



*Annual Report*

**of the  
Michigan  
State  
Treasurer**

*Fiscal Year  
2004-2005*

Jennifer M. Granholm, Governor

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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

ROBERT J. KLEINE  
STATE TREASURER

July 2006

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

Attached for your review is the Annual Report of the Michigan State Treasurer for Fiscal Year 2004-2005. This report contains financial information regarding the State Treasurer's Common Cash Fund, Investment Portfolios and Revenues, Michigan's General Obligation Debt, Bond, and Note Payments, as well as State-Administered Tax Revenues collected during FY 2005.

Sincerely,

A handwritten signature in cursive script that reads "Robert J. Kleine".

Robert J. Kleine  
State Treasurer



# Schedule 1



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

	<u>Fiscal Year Ended September 30</u>	
	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Cash on Hand (Vault)	\$ 1	\$ 1
Demand Deposits	238,522	249,695
Time Deposits - Regular	-0-	-0-
Time Deposits - Marina Loan Program	127	201
Time Deposits and Notes - Agricultural Loan Program	2,939	4,655
Prime Commercial Paper - At Cost	1,237,315	1,672,750
Emergency Municipal Loans	49,560	48,870
Michigan Sugar Beet Loan Program	<u>4,500</u>	<u>5,000</u>
Total	<u>\$ 1,532,964</u>	<u>\$ 1,981,172</u>
 <u>Equities</u>		
Available Equity of Other Funds	\$ 1,364,207	\$ 1,779,774
Outstanding Warrants	<u>168,757</u>	<u>201,398</u>
Total	<u>\$ 1,532,964</u>	<u>\$ 1,981,172</u>

# Schedule 2



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

Fund	Short-Term Investments	Government Securities	Corporate Bonds, Notes and Contracts	Equities and Mutual Funds	Real Estate and Mortgages	Alternative Investments	International Equities	FY Ended Sept. 30	
								2005 Total	2004 Total
Legislative Retirement	\$ 3,172	\$ -0-	\$ -0-	\$ 176,757	\$ -0-	\$ -0-	\$ -0-	\$ 179,929	\$ 168,263
State Police Retirement	30,743	91,721	95,797	540,728	91,274	131,612	138,920	1,120,794	1,041,508
State Employees' Retirement	370,535	806,950	805,165	4,918,520	856,146	1,119,253	1,182,265	10,058,834	9,365,978
Public School Employees' Retirement	1,473,499	3,185,947	3,321,129	19,182,378	2,958,414	4,596,675	4,850,485	39,568,528	36,389,731
Judges' Retirement	9,463	25,741	25,758	136,403	31,689	23,555	31,422	284,031	267,780
Michigan Veterans' Trust	2,346	34,394	4,854	5,376	-0-	-0-	-0-	46,969	47,711
Game and Fish Protection	24,585	493	1,263	-0-	-0-	-0-	-0-	26,341	33,728
Game and Fish Protection Trust	11,441	39,451	4,825	47,834	-0-	-0-	-0-	103,552	97,327
Michigan Civilian Conservation Corps	619	13,647	5,538	-0-	-0-	-0-	-0-	19,804	20,312
Michigan Natural Resources Trust	121,461	96,182	86,931	66,583	-0-	-0-	-0-	371,157	322,260
Michigan State Parks Endowment	18,654	55,548	26,302	29,589	-0-	-0-	-0-	130,091	129,908
Children's Trust	1,056	19,272	1,404	522	-0-	-0-	-0-	22,255	21,800
Michigan Nongame Fish and Wildlife	448	3,536	1,690	632	-0-	-0-	-0-	6,307	6,493
State Lottery	6,200	514,263	-0-	-0-	-0-	-0-	-0-	520,463	607,422
Michigan Higher Education Assistance Authority	1,511	-0-	-0-	-0-	-0-	-0-	-0-	1,511	1,478
Michigan Education Trust	73,124	420,310	275,144	138,557	-0-	-0-	-0-	907,135	905,515
Mackinac Bridge Authority	2,193	21,144	-0-	-0-	-0-	-0-	-0-	23,337	25,559
Gifts, Bequests, and Deposits Investment	26,345	14,282	-0-	119	-0-	-0-	-0-	40,746	39,220
<b>Totals</b>	<b>\$2,177,397</b>	<b>\$5,342,880</b>	<b>\$4,655,801</b>	<b>\$25,243,998</b>	<b>\$3,937,522</b>	<b>\$5,871,095</b>	<b>\$6,203,092</b>	<b>\$53,431,784</b>	<b>\$49,491,993</b>

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

# Schedule 3



## Investment Revenues (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2005	2004
General	\$ (16,043)	\$	\$ (16,043)	\$ (10,258)
Counter - Cyclical Budget and Economic Stabilization	1,995		1,995	(2)
Game and Fish Protection	628	47	675	408
State Aeronautics	772		772	381
Michigan Veterans' Trust	84	1,947	2,031	2,253
State Trunkline	17,451		17,451	6,198
Michigan State Waterways	1,042		1,042	516
Blue Water Bridge	652		652	249
Michigan Transportation	6,328		6,328	2,874
Comprehensive Transportation	(25)		(25)	97
School Aid Fund	2,047		2,047	483
Marine Safety	104		104	43
Game and Fish Protection Trust	565	6,737	7,302	4,713
State Park Improvement	164		164	85
Forest Development	490		490	134
Recreation Bond - Local Projects	4		4	7
Michigan Civilian Conservation Corps	26	611	637	652
Michigan Natural Resources Trust	3,127	13,340	16,467	8,329
Michigan State Parks Endowment	878	5,925	6,803	4,865
Safety Education and Training	134		134	54
Clean Michigan Initiative Bond - Local Projects	79		79	83
Environmental Protection Bond	477		477	16
Clean Michigan Initiative Bond - Environment Projects	591		591	514
Bottle Deposits	2,610		2,610	1,382
State Construction Code	179		179	113
Children's Trust	37	801	838	804
Homeowner Construction Lien Recovery	101		101	11
Michigan Nongame Fish and Wildlife	17	232	249	260
1989 State Trunkline Bond Proceeds	26		26	11
1992 State Trunkline Bond Proceeds	145		145	133
1994 State Trunkline Bond Proceeds	9		9	5
Michigan Merit Award Trust	1,840		1,840	889
Tobacco Settlement Trust	729		729	644
2001 Build Michigan III Bond Proceeds	5,031		5,031	1,592
2001 Build Michigan II - GARVEE Bond Proceeds	(62)		(62)	376
Comprehensive Transportation Bond Proceeds	2,203		2,203	1,162
Michigan Underground Storage Tank Financial Assurance	28		28	6
Liquor Purchasing Revolving	2,520		2,520	1,127
State Lottery	2,541	12,165	14,706	14,360
Land Bank Fast Track	5		5	---
State Fair Exposition and Fairground	5		5	---

# Schedule 3



**Continued. . .** (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2005	2004
State Sponsored Group Insurance	\$ ---	\$	\$ ---	\$ 3,025
State Water Pollution Control Loan	20		20	30
Combined State Trunkline Bond and Interest Redemption	41		41	7
Combined Comprehensive Transportation Bond and Interest Redemption	7		7	1
Michigan Underground Storage Tank Financial Assurance Finance Authority	808		808	32
Recreation and Environmental Protection Bond	19		19	8
State Park Revenue Bond Fund	0		0	17
Clean Michigan Initiative Bond - State Projects	62		62	91
Recreation Bond - State Projects	3		3	6
Legislative Retirement	91	20,135	20,226	19,535
State Police Retirement	51	132,532	132,583	120,506
State Employees' Retirement	503	1,184,217	1,184,720	1,092,404
Public School Employees' Retirement	2,859	4,619,560	4,622,419	4,227,384
Judges' Retirement	54	32,223	32,277	29,167
Michigan Employment Security Act Contingent	192		192	191
Vietnam Veterans' Memorial Monument	15		15	1
Law Enforcement Officers Memorial Fund	0		0	---
Military Family Relief Fund	15		15	---
Children's Institute Trust	3		3	1
Gifts, Bequests, and Deposits Investment	812	461	1,273	958
Silicosis, Dust Disease, and Logging Industry Compensation	69		69	51
Second Injury	375		375	254
Hospital Patients' Trust	6		6	3
Self-Insurers' Security	363		363	146
State Employees' Deferred Compensation I (457)	19		19	5
State Employees' Deferred Compensation II (401(k))	17		17	4
State Employees' Defined Contribution Plan	2		2	(1)
Environmental Quality Deposits	80		80	37
Utility Consumer Representation	83		83	33
Transportation Related Trust	153		153	237
Michigan Higher Education Assistance Authority	---	38	38	18
Mackinac Bridge Authority	---	592	592	258
Michigan Education Trust	---	26,934	26,934	37,167
<b>TOTALS</b>	<b>\$46,256</b>	<b>\$6,058,497</b>	<b>\$6,104,753</b>	<b>\$5,577,145</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 represent 0.7 percent of the pension trust funds Equities and Mutual Funds investment category. 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, 2005 and September 30, 2004 these strategies comprised approximately .3 percent and .3 percent of the total pension trust funds, respectively.
- *S&P 600 Small Cap Index (Derivatives):* These investments are swap agreements and represent .4 percent of the pension trust funds Equities and Mutual Funds investment category.
- *International Equity Swaps (Derivatives):* These investments are swap agreements and represent 89.7 percent of the International Equities investment category.

Swap agreements, which are tied to stock market indices in the United States and twenty-two foreign countries, are the core of the International Equity Market investment strategy and the S&P 600 Small Cap investment strategy. These contractual agreements are made with large global banks and brokerage firms, and represented approximately 10.6 percent and 9.7 percent of the total pension trust funds on September 30, 2005 and 2004 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 \$1.6 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, 2005 and 2004 was \$1,238.3 and \$1,673.6 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, 2005 and 2004 the State had no outstanding credit risk. The market value of the securities lent at September 30, 2005 and 2004 was \$3,325.5 and \$3,093.4 million, respectively.

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

*Effective for FY ended September 30, 2005:*

Land Bank Fast Track, State Fair Exposition and Fairground, Law Enforcement Officers Memorial Fund, Military Family Relief Fund were added to Schedule 3. 1992 Comprehensive Transportation Bond Proceeds, Bankrupt Self-Insured Corporations' Workers Disability Fund #12, #14 and #15 were removed from Schedule 3.

*Effective for FY ended September 30, 2004:*

Mackinac Bridge Authority was added to Schedules 2 and 3. School Aid Fund and State Park Revenue Bond Fund were added to Schedule 3. Federal Housing Administration Mortgages Escrow was removed from Schedules 2 and 3. Bankrupt Self-Insured Corporations' Workers Disability #13, 1992 State Trunkline Critical Bridge Bond Proceeds, and 1996 State Trunkline Bond Proceeds were removed from Schedule 2.

In July 2004, four state retirement systems' (State Police, State Employees', Public School Employees' and Judges) investments were contributed to an internal investment pool structure. Investments on Schedule 2 for these systems represent a pro rata share based on ownership of the investment pool.

# 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 the various funds in the state Treasury, except funds established to pay debts service on notes and bonds, in such a manner as 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 1996-2005 (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	Other Investment Funds	Totals <sup>(b)</sup>
2005	\$ (16,043)	\$ 4,622,419	\$ 1,184,720	\$ 132,583	\$ 32,277	\$ 148,797	\$ 6,104,753
2004	(10,258)	4,227,384	1,092,404	120,506	29,167	117,941	5,577,145
2003	(5,891)	4,622,454	1,240,425	135,298	34,929	137,619	6,164,834
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

(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)
2005	\$ 46,256	\$ 62,299	\$ (16,043)
2004	18,440	28,699	(10,258)
2003	27,892	33,783	(5,891)
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)

(b) 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 General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash <sup>(a)</sup>	Retirement Funds	Bond Funds <sup>(b)</sup>	Total Common Cash
October 2004	\$ (302.1)	\$ 0.0	\$ 1,952.4	\$ 1,650.3	\$ 179.5	\$ 422.7	\$ 2,252.5
November	1,053.3	0.0	1,865.5	2,918.8	139.9	436.2	3,494.9
December	655.8	81.3	1,794.2	2,531.3	243.0	447.6	3,221.9
January 2005	741.5	81.4	1,815.3	2,638.2	109.7	403.9	3,151.8
February	(423.9)	81.4	1,930.4	1,587.9	226.0	392.0	2,205.9
March	(832.2)	81.4	1,863.0	1,112.2	142.2	296.2	1,550.6
April	(1,049.9)	81.9	2,187.3	1,219.3	120.3	285.9	1,625.5
May	(1,131.8)	81.9	2,193.9	1,144.0	170.5	269.1	1,583.6
June	(1,468.7)	81.9	2,077.4	690.6	188.1	255.6	1,134.3
July	(1,434.5)	82.5	1,987.5	635.5	96.7	309.9	1,042.1
August	(1,793.4)	82.5	2,219.4	508.5	133.1	314.8	956.4
September	(856.4)	2.0	1,873.3	1,018.9	103.7	241.6	1,364.2

(a) Manageable Common Cash includes the General, School Aid, Budget Stabilization, Special Revenue, Enterprise, Internal Service, Trust and Agency Funds.

(b) Includes 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 <sup>(a)</sup>	Retirement Funds	Bond Funds <sup>(b)</sup>	Total Common Cash
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	2,376.2	121.8	518.2	3,016.2
September 2003	(490.1)	0.0	1,915.8	1,425.7	152.2	418.3	1,996.2
September 2004	(897.6)	0.0	2,077.2	1,179.6	197.5	402.7	1,779.8
September 2005	(856.4)	2.0	1,873.3	1,018.9	103.7	241.6	1,364.2

(a) Manageable Common Cash includes the General, School Aid, Budget Stabilization, Special Revenue, Enterprise, Internal Service, Trust and Agency Funds.

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

# Table 4



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

Fund	Cash Balances 10-1-04	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-05	Warrants Outstanding	Available Balances 9-30-05
<b>GENERAL AND SCHOOL AID</b>								
General	\$ 683,397	\$ 31,121,005	\$31,093,881	\$ 391,911	\$ 318,117	\$ 784,314	\$ 90,990	\$ 693,324
School Aid	(1,466,491)	11,482,165	12,355,034	831,025	41,091	(1,549,426)	286	(1,549,712)
Total General and School Aid	\$ (783,095)	\$ 42,603,170	\$43,448,915	\$ 1,222,936	\$ 359,208	\$ (765,112)	\$ 91,276	\$ (856,388)
<b>BUDGET STABILIZATION</b>								
Counter-Cyclical Budget and Economic Stabilization	\$ -0-	\$ 1,995	\$ -0-	\$ 81,258	\$ 81,300	\$ 1,953	\$ -0-	\$ 1,953
Total Budget Stabilization	\$ -0-	\$ 1,995	\$ -0-	\$ 81,258	\$ 81,300	\$ 1,953	\$ -0-	\$ 1,953
<b>SPECIAL REVENUE</b>								
Game and Fish Protection	\$ 32,186	\$ 53,642	\$ 71,441	\$ 11,100	\$ 901	\$ 24,585	\$ 299	\$ 24,287
Michigan Employment Security Act-Administration	(5,872)	118,962	124,249	6,226	1,173	(6,106)	79	(6,185)
State Aeronautics	19,343	203,199	208,462	6,000	2,729	17,350	482	16,869
Michigan Veterans' Trust	9,622	7,453	14,694	-0-	34	2,346	1	2,345
State Trunkline	721,694	842,512	1,587,110	855,496	120,428	712,165	11,905	700,260
Michigan State Waterways	39,893	11,085	27,153	14,737	291	38,272	88	38,183
Blue Water Bridge	20,836	15,007	6,973	-0-	2,529	26,341	7	26,334
Michigan Transportation	188,759	2,036,353	1,032,846	371	1,007,678	184,959	718	184,241
Comprehensive Transportation	41,852	87,028	233,014	169,052	26,487	38,432	1,455	36,977
Marine Safety	2,160	5,566	3,935	-0-	1,169	2,622	1	2,621
Game and Fish Protection Trust	48,216	21,502	47,650	-0-	10,627	11,441	-0-	11,441
State Park Improvement	7,939	36,858	35,632	-0-	1,309	7,857	57	7,800
Forest Development	13,048	33,998	27,921	-0-	1,122	18,003	180	17,823
Michigan Civilian Conservation Corps	6,785	4,230	10,392	-0-	4	619	3	616
Michigan Natural Resources Trust	177,735	104,444	150,668	-0-	10,049	121,461	180	121,281
Michigan State Parks Endowment	69,406	18,141	78,822	10,000	71	18,654	66	18,588
Safety Education and Training	5,493	7,116	7,086	-0-	38	5,485	18	5,467
Bottle Deposits	125,793	26,702	36,745	-0-	15,933	99,818	207	99,611
State Construction Code	8,522	11,881	14,013	-0-	182	6,208	18	6,190
Children's Trust	8,465	6,191	13,595	-0-	6	1,056	4	1,052
State Casino Gaming	14,884	30,346	15,913	2	11,524	17,794	5	17,790
Homeowner Construction Lien Recovery	712	5,058	1,258	-0-	1	4,511	28	4,483
Michigan Nongame Fish and Wildlife	2,185	928	2,663	-0-	3	448	3	445
Michigan Merit Award Trust	74,058	207,586	244,679	-0-	9,218	27,747	190	27,557
Tobacco Settlement Trust	5,732	69,490	75,890	-0-	1,750	(2,419)	62	(2,481)
Michigan Underground Storage Tank Financial Assurance (MUSTFA)	1,814	-0-	163	-0-	1,651	-0-	-0-	-0-
State Building Authority Advance Financing	(32,876)	66,042	49,658	133	738	(17,097)	647	(17,744)
Michigan Strategic	74,899	178,602	177,668	-0-	-0-	75,833	826	75,007
Land Bank Fast Track Authority	-0-	487	314	-0-	-0-	173	1	173
State Exposition and Fairgrounds Authority	-0-	5,523	4,123	-0-	-0-	1,400	721	679
School Loan Revolving	-0-	-0-	(30,000)	-0-	-0-	30,000	-0-	30,000
Total Special Revenue	\$ 1,683,284	\$ 4,215,933	\$ 4,274,730	\$ 1,073,117	\$ 1,227,646	\$ 1,469,958	\$ 18,248	\$ 1,451,710

# Table 4



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

Fund	Cash Balances 10-1-04	Receipts (a)	Disbursements (b)	Transfers In	Transfers Out	Cash Balances 9-30-05	Warrants Outstanding	Available Balances 9-30-05
<b>BOND, DEBT SERVICE AND CAPITAL PROJECTS</b>								
Recreation Bond - Local Projects	\$ 160	\$ 4	\$ -0-	\$ -0-	\$ -0-	\$ 164	\$ -0-	\$ 164
Clean Michigan Initiative Bond - Local Projects	3,994	79	1,799	-0-	3	2,271	-0-	2,271
Clean Michigan Initiative Bond - Environmental Projects	27,894	72,032	53,802	-0-	21	46,103	324	45,779
Environmental Protection Bond	26,224	1	14,297	-0-	-0-	11,927	47	11,880
School Bond Loan	562	112,283	111,619	-0-	-0-	1,226	-0-	1,226
Great Lakes Water Quality Bond Fund	(8)	32	32	-0-	-0-	(9)	-0-	(9)
1989 State Trunkline Bond Proceeds	757	26	70	866	565	1,013	-0-	1,013
1992 State Trunkline Bond Proceeds	5,160	794	991	-0-	1	4,961	-0-	4,961
1992 State Trunkline Critical Bridge Bond Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
1992 Comprehensive Transportation Bond Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
1994 State Trunkline Bond Proceeds	415	183	364	-0-	1	234	-0-	234
1996 State Trunkline Bond Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
State Trunkline Bond Proceeds	244,426	14,440	134,660	-0-	27,031	97,175	13	97,163
2001 Build Michigan II - GARVEE Bond Proceeds	-0-	42,552	15,021	25,000	52,531	-0-	-0-	-0-
Comprehensive Transportation Bond Proceeds	85,026	2,203	13,267	-0-	4	73,958	376	73,582
Combined State Trunkline Bond and Interest Redemption	61	652,085	768,317	116,626	-0-	455	267	188
Combined Comprehensive Transportation Bond and Interest Redemption	-0-	69,995	98,935	28,941	-0-	-0-	-0-	-0-
Michigan Underground Storage Tank Financial Assurance Finance Authority	4,339	89,682	4,649	-0-	89,372	-0-	-0-	-0-
Recreation and Environmental Protection Bond Redemption	1,110	40	82,514	82,534	-0-	1,169	1	1,168
School Loan Bond Redemption	-0-	-0-	41,091	41,091	-0-	-0-	-0-	-0-
State Park Revenue Bond	2	(2)	-0-	-0-	-0-	-0-	-0-	-0-
Clean Michigan Initiative Bond - State Projects	2,996	62	1,195	-0-	1	1,863	-0-	1,863
Recreation Bond - State Projects	130	3	-0-	-0-	-0-	133	-0-	133
<b>Total Bond, Debt Service and Capital Projects</b>	<b>\$403,248</b>	<b>\$1,056,493</b>	<b>\$1,342,622</b>	<b>\$295,057</b>	<b>\$169,529</b>	<b>\$242,647</b>	<b>\$1,028</b>	<b>\$ 241,618</b>
<b>ENTERPRISE</b>								
Liquor Purchasing Revolving	\$ 60,064	\$ 702,189	\$ 558,461	\$ -0-	\$146,315	\$ 57,477	\$ 653	\$ 56,824
State Lottery	6,736	1,282,900	603,834	-0-	679,602	6,200	790	5,410
Michigan Higher Education Assistance Authority	3	2,987	2,952	-0-	-0-	38	-0-	38
Michigan State Housing Development Authority	(3)	142,875	142,910	-0-	-0-	(38)	8,336	(8,374)
State Water Pollution Control Loan	229	62,864	63,070	-0-	-0-	22	-0-	22
<b>Total Enterprise</b>	<b>\$ 67,029</b>	<b>\$2,193,815</b>	<b>\$ 1,371,228</b>	<b>\$ -0-</b>	<b>\$825,917</b>	<b>\$ 63,699</b>	<b>\$9,779</b>	<b>\$ 53,920</b>
<b>INTERNAL</b>								
Correctional Industries Revolving	\$ 1,429	\$ 36,187	\$ 37,171	\$ -0-	\$ 208	\$ 238	\$ 294	\$ (56)
Motor Transport	(6,914)	59,308	54,325	-0-	28	(1,959)	39	(1,998)
Office Services Revolving	(4,842)	138,231	138,086	-0-	106	(4,803)	537	(5,339)
Information Technology	25,697	431,850	428,254	-0-	907	28,385	738	27,647
Risk Management	8,310	46,130	46,444	-0-	13	7,984	8	7,976
State Sponsored Group Insurance	250,756	930,322	984,642	-0-	-0-	196,436	5	196,431
<b>Total Internal</b>	<b>\$274,437</b>	<b>\$1,642,028</b>	<b>\$ 1,688,923</b>	<b>\$ -0-</b>	<b>\$ 1,261</b>	<b>\$226,281</b>	<b>\$1,621</b>	<b>\$ 224,660</b>



# Table 4



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

Fund	Cash Balances 10-1-04	Receipts (a)	Disbursements (b)	Transfers In	Transfers Out	Cash Balances 9-30-05	Warrants Outstanding	Available Balances 9-30-05
<b>RETIREMENT</b>								
Legislative	\$ 3,448	\$ 58,891	\$ 59,460	\$ -0-	\$ -0-	\$ 2,879	\$ 10	\$ 2,869
State Police	8,386	379,697	384,192	-0-	1	3,890	140	3,750
State Employees'	37,345	3,483,170	3,499,076	-0-	11	21,428	1,666	19,762
Public School Employees'	156,278	12,140,291	12,214,114	-0-	59	82,396	6,481	75,916
Judges'	2,155	90,438	91,156	-0-	-0-	1,436	44	1,392
<b>Total Retirement</b>	<b>\$ 207,612</b>	<b>\$ 16,152,486</b>	<b>\$ 16,247,998</b>	<b>\$ -0-</b>	<b>\$ 70</b>	<b>\$ 112,030</b>	<b>\$ 8,341</b>	<b>\$ 103,689</b>
<b>TRUST AND AGENCY</b>								
Michigan Employment Security Act Contingent	\$ 4,557	\$ 13,178	\$ 680	\$ -0-	\$ 9,743	\$ 7,312	\$ -0-	\$ 7,312
Vietnam Veterans' Memorial Monument	421	78	8	-0-	-0-	491	-0-	491
Law Enforcement Officers Memorial	-0-	30	-0-	-0-	-0-	30	-0-	30
Military Family Relief	-0-	1,245	12	-0-	-0-	1,233	-0-	1,233
Michigan Unemployment Compensation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Children's Institute Trust	102	3	4	-0-	-0-	101	-0-	101
Abandoned and Unclaimed Property (Escheats)	41,773	126,920	78,800	-0-	-0-	89,893	1,090	88,803
Gifts, Bequests, and Deposits Investment	27,394	127,663	128,712	-0-	-0-	26,345	855	25,491
Silicosis, Dust Disease, and Logging Industry Compensation	3,155	2,985	3,050	-0-	8	3,083	75	3,008
Assigned Claims Facility and Plan	45,016	102,014	110,192	-0-	782	36,057	34,436	1,621
Second Injury	17,828	16,773	16,876	-0-	22	17,703	148	17,555
Hospital Patients'	218	1,852	1,903	-0-	-0-	167	16	151
Self-Insurers' Security	14,505	13,798	10,870	-0-	11	17,422	51	17,371
State Employees' Deferred Comp. I (457)	422	55,186	54,850	-0-	-0-	757	-0-	757
State Employees' Deferred Comp. II (401k)	416	108,988	108,747	-0-	-0-	657	-0-	657
State Employees' Defined Contribution Plan (24)		84,872	84,736	-0-	-0-	112	-0-	112
Special Assessment Deferment	611	564	124	-0-	-0-	1,051	3	1,048
Environmental Quality Deposits	2,875	(30)	71	-0-	-0-	2,775	-0-	2,775
Insurance Carrier Deposits	1,220	59,228	59,538	-0-	-0-	910	42	868
Utility Consumer Representation	3,128	1,096	761	-0-	3	3,461	-0-	3,461
Transportation Related	(34,962)	264,796	261,018	3,321	188	(28,051)	1,747	(29,798)
State Treasurer's Escrow and Paying Agent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>Total Trust and Agency</b>	<b>\$ 128,656</b>	<b>\$ 981,240</b>	<b>\$ 920,951</b>	<b>\$ 3,321</b>	<b>\$ 10,757</b>	<b>\$ 181,509</b>	<b>\$ 38,463</b>	<b>\$ 143,045</b>
<b>GRAND TOTALS</b>	<b>\$ 1,981,172</b>	<b>\$ 68,847,160</b>	<b>\$ 69,295,367</b>	<b>\$ 2,675,689</b>	<b>\$ 2,675,689</b>	<b>\$ 1,532,965</b>	<b>\$ 168,757</b>	<b>\$ 1,364,208</b>

(a) Receipts include \$8,723 million of securities sold and matured.

(b) Disbursements include \$11,947 million of securities purchased.

# Table 5



## Demand Depositories as of September 30, 2005 (In Thousands of Dollars)

City	Depository Bank	Deposits <sup>(a)</sup>	City	Depository Bank	Deposits <sup>(a)</sup>
Adrian	Sky Bank	\$ 164	Ishpeming	Peninsula Bank	\$ 48
	Bank of Lenawee	93		Ithaca	Commercial National Bank
Alma	Firstbank, Alma	120	Kalamazoo		National City Bank
Bad Axe	Signature Bank	42		L'Anse	Commercial National Bank
Baldwin	Lake Osceola State Bank	55	Lansing	LaSalle Bank-Credit Card	683
Benton Harbor	Chemical Bank Shoreline	634		LaSalle Bank-Main Acct.	5,270
Beulah	Central State Bank	27	Lapeer	Lapeer County Bank and Trust	103
Cadillac	Chemical Bank - West	1,114	Manistique	mBank	271
	Independent Bank - East Michigan	3		State Savings Bank	17
Cheboygan	Citizens National Bank	87	Marquette	Wells Fargo Bank, Michigan	739
Chelsea	Chelsea State Bank	50	Mason	Mason State Bank	748
	Century Bank and Trust	130	Midland	Chemical Bank and Trust	2,327
Coldwater	Southern Michigan National Bank	87		Monroe	Monroe Bank and Trust
Croswell	Eastern Michigan Bank	6	Mt. Pleasant	Isabella Bank and Trust	236
Crystal Falls	First National Bank	9	Munising	Peoples State Bank of Munising	90
Detroit	JP Morgan Chase-Income Tax	3,345	Newberry	Tahquamenon Area Credit Union	21
	JP Morgan Chase-Main Acct.	183,798	Norway	First National Bank	83
	Comerica Bank - Detroit	13,387	Ontonagon	Citizens State Bank	14
	Comerica Bank - ACH Service	3,132		Port Austin	Port Austin State Bank
Eastpointe	First State Bank	136	Rockford	Independent Bank - West Michigan	111
East Tawas	Huron Community Bank	62	St. Charles	Community State Bank	64
Escanaba	Northern Michigan National Bank	14		St. Ignace	First National Bank
	State Bank of Escanaba	78	Sault Ste. Marie	Central Savings Bank	74
Fenton	The State Bank	124		Soo Co-Op Credit Union	10
Flint	Citizens Banking Corporation	3,147	Shelby	Shelby State Bank	23
	Bay Bank	5		Stockbridge	SSBBank
Gladstone	First Bank Upper Michigan	18	Three Rivers		First National Bank
Grand Rapids	Fifth Third Bank	10,140	Wakefield	First National Bank	112
	Superior National Bank and Trust	135		West Branch	Firstbank, West Branch
Hancock	Sand Ridge Bank	129	Zeeland		Huntington National Bank
Hillsdale	Hillsdale County National Bank	56		Total	
	Ionian	Independent Bank	125		
	Ionian County National Bank	52			
Iron Mountain	First National Bank of Iron Mountain	52			

(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 \$401 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 FY. 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 FY 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 2005, the State issued new debt for \$176.1 million to fund the School Bond Loan, Environmental and Great Lakes Water Quality Programs. The State also issued \$571.4 million to refund existing debt at a lower 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 10, *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	Refunded Principal	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-05
School Bond Loan (a)	Series 1995	1995	1996-2015	\$ -0-	\$ -0-	\$ 7,900	\$ 1,059	\$ 17,015 *
	Series 1998	1998	2000-2017	-0-	-0-	6,985	2,943	58,755 *
	Series 2001 (Refunding)	2001	2002-2016	-0-	-0-	70	4,623	85,035
	Series 2001C Multi-Modal	2001	2019-2021	-0-	45,880	-0-	320	-0-
	Series 2002A Multi-Modal	2002	2005-2021	-0-	30,910	100	356	-0-
	Series 2002 (Refunding)	2002	2003-2015	-0-	-0-	-0-	4,338	84,825
	Series 2002B Multi-Modal	2003	2018-2021	-0-	46,475	-0-	324	-0-
	Series 2003B Multi-Modal	2003	2008-2010	-0-	3,250	-0-	21	-0-
	Series 2004A Multi-Modal	2004	2020-2024	-0-	203,150	-0-	1,362	-0-
	Series 2004B Multi-Modal	2004	2020-2024	-0-	35,130	-0-	991	-0-
	Series 2004C Multi-Modal	2004	2020-2024	22,005	22,005	-0-	-0-	-0-
	Series 2005A Multi-Modal	2005	2020-2024	59,185	59,185	-0-	-0-	-0-
	Series 2005B Multi-Modal	2005	2008-2025	362,510	-0-	-0-	-0-	362,510
	Series 2005C Multi-Modal	2005	2020-2024	113,090	-0-	-0-	-0-	113,090
Environmental Protection (b)	Series 1989	1989	1994-2019	-0-	-0-	1,201	2,174	6,379 *
	Series 1992	1992	2005-2012	-0-	-0-	930	5,523	76,923 *
	Water Pollution 1992	1992	1994-2012	-0-	-0-	745	425	6,515
	Water Pollution 1993	1993	1995-2013	-0-	-0-	925	482	9,165
	Series 1995	1995	1996-2019	-0-	54,430	10,693	4,912	12,495 *
	Series 1998	1998	1998-2017	-0-	-0-	3,630	859	16,275 *
	Series 2000	2000	2001-2020	-0-	-0-	2,080	875	14,860 *
	Series 2001 (Refunding)	2001	2002-2016	-0-	-0-	-0-	4,681	86,140
	Series 2002 (Refunding)	2002	2004-2015	-0-	-0-	85	6,868	132,720
	Series 2003	2003	2007-2021	-0-	-0-	-0-	1,919	38,000
	Series 2004A	2004	2010-2024	-0-	38,898	-0-	93	-0-
	Series 2005B (Refunding)	2005	2013-2016	45,895	-0-	-0-	-0-	45,895
	Series 2005B (Refunding)	2005	2019-2021	36,492	-0-	-0-	-0-	36,492
	Series 2005C (Refunding)	2005	2008-2013	5,482	-0-	-0-	-0-	5,482
Recreation (c)	Series 2001 (Refunding)	2001	2002-2004	-0-	-0-	11,755	294	-0-
	Series 2002 (Refunding)	2002	2005-2012	-0-	-0-	-0-	1,034	22,935
Clean Michigan Initiative (d)	Series 1999A	1999	2003-2019	-0-	-0-	3,330	1,101	19,110 *
	Series 2001	2001	2003-2019	-0-	22,335	635	2,706	31,915 *
	Series 2002 (Refunding)	2002	2004-2016	-0-	-0-	115	3,145	59,675
	Series 2003	2003	2007-2021	-0-	-0-	-0-	8,180	162,000
	Series 2004A	2004	2010-2024	-0-	472	-0-	-0-	-0-
	Series 2004B	2004	2006-2009	-0-	15,145	-0-	-0-	-0-
	Series 2005A	2005	2017-2021	64,935	-0-	-0-	-0-	64,935
	Series 2005A (Refunding)	2005	2017-2018	21,835	-0-	-0-	-0-	21,835
	Series 2005B (Refunding)	2005	2019-2021	443	-0-	-0-	-0-	443
	Series 2005C (Refunding)	2005	2008-2013	15,603	-0-	-0-	-0-	15,603
Great Lakes Water Quality (e)	SWQIF 2003	2003	2053	-0-	-0-	-0-	-0-	10,000
<b>Total General Obligation Debt</b>				<b>\$747,475</b>	<b>\$577,265</b>	<b>\$51,179</b>	<b>\$61,608</b>	<b>\$1,617,022</b>

(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 \$34.9 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 \$260.0 million remains.

(e) On December 18, 2003, the State issued \$100 million in general obligation Great Lakes Water Quality Bonds pursuant to voter authorization which were placed with a State Authority. The State has currently only recognized \$10.0 million of this total, which is subject to repurchase by the State upon 10 days notice, as a liability in the State of Michigan Comprehensive Annual Financial Report. The remaining \$90.0 million may be recognized as a liability in the future.

\* 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 at right summarizes the advanced refunding activity by type of bond.

Series	Advanced Refunded From Series	Amount Refunded	FY 05 Paid From Escrow Principal	FY 05 Escrow Interest	FY 05 Escrow Balance
General Obligation Debt:					
School Bond Loan	2001, 2002, 2005B, 2005C	\$ 608,650	\$ -0-	\$ 9,228	\$ 608,650
Environmental Protection	1995, 2001, 2002, 2005B, 2005C	322,553	2,500	14,733	299,755
Clean Michigan Initiative	2002, 2005A	81,660	-0-	3,150	78,470
		<b>\$ 1,012,863</b>	<b>\$ 2,500</b>	<b>\$ 27,111</b>	<b>\$ 986,875</b>

# 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 9-30-05
Mackinac Island State Park Commission	\$ -0-	\$ 235	\$ 119	\$ 1,865 *
Michigan State Housing Development Authority (b)	312,495	292,668	74,184	1,732,892
Michigan State Hospital Finance Authority (c)	719,316	357,331	268,926	4,384,008 *
Michigan Higher Education Facilities Authority	37,870	45,230	15,098	393,845 *
Michigan Higher Education Student Loan Authority	625,100	198,490	52,336	2,287,050
Michigan Municipal Bond Authority	1,322,345	875,951	150,289	3,809,532
Michigan State Building Authority (d)	482,695	412,755	128,675	2,614,520 *
Michigan Underground Storage Tank Financial Assurance Authority	-0-	104,780	8,366	-0-
Michigan Public Educational Facilities Authority	24,125	16,605	322	26,520
Michigan Broadband Development Authority	-0-	26,556	212	23,444
Michigan Family Farm Development Authority	-0-	1	N/A	-0-
<b>Total Special Authority Revenue Bond Debt</b>	<b>\$3,523,946</b>	<b>\$2,330,602</b>	<b>\$698,527</b>	<b>\$15,273,676</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.
- (b) The new issues include \$143 million of new bond issues plus \$1.3 million of capital appreciation for the fiscal year.
- (c) Balance includes \$8,428 million in bonds and \$169.8 million in Hospital Equipment Loan Program (HELP) notes. Balance does not include MSHFA obligations that have been advance refunded. In fiscal year 2005, net escrow payment activity was \$72 million leaving an escrow principal liability as of September 30, 2005 of \$1,347.3 million.
- (d) Balance does not include obligations that have been advance refunded. The escrow principal liability as of September 30, 2005 was \$865.6 million. Also, outstanding principal balance does not include commercial paper notes issued by the Authority. As of September 30, 2005, \$334.2 million of commercial paper notes was outstanding.

# Table 8



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

For Period Ended September 30	Principal	Interest	Total
2006	\$ 52,768	\$ 61,735	\$ 114,503
2007	62,060	79,554	141,614
2008	72,674	75,244	147,918
2009	71,792	74,701	146,493
2010	77,314	71,440	148,754
2011	85,616	63,235	148,851
2012	86,704	61,935	148,639
2013	109,640	49,984	159,624
2014	102,110	44,374	146,484
2015	98,365	38,993	137,358
2016	98,495	33,732	132,227
2017	55,880	29,721	85,601
2018	68,040	26,656	94,696
2019	75,270	23,192	98,462
2020	97,515	19,052	116,567
2021	122,600	13,947	136,547
2022	72,520	9,150	81,670
2023	72,520	6,113	78,633
2024	72,410	3,078	75,488
2025	52,730	781	53,511
Thereafter (a)	10,000	-0-	10,000
<b>Total (b)</b>	<b>\$1,617,023</b>	<b>\$786,617</b>	<b>\$2,403,640</b>

(a) On December 18, 2003, the State issued \$100 million in general obligation Great Lakes Water Quality Bonds pursuant to voter authorization which were placed with a State Authority. The State has currently only recognized \$10.0 million of this total, which is subject to repurchase by the State upon 10 days notice, as a liability in the State of Michigan Comprehensive Annual Financial Report. The remaining \$90.0 million may be recognized as a liability in the future.

(b) Includes \$349.5 million in State of Michigan Multi-Modal General Obligation Taxable School Loan Bonds, assuming a 4.5% interest rate and \$113.1 million in State of Michigan Multi-Modal General Obligation Tax-Exempt School Loan Bonds, assuming a 3.5% interest rate and maturing in years 2007 through 2025.

# Table 9



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

Item	Outstanding on September 30				
	2001	2002	2003	2004	2005
<b>GENERAL OBLIGATION DEBT</b>					
School Bond Loan	\$ 386,000	\$ 448,290	\$ 550,135	\$ 625,480	\$ 721,230 *
Environmental Protection	480,565	453,816	485,163	513,090	487,341 *
Recreation	39,460	34,750	34,750	34,690	22,935
Clean Michigan Initiative	92,290	144,420	300,990	314,732	375,516 *
Great Lakes Water Quality	-0-	-0-	-0-	10,000	10,000
<b>Total General Obligation Debt</b>	<b>\$ 998,315</b>	<b>\$ 1,081,276</b>	<b>\$ 1,371,038</b>	<b>\$ 1,497,992</b>	<b>\$ 1,617,022</b>
<b>NON-GENERAL OBLIGATION DEBT</b>					
Michigan Department of Transportation Tax Dedicated Bonds	\$ 1,081,119	\$ 1,126,763	\$ 1,123,900	\$ 1,268,814	\$ 1,594,798 *
MDOT Grant Anticipation Notes	400,000	600,000	600,000	600,000	172,000
Michigan Department of Natural Resources					
State Park Revenue Bonds	-0-	15,500	15,500	15,010	14,500
Special Authorities-Revenue Bonds and Notes: (a)					
Mackinac Island State Park Commission	2,725	2,530	2,320	2,100	1,865 *
Michigan State Housing Development Authority	2,010,900	2,030,891	1,841,384	1,713,065	1,732,892
Michigan State Hospital Finance Authority	3,751,233	3,845,458	4,087,137	4,093,523	4,384,008 *
Michigan Higher Education Facilities Authority	293,575	334,330	340,485	384,010	393,845 *
Michigan Higher Education Student Loan Authority	929,365	1,419,340	1,299,420	1,860,440	2,287,050
Michigan Municipal Bond Authority	2,883,835	2,961,050	3,095,091	3,435,178	3,809,532
Michigan State Building Authority	2,159,314	2,582,134	2,606,760	2,544,580	2,614,520 *
Michigan Underground Storage Tank Financial Assurance Authority	152,520	137,450	121,550	104,780	-0-
Michigan Public Educational Facilities Authority	-0-	-0-	14,890	19,000	26,520
Michigan Broadband Development Authority	-0-	33,333	50,000	50,000	23,444
Michigan Family Farm Development Authority	181	81	37	1	-0-
<b>Total Non-General Obligation Debt</b>	<b>\$13,664,767</b>	<b>\$15,088,860</b>	<b>\$15,198,474</b>	<b>\$16,090,501</b>	<b>\$17,054,974</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



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

Item	Issue Date	Maturity Dates	Amount issued	Refunded Principal	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-05
Michigan Department of Transportation							
Tax Dedicated Bonds Michigan							
Comprehensive Transportation:							
RF. SR. 1996-A	1996	2014	22,650	\$ -0-	\$ 1,115	\$ 1,074	\$ 19,110
RF. SR. 1998-A	1998	2010	38,640	-0-	995	1,880	37,645
RF. SR. 2001-A	2001	2021	27,765	-0-	-0-	1,410	27,765
RF. SR. 2002-A	2002	2011	89,620	-0-	11,580	3,564	56,275
Series 2002-B	2002	2022	82,310	55,165	565	4,151	23,900 *
Series 2003	2003	2023	35,020	9,935	1,310	1,298	22,295 *
Series 2005	2005	2023	62,180	-0-	-0-	-0-	62,180
State Trunkline Fund:							
Series 1989-A	1989	2019	135,780	-0-	2,061	3,899	6,913 *
Series 1992-A	1992	2021	253,618	-0-	-0-	-0-	30,038 *
RF. SR. 1992-B I & II	1992	2021	99,592	-0-	-0-	-0-	4,612 *
Series 1994-A	1994	2024	150,000	-0-	3,285	86	-0 *
SR. 1996-A	1996	2026	54,500	-0-	1,065	180	2,345 *
RF. SR. 1998-A	1998	2026	377,890	-0-	-0-	19,455	377,890
Series 2001-A	2001	2030	308,200	146,545	5,990	9,974	45,225 *
RF. SR. 2002	2002	2021	97,870	-0-	12,625	4,008	73,405
RF. SR. 2004	2002	2021	103,450	-0-	-0-	5,068	103,450
Series 2004	2004	2019	185,710	85,230	-0-	6,828	100,480 *
RF. SR. 2005	2005	2022	223,020	-0-	-0-	-0-	223,020
RF. SR. 2005B	2005	2019	378,250	-0-	-0-	-0-	378,250
MDOT Grant Anticipation Notes:							
Series 2001-A,B,C,D	2001	2008	400,000	400,000	-0-	8,334	-0-
Series 2002-A,B,C,D	2002	2009	200,000	28,000 (1)	-0-	4,167	172,000
Michigan Department of Natural Resources State Park Revenue Bonds							
Series 2002	2002	2022	15,500	-0-	510	566	14,500
<b>Total Special Revenue Debt</b>				<b>\$724,875</b>	<b>\$41,101</b>	<b>\$75,942</b>	<b>\$1,781,298</b>

(1) Principal paydown from available funds.

\* 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 05 Paid From Escrow Principal	FY 05 Escrow Interest	FY 05 Escrow Balance
Special Revenue Debt:					
Comprehensive Transportation	2005	\$ 65,100	\$ 2,225	\$ -0-	\$ 62,875
Trunkline Transportation	1998A, 2002, 2004, 2005	500,055	123,775	13,562	376,280
MDOT Grant Anticipation Notes	2005B	400,000	400,000	930	-0-
		<u>\$ 965,155</u>	<u>\$ 526,000</u>	<u>\$ 14,492</u>	<u>\$ 439,155</u>

# State Tax Collections

State taxes and fees totaling \$21,267,440 (in thousands) were collected during fiscal year 2005, which is an increase of 4.3 percent from the previous fiscal year.

During fiscal year 2005, 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 2005 and the previous four years are detailed in Table 11, *Treasury Administered Taxes and Fees Collected on a Cash Basis*, below.

Table 12, *Michigan State Taxes*, identifies all Michigan taxes and gives administrative information about each.

## Table 11

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

Type of Revenue	10-1-00 to 9-30-01	10-1-01 to 9-30-02	10-1-02 to 9-30-03	10-1-03 to 9-30-04	10-1-04 to 9-30-05
<b>Income Tax:</b>					
Withholding Tax	\$ 6,636,961	\$ 6,438,241	\$ 6,334,996	\$ 6,343,678	\$ 6,386,345
Individual Income Tax	695,484	521,286	431,889	496,135	638,351
Individual Income Tax Estimates	784,278	635,691	592,986	602,043	642,070
Individual Income Tax Penalty and Interest	21,219	22,802	18,789	19,193	18,416
Gross Individual Income Tax Collections	8,137,942	7,618,020	7,378,660	7,461,049	7,685,182
Tax Refunds and Tax Credits (a)	(1,298,637)	(1,357,672)	(1,532,963)	(1,548,788)	(1,646,604)
<b>Net Individual Income Tax</b>	<b>\$ 6,839,305</b>	<b>\$ 6,260,348</b>	<b>\$ 5,845,697</b>	<b>\$ 5,912,261</b>	<b>\$ 6,038,578</b>
Single Business Tax	\$ 2,356,745	\$ 2,280,168	\$ 2,179,850	\$ 2,062,609	\$ 2,135,464
Single Business Tax Penalty and Interest	71,375	68,675	70,092	48,105	50,947
Gross Single Business Tax	2,428,120	2,348,843	2,249,942	2,110,713	2,186,411
Tax Refunds	(263,972)	(296,604)	(293,203)	(251,007)	(249,318)
<b>Net Single Business Tax</b>	<b>\$ 2,164,148</b>	<b>\$ 2,052,239</b>	<b>\$ 1,956,739</b>	<b>\$ 1,859,706</b>	<b>\$ 1,937,093</b>
<b>Airport Parking Tax</b>	<b>\$ 17,522</b>	<b>\$ 14,135</b>	<b>\$ 14,342</b>	<b>\$ 14,737</b>	<b>\$ 17,670</b>
<b>Airport Parking Tax Penalty and Interest</b>	<b>1.45</b>	<b>.35</b>	<b>.82</b>	<b>1</b>	<b>7</b>
<b>Cigarette Tobacco Products Tax</b>	<b>581,957</b>	<b>622,223</b>	<b>874,441</b>	<b>932,131</b>	<b>1,146,375</b>
<b>Cigarette Tobacco Products Tax Penalty and Interest (b)</b>	<b>186</b>	<b>92</b>	<b>304</b>	<b>(35)</b>	<b>402</b>
<b>Commercial Mobile Radio Service Tax</b>	<b>22,501</b>	<b>24,734</b>	<b>27,449</b>	<b>28,638</b>	<b>29,196</b>
<b>Convention Facility Tax</b>	<b>17,872</b>	<b>15,775</b>	<b>15,676</b>	<b>15,858</b>	<b>17,158</b>
<b>Convention Facility Tax Penalty and Interest</b>	<b>7</b>	<b>27</b>	<b>4</b>	<b>53</b>	<b>86</b>
<b>Environmental Protection Regulatory Fee (c)</b>	<b>57,912</b>	<b>60,929</b>	<b>58,459</b>	<b>58,422</b>	<b>59,167</b>
<b>Estate Tax (d)</b>	<b>159,055</b>	<b>141,475</b>	<b>106,819</b>	<b>80,968</b>	<b>106,543</b>
<b>Gas and Oil Privilege Fee</b>	<b>12,533</b>	<b>5,107</b>	<b>5,749</b>	<b>4,915</b>	<b>5,393</b>
<b>Gas and Oil Severance Tax</b>	<b>60,771</b>	<b>34,647</b>	<b>54,085</b>	<b>49,478</b>	<b>64,826</b>
<b>Industrial/Commercial Facilities Tax</b>	<b>130,634</b>	<b>149,889</b>	<b>156,406</b>	<b>154,267</b>	<b>141,384</b>
<b>Inheritance Tax (d)</b>	<b>488</b>	<b>509</b>	<b>239</b>	<b>293</b>	<b>212</b>
<b>Insurance - Retaliatory Tax</b>	<b>194,996</b>	<b>218,651</b>	<b>229,654</b>	<b>233,895</b>	<b>241,083</b>
<b>Intangibles Tax (e)</b>	<b>(133)</b>	<b>608</b>	<b>(994)</b>	<b>70</b>	<b>8</b>
<b>Motor Fuel Taxes</b>	<b>1,066,554</b>	<b>1,098,032</b>	<b>1,100,343</b>	<b>1,073,002</b>	<b>1,083,303</b>
<b>Non-Cigarette Tobacco Products Tax</b>	<b>16,552</b>	<b>18,837</b>	<b>18,142</b>	<b>23,939</b>	<b>39,419</b>
<b>Real Estate Transfer Tax</b>	<b>262,682</b>	<b>254,237</b>	<b>257,537</b>	<b>318,029</b>	<b>320,223</b>
<b>Sales Tax</b>	<b>6,364,641</b>	<b>6,492,547</b>	<b>6,408,508</b>	<b>6,457,613</b>	<b>6,609,944</b>
<b>Sales, Use, Withholding Penalty and Interest</b>	<b>51,001</b>	<b>52,452</b>	<b>44,597</b>	<b>44,270</b>	<b>47,035</b>
<b>State Education Tax</b>	<b>1,428,681</b>	<b>1,578,743</b>	<b>1,776,174</b>	<b>1,542,252</b>	<b>1,794,026</b>
<b>State Housing Development Service Fee</b>	<b>7,578</b>	<b>7,911</b>	<b>8,409</b>	<b>9,092</b>	<b>7,060</b>
<b>Use Tax</b>	<b>1,343,760</b>	<b>1,315,629</b>	<b>1,236,133</b>	<b>1,317,494</b>	<b>1,396,395</b>
<b>Utility Property Tax</b>	<b>103,223</b>	<b>140,841</b>	<b>133,276</b>	<b>114,702</b>	<b>99,535</b>
<b>Other Taxes and Fees (f)</b>	<b>47,037</b>	<b>56,977</b>	<b>85,143</b>	<b>143,183</b>	<b>65,319</b>
<b>TOTAL</b>	<b>\$ 20,951,464</b>	<b>\$ 20,617,594</b>	<b>\$ 20,413,332</b>	<b>\$ 20,389,235</b>	<b>\$ 21,267,440</b>

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

(b) Cigarette - Tobacco Products Tax Penalty and Interest refunds paid exceeded Penalty and Interest revenues collected in FY 2004.

(c) Public Act 390 of 2004 changed the name of the fee from Underground Regulatory to Environmental Protection Regulatory in FY 2005.

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

(e) Public Act 5 of 1995 repealed Public Act 301 of 1939 regarding collection of Intangible Taxes. Refunds paid exceeded revenue collected in FY 2001 and FY 2003.

(f) Includes Court Fines, Fees & Assessments, Trailer Coach Parks Specific Tax, Commercial Forest Tax and Low Grade Iron Ore Specific Tax. As of FY 2005, this line item no longer includes Revenue from Escheated Estates.

# Table 12



## Michigan State Taxes (In Thousands of Dollars)

Tax Source	Year Adopted	Department Administered by	Payment Deadline	Net Cash Receipts 10-1-04 to 9-30-05	Disposition
Aircraft Registration	1923	Transportation	August 1	299	State Aeronautics Fund
Airport Parking	1987	TREASURY	15th of each month	17,670	State Aeronautics Fund; Specific Local Units
Aviation Fuel	1929	TREASURY	20th of each month	6,845	State Aeronautics Fund
Beer and Wine Excise	1933	Labor & Economic Growth	Monthly reports and/or stamps	51,607	General Fund
Casino Wagering	1999	Education	Daily	145,702	School Aid Fund, General Fund
Cigarette Tobacco Products	1947	TREASURY	20th of each month	1,146,375	Before July 1, 2004: 54.2% to School Aid Fund, 33% to General Fund, 6% to Healthy Michigan Fund, 6.8% to Local Units. After July 1, 2004: 41.6% to School Aid Fund, 10.4% to General Fund, 3.8% to Healthy Michigan Fund, 44.2% to Local Units
Non-Cigarette Tobacco Products	1994	TREASURY	20th of each month	39,419	Before July 1, 2004: 75.6% to School Aid Fund, 18.4% to General Fund, 6% Healthy Michigan Fund. After July 1, 2004: 100% to Local Units
Commercial Mobile Radio Service	1999	TREASURY	Last day of Feb., April, July & Oct.	29,196	Commercial Radio Suppliers and Counties, Public Safety Answering Points
Convention Facility Development	1985	TREASURY	15th of each month	17,158	Debt Service for Cobo Hall; Counties
Corporate Organization	1891	Labor & Economic Growth	At time of incorporation, admission or increase in stock	20,188	General Fund
Diesel Fuel	1947	TREASURY	20th of each month	117,824	Michigan Transportation Fund
Diesel Fuel Dealer License	1951	TREASURY	January 1	-0-	Michigan Transportation Fund
Environmental Protection Regulatory	1989	TREASURY	10th and 25th of each month	59,167	General Fund
Estate	1994	TREASURY	Nine months following date of death	106,543	General Fund
Gas and Oil Privilege Fee	1973	TREASURY	25th of each month	5,393	General Fund
Gas and Oil Severance	1929	TREASURY	25th of each month	64,826	General Fund
Gasoline	1925	TREASURY	20th of each month	929,889	Michigan Transportation Fund
Horse Race Wagering	1933	Agriculture	At end of each day's racing	10,912	Agriculture Equine Industry Development Fund
Individual Income	1967	TREASURY	April 15	6,038,578	General Fund with 25.8974% to School Aid Fund
Industrial/Commercial Facilities	1974	TREASURY	December 1	141,384	Local Units and School Aid Fund
Inheritance	1899	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	212	General Fund
Insurance Company Retaliatory	1987	TREASURY	Last day of April, July, Oct. and Jan.	241,083	General Fund
Intangibles	1939	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	8	General Fund
Liquified Petroleum Gas	1953	TREASURY	20th of each month	526	Michigan Transportation Fund
Liquor Excise - 4%	1957	Labor & Economic Growth	At the time of sale to retail licensees	33,112	School Aid Fund
Liquor Specific - 4%	1959	Labor & Economic Growth	At the time of sale to retail licensees	33,665	General Fund
Liquor Specific - 1.85%	1972	Labor & Economic Growth	At the time of sale to retail licensees	12,194	Liquor Purchase Revolving Fund
Liquor - 4%	1985	Labor & Economic Growth	At the time of sale to retail licensees	33,178	Debt Service for Cobo Hall; Counties and Tourism and Convention Facilities
Marine Fuel	1947	TREASURY	20th of each month	340	Michigan State Waterways Fund
Motor Carrier Diesel Fuel	1980	TREASURY	Last day of month following close of qtr.	27,828	Michigan Transportation Fund
Motor Carrier's Privilege	1923	Labor & Economic Growth	December 1	3,932	Michigan Transportation Fund
Motor Vehicle Weight or Value	1905	State	Owner's birthday	866,580	Michigan Transportation Fund
Real Estate Transfer	1994	TREASURY	County Treasurer remits to State on the 15th in the month after receipt	320,223	School Aid Fund
Sales	1933	TREASURY	15th and last day of each month for accelerated filers. 20th day of the month for non-accelerated filers.	6,609,944	72.8% to School Aid Fund, 9.3% to General Fund, 0.9% to Comprehensive Transportation Fund, 16.9% to Local Units, 0.1% to Healthy Initiative Fund
Single Business	1975	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	1,937,093	General Fund
State Education	1994	TREASURY	County Treasurer remits to State the month after receipt from Local Units	1,794,026	School Aid Fund
Snowmobile Registration	1968	State	October 1 (every 3rd year)	1,672	General Fund
Utility Property	1905	TREASURY	July 1 or 1/2 on Aug. 1, 1/2 on Dec. 1	99,535	General Fund
Use	1937	TREASURY	15th of each month	1,396,395	66.6% to General Fund, 33.4% to School Aid Fund
Watercraft Registration	1967	State	January 1 (every 3rd year)	10,483	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 13 shows local, county and state equalized valuations for calendar year 2004 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 14 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 13



### 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)	Nonhomestead Average Rate
2004	\$ 392,562	\$ 392,621	\$ 392,622	\$ 304,716	\$ 12,190	40.00	32.71	50.81
2003	369,404	369,525	369,525	288,957	11,269	39.00	31.81	49.74
2002	343,577	343,715	343,715	274,652	11,033	40.17	32.60	51.00
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	6,704	38.19	30.22	48.17

(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. For 2003 only, the State Education Tax rate was 5.0, lowering average rates by 1.0 mill.

(c) Homesteads include those properties which receive the "homeowner's principal residence" exemption, and those which receive the "qualified agricultural property" exemption.

## Table 14



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

Taxing Unit	Taxes Levied		Percent of Increase
	2003	2004	
City	\$ 2,108,628	\$ 2,178,717	3.32%
County	1,811,694	1,918,051	5.87%
Township	683,401	743,252	8.76%
Village	86,914	88,175	1.45%
School	5,134,551	5,440,922	5.97%
State Education Tax (a)	1,444,786	1,821,043	26.04%
Totals	\$11,269,974 (b)	\$12,190,160 (c)	

(a) For 2003 only, the State Education Tax rate was lowered from 6.0 mills to 5.0 mills.

(b) \$747.5 million of the total property taxes levied in 2003 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.

(c) \$811.2 million of the total property taxes levied in 2004 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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