Michigan Department of Treasury

Annual Report of the State Treasurer

Fiscal Year 1998-1999

John Engler
Governor

Mark A. Murray
State Treasurer

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STATE OF MICHIGAN

JOHN ENGLER, Governor

DEPARTMENT OF TREASURY

TREASURY BUILDING, P.O. BOX 15128, LANSING, MICHIGAN 48901

MARK A. MURRAY, State Treasurer

Murray Letter

The Honorable John Engler
Members of the Michigan Legislature
People of the State of Michigan

Fiscal 1999 saw the adoption of a host of tax law changes designed to improve the state's competitiveness and return resources to taxpayers. Michigan households are saving even more of their own money thanks to an across-the-board reduction in the income tax rate. In addition, business taxpayers once stymied by the complexities of the Single Business Tax (SBT) now can look forward to the day when the onerous tax no longer exists. Finally, the state's personal property tax tables were updated to reflect the most current and accurate valuation methods.

Continued process improvements and technological innovation within the department have improved taxpayer service and shortened processing time. Services like e-file and Tele-help now offer Michigan taxpayers the convenience of filing their taxes from home, 24 hours a day, 7 days a week. Last year, 50% more state taxpayers took advantage of e-file to obtain their refunds within 7 business days. In addition, Treasury also provides speedy access to forms and information through its Internet Web site (*www.treasury.state.mi.us*), a Tax Forms by Fax (FAXBACK) service, and a customer service desk that offers extended hours through the tax season.

Treasury also began implementing the Michigan Merit Award program, which provides up to $3,000 in scholarships for postsecondary education to students who have met certain academic criteria. Funding for the awards comes from the state's $8 billion settlement with tobacco companies.

These and other positive changes implemented during Fiscal 1999 would not have been possible without the contribution of many dedicated Treasury employees. I am pleased to congratulate all of these individuals for their work on behalf of the people of Michigan.

Sincerely,

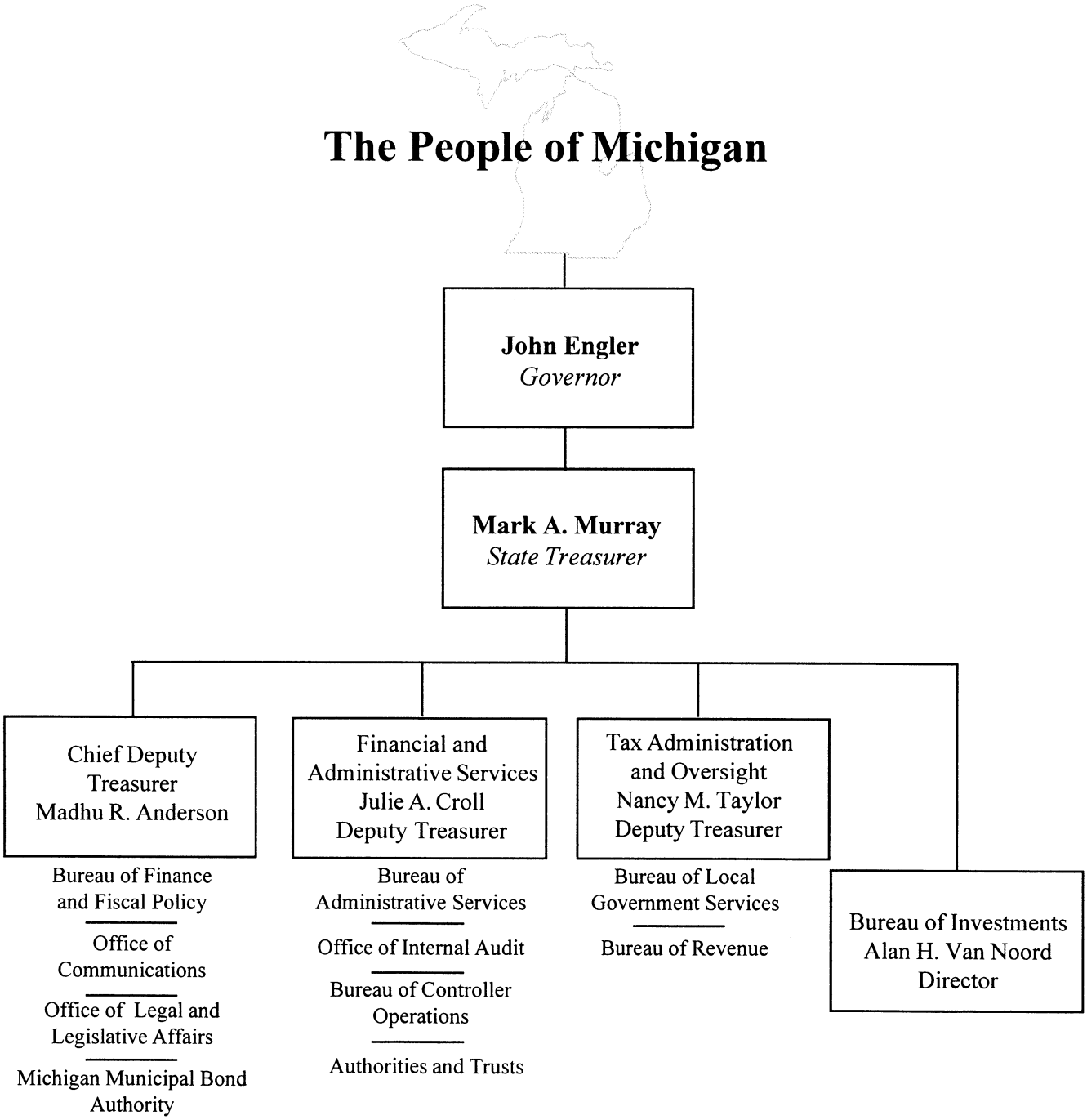
Mark A. Murray
State Treasurer

www.treasury.state.mi.us

About the

Michigan Department of Treasury

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 Senate. Governor John Engler appointed Mark A. Murray as the State's 40th State Treasurer on January 1, 1999.



Responsibilities

Under the State Treasurer's direction, the Department of Treasury collects, invests, and disburses all State monies. The department administers the major tax laws, which in fiscal year 1999 generated 96 percent of the total State tax collections.

The Department of Treasury also administers property tax laws, safeguards the credit of the state and its local governments, audits county and municipal finance records, and holds unclaimed or abandoned property.

The Department of Treasury provides support services to the State Tax Commission, Michigan Municipal Bond Authority, State Assessors Board, Michigan State Hospital Finance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Student Loan Authority, and Michigan Education Trust. While the State Treasurer serves as a member or chair of several of these boards, by law each board operates independently of the State Treasurer, and their members are appointed by the Governor or serve by virtue of their position in state government.

Administration

The Michigan Department of Treasury is organized into an executive office and four areas of responsibility. During fiscal year 1999, departmental operating expenditures were $122.5 million. At the close of fiscal year 1999, Treasury employed 1417 full-time workers.

The Department of Treasury's main office is in downtown Lansing. Field offices are located throughout Michigan, many of which offer taxpayers local access to forms and information. These offices also provide a link to the main office for Treasury auditors and collectors who are assigned to Michigan's 83 counties. Treasury maintains offices in Chicago, Cleveland, Dallas, Los Angeles, and New York for proximity to multi-state taxpayers doing business in Michigan.

Commissions, boards, and authorities within the Michigan Department of Treasury:

Michigan Education Trust
Michigan Higher Education Assistance Authority
Michigan Higher Education Facilities Authority
Michigan Higher Education Student Loan Authority
Michigan Municipal Bond Authority
Michigan State Hospital Finance Authority
State Assessors Board
State Tax Commission

The State Treasurer serves as sole investment fiduciary of the following retirement systems:

Judges
Public School Employees
State Employees
State Police
Total Assets = $47.8 billion on September 30, 1999

The State Treasurer serves as treasurer of the:

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 agencies, authorities, and commissions:

Michigan Education Trust, Chair
Michigan Municipal Bond Authority, Chair
Local Emergency Financial Assistance Loan Board
Michigan Economic Growth Authority
Michigan Enterprise Zone Authority
Michigan Forest Finance Authority
Michigan Higher Education Assistance Authority
Michigan Higher Education Student Loan Authority
Michigan Jobs Commission
Michigan State Hospital Finance Authority
Michigan State Housing Development Authority
Michigan Strategic Fund
Michigan Underground Storage Tank Financial Assurance Authority
Renaissance Zone Review Board
Retirement Boards:
Judges
State Employees
State Police
State Administrative Board

TAX CUTS ADOPTED

The following tax changes were made during fiscal 1999:

- An across-the-board cut in the state income tax rate from 4.4 % to 3.9% phased in over five years — over $1 billion in annual tax relief when fully in place.
- Phase-out and elimination of the Single Business Tax — this tax cut makes Michigan more competitive by attracting thousands of new, high-paying jobs to Michigan instead of other states or countries. The SBT rate is reduced by 0.1 percent in each year beginning January 1, 1999, until it is completely phased out in 2023. The plan also includes an economic downturn provision to protect valuable state programs and services in future years.
- The personal property tax tables were updated, making Michigan businesses more competitive, by allowing for faster, more realistic depreciation of personal property such as high-tech equipment.

FILING TAXES KEEPS GETTING EASIER

Filing taxes and receiving a tax refund in Michigan was quicker and easier this year for taxpayers, primarily because of the department's efforts to automate tax filing:

- Use of electronic filing (e-file) went up by nearly 50 percent; e-file features an on-line error correction system that reduces the possibility of taxpayer error and shortens the waiting period for refunds. Taxpayers who used e-file had just one-third the chance of having their refunds delayed due to user error and received a refund within 7 days.
- Over 300,000 taxpayers used direct deposit, resulting in shorter processing time for income tax returns, greater security for the taxpayer, and the convenience of not having to make a separate trip to the bank to deposit a check.
- Automated telephone help lines handled over 1.2 million calls and operator-assisted lines handled over 800,000 calls.
- Tax forms were made available on-line and by automatic fax.

COLLECTING TAXES MORE EFFICIENTLY

The MARCS (Michigan Accounts Receivable Collection System), which performs telephone collection services via a private contractor, was upgraded to include the latest technology. The outcome has been an increase in annual revenue and a decrease in the cost of collecting state agency debts.

Some of the major features of the new MARCS system that were not available in the previous system:

- A predictive dialer: this system automatically dials the telephone number, and will screen out useless calls (no answer, busy signals, etc.).

- MARCS resides on a client server platform in a Windows environment. This provides more flexibility for future growth and development of enhancements, and a more "user-friendly" method of accessing information.
- The fee structure of the new contract is based on a percentage of collections. The old contract was a cost plus basis. This restricted the contractor from adding staff without state approval.
- MARCS is designed to increase competition (and collections) by allowing multiple collection agencies in the system. This was set up to comply with federal requirements on collection of defaulted student loans.
- Much more collection information is available on-line to users in the department.

SMART INVESTMENTS BRING PENSION FUND TO RECORD HIGH

- The State of Michigan Retirement Systems (SMRS) was at $51.6 billion as of 12/31/99. Over $5 billion has been earned since 12/31/98.
- The system is fully funded. Investments are made on behalf of 529,000 active/retirees.
- Rate of Return has been in the top 25 percent of pension systems in recent years.

MICHIGAN MERIT AWARD ESTABLISHED

In June 1999, Governor Engler signed the "Michigan Merit Award Scholarship Act" into law. The Michigan Merit Award Scholarship is a new merit-based scholarship for high school seniors that rewards hard work and achievement and makes education after high school more affordable. The Merit Award scholarship is available to all Michigan students, including public school, public school academy, private school, and home school students. Students who meet or exceed state standards on the reading, math, science, and writing components of the Michigan Educational Assessment Program (MEAP) High School Test may be eligible for a Merit Award scholarship of up to $3,000. The scholarship may be used for either college or training at any approved education institution. Types of expenses the scholarship is intended to cover include tuition and fees, room and board, books and supplies, transportation, and day care.

MAKING IT EASIER TO PUT PROPERTY BACK IN USE

In July 1999, Governor Engler signed into law changes to simplify and expedite Michigan's tax reversion process, ensuring that the process produces marketable title for tax-reverted properties. These changes accomplish the following:

- Establish three-year tax-reversion process compared to the former six-year process.
- Eliminated annual tax liens in favor of an annual forfeiture and judicial foreclosure process.
- Due process and notification procedures significantly strengthened.
- Additional changes to expedite the handling of abandoned tax-reverted property.

GETTING MICHIGAN'S UNCLAIMED PROPERTY CLAIMED

- Greater use of technology and automation allowed Treasury to initially list two years worth of unclaimed property on the Internet — enabling citizens to do look-ups from their home computers.
- Payouts for fiscal 1999 were $16 million, surpassing the previous all-time record of $10 million.

CUSTOMER SERVICE IMPROVEMENTS

Treasury has begun a fairly extensive integration of Process Improvement Teams into its environment as a way to identify and address customer service improvements.

- A "Check Tracing Team" worked to lessen the number of steps (and time) it takes to find a lost taxpayer's check from 27 steps to 14 steps. Additional improvements are planned to reduce steps to 7.
- The "Income Tax On-Line Team" designed and implemented an on-line correction system that speeds up tax processing and requires less time and involvement by the taxpayer.

SPEEDIER LOANS THROUGH IMAGING

The Michigan Guaranty Agency (MGA) guarantees educational loans to Michigan citizens seeking a postsecondary education. To enhance client service, a document imaging system was implemented earlier this year. This new technology allows MGA employees to respond to client inquiries by viewing an imaged document on their individual PCs within three hours after the document is received within the office. This compares to a response time on newly received documents of up to 14 days under the former system of microfilming. Imaged documents can be retrieved at one's workstation in just 6-8 seconds, making response to client inquiries almost instantaneous. In the past, microfilmed documents would take several days to retrieve and transmit to clients. Borrowers, college and university financial aid administrators, participating lenders, and others can now obtain a quick and accurate response to their educational loan questions.

CIGARETTE STAMP A HUGE SUCCESS

In addition to drastically curbing cigarette smuggling, Michigan's tobacco stamp program has increased revenues even more than expected. During FY 99, the stamp brought in an additional $134 million, for a total of $615 million in tobacco product revenues, for schools, health and safety programs and the state's general fund.

The Tobacco Stamp Act became fully effective in 1998. Cigarettes not bearing the legitimate Michigan cigarette stamp are subject to confiscation, along with the vehicle in which they are transported, and tough penalties include felony charges and possible prison time.

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report

February 11, 2000

Mr. Mark A. Murray
State Treasurer
State of Michigan

Dear Mr. Murray:

We have audited the accompanying schedule of State Treasurer's Common Cash - assets and equities, schedule of investment portfolios of specific funds, and schedule of investment revenues as of and for the fiscal years ended September 30, 1999 and September 30, 1998. These financial schedules are the responsibility of the Department of Treasury's management. Our responsibility is to express an opinion on these financial schedules based on our audit. We did not audit the financial statements of the State Employees' Deferred Compensation Fund I (457), the State Employees' Deferred Compensation Fund II (401(k)), or the State Employees' Defined Contribution Retirement Fund. For the fiscal years ended September 30, 1999 and September 30, 1998, those financial statements reflect total investments constituting 6.1% and 5.8%, respectively, of the investments of the specific funds (Schedule 2) and total investment revenues constituting 6.4% and 1.9%, respectively, of the investment revenues of all funds (Schedule 3). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these funds, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial schedules referred to in the first paragraph present fairly, in all material respects, the State Treasurer's Common Cash - assets and equities, the investment portfolios of specific funds, and the investment revenues as of and for the fiscal years ended September 30, 1999 and September 30, 1998, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards,* we have also issued a report dated February 11, 2000 on our consideration of the Department of Treasury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The supplemental tables and statistical data, listed in the foregoing table of contents, were not audited by us and, accordingly, we express no opinion on them.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Schedule 1

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

	Fiscal Year Ended	
	September 30, 1999	September 30, 1998
Assets:		
Cash on Hand (Vault)	$ 202	$ 212
Demand Deposits	236,502	138,022
Time Deposits - Regular	45,900	51,215
Prime Commercial Paper - At Cost	3,908,761	3,031,138
Emergency Municipal Loans	1,017	2,104
Total	$ 4,192,382	$ 3,222,690
Equities:		
Available Equity of Other Funds	$ 3,987,807	$ 2,967,272
Outstanding Warrants	204,575	255,418
Total	$ 4,192,382	$ 3,222,690

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	Preferred Stock	Common Stock	Mortgages	Real Estate	Alternative Investments	Third Party Administered	International Equities	Fiscal Year Ended Sept. 30, 1999 Total	Fiscal Year Ended Sept. 30, 1998 Total
Legislative Retirement	$ 1,528	$ 42,712	$ 25,089	$ -0-	$ 98,351	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 167,680	$ 152,785
State Police Retirement	42,979	150,234	90,564	-0-	561,229	359	82,096	109,677	-0-	62,075	1,099,213	976,887
State Employees' Retirement	270,294	1,423,796	851,772	-0-	5,268,007	5,955	787,167	1,032,065	-0-	583,042	10,222,098	9,111,644
Public School Employees' Retirement	1,886,324	4,802,728	2,947,794	-0-	18,166,825	43,911	2,646,490	3,559,716	-0-	2,015,009	36,068,797	31,758,332
Judges' Retirement	39,959	45,659	28,154	-0-	173,733	115	27,260	32,684	-0-	18,783	366,347	327,123
State Employees Deferred Compensation:												
Fund I 457	1	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,112,012	-0-	2,112,013	1,885,324
Fund II 401 (k)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	967,328	-0-	967,328	749,052
State Employees' Defined Contribution Retirement Fund	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	195,046	-0-	195,046	145,766
Michigan Veterans' Trust	1,470	48,427	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	49,897	52,957
Game & Fish Protection Trust Fund	46,696	29,009	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	75,705	72,051
Michigan Natural Resources Trust Fund	162,437	61,861	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	224,298	219,249
Michigan State Parks Endowment Fund	54,491	29,668	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	84,159	76,270
Children's Trust	907	6,292	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,199	7,517
State Lottery - Deferred Prize Fund	30,796	1,035,676	-0-	0-	-0-	-0-	-0-	-0-	-0-	-0-	1,066,472	1,222,541
Michigan Higher Education Assistance Authority	1,427	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,427	1,425
Michigan Education Trust, Plans I & II	17,809	356,862	281,733	93,815	12,664	-0-	-0-	-0-	-0-	-0-	762,883	796,618
Gifts, Bequests, and Deposits Investment	26,965	14,423	-0-	-0-	114	-0-	-0-	-0-	-0-	-0-	41,502	43,466
Federal Housing Administration - Mortgages Escrow	1,196	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,196	9,382
Totals	$ 2,585,279	$ 8,047,347	$ 4,225,106	$ 93,815	$ 24,280,923	$ 50,340	$ 3,543,013	$ 4,734,142	$ 3,274,386	$ 2,678,909	$ 53,513,260	$ 47,608,389

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

Schedule 3

Investment Revenues (In Thousands of Dollars)

Fiscal Year Ended September 30

Fund	Common Cash	Specific Funds	1999 Total Revenues	1998 Total Revenues
General	$ 20,690		$ 20,690	$ (17,192)
Counter - Cyclical Budget and Economic Stabilization	51,211		51,211	60,131
Game and Fish Protection	1,309		1,309	1,370
State Aeronautics	681		681	1,442
Michigan Veterans' Trust	233	$ 957	1,190	4,517
State Trunkline	14,007		14,007	11,332
Michigan State Waterways	2,784		2,784	2,799
Blue Water Bridge	650		650	780
Michigan Transportation	11,024		11,024	12,473
Comprehensive Transportation	1,356		1,356	3,259
Marine Safety	290		290	307
Game and Fish Protection Trust Fund	2,620	(162)	2,458	4,713
State Park Improvement	715		715	646
Forest Development Fund	421		421	588
Recreation Bond Fund - Local Projects	348		348	496
Michigan Conservation Endowment Fund	1,149		1,149	1,250
Michigan Natural Resources Trust Fund	8,556	(473)	8,083	14,893
Michigan State Parks Endowment Fund	2,954	(268)	2,686	5,194
Safety Education and Training	159		159	153
Environmental Protection Bond	3,383		3,383	1,921
Clean MI Initiative Bond Fund - Environment Projects	(2)		(2)	---
Workplace Health and Safety	1,198		1,198	1,345
Bottle Deposits Fund	4,646		4,646	2,999
State Construction Code	670		670	660
Children's Trust	93	89	182	544
Homeowner Construction Lien Recovery	78		78	36
Michigan Nongame Fish and Wildlife	245		245	219
1989 State Trunkline Fund Bond Proceeds	(317)		(317)	(72)
1992 State Trunkline Bond Proceeds	420		420	495
1992 State Trunkline Critical Bridge Bond Proceeds	76		76	104
1992 Comprehensive Transportation Bond Proceeds	702		702	900
1994 State Trunkline Bond Proceeds	63		63	(396)
1996 State Trunkline Fund Bond Proceeds	795		795	2,079
Michigan Underground Storage Tank Financial Assurance	176		176	782
Liquor Purchasing Revolving Fund	3,824		3,824	2,421
State Lottery Deferred Prize Fund	4,761	(29,555)	(24,794)	170,261
Michigan Higher Education Assistance Authority	---	75	75	78
State Sponsored Group Insurance	5,806		5,806	9,699
State Water Pollution Control Loan	1,088		1,088	625
Combined State Trunkline Bond and Interest Redemption	34		34	31
Combined Comprehensive Transportation Bond and Interest Redemption	10		10	176
Debt Service - MUSTFA - Finance Authority	78		78	56
Recreation Bond Fund - State Projects	264		264	311
Legislative Retirement	31	20,362	20,393	11,729
State Police Retirement	162	157,893	158,055	76,461
State Employees' Retirement	1,011	1,481,085	1,482,096	718,011
Public School Employees' Retirement	5,636	5,118,800	5,124,436	2,443,513
Judges' Retirement	282	53,063	53,345	26,467
Michigan Employment Security Act Contingent	4,630		4,630	4,781
Michigan Education Trust	---	2,808	2,808	82,152
Vietnam Veterans' Memorial Monument	11		11	8
Children's Institute Trust	6		6	6
Gifts, Bequests, and Deposits Investment	418	572	990	2,833
Silicosis, Dust Disease, and Logging Industry Compensation	276		276	358
Second Injury	1,338		1,338	1,477
Municipal Employees' Retirement	---		---	17
Hospital Patients' Trust	31		31	49
Federal Housing Administration - Mortgages Escrow	---	411	411	91
Self-Insurers' Security	174		174	169
State Employees' Deferred Compensation I (457)	---	273,155	273,155	58,486
State Employees' Deferred Compensation II (401 (k))	---	170,579	170,579	18,026
State Employees' Defined Contribution Retirement Fund	---	30,833	30,833	(4,892)
Workers' Disability Compensation Multiple Trust Funds	7		7	7
Hazardous and Solid Waste Disposal Facilities Closure Guarantee	184		184	202
Urban Land Assembly Loan	180		180	167
Utility Consumer Representation	60		60	45
Bankrupt Self-Insured Corporations' Workers' Disability Fund #1	30		30	33
Bankrupt Self-Insured Corporations' Workers' Disability Fund #2	6		6	13
Bankrupt Self-Insured Corporations' Workers' Disability Fund #4	---		---	33
Bankrupt Self-Insured Corporations' Workers' Disability Fund #5	5		5	6
Bankrupt Self-Insured Corporations' Workers' Disability Fund #6	5		5	5
Bankrupt Self-Insured Corporations' Workers' Disability Fund #7	---		---	3
Bankrupt Self-Insured Corporations' Workers' Disability Fund #8	14		14	14
Bankrupt Self-Insured Corporations' Workers' Disability Fund #9	---		---	6
Bankrupt Self-Insured Corporations' Workers' Disability Fund #10	9		9	---
Bankrupt Self-Insured Corporations' Workers' Disability Fund #11	13		13	18
Bankrupt Self-Insured Corporations' Workers' Disability Fund #12	23		23	24
Fred Sanders, Inc., Workers' Compensation Trust	---		---	5
Transportation Related Trust Funds	21		21	(63)
Totals	$ 163,811	$ 7,280,224	$ 7,444,035	$ 3,744,685

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, preferred stock, common stock, corporate bonds and notes, and convertible bonds.

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

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.

Derivatives are financial instruments whose value is derived from, or based on, an underlying security, asset, reference rate or index. The State Treasurer uses derivatives for a small amount of the pension trust fund portfolios, primarily to provide additional diversification. However, derivatives are not used for speculation and they are not used to leverage the investment portfolios. Less than 6 percent of the total pension trust funds portfolio has been invested from time to time in futures contracts and swap agreements. Swap agreements, which are tied to stock market indices in eighteen foreign countries, represent the largest category of derivatives used and total approximately 5.5 percent of the total portfolio.

As of September 30, 1999, the pension futures consisted of futures contracts with a total notional value of $83 million and a cost of $81.4 million.

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 $16.1 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.

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, 1999 and 1998 was $3,924 and $3,042 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.

Third Party Administered: These investments are for the Deferred Compensation Funds and the State Employees' Defined Contribution Fund. Participants direct their money within a group of mutual funds and other investments.

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, 1999 the state had no outstanding credit risk. The market value of the securities lent at September 30, 1999 and 1998 was $2,061.2 and $2,434.4 million respectively.

e. Accounting Changes and Restatements

Schedule 3: Revenues for 1998 for State Lottery - Deferred Prize Fund have been adjusted to include security lending expenses (reduced by $24,496,000). Revenues for 1998 for Michigan Education Trust have been adjusted to include interest and dividend income receivable (increased by $11,335,000).

Note 2: Change in Reporting of Funds

Effective for fiscal year ended September 30, 1998:

Municipal Employees' Retirement was removed from Schedule 2. This fund became a public corporation on August 15, 1996. The Liquor Purchasing Revolving Fund and Debt Service-MUSTFA-Finance Authority were added as new funds participating in the Common Cash Fund on Schedule 3. The Bankrupt Self-Insured Corporations' Workers' Disability Fund #10, the Michigan State Fair Revolving Fund, and the Department of Natural Resources Magazine were removed from Schedule 3.

Effective for fiscal year ended September 30, 1999:

The Clean MI Initiative Bond Fund - Environment Projects and Bankrupt Self-Insured Corporations' Workers' Disability Fund #10 were added as new funds participating in the Common Cash Fund on Schedule 3.

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 & 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 1990-1999 (In Thousands of Dollars)

Fiscal Year	General Fund Common Cash Earnings (Expenses) (a)	Public School Employees' Retirement	State Employees' Retirement	State Police Retirement	Judges' Retirement	Probate Judges' Retirement (b)	Other Investment Funds	Totals (c)(d)
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	1,907,007
1992	(3,747)	814,420	244,287	26,341	8,343	1,184	332,244	1,423,076
1991	(48,853)	963,738	280,352	29,460	9,104	1,344	338,069	1,573,054
1990	(16,182)	1,040,167	307,571	32,145	9,544	1,573	348,689	1,723,278

	Fiscal Year Ending									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
(a) Total State Treasurer's Common Cash Fund and General Obligation Note Retirement Fund Earnings	$ 132,566	$ 64,236	$ 57,069	$ 50,748	$ 64,435	$ 97,125	$ 99,461	$ 100,067	$ 143,222	$ 163,811
Less distribution of earnings to retirement and other funds which are reported in their earnings totals	148,748	113,089	60,816	51,924	74,922	164,417	164,210	172,071	160,414	143,121
General Fund Common Cash earnings (expenses)	$ (16,182)	$ (48,853)	$ (3,747)	$ (1,176)	$ (10,487)	$ (67,292)	$ (64,749)	$ (72,004)	$ (17,192)	$ 20,690

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

(c) Effective October 1, 1997, as required by Governmental Accounting Standards Board Statement number 31, prior year revenues for non-retirement funds have been restated to include unrealized gains and losses for the fiscal year ended September 30, 1997 (retirement funds were previously reported at fair value).

(d) For the fiscal year 1998, Investment Revenues were restated to include security lending expenses for State Lottery-Deferred Prize Fund and interest and dividend income receivable for Michigan Education Trust.

Table 2

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

Month	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash (a)	Retirement Funds	Bond Funds(b)	Total Common Cash (c)
October 1998	$ 67.9	$ 997.6	$ 1,322.3	$ 2,387.8	$ 184.3	$ 238.8	$ 2,810.9
November	176.4	976.8	1,391.3	2,544.5	119.7	230.0	2,894.2
December	24.2	976.8	1,363.2	2,364.2	176.3	228.4	2,768.9
January 1999	420.9	990.4	1,452.9	2,864.2	143.2	227.5	3,234.9
February	141.7	990.4	1,468.6	2,600.7	139.5	217.0	2,957.2
March	157.2	990.4	1,562.0	2,709.6	79.2	208.2	2,997.0
April	260.0	990.4	1,525.2	2,775.6	143.3	167.9	3,086.8
May	355.3	950.4	1,515.2	2,820.9	104.1	164.0	3,089.0
June	123.3	962.8	1,536.7	2,622.8	144.8	144.5	2,912.1
July	260.6	962.8	1,583.0	2,806.4	100.0	141.6	3,048.0
August	176.9	1,029.9	1,511.9	2,718.7	84.1	127.5	2,930.3
September	1,068.3	1,222.5	1,423.9	3,714.7	142.9	130.2	3,987.8

(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 General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash (a)	Retirement Funds	Bond Funds(b)	Total Common Cash (c)
September 1990 (d)	$ 59.7	$ 445.8	$ 881.2	$ 1,386.7	$ 208.8	$ 221.2	$ 1,816.7
September 1991 (d)	(167.7)	406.2	684.0	922.5	181.7	125.1	1,229.3
September 1992 (d)	(210.0)	188.6	869.0	847.6	235.8	520.3	1,603.7
September 1993 (d)	32.7	20.7	1,067.6	1,121.0	238.6	349.2	1,708.8
September 1994 (d)	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

(a) Manageable Common Cash Includes the General, School Aid and Budget Stabilization Funds, Special Revenue, Enterprise, Internal Service, Retirement, 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, Debt Service, Capital Projects and Bond Funds. Fiscal years 1990 through 1994 include Imprest Cash and/or transactions in process.

(d) General and School Aid Funds balance includes $16.6 million of transactions in process for 1990, $14.1 million for 1991, $10.8 million for 1992, $18.6 million 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 10-1-98	Receipts (a)	Disburse-ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-99	Warrants Outstanding	Available Balances 9-30-99
GENERAL & SCHOOL AID								
General	$ 499,376	$24,723,742	$23,631,458	$ 1,365,234	$ 1,672,114	$ 1,284,780	$145,707	$ 1,139,072
School Aid	(363,339)	8,775,066	9,591,169	1,114,429	3,408	(68,420)	2,305	(70,725)
Total General and School Aid	$ 136,037	$33,498,808	$33,222,627	2,479,662	$ 1,675,522	$ 1,216,360	$148,012	$ 1,068,347
BUDGET STABILIZATION								
Budget Stabilization	$ 1,000,536	$ 240,475	$ -0-	$ 55,172	$ 73,700	$ 1,222,483	-0-	$ 1,222,483
Total Budget Stabilization	$ 1,000,536	$ 240,475	$ -0-	$ 55,172	$ 73,700	$ 1,222,483	-0-	$ 1,222,483
SPECIAL REVENUE								
Game and Fish Protection	$ 25,411	$ 49,129	$ 55,557	$ 4,427	$ 1,041	$ 22,370	$ 385	$ 21,984
Michigan Employment Security Act-Administration	(585)	135,957	150,928	18,861	2,599	706	782	(77)
State Aeronautics	22,728	78,370	85,174	-0-	267	15,656	222	15,434
Michigan Veterans' Trust	8,356	10,267	17,133	-0-	20	1,470	13	1,457
State Trunkline	279,593	760,583	1,413,639	739,069	71,810	293,797	19,666	274,130
Michigan State Waterways	51,279	10,957	17,872	14,698	291	58,771	113	58,658
Blue Water Bridge	10,147	11,535	6,876	-0-	2,086	12,721	11	12,709
Michigan Transportation	184,344	1,836,624	867,028	322	956,792	197,470	1,503	195,967
Comprehensive Transportation	64,663	90,667	221,936	152,292	22,180	63,506	1,508	61,998
Marine Safety	5,147	5,985	5,477	-0-	1,065	4,590	4	4,587
Game and Fish Protection Trust	51,044	14,035	13,945	-0-	4,437	46,696	-0-	46,696
State Park Improvement	17,054	28,617	28,806	-0-	169	16,696	140	16,555
Forest Development	8,463	19,476	20,027	-0-	130	7,783	192	7,591
Recreational Bond Fund - Local Projects	22,105	1,159	1,335	-0-	6	21,923	3	21,920
Michigan Natural Resources Trust	165,009	57,396	49,926	-0-	10,042	162,437	69	162,367
Michigan State Parks Endowment	53,898	9,640	19,024	10,000	23	54,491	65	54,426
Safety Education and Training	3,899	5,032	5,243	-0-	31	3,656	58	3,599
Clean Michigan Initiative Bond Fund-Local Projects	-0-	-0-	38	-0-	-0-	(38)	-0-	(38)
Clean Michigan Initiative Bond Fund-Environmental Projects	-0-	-0-	248	-0-	15,000	(15,248)	1	(15,249)
Workplace Health and Safety	22,845	1,215	656	-0-	8	23,396	6	23,390
Bottle Deposits	95,782	27,198	24,115	8,003	174	106,694	222	106,472
State Construction Code	13,295	9,146	9,137	-0-	60	13,243	27	13,216
Children's Trust	3,155	4,527	6,765	-0-	10	907	10	898
State Casino Gaming	(4,376)	10,242	7,084	-0-	4,288	(5,506)	8	(5,514)
Homeowner Construction Lien Recovery	95	4,351	962	-0-	7	3,476	24	3,452
Michigan Nongame Fish and Wildlife	4,686	993	764	-0-	4	4,911	58	4,854
Michigan Underground Storage Tank Financial Assurance (MUSTFA)	3,022	59,253	43,255	5,055	17,696	6,380	7	6,373
Total Special Revenue	$ 1,111,056	$ 3,242,355	$3,072,950	$ 952,728	$ 1,110,237	$ 1,122,953	$ 25,099	$ 1,097,854

(a) Receipts include $ 25,649.8 million of securities sold and matured.
(b) Disbursements include $ 25,521.0 million of securities purchased.
(c) In Fiscal 1998-99, State Building Authority Advance Financing reclassified into Bond, Debt Service and Capital Projects fund grouping.

Table 4

Continued... (In Thousands of Dollars)

Fund	Cash Balances 10-1-98	Receipts (a)	Disbursements (b)	Transfers In	Transfers Out	Cash Balances 9-30-99	Warrants Outstanding	Available Balances 9-30-99
BOND, DEBT SERVICE & CAPITAL PROJECTS								
Recreation Bond Fund-Local Projects	$ 7,885	$ 348	$ 2,534	$ -0-	$ 3	$ 5,696	$ 150	$ 5,546
Environmental Protection Bond	79,307	4,488	34,107	-0-	8,008	41,680	2,069	39,611
School Bond Loan	120,838	-0-	70,459	-0-	-0-	50,379	-0-	50,379
1989 State Trunkline Bond Proceeds	(2,180)	(256)	3,054	5,816	-0-	326	-0-	326
1992 State Trunkline Bond Proceeds	4,042	19,509	14,599	765	4	9,712	461	9,251
1992 State Trunkline Critical Bridge Bond Proceeds	1,583	76	115	-0-	242	1,303	-0-	1,303
1992 Comprehensive Transportation Bond Proceeds	15,202	711	3,789	-0-	4	12,120	-0-	12,120
1994 State Trunkline Bond Proceeds	(149)	16,129	15,623	5	47	316	77	239
1996 State Trunkline Bond Proceeds	27,334	753	24,461	-0-	-0-	3,626	148	3,478
MUSTFA Finance Authority	-0-	(19)	-0-	19	-0-	-0-	-0-	-0-
Combined State Trunkline Bond and Interest Redemption	10	3	57,764	57,751	-0-	-0-	-0-	-0-
Water Pollution Control Bond and Interest Redemption	-0-	-0-	4,062	4,062	-0-	-0-	-0-	-0-
Combined Comprehensive Transportation Bond and Interest Redemption	-0-	1	21,931	21,931	1	-0-	-0-	-0-
MUSTFA Finance Authority Debt Service	4,982	45,417	61,380	19,858	5,074	3,803	-0-	3,803
Recreation and Environmental Protection Bond Redemption	-0-	-0-	52,100	52,145	-0-	45	2	43
School Loan Bond Redemption	-0-	-0-	23,598	23,598	-0-	-0-	-0-	-0-
Clean Michigan Initiative Bond Fund-State Projects	-0-	-0-	183	-0-	-0-	(183)	-0-	(183)
Recreation Bond Fund - State Projects	5,321	258	1,310	-0-	2	4,268	2	4,266
State Building Authority Advance Financing (c)	(31,079)	207,405	214,541	2,785	388	(35,818)	312	(36,130)
Total Bond, Debt Service and Capital Projects	$ 233,098	$ 294,824	$ 605,610	$ 188,735	$ 13,773	$ 97,274	$ 3,221	$ 94,053
ENTERPRISE								
Liquor Purchasing Revolving	$ 47,026	$ 545,857	$ 424,163	$ -0-	$ 119,444	$ 49,276	$ 5,759	$ 43,517
State Lottery	21,326	1,110,255	471,328	-0-	629,457	30,796	1,060	29,736
Michigan Higher Education Assistance Authority	-0-	1,502	1,502	-0-	-0-	-0-	-0-	-0-
Michigan State Housing Development Authority	(1)	69,119	69,118	-0-	-0-	-0-	237	(237)
State Water Pollution Control Loan	11,578	113,802	112,710	17,354	-0-	30,024	-0-	30,024
Total Enterprise	$ 79,929	$ 1,840,536	$ 1,078,821	$ 17,354	$ 748,901	$ 110,096	$ 7,056	$ 103,040
INTERNAL SERVICE								
Correctional Industries Revolving	(796)	$ 31,773	$ 29,402	$ -0-	$ 212	$ 1,363	$ 79	$ 1,284
Motor Transport Revolving	(6,326)	53,751	56,270	-0-	25	(8,870)	13	(8,883)
Office Services Revolving	(941)	59,048	62,527	-0-	33	(4,453)	160	(4,614)
Information Technology Revolving	(26,675)	110,740	106,604	-0-	-0-	(22,540)	268	(22,807)
Risk Management	11,220	46,045	47,554	-0-	-0-	9,711	-0-	9,711
State Sponsored Group Insurance	121,663	637,116	661,138	-0-	-0-	97,640	827	96,813
Total Internal Service	$ 98,144	$ 938,472	$ 963,495	$ -0-	$ 270	$ 72,852	$ 1,347	$ 71,505
RETIREMENT								
Legislative	$ (841)	$ 98,775	$ 95,909	$ -0-	$ -0-	$ 2,026	$ 52	$ 1,974
State Police	7,008	707,696	709,584	-0-	-0-	5,120	190	4,930
State Employees'	19,661	5,601,489	5,561,645	-0-	14	59,492	2,546	56,945
Public School Employees'	115,410	26,058,228	26,087,848	-0-	-0-	85,790	10,037	75,753
Judges'	(892)	274,401	270,153	-0-	-0-	3,355	69	3,286
Total Retirement	$ 140,346	$ 32,740,589	$ 32,725,138	$ -0-	$ 14	$ 155,783	$ 12,895	$ 142,888

Table 4

Concluded... (In Thousands of Dollars)

Fund	Cash Balances 10-1-98	Receipts (a)	Disbursements (b)	Transfers In	Transfers Out	Cash Balances 9-30-99	Warrants Outstanding	Available Balances 9-30-99
TRUST AND AGENCY								
Michigan Employment Security Act Contingent	$ 83,648	$ 17,930	$ -0-	$ -0-	$ 19,450	$ 82,128	$ -0-	$ 82,128
Vietnam Veterans' Memorial Monument	228	247	214	-0-	-0-	261	-0-	261
Bankrupt Self Insured Corporations' Workers' Disability Fund #8	261	-0-	-0-	-0-	261	-0-	-0-	-0-
Bankrupt Self Insured Corporations' Workers' Disability Fund #9	-0-	409	3	-0-	-0-	406	-0-	406
Bankrupt Self Insured Corporations' Workers' Disability Fund #11	330	-0-	-0-	-0-	330	-0-	-0-	-0-
Bankrupt Self Insured Corporations' Workers' Disability Fund #12	435	23	2	-0-	1	455	-0-	455
Metropolitan Planning	1,360	5,811	7,052	-0-	-0-	119	57	63
Children's Institute Trust	105	6	-0-	-0-	5	106	-0-	106
Abandoned and Unclaimed Property (Escheats)	15,592	54,382	(697)	-0-	46,787	23,884	1,263	22,622
Gifts, Bequests and Deposits Investment	27,729	73,970	71,397	-0-	3,651	26,651	747	25,904
Silicosis, Dust Disease, and Logging Industry Compensation	5,083	8,219	4,437	-0-	8	8,857	154	8,703
Assigned Claims Plan	(1,015)	55,990	53,683	-0-	611	681	-0-	681
Agricultural College Fund - Morrill Act	1,059	-0-	-0-	-0-	-0-	1,059	-0-	1,059
Second Injury	29,644	19,700	21,071	-0-	19	28,255	464	27,791
Hospital Patients' Trust	514	3,450	3,371	-0-	-0-	592	33	559
Federal Housing Administration Mortgages Escrow	3,064	13,840	15,802	-0-	-0-	1,102	39	1,063
Self-Insurers' Security	3,042	2,730	2,925	765	5	3,607	79	3,528
State Employees' Deferred Comp. I (457)	324	58,437	58,760	-0-	-0-	1	1	-0-
State Employees' Deferred Comp. II (401k)	-0-	94,510	94,510	-0-	-0-	-0-	-0-	-0-
Bankrupt Self Insured Corporations' Workers' Disability Fund #6	96	5	-0-	-0-	-0-	101	-0-	101
State Employees' Defined Contribution Plan	-0-	31,784	31,784	-0-	-0-	-0-	-0-	-0-
Special Assessment Deferment	308	190	122	-0-	(29)	405	-0-	405
Workers' Disability Compensation Multiple Trust Funds	124	7	-0-	-0-	-0-	131	-0-	131
Hazardous and Solid Waste Disposal Facilities Closure Guarantee	3,695	1,024	1,348	-0-	-0-	3,371	-0-	3,371
Insurance Carrier Deposits	549	50,103	49,120	-0-	-0-	1,531	29	1,502
Urban Land Assembly Loan	2,892	180	(1,286)	-0-	-0-	4,358	-0-	4,358
Utility Consumer Representation	762	1,261	336	-0-	303	1,384	5	1,380
Bankrupt Self Insured Corporations' Workers' Disability Fund #1	617	242	224	-0-	-0-	634	59	576
Bankrupt Self Insured Corporations' Workers' Disability Fund #5	102	3	17	-0-	-0-	88	-0-	88
Bankrupt Self Insured Corporations' Workers' Disability Fund #2	174	-0-	-0-	-0-	174	-0-	-0-	-0-
Transportation Related Trust	(12,597)	175,082	157,652	114	537	4,410	4,013	397
State Treasurer's Escrow and Paying Agent	-0-	42	41	-0-	-0-	1	1	-0-
Total Trust and Agency	$ 168,126	$ 669,575	$ 571,885	$ 879	$ 72,113	$ 194,581	$ 6,945	$ 187,636
GRAND TOTALS	$ 2,967,272	$ 73,465,634	$ 72,240,525	$3,694,530	$3,694,530	$ 4,192,382	$ 204,575	$ 3,987,807

Table 5

Demand Depositories as of September 30, 1999 (In Thousands of Dollars)

City	Depository Bank	Deposits (a)
Adrian	Mid Am	$ 146
	Bank of Lenawee	118
Alma	Bank of Alma	111
Bad Axe	Signature Bank	72
Baldwin	Lake Osceola State Bank	15
Bay City	Chemical Bank Bay Area	98
Benton Harbor	Shoreline Bank	293
Beulah	Central State Bank	23
Big Rapids	Chemical Bank Central	46
Cadillac	Chemical Bank - West	22
Caro	Chemical Bank - Thumb Area	119
	Independent Bank - East Michigan	4
Cheboygan	Citizens National Bank	93
Chelsea	Chelsea State Bank	90
Clare	Chemical Bank Michigan	80
Coldwater	Century Bank and Trust	91
	Southern Michigan National Bank	49
Croswell	Eastern Michigan Bank	38
Crystal Falls	First National Bank	4
Detroit	Bank One-Income Tax	7,901
	Bank One-Main Acct.	204,046
	Comerica Bank - Detroit	5,257
	First Independence National Bank	200
East Pointe	First State Bank	161
East Tawas	Huron Community Bank	139
Escanaba	MFC First National Bank and Trust	160
	Northern Michigan Savings Bank	19
	State Bank of Escanaba	35
Fenton	The State Savings Bank	95
Flint	Citizens Banking Corporation	1,671
Gladstone	Bay Bank	2
Grand Rapids	Old Kent Bank	$ 2,500
Grayling	Chemical Bank North	93
Hancock	Superior National Bank and Trust	96
Hastings	National Bank of Hastings	105
Hillsdale	Hillsdale County National Bank	63
Houghton	MFC First National Bank	8
Ionia	Independent Bank	96
	Ionia County National Bank	68
Iron Mountain	First National Bank of Iron Mountain	45
Iron River	MFC First National Bank	31
Ishpeming	Peninsula National Bank	47
Ithaca	Commercial National Bank	11
Kalamazoo	National City Bank	4,225
L'Anse	Commercial National Bank	48
Lansing	Michigan National Bank-Credit Card	172
	Michigan National Bank-Main Acct.	2,065
	Michigan National Bank-EFT	2,035
	Michigan National Bank-DNR EFT	349
Lapeer	Lapeer County Bank and Trust	84
Manistique	North Country Bank	88
	State Savings Bank	17
Marquette	MFC First National Bank	135
Marshall	Chemical Bank South	62
Mason	Mason State Bank	202
Menominee	MFC First National Bank and Trust	9
Midland	Chemical Bank - Central	116
Monroe	Monroe Bank and Trust	210
Mt. Pleasant	Isabella Bank and Trust	40
Munising	Peoples State Bank of Munising	176
Newberry	Tahquamenon Area Credit Union	15
Norway	First National Bank	20
Ontonagon	Citizens State Bank	82
Owosso	Chemical Bank - Key State	95

Table 5

Concluded... (In Thousands of Dollars)

City	Depository Bank	Deposits (a)
Port Austin	Port Austin State Bank	$ 9
Rockford	Independent Bank - West Michigan	8
St. Charles	Community State Bank	42
St. Ignace	First National Bank	203
St. Joseph	Civitas Bank	44
Sault Ste. Marie	Central Savings Bank	8
	Soo Co-Op Credit Union	8
Shelby	Shelby State Bank	62
Sparta	Choice One	$ 51
Stanton	Chemical Bank - Montcalm	64
Stockbridge	Stockbridge State Bank	9
Three Rivers	First National Bank	55
Traverse City	Empire National Bank	6
Wakefield	First National Bank	6
West Branch	1st Bank	16
Zeeland	Huntington National Bank	1,303
	Total	$ 236,502

(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 $382 million of collateral.

Bonds & Notes

The Michigan Constitution limits state general obligation debt to (i) short-term debt for State operating purposes, (ii) short and long-term debt for the purpose of making loans to school districts, and (iii) 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 purposes of making loans to school districts is recommended by the State Treasurer, who certifies the amounts necessary for loans to school districts for the ensuing two calendar years. 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 1999, the State did not issue any general obligation short or long-term debt.

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*, on page 26. 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 9-30-99
School Loan Notes and Bonds (a)	Series 1995	1995	1996-2015	$ -0-	$ 6,020	$ 9,142	$ 162,650
	Series 1998	1998	2000-2017	-0-	-0-	-0-	160,000
Water Resources Bonds (b)	Series III	1971	1979-1999	-0-	2,000	1	-0-
	Series IV	1971	1973-1999	-0-	2,000	60	-0-
Environmental Protection (c)	Series 1989 (d)	1989	1994-2019	-0-	5,855	2,063	21,346
	Series 1992 (e)	1992	2005-2012	-0-	2	5,182	103,004
	Water Pollution 1992	1992	1994-2012	-0-	660	685	10,765
	Water Pollution 1993	1993	1995-2013	-0-	655	722	14,120
	Series 1995	1995	1996-2019	-0-	-0-	9,984	204,321
	Series 1998	1998	1998-2017	-0-	3,705	3,932	86,295
Recreation (f)	Series 1992	1992	1993-2004	-0-	10,915	3,460	54,645
	Series 1995	1995	1996-2019	-0-	2,885	1,328	22,231
Total General Obligation Debt				-0-	$ 34,697	$ 36,559	$ 839,377

(a) Article Nine of the Constitution of the State of Michigan 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 established biennially and general obligation debt is issued as needed.
(b) P.A. 76 of 1968, provided for the issuance of $335 million General Obligation Bonds, of which all have been issued. Series I, II, V, VI, VII and VIII have been retired.
(c) Outstanding principal does not include the Home Ownership Savings Trust ("HOST") Bonds issued as Environmental Protection General Obligation Bonds after September 30, 1990. These variable rate bonds were issued on a monthly basis over a five year period. October 1995 was the last month HOST Bonds could be purchased. As of September 30, 1999, $945,151 in principal has been issued and $898,669 has been redeemed.
(d) $23,243,692 was advance refunded in June 1995 through General Obligation Bonds, Series 1995. As of September 30, 1999, no principal has been paid out, leaving an escrowed principal liability as of September 30, 1999 of $23,243,692. Interest paid for fiscal year 1999 was $1,286,196.
(e) $43,820,000 was advance refunded in June 1995 through General Obligation Bonds, Series 1995. As of September 30, 1999, no principal has been paid out, leaving an escrowed principal liability as of September 30, 1999 of $43,820,000. Interest paid for fiscal year 1999 was $2,738,750. Outstanding principal includes $493,740 in College Saver Minibonds but does not include redemptions of $8,493 as of September 30, 1999. Redemptions for fiscal year 1999 were $1,582.
(f) P.A. 329 of 1988, provided for the issuance of $140 million General Obligation Bonds, all of which have been issued.

* Interest payments do not include premium.

Table 7

Special Authority Revenue Bond Debt (In Thousands of Dollars)

Item (a)	New Issues	Principal Payments	Interest Payments	Outstanding Principal As of 9-30-99
Special Authority Revenue Bond (a)				
International Bridge Authority	$ -0-	$ 987	$ 84	$ 1,818
Mackinac State Park	995	215	181	2,980 *
Michigan State Housing Development Authority (b)	302,865	364,887	124,220	2,026,541
Michigan State Hospital Finance Authority (c)	116,775	129,299	249,752	3,569,311 *
Michigan Higher Education Facilities Authority	49,280	9,965	12,051	220,395
Michigan Higher Education Student Loan Authority	133,620	168,685	40,071	782,360
Michigan Municipal Bond Authority	1,041,240	487,739	93,426	2,243,566
Michigan State Building Authority (d)	416,095	132,350	98,303	1,945,086 *
Michigan Strategic Fund	34,760	205,735	N/A	2,011,684 *
Michigan Underground Storage Tank Financial Assurance Authority (e)	-0-	13,015	10,819	180,540
Michigan Family Farm Development Authority	-0-	503	N/A	505
Total Special Authority Debt	$ 2,095,630	$ 1,513,380	$ 628,907	$ 12,984,786

* 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.

(b) The new issues include $298,940,000 of new bond issues plus $3,925,822 of capital appreciation for the fiscal year.

(c) Balance includes $3,433,811,555 in bonds and $135,500,000 in Hospital Equipment Loan Program notes (HELP). Balance does not include MSHFA obligations that have been advance refunded. In FY 1999, net escrow payment activity was $99,204,019, leaving an escrowed principal liability as of 9-30-99 of $813,003,104.

(d) Balance includes accreted value at year-end on outstanding Capital Appreciation Bonds. Balance does not include $1,572.4 million in SBA obligations that have been advance refunded. In FY 1999, $48.8 million in principal was paid out of escrow, leaving an escrowed principal liability as of 9-30-99 of $611.9 million. Also, outstanding principal balance does not include commercial paper notes issued by the Authority. As of September 30, 1999, $187.1 million of commercial paper notes was outstanding.

(e) Outstanding principal balance does not include notes issued under the Authority's tax-exempt commercial paper program during fiscal years 1995-99. As of September 30, 1999, $2,825,000 was outstanding and interest paid during the fiscal year was $849,944.

Table 8

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

For Period Ended September 30,	Principal	Interest	Total
2000	$ 36,015	$ 46,623	$ 82,638
2001	37,822	43,738	81,560
2002	39,226	42,258	81,484
2003	41,356	40,451	81,807
2004	42,931	38,776	81,707
2005	44,793	36,807	81,600
2006	46,978	33,320	80,298
2007	45,050	33,461	78,511
2008	48,529	29,914	78,443
2009	48,007	30,409	78,416
2010	49,433	28,309	77,742
2011	55,586	21,495	77,081
2012 (b)	54,881	21,733	76,614
2013	57,115	11,758	68,873
2014	37,040	9,159	46,199
2015	38,040	7,147	45,187
2016	40,455	5,041	45,496
2017	27,495	3,251	30,746
2018	28,890	1,806	30,696
2019	9,590	807	10,397
2020	10,145	274	10,419
	$839,377	$486,537	$1,325,914

(a) Does not include the Home Ownership Savings Trust ("HOST") Bonds issued as Environmental Protection general obligation bonds after September 30, 1990. These variable rate bonds were issued on a monthly basis over a five-year period. October 1995 was the last month HOST bonds could be purchased. As of September 30, 1999, $945,151 in principal has been issued and $898,669 has been redeemed.
(b) Does not include principal redemption of $8,493 in College Savers Minibonds.

Table 9

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

Item	Outstanding on September 30				
	1995	1996	1997	1998	1999
GENERAL OBLIGATION DEBT					
School Loans	$ 180,000	$ 180,000	$ 174,445	$ 328,670	$ 322,650
Water Resources	19,000	14,000	9,000	4,000	-0-
Environmental Protection	386,876	377,823	368,914	450,727	439,851 *
Recreation	120,130	113,160	102,825	90,675	76,876
Total General Obligation Debt	$ 706,006	$ 684,983	$ 655,184	$ 874,072	$ 839,377
NON-GENERAL OBLIGATION DEBT					
Michigan Department of Transportation Tax Dedicated Bonds	$ 888,058	$ 854,196	$ 873,701	$ 866,018	$ 827,870 *
Special Authorities-Revenue Bonds and Notes					
International Bridge Authority	7,850	5,905	3,380	2,805	1,818
Mackinac State Park	2,625	2,520	2,360	2,200	2,980 *
Michigan State Housing Development Authority	1,985,947	1,987,286	2,068,424	2,088,563	2,026,541
Michigan State Hospital Finance Authority	2,467,726	2,777,024	2,887,783	3,586,525	3,569,311 *
Michigan Higher Education Facilities Authority	151,380	179,135	174,745	218,190	220,395
Michigan Higher Education Student Loan Authority	557,939	625,424	672,949	817,425	782,360
Michigan Municipal Bond Authority	1,469,051	1,368,035	1,591,875	1,685,997	2,243,566
Michigan State Building Authority	1,453,388	1,478,896	1,616,717	1,996,787	1,945,086 *
Michigan Strategic Fund	1,881,278	1,991,591	2,088,621	2,182,659	2,011,684 *
Michigan Underground Storage Tank Financial Assurance Authority	206,100	216,600	205,950	193,555	180,540
Michigan Family Farm Development Authority	1,843	1,659	1,108	1,008	505
Total Non-General Obligation Debt	$ 11,073,185	$ 11,488,271	$ 12,187,613	$ 13,641,732	$ 13,812,656

* 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.

Table 10

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

Item (a)	1995 No. of Issues	1995 Amount	1996 No. of Issues	1996 Amount	1997 No. of Issues	1997 Amount	1998 No. of Issues	1998 Amount	1999 No. of Issues	1999 Amount
SCHOOLS										
Notes and Lines of Credit	230	$ 404,221	248	$ 342,006	283	$ 465,788	273	$ 550,839	230	$ 442,489
Bonds	96	1,347,477	152	2,332,328	139	1,974,489	150	2,763,400	165	2,643,085
Community College Bonds and Notes	3	9,900	5	49,325	6	31,765	9	86,430	5	46,410
Energy Conservation Bonds and Notes	5	2,261	25	23,122	8	15,535	12	15,129	10	34,394
Other (b)	6	452	29	735	38	-0-	19	-0-	28	-0-
Totals	340	$1,764,312	459	$ 2,747,516	474	$2,487,577	463	$ 3,415,798	438	$3,166,378
MUNICIPALITIES										
Tax Notes	63	$ 396,749	60	$ 329,668	54	$ 286,127	50	$ 295,410	50	$ 281,734
Special Assessment Bonds	65	40,689	58	47,593	50	43,023	58	53,457	67	59,695
General Obligation Bonds	182	1,015,038	132	661,916	165	783,997	172	1,107,572	175	803,734
Revenue Bonds	63	263,901 (c)	95	2,020,019 (d)	72	1,307,247 (e)	125	2,582,019 (f)	110	806,485 (g)
Drain Bonds (Act 40)	21	54,020	15	27,275	19	30,082	19	27,852	19	40,900
Transportation Fund Bonds (Act 51)	-0-	-0-	-0-	-0-	1	1,150	8	130,380	8	45,280
Transportation Fund Bonds (Act 143)	3	4,140	5	2,710	3	2,155	3	6,150	6	16,895
Transportation Fund Bonds (Act 175)	21	30,409	18	25,658	18	19,895	19	33,985	17	23,084
Water and Sewer Bonds (Act 185)	30	117,850	31	112,790	33	320,522	35	88,023	40	139,515
Water and Sewer Bonds (Act 342)	11	23,610	12	55,688	11	22,492	-0-	-0-	14	55,765
Michigan and Michigan Authority (Bonds)	24	2,217,370	28	2,663,500	20	1,416,025	25	2,262,500	32	2,769,895
Michigan and Michigan Authority (Notes)	2	290,000	1	300,000	4	1,850,000	2	1,595,000	1	75,000
Miscellaneous Bonds and Notes	15	15,917	18	557,968	37	28,450	34	379,680	33	32,737
Other	3	188	3	341	1	-0-	7	-0-	3	-0-
Totals	503	$4,469,881	476	$ 6,805,126	488	$6,111,165	557	$ 8,562,028	575	$5,150,719
GRAND TOTAL	843	$6,234,193	935	$ 9,552,642	962	$8,598,742	1,020	$11,977,826	1,013 (h)	$8,317,097

(a) Figures reflect approvals granted as of September 30 of the respective year. Approved issues may or may not have been sold by the unit of local government.
(b) Includes transfer of debt service funds remaining after final maturity of original debt; use of excess bond proceeds and derivative products.
(c) Includes 1 issue totaling $1,800 thousand of Industrial Revenue Bonds.
(d) Includes 1 issue totaling $1,500 thousand of Industrial Revenue Bonds.
(e) Includes no issues of Industrial Revenue Bonds.
(f) Includes 2 issues of Industrial Revenue Bonds.
(g) Includes 3 issues of Industrial Revenue Bonds.
(h) Includes 251 Prior Approval Orders issued and 762 Exceptions from Prior Approval Orders issued.

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 9-30-99
Michigan Department of Transportation Tax Dedicated Bonds Michigan Comprehensive Transportation:	Series 1985	1985	2011	$ 57,830	$ 695	$ 1,860	$ 400 *
	RF. SR. 1988-I	1988	2009	73,155	4,275	293	-0- *
	Series 1992-A	1992	2022	37,655	740	1,691	29,790 *
	RF. SR. 1992-B	1992	2011	127,310	2,260	7,004	120,440
	RF. SR. 1996-A	1996	2014	22,650	70	1,210	22,510
	RF. SR. 1998-A	1998	2010	38,640	-0-	1,827	38,640
State Trunkline Fund:	Series 1989-A	1989	2019	135,780	3,660	243	11,195 *
	Series 1992-A	1992	2021	253,618	-0-	5,074	122,423 *
	RF. SR. 1992-B I & II	1992	2021	99,592	-0-	2,112	42,812 *
	Series 1994-A	1994	2024	150,000	2,395	1,619	28,305 *
	RF. SR 1994-B	1994	2002	90,990	23,320	2,357	21,560
	SR. 1996-A	1996	2026	54,500	735	750	11,905 *
	RF. SR. 1998-A	1998	2026	377,890	-0-	16,213	377,890
Total Special Revenue Debt					$ 38,150	$ 42,253	$ 827,870

* 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 issue.

Series	Advanced Refunded From Series	Amount Refunded	FY 99 Paid from Escrow Principal	FY 99 Paid from Escrow Interest	FY 99 Escrow Balance
Comprehensive Transportation:					
1985	1988-II & 1992-B	$ 27,176	$ -0-	$ -0-	$ 6,091
1992-A	1996-A	5,305	-0-	299	5,100
Trunkline Transportation:					
1989-A	1992-B & 1994-B & 1998-A	111,245	103,075	6,958	-0-
1992-A	1998-A	131,195	-0-	7,241	131,195
1992-B I & II	1998-A	56,780	-0-	3,171	56,780
1994-A	1998-A	112,815	-0-	6,443	112,815
1996-A	1998-A	41,170	-0-	2,297	41,170
Totals			$ 103,075	$ 26,409	$ 353,151

State Tax Collections

State taxes and fees totalling $20,722,795,000 were collected during fiscal 1999, which is an increase of 7.4 percent over the previous year.

During fiscal year 1999 a number of changes were enacted to tax rates including reducing individual income tax and single business tax rates.

Major tax collections for fiscal 1999 and the previous four years are detailed in Table 12, *Taxes and Fees Collected*, below. Table 13, *Michigan State Taxes*, identifies all Michigan taxes and gives administrative information about each.

Table 12

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

Type of Revenue	10-1-94 to 9-30-95	10-1-95 to 9-30-96	10-1-96 to 9-30-97	10-1-97 to 9-30-98	10-1-98 to 9-30-99
Income Tax:					
Withholding Tax	$ 5,263,644	$ 5,461,771	$ 5,755,797	$ 6,096,765	$ 4,989,974
Individual Income Tax	470,067	387,202	521,535	644,122	2,397,598
Individual Income Tax Estimates	470,685	528,312	605,749	651,597	646,090
Individual Income Tax Penalty and Interest	18,136	24,504	23,101	23,816	22,860
Gross Individual Income Tax Collections	6,222,532	6,401,789	6,906,182	7,416,300	8,056,522
Tax Refunds and Tax Credits **(a)**	(975,300)	(1,036,053)	(971,517)	(1,019,217)	(1,117,551)
Net Individual Income Tax	**$ 5,247,232**	**$ 5,365,736**	**$ 5,934,665**	**$ 6,397,083**	**$ 6,938,970**
Single Business Tax	$ 2,283,434	$ 2,263,546	$ 2,369,332	$ 2,500,815	$ 2,605,948
Single Business Tax Penalty and Interest	47,859	40,844	59,266	47,042	47,898
Gross Single Business Tax	2,331,293	2,304,390	2,428,598	2,547,857	2,653,846
Tax Refunds	(115,156)	(140,677)	(158,936)	(174,610)	(232,854)
Net Single Business Tax	**$ 2,216,137**	**$ 2,163,713**	**$ 2,269,662**	**$ 2,373,247**	**$ 2,420,992**
Motor Fuel Taxes	**$ 777,218**	**$ 775,414**	**$ 807,235**	**$ 1,028,851**	**$ 1,066,743**
Sales Tax	**4,873,983**	**5,189,633**	**5,375,659**	**5,565,908**	**5,918,067**
Use Tax	**936,455**	**1,033,921**	**1,095,817**	**1,151,208**	**1,293,931**
Sales, Use, Withholding Penalty and Interest	**42,350**	**70,237**	**60,787**	**56,980**	**62,582**
Tobacco Products Tax	**610,491**	**573,185**	**534,359**	**546,718**	**599,440**
Non-Cigarette Tobacco Products Tax	**10,343**	**10,917**	**11,486**	**12,631**	**14,284**
Intangibles Tax	**133,811**	**69,571**	**77,408**	**44,776**	**810**
Inheritance Tax (b)	**3,728**	**3,960**	**1,085**	**842**	**(293)**
Estate Tax (b)	**81,100**	**84,210**	**78,390**	**99,775**	**175,275**
Public Utility Property Tax	**128,066**	**137,748**	**147,673**	**101,847**	**214,286**
Gas and Oil Severance Tax	**29,038**	**36,296**	**39,681**	**33,327**	**23,924**
Gas and Oil Privilege Fee	**5,018**	**6,377**	**7,069**	**6,159**	**5,219**
Industrial/Commercial Facilities Tax	**110,376**	**127,643**	**114,800**	**123,343**	**136,043**
Convention Facility Tax	**12,213**	**13,370**	**13,948**	**15,486**	**16,593**
Underground Regulatory Fee	**54,058**	**57,491**	**58,030**	**57,259**	**58,776**
Insurance-Retaliatory Tax	**205,505**	**205,694**	**200,597**	**138,834**	**191,702**
State Education Tax	**1,074,361**	**1,088,314**	**1,129,777**	**1,237,065**	**1,245,055**
Real Estate Transfer Tax	**63,474**	**156,824**	**186,656**	**224,405**	**253,813**
Other Taxes and Fees (c)	**70,007**	**41,441**	**87,865**	**65,629**	**86,584**
TOTAL	**$ 16,684,964**	**$ 17,211,695**	**$ 18,232,649**	**$ 19,281,373**	**$ 20,722,795**

(a) Home Heating Credits subsequently reimbursed by the Federal Government are as follows: FY 1995 $11.1 million, FY 1996 $4.5 million, FY 1997 $5.4 million, FY 1998 $6.2 million and FY 1999 $6.2 million. Home Heating drafts funded by the Federal Government are not included in the reported Tax Refunds and Tax Credits. Federally funded home heating drafts were $56.1 million in FY 1995, $24.6 million in FY 1996, $34.6 million in FY 1997, $33.9 million in FY 1998 and 31 million in FY 1999.

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

(c) Includes Circuit Court, Probate Court and District Court Fees, Unclaimed Personal Property, State Housing Development Service Fee, Commercial Forest Tax, Trailer Coach Parks Tax and Airport Parking Tax.

Table 13

Michigan State Taxes (In Thousands of Dollars)

Tax Source	Year Adopted	Administered by Department of	Payment Deadline	Net Cash Receipts 10-1-98 to 9-30-99	Disposition
Aircraft Registration	1923	Transportation	August 1	$253	State Aeronautics Fund
Airport Parking	1987	TREASURY	15th of each month	14,677	Local Units
Aviation Fuel	1929	TREASURY	20th of each month	8,525	State Aeronautics Fund
Beer and Wine Excise	1933	Consumer & Industry Services	Monthly reports and/or stamps	49,362	General Fund
Tobacco Products	1947	TREASURY	20th of each month	599,440	63.4% to School Aid Fund, 25.3% to General Fund, 11.3% to Local Units
Non-Cigarette Tobacco Products	1994	TREASURY	20th of each month	14,284	94% to School Aid Fund, 6% to Local Units
Commercial Facilities	1978	TREASURY	December 1	531	Local Units and School Aid Fund
Convention Facility Development	1985	TREASURY	15th of each month	16,593	Debt Service for Cobo Hall Expansion
Corporate Organization	1891	Consumer & Industry Services	At time of incorporation, admission or increase in stock	11,681	General Fund
Diesel Fuel	1947	TREASURY	20th of each month	85,990	Michigan Transportation Fund
Diesel Fuel Dealer License	1951	TREASURY	January 1	20	Michigan Transportation Fund
Estate	1994	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	175,275	General Fund
Gas and Oil Privilege Fee	1973	TREASURY	25th of each month	5,219	General Fund
Gas and Oil Severance	1929	TREASURY	25th of each month	23,924	General Fund
Gasoline	1925	TREASURY	20th of each month	924,454	Michigan Transportation Fund
Horse Race Wagering	1933	Agriculture	At end of each day's racing	13,275	Agriculture Equine Industry Development Fund
Individual Income	1967	TREASURY	April 15	6,938,970	General Fund with 23% of gross to School Aid Fund
Industrial Facilities	1974	TREASURY	December 1	135,512	Local Units and School Aid Fund
Inheritance	1899	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	(293)	General Fund
Insurance Company Retaliatory	1987	TREASURY	Last day of April, July, Oct. and Jan.	191,702	General Fund
Intangibles	1939	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	810	General Fund
Liquified Petroleum Gas	1953	TREASURY	20th of each month	951	Michigan Transportation Fund
Liquor Excise - 4%	1957	Consumer & Industry Services	At time of sale to retail licensees	25,434	School Aid Fund
Liquor Specific - 4%	1959	Consumer & Industry Services	At time of sale to retail licensees	26,139	General Fund
Liquor Specific - 1.85%	1972	Consumer & Industry Services	At time of sale to retail licensees	9,304	Liquor Purchase Revolving Fund
Liquor - 4% Tourism and Convention Facilities	1985	Consumer & Industry Services	At time of sale to retail licensees	25,461	Debt Service for Cobo Hall Expansion and Local Units
Marine Fuel	1947	TREASURY	20th of each month	71	Michigan State Waterways Fund
Motor Carrier Diesel Fuel	1980	TREASURY	Last day of month following close of qtr.	46,697	Michigan Transportation Fund
Motor Carrier's Privilege	1923	Consumer & Industry Services	December 1	4,816	Michigan Transportation Fund
Motor Vehicle Weight or Value	1905	State	Owner's birthday	709,661	Michigan Transportation Fund
Public Utility Property	1905	TREASURY	July 1, or 1/2 on August 1, 1/2 on Dec. 1	214,286	General Fund
Real Estate Transfer	1994	TREASURY	County Treasurer remits to State on the 15th in the month after receipt	253,813	School Aid Fund
Sales	1933	TREASURY	15th and last day of each month	5,918,067	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	2,420,992	General Fund
State Education	1994	TREASURY	County Treasurer remits to State the month after receipt from Local Units	1,245,055	School Aid Fund
Snowmobile Registration	1968	State	October 1 (every 3rd year)	1,204	General Fund
Underground Regulatory	1989	TREASURY	10th and 25th of each month	58,776	Michigan Underground Storage Tank Financial Assurance Fund
Use	1937	TREASURY	15th of each month	1,293,931	66.7% to General Fund, 33.3% to School Aid Fund
Watercraft Registration	1967	State	January 1 (every 3rd year)	10,418	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 1998 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 (a)	Total Taxes Levied	Average Rate (Mills) (b)	Homestead Average Rate (c)	Non-Homestead Average Rate
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 (a)	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	-----	-----
1990	139,921	140,166	139,901	------	7,998	57.17	-----	-----
1989	128,649	128,813	128,754	------	7,391	57.40	-----	-----
1988	119,025	119,087	119,013	------	6,761	56.81	-----	-----

(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 1997	Taxes Levied 1998	Percent of Increase
City	$ 1,570,957	$ 1,655,571	5.39 %
County	1,281,079	1,356,051	5.85 %
Township	408,150	454,170	11.28 %
Village	63,244	65,753	3.97 %
School	3,413,536	3,626,994	6.25 %
State Education Tax	1,215,693	1,291,075	6.20 %
Totals	$ 7,952,659 (a)	$ 8,449,614 (b)	

(a) $462.6 million of the total property taxes levied in 1997 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) $469.6 million of the total property taxes levied in 1998 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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