



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN S. ROBERTS
DIRECTOR

September 30, 2016

The Honorable Dave Hildenbrand, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Al Pscholka, 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 August 31, 2016. 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 S. Roberts
State Budget Director

Attachment

cc: Governor Rick Snyder
Arlan Meekhof, Sen. Maj. Leader
Jim Ananich, Senate Min. Leader
Kevin Cotter, Speaker of the House
Tim Greimel, House Min. Leader
Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency

House Fiscal Agency
Jack Brandenburg, Chair, Senate Finance Com.
Jeff Farrington, Chair, House Tax Policy Com.
Beth Emmitt, Deputy Chief of Staff
Dick Posthumus, Executive Office
Mike Moody, Office of Financial Management
Nancy Duncan, Deputy State Budget Director
Internal State Budget Office Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2016
Projected Revenues and Expenditures
August 31, 2016
(\$ in millions)

FISCAL
2016

Beginning Balance, October 1, 2015	see one-time revenue
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Current Year GF/GP Revenues, May 2016 Consensus Estimate	\$	9,734.1
Revenue Adjustments:		
Local Government Program Payments	\$	(462.7)
General Fund share of HMO use tax collections - PA 161 of 2014	\$	421.0
Other revenue adjustments	\$	1.0
Subtotal Additional Revenue Adjustments	\$	(40.7)
Total FY Resources Available For Expenditure GF/GP - Ongoing	\$	9,693.4

Expenditures, Current Law:		
FY 2016 Enacted with Vetoes	\$	9,517.8
Total Expenditures Projected - Ongoing	\$	9,517.8

Current Year Revenues minus Ongoing Costs	\$	175.6
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Beginning Balance (One-Time Revenue)	\$	694.7
Local Government Program Payments	\$	(5.8)
PA 268 of 2016	\$	(1.3)
IT Innovation Fund lapse to general fund	\$	3.9
Total FY Resources Available For Expenditure GF/GP - One-Time	\$	691.5

One-Time Spending Items:		
PA 79, PA 84, PA 143, PA 241, and PA 268 of 2015		
PA 3, PA 24, PA 192, PA 249, and PA 268 of 2016	\$	732.1
One-Time Revenue minus One-Time Spending	\$	(40.6)

Projected Ending Balance, September 30, 2016	\$	135.0
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**School Aid Fund
Fiscal Year 2016
Projected Revenues and Expenditures
August 31, 2016
(\$ in millions)**

**FISCAL
2016**

Beginning Balance , October 1, 2015		see one-time revenue
Current Year School Aid Fund Revenues, May 2016 Consensus Estimate		
	\$	12,067.4
Revenue Adjustments:		
Use Tax Revision (PA 161 of 2014)	\$	210.5
General Fund (PA 85 of 2015)	\$	45.9
General Fund Increase (PA 249 of 2016)	\$	9.2
Federal Revenue	\$	1,775.8
Subtotal Additional Revenue Adjustments	\$	2,041.4
Total FY Resources Available for Expenditure School Aid Fund		
	\$	14,108.8
School Aid Ongoing Costs		
PA 85 of 2015	\$	13,846.6
PA 249 of 2016	\$	(158.6)
Community Colleges Ongoing Costs		
PA 85 of 2015	\$	256.7
Universities Ongoing Costs		
PA 85 of 2015	\$	205.2
Total School Aid Fund Ongoing Costs Projected		
	\$	14,149.9
Current Year Revenues minus Ongoing Costs		
	\$	(41.1)
Beginning Balance (One-Time Revenue)		
	\$	190.2
One-Time Spending Items		
PA 85 of 2015 School Aid	\$	49.8
PA 139 of 2015 School Aid	\$	4.3
PA 249 of 2016 School Aid	\$	(9.2)
One-Time Revenue minus One-Time Spending		
	\$	145.3
Projected Ending Balance, September 30, 2016		
	\$	104.2

**SUMMARY OF EXPENDITURES AND ENCUMBRANCES
GENERAL FUND GROSS**

August 31, 2016

(\$ IN MILLIONS)

FISCAL YEAR 2015

FISCAL YEAR 2016

Exp & Enc August 2015	Exp & Enc Yr-to-date FY 2015	Fiscal Year End**** SEP 30, 2015	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc August 2016	Exp & Enc Yr-to-date FY 2016
5.6	62.7	75.7	Agriculture and Rural Development	86.6	11.2	6.2	62.2
6.2	72.0	82.7	Attorney General	90.9	6.0	6.6	72.3
21.5	254.0	476.5	Capital Outlay**	324.0	5.7	24.8	244.6
1.2	13.1	15.2	Civil Rights	16.1	0.0	1.1	12.5
128.2	1,300.4	1,299.1	Colleges & Universities	1,460.7	10.5	126.8	1,449.3
148.4	1,687.0	1,971.9	Corrections	1,952.2	37.4	154.0	1,648.5
17.4	205.9	281.9	Education	305.9	46.4	24.6	222.8
12.7	134.1	163.5	Environmental Quality	463.7	82.5	14.6	253.9
0.7	4.9	5.7	Executive Office	5.5	0.0	0.4	4.5
1,924.2	19,853.6	23,498.2	Health and Human Services	24,967.9	303.8	1,895.7	20,094.2
5.2	41.7	50.6	Insurance and Financial Services	65.1	6.0	4.6	42.9
21.3	203.2	253.0	Judiciary	284.7	0.7	13.2	194.7
0.9	4.0	4.0	Land Bank Fast Track Authority	4.0	0.0	0.0	3.1
1.6	18.1	20.8	Legislative Auditor General	22.8	0.0	1.8	19.2
6.9	109.7	120.1	Legislature	133.4	4.4	6.8	109.5
23.8	328.7	261.0	Licensing and Regulatory Affairs	359.0	60.6	30.0	290.4
10.2	112.9	130.8	Military Affairs	140.7	14.2	10.2	116.4
6.0	74.9	91.3	Natural Resources	122.4	17.1	5.9	74.6
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
16.6	173.0	204.7	State	225.3	18.5	20.6	174.2
51.0	489.1	607.4	State Police	620.0	43.8	61.9	487.9
0.0	0.0	0.0	Talent and Economic Development	435.3	44.0	21.2	208.0
28.3	377.8	627.1	Technology, Management & Budget***	420.2	133.3	23.5	391.3
(5.6)	132.5	1.5	Transportation	398.5		22.4	306.5
242.1	1,790.9	3,168.1	Treasury****	1,879.3	238.7	251.0	2,037.4
0.8	214.6	221.1	Michigan Strategic Fund	171.3	0.0	(0.0)	170.8
\$2,675.1	\$27,658.9	\$33,631.8		\$34,955.4	\$1,084.7	\$2,728.1	\$28,691.8

*Includes boilerplate appropriations.

**Includes all capital outlay activity regardless of agency

***Includes Civil Service Commission

****Boilerplate appropriations, which are not included in the initial or supplemental appropriations, account for the majority of the difference between Treasury's total appropriations and total expenditure/encumbrances for the fiscal year.

*****FY15 Transportation and other agency expenditure totals within the September report are different as a result of changes in capital outlay appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2016

August, 2016

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	16,794.5	104.7	16,899.2
Total state spending from state resources	30,216.6	214.8	30,431.4
Percentage of state spending from state resources paid to local units	55.58%		55.53%
Required payments to local units (48.97%)	14,797.1		14,902.3
Surplus/(deficit)	\$1,997.4		\$1,996.9

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
 October 1, 2015 Through August 31, 2016
 (in thousands)

REVENUES

Miscellaneous	\$ <u>18,715</u>
Total Revenues	<u>18,715</u>

EXPENDITURES

Current:	
General government	<u>136</u>
Total Expenditures	<u>136</u>
Excess of Revenues over (under) Expenditures	<u>18,580</u>

OTHER FINANCING SOURCES (USES)

Transfers from other funds	87,083
Transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>87,083</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 105,663</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, 2015 through August 31, 2016
 (in thousands)

REVENUES

Taxes	\$	-
From federal agencies		-
From licenses and permits		-
Miscellaneous		<u>52,250</u>
Total Revenues		<u>52,250</u>

EXPENDITURES

Current:		
General government	2,756	
Conservation, environment, recreation, and agriculture	6,727	
Capital outlay		<u>6,071</u>
Total Expenditures		<u>15,553</u>
Excess of Revenues over (under) Expenditures		<u>36,697</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues		-
Proceeds from sale of capital assets		67
Transfers from other funds		-
Transfers to other funds		<u>(19)</u>
Total Other Financing Sources (Uses)		<u>48</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		<u>\$ 36,745</u> ¹

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

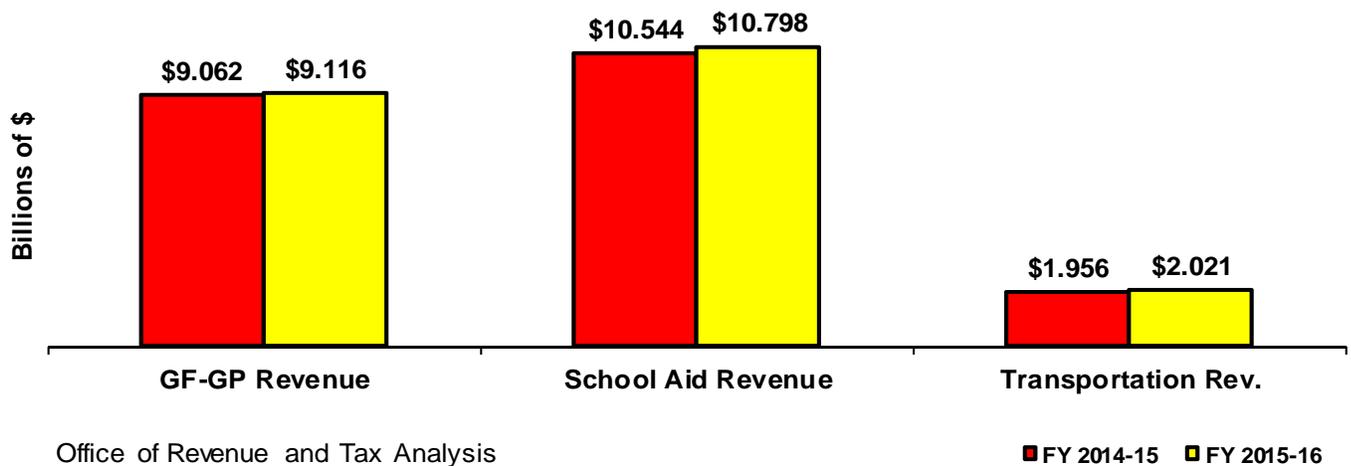
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for August 2016, representing some July 2016 and some August 2016 economic activity in Michigan.

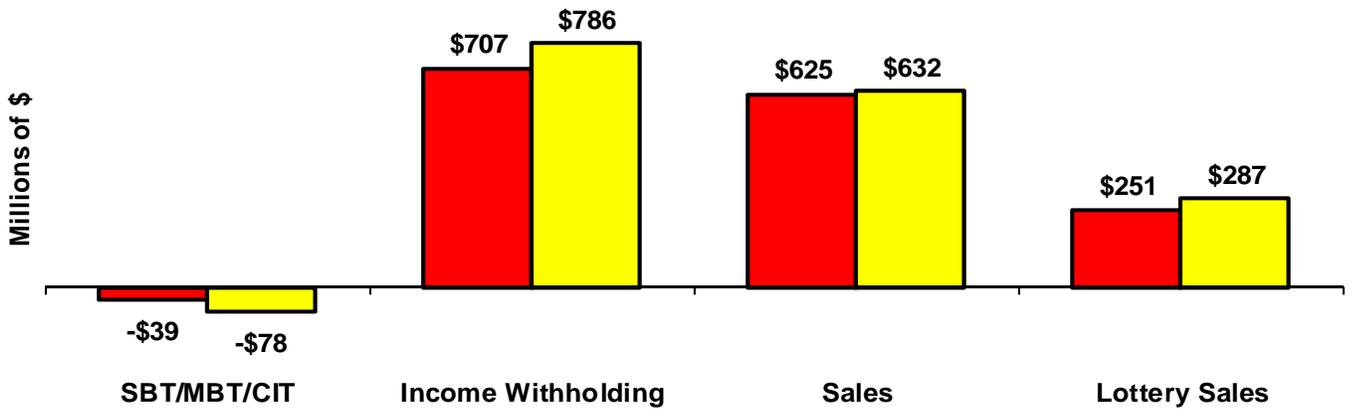
Total General Fund - General Purpose cash collections were \$74.6 million (9.6 percent) higher in August 2016 than in August 2015. The August 2016 School Aid Fund cash collections were \$53.2 million (5.4 percent) higher than in August 2015. August 2016 transportation collections were \$4.7 million (2.5 percent) higher than in August 2015 (see revenue table). August is the eleventh 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 \$53.8 million (0.6 percent) from a year ago. School Aid Fund cash collections are up \$253.7 million (2.4 percent) and transportation collections are up \$65.0 million (3.3 percent).

The FY 2015-16 revenue projections presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 17, 2016. The revenue estimate for net General Fund – General Purpose revenue for FY 2015-16 is \$9,734.1 million and the net School Aid revenue forecast is \$12,067.4 million. The Transportation Funds revenue forecast is \$2,286.2 million. The next regularly scheduled Consensus Revenue Estimating Conference will be in January 2017.

**October through August Collections
FY 2014-15 and FY 2015-16**



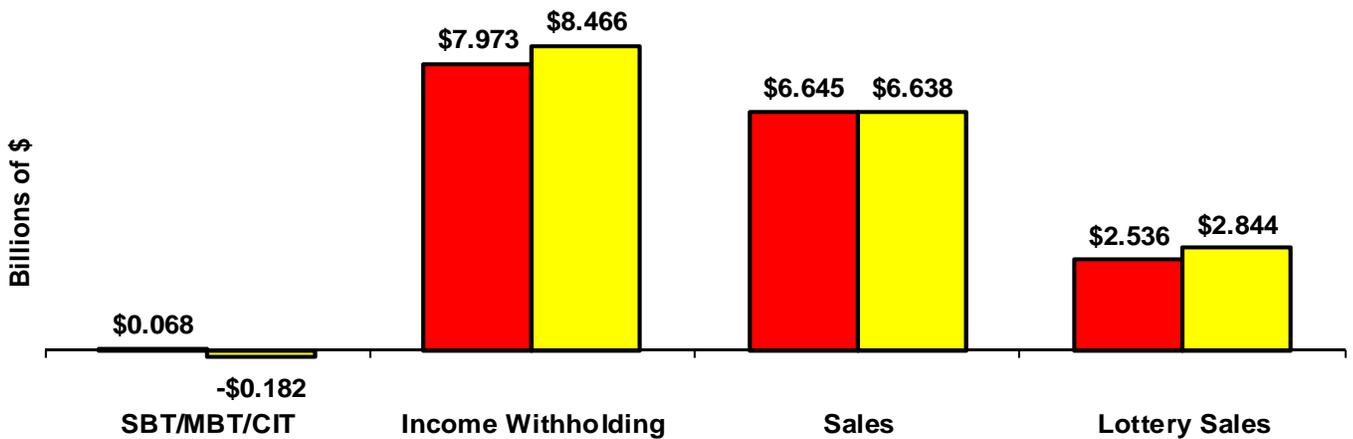
August Revenue Collections FY 2014-15 and FY 2015-16



Office of Revenue and Tax Analysis

■ FY 2014-15 ■ FY 2015-16

October through August Collections FY 2014-15 and FY 2015-16



Office of Revenue and Tax Analysis

■ FY 2014-15 ■ FY 2015-16

Revenue Summary FY 2015-16
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2016

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		FY 2014-15	FY 2015-16	FY 2015-16
2015	2016	Amount	Percent		FY 2014-15	FY 2015-16	Amount	Percent	CAFR Totals (h)	Statutory Estimate	May 2016 Consensus
Income Taxes											
\$707,029	\$786,234	\$79,205	11.2%	Withholding	\$7,973,345	\$8,466,377	\$493,032	6.2%	\$8,678,300	\$8,898,300	\$9,216,800
14,311	17,865	3,554	24.8%	Quarterlies	789,050	817,368	28,318	3.6%	1,037,900	982,400	1,058,400
17,714	20,286	2,572	14.5%	Annuals	914,828	906,393	(8,435)	-0.9%	956,600	879,000	900,000
739,054	824,385	85,331	11.5%	Gross Collections	9,677,222	10,190,137	512,915	5.3%	\$10,672,800	\$10,759,700	\$11,175,200
30,814	41,544	10,730	34.8%	Less: Refunds	1,761,300	1,825,808	64,508	3.7%	1,693,300	1,820,000	1,774,000
0	0	0	na	State Campaign Fund	0	0	0	na	0	800	800
708,240	782,840	74,601	10.5%	Net Personal Income	7,915,922	8,364,329	448,407	5.7%	\$8,979,500	\$8,938,900	\$9,400,400
171,291	190,592	19,301	11.3%	Less: Disbursements to SAF	2,219,198	2,335,465	116,267	5.2%	\$2,519,300	\$2,561,900	\$2,660,800
\$536,949	\$592,249	\$55,300	10.3%	NET PERSONAL INCOME TO GF-GP	\$5,696,724	\$6,028,864	\$332,140	5.8%	\$6,460,200	\$6,377,000	\$6,739,600
Consumption Taxes											
\$97,876	\$99,804	\$1,928	2.0%	Sales (a)	\$1,038,310	\$1,046,591	\$8,280	0.8%	\$1,118,800	\$1,247,100	\$1,153,900
124,056	131,386	7,330	5.9%	Use (f)	1,223,592	1,214,781	(8,811)	-0.7%	958,200	898,900	863,600
17,578	16,585	(993)	-5.6%	Tobacco	171,165	172,518	1,353	0.8%	188,100	180,500	188,800
5,228	4,672	(556)	-10.6%	Beer, Wine & Mixed Spirits	40,241	46,777	6,535	16.2%	46,700	52,500	52,000
5,195	4,171	(1,024)	-19.7%	Liquor Specific	41,434	43,509	2,075	5.0%	49,600	48,000	51,500
\$249,932	\$256,617	\$6,685	2.7%	TOTAL CONSUMPTION TAXES	\$2,514,742	\$2,524,175	\$9,433	0.4%	\$2,361,400	\$2,427,000	\$2,309,800
Other Taxes											
(\$2,224)	(\$1,136)	\$1,088	48.9%	Single Business	\$28,936	(\$9,470)	(\$38,407)	na	\$3,900	(\$10,000)	(\$10,000)
2,918	(3,601)	(6,519)	na	Insurance Premiums Taxes	358,617	312,309	(46,307)	-12.9%	322,400	412,500	316,000
694	(4,737)	(5,431)	na	Sub-total SBT & Insurance	387,553	302,839	(84,714)	-21.9%	326,300	402,500	306,000
(38,602)	(88,934)	(50,332)	na	Michigan Business Tax	(860,723)	(999,273)	(138,550)	-16.1%	(639,400)	(889,400)	(1,031,000)
2,044	12,245	10,201	na	Corporate Income Tax	900,202	826,637	(73,564)	-8.2%	1,077,700	1,060,200	932,000
(3)	0	3	na	Inheritance / Estate	(139)	20	159	na	0	0	0
963	1,931	968	100.0%	Telephone & Telegraph	44,515	36,910	(7,605)	-17.1%	41,800	46,000	42,000
1,983	1,768	(215)	-10.9%	Oil & Gas Severance	30,249	17,695	(12,554)	-41.5%	30,400	41,300	20,400
6,491	12,641	6,150	94.7%	Penalties & Interest	136,308	92,597	(43,710)	-32.1%	124,600	139,500	115,000
0	49,651	49,651	na	Essential Services Assessment	0	63,391	63,391	na	0	55,000	55,000
375	631	255	68.0%	Miscellaneous Other/Railroad	2,371	2,011	(360)	-15.2%	2,600	1,500	1,500
(11,583)	(12,250)	(667)	-5.8%	Treasury Enforcement Programs (e)	(126,167)	(131,500)	(5,333)	-4.2%	(149,300)	(140,000)	(147,000)
(\$37,637)	(\$27,054)	\$10,583	28.1%	TOTAL OTHER TAXES	\$514,170	\$211,329	(\$302,841)	-58.9%	\$814,700	\$716,600	\$293,900
\$749,243	\$821,812	\$72,568	9.7%	SUBTOTAL GF-GP TAXES	\$8,725,636	\$8,764,368	\$38,732	0.4%	\$9,636,400	\$9,520,600	\$9,343,300

continued

Revenue Summary FY 2015-16
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2016

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		FY 2014-15	FY 2015-16	FY 2015-16
2015	2016	Amount	Percent		FY 2014-15	FY 2015-16	Amount	Percent	CAFR Totals (h)	Statutory Estimate	May 2016 Consensus
Non-Tax Revenue (e)											
\$2,500	\$2,917	\$417	16.7%	Federal Aid	\$25,000	\$28,333	\$3,333	13.3%	\$38,500	\$30,000	\$35,000
83	8	(75)	-90.0%	Local Agencies	917	317	(600)	-65.5%	0	100	100
667	625	(42)	-6.2%	Services	7,833	7,500	(333)	-4.3%	7,200	8,000	7,500
1,083	958	(125)	-11.5%	Licenses & Permits	11,167	10,167	(1,000)	-9.0%	11,500	13,000	11,500
0	0	0	na	Investments/Interest Costs	(172)	(1,078)	(906)	na	400	(2,000)	(1,000)
6,783	6,433	(350)	-5.2%	Misc. Non-tax Revenue	79,517	76,717	(2,800)	-3.5%	75,100	78,700	77,200
14,875	16,333	1,458	9.8%	Liquor Purchase Revolving Fund	162,000	173,667	11,667	7.2%	194,700	182,500	196,000
4,667	5,375	708	15.2%	From Other Funds-Lottery & Escheats	50,083	55,750	5,667	11.3%	70,600	51,000	64,500
\$30,658	\$32,650	\$1,992	6.5%	TOTAL NON-TAX REVENUE	\$336,345	\$351,372	\$15,027	4.5%	\$398,000	\$361,300	\$390,800
\$779,902	\$854,462	\$74,560	9.6%	TOTAL GF-GP REVENUE	\$9,061,980	\$9,115,739	\$53,759	0.6%	\$10,034,400	\$9,881,900	\$9,734,100
School Aid Fund											
\$256,002	\$258,249	\$2,247	0.9%	Sales Tax 4%	\$2,727,045	\$2,733,877	\$6,832	0.3%	2,960,100	3,196,200	2,990,000
197,868	201,267	3,399	1.7%	Sales Tax 2%	2,099,549	2,081,082	(18,468)	-0.9%	2,305,500	2,494,600	2,326,700
62,028	65,693	3,665	5.9%	Use Tax 2% (f)	611,796	607,391	(4,405)	-0.7%	476,400	497,500	480,000
142,838	157,790	14,952	10.5%	State Education Property Tax	1,439,383	1,473,355	33,972	2.4%	1,857,600	1,861,900	1,894,100
27,338	31,381	4,043	14.8%	Real Estate Transfer Tax	241,377	247,654	6,277	2.6%	258,400	268,400	276,000
68,000	75,000	7,000	10.3%	Lottery Transfer (b)	666,759	776,118	109,358	16.4%	784,100	791,000	850,000
8,704	9,388	684	7.9%	Casino Wagering Tax	102,476	104,443	1,967	1.9%	110,800	112,700	112,000
5,110	4,078	(1,032)	-20.2%	Liquor Excise Tax	40,998	42,927	1,928	4.7%	49,100	47,600	51,100
35,685	33,670	(2,015)	-5.6%	Cigarette/Tobacco Tax	347,490	350,237	2,747	0.8%	363,900	341,600	361,400
1,692	2,404	712	42.1%	Indus. & Comm. Facilities Taxes	28,852	28,187	(666)	-2.3%	34,700	37,600	36,000
5,191	5,420	229	4.4%	Specific Other	18,883	16,792	(2,090)	-11.1%	27,300	31,900	29,300
171,291	190,592	19,301	11.3%	Income Tax Earmarking	2,219,198	2,335,465	116,267	5.2%	\$2,519,300	\$2,561,900	\$2,660,800
\$981,747	\$1,034,932	\$53,185	5.4%	TOTAL SCHOOL AID FUND	\$10,543,808	\$10,797,528	\$253,720	2.4%	\$11,747,100	\$12,242,900	\$12,067,400
\$624,538	\$631,682	\$7,144	1.1%	SALES TAX 6%	\$6,644,625	\$6,637,544	(\$7,081)	-0.1%	\$7,246,400	\$7,821,700	\$7,310,000
426,670	430,415	3,745	0.9%	SALES TAX 4%(d)	4,545,075	4,556,462	11,387	0.3%	4,940,900	5,327,100	4,983,300
197,868	201,267	3,399	1.7%	SALES TAX 2%	2,099,549	2,081,082	(18,468)	-0.9%	2,305,500	2,494,600	2,326,700
186,084	205,112	19,028	10.2%	USE TAX 6% (f) (i)	1,835,388	1,910,539	75,151	4.1%	1,434,600	1,396,400	1,440,000
88,329	83,342	(4,987)	-5.6%	TOBACCO TAXES	860,124	866,924	6,800	0.8%	953,600	913,800	957,100
0	0	0	na	TOBACCO SETTLEMENT	190,989	189,031	(1,957)	-1.0%	na	na	na

continued

Revenue Summary FY 2015-16
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2016

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		FY 2014-15	FY 2015-16	FY 2015-16	
2015	2016	Amount	Percent		FY 2014-15	FY 2015-16	Amount	Percent	CAFR Totals (h)	Statutory Estimate	May 2016 Consensus	
Major Transportation Revenues												
\$11,893	\$12,165	\$272	2.3%	Diesel Fuel / Motor Carrier Fuel Tax	\$125,194	\$129,989	\$4,795	3.8%	\$136,714	\$132,500	\$139,500	
86,062	79,216	(6,846)	-8.0%	Gasoline	788,387	812,081	23,694	3.0%	866,609	811,500	856,000	
72,710	84,117	11,407	15.7%	Motor Vehicle Registration	897,438	937,870	40,431	4.5%	978,146	966,000	1,015,000	
4,658	5,454	795	17.1%	Other Taxes, Fees & Misc.	47,053	48,312	1,259	2.7%	132,672	178,263	182,305	
8,746	7,784	(963)	-11.0%	Comprehensive Transportation (c)	97,452	92,252	(5,200)	-5.3%	91,516	110,719	93,405	
<u>\$184,070</u>	<u>\$188,736</u>	<u>\$4,665</u>	<u>2.5%</u>	TOTAL MAJOR TRANS. REVENUES	<u>\$1,955,524</u>	<u>\$2,020,503</u>	<u>\$64,979</u>	<u>3.3%</u>	<u>\$2,205,657</u>	<u>\$2,198,982</u>	<u>\$2,286,210</u>	
Lottery Sales By Games												
96,763	114,600	17,837	18.4%	Instant Games (g)	940,282	1,078,055	137,774	14.7%	na	na	na	
69,914	75,053	5,139	7.4%	Daily Games	683,550	715,352	31,802	4.7%	na	na	na	
24,122	34,771	10,649	44.1%	Lotto and Big Game (g)	313,560	410,399	96,839	30.9%	na	na	na	
931	866	(64)	-6.9%	Keno Game	8,822	8,626	(196)	-2.2%	na	na	na	
1,371	1,265	(105)	-7.7%	Other	14,869	15,361	492	3.3%	na	na	na	
55,586	58,783	3,197	5.8%	Club Games	561,115	600,409	39,294	7.0%	na	na	na	
<u>\$250,678</u>	<u>\$286,760</u>	<u>\$36,082</u>	<u>14.4%</u>	TOTAL LOTTERY SALES	<u>\$2,536,267</u>	<u>\$2,843,645</u>	<u>\$307,378</u>	<u>12.1%</u>	<u>na</u>	<u>na</u>	<u>na</u>	

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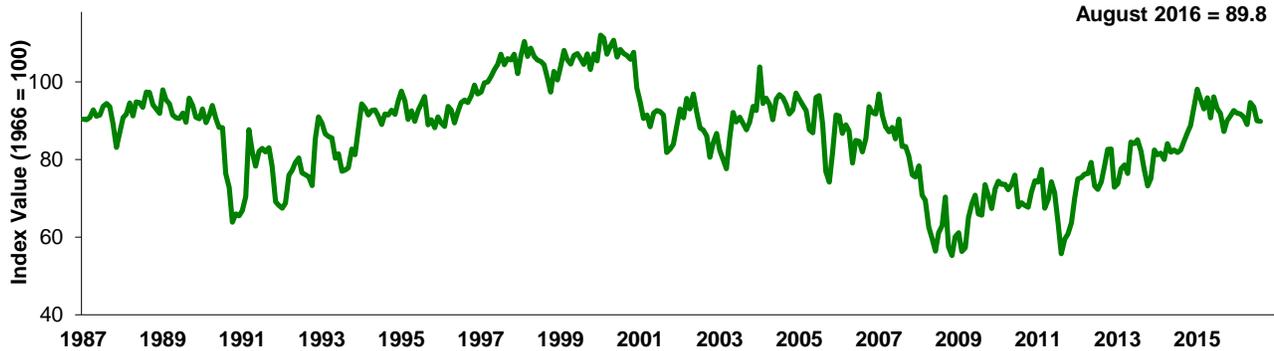
- a GF-GP Sales has been adjusted based on Comprehensive Transportation Fund, Health Initiative, and Constitutional Revenue shares.
- b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the School Aid Fund transfer. The transfers shown are actual transfers from Lottery to School Aid Fund.
- c The Comprehensive Transportation Fund distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the Comprehensive Transportation Fund).
- d 2% collections adjusted to reflect exemption on residential utilities.
- e Non-tax revenue items other than interest are estimates.
- f In June, 2014 Public Act 161 retroactively (back to April 2014) expanded the use tax to include Health Maintenance Organizations.
- g Lottery Sales include iLottery net win amounts for Instant Games and Lotto and Big Game, beginning in October 2014 and January 2016, respectively.
- h Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.
- i Use tax collections include the Local Community Stabilization Share. Per 2014 Public Act 80, the fiscal year 2016 Local Community Stabilization Share is \$96.4M.

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

Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

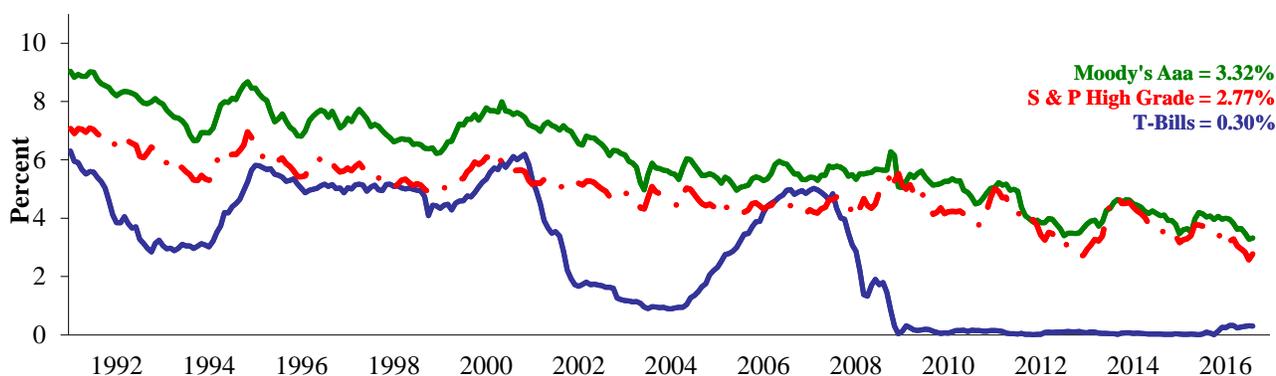
The **Index of Consumer Sentiment** decreased in August to 89.8 index-points, 0.2 index-points below the July value and 2.1 index-points below August 2015. For the August survey, Survey Director Richard Curtin reported, “Confidence eased back in late August to register a trivial decline from the July reading. Less favorable personal financial prospects were largely offset by a slight improvement in the outlook for the overall economy. As mentioned mid-month, most of the weakness in personal finances was among younger households who cited higher expenses than anticipated as well as slightly smaller expected income gains. Importantly, long term inflation expectations fell to the lowest level ever recorded, with near-term inflation expectations anchored to that same low level.” Curtin noted, “Consumers remained upbeat about their current finances. Among all households, 44% reported that their financial situation had recently improved, unchanged from one month or one year ago. One-third of all households reported recent income gains in August, the same as July.” On purchasing plans, Curtin observed, “The source of favorable buying plans has shifted from attractive pricing to low interest rates. Home buying has become particularly dependent on low mortgage rates, with net references to low rates mentioned by 53% -- this figure has been exceeded in only one month in the past ten years.” In August, consumers in two regions reported an increase in confidence. Northeastern consumers reported the largest increase in confidence of 9.7 index-points, followed by Midwestern consumers with an increase of 2.8 index-points. The gap across regions increased from last month to 14.7 index-points, with Northeastern consumers on top and Western consumers on the bottom.

The preliminary estimate of real **Gross Domestic Product** for the second quarter of 2016 is \$16,570.2 billion (chained 2009 dollars), an increase of 1.1 percent at an annual rate. In the first quarter of 2016, real gross domestic product increased 0.8 percent. The increase in second quarter real GDP was mainly due to personal consumption expenditures and exports. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 4.4 percent in the second quarter, compared to a 1.6 percent increase in the first quarter. Real residential fixed investment decreased 7.7 percent in the second quarter compared to an increase of 7.8 percent in the first quarter. Real nonresidential fixed investment decreased 0.9 percent in the second quarter while real equipment expenditures decreased 3.7 percent. Real federal government spending decreased 0.3 percent in the second quarter, compared to a 1.5 percent decrease in the first quarter. Real state and

local government spending decreased 2.2 percent in the second quarter, compared to a 3.5 percent increase in the first quarter. Exports of goods and services increased 1.2 percent in the second quarter, compared to a 0.7 percent decrease in the first quarter. Imports increased 0.3 percent in the second quarter, compared to a decrease of 0.6 percent in the first quarter. Private inventory investment decreased \$53.1 billion in the second quarter, following a \$16.2 billion decrease in the first quarter. Real final sales increased 2.4 percent in the second quarter compared to an increase of 1.2 percent in the first quarter. On the inflation front, the **implicit price deflator** increased 2.3 percent in the second quarter compared to a 0.5 percent increase observed in the first quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.2 percent in August, up from no change in July. Energy prices remained unchanged in August, after declining 1.6 percent in July, while the all-items less food and energy component increased 0.3 percent in August. Compared to August 2015, the all-items index increased 1.1 percent. For major component groups, the unadjusted changes from one year ago were: food and beverages, 0.1 percent; medical care, 4.9 percent; apparel, 0.2 percent; education and communication, 0.7 percent; other goods and services, 2.1 percent; recreation, 0.9 percent; housing, 2.6 percent; and transportation, -3.8 percent, with gasoline prices down -17.8 percent.

Selected Key Interest Rates

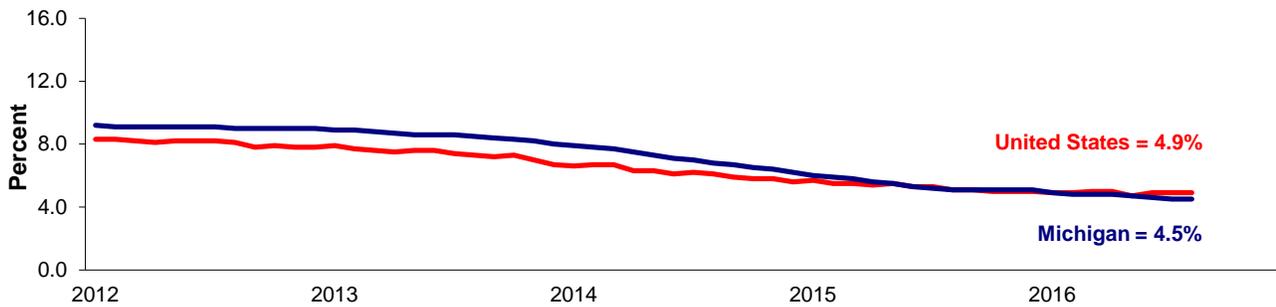


Source: Economic Indicators

Short-term **interest rates** decreased 0.01 percentage point in August as the 3-month Treasury bill (T-bill) rate was 0.30 percent. Compared to one year ago, the T-bill rate increased 0.21 percentage point. The Aaa corporate bond rate, a long-term interest rate, increased 0.04 percentage point to an interest yield of 3.32 percent in August. The Aaa bond yield was down 0.72 percentage point from its year-ago level. The interest rate on High-grade municipal bonds increased 0.20 percentage point from the July level to 2.77 percent in August and was down 0.80 percentage point from its year-ago level. The Federal Open Market Committee (FOMC), given the economic outlook, decided to maintain the target range for the federal funds rate at 0.25-0.50 percent for the September 21st meeting. The FOMC stated "In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation." The Committee "seeks to foster maximum employment and price stability."

In August, the **U. S. unemployment rate** remained unchanged from a month ago at 4.9 percent and was 0.2 percentage point lower than a year ago. Civilian employment totaled 151.6 million persons in August. The number unemployed was 7.8 million nationwide.

Unemployment Rates 2012 - 2016



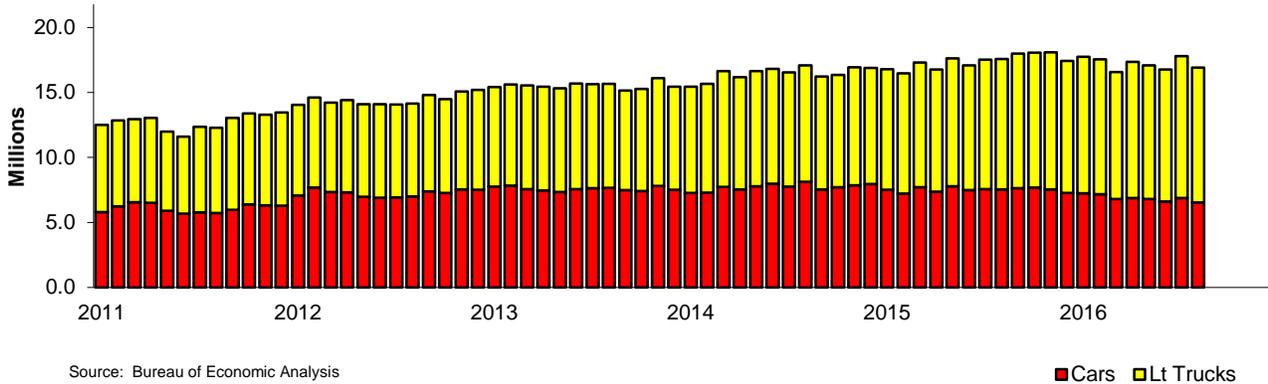
Source: Bureau of Labor Statistics and Michigan Department of Technology, Management & Budget

In August, the **Michigan jobless rate** remained unchanged at 4.5 percent. The August unemployment rate is 0.6 percentage point below the year ago level. In August, the labor force fell 5,000 to 4,804,000, while the number of people employed declined 7,000 to 4,588,000. In August, there were 216,000 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), decreased 0.1 percent from June to August compared to a 1.2 percent increase from April to June. The all-items less food and energy index increased 0.4 percent from June. The food index remained unchanged from June to August while the energy index decreased 4.5 percent. Compared to August 2015, the all-items index increased 1.7 percent. For individual component items, the changes from one year ago were: food and beverages, 0.8 percent; apparel, -1.5 percent; education and communication, 2.2 percent; transportation, -2.9 percent; recreation, 7.0 percent; medical care, 5.4 percent; housing, 2.4 percent; and other goods and services, 0.6 percent.

Motor Vehicle Sector

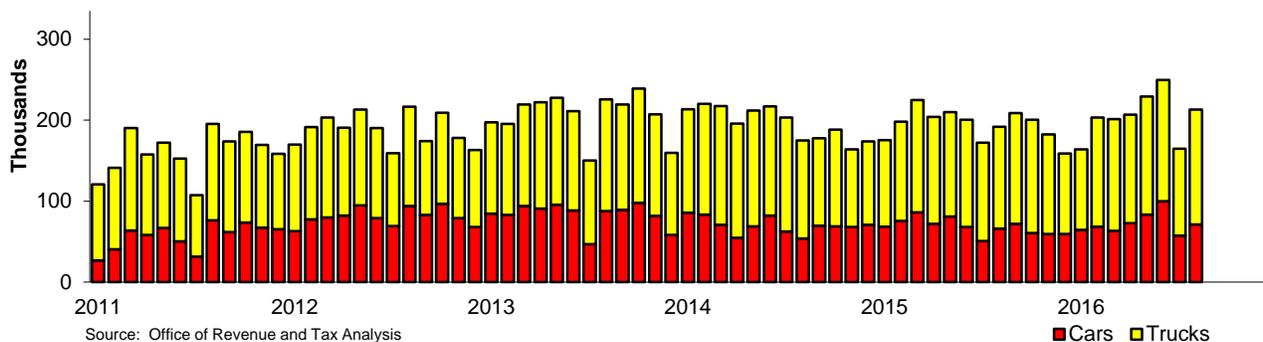
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) decreased 5.0 percent in August compared to July, selling at a 16.9 million unit seasonally adjusted annual rate. Domestic car sales decreased 4.7 percent from July while domestic light truck sales decreased 5.6 percent. Import car sales decreased 5.8 percent while import light truck sales decreased 2.6 percent. Compared to last year, light vehicle sales decreased 3.8 percent. Domestic car sales decreased 12.8 percent from the year ago level while domestic light truck sales increased 1.5 percent. Import car sales were down 14.8 percent from last year while import truck sales increased 11.6 percent. As a result, the domestic share of U.S. light vehicle sales decreased 0.5 percentage point from a year ago. For fiscal year 2016 year-to-date, domestic light vehicles recorded a 77.9 percent share of a 17.4 million-unit market.

Michigan motor vehicle production increased to 213,188 units in August from 164,684 units in July. From a year ago, motor vehicle production increased 11 percent in Michigan and increased 12 percent nationally. In August, Michigan's car production was 71,204 units while the state's truck production was 141,984 units. Compared with a year ago, car production increased 8 percent in Michigan and rose 7 percent nationwide. The state's truck production increased 13 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



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 17, 2016 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2013-14 Actual	Fiscal Year 2014-15 Actual	Fiscal Year 2015-16 Estimate
Applicable Calendar Year Personal Income	\$378,443	\$386,471	\$403,726
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	<u>\$35,914.2</u>	<u>\$36,676.1</u>	<u>\$38,313.6</u>
Revenue Limit	\$35,914.2	\$36,676.1	\$38,313.6
State Revenue Subject to Limit	<u>\$27,432.5</u>	<u>\$29,277.6</u>	<u>\$29,010.0</u>
Amount Under (Over) Limit	\$8,481.7	\$7,398.5	\$9,303.6

Sources:

Personal Income Estimate

The FY 2013-14 calculation uses the official personal income estimate for calendar year 2012 (Survey of Current Business, October 2013).

The FY 2014-15 calculation uses the official personal income estimate for calendar year 2013 (Survey of Current Business, October 2014).

The FY 2015-16 calculation uses the official personal income estimate for calendar year 2014 (Survey of Current Business, October 2015).

Revenue Subject to the Limit

The FY 2013-14 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2014.

The FY 2014-15 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2015.

The FY 2015-16 calculation uses the May 17, 2016 Consensus Revenue Agreement.

Column detail may not add to totals due to rounding

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