the Department’s existing tax database, gives customer service representatives access to a taxpayer’s records so they can easily and effectively assist the caller. The database also allows program administrators to gather and analyze information, including the most frequently asked questions and tax issues that may need attention. Taxpayers can also help themselves via a *Self-Service* option on the Treasury Web site at [www.michigan.gov/iit](http://www.michigan.gov/iit).

Through these pages, available to both individuals and businesses, taxpayers have a number of options at their fingertips, including checking to see if a refund has been issued, requesting copies of previously filed returns, ordering copies of current and prior year tax forms, and checking estimated payments.

### ***e-Filing***

Reducing tax processing time continues to be a major priority for the Michigan Department of Treasury. A significant part of the effort centers around electronic filing of Individual Income Tax returns. In 2002, more than 1.3 million taxpayers took advantage of the ease of e-filing and the faster refunds that result, making Michigan one of the top e-filing states. For tax year 2002, the State of Michigan has teamed with a number of software companies and online vendors to offer free e-filing for selected Michigan taxpayers.

### ***2-D Barcoding***

The use of two-dimensional (2-D) barcodes, generated by home computer Income Tax programs, continues to grow. 2-D barcodes are placed on a taxpayer’s return when printed, and contain pertinent tax information. 2-D scanning is 100 percent accurate and eliminates data entry errors, which delay return processing. It takes only 14 days for the Department of Treasury to process 2-D barcoded returns. Like e-filing, this reduces processing costs and gets refunds to taxpayers much faster. In 2002, more than 1.3 million Michigan taxpayers filed 2-D barcoded returns. As the popularity of tax software continues to grow, so too will the number of taxpayers who file 2-D barcoded tax returns.

### ***TeleFile***

More than 160,000 Michigan taxpayers utilized TeleFile, a system of submitting their 2001 tax returns by telephone. For tax year 2002, the Department of Treasury has expanded the number of taxpayers eligible for TeleFile, including some with up to five exemptions. Taxpayers can also TeleFile Home Heating Credits. This will reduce errors and improve Treasury’s ability to administer the credits.

### ***Internet Filing of SBT C-8030***

The *Single Business Tax Notice of No Return Required* (Form C-8030) can be filed with the Michigan Department of Treasury via the Internet, 24 hours a day—7 days a week. Businesses with gross annual receipts of less than \$250,000 can file this form, alerting the Treasury Department that no SBT Tax Return is needed. Filing the C-8030 online will save businesses and the State time and money.

## ***Outreach***

The Department of Treasury continues to support and assist taxpayers around the State of Michigan by offering between eight and ten new business seminars annually, conducted jointly with the Internal Revenue Service; providing tax instruction for both business and income taxes at 35 tax schools across the State sponsored by Michigan State University and the University of Michigan; providing income tax preparation instructions to at least 36 volunteer groups and tax preparation videos to more than 200 libraries; conducting income tax training for legislative staff members; and speaking before more than thirty meetings of professional preparers and attorneys.

## ***Electronic Fund Transfer***

Businesses and vendors receiving payments from the State of Michigan may elect Electronic Fund Transfer (EFT). This has rapidly become the preferred method of sending and receiving payments. EFT transactions benefit both the payee and the State of Michigan by delivering timely payments and eliminating delays in depositing and/or personal visits to financial institutions, making payments immediately available as usable funds, decreasing fraud and staff commitment to processing redeemed warrants and undeliverable payments, and reducing payment delivery costs.

The Department of Treasury also made more than three million EFTs to taxpayers, state employees and state retirees in Fiscal Year 2002. These transactions also provide significant cost savings to the State.

## ***Investing in Michigan's Future***

During Fiscal Year 2002, the nation experienced a slow economic recovery and reduced consumer spending, with corporate earnings slowly recovering. Uncertainty caused by the terrorist attacks of September 11, 2001 and the instances of fraud and accounting irregularities on Wall Street continue to negatively impact the markets. As a result, the value (\$39.4 billion) of the State of Michigan Retirement System (SMRS) fell 13.8 percent in FY 2002. During the same period, the S&P 500 index fell more than 20 percent. For a five-year period ending September 30, 2002, the well-diversified SMRS returned 2.7 percent, in the top half of pensions systems. Over a ten-year period, the fund returned better than 8 percent. At present, the system is 93.3 percent funded, with investments made on behalf of 572,000 active or retired state employees.

## ***A's for Education***

### ***Michigan Education Trust***

The Michigan Education Trust (MET) program, Michigan's 529 pre-paid tuition program, is continuing to provide an opportunity for Michigan families to lock

in today's tuition for tomorrow's college education. In recent years, MET has experienced significant contract enrollment increases. As of December 31, 2002, approximately 67,256 contracts have been purchased with more than 17,000 having been paid in full. The market value of MET assets is \$934 million with a \$70.7 million surplus. Purchasers are eligible for a state tax deduction of the total contract price and earnings are exempt from federal and state taxes if used to pay for qualified higher education expenses. The federal tax exemption on earnings is scheduled to sunset in 2010, unless Congress extends the sunset or abolishes the provision.

### ***Michigan Education Savings Program***

The Michigan Education Savings Program (MESP) encourages Michigan families to save for post-secondary education. To date, more than 84,500 accounts have been established in the 529 savings program. MESP's assets now stand at more than \$336.7 million. While other states have similar plans, Michigan's program is unique by offering a state match for certain beneficiaries. To date, 10,036 match applications have been approved and the State has provided nearly \$1.8 million in matching funds. There are no federal or state income taxes on earnings used to pay for qualified higher education expenses and account owners can receive an annual state income tax deduction of up to \$5,000 or \$10,000 for joint filers. The maximum contribution limit is \$235,000, which includes any amount saved in the MET program. The federal tax exemption on earnings is scheduled to sunset in 2010, unless Congress extends the sunset or abolishes the provision.

## ***Accountability at Treasury***

In June of 2002, Treasury launched a Strategic Planning initiative utilizing the Balanced Scorecard approach. A Balanced Scorecard is a set of critical measures that enables administrators to assess progress toward accomplishing the strategic plan. One prime objective was to involve staff from every level within the Department. The process of developing both a plan and a scorecard included management interviews, operational assessments, focus groups and a comprehensive evaluation of previous efforts. Treasury executives then developed objectives for the Department, centering on four main operational perspectives: Customer, Financial, Process and Learning and Growth. Subsequently, another group developed measures that will enable Treasury to assess progress toward accomplishing its strategic plan.

The Strategic Plan and Balanced Scorecard will allow Treasury administrators to more effectively set and promote departmental goals, gain a more focused and common commitment to them and perhaps most importantly, provide a method to assess our progress toward those goals.

## ***Another Record Year for Unclaimed Property***

Thanks to increased public awareness resulting from direct mailings, Web sites, and an annual statewide newspaper publication, Treasury's Unclaimed Property Division set another all-time payout record in Fiscal Year 2002. More than 21,000 claims were approved, returning over \$27 million to rightful owners and/or their heirs. This broke the previous payout record set in FY 2001.

## ***Notable 2001-2002 Legislative Changes***

### ***Public Act 122 of 2001***

Created the Equitable Sales and Use Tax Administration Act under which the Department of Treasury could enter into a Streamlined Sales and Use Tax agreement with other states. The Streamlined Sales Tax agreement was adopted November 12, 2002. Treasury staff estimates Sales and Use Tax losses from remote sales will reach \$273 million in FY 2003.

### ***Public Act 168 of 2001***

Amended the Revenue Act to require a tax amnesty period of 30 to 60 days, as determined by the State Treasurer, ending before September 30, 2002. This act also revised provisions that allow the Department to enter into voluntary disclosure agreements with non-filing taxpayers. The 2002 Tax Amnesty program took in more than \$30 million in net new revenue.

### ***Public Act 215 of 2001***

Amended the Michigan Education Savings Program Act to remove the State penalty from an unqualified withdrawal from an education savings account, if a Federal penalty or tax was imposed. Public Act 215 also raised the maximum amount that all accounts, for one individual, may contain from \$125,000 to \$235,000.

### ***Public Act 27 of 2002***

Allows municipalities to designate a structure or lot as "blighted property" and acquire title to it by purchase, gift, exchange, or condemnation. Public Act 27 also requires the municipality to develop the property or transfer it for development. Municipalities are also allowed to accept a deed instead of foreclosure for delinquent property taxes on the property.

### ***Public Act 49 of 2002***

Created the Michigan Broadband Development Authority to make loans to, and enter into joint venture and partnership arrangements with, broadband developers and operators. Public Act 49 also authorizes the Authority to issue tax-exempt bonds and notes to finance or refinance all or part of the development of the broadband infrastructure, and specify that the notes or bonds are not a debt of the State.



# Schedule 1



## State Treasurer's Common Cash - Assets and Equities (In Thousands of Dollars)

|   | Fiscal Year Ended September 30 |                     |
|---|--------------------------------|---------------------|
|   | 2002                           | 2001                |
| <u>Assets</u>                             |                                |                     |
| Cash on Hand                              | \$ 1                           | \$ 1                |
| Demand Deposits                           | 228,468                        | 128,084             |
| Time Deposits - Regular                   | 52,913                         | 53,984              |
| Time Deposits - Marina Loan Program       | 529                            | 551                 |
| Time Deposits - Agricultural Loan Program | 6,780                          | -0-                 |
| Prime Commercial Paper                    | 2,815,436                      | 4,549,626           |
| Emergency Municipal Loans                 | 44,570                         | 42,115              |
| Michigan Sugar Beet Loan Program          | 5,000                          | -0-                 |
| Total                                     | <u>\$ 3,153,697</u>            | <u>\$ 4,774,361</u> |
| <br><u>Equities</u>                       |                                |                     |
| Available Equity of Other Funds           | \$ 3,016,161                   | \$ 4,589,464        |
| Outstanding Warrants                      | 137,536                        | 184,897             |
| Total                                     | <u>\$ 3,153,697</u>            | <u>\$ 4,774,361</u> |

The accompanying notes are an integral part of the financial schedules.

# Schedule 2



## Investment Portfolios of Specific Funds (In Thousands of Dollars)

| Fund   | Short-term Investments | Government Securities | Corporate Bonds, Notes and Contracts | Common and Preferred Stock | Mortgages       | Real Estate        | Alternative Investments | International Equities | Fiscal Year Ended Sept. 30 |                     |
|--|------------------------|-----------------------|--------------------------------------|----------------------------|-----------------|--------------------|-------------------------|------------------------|----------------------------|---------------------|
|  |                        |                       |                                      |                            |                 |                    |                         |                        | 2002 Total                 | 2001 Total          |
| Legislative Retirement                         | \$ 2,913               | \$ -0-                | \$ -0-                               | \$ 137,618                 | \$ -0-          | \$ -0-             | \$ -0-                  | \$ -0-                 | \$ 140,531                 | \$ 158,205          |
| State Police Retirement                        | 11,185                 | 120,010               | 88,223                               | 371,633                    | 71              | 90,920             | 131,177                 | 68,066                 | 881,285                    | 1,031,304           |
| State Employees' Retirement                    | 150,188                | 1,189,931             | 817,597                              | 3,412,686                  | 1,733           | 869,008            | 1,219,656               | 619,222                | 8,280,021                  | 9,599,430           |
| Public School Employees' Retirement            | 755,831                | 4,155,582             | 2,898,261                            | 12,594,324                 | 20,000          | 2,938,911          | 4,277,789               | 2,265,840              | 29,906,538                 | 34,650,815          |
| Judges' Retirement                             | 8,336                  | 36,246                | 22,694                               | 98,112                     | 17              | 29,143             | 23,818                  | 15,373                 | 233,739                    | 273,364             |
| Michigan Veterans' Trust                       | 10,632                 | 38,388                | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 49,020                     | 49,993              |
| Game and Fish Protection                       | 29,168                 | 1,768                 | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 30,936                     | 30,439              |
| Game and Fish Protection Trust                 | 12,053                 | 80,970                | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 93,023                     | 92,197              |
| Michigan Civilian Conservation Corps           | 3,682                  | 16,806                | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 20,488                     | 21,133              |
| Michigan Natural Resources Trust               | 87,309                 | 177,094               | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 264,403                    | 268,925             |
| Michigan State Parks Endowment                 | 29,351                 | 89,159                | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 118,511                    | 107,746             |
| Children's Trust                               | 3,587                  | 18,320                | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 21,907                     | 21,470              |
| Michigan Nongame Fish and Wildlife             | 1,526                  | 5,054                 | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 6,580                      | 6,744               |
| State Lottery                                  | 6,484                  | 783,327               | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 789,811                    | 825,567             |
| Michigan Higher Education Assistance Authority | -0-                    | 1,517                 | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 1,517                      | 1,510               |
| Michigan Education Trust                       | 59,026                 | 530,768               | 249,605                              | 18,222                     | -0-             | -0-                | -0-                     | -0-                    | 857,621                    | 814,362             |
| Gifts, Bequests, and Deposits Investment       | 23,375                 | 13,950                | -0-                                  | 77                         | -0-             | -0-                | -0-                     | -0-                    | 37,402                     | 38,410              |
| Federal Housing Administration Mortgage Escrow | 393                    | -0-                   | -0-                                  | -0-                        | -0-             | -0-                | -0-                     | -0-                    | 393                        | 884                 |
| <b>Totals</b>                                  | <b>\$1,195,039</b>     | <b>\$7,258,890</b>    | <b>\$4,076,380</b>                   | <b>\$16,632,672</b>        | <b>\$21,821</b> | <b>\$3,927,982</b> | <b>\$5,652,440</b>      | <b>\$2,968,501</b>     | <b>\$41,733,726</b>        | <b>\$47,992,498</b> |

The accompanying notes are an integral part of the financial schedules.

# Schedule 3



## Investment Revenues (In Thousands of Dollars)

| Fund  | Common<br>Cash | Specific<br>Funds | Total Revenues<br>Fiscal Year Ended<br>September 30 |           |
|---|----------------|-------------------|---|-----------|
|   |                |                   | 2002  | 2001      |
| General   | \$ (1,664)     |                   | \$ (1,664)  | \$ 66,572 |
| Counter - Cyclical Budget and Economic Stabilization  | 20,794         |                   | 20,794  | 66,736    |
| Game and Fish Protection                              | 548            | \$ 111            | 659   | 1,267     |
| State Aeronautics                                     | 508            |                   | 508   | 758       |
| Michigan Veterans' Trust                              | 184            | 2,589             | 2,773   | 5,022     |
| State Trunkline                                       | 7,463          |                   | 7,463   | 12,649    |
| Michigan State Waterways                              | 1,269          |                   | 1,269   | 3,434     |
| Blue Water Bridge                                     | 342            |                   | 342   | 1,015     |
| Michigan Transportation                               | 4,496          |                   | 4,496   | 10,985    |
| Comprehensive Transportation                          | 723            |                   | 723   | 2,240     |
| Marine Safety   | 96             |                   | 96  | 302       |
| Game and Fish Protection Trust                        | 344            | 5,149             | 5,493   | 9,892     |
| State Park Improvement                                | 215            |                   | 215   | 639       |
| Forest Development                                    | 222            |                   | 222   | 589       |
| Recreation Bond - Local Projects                      | 57             |                   | 57  | 162       |
| Michigan Civilian Conservation Corps                  | 163            | 1,041             | 1,204   | 1,186     |
| Michigan Natural Resources Trust                      | 1,142          | 12,728            | 13,870  | 26,641    |
| Michigan State Parks Endowment                        | 472            | 5,895             | 6,367   | 11,731    |
| Safety Education and Training                         | 65             |                   | 65  | 162       |
| Clean Michigan Initiative Bond - Local Projects       | 324            |                   | 324   | (107)     |
| Environmental Protection Bond                         | 17             |                   | 17  | 2,083     |
| Clean Michigan Initiative Bond - Environment Projects | 159            |                   | 159   | 2,749     |
| Bottle Deposits                                       | 2,871          |                   | 2,871   | 6,188     |
| State Construction Code                               | 277            |                   | 277   | 692       |
| Children's Trust                                      | 97             | 950               | 1,047   | 1,988     |
| Homeowner Construction Lien Recovery                  | 47             |                   | 47  | 159       |
| Michigan Nongame Fish and Wildlife                    | 46             | 359               | 405   | 374       |
| 1989 State Trunkline Bond Proceeds                    | 41             |                   | 41  | 112       |
| 1992 State Trunkline Bond Proceeds                    | 186            |                   | 186   | 583       |
| 1992 State Trunkline Critical Bridge Bond Proceeds    | 2              |                   | 2   | 13        |
| 1992 Comprehensive Transportation Bond Proceeds       | 97             |                   | 97  | 607       |
| 1994 State Trunkline Bond Proceeds                    | 51             |                   | 51  | 191       |
| 1996 State Trunkline Bond Proceeds                    | - - -          |                   | - - -   | (25)      |
| Michigan Merit Award Trust                            | 3,042          |                   | 3,042   | 4,617     |
| Tobacco Settlement Trust                              | 4,100          |                   | 4,100   | 10,959    |
| 2001 Build Michigan III Bond Proceeds                 | 4,502          |                   | 4,502   | 1,923     |
| 2001 Build Michigan II - GARVEE Bond Proceeds         | 3,471          |                   | 3,471   | 1,819     |
| Comprehensive Transportation Bond Proceeds            | 147            |                   | 147   | - - -     |
| Michigan Underground Storage Tank Financial Assurance | 19             |                   | 19  | 55        |
| Liquor Purchasing Revolving                           | 1,562          |                   | 1,562   | 4,248     |
| State Lottery   | 1,621          | 75,922            | 77,543  | 108,652   |

# Schedule 3



Continued. . . (In Thousands of Dollars)

| Fund   | Common<br>Cash  | Specific<br>Funds    | Total Revenues<br>Fiscal Year Ended<br>September 30 |                      |
|--|-----------------|----------------------|---|----------------------|
|  |                 |                      | 2002  | 2001                 |
| Michigan Higher Education Assistance Authority                             | \$ ---          | \$ 94                | \$ 94   | \$ 122               |
| State Sponsored Group Insurance  | 3,075           |                      | 3,075   | 6,325                |
| State Water Pollution Control Loan   | 418             |                      | 418   | 1,117                |
| Combined State Trunkline Bond and Interest Redemption                      | 11              |                      | 11  | 21                   |
| Combined Comprehensive Transportation Bond and<br>Interest Redemption      | 4               |                      | 4   | 1                    |
| Michigan Underground Storage Tank Financial Assurance<br>Finance Authority | 45              |                      | 45  | 115                  |
| Clean Michigan Initiative Bond - State Projects                            | 131             |                      | 131   | 376                  |
| Recreation Bond - State Projects   | 47              |                      | 47  | 192                  |
| Legislative Retirement   | 87              | (11,998)             | (11,911)  | (18,884)             |
| State Police Retirement  | 61              | (106,127)            | (106,066)   | (136,149)            |
| State Employees' Retirement  | 551             | (986,457)            | (985,906)   | (1,247,748)          |
| Public School Employees' Retirement  | 2,496           | (3,655,000)          | (3,652,504)   | (4,511,763)          |
| Judges' Retirement   | 42              | (25,789)             | (25,747)  | (30,726)             |
| Michigan Employment Security Act Contingent                                | 1,487           |                      | 1,487   | 4,625                |
| Michigan Education Trust   | ---             | 48,898               | 48,898  | 79,260               |
| Vietnam Veterans' Memorial Monument  | 14              |                      | 14  | 55                   |
| State Employees' Deferred Compensation II (401(k))                         | (5)             |                      | (5)   | ---                  |
| Children's Institute Trust   | 2               |                      | 2   | 6                    |
| Gifts, Bequests, and Deposits Investment                                   | 534             | 938                  | 1,472   | 2,783                |
| Silicosis, Dust Disease, and Logging Industry Compensation                 | 77              |                      | 77  | 260                  |
| Second Injury  | 535             |                      | 535   | 817                  |
| Hospital Patients' Trust   | 8               |                      | 8   | 35                   |
| Federal Housing Administration Mortgages Escrow                            | ---             | 3                    | 3   | 7                    |
| Self-Insurers' Security  | 99              |                      | 99  | 180                  |
| State Employees' Defined Contribution Plan                                 | (4)             |                      | (4)   | ---                  |
| Environmental Quality Deposits   | 83              |                      | 83  | 145                  |
| Utility Consumer Representation  | 43              |                      | 43  | 92                   |
| Bankrupt Self-Insured Corporations' Workers' Disability #1                 | ---             |                      | ---   | 6                    |
| Bankrupt Self-Insured Corporations' Workers' Disability #12                | 10              |                      | 10  | 26                   |
| Bankrupt Self-Insured Corporations' Workers' Disability #13                | 5               |                      | 5   | 24                   |
| Bankrupt Self-Insured Corporations' Workers' Disability #14                | 6               |                      | 6   | 15                   |
| Bankrupt Self-Insured Corporations' Workers' Disability #15                | 1               |                      | 1   | 3                    |
| Transportation Related Trust   | (87)            |                      | (87)  | (46)                 |
| <b>TOTALS</b>  | <b>\$69,894</b> | <b>\$(4,630,694)</b> | <b>\$(4,560,800)</b>                                | <b>\$(5,478,846)</b> |

The accompanying notes are an integral part of the financial schedules.

# Notes to Financial Schedules



## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### a. Report Presentation

The accompanying financial schedules report the assets and equities of the State Treasurer's common cash (Schedule 1), investment portfolios of specific funds (Schedule 2), and investment revenues of the common cash and specific funds (Schedule 3).

The State Treasurer's common cash and specific funds are accounted for in various funds of the State of Michigan and reported in the *State of Michigan Comprehensive Annual Financial Report*.

The *State of Michigan Comprehensive Annual Financial Report* provides more extensive general disclosures regarding the State Treasurer's common cash and deposits and investments. These disclosures provide information regarding market values and risk levels of the deposits and investments.

**Common Cash Pool.** The State Treasurer, under the authority provided by state statute, manages the State's common cash pool. The pooling of cash allows the State Treasurer to invest money not needed to pay immediate obligations so that investment earnings on available cash are maximized. Pool investments are not segregated by fund; rather, each contributing fund's balance is treated as equity in the common cash pool.

**Investments.** The State Treasurer, under authority provided by state statutes, manages most investments for the State of Michigan.

*Short-Term Investments:* This category includes each of the listed fund's individually held short-term investments by classification, the fund's equity in the State Treasurer's common cash pool, and receivables and payables pertaining to security trades not yet settled at fiscal year-end.

*Alternative Investments:* These investments consist of limited partnerships.

*Derivatives:* These are financial instruments whose value is derived from, or based on, an underlying security, asset, reference rate or index. The State Treasurer only uses derivative securities or related contractual agreements to hedge assets held or to replicate asset returns. Derivatives are not used for speculation or to leverage the investment portfolios.

The State Treasurer does not employ the use of derivatives in the investment of the State Treasurer's common cash pool or the investment of trust funds other than the pension trust funds.

The State Treasurer invests in derivatives as detailed below:

- *U.S. Passive Equities (Derivatives):* These investments are equity index hedge and replication of return strategies and are categorized as Common Stock.

The pension trust fund portfolios have been invested from time to time in derivative securities and contracts related to U.S. passive equity funds. On September 30, 2002, no such synthetic index investment strategies were held. On September 30, 2001 these strategies comprised approximately 0.5 percent of the total pension trust funds.

- *International Equities (Derivatives):* These investments are swap agreements.

Swap agreements, which are tied to stock market indices in twenty-two foreign countries, are the core international equity investment strategy. These contractual agreements are made with large global banks and brokerage firms, and represented approximately 7.3 percent and 6.4 percent of the total pension trust funds on September 30, 2002 and 2001 respectively.

*Separately issued financial reports including financial statements and required supplementary information are issued for the pension trust funds. These reports provide more extensive disclosures for derivatives.*

### b. Basis of Accounting

Schedule 1, *State Treasurer's Common Cash - Assets and Equities*, is presented on the cash basis of accounting. (*The State of Michigan Comprehensive Annual Financial Report's* disclosure regarding the State Treasurer's common cash includes \$4.3 million in interest receivable, because it is presented on the modified accrual basis of accounting.) Schedule 2, *Investment Portfolios of Specific Funds*, and Schedule 3, *Investment Revenues*, are reported on the accrual basis of accounting.



These financial schedules are not intended to constitute a complete financial presentation of either the Department of Treasury or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

**c. Valuations of Investments**

**Schedule 1.** All investments are reported at cost.

Demand deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system.

The market value of prime commercial paper at September 30, 2002 and 2001 was \$2,817.2 and \$4,560.5 million, respectively.

**Schedule 2.** Methods used to value investments:

All investments are reported at fair value, except for short-term investments, which are reported at cost. Securities traded on a national exchange are valued at last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

**d. Securities Lending Transactions**

Under the authority of Act No. 314 of the Public Acts of 1965, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. One of the State's custodial banks manages the securities lending program and receives securities as collateral. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. The collateral securities cannot be pledged or sold by the State and the State receives collateral in the amount of 102 percent of the market value of the securities lent. The types of securities lent are government securities, corporate bonds and equities, and the collateral received is cash, cash equivalents, and U.S. Treasury securities. There is no restriction on the amount of securities lent. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2002 and 2001 the State had no outstanding credit risk. The market value of the securities lent at September 30, 2002 and 2001 was \$2,036.8 and \$2,250.0 million respectively.

**NOTE 2: CHANGE IN REPORTING OF FUNDS**

*Effective for fiscal year ended September 30, 2001:*

The 2001 Build Michigan III Bond Proceeds and 2001 Build Michigan II-GARVEE Bond Proceeds were added as new funds participating in the Common Cash Fund on Schedule 3. Bankrupt Self-Insured Corporations' Workers' Disability Fund #2 and #8 were removed from Schedule 3. State Employees' Deferred Compensation Fund I (457), State Employees' Deferred Compensation Fund II (401 (k)), and State Employees' Defined Contribution Retirement Fund were removed from Schedule 2 and 3. Game and Fish Protection Fund, Michigan Civilian Conservation Corps Fund, and Michigan Nongame Fish and Wildlife Trust Fund were added to Schedule 2.

*Effective for fiscal year ended September 30, 2002:*

The Comprehensive Transportation Bond Proceeds, the State Employees' Deferred Compensation II (401(k)), and the State Employees' Defined Contribution Plan were added as funds participating in the Common Cash Fund on Schedule 3. The Workplace Health and Safety Fund, Urban Land Assembly Loan - MSF, Workers Disability Compensation Multiple Trust Fund, Urban Land Assembly Loan, Bankrupt Self-Insured Corporations' Workers Disability Fund #5, and Bankrupt Self-Insured Corporations' Workers Disability Fund #6 were removed from Schedule 3.

The following fund names were restated: Michigan Conservation Endowment to Michigan Civilian Conservation Corps; State Lottery Deferred Prize to State Lottery; Debt Service - MUSTFA - Financial Authority to Michigan Underground Storage Tank Financial Assurance Finance Authority; Hazardous and Solid Waste Disposal Facilities Closure Guarantee to Environmental Quality Deposits; Bankrupt Self-Insured Corporations' Workers' Disability #10 to Bankrupt Self-Insured Corporations' Workers' Disability #13; Bankrupt Self-Insured Corporations' Workers' Disability #11 to Bankrupt Self-Insured Corporations' Workers' Disability #14; and Fred Sanders, Inc. Workers' Compensation Trust to Bankrupt Self-Insured Corporations' Workers' Disability #15.

# Cash and Investments

The State Treasurer manages the State's cash so funds not needed to pay immediate obligations are invested to earn income. Investments include time certificates of deposit and prime commercial paper as detailed in Schedule 1, *State Treasurer's Common Cash - Assets and Equities*.

Statutes also allow the State Treasurer to loan funds from the common cash pool to financially troubled municipalities in Michigan and to make common cash available to Michigan farmers experiencing financial stress.

The common cash fund pools the cash balances of certain State funds until paid as provided by law. Manageable common cash includes the following funds:

- General
- School Aid
- Budget Stabilization
- Special Revenue and Enterprise
- Internal Service
- Trust and Agency

The State Treasurer is authorized to transfer cash on hand and on deposit among these funds to best manage the available cash, maximize short-term investment earnings and ensure that State obligations are paid when due.

## Table 1



### Investment Revenues for Fiscal Years 1993-2002 (In Thousands of Dollars)

| Fiscal Year | General Fund Common Cash Earnings (Expenses) <sup>(a)</sup> | Public School Employees' Retirement | State Employees' Retirement | State Police Retirement | Judges' Retirement | Probate Judges' Retirement <sup>(b)</sup> | Other Investment Funds | Totals <sup>(c)</sup> |
|-------------|---|-------------------------------------|-----------------------------|-------------------------|--------------------|---|------------------------|-----------------------|
| 2002        | \$ (1,664)  | \$ (3,652,504)                      | \$ (985,906)                | \$(106,066)             | \$(25,747)         | ---                                       | \$211,087              | \$(4,560,800)         |
| 2001        | 66,572  | (4,511,763)                         | (1,247,748)                 | (136,149)               | (30,726)           | ---                                       | 380,968                | (5,478,846)           |
| 2000        | 72,497  | 4,818,123                           | 1,378,453                   | 146,279                 | 44,467             | ---                                       | 327,887                | 6,787,706             |
| 1999        | 20,690  | 5,124,436                           | 1,482,096                   | 158,055                 | 53,345             | ---                                       | 605,413                | 7,444,035             |
| 1998        | (17,192)  | 2,443,513                           | 718,011                     | 76,461                  | 26,467             | ---                                       | 497,425                | 3,744,685             |
| 1997        | (72,004)  | 5,794,850                           | 1,699,093                   | 178,693                 | 61,992             | ---                                       | 738,364                | 8,400,988             |
| 1996        | (64,749)  | 3,325,848                           | 965,921                     | 101,983                 | 35,277             | ---                                       | 759,728                | 5,124,008             |
| 1995        | (67,292)  | 1,381,419                           | 407,813                     | 41,579                  | 14,731             | ---                                       | 448,830                | 2,227,080             |
| 1994        | (10,487)  | 1,112,592                           | 328,409                     | 33,787                  | 12,001             | ---                                       | 396,095                | 1,872,397             |
| 1993        | (1,176)   | 1,165,741                           | 337,276                     | 35,656                  | 12,426             | \$1,187                                   | 357,083                | 1,908,193             |

(a)

| Fiscal Year Ending | Total State Treasurer's Common Cash Fund and General Obligation Note Retirement Fund Earnings | Distribution of Earnings to Retirement and Other Funds Reported in Their Earnings | General Fund Common Cash Earnings(Expenses) |
|--------------------|---|---|---|
| 2002               | \$ 69,894   | \$ 71,558   | \$ (1,664)                                  |
| 2001               | 247,607   | 181,035   | 66,572                                      |
| 2000               | 277,698   | 205,201   | 72,497                                      |
| 1999               | 163,811   | 143,121   | 20,690                                      |
| 1998               | 143,222   | 160,414   | (17,192)                                    |
| 1997               | 100,067   | 172,071   | (72,004)                                    |
| 1996               | 99,461  | 164,210   | (64,749)                                    |
| 1995               | 97,125  | 164,417   | (67,292)                                    |
| 1994               | 64,435  | 74,922  | (10,487)                                    |
| 1993               | 50,748  | 51,924  | (1,176)                                     |

(b) Effective fiscal year 1993, the Probate Judges' Retirement Fund was combined with the Judges' Retirement Fund.

(c) Effective October 1, 1997, revenues for nonretirement funds include unrealized gains and losses. Retirement funds were reported at fair value effective October 1, 1996.

## Table 2



### Statement of Actual Available Month-End Common Cash (In Millions of Dollars)

| Month        | Combined<br>General Fund<br>and School<br>Aid Fund | Budget<br>Stabilization<br>Fund | Other<br>Funds | Manageable<br>Common<br>Cash <sup>(a)</sup> | Retirement<br>Funds | Bond<br>Funds <sup>(b)</sup> | Total<br>Common<br>Cash <sup>(c)</sup> |
|--------------|--|---------------------------------|----------------|---|---------------------|------------------------------|--|
| October 2001 | \$ 1,409.6   | \$ 994.2                        | \$ 1,683.9     | \$ 4,087.7                                  | \$ 160.6            | \$ 628.0                     | \$ 4,876.3                             |
| November     | 1,387.0  | 927.2                           | 1,786.4        | 4,100.6                                     | 168.4               | 564.1                        | 4,833.1                                |
| December     | 994.1  | 927.2                           | 1,679.3        | 3,600.6                                     | 160.8               | 510.0                        | 4,271.4                                |
| January 2002 | 903.2  | 934.9                           | 1,698.9        | 3,537.0                                     | 174.0               | 496.6                        | 4,207.6                                |
| February     | 169.1  | 934.9                           | 1,773.6        | 2,877.6                                     | 155.2               | 480.4                        | 3,513.2                                |
| March        | (507.9)  | 934.9                           | 1,827.0        | 2,254.0                                     | 207.8               | 474.6                        | 2,936.4                                |
| April        | (709.5)  | 934.9                           | 2,087.7        | 2,313.1                                     | 177.7               | 460.5                        | 2,951.3                                |
| May          | (896.3)  | 939.3                           | 2,070.3        | 2,113.3                                     | 191.8               | 409.7                        | 2,714.8                                |
| June         | (1,412.9)  | 939.3                           | 2,060.6        | 1,587.0                                     | 135.1               | 365.2                        | 2,087.3                                |
| July         | (1,210.1)  | 943.6                           | 2,064.5        | 1,798.0                                     | 154.8               | 311.1                        | 2,263.9                                |
| August       | (1,950.6)  | 943.6                           | 2,112.4        | 1,105.4                                     | 118.1               | 341.4                        | 1,564.9                                |
| September    | 454.7  | 145.2                           | 1,776.3        | 2,376.1                                     | 121.8               | 518.2                        | 3,016.2                                |

(a) Manageable Common Cash includes the General, School Aid and Budget Stabilization Funds; Special Revenue, Enterprise, Internal Service, Trust and Agency Funds; and State Building Authority Advance Financing Funds. The State Treasurer is authorized to transfer cash on hand and on deposit among these funds in such a manner as to best manage the available cash on hand.

(b) Includes Debt Service, Capital Projects and Bond Funds.

(c) Includes Manageable Common Cash, Retirement, Debt Service, Capital Projects and Bond Funds.

## Table 3



### Common Cash History (In Millions of Dollars)

| Fiscal Year Ended             | Combined<br>General Fund<br>and School<br>Aid Fund | Budget<br>Stabilization<br>Fund | Other<br>Funds | Manageable<br>Common<br>Cash <sup>(a)</sup> | Retirement<br>Funds | Bond<br>Funds <sup>(b)</sup> | Total<br>Common<br>Cash <sup>(c)</sup> |
|-------------------------------|--|---------------------------------|----------------|---|---------------------|------------------------------|--|
| September 1993 <sup>(d)</sup> | \$ 32.7  | \$ 20.7                         | \$ 1,067.6     | \$ 1,121.0                                  | \$ 238.6            | \$ 349.2                     | \$ 1,708.8                             |
| September 1994 <sup>(d)</sup> | 226.2  | 311.7                           | 1,307.8        | 1,845.7                                     | 356.8               | 309.8                        | 2,512.3                                |
| September 1995                | (342.6)  | 1,083.4                         | 1,369.1        | 2,109.9                                     | 586.0               | 352.2                        | 3,048.1                                |
| September 1996                | (700.0)  | 1,173.4                         | 1,387.8        | 1,861.2                                     | 298.2               | 205.2                        | 2,364.6                                |
| September 1997                | (493.9)  | 1,152.4                         | 1,339.6        | 1,998.1                                     | 133.4               | 143.5                        | 2,275.0                                |
| September 1998                | 136.0  | 1,000.5                         | 1,426.3        | 2,562.8                                     | 140.3               | 264.2                        | 2,967.3                                |
| September 1999                | 1,068.3  | 1,222.5                         | 1,423.9        | 3,714.7                                     | 142.9               | 130.2                        | 3,987.8                                |
| September 2000                | 1,631.6  | 1,264.4                         | 1,996.1        | 4,892.1                                     | 186.2               | 153.4                        | 5,231.7                                |
| September 2001                | 1,091.5  | 994.2                           | 1,782.5        | 3,868.2                                     | 143.1               | 578.2                        | 4,589.5                                |
| September 2002                | 454.7  | 145.2                           | 1,776.3        | 2,376.1                                     | 121.8               | 518.2                        | 3,016.2                                |

(a) Manageable Common Cash includes the General, School Aid and Budget Stabilization Funds; Special Revenue, Enterprise, Internal Service, Trust and Agency Funds; and State Building Authority Advance Financing Funds. The State Treasurer is authorized to transfer cash on hand and on deposit among these funds in such a manner as to best manage the available cash on hand.

(b) Includes Debt Service, Capital Projects and Bond Funds.

(c) Includes Manageable Common Cash, Retirement, Debt Service, Capital Projects and Bond Funds. Fiscal years 1993 and 1994 include Imprest Cash and/or transactions in process.

(d) General and School Aid Funds balance includes \$18.6 million of transactions in process for 1993 and \$26.1 million for 1994.

# Table 4



## State Treasurer's Common Cash Fund, Cash Balances and Transactions by Fund (In Thousands of Dollars)

| Fund  | Cash Balances<br>10-1-01 | Receipts (a) | Disburse-<br>ments (b) | Transfers<br>In | Transfers<br>Out | Cash<br>Balances<br>9-30-02 | Warrants<br>Outstanding | Available<br>Balances<br>9-30-02 |
|---|--------------------------|--------------|------------------------|-----------------|------------------|-----------------------------|-------------------------|----------------------------------|
| <b>GENERAL AND SCHOOL AID</b>                                     |                          |              |                        |                 |                  |                             |                         |                                  |
| General   | \$1,343,992              | \$26,735,097 | \$27,588,555           | \$2,176,365     | \$1,506,120      | \$1,160,779                 | \$91,514                | \$1,069,264                      |
| School Aid  | (117,303)                | 9,729,118    | 11,402,656             | 1,179,101       | 2,829            | (614,570)                   | 11                      | (614,581)                        |
| Total General and School Aid                                      | \$1,226,689              | \$36,464,215 | \$38,991,212           | \$3,355,466     | \$1,508,950      | \$ 546,208                  | \$91,526                | \$ 454,683                       |
| <b>BUDGET STABILIZATION</b>                                       |                          |              |                        |                 |                  |                             |                         |                                  |
| Counter-Cyclical Budget and<br>Economic Stabilization             | \$ 994,187               | \$ 20,794    | \$ -0-                 | \$ -0-          | \$ 869,831       | \$ 145,150                  | \$ -0-                  | \$ 145,150                       |
| Total Budget Stabilization  | \$ 994,187               | \$ 20,794    | \$ -0-                 | \$ -0-          | \$ 869,831       | \$ 145,150                  | \$ -0-                  | \$ 145,150                       |
| <b>SPECIAL REVENUE</b>  |                          |              |                        |                 |                  |                             |                         |                                  |
| Game and Fish Protection  | \$ 30,186                | \$ 53,209    | \$ 64,114              | \$ 11,467       | \$ 1,579         | \$ 29,168                   | \$ 477                  | \$ 28,691                        |
| Michigan Employment Security<br>Act-Administration                | (741)                    | 121,064      | 135,619                | 1,552           | 1,850            | (15,593)                    | 366                     | (15,960)                         |
| State Aeronautics   | 11,082                   | 94,048       | 107,896                | 24,599          | 279              | 21,554                      | 613                     | 20,942                           |
| Michigan Veterans' Trust  | 6,323                    | 17,717       | 10,923                 | -0-             | 8                | 13,109                      | 27                      | 13,082                           |
| State Trunkline   | 380,268                  | 660,666      | 1,317,635              | 828,119         | 90,877           | 460,541                     | 6,854                   | 453,687                          |
| Michigan State Waterways  | 66,359                   | 9,827        | 28,364                 | 14,927          | 418              | 62,331                      | 185                     | 62,147                           |
| Blue Water Bridge   | 17,019                   | 11,586       | 6,972                  | -0-             | 4,844            | 16,789                      | 58                      | 16,731                           |
| Michigan Transportation   | 181,976                  | 1,978,510    | 923,012                | 1,340           | 1,029,859        | 208,954                     | 654                     | 208,300                          |
| Comprehensive Transportation                                      | 69,653                   | 115,527      | 255,453                | 161,011         | 31,430           | 59,308                      | 2,398                   | 56,910                           |
| Marine Safety   | 6,339                    | 5,516        | 6,721                  | 1               | 1,120            | 4,015                       | 177                     | 3,838                            |
| Game and Fish Protection Trust                                    | 9,988                    | 37,589       | 24,046                 | -0-             | 11,478           | 12,053                      | -0-                     | 12,053                           |
| State Park Improvement  | 14,385                   | 31,593       | 32,284                 | -0-             | 212              | 13,481                      | 338                     | 13,144                           |
| Forest Development  | 11,022                   | 23,557       | 22,928                 | -0-             | 147              | 11,503                      | 97                      | 11,406                           |
| Michigan Civilian Conservation Corps                              | 19,127                   | 7,701        | 23,136                 | -0-             | 10               | 3,682                       | 27                      | 3,655                            |
| Michigan Natural Resources Trust                                  | 33,292                   | 136,362      | 72,298                 | -0-             | 10,046           | 87,309                      | 1,214                   | 86,096                           |
| Michigan State Parks Endowment                                    | 12,251                   | 34,272       | 27,140                 | 10,000          | 32               | 29,351                      | 39                      | 29,312                           |
| Safety Education and Training                                     | 3,824                    | 6,971        | 6,547                  | -0-             | 48               | 4,200                       | 75                      | 4,125                            |
| Uninsured Employers' Security                                     | 479                      | -0-          | -0-                    | -0-             | 479              | -0-                         | -0-                     | -0-                              |
| Bottle Deposits   | 151,442                  | 36,219       | 34,956                 | -0-             | 151              | 152,554                     | 1,317                   | 151,237                          |
| State Construction Code   | 14,494                   | 8,329        | 10,232                 | -0-             | 95               | 12,496                      | 13                      | 12,483                           |
| Children's Trust  | 6,265                    | 12,416       | 15,098                 | 10              | 5                | 3,587                       | 1                       | 3,586                            |
| State Casino Gaming   | 11,376                   | 28,743       | 14,359                 | -0-             | 20,947           | 4,813                       | 19                      | 4,794                            |
| Homeowner Construction Lien Recovery                              | 2,756                    | 431          | 1,198                  | -0-             | 17               | 1,972                       | 4                       | 1,968                            |
| Michigan Nongame Fish and Wildlife                                | 5,992                    | 2,013        | 6,473                  | -0-             | 6                | 1,526                       | 7                       | 1,519                            |
| Michigan Merit Award Trust  | 143,590                  | 248,570      | 125,084                | -0-             | 131,524          | 135,552                     | 160                     | 135,393                          |
| Tobacco Settlement Trust  | 179,487                  | 86,646       | 153,438                | -0-             | 27,500           | 85,196                      | 181                     | 85,015                           |
| Michigan Underground Storage Tank<br>Financial Assurance (MUSTFA) | 2,078                    | 60,962       | 3,890                  | 4,000           | 61,174           | 1,976                       | 53                      | 1,923                            |
| State Building Authority<br>Advance Financing                     | (173,697)                | 413,077      | 328,463                | 15,413          | -0-              | (73,671)                    | 421                     | (74,092)                         |
| Michigan Strategic  | 200,384                  | 249,724      | 304,378                | -0-             | -0-              | 145,729                     | 665                     | 145,064                          |
| Total Special Revenue   | \$1,416,998              | \$4,492,844  | \$4,062,657            | \$1,072,438     | \$1,426,134      | \$1,493,489                 | \$16,441                | \$1,477,048                      |

# Table 4



Continued... (In Thousands of Dollars)

| Fund  | Cash Balances 10-1-01 | Receipts (a)       | Disbursements (b)  | Transfers In     | Transfers Out    | Cash Balances 9-30-02 | Warrants Outstanding | Available Balances 9-30-02 |
|---|-----------------------|--------------------|--------------------|------------------|------------------|-----------------------|----------------------|----------------------------|
| <b>BOND, DEBT SERVICE AND CAPITAL PROJECTS</b>                          |                       |                    |                    |                  |                  |                       |                      |                            |
| Recreation Bond - Local Projects  | \$ 2,853              | \$ 57              | \$ 288             | \$ -0-           | \$ 1             | \$ 2,620              | \$ -0-               | \$ 2,620                   |
| Clean Michigan Initiative Bond - Local Projects                         | (6,135)               | 33,038             | 18,684             | -0-              | 1                | 8,218                 | 976                  | 7,242                      |
| Clean Michigan Initiative Bond - Environmental Projects                 | 33,686                | 5,220              | 61,618             | -0-              | 21               | (22,734)              | 545                  | (23,279)                   |
| Environmental Protection Bond   | 14,415                | 658                | 26,400             | -0-              | -0-              | (11,326)              | 111                  | (11,437)                   |
| School Bond Loan  | 1,050                 | 96,338             | 76,541             | -0-              | 20,799           | 48                    | -0-                  | 48                         |
| 1989 State Trunkline Bond Proceeds                                      | 2,100                 | 41                 | 338                | -0-              | 1                | 1,801                 | -0-                  | 1,801                      |
| 1992 State Trunkline Bond Proceeds                                      | 9,004                 | 8,388              | 7,281              | -0-              | 408              | 9,704                 | 62                   | 9,642                      |
| 1992 State Trunkline Critical Bridge Bond Proceeds                      | 260                   | 2                  | -0-                | -0-              | 262              | -0-                   | -0-                  | -0-                        |
| 1992 Comprehensive Transportation Bond Proceeds                         | 7,742                 | 104                | 5,799              | -0-              | 3                | 2,045                 | 76                   | 1,969                      |
| 1994 State Trunkline Bond Proceeds                                      | 2,391                 | 826                | 487                | -0-              | 45               | 2,685                 | 11                   | 2,674                      |
| 1996 State Trunkline Bond Proceeds                                      | -0-                   | 154                | 154                | -0-              | -0-              | -0-                   | -0-                  | -0-                        |
| 2001 Build Michigan III Bond Proceeds                                   | 243,591               | 54,271             | 103,463            | 8,640            | 8,004            | 195,035               | 428                  | 194,608                    |
| 2001 Build Michigan II - GARVEE Bond Proceeds                           | 261,504               | 218,466            | 246,512            | -0-              | 7,349            | 226,109               | 97                   | 226,012                    |
| Comprehensive Transportation Bond Proceeds                              | -0-                   | 89,179             | 516                | -0-              | -0-              | 88,663                | 12                   | 88,651                     |
| Combined State Trunkline Bond and Interest Redemption                   | -0-                   | 104,500            | 171,003            | 66,693           | -0-              | 190                   | -0-                  | 190                        |
| Combined Comprehensive Transportation Bond and Interest Redemption      | -0-                   | 95,644             | 116,994            | 21,351           | 1                | -0-                   | -0-                  | -0-                        |
| Michigan Underground Storage Tank Financial Assurance Finance Authority | 5,785                 | 4,045              | 60,417             | 60,931           | 4,000            | 6,344                 | -0-                  | 6,344                      |
| Recreation and Environmental Protection Bond Redemption                 | 1                     | -0-                | 69,446             | 69,445           | -0-              | -0-                   | -0-                  | -0-                        |
| School Loan Bond Redemption   | -0-                   | -0-                | 48,068             | 48,068           | -0-              | -0-                   | -0-                  | -0-                        |
| State Park Revenue Bond   | -0-                   | 15,507             | 11,834             | -0-              | -0-              | 3,673                 | -0-                  | 3,673                      |
| Clean Michigan Initiative Bond - State Projects                         | (534)                 | 23,047             | 16,876             | -0-              | 3                | 5,634                 | 9                    | 5,625                      |
| Recreation Bond - State Projects  | 2,800                 | 47                 | 1,001              | -0-              | 1                | 1,845                 | -0-                  | 1,845                      |
| <b>Total Bond, Debt Service and Capital Projects</b>                    | <b>\$580,511</b>      | <b>\$ 749,534</b>  | <b>\$1,043,722</b> | <b>\$275,128</b> | <b>\$ 40,899</b> | <b>\$520,552</b>      | <b>\$2,326</b>       | <b>\$518,226</b>           |
| <b>ENTERPRISE</b>   |                       |                    |                    |                  |                  |                       |                      |                            |
| Liquor Purchasing Revolving   | \$ 52,393             | \$ 620,195         | \$ 494,231         | \$ -0-           | \$126,795        | \$ 51,563             | \$6,753              | \$ 44,809                  |
| State Lottery   | 7,463                 | 1,106,147          | 495,060            | -0-              | 612,066          | 6,484                 | 1,685                | 4,799                      |
| Michigan Higher Education Assistance Authority                          | -0-                   | 142                | 142                | -0-              | -0-              | -0-                   | -0-                  | -0-                        |
| Michigan State Housing Development Authority                            | -0-                   | 107,765            | 107,765            | -0-              | -0-              | -0-                   | -0-                  | -0-                        |
| State Water Pollution Control Loan                                      | 19,527                | 95,770             | 103,919            | -0-              | -0-              | 11,378                | -0-                  | 11,378                     |
| <b>Total Enterprise</b>   | <b>\$ 79,384</b>      | <b>\$1,930,019</b> | <b>\$1,201,117</b> | <b>\$ -0-</b>    | <b>\$738,860</b> | <b>\$ 69,425</b>      | <b>\$8,438</b>       | <b>\$ 60,987</b>           |
| <b>INTERNAL</b>   |                       |                    |                    |                  |                  |                       |                      |                            |
| Correctional Industries Revolving                                       | \$ 4,677              | \$ 41,319          | \$ 42,813          | \$ -0-           | \$ 204           | \$ 2,979              | \$ 401               | \$ 2,578                   |
| Motor Transport Revolving   | (13,493)              | 67,016             | 67,474             | -0-              | 75               | (14,026)              | 20                   | (14,046)                   |
| Office Services Revolving   | (6,050)               | 83,337             | 80,998             | -0-              | 157              | (3,869)               | 188                  | (4,057)                    |
| Information Technology Internal Service                                 | (6,603)               | 104,596            | 127,963            | -0-              | 194              | (30,165)              | 1,271                | (31,436)                   |
| Risk Management   | 10,106                | 55,761             | 55,727             | -0-              | 17               | 10,124                | 9                    | 10,115                     |
| State Sponsored Group Insurance   | 148,604               | 832,580            | 812,805            | -0-              | 23               | 168,356               | 1,741                | 166,615                    |
| <b>Total Internal</b>   | <b>\$137,241</b>      | <b>\$1,184,610</b> | <b>\$1,187,781</b> | <b>\$ -0-</b>    | <b>\$ 670</b>    | <b>\$133,399</b>      | <b>\$3,630</b>       | <b>\$129,769</b>           |

# Table 4



## Concluded... (In Thousands of Dollars)

| Fund   | Cash Balances 10-1-01 | Receipts (a)        | Disbursements (b)   | Transfers In       | Transfers Out      | Cash Balances 9-30-02 | Warrants Outstanding | Available Balances 9-30-02 |
|--|-----------------------|---------------------|---------------------|--------------------|--------------------|-----------------------|----------------------|----------------------------|
| <b>RETIREMENT</b>  |                       |                     |                     |                    |                    |                       |                      |                            |
| Legislative  | \$ 4,054              | \$ 88,262           | \$ 89,323           | \$ -0-             | \$ -0-             | \$ 2,994              | \$ 35                | \$ 2,959                   |
| State Police   | 7,020                 | 653,889             | 659,283             | -0-                | -0-                | 1,626                 | 223                  | 1,403                      |
| State Employees'   | 44,692                | 6,259,101           | 6,283,958           | -0-                | 15                 | 19,820                | 2,884                | 16,936                     |
| Public School Employees'   | 96,412                | 27,003,958          | 26,994,225          | -0-                | 81                 | 106,063               | 8,697                | 97,366                     |
| Judges'  | 4,327                 | 214,749             | 215,852             | -0-                | -0-                | 3,223                 | 67                   | 3,156                      |
| <b>Total Retirement</b>  | <b>\$ 156,505</b>     | <b>\$34,219,960</b> | <b>\$34,242,641</b> | <b>\$ -0-</b>      | <b>\$ 97</b>       | <b>\$ 133,726</b>     | <b>\$ 11,906</b>     | <b>\$ 121,820</b>          |
| <b>TRUST AND AGENCY</b>  |                       |                     |                     |                    |                    |                       |                      |                            |
| Michigan Employment Security Act Contingent                      | \$ 87,565             | \$ 13,466           | \$ -0-              | \$ -0-             | \$ 83,360          | \$ 17,672             | \$ -0-               | \$ 17,672                  |
| Vietnam Veterans' Memorial Monument                              | 1,148                 | 128                 | 792                 | -0-                | -0-                | 483                   | -0-                  | 483                        |
| Bankrupt Self Insured Corporations' Workers' Disability Fund #13 | 464                   | 3                   | -0-                 | -0-                | 466                | -0-                   | -0-                  | -0-                        |
| Bankrupt Self Insured Corporations' Workers' Disability Fund #14 | 296                   | 6                   | 60                  | -0-                | -0-                | 241                   | -0-                  | 241                        |
| Bankrupt Self Insured Corporations' Workers' Disability Fund #12 | 509                   | 10                  | 12                  | -0-                | (3)                | 510                   | -0-                  | 510                        |
| Metropolitan Planning  | -0-                   | -0-                 | -0-                 | -0-                | -0-                | -0-                   | -0-                  | -0-                        |
| Children's Institute Trust                                       | 111                   | 2                   | -0-                 | -0-                | 5                  | 108                   | -0-                  | 108                        |
| Abandoned and Unclaimed Property (Escheats)                      | 21,060                | 43,948              | (11)                | 217                | 36,602             | 28,633                | 1,036                | 27,597                     |
| Gifts, Bequests, and Deposits Investment                         | 24,030                | 96,298              | 94,979              | 98                 | 2,072              | 23,375                | 871                  | 22,504                     |
| Silicosis, Dust Disease, and Logging Industry Compensation       | 5,125                 | 2,189               | 4,264               | -0-                | 8                  | 3,043                 | 42                   | 3,001                      |
| Assigned Claims Plan   | 134                   | 68,266              | 67,581              | -0-                | 687                | 131                   | 6                    | 126                        |
| Second Injury  | 34,243                | 10,437              | 23,491              | -0-                | 19                 | 21,170                | 475                  | 20,695                     |
| Hospital Patients' Trust   | 377                   | 2,692               | 2,719               | -0-                | -0-                | 350                   | 22                   | 329                        |
| Federal Housing Administration Mortgages Escrow                  | 720                   | 854                 | 1,181               | -0-                | -0-                | 393                   | -0-                  | 393                        |
| Self-Insurers' Security  | 3,833                 | 7,565               | 5,174               | 763                | 306                | 6,681                 | 28                   | 6,654                      |
| State Employees' Deferred Comp. I (457)                          | 568                   | 57,995              | 58,004              | -0-                | -0-                | 559                   | -0-                  | 559                        |
| State Employees' Deferred Comp. II (401(k))                      | 464                   | 121,453             | 121,525             | -0-                | -0-                | 391                   | -0-                  | 391                        |
| State Employees' Defined Contribution Plan                       | 31                    | 59,811              | 59,892              | -0-                | -0-                | (50)                  | -0-                  | (50)                       |
| Special Assessment Deferment                                     | 507                   | 177                 | 55                  | -0-                | -0-                | 629                   | -0-                  | 628                        |
| Environmental Quality Deposits                                   | 3,407                 | 952                 | 126                 | -0-                | -0-                | 4,233                 | -0-                  | 4,233                      |
| Insurance Carrier Deposits                                       | 1,018                 | 73,752              | 73,284              | -0-                | -0-                | 1,487                 | 119                  | 1,368                      |
| Utility Consumer Representation                                  | 1,921                 | 1,393               | 501                 | -0-                | 3                  | 2,809                 | -0-                  | 2,809                      |
| Bankrupt Self Insured Corporations' Workers' Disability Fund #1  | -0-                   | -0-                 | -0-                 | -0-                | -0-                | -0-                   | -0-                  | -0-                        |
| Bankrupt Self Insured Corporations' Workers' Disability Fund #15 | 57                    | 1                   | -0-                 | -0-                | -0-                | 58                    | -0-                  | 58                         |
| Transportation Related Trust                                     | (4,740)               | 266,655             | 267,933             | 4,888              | 32                 | (1,162)               | 670                  | (1,831)                    |
| State Treasurer's Escrow and Paying Agent                        | -0-                   | 36                  | 36                  | -0-                | -0-                | -0-                   | -0-                  | -0-                        |
| <b>Total Trust and Agency</b>                                    | <b>\$ 182,846</b>     | <b>\$ 828,088</b>   | <b>\$ 781,596</b>   | <b>\$ 5,968</b>    | <b>\$ 123,559</b>  | <b>\$ 111,746</b>     | <b>\$ 3,268</b>      | <b>\$ 108,478</b>          |
| <b>GRAND TOTALS</b>  | <b>\$4,774,361</b>    | <b>\$79,890,063</b> | <b>\$81,510,727</b> | <b>\$4,709,000</b> | <b>\$4,709,000</b> | <b>\$3,153,697</b>    | <b>\$137,536</b>     | <b>\$3,016,161</b>         |

(a) Receipts include \$29,270 million of securities sold and matured.

(b) Disbursements include \$27,549 million of securities purchased.

# Table 5



## Demand Depositories as of September 30, 2002 (In Thousands of Dollars)

| City                      | Depository Bank                      | Deposits <sup>(a)</sup> | City                   | Depository Bank                  | Deposits <sup>(a)</sup>           |
|---------------------------|--------------------------------------|-------------------------|------------------------|----------------------------------|-----------------------------------|
| Adrian                    | Sky Bank                             | \$ 165                  | Ishpeming              | Peninsula Bank                   | \$ 33                             |
|                           | Bank of Lenawee                      | 103                     |                        | Ithaca                           | Commercial National Bank          |
| Alma                      | Firstbank, Alma                      | 120                     | Kalamazoo              |                                  | National City Bank                |
| Bad Axe                   | Signature Bank                       | 87                      |                        | L'Anse                           | Commercial National Bank          |
| Baldwin                   | Lake Osceola State Bank              | 96                      | Lansing                |                                  | Standard Federal Bank-Credit Card |
| Benton Harbor             | Chemical Bank Shoreline              | 765                     |                        | Standard Federal Bank-Main Acct. | 9,177                             |
| Beulah                    | Central State Bank                   | 27                      | Lapeer                 | Lapeer County Bank and Trust     | 69                                |
| Cadillac                  | Chemical Bank - West                 | 1,135                   | Manistique             | North Country Bank               | 66                                |
|                           |                                      |                         |                        | State Savings Bank               | 19                                |
| Caro                      | Independent Bank - East Michigan     | 4                       | Marquette              | Wells Fargo Bank, Michigan       | 1,669                             |
| Cheboygan                 | Citizens National Bank               | 74                      |                        | Mason                            | Mason State Bank                  |
| Chelsea                   | Chelsea State Bank                   | 67                      | Midland                |                                  | Chemical Bank and Trust           |
| Coldwater                 | Century Bank and Trust               | 94                      |                        | Monroe                           | Monroe Bank and Trust             |
|                           | Southern Michigan National Bank      | 52                      | Mt. Pleasant           |                                  | Isabella Bank and Trust           |
| Croswell                  | Eastern Michigan Bank                | 76                      |                        | Munising                         | Peoples State Bank of Munising    |
| Crystal Falls             | First National Bank                  | 12                      | Newberry               |                                  | Tahquamenon Area Credit Union     |
| Detroit                   | Bank One-Income Tax                  | 7,908                   |                        | Norway                           | First National Bank               |
|                           | Bank One-Main Acct.                  | 146,834                 | Ontonagon              |                                  | Citizens State Bank               |
|                           | Comerica Bank - Detroit              | 17,716                  |                        | Port Austin                      | Port Austin State Bank            |
|                           | Comerica Bank - ACH Service          | 5,324                   | Rockford               |                                  | Independent Bank - West Michigan  |
|                           | First Independence National Bank     | 200                     |                        | St. Charles                      | Community State Bank              |
| Eastpointe                | First State Bank                     | 152                     | St. Ignace             |                                  | First National Bank               |
|                           |                                      |                         |                        | EastTawas                        | Huron Community Bank              |
| Escanaba                  | Northern Michigan National Bank      | 18                      | Soo Co-Op Credit Union |                                  |                                   |
|                           | State Bank of Escanaba               | 60                      | Shelby                 | Shelby State Bank                | 59                                |
| Fenton                    | The State Bank                       | 145                     |                        | Sparta                           | Choice One                        |
| Flint                     | Citizens Banking Corporation         | 4,824                   | Stockbridge            |                                  | Stockbridge State Bank            |
|                           |                                      |                         |                        | Gladstone                        | Bay Bank                          |
| First Bank Upper Michigan | 15                                   | Wakefield               | First National Bank    |                                  | 86                                |
| Grand Rapids              | Fifth Third Bank                     |                         | 10,512                 | West Branch                      | Firstbank, West Branch            |
|                           |                                      | Hancock                 |                        |                                  | Superior National Bank and Trust  |
| Hastings                  | National Bank of Hastings            |                         | 95                     | Total                            |                                   |
|                           |                                      | Hillsdale               |                        |                                  | Hillsdale County National Bank    |
| Ionia                     | Independent Bank                     |                         | 183                    |                                  |                                   |
|                           | Ionia County National Bank           | 65                      |                        |                                  |                                   |
| Iron Mountain             | First National Bank of Iron Mountain | 53                      |                        |                                  |                                   |

(a) Deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system. Deposits are rounded to the nearest thousand and are secured by \$536 million of collateral.

# Bonds and Notes

The Michigan Constitution limits State general obligation debt to (1) short-term debt for State operating purposes, (2) short- and long-term debt for the purpose of making loans to school districts, and (3) long-term debt for voter-approved purposes.

Short-term debt for operating purposes is limited to an amount not in excess of 15 percent of undedicated revenues received during the preceding fiscal year. Under the Michigan Constitution as implemented by statutory provisions, such debt must be authorized by the State Administrative Board and issued only to meet obligations incurred pursuant to appropriation and must be repaid during the fiscal year in which it was incurred. Such debt does not require voter approval.

The amount of debt incurred by the State for the purpose of making loans to school districts is recommended by the State Treasurer, who certifies the amounts necessary for loans to school districts semiannually. The bonds may be issued in whatever amount is required without voter approval. All other general obligation bonds issued by the State must be approved as to amount, purpose, and method of payment by a two-thirds vote of each house of the Legislature and by a majority vote of the public at a general election.

There is no limitation as to number or size of such general obligation issues.

## General Obligation Debt

All current general obligation bond and note issues are presented in Table 6, *General Obligation Debt, Bond and Note Payments*, below. During fiscal 2002, the State issued new debt for \$154.5 million to fund the School Bond Loan and Clean Michigan Initiative Programs. The State also issued \$300.7 million to refund existing debt at a lower interest rate.

## Special Authority Revenue Bond Debt

Certain governmental authorities issue revenue bonds for construction projects and to acquire or build facilities for the State or its institutions of higher learning. These bonds, as shown in Table 7, *Special Authority Revenue Bond Debt*, are obligations of the individual authorities and are not direct general obligations of the State.

## Special Revenue Debt

The State periodically issues long-term bonds for specific purposes, as presented in Table 11, *Special Revenue Debt, Bond and Note Payments*. These issues are not supported by the State's general credit, and their financing comes strictly from the designated revenue sources.



## Table 6

### General Obligation Debt, Bond and Note Payments (In Thousands of Dollars)

| Item                          | Issue Date               | Maturity Dates | New Issues | Principal Payments | Interest Payments* | Outstanding Principal as of 9-30-02 |             |
|-------------------------------|--------------------------|----------------|------------|--------------------|--------------------|-------------------------------------|-------------|
| School Bond Loan (a)          | Series 1995              | 1995           | 1996-2015  | \$ -0-             | \$ 25,700          | \$ 3,162                            | \$ 39,630 * |
|                               | Series 1998              | 1998           | 2000-2017  | -0-                | 75,220             | 7,304                               | 78,855 *    |
|                               | Series 2001 (Refunding)  | 2001           | 2002-2016  | -0-                | 50                 | 4,643                               | 85,245      |
|                               | Series 2001A Multi-Modal | 2001           | 2005-2021  | -0-                | -0-                | -0-                                 | 81,300      |
|                               | Series 2001B Multi-Modal | 2001           | 2021       | 1,245              | -0-                | -0-                                 | 1,245       |
|                               | Series 2001C Multi-Modal | 2001           | 2019-2021  | 45,880             | -0-                | -0-                                 | 45,880      |
|                               | Series 2002A Multi-Modal | 2002           | 2005-2021  | 50,600             | 19,590             | 288                                 | 31,010      |
| Environmental Protection (b)  | Series 2002 (Refunding)  | 2002           | 2003-2015  | 85,125             | -0-                | -0-                                 | 85,125      |
|                               | Series 1989              | 1989           | 1994-2019  | -0-                | 2,902              | 1,876                               | 8,877 *     |
|                               | Series 1992              | 1992           | 2005-2012  | -0-                | 1,841              | 5,861                               | 80,383 *    |
|                               | Water Pollution 1992     | 1992           | 1994-2012  | -0-                | 700                | 559                                 | 8,705       |
|                               | Water Pollution 1993     | 1993           | 1995-2013  | -0-                | 875                | 616                                 | 11,890      |
|                               | Series 1995              | 1995           | 1996-2019  | -0-                | 39,925             | 6,827                               | 86,186 *    |
|                               | Series 1998              | 1998           | 1998-2017  | -0-                | 60,390             | 3,876                               | 19,905 *    |
|                               | Series 2000              | 2000           | 2001-2020  | -0-                | 41,075             | 3,097                               | 18,925 *    |
|                               | Series 2001 (Refunding)  | 2001           | 2002-2016  | -0-                | -0-                | 4,694                               | 86,140      |
|                               | Series 2002 (Refunding)  | 2002           | 2004-2015  | 132,805            | -0-                | -0-                                 | 132,805     |
| Recreation (c)                | Series 1992              | 1992           | 1993-2004  | -0-                | 29,255             | 1,435                               | -0- *       |
|                               | Series 1995              | 1995           | 1996-2019  | -0-                | 10,206             | 361                                 | -0- *       |
|                               | Series 2001 (Refunding)  | 2001           | 2002-2004  | -0-                | 30                 | 591                                 | 11,815      |
|                               | Series 2002 (Refunding)  | 2002           | 2005-2012  | 22,935             | -0-                | -0-                                 | 22,935      |
| Clean Michigan Initiative (d) | Series 1999A             | 1999           | 2003-2019  | -0-                | 59,325             | 4,506                               | 22,440 *    |
|                               | Series 1999B             | 1999           | 2000-2002  | -0-                | 5,095              | 535                                 | 5,430       |
|                               | Series 2001              | 2001           | 2003-2019  | 56,760             | -0-                | 1,459                               | 56,760      |
|                               | Series 2002 (Refunding)  | 2002           | 2004-2016  | 59,790             | -0-                | -0-                                 | 59,790      |
| Total General Obligation Debt |                          |                |            | \$455,140          | \$372,179          | \$51,690                            | \$1,081,276 |

- (a) P.A. 112 of 1961 as amended, provides that the State may borrow from time to time such amounts as shall be required for the purpose of making loans to school districts. Requirements are determined semiannually and General Obligation debt is issued as needed.
- (b) P.A. 328 of 1988, provided for the issuance of \$660 million General Obligation Bonds, of which \$113.4 million remains.
- (c) P.A. 329 of 1988, provided for the issuance of \$140 million General Obligation bonds, all of which have been issued.
- (d) P.A. 284 of 1998 and P.A. 451 of 1994 as amended, provided for the issuance of \$675 million General Obligation bonds, of which \$521 million remains.

\* All or part of the principal amount not presented and not represented in the totals due to the advanced refunding of all or part of this obligation. The table below summarizes the advanced refunding activity by type of bond.

| Series                    | Advanced Refunded From Series | Amount Refunded | FY 02 Paid From Escrow Principal | FY 02 Escrow Interest | FY 02 Escrow Balance |
|---------------------------|-------------------------------|-----------------|----------------------------------|-----------------------|----------------------|
| General Obligation Debt:  |                               |                 |                                  |                       |                      |
| School Bond Loan          | 2001, 2002                    | \$ 172,365      | \$ -0-                           | \$ 4,777              | \$ 172,365           |
| Environmental Protection  | 1995, 2001, 2002              | 232,970         | -0-                              | 7,635                 | 230,472              |
| Recreation                | 2001, 2002                    | 35,365          | -0-                              | 707                   | 35,365               |
| Clean Michigan Initiative | 2002                          | 59,325          | -0-                              | -0-                   | 59,325               |
|                           |                               | \$ 500,025      | \$ -0-                           | \$ 13,119             | \$ 497,527           |

# Table 7



## Special Authority Revenue Bond Debt <sup>(a)</sup> (In Thousands of Dollars)

| Item   | New Issues         | Principal Payments | Interest Payments | Outstanding Principal as of 9-30-02 |
|--|--------------------|--------------------|-------------------|-------------------------------------|
| Mackinac Island State Park Commission                              | \$ -0-             | \$ 195             | \$ 152            | \$ 2,530 *                          |
| Michigan State Housing Development Authority (b)                   | 239,631            | 226,585            | 104,675           | 2,030,891                           |
| Michigan State Hospital Finance Authority (c)                      | 263,970            | 121,995            | 253,608           | 3,845,458 *                         |
| Michigan Higher Education Facilities Authority                     | 68,050             | 13,885             | 14,881            | 334,330                             |
| Michigan Higher Education Student Loan Authority                   | 620,425            | 130,450            | 29,062            | 1,419,340                           |
| Michigan Municipal Bond Authority                                  | 1,751,620          | 898,489            | 143,310           | 2,961,050                           |
| Michigan State Building Authority (d)                              | 535,555            | 112,735            | 106,775           | 2,582,134 *                         |
| Michigan Underground Storage Tank<br>Financial Assurance Authority | -0-                | 15,070             | 8,767             | 137,450                             |
| Michigan Public Education Facilities Authority                     | -0-                | -0-                | -0-               | -0-                                 |
| Michigan Broadband Development Authority                           | 33,333             | -0-                | -0-               | 33,333                              |
| Michigan Family Farm Development Authority                         | -0-                | 100                | N/A               | 81                                  |
| <b>Total Special Authority Revenue Bond Debt</b>                   | <b>\$3,512,584</b> | <b>\$1,519,504</b> | <b>\$661,230</b>  | <b>\$13,346,597</b>                 |

\* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation.

- (a) Not administered by Department of Treasury. Information in the table is provided by each Authority. Does not include the activity of the Michigan Strategic Fund.
- (b) The new issues include \$46.9 million of new bond issues plus \$0.9 million of capital appreciation for the fiscal year.
- (c) Balance includes \$3,669.3 million in bonds and \$176.2 million in Hospital Equipment Loan Program notes (HELP). Balance does not include MSHFA obligations that have been advance refunded. In FY 2002, net escrow payment activity was \$116.6 million leaving an escrow principal liability as of September 30, 2002 of \$938.6 million.
- (d) Balance includes accreted value at year-end on outstanding Capital Appreciation Bonds. Balance does not include \$1,646.4 million in SBA obligations that have been advance refunded. In FY 2002, \$487.7 million in principal was paid out of escrow, leaving an escrow principal liability as of September 30, 2002 of \$206.4 million. Also, outstanding principal balance does not include commercial paper notes issued by the Authority. As of September 30, 2002, \$255.5 million of commercial paper notes was outstanding.

# Table 8



## General Obligation Bond Payment Schedule (In Thousands of Dollars)

| For Period Ended<br>September 30 | Principal          | Interest         | Total              |
|----------------------------------|--------------------|------------------|--------------------|
| 2003                             | \$ 25,759          | \$ 52,469        | \$ 78,228          |
| 2004                             | 27,501             | 55,219           | 82,720             |
| 2005                             | 52,678             | 53,593           | 106,271            |
| 2006                             | 59,908             | 49,770           | 109,678            |
| 2007                             | 60,745             | 49,390           | 110,135            |
| 2008                             | 65,029             | 45,172           | 110,201            |
| 2009                             | 65,327             | 44,953           | 110,280            |
| 2010                             | 68,413             | 42,072           | 110,485            |
| 2011                             | 76,256             | 34,324           | 110,580            |
| 2012                             | 77,150             | 33,502           | 110,652            |
| 2013                             | 88,530             | 22,196           | 110,726            |
| 2014                             | 90,035             | 17,415           | 107,450            |
| 2015                             | 89,470             | 12,613           | 102,083            |
| 2016                             | 64,090             | 8,482            | 72,572             |
| 2017                             | 44,240             | 5,750            | 49,990             |
| 2018                             | 25,915             | 4,527            | 30,442             |
| 2019                             | 35,535             | 3,051            | 38,586             |
| 2020                             | 34,760             | 1,712            | 36,472             |
| 2021                             | 29,935             | 524              | 30,459             |
| <b>Total (a)</b>                 | <b>\$1,081,276</b> | <b>\$536,734</b> | <b>\$1,618,010</b> |

(a) Includes \$159.4 million in State of Michigan Multi-Modal General Obligation School Loan Bonds, Series 2001 A, B, C and 2002 A, assuming a 3.5% interest rate and maturing in years 2005 through 2021.

# Table 9



## Bonds and Notes Payable by Fiscal Year (In Thousands of Dollars)

| Item  | Outstanding on September 30 |                     |                     |                     |                     |
|---|-----------------------------|---------------------|---------------------|---------------------|---------------------|
|   | 1998                        | 1999                | 2000                | 2001                | 2002                |
| <b>GENERAL OBLIGATION DEBT</b>                                  |                             |                     |                     |                     |                     |
| School Bond Loan  | \$ 328,670                  | \$ 322,650          | \$ 316,370          | \$ 386,000          | \$ 448,290 *        |
| Water Resources   | 4,000                       | -0-                 | -0-                 | -0-                 | -0-                 |
| Environmental Protection  | 450,727                     | 439,851             | 421,652             | 480,565             | 453,816 *           |
| Recreation  | 90,675                      | 76,876              | 65,341              | 39,460              | 34,750              |
| Clean Michigan Initiative                                       |                             |                     | 96,860              | 92,290              | 144,420             |
| <b>Total General Obligation Debt</b>                            | <b>\$ 874,072</b>           | <b>\$ 839,377</b>   | <b>\$ 900,223</b>   | <b>\$ 998,315</b>   | <b>\$ 1,081,276</b> |
| <b>NON-GENERAL OBLIGATION DEBT</b>                              |                             |                     |                     |                     |                     |
| Michigan Department of Transportation Tax Dedicated Bonds       | \$ 866,018                  | \$ 827,870          | \$ 801,830          | \$ 1,081,119        | \$ 1,126,763 *      |
| MDOT Grant Anticipation Notes                                   | -0-                         | -0-                 | -0-                 | 400,000             | 600,000             |
| Michigan Department of Natural Resources                        |                             |                     |                     |                     |                     |
| State Park Revenue Bonds  | -0-                         | -0-                 | -0-                 | -0-                 | 15,500              |
| Special Authorities-Revenue Bonds and Notes: (a)                |                             |                     |                     |                     |                     |
| International Bridge Authority                                  | 2,805                       | 1,818               | -0-                 | -0-                 | -0-                 |
| Mackinac Island State Park Commission                           | 2,200                       | 2,980               | 2,805               | 2,725               | 2,530 *             |
| Michigan State Housing Development Authority                    | 2,088,563                   | 2,026,541           | 2,058,321           | 2,010,900           | 2,030,891           |
| Michigan State Hospital Finance Authority                       | 3,586,525                   | 3,569,311           | 3,735,500           | 3,751,233           | 3,845,458 *         |
| Michigan Higher Education Facilities Authority                  | 218,190                     | 220,395             | 228,845             | 293,575             | 334,330 *           |
| Michigan Higher Education Student Loan Authority                | 817,425                     | 782,360             | 835,595             | 929,365             | 1,419,340           |
| Michigan Municipal Bond Authority                               | 1,685,997                   | 2,243,566           | 2,555,130           | 2,883,835           | 2,961,050           |
| Michigan State Building Authority                               | 1,996,787                   | 1,945,086           | 1,957,803           | 2,159,314           | 2,582,134 *         |
| Michigan Underground Storage Tank Financial Assurance Authority | 193,555                     | 180,540             | 166,870             | 152,520             | 137,450             |
| Michigan Public Education Facilities Authority                  | -0-                         | -0-                 | -0-                 | -0-                 | -0-                 |
| Michigan Broadband Development Authority                        | -0-                         | -0-                 | -0-                 | -0-                 | 33,333              |
| Michigan Family Farm Development Authority                      | 1,008                       | 505                 | 410                 | 181                 | 81                  |
| <b>Total Non-General Obligation Debt</b>                        | <b>\$11,459,073</b>         | <b>\$11,800,972</b> | <b>\$12,343,109</b> | <b>\$13,664,767</b> | <b>\$15,088,860</b> |

\* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation.

(a) Does not include the activity of the Michigan Strategic Fund.

# Table 10



## Local Government Unit Bonds and Notes (In Thousands of Dollars)

| Item (a)                            | 1998          |                      | 1999          |                     | 2000          |                     | 2001          |                     | 2002          |                     |
|-------------------------------------|---------------|----------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|
|                                     | No. of Issues | Amount               | No. of Issues | Amount              | No. of Issues | Amount              | No. of Issues | Amount              | No. of Issues | Amount              |
| <b>SCHOOLS</b>                      |               |                      |               |                     |               |                     |               |                     |               |                     |
| Notes and Lines of Credit           | 273           | \$ 550,839           | 230           | \$ 442,489          | 242           | \$ 609,060          | 245           | \$ 723,039          | 274           | \$ 730,684          |
| Bonds                               | 150           | 2,763,400            | 165           | 2,643,085           | 87            | 1,344,041           | 105           | 1,929,499           | 94            | 1,624,813           |
| Community College Bonds and Notes   | 9             | 86,430               | 5             | 46,410              | 6             | 80,600              | 3             | 41,100              | 7             | 137,730             |
| Energy Conservation Bonds and Notes | 12            | 15,129               | 10            | 34,394              | 11            | 12,679              | 18            | 24,382              | 11            | 12,398              |
| Other                               | 19            | -0-                  | 28            | -0-                 | 22            | -0-                 | 20            | -0-                 | 5             | -0-                 |
| <b>Totals</b>                       | <b>463</b>    | <b>\$3,415,798</b>   | <b>438</b>    | <b>\$3,166,378</b>  | <b>368</b>    | <b>\$2,046,380</b>  | <b>391</b>    | <b>\$2,718,020</b>  | <b>391</b>    | <b>\$2,505,625</b>  |
| <b>MUNICIPALITIES</b>               |               |                      |               |                     |               |                     |               |                     |               |                     |
| Tax Notes                           | 50            | \$ 295,410           | 50            | \$ 281,734          | 45            | \$ 342,370          | 40            | \$ 346,205          | 9             | \$ 34,044           |
| Special Assessment Bonds            | 58            | 53,457               | 67            | 59,695              | 64            | 92,587              | 49            | 52,065              | 37            | 58,338              |
| General Obligation Bonds            | 172           | 1,107,572            | 175           | 803,734             | 130           | 567,445             | 149           | 1,201,305           | 82            | 365,638             |
| Revenue Bonds                       | 125           | 2,582,019            | 110           | 806,485             | 75            | 1,482,011           | 87            | 3,440,194           | 51            | 609,520             |
| Drain Bonds (Act 40)                | 19            | 27,852               | 19            | 40,900              | 26            | 95,959              | 24            | 226,030             | 16            | 54,030              |
| Transportation Fund Bonds (Act 51)  | 8             | 130,380              | 8             | 45,280              | 2             | 13,190              | 4             | 5,200               | 2             | 102,170             |
| Transportation Fund Notes (Act 143) | 3             | 6,150                | 6             | 16,895              | 6             | 6,250               | 10            | 23,145              | 8             | 14,550              |
| Transportation Fund Bonds (Act 175) | 19            | 33,985               | 17            | 23,084              | 18            | 43,105              | 15            | 12,685              | 9             | 22,530              |
| Water and Sewer Bonds (Act 185)     | 35            | 88,023               | 40            | 139,515             | 17            | 58,864              | 23            | 86,770              | 15            | 76,810              |
| Water and Sewer Bonds (Act 342)     | -0-           | -0-                  | 14            | 55,765              | 9             | 28,610              | 9             | 28,625              | 5             | 16,555              |
| Authority (Bonds) (b)               | 25            | 2,262,500            | 32            | 2,769,895           | 30            | 1,133,435           | 21            | 2,391,105           | 89            | 5,641,080           |
| Authority (Notes) (b)               | 2             | 1,595,000            | 1             | 75,000              | 4             | 1,188,000           | 2             | 700,000             | -0-           | -0-                 |
| Miscellaneous Bonds and Notes       | 34            | 379,680              | 33            | 32,737              | 18            | 21,622              | 21            | 30,787              | 15            | 260,305             |
| Other                               | 7             | -0-                  | 3             | -0-                 | 8             | -0-                 | 1             | -0-                 | -0-           | -0-                 |
| <b>Totals</b>                       | <b>557</b>    | <b>\$ 8,562,028</b>  | <b>575</b>    | <b>\$ 5,150,719</b> | <b>452</b>    | <b>\$ 5,073,447</b> | <b>455</b>    | <b>\$ 8,544,116</b> | <b>338</b>    | <b>\$ 7,255,570</b> |
| <b>GRAND TOTAL</b>                  | <b>1,020</b>  | <b>\$ 11,977,826</b> | <b>1,013</b>  | <b>\$ 8,317,097</b> | <b>820</b>    | <b>\$ 7,119,827</b> | <b>846</b>    | <b>\$11,262,137</b> | <b>729</b>    | <b>\$ 9,761,195</b> |

(a) Historically, the number of issues was equal to the number of approval orders granted; however, an approved issue may or may not have been sold by the local unit of government. For 2002, the number of issues reflect those actually sold and so reported by the unit of local government.

(b) Includes state and local issues.

# Table 11



## Special Revenue Debt, Bond and Note Payments (In Thousands of Dollars)

| Item  | Issue Date | Maturity Dates | Amount issued | Principal Payments | Interest Payments | Outstanding Principal as of 9-30-02 |
|---|------------|----------------|---------------|--------------------|-------------------|-------------------------------------|
| <b>Michigan Department of Transportation</b>    |            |                |               |                    |                   |                                     |
| Tax Dedicated Bonds Michigan                    |            |                |               |                    |                   |                                     |
| Comprehensive Transportation:                   |            |                |               |                    |                   |                                     |
| Series 1985                                     | 1985       | 2011           | \$ 57,830     | \$ -0-             | \$ -0-            | \$ -0- *                            |
| Series 1992-A                                   | 1992       | 2022           | 37,655        | 860                | 47                | -0- *                               |
| RF. SR. 1992-B                                  | 1992       | 2011           | 127,310       | 103,820            | 5,998             | -0-                                 |
| RF. SR. 1996-A                                  | 1996       | 2014           | 22,650        | 80                 | 1,201             | 22,280                              |
| RF. SR. 1998-A                                  | 1998       | 2010           | 38,640        | -0-                | 1,901             | 38,640                              |
| RF. SR. 2001-A                                  | 2001       | 2021           | 27,765        | -0-                | 1,073             | 27,765                              |
| RF. SR. 2002-A                                  | 2002       | 2011           | 89,620        | -0-                | -0-               | 89,620                              |
| Series 2002-B                                   | 2002       | 2022           | 82,310        | -0-                | -0-               | 82,310                              |
| <b>State Trunkline Fund:</b>                    |            |                |               |                    |                   |                                     |
| Series 1989-A                                   | 1989       | 2019           | 135,780       | -0-                | -0-               | 11,195 *                            |
| Series 1992-A                                   | 1992       | 2021           | 253,618       | 70,555             | 4,148             | 37,987 *                            |
| RF. SR. 1992-B I & II                           | 1992       | 2021           | 99,592        | 29,575             | 1,746             | 7,746 *                             |
| Series 1994-A                                   | 1994       | 2024           | 150,000       | 10,305             | 1,148             | 12,815 *                            |
| RF. SR. 1994-B                                  | 1994       | 2002           | 90,990        | 5,515              | 439               | 5,810                               |
| SR. 1996-A                                      | 1996       | 2026           | 54,500        | 3,655              | 576               | 6,635 *                             |
| RF. SR. 1998-A                                  | 1998       | 2026           | 377,890       | -0-                | 19,455            | 377,890                             |
| Series 2001-A                                   | 2001       | 2030           | 308,200       | -0-                | 12,160            | 308,200                             |
| RF. SR. 2002                                    | 2002       | 2021           | 97,870        | -0-                | -0-               | 97,870                              |
| <b>MDOT Grant Anticipation Notes:</b>           |            |                |               |                    |                   |                                     |
| Series 2001-A,B,C,D                             | 2001       | 2008           | 400,000       | -0-                | 6,218             | 400,000                             |
| Series 2002-A,B,C,D                             | 2002       | 2009           | 200,000       | -0-                | 58                | 200,000                             |
| <b>Michigan Department of Natural Resources</b> |            |                |               |                    |                   |                                     |
| State Park Revenue Bonds                        |            |                |               |                    |                   |                                     |
| Series 2002                                     | 2002       | Maturity       | 15,500        | -0-                | -0-               | 15,500                              |
| <b>Total Special Revenue Debt</b>               |            |                |               | <b>\$224,365</b>   | <b>\$56,168</b>   | <b>\$1,742,263</b>                  |

\* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation. The table below summarizes the advance refunding activity by type of bond.

| Series                       | Advanced Refunded From Series       | Amount Refunded   | FY 02 Paid From Escrow |                  | FY 02 Escrow Balance |
|------------------------------|-------------------------------------|-------------------|------------------------|------------------|----------------------|
|                              |                                     |                   | Principal              | Interest         |                      |
| <b>Special Revenue Debt:</b> |                                     |                   |                        |                  |                      |
| Comprehensive Transportation |                                     |                   |                        |                  |                      |
|                              | 1988-II, 1992B, 1996A, 2001A, 2002A | \$ 153,451        | \$ 126,070             | \$ 2,257         | \$ -0-               |
| Trunkline Transportation     |                                     |                   |                        |                  |                      |
|                              | 1992B, 1994B, 1998A, 2002           | 441,875           | -0-                    | 19,152           | 441,875              |
|                              |                                     | <b>\$ 595,326</b> | <b>\$ 126,070</b>      | <b>\$ 21,409</b> | <b>\$ 441,875</b>    |

# State Tax Collections

State taxes and fees totaling \$20,617,475 (in thousands) were collected during fiscal year 2002, which is a decrease of 1.6 percent over the previous year.

During fiscal year 2002, a number of changes were enacted to tax rates including reducing individual income tax and single business tax rates.

Major tax collections for fiscal year 2002 and the previous four years are detailed in Table 12, *Taxes and Fees Collected on a Cash Basis*, below.

Table 13, *Michigan State Taxes*, identifies all Michigan taxes and gives administrative information about each.

## Table 12



### Treasury Administered Taxes and Fees Collected on a Cash Basis (In Thousands of Dollars)

| Type of Revenue                                | 10-1-97<br>to<br>9-30-98 | 10-1-98<br>to<br>9-30-99 | 10-1-99<br>to<br>9-30-00 | 10-1-00<br>to<br>9-30-01 | 10-1-01<br>to<br>9-30-02 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Income Tax:</b>                             |                          |                          |                          |                          |                          |
| Withholding Tax                                | \$ 6,096,765             | \$ 6,480,945             | \$ 6,715,569             | \$ 6,636,961             | \$ 6,438,241             |
| Individual Income Tax                          | 644,122                  | 713,640                  | 778,805                  | 695,484                  | 521,286                  |
| Individual Income Tax Estimates                | 651,597                  | 839,077                  | 866,548                  | 784,278                  | 635,691                  |
| Individual Income Tax Penalty and Interest     | 23,816                   | 22,860                   | 22,489                   | 21,219                   | 22,802                   |
| <b>Gross Individual Income Tax Collections</b> | <b>7,416,300</b>         | <b>8,056,522</b>         | <b>8,383,411</b>         | <b>8,137,942</b>         | <b>7,618,020</b>         |
| Tax Refunds and Tax Credits (a)                | (1,019,217)              | (1,117,551)              | (1,136,887)              | (1,298,637)              | (1,357,672)              |
| <b>Net Individual Income Tax</b>               | <b>\$ 6,397,083</b>      | <b>\$ 6,938,970</b>      | <b>\$ 7,246,524</b>      | <b>\$ 6,839,304</b>      | <b>\$ 6,260,348</b>      |
| <b>Single Business Tax</b>                     | <b>\$ 2,500,815</b>      | <b>\$ 2,605,948</b>      | <b>\$ 2,520,405</b>      | <b>\$ 2,356,745</b>      | <b>\$ 2,280,168</b>      |
| Single Business Tax Penalty and Interest       | 47,042                   | 47,898                   | 61,126                   | 71,375                   | 68,675                   |
| <b>Gross Single Business Tax</b>               | <b>2,547,857</b>         | <b>2,653,846</b>         | <b>2,581,531</b>         | <b>2,428,120</b>         | <b>2,348,843</b>         |
| Tax Refunds                                    | (174,610)                | (232,854)                | (217,096)                | (263,972)                | (296,604)                |
| <b>Net Single Business Tax</b>                 | <b>\$ 2,373,247</b>      | <b>\$ 2,420,992</b>      | <b>\$ 2,364,435</b>      | <b>\$ 2,164,148</b>      | <b>\$ 2,052,239</b>      |
| <b>Motor Fuel Taxes</b>                        | <b>\$ 1,028,851</b>      | <b>\$ 1,066,743</b>      | <b>\$ 1,081,026</b>      | <b>\$ 1,066,554</b>      | <b>\$ 1,098,032</b>      |
| Sales Tax                                      | 5,565,908                | 5,918,067                | 6,240,769                | 6,364,641                | 6,492,547                |
| Use Tax  | 1,151,208                | 1,293,931                | 1,327,630                | 1,343,760                | 1,315,629                |
| Sales, Use, Withholding Penalty and Interest   | 56,980                   | 62,582                   | 57,567                   | 51,001                   | 52,452                   |
| Cigarette Tobacco Products Tax                 | 546,718                  | 599,440                  | 592,124                  | 581,957                  | 622,223                  |
| Non-Cigarette Tobacco Products Tax             | 12,631                   | 14,284                   | 15,607                   | 16,552                   | 18,837                   |
| Intangibles Tax (b)                            | 44,776                   | 810                      | 1,075                    | (133)                    | 608                      |
| Inheritance Tax (c)                            | 842                      | (293)                    | 405                      | 488                      | 509                      |
| Estate Tax (c)                                 | 99,775                   | 175,275                  | 163,245                  | 159,055                  | 141,475                  |
| Utility Property Tax                           | 101,847                  | 214,286                  | 156,666                  | 103,223                  | 140,841                  |
| Gas and Oil Severance Tax                      | 33,327                   | 23,924                   | 40,804                   | 60,771                   | 34,647                   |
| Gas and Oil Privilege Fee                      | 6,159                    | 5,219                    | 6,460                    | 12,533                   | 5,107                    |
| Industrial/Commercial Facilities Tax           | 123,343                  | 136,043                  | 144,878                  | 130,634                  | 149,889                  |
| Convention Facility Tax                        | 15,486                   | 16,593                   | 18,239                   | 17,872                   | 15,775                   |
| Underground Regulatory Fee                     | 57,259                   | 58,776                   | 59,567                   | 57,912                   | 60,929                   |
| Insurance-Retaliatory Tax                      | 138,834                  | 191,702                  | 155,191                  | 194,996                  | 218,651                  |
| State Education Tax                            | 1,237,065                | 1,245,055                | 1,337,391                | 1,428,681                | 1,578,743                |
| Real Estate Transfer Tax                       | 224,405                  | 253,813                  | 250,663                  | 262,682                  | 254,237                  |
| Commercial Mobile Radio Service Tax            | -0-                      | -0-                      | 12,303                   | 22,501                   | 24,734                   |
| Airport Parking Tax                            | 13,735                   | 14,677                   | 16,804                   | 17,522                   | 14,135                   |
| State Housing Development Service Fee          | 6,054                    | 9,933                    | 5,864                    | 7,578                    | 7,911                    |
| Other Taxes and Fees (d)                       | 45,840                   | 64,974                   | 52,858                   | 47,037                   | 56,977                   |
| <b>TOTAL</b>                                   | <b>\$ 19,281,373</b>     | <b>\$ 20,722,795</b>     | <b>\$ 21,348,095</b>     | <b>\$ 20,951,268</b>     | <b>\$ 20,617,475</b>     |

(a) Temporary Assistance to Needy Families (TANF) funded by the Federal government reduced income tax refunds by \$56 million in FY 2002.

(b) Public Act 5 of 1995 repealed Public Act 301 of 1939 regarding collection of Intangible Taxes. Refunds paid exceeded revenue collected in FY 2001.

(c) Public Act 54 of 1993 replaced the Inheritance Tax for dates of death after September 30, 1993 with the Estate Tax.

(d) Includes Court Fines, Fees and Assessments, Trailer Coach Parks Specific Tax, Commercial Forest Tax and Low Grade Iron Ore Specific Tax.

# Table 13



## Michigan State Taxes (In Thousands of Dollars)

| Tax Source                                      | Year Adopted | Department Administered by   | Payment Deadline  | Net Cash Receipts 10-1-01 to 9-30-02 | Disposition   |
|---|--------------|------------------------------|---|--------------------------------------|---|
| Aircraft Registration                           | 1923         | Transportation               | August 1  | 285                                  | State Aeronautics Fund  |
| Airport Parking                                 | 1987         | TREASURY                     | 15th of each month  | 14,135                               | Local Units   |
| Aviation Fuel                                   | 1929         | TREASURY                     | 20th of each month  | 6,341                                | State Aeronautics Fund  |
| Beer and Wine Excise                            | 1933         | Consumer & Industry Services | Monthly reports and/or stamps   | 50,079                               | General Fund  |
| Casino Wagering                                 | 1999         | Education                    | Daily   | 92,302                               | School Aid Fund   |
| Cigarette Tobacco Products                      | 1947         | TREASURY                     | 20th of each month  | 622,223                              | Prior to August 1, 2002: 63.4% to School Aid Fund, 25.3% to General Fund, 6% to Healthy Michigan Fund, 5.3% to Local Units. Beginning August 1, 2002: 54.2% to School Aid Fund, 33% to General Fund, 6% to Healthy Michigan Fund, 6.8% to Local Units |
| Non-Cigarette Tobacco Products                  | 1994         | TREASURY                     | 20th of each month  | 18,837                               | Prior to August 1, 2002: 94% to School Aid Fund, 6% Healthy Michigan Fund. Beginning August 1, 2002: 75.6% to School Aid Fund, 18.4% to General Fund, 6% to Healthy Michigan Fund   |
| Commercial Mobile Radio Services                | 1999         | TREASURY                     | Last day of Feb., April, July & Oct.                                      | 24,734                               | Commercial Radio Suppliers and Counties   |
| Convention Facility Development                 | 1985         | TREASURY                     | 15th of each month  | 15,775                               | Debt Service for Cobo Hall Expansion  |
| Corporate Organization                          | 1891         | Consumer & Industry Services | At time of incorporation, admission or increase in stock                  | 11,933                               | General Fund  |
| Diesel Fuel                                     | 1947         | TREASURY                     | 20th of each month  | 86,472                               | Michigan Transportation Fund  |
| Estate  | 1994         | TREASURY                     | Within 105 days after death, except contingent transfers-due at vesting   | 141,475                              | General Fund  |
| Gas and Oil Privilege Fee                       | 1973         | TREASURY                     | 25th of each month  | 5,107                                | General Fund  |
| Gas and Oil Severance                           | 1929         | TREASURY                     | 25th of each month  | 34,647                               | General Fund  |
| Gasoline  | 1925         | TREASURY                     | 20th of each month  | 947,872                              | Michigan Transportation Fund  |
| Horse Race Wagering                             | 1933         | Agriculture                  | At end of each day's racing   | 12,577                               | Agriculture Equine Industry Development Fund  |
| Individual Income                               | 1967         | TREASURY                     | April 15  | 6,260,348                            | General Fund with 24.1% to School Aid Fund prior to January 1, 2002 and 24.7% to School Aid Fund after January 1, 2002  |
| Industrial Facilities                           | 1974         | TREASURY                     | December 1  | 149,889                              | Local Units and School Aid Fund   |
| Inheritance                                     | 1899         | TREASURY                     | Within 105 days after death, except contingent transfers-due at vesting   | 509                                  | General Fund  |
| Insurance Company Retaliatory                   | 1987         | TREASURY                     | Last day of April, July, Oct. and Jan.                                    | 218,651                              | General Fund  |
| Intangibles                                     | 1939         | TREASURY                     | April 30, or last day of 4th month after end of taxpayer's tax year       | 608                                  | General Fund  |
| Liquified Petroleum Gas                         | 1953         | TREASURY                     | 20th of each month  | 719                                  | Michigan Transportation Fund  |
| Liquor Excise - 4%                              | 1957         | Consumer & Industry Services | At the time of sale to retail licensees                                   | 29,141                               | School Aid Fund   |
| Liquor Specific - 4%                            | 1959         | Consumer & Industry Services | At the time of sale to retail licensees                                   | 29,964                               | General Fund  |
| Liquor Specific - 1.85%                         | 1972         | Consumer & Industry Services | At the time of sale to retail licensees                                   | 10,707                               | Liquor Purchase Revolving Fund  |
| Liquor - 4% - Tourism and Convention Facilities | 1985         | Consumer & Industry Services | At the time of sale to retail licensees                                   | 29,242                               | Debt Service for Cobo Hall Expansion and Local Units  |
| Marine Fuel                                     | 1947         | TREASURY                     | 20th of each month  | 307                                  | Michigan State Waterways Fund   |
| Motor Carrier Diesel Fuel                       | 1980         | TREASURY                     | Last day of month following close of qtr.                                 | 56,247                               | Michigan Transportation Fund  |
| Motor Carrier's Privilege                       | 1923         | Consumer & Industry Services | December 1  | 5,165                                | Michigan Transportation Fund  |
| Motor Vehicle Weight or Value                   | 1905         | State                        | Owner's birthday  | 824,361                              | Michigan Transportation Fund  |
| Real Estate Transfer                            | 1994         | TREASURY                     | County Treasurer remits to State on the 15th in the month after receipt   | 254,237                              | School Aid Fund   |
| Sales   | 1933         | TREASURY                     | 15th and last day of each month   | 6,492,547                            | 73.3% to School Aid Fund, 1.7% to General Fund, 1.3% to Comprehensive Transportation Fund, 23.7% to Local Units   |
| Single Business                                 | 1975         | TREASURY                     | April 30, or last day of 4th month after end of taxpayer's tax year       | 2,052,239                            | General Fund  |
| State Education                                 | 1994         | TREASURY                     | County Treasurer remits to State the month after receipt from Local Units | 1,578,743                            | School Aid Fund   |
| Snowmobile Registration                         | 1968         | State                        | October 1 (every 3rd year)  | 1,501                                | General Fund  |
| Underground Regulatory                          | 1989         | TREASURY                     | 10th and 25th of each month   | 60,929                               | Michigan Underground Storage Tank Financial Assurance Fund  |
| Utility Property                                | 1905         | TREASURY                     | July 1 or 1/2 on Aug. 1, 1/2 on Dec. 1                                    | 140,841                              | General Fund  |
| Use   | 1937         | TREASURY                     | 15th of each month  | 1,315,629                            | 66.6% to General Fund, 33.4% to School Aid Fund   |
| Watercraft Registration                         | 1967         | State                        | January 1 (every 3rd year)  | 10,497                               | 17.5% to Michigan State Waterways Fund, 33.5% to Harbor Development Fund, 49% to Marine Safety Fund   |

# Local Property Taxes

Local property taxes in Michigan are levied by local units of government - school districts, cities, counties, townships and villages. Each of Michigan's 83 counties then "equalizes" the local assessments.

Equalization ensures that similar properties in different areas are assessed equitably. Following county equalization, the State Tax Commission equalizes among counties.

Table 14 shows state, county and local equalized valuations for calendar year 2001 and the prior decade. This table also lists the total Taxable Valuation beginning with the 1994 tax year and lists the average tax rate (millage) for each year. Table 15 shows how property tax dollars are apportioned among the various taxing units.

Michigan taxpayers' local property tax burden is lessened substantially by an income tax credit for property taxes paid.

## Table 14



### Local Property Tax Valuation, Levies and Average Rates (In Millions of Dollars)

| Calendar Year | Local Assessed Valuation | County Equalized Valuation | State Equalized Valuation | Taxable Valuation <sup>(a)</sup> | Total Taxes Levied | Average Rate (Mills) <sup>(b)</sup> | Homestead Average Rate <sup>(c)</sup> | Nonhomestead Average Rate |
|---------------|--------------------------|----------------------------|---------------------------|----------------------------------|--------------------|-------------------------------------|---------------------------------------|---------------------------|
| 2001          | \$ 312,429               | \$ 312,519                 | \$ 312,896                | \$ 257,712                       | \$ 10,251          | 39.78                               | 32.12                                 | 50.72                     |
| 2000          | 284,331                  | 284,427                    | 284,427                   | 240,647                          | 9,462              | 39.32                               | 31.54                                 | 50.10                     |
| 1999          | 260,964                  | 261,002                    | 261,002                   | 228,096                          | 8,933              | 39.16                               | 31.40                                 | 49.76                     |
| 1998          | 237,401                  | 237,410                    | 237,416                   | 215,179                          | 8,450              | 39.27                               | 31.43                                 | 49.68                     |
| 1997          | 216,682                  | 216,745                    | 216,745                   | 202,616                          | 7,952              | 39.25                               | 31.36                                 | 49.63                     |
| 1996          | 200,246                  | 200,341                    | 200,341                   | 191,777                          | 7,536              | 39.32                               | 31.35                                 | 49.52                     |
| 1995          | 186,262                  | 186,388                    | 186,395                   | 185,530                          | 7,081              | 38.88                               | 31.00                                 | 48.79                     |
| 1994          | 175,280                  | 175,550                    | 175,195                   | 175,195 <sup>(a)</sup>           | 6,704              | 38.19                               | 30.22                                 | 48.17                     |
| 1993          | 167,651                  | 167,877                    | 167,731                   | ---                              | 9,501              | 56.64                               | ---                                   | ---                       |
| 1992          | 154,266                  | 154,284                    | 153,929                   | ---                              | 8,942              | 58.09                               | ---                                   | ---                       |
| 1991          | 150,687                  | 150,858                    | 150,665                   | ---                              | 8,639              | 57.34                               | ---                                   | ---                       |

(a) Beginning in 1994, property taxes have been levied against Taxable Value, not State Equalized Value.

(b) This is the Average Rate based on all classes of property.

(c) Homesteads include those properties which receive the "homestead" exemption, and those which receive the "qualified agricultural property" exemption.

## Table 15



### Distribution of Local Property Taxes (In Thousands of Dollars)

| Taxing Unit         | Taxes Levied               |                             | Percent of Increase |
|---------------------|----------------------------|-----------------------------|---------------------|
|                     | 2000                       | 2001                        |                     |
| City                | \$1,829,966                | \$ 1,923,619                | 5.12%               |
| County              | 1,509,459                  | 1,612,237                   | 6.81%               |
| Township            | 526,049                    | 564,489                     | 7.31%               |
| Village             | 73,970                     | 79,095                      | 6.93%               |
| School              | 4,078,934                  | 4,525,182                   | 10.94%              |
| State Education Tax | 1,443,885                  | 1,546,273                   | 7.09%               |
| Totals              | \$9,462,263 <sup>(a)</sup> | \$10,250,893 <sup>(b)</sup> |                     |

(a) \$516.6 million of the total property taxes levied in 2000 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

(b) \$607.9 million of the total property taxes levied in 2001 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

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