



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN E. NIXON, CPA
DIRECTOR

January 31, 2012

The Honorable Roger Kahn, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Chuck Moss, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

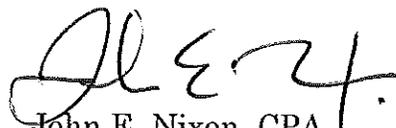
Dear Legislators:

Attached is the monthly financial report for the month ending December 31, 2011. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports".

If you have questions concerning the information in this report, please contact this office.

Sincerely,



John E. Nixon, CPA
State Budget Director

Attachment

c: Governor Rick Snyder	House Fiscal Agency
Randy Richardville, Sen. Maj. Leader	Jack Brandenburg, Chair, Senate Finance Com.
Gretchen Whitmer, Senate Min. Leader	Judson S. Gilbert II, Chair, House Tax Policy Com.
Jase Bolger, Speaker of the House	John Roberts, Deputy Chief of Staff
Richard Hammell, House Min. Leader	Dick Posthumus, Executive Office
Senate Appropriations Committee	Mike Moody, Office of Financial Management
House Appropriations Committee	Nancy Duncan, Deputy State Budget Director
Senate Fiscal Agency	Internal State Budget Office Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2012
Projected Revenues and Expenditures
December 31, 2011
(\$ in millions)

	FISCAL 2012
Beginning Balance, October 1, 2011	\$ 242.1
Revenues, Current Law:	
Current Year GF/GP Revenues, May 2011 Consensus Estimate	\$ 7,651.0
Revenue Adjustments:	
Revenue Sharing adjustments (May 2011 Consensus)	\$ 622.5
Other revenue adjustments	\$ 20.0
Tax Amnesty (PA 198 of 2010)	\$ (12.9)
Unclaimed Property Reforms (PA 197 of 2010)	\$ 35.0
Liquor Reforms (PA 175 of 2010)	\$ 9.1
Use Tax on Medicaid managed care (PA 141 of 2011)	\$ 201.1
Northville Sale - balloon payment 10/14/2011	\$ 6.5
Tax Reform Plan (PA 38, 39 and 40 of 2011)	\$ 107.7
Subtotal Additional Revenue Adjustments	\$ 989.0
Total FY Resources Available For Expenditure GF/GP	8,882.1
Expenditures, Current Law:	
FY 2012 Enacted with Vetoes	\$ 8,874.9
Total Expenditures Projected	\$ 8,874.9
Projected Ending Balance, September 30, 2012	\$ 7.2

¹ This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2011. Final year-end activity will be reflected in the fiscal year 2011 Comprehensive Annual Financial Report which, by law, must be issued on or before March 31, 2012.

Subsequent to the date of this report, several events occurred to influence the projected ending balance for fiscal year 2012. On January 27, 2012, the unaudited financial statement was issued with an unreserved general fund balance of \$566.6 million for the fiscal year ending September 30, 2011. On January 13, 2012, the Consensus Revenue Estimating Conference convened and determined general fund revenues to be \$278.0 million above the May 2011 consensus revenue estimate. At the time of this report, the projected general fund balance for the fiscal year ending September 30, 2012 is \$ 601.4 million.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND
Fiscal Year 2012
Projected Revenues and Expenditures
December 31, 2011
 (\$ in millions)

**FISCAL
2012**

Beginning Balance, October 1, 2011	\$	645.9	¹
Revenues, Current Law:			
Current Year School Aid Fund Revenues, May 2011 Consensus	\$	10,645.4	²
Additional Revenue Adjustments:			
Treasury Reforms	\$	2.3	
Tax Amnesty (PA 198 of 2010)	\$	(11.2)	
Enhanced Liquor Revenues	\$	0.9	
General Fund Subsidy	\$	118.6	
Federal Aid	\$	1,653.3	
Subtotal Additional Revenue Adjustments	\$	1,763.9	
Total FY Resources Available for Expenditure SAF	\$	13,055.2	

Expenditures, Current Law:			
Public Act 62 of 2011 - School Aid	\$	12,659.1	
Public Act 62 of 2011 - Community Colleges	\$	195.9	
Public Act 62 of 2011 - Universities	\$	200.0	
Adjusted Appropriations	\$	13,055.0	

Projected School Aid Fund Ending Balance September 30, 2012	\$	0.2	
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¹ The unaudited fiscal year 2011 ending fund balance (beginning fiscal year 2012 balance) is \$724.7 million. Final year-end activity will be reflected in the fiscal year 2011 Comprehensive Annual Financial Report which, by law, must be issued on or before March 31, 2012.

² Current year revenues for fiscal year 2012 were subsequently estimated to be \$10,763.6 million at the January 2012 consensus revenue estimating conference, which included estimates for treasury reforms, tax amnesty and enhanced liquor revenues.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

December 31, 2011
(\$ IN MILLIONS)

FISCAL YEAR 2011				FISCAL YEAR 2012			
Exp & Enc December 2010	Exp & Enc Yr-to-date FY 2011	Fiscal Year End SEP 30, 2011	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc December 2011	Exp & Enc Yr-to-date FY 2012
4.3	14.1	60.2	Agriculture and Rural Development	69.9	0.0	3.9	10.8
4.6	12.2	62.9	Attorney General	73.6	0.0	5.0	13.3
19.4	77.8	235.3	Capital Outlay**	279.1	4.0	19.6	78.1
0.8	2.2	11.5	Civil Rights	13.7	2.5	0.9	2.3
165.4	513.4	1,865.2	Colleges & Universities	1,250.2	0.0	147.6	357.4
1,257.9	3,410.4	14,302.1	Community Health	14,154.6	653.4	1,253.9	3,361.1
140.0	435.2	1,934.9	Corrections	1,915.2	19.0	152.3	454.2
6.2	16.6	105.2	Education	117.3	9.0	3.6	13.6
12.8	26.5	160.5	Environmental Quality	334.0	35.6	10.1	24.9
0.3	1.0	4.5	Executive Office	4.4	0.0	0.6	1.4
521.6	1,461.3	6,200.1	Human Services	6,793.4	0.0	490.6	1,419.3
10.5	25.3	231.2	Judiciary	257.0	0.1	17.2	32.0
1.3	3.4	16.7	Legislative Auditor General	15.6	0.0	1.4	3.5
9.0	27.0	96.4	Legislature	100.3	0.0	8.0	23.7
60.6	169.2	802.0	Licensing and Regulatory Affairs	568.2	84.6	24.4	66.2
10.1	35.5	120.9	Military Affairs	129.2	12.2	9.0	25.8
4.7	9.6	58.4	Natural Resources	93.3	14.1	2.9	9.1
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
11.2	40.6	172.3	State	210.9	9.7	12.1	31.2
30.3	85.4	474.7	State Police	523.6	16.8	29.5	76.5
24.0	58.7	305.2	Technology, Management & Budget***	522.9	15.9	37.1	103.1
0.0	0.0	0.0	Transportation	0.0	0.5	0.0	0.0
203.6	519.7	3,069.0	Treasury	1,476.8	100.1	207.7	545.2
10.0	15.4	32.1	Michigan Strategic Fund	59.0	86.7	1.6	9.5
\$2,508.6	\$6,960.5	\$30,321.3		\$28,962.3	\$1,064.1	\$2,439.1	\$6,662.2

*Includes boilerplate appropriations.

**Includes all capital outlay activity regardless of agency

***Includes Civil Service Commission

**ESTIMATED BALANCE OF STATE PAYMENTS
TO LOCAL UNITS OF GOVERNMENT**

Fiscal Year 2012
December, 2011
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,105.5	24.0	15,129.5
Total state spending from state resources	27,174.0	129.1	27,303.1
Percentage of state spending from state resources paid to local units	55.59%		55.41%
Required payments to local units (48.97%)	13,307.1		13,370.3
Surplus/(deficit)	\$1,798.4		\$1,759.2

STATE OF MICHIGAN
 YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
 COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
 OCTOBER 1, 2011 THROUGH DECEMBER 31, 2011
 (in thousands)

REVENUES

Miscellaneous		\$ <u> -</u>
Total Revenues		<u> -</u>

EXPENDITURES

Current:		
General government		<u> -</u>
Total Expenditures		<u> -</u>
Excess of Revenues over (under) Expenditures		<u> -</u>

OTHER FINANCING SOURCES (USES)

Transfers from other funds		63,950
Transfers to other funds		<u> -</u>
Total Other Financing Sources (Uses)		<u>63,950</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		<u>\$ 63,950</u> ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
 YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
 MICHIGAN NATURAL RESOURCES TRUST FUND
 OCTOBER 1, 2011 THROUGH DECEMBER 31, 2011
 (in thousands)

REVENUES

Taxes	\$	-
From federal agencies		-
From licenses and permits		-
Miscellaneous		<u>12,444</u>
Total Revenues		<u>12,444</u>

EXPENDITURES

Current:		
General government		-
Conservation, environment, recreation, and agriculture		251
Capital outlay		<u>12,483</u>
Total Expenditures		<u>12,734</u>
Excess of Revenues over (under) Expenditures		<u>(290)</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues		-
Proceeds from sale of capital assets		13
Transfers from other funds		-
Transfers to other funds		<u>-</u>
Total Other Financing Sources (Uses)		<u>13</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$	<u>(277) ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

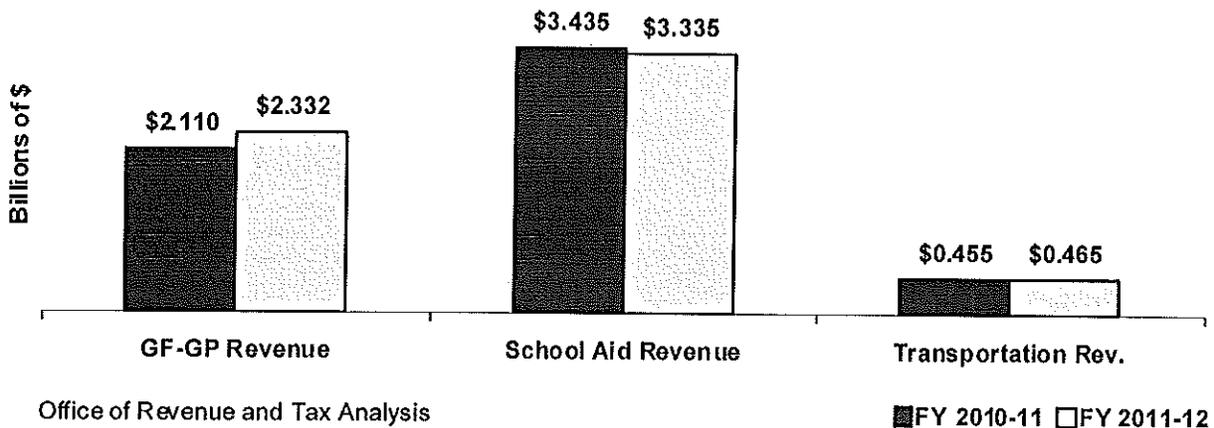
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for December 2011, representing some November and some December economic activity in Michigan.

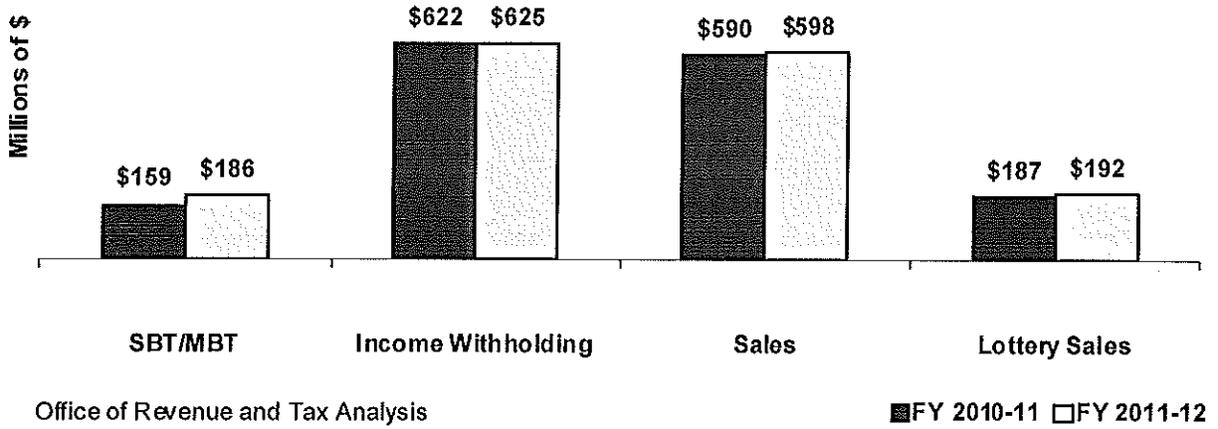
Total General Fund - General Purpose cash collections were \$5.7 million (0.7 percent) lower in December 2011 than in December 2010. The December 2011 School Aid Fund cash collections were \$104.2 million (11.9 percent) lower than in December 2010. December 2011 transportation collections were \$11.4 million (7.8 percent) higher than in December 2010 (see revenue table). December is the third month of the state's fiscal year (FY). Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$221.2 million (10.5 percent) from a year ago. School Aid Fund cash collections are down \$99.2 million (2.9 percent) and transportation collections are up \$10.0 million (2.2 percent).

The FY 2011-12 revenue projections presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 16, 2011. The revenue estimate for net General Fund – General Purpose revenue for FY 2011-12 is \$7,805.8 million and the net School Aid revenue forecast is \$10,645.4 million. The Transportation Funds revenue forecast is \$2,134.4 million. The next regularly scheduled revenue conference will be held on January 13, 2012.

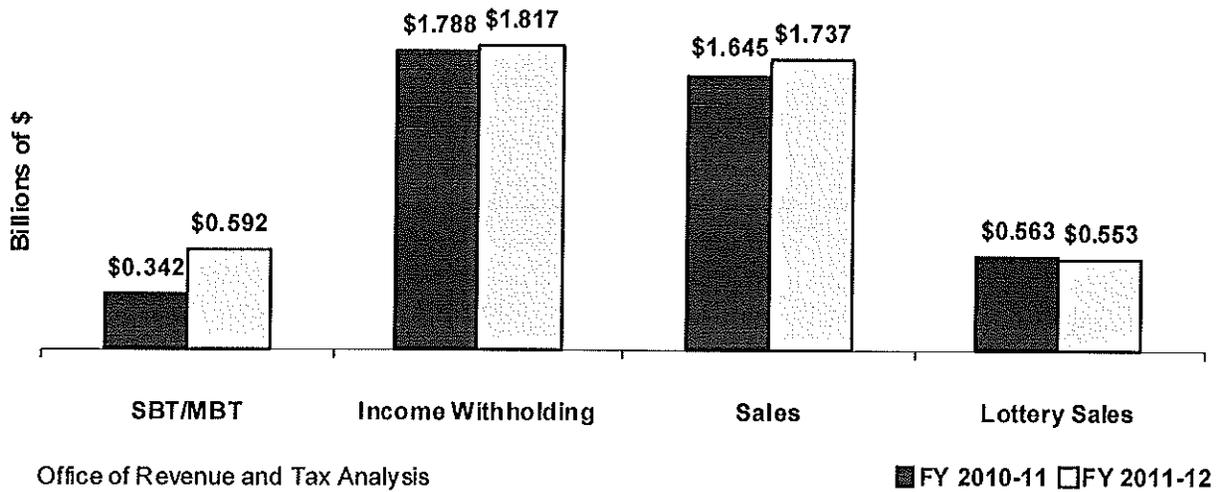
**October through December Collections
FY 2010-11 and FY 2011-12**



December Revenue Collections FY 2010-11 and FY 2011-12



October through December Collections FY 2010-11 and FY 2011-12



Revenue Summary FY 2011-12
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2011

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS					
December		Difference		Year-to-Date		Difference		FY 2010-11		FY 2011-12		FY 2011-12	
2010	2011	Amount	Percent	FY 2010-11	FY 2011-12	Amount	Percent	Consensus	Statutory Estimate (t)	May 2011	Consensus (h)		
\$622,175	\$624,867	\$2,691	0.4%	\$1,787,719	\$1,817,213	\$29,494	1.6%	\$7,182,000	\$7,664,100	\$7,664,100	\$7,664,100		
57,748	51,040	(6,708)	-11.6%	72,055	59,668	(12,387)	-3.3%	607,500	665,900	665,900	665,900		
9,433	9,222	(211)	-2.2%	49,327	52,579	3,252	6.6%	670,700	693,300	693,300	693,300		
689,356	685,126	(4,228)	-0.6%	1,909,101	1,939,480	30,379	1.6%	\$9,460,200	\$9,023,300	\$9,023,300	\$9,023,300		
10,869	17,028	6,159	56.7%	82,461	78,991	(3,470)	-4.2%	2,238,700	2,225,700	2,225,700	2,225,700		
0	0	0	na	0	0	0	na	1,000	1,000	1,000	1,000		
678,487	668,101	(10,387)	-1.5%	1,826,640	1,860,489	33,849	1.9%	\$6,220,500	\$6,796,600	\$6,796,600	\$6,796,600		
160,482	159,498	(984)	-0.6%	444,439	451,511	7,072	1.6%	\$1,968,300	\$2,098,600	\$2,098,600	\$2,098,600		
\$518,005	\$508,603	(\$9,403)	-1.8%	\$1,382,202	\$1,408,978	\$26,777	1.9%	\$4,252,400	\$4,698,000	\$4,698,000	\$4,698,000		
Income Taxes													
\$7,530	\$7,258	(\$272)	-4.9%	\$19,766	\$20,346	\$580	2.9%	\$102,800	\$97,000	\$97,000	\$97,000		
62,591	65,929	3,338	5.3%	190,089	144,338	(45,750)	-24.1%	766,000	846,800	846,800	846,800		
15,940	15,991	51	0.3%	48,450	48,312	(137)	-0.3%	193,400	189,200	189,200	189,200		
3,786	4,001	215	5.7%	11,666	12,168	502	4.3%	52,000	53,000	53,000	53,000		
3,091	3,256	165	5.3%	6,405	6,745	340	5.3%	38,800	39,800	39,800	39,800		
\$93,039	\$96,436	\$3,397	3.7%	\$276,375	\$231,910	(\$44,465)	-16.1%	\$1,153,000	\$1,225,600	\$1,225,600	\$1,225,600		
Consumption Taxes													
(\$1,342)	\$9,152	\$10,494	na	(\$4,822)	\$14,503	\$19,325	na	\$0	\$0	\$0	\$0		
3,225	4,658	1,433	44.4%	64,516	70,241	5,725	8.9%	265,500	277,500	277,500	277,500		
1,883	13,810	11,927	na	59,694	84,744	25,050	42.0%	265,500	277,500	277,500	277,500		
131,714	141,219	9,505	7.2%	254,973	477,076	222,103	87.1%	1,320,800	1,064,700	1,064,700	1,064,700		
3	5	2	59.7%	10	20	10	106.0%	0	0	0	0		
19,881	169	(19,712)	-99.2%	25,343	25,970	628	2.5%	61,000	61,000	61,000	61,000		
3,907	5,477	1,570	40.2%	12,784	13,464	730	5.7%	67,000	71,500	71,500	71,500		
7,546	7,259	(287)	-3.8%	21,788	20,167	(1,622)	-7.4%	141,000	145,000	145,000	145,000		
225	190	(35)	-15.5%	245	218	(28)	-11.3%	1,000	1,000	1,000	1,000		
(9,583)	(10,583)	(1,000)	-10.4%	(28,750)	(31,750)	(3,000)	-10.4%	(125,000)	(127,000)	(127,000)	(127,000)		
\$155,576	\$157,546	\$1,970	1.3%	\$346,037	\$589,908	\$243,872	70.5%	\$1,731,300	\$1,493,800	\$1,493,800	\$1,493,800		
\$766,620	\$762,584	(\$4,036)	-0.5%	\$2,004,613	\$2,230,796	\$226,183	11.3%	\$7,136,800	\$7,417,400	\$7,417,400	\$7,417,400		
SUBTOTAL GF-GP TAXES													

continued

Revenue Summary FY 2011-12
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2011

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS					
December	2010	2011	Difference	Amount	Percent	SOURCE OF REVENUE	Year-to-Date		Amount	Percent	FY 2010-11 May 2011 Consensus	FY 2011-12 Statutory Estimate (h)	FY 2011-12 May 2011 Consensus (h)
							FY 2010-11	FY 2011-12					
	\$9,135	\$10,723	\$1,587		17.4%	Major Transportation Revenues	\$31,343	\$33,956	\$2,613	8.3%	\$122,000	\$124,000	\$124,000
	65,406	72,361	6,955		10.6%	Diesel Fuel / Motor Carrier Fuel Tax	209,746	209,783	38	0.0%	839,000	841,000	841,000
	61,015	63,062	2,047		3.4%	Gasoline	183,302	186,984	3,682	2.0%	838,000	844,000	844,000
	2,815	2,937	122		4.3%	Motor Vehicle Registration	8,679	10,397	1,718	19.8%	167,011	229,122	229,122
	7,373	8,024	651		8.8%	Other Taxes, Fees & Misc.	22,119	24,073	1,954	8.8%	94,469	96,291	96,291
	\$145,744	\$157,107	\$11,363		7.8%	Comprehensive Transportation (c)	\$455,188	\$465,173	\$9,985	2.2%	\$2,060,479	\$2,134,413	\$2,134,413
						TOTAL MAJOR TRANS. REVENUES							
	64,968	63,657	(1,311)		-2.0%	Lottery Sales By Games	186,696	176,589	(10,107)	-5.4%	na	na	na
	51,832	53,115	1,284		2.5%	Instant Games	164,012	159,825	(4,187)	-2.6%	na	na	na
	26,732	30,514	3,783		14.2%	Daily Games	75,924	80,080	4,156	5.5%	na	na	na
	913	929	16		1.8%	Lotto and Big Game	2,927	2,963	36	1.2%	na	na	na
	593	392	(202)		-34.0%	Keno Game	2,265	1,341	(924)	-40.8%	na	na	na
	3,055	2,310	(745)		-24.4%	Lucky Lines Game	6,800	5,321	(1,280)	-19.4%	na	na	na
	39,285	41,240	1,955		5.0%	Millionaires Raffle	124,309	127,262	2,973	2.4%	na	na	na
	\$187,377	\$192,157	\$4,780		2.6%	Club Games	\$562,734	\$553,400	(\$9,334)	-1.7%	na	na	na
						TOTAL LOTTERY SALES							

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Non-tax revenue items other than interest are estimates.

f MBT and Use tax GF/SAF distributions adjusted for P.A. 106 of 2009.

g Starting in April 2009, per P.A. 440 of 2008, totals include revenue from expanded use tax collections.

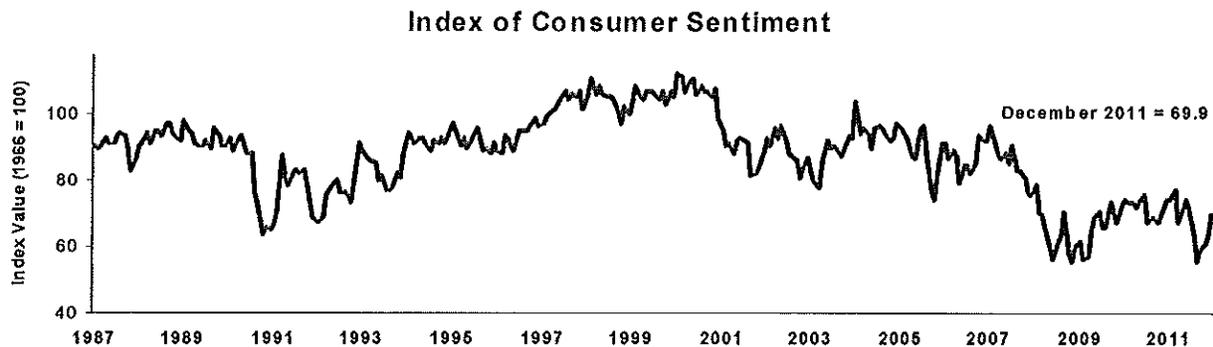
h Income taxes, Withholding tax, Michigan Business tax, and Corporate Income tax estimates have been adjusted to reflect tax changes since May 2011 Consensus.

Source: Michigan Department of Treasury, Office of Revenue & Tax Analysis, based on reports from the Office of Financial Management, Michigan Department of Technology, Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The *Index of Consumer Sentiment* rose in December to 69.9 index-points, 4.5 index-points above the November value but 4.6 index-points below December 2010. On the increase in confidence, Survey Director Richard Curtin observed, "Confidence continued to rise in late December, posting its highest level since June. The gain was concentrated in the Expectations Index, largely due to improved prospects for the national economy for the year ahead. Nearly all of the data were collected prior to the Congressional stalemate on extending the payroll tax cut." Curtin noted, "The improvement in prospects for the economy was large, but still left the overall outlook at low levels. Good economic times were expected in the year ahead by 29% of all households, up from 19% in November and twice the 14% recorded in August." On spending plans for durables, Curtin reported, "Buying plans for household durables rose to the highest level since May, although they were still well below a year ago. The recent gain was due to more frequent references to the availability of discounts, which rose to the highest level since December. Vehicle buying attitudes slipped in December, with fewer consumers mentioning the availability of price discounts. Income uncertainty was still a limiting factor in both markets, mentioned by one-quarter for vehicles and by one-third for durables." In December, consumers in all four regions reported an increase in confidence. Western consumers reported the largest increase in confidence at 15.6 index-points, followed by Midwestern consumers with an increase in confidence of 5.4 index-points. The gap across regions increased from last month to 9.6 index-points, with Western consumers on top and Northeastern consumers on the bottom.

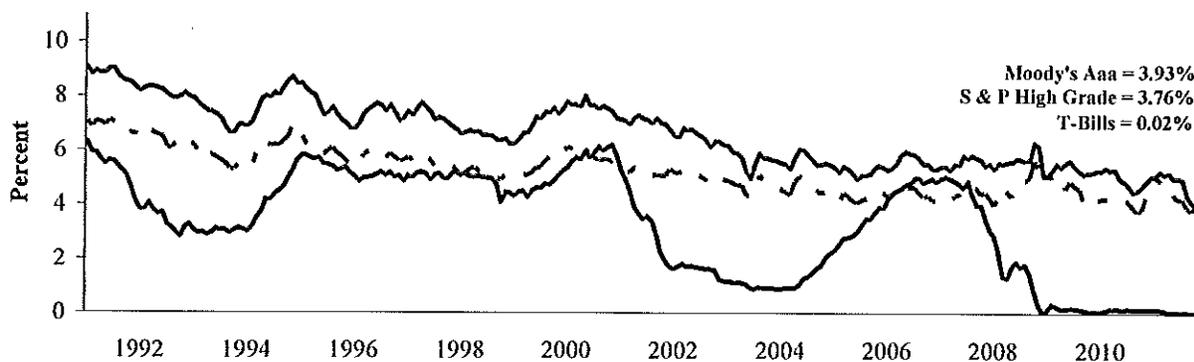
The revised estimate of real *Gross Domestic Product* for the third quarter of 2011 is \$13,331.6 billion (chained 2005 dollars), an increase of 1.8 percent at an annual rate. In the second quarter of 2011, real gross domestic product increased 1.3 percent. The increase in third quarter real GDP was mainly due to personal consumption expenditures, nonresidential fixed investment, exports, and federal government spending. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 1.7 percent in the third quarter, compared to a 0.7 percent increase in the second quarter. Real residential fixed investment increased 1.3 percent in the third quarter compared to an increase of 4.2 percent in the second quarter. Real nonresidential fixed investment increased 15.7 percent in the third quarter with an increase in equipment and software of 15.6 percent. Real federal government expenditures increased 2.1 percent in the third quarter, the same as in the second quarter. Real state and local government spending decreased 1.6 percent in

the third quarter, compared to a decrease of 2.8 percent in the second quarter. Exports of goods and services increased 4.7 percent in the third quarter, compared to a 3.6 percent increase in the second quarter. Imports increased 1.2 percent in the third quarter compared to an increase of 1.4 percent in the second quarter. Private inventory investment decreased \$2.0 billion in the third quarter, following a \$39.1 billion increase in the second quarter. Real final sales increased 3.2 percent in the third quarter compared to an increase of 1.6 percent in the second quarter. On the inflation front, the **implicit price deflator** increased 2.6 percent in the third quarter the same increase observed in the second quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), remained unchanged in December from November. Energy decreased 1.3 percent in December, up from a 1.6 percent decrease in November, while the all-items less food and energy component increased 0.1 percent in December. For the six months since June, the all-items index increased 2.2 percent.

Compared to December 2010, the all-items index increased 3.0 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 4.5 percent; medical care, 3.5 percent; apparel, 4.6 percent; education and communication, 1.7 percent; other goods and services, 1.7 percent; housing, 1.9 percent; transportation, 5.2 percent, with gasoline prices up 9.9 percent; and recreation, 1.0 percent.

Selected Key Interest Rates



Source: Economic Indicators

Short-term interest rates increased 0.01 percentage point in December as the 3-month Treasury bill (T-bill) rate was 0.02 percent. Compared to one year ago, the T-bill rate was down 0.13 percentage point. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.06 percentage point to an interest yield of 3.93 percent in December. Compared to one year ago, the Aaa bond yield was down 1.09 percentage points from its year-ago level. The interest rate on High-grade municipal bonds decreased 0.19 percentage point from the October level to 3.76 percent in December, and was down 0.96 percentage point from its year-ago level. The Federal Open Market Committee (FOMC) kept the target range for the federal funds rate between 0 and 0.25 percent at the December 13th meeting. The FOMC stated that, "the Committee also decided today to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that economic conditions -- including low rates of resource utilization and a subdued outlook for inflation over the medium run -- are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013." The Committee "will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools to promote a stronger economic recovery in a context of price stability."

In December, the **U. S. unemployment rate** decreased 0.1 percentage point from a month ago to 8.5 percent and was 0.9 percentage points lower than a year ago. Civilian employment totaled 140.8 million persons in December, up 0.2 million from November. The number unemployed was 13.1 million nationwide.

Unemployment Rates 2007 - 2011



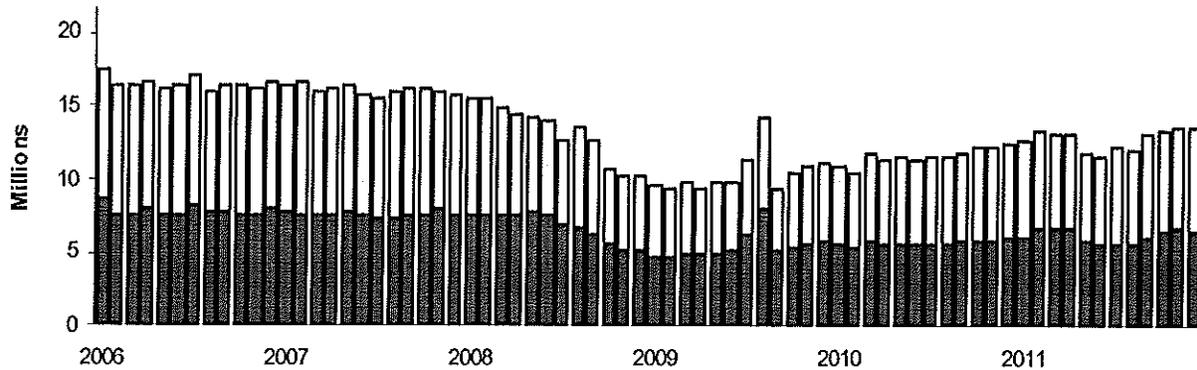
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In December, the **Michigan jobless rate** decreased 0.5 percentage point from 9.8 percent in November to 9.3 percent. The December unemployment rate is 1.8 percentage points below the year ago level. In December, the labor force decreased by 12,000 to 4,646,000, while the number of people employed increased by 13,000 to 4,214,000. In December, there were 431,000 unemployed people. Monthly unemployment rates fluctuate in part due to statistical sampling errors.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), increased 0.3 percent from October to December, up from a 0.5 percent decrease from August to October. The all-items less food and energy index increased 0.7 percent from October to December. The food index increased 0.4 percent from October to December while the energy index decreased 0.4 percent. Compared to December 2010, the all-items index increased 3.5 percent. For individual component items, the increases from one year ago were: food and beverages, 4.5 percent; apparel, 3.6 percent; education and communication, 1.8 percent; transportation, 5.5 percent; recreation, -2.1 percent; medical care, 3.6 percent; housing, 1.1 percent; and other goods and services, 4.0 percent.

Motor Vehicle Sector

U. S. Light Vehicle Sales



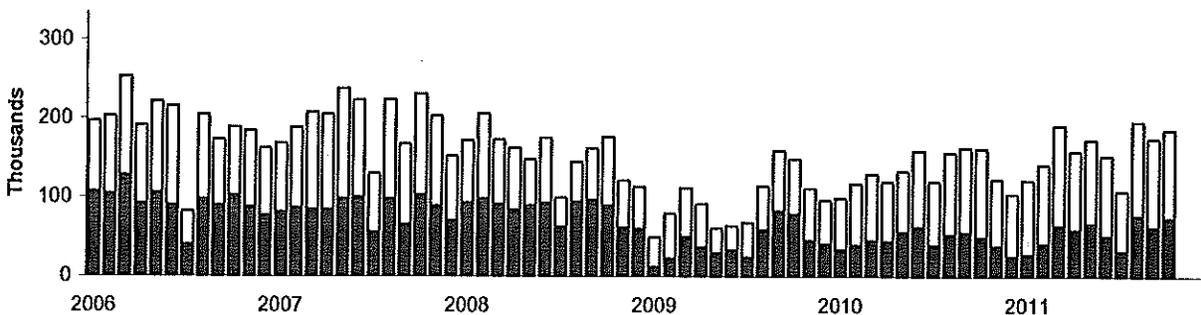
Source: Bureau of Economic Analysis

■ Cars □ Lt Trucks

U.S. light vehicle sales (cars + light trucks) decreased 0.6 percent in December compared to November, selling at a 13.5 million unit seasonally adjusted annual rate. Domestic car sales decreased 3.9 percent while domestic light truck sales increased 0.5 percent. Import car sales increased 0.9 percent while import light truck sales increased 3.1 percent. Compared to last year, light vehicle sales increased 8.4 percent. Domestic car sales were up 11.1 percent while domestic light truck sales also increased 11.1 percent. Import car sales were down 1.7 percent while import truck sales increased 2.6 percent from last year. As a result, the domestic share increased 1.9 percentage points from a year ago. For fiscal year 2012 year-to-date, domestic light vehicles recorded a 78.2 percent share of a 13.4 million-unit market.

Michigan motor vehicle production decreased to 158,253 units in December from 169,503 units last month. From a year ago, motor vehicle production increased 54 percent in Michigan and rose 23 percent nationally. In December, Michigan's car production was 65,147 units while the state's truck production was 93,106 units. Compared with a year ago, car production increased 159 percent in Michigan and rose 39 percent nationwide. The state's truck production increased 20 percent while national truck production increased 14 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



Source: Office of Revenue and Tax Analysis

■ Cars □ Trucks

**Summary Estimates of the Constitutional Revenue Limit
Based on the May 16, 2011 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	<u>Fiscal Year 2009-10 Actual</u>	<u>Fiscal Year 2010-11 Estimate</u>	<u>Fiscal Year 2011-12 Estimate</u>
Applicable Calendar Year Personal Income	\$349,612	\$342,302	\$351,830
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	<u>\$33,178.2</u>	<u>\$32,484.5</u>	<u>\$33,388.7</u>
Revenue Limit	\$33,178.2	\$32,484.5	\$33,388.7
State Revenue Subject to Limit	<u>\$25,572.6</u>	<u>\$25,581.2</u>	<u>\$26,218.9</u>
Amount Under (Over) Limit	\$7,605.6	\$6,903.3	\$7,169.8

Sources:

Personal Income Estimate

The FY 2009-10 calculation uses the official personal income estimate for calendar year 2008 (Survey of Current Business, October 2009).

The FY 2010-11 calculation uses the official personal income estimate for calendar year 2009 (Survey of Current Business, October 2010).

The FY 2011-12 calculation uses the May 16, 2011 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2009-10 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2010.

The FY 2010-11 calculation uses the May 16, 2011 Consensus Revenue Agreement.

The FY 2011-12 calculation uses the May 16, 2011 Consensus Revenue Agreement.

Column detail may not add to totals because of rounding

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury