



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN J. WALSH
DIRECTOR

September 28, 2018

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

The Honorable Laura Cox, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

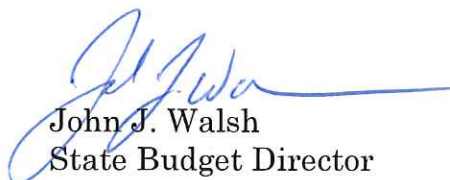
Dear Legislators:

Attached is the monthly financial report for the month ending August 31, 2018. 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 J. Walsh
State Budget Director

Attachment

cc: Governor Rick Snyder	House Fiscal Agency
Arlan Meekhof, Sen. Maj. Leader	Jack Brandenburg, Chair, Senate Finance Com.
Jim Ananich, Senate Min. Leader	Jim Tedder, Chair, House Tax Policy Com.
Tom Leonard, Speaker of the House	Beth Emmitt, Deputy Chief of Staff
Sam Singh, House Min. Leader	Darin Ackerman, Executive Office
Senate Appropriations Committee	Mike Moody, Office of Financial Management
House Appropriations Committee	Kyle Jen, Deputy State Budget Director
Senate Fiscal Agency	Internal State Budget Office Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2018
Projected Revenues and Expenditures
August 31, 2018
(\$ in millions)

FISCAL
2018

Beginning Balance, October 1, 2017	see one-time revenue
Current General Fund General Purpose Revenues, May 2018 Consensus Estimate	\$ 10,463.6
Revenue Adjustments:	
Local Government Program Payments	\$ (465.9)
Subtotal Additional Revenue Adjustments	\$ (465.9)
Total Fiscal Year Resources Available For Expenditure GF/GP - Ongoing	\$ 9,997.7
Expenditures, Current Law:	
PA 107 and PA 108 of 2017	\$ 9,746.2
Total Expenditures Projected - Ongoing	\$ 9,746.2
Current Year Revenues minus Ongoing Costs	\$ 251.5
One-Time Revenue:	
Beginning Balance	\$ 622.5 ¹
Local Government Program Payments	\$ (5.8)
Proceeds from sale Scott Correctional Facility	\$ 3.4
Other Adjustments	\$ (6.7)
Total Fiscal Year Resources Available For Expenditure GF/GP - One-Time	\$ 613.5
One-Time Expenditures:	
PA 107, PA 108, PA 158, and PA 201 of 2017; PA 82, PA 207 of 2018	\$ 498.7
Budget Stabilization Fund Deposits - PA 107 of 2017, PA 207 of 2018	\$ 265.0
Total Expenditures Projected - One-Time	\$ 763.7
One-Time Revenue minus One-Time Spending	\$ (150.3)
Projected Ending Balance, September 30, 2018	\$ 101.3

¹ Fiscal year 2017 ending balance as published in the State of Michigan Comprehensive Annual Financial Report, January 2018.

SCHOOL AID FUND
Fiscal Year 2018
Projected Revenues and Expenditures
August 31, 2018
(\$ in millions)

FISCAL
2018

Beginning Balance, October 1, 2017	see one-time revenue
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Current Year School Aid Fund Revenues, May 2018 Consensus Estimate	\$ 13,244.0
Revenue Adjustments:	
MPERS Retirement Obligation Reform Reserve Fund Deposit	\$ (55.0)
School Mental Health and Support Services Fund Deposit	\$ (30.0)
General Fund	\$ 78.5
Community District Trust Fund	\$ 72.0
MPERS Retirement Obligation Reform Reserve Fund	\$ 23.1
Federal Revenue	\$ 1,726.9
Subtotal Additional Revenue Adjustments	\$ 1,815.5
Total FY Resources Available for Expenditure School Aid Fund	\$ 15,059.5

School Aid Ongoing Costs:	
PA 265 of 2018	\$ 14,266.2
Community Colleges Ongoing Costs:	
PA 108 of 2017	\$ 394.7
Universities Ongoing Costs:	
PA 265 of 2018	\$ 237.9
Total School Aid Fund Ongoing Costs Projected	\$ 14,898.9

Current Year Revenues minus Ongoing Costs	\$ 160.7
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Beginning Balance (One-Time Revenue)	\$ 377.4	
One-Time Spending Items:		
PA 265 of 2018 - School Aid	\$ 316.4	
PA 108 of 2017 - Community Colleges	\$ 3.6	
PA 108 of 2017 - Universities	\$ 0.4	
One-Time Revenue minus One-Time Spending	\$ 57.0	

Projected Ending Balance, September 30, 2018	\$ 217.7
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¹ Fiscal year 2017 ending balance as published in the State of Michigan Comprehensive Annual Financial Report, January 2018.

**SUMMARY OF EXPENDITURES AND ENCUMBRANCES
GENERAL FUND - ALL PURPOSE**

August 31, 2018

(\$ in millions)

Fiscal Year 2017 (1)			Fiscal Year 2018				
Expenditures & Encumbrances Year to Date FY 2017	Fiscal Year End SEP 30, 2017	Department	Initial Appropriations (2)	Executive Orders & Supplemental Appropriations (2)	Encumbrance, Work Project & Capital Outlay Carry Forwards	Total Authorization	Expenditures & Encumbrances Year to Date FY 2018
68.5	82.1	Agriculture and Rural Development	114.4	11.7	13.2	139.3	98.4
75.9	88.2	Attorney General	99.7	6.8	11.3	117.8	83.9
240.1	253.3	Capital Outlay (3)	312.3	77.7	241.6	631.6	315.9
11.9	14.3	Civil Rights	16.2	2.7	0.9	19.8	12.4
1,470.9	1,472.9	Colleges and Universities	1,391.9	6.0	4.8	1,402.7	1,373.5
1,669.0	1,960.2	Corrections	1,992.0	25.8	134.4	2,152.2	1,787.4
246.3	291.4	Education	351.2	48.2	45.6	445.1	302.6
182.3	253.5	Environmental Quality	485.1	96.2	395.2	976.5	387.3
4.9	5.2	Executive Office	6.8	0.0	0.0	6.9	5.8
20,212.8	23,184.1	Health and Human Services	25,391.4	(80.6)	270.6	25,581.4	20,736.5
42.5	50.5	Insurance and Financial Service	66.7	6.0	0.0	72.7	43.1
204.6	264.1	Judiciary	300.0	0.4	4.8	305.3	223.1
4.0	4.0	Land Bank Fast Track Authority	4.0	0.0	0.0	4.0	4.0
20.0	22.8	Legislative Auditor General	24.3	0.0	0.8	25.0	20.5
116.7	129.9	Legislature	152.2	0.0	23.6	175.8	129.7
289.8	311.2	Licensing and Regulatory Affairs	386.2	126.9	42.5	555.6	384.9
0.0	0.0	Marshall Plan for Talent	0.0	100.0	0.0	100.0	0.0
153.4	156.4	Michigan Strategic Fund	181.7	23.2	0.0	204.9	204.9
125.1	143.0	Military and Veterans Affairs	152.7	21.4	14.7	188.9	153.7
76.7	97.0	Natural Resources	127.9	15.7	36.1	179.7	105.7
182.5	225.8	State	248.3	31.8	43.1	323.2	217.2
492.5	615.1	State Police	693.9	62.3	19.4	775.7	550.4
216.3	255.7	Talent and Economic Development	425.8	44.0	16.7	486.5	192.7
463.0	620.3	Technology, Management and Budget (4)	543.2	291.3	94.8	929.3	574.8
9.1	5.0	Transportation	0.0	375.9	0.9	376.8	106.8
1,808.6	3,206.1	Treasury	1,829.1	101.6	93.6	2,024.3	1,908.0
\$28,387.3	\$33,712.0		\$35,297.2	\$1,394.9	\$1,508.7	\$38,200.7	\$29,923.3

(1) FY2017 expenditure and encumbrance amounts are obtained from MAIN and do not include prior appropriation year activity.

(2) Includes boilerplate appropriations.

(3) Includes all capital outlay activity regardless of agency.

(4) Includes Civil Service Commission.

**ESTIMATED BALANCE OF STATE PAYMENTS
TO LOCAL UNITS OF GOVERNMENT
Fiscal Year 2018
August, 2018
(\$ in millions)**

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	17,966.0	156.2	18,122.2
Total state spending from state resources	32,281.1	445.7	32,726.8
Percentage of state spending from state resources paid to local units	55.65%		55.37%
Required payments to local units (48.97%)	15,808.1		16,026.3
Surplus/(deficit)	\$2,157.9		\$2,095.9

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
October 1, 2017 Through August 31, 2018
(\$ in thousands)

REVENUES

Miscellaneous	\$ 22,542
	22,542
Total Revenues	22,542

EXPENDITURES

Current:	
General government	136
Total Expenditures	136
Excess of Revenues over (under) Expenditures	22,406

OTHER FINANCING SOURCES (USES)

Transfers from other funds	252,500
Transfers to other funds	-
Total Other Financing Sources (Uses)	252,500
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 274,906 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, 2017 through August 31, 2018
 (\$ in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>26,894</u>
Total Revenues	<u>26,894</u>

EXPENDITURES

Current:	
General government	2,055
Conservation, environment, recreation, and agriculture	18,958
Capital outlay	<u>296</u>
Total Expenditures	<u>21,309</u>
Excess of Revenues over (under) Expenditures	<u>5,585</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	-
Transfers from other funds	-
Transfers to other funds	<u>(18)</u>
Total Other Financing Sources (Uses)	<u>(18)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u><u>\$ 5,567</u></u> ¹

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

REVENUE OVERVIEW

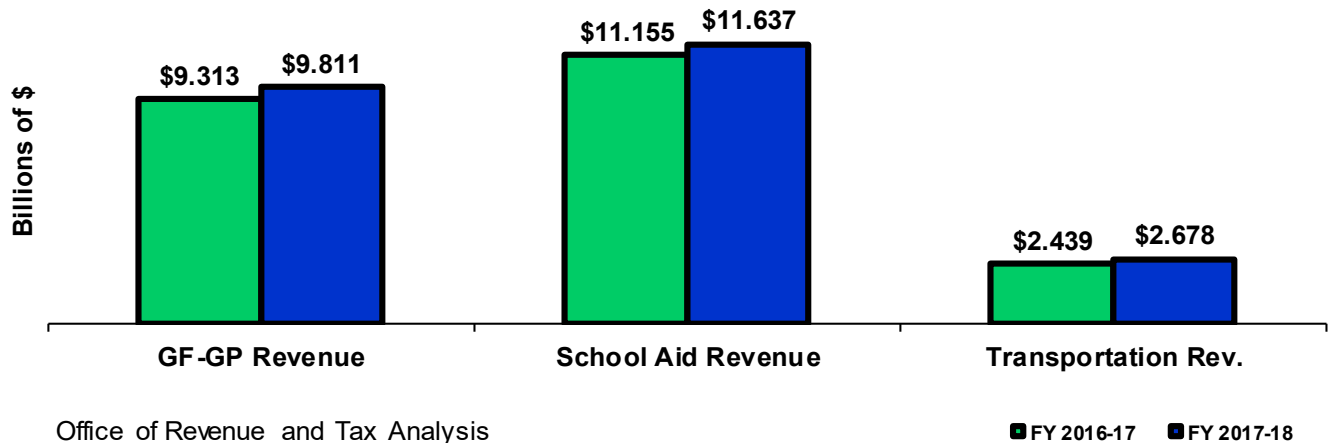
Office of Revenue and Tax Analysis
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for August 2018, representing some July 2018 and some August 2018 economic activity in Michigan.

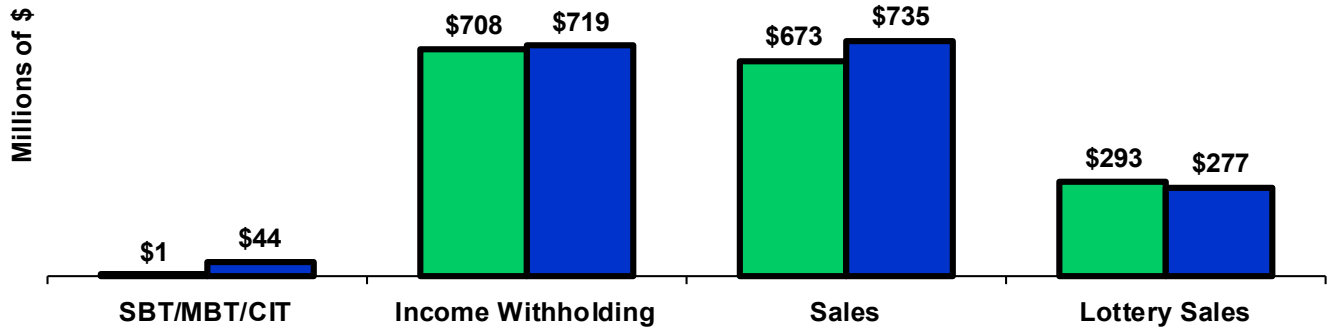
Total General Fund - General Purpose cash collections were \$154.8 million (18.6 percent) higher in August 2018 than in August 2017. The August 2018 School Aid Fund cash collections were \$102.1 million (9.9 percent) higher than in August 2017. August 2018 transportation collections were \$3.7 million (1.5 percent) higher than in August 2017 (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 \$497.4 million (5.3 percent) from a year ago. School Aid Fund cash collections are up \$482.1 million (4.3 percent) and transportation collections are up \$238.8 million (9.8 percent).

The FY 2017-18 revenue projections presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 16, 2018. The revenue estimate for net General Fund – General Purpose revenue for FY 2017-18 is \$10,463.6 million and the net School Aid revenue forecast is \$13,244.0 million. The Transportation Funds revenue forecast is \$3,040.2 million. By law, the Consensus Revenue Estimating Conferences are held the second week of January and the third week of May.

October through August Collections FY 2016-17 and FY 2017-18



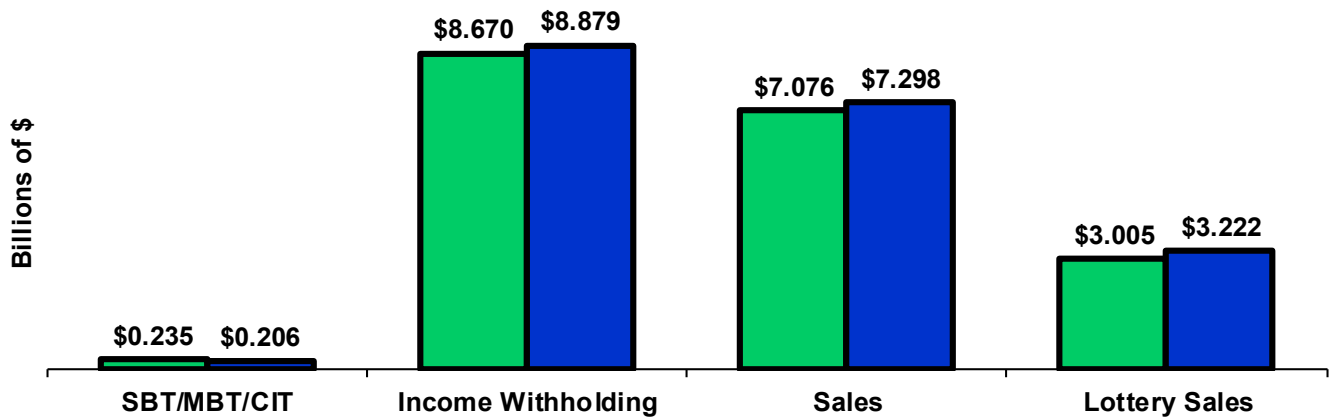
August Revenue Collections FY 2016-17 and FY 2017-18



Office of Revenue and Tax Analysis

■ FY 2016-17 ■ FY 2017-18

October through August Collections FY 2016-17 and FY 2017-18



Office of Revenue and Tax Analysis

■ FY 2016-17 ■ FY 2017-18

Revenue Summary FY 2017-18
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2018

Month-End Cash Collections Data				October Through August Cash Collections Data					Revenue Projections		
August		Difference		Source of Revenue	Year-to-Date		Difference		FY 2016-17	FY 2017-18	FY 2017-18
2017	2018	Amount	Percent		FY 2016-17	FY 2017-18	Amount	Percent	CAFR Totals (k)	Statutory Estimate	May 2018 Forecast
Income Taxes											
\$708,161	\$718,873	\$10,712	1.5%	Withholding	\$8,670,248	\$8,878,743	\$208,495	2.4%	\$9,335,200	\$9,841,100	\$9,844,600
20,539	22,395	1,856	9.0%	Quarterlies	919,926	1,210,589	290,663	31.6%	1,194,500	1,191,400	1,423,600
15,467	18,389	2,922	18.9%	Annuals	867,131	954,927	87,795	10.1%	880,200	937,500	937,600
744,168	759,657	15,490	2.1%	Gross Collections	10,457,305	11,044,259	586,953	5.6%	\$11,409,900	\$11,970,000	\$12,205,800
41,321	(10,690)	(52,011)	na	Less: Refunds	1,880,995	1,868,343	(12,653)	-0.7%	1,956,800	1,927,500	1,999,300
0	0	0	na	State Campaign Fund	0	0	0	na	1,200	800	800
702,846	770,347	67,501	9.6%	Net Personal Income	8,576,310	9,175,916	599,606	7.0%	\$9,451,900	\$10,041,700	\$10,205,700
173,143	176,919	3,776	2.2%	Less: Disbursements to SAF	2,410,870	2,571,763	160,893	6.7%	\$2,720,400	\$2,850,000	\$2,906,100
\$529,703	\$593,428	\$63,725	12.0%	Net Personal Income To GF-GP	\$6,165,439	\$6,604,153	\$438,713	7.1%	\$6,731,500	\$7,191,700	\$7,299,600
Consumption Taxes											
\$106,725	\$116,862	\$10,137	9.5%	Sales (a)	\$1,133,217	\$1,148,254	\$15,037	1.3%	\$1,223,700	\$1,253,900	\$1,268,700
55,467	77,749	22,282	40.2%	Use (a) (f) (i)	711,510	729,280	17,770	2.5%	591,600	579,700	628,100
17,000	17,926	926	5.4%	Tobacco	171,560	165,879	(5,681)	-3.3%	186,500	184,400	184,100
4,566	4,730	163	3.6%	Beer, Wine & Mixed Spirits	46,261	45,846	(415)	-0.9%	51,100	53,000	53,000
15,686	19,698	4,013	25.6%	Liquor Specific	50,621	47,349	(3,272)	-6.5%	54,700	54,200	56,000
\$199,444	\$236,965	\$37,520	18.8%	Total Consumption Taxes	\$2,113,168	\$2,136,608	\$23,440	1.1%	\$2,107,600	\$2,125,200	\$2,189,900
Other Taxes											
(\$231)	\$134	\$365	na	Single Business	\$15,406	\$11,882	(\$3,524)	-22.9%	\$18,700	\$0	\$7,000
4,124	5,418	1,295	31.4%	Insurance Premiums Taxes	347,999	394,404	46,405	13.3%	370,700	408,900	398,100
3,892	5,552	1,660	42.6%	Sub-total SBT & Insurance	363,405	406,286	42,881	11.8%	389,400	408,900	405,100
(27,422)	(7,059)	20,362	74.3%	Michigan Business Tax	(729,323)	(634,291)	95,032	13.0%	(704,600)	(755,600)	(787,900)
28,395	50,984	22,588	79.5%	Corporate Income Tax	949,137	828,212	(120,925)	-12.7%	1,105,600	950,200	859,800
0	0	0	na	Inheritance / Estate	28	21	(7)	-23.8%	0	0	0
1,012	1,431	419	41.4%	Telephone & Telegraph	34,779	34,230	(549)	-1.6%	35,600	36,000	35,000
2,254	2,017	(238)	-10.5%	Oil & Gas Severance	21,301	24,758	3,457	16.2%	23,500	27,000	25,000
8,888	9,770	882	9.9%	Penalties & Interest	93,704	119,190	25,486	27.2%	112,800	116,000	127,600
66,073	76,759	10,686	16.2%	Essential Services Assessment	84,740	96,945	12,205	14.4%	84,000	82,100	91,100
640	738	97	15.2%	Miscellaneous Other/Railroad	2,423	2,567	144	5.9%	2,500	2,000	2,000
(12,167)	(12,500)	(333)	-2.7%	Treasury Enforcement Programs (e)	(134,750)	(137,000)	(2,250)	-1.7%	(148,100)	(148,000)	(150,000)
\$71,567	\$127,690	\$56,124	78.4%	Total Other Taxes	\$685,442	\$740,917	\$55,475	8.1%	\$900,700	\$718,600	\$607,700
\$800,714	\$958,083	\$157,369	19.7%	Subtotal GF-GP Taxes	\$8,964,050	\$9,481,678	\$517,628	5.8%	\$9,739,800	\$10,035,500	\$10,097,200

continued

Revenue Summary FY 2017-18
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2018

Month-End Cash Collections Data				October Through August Cash Collections Data					Revenue Projections		
August		Difference		Source of Revenue	Year-to-Date		Difference		FY 2016-17	FY 2017-18	FY 2017-18
2017	2018	Amount	Percent		FY 2016-17	FY 2017-18	Amount	Percent	CAFR Totals (k)	Statutory Estimate	May 2018 Forecast
Non-Tax Revenue (e)											
\$2,083	\$1,108	(\$975)	-46.8%	Federal Aid	\$25,417	\$15,117	(\$10,300)	-40.5%	\$8,600	\$25,000	\$13,300
8	8	0	0.0%	Local Agencies	92	92	0	0.0%	100	100	100
583	583	0	0.0%	Services	6,542	6,417	(125)	-1.9%	5,300	7,000	7,000
1,042	1,167	125	12.0%	Licenses & Permits	11,208	12,458	1,250	11.2%	20,400	12,500	14,000
0	0	0	na	Investments/Interest Costs	(4,678)	(13,895)	(9,217)	-197.0%	3,100	(6,500)	4,000
5,875	2,917	(2,958)	-50.4%	Misc. Non-tax Revenue	58,792	42,808	(15,983)	-27.2%	90,000	51,500	35,000
17,917	19,000	1,083	6.0%	Liquor Purchase Revolving Fund	193,583	207,000	13,417	6.9%	221,400	220,000	228,000
5,292	5,417	125	2.4%	From Other Funds-Lottery & Escheats	58,458	59,208	750	1.3%	103,600	63,500	65,000
\$32,800	\$30,200	(\$2,600)	-7.9%	Total Non-Tax Revenue	\$349,414	\$329,205	(\$20,209)	-5.8%	\$452,500	\$373,100	\$366,400
\$833,514	\$988,283	\$154,769	18.6%	Total GF-GP Revenue	\$9,313,464	\$9,810,883	\$497,419	5.3%	\$10,192,300	\$10,408,600	\$10,463,600
School Aid Fund											
\$275,240	\$300,088	\$24,848	9.0%	Sales Tax 4%	\$2,950,239	\$2,988,411	\$38,172	1.3%	3,187,300	3,239,000	3,284,400
214,342	235,168	20,826	9.7%	Sales Tax 2%	2,159,370	2,317,446	158,076	7.3%	2,489,700	2,531,000	2,567,900
43,592	55,979	12,387	28.4%	Use Tax 2% (f)	530,241	553,106	22,865	4.3%	495,100	558,800	583,100
145,658	204,822	59,164	40.6%	State Education Property Tax	1,474,942	1,579,084	104,142	7.1%	1,963,700	2,002,600	2,039,100
30,637	34,110	3,473	11.3%	Real Estate Transfer Tax	285,287	297,367	12,080	4.2%	317,200	315,700	331,100
80,000	70,000	(10,000)	-12.5%	Lottery Transfer (b)	796,017	803,575	7,558	0.9%	924,100	887,700	944,400
9,029	9,759	729	8.1%	Casino Wagering Tax	104,690	107,237	2,547	2.4%	113,200	115,000	114,000
15,555	0	(15,555)	-100.0%	Liquor Excise Tax	49,952	31,509	(18,443)	-36.9%	54,000	53,800	55,600
34,513	36,392	1,880	5.4%	Cigarette/Tobacco Tax	348,292	336,760	(11,532)	-3.3%	356,700	352,600	352,000
2,755	3,231	476	17.3%	Indus. & Comm. Facilities Taxes	27,312	29,176	1,864	6.8%	36,000	36,000	38,000
4,527	4,579	52	1.2%	Specific Other	17,383	21,249	3,866	22.2%	27,700	28,300	28,300
173,143	176,919	3,776	2.2%	Income Tax Earmarking	2,410,870	2,571,763	160,893	6.7%	\$2,720,400	\$2,850,000	\$2,906,100
\$1,028,992	\$1,131,048	\$102,056	9.9%	Total School Aid Fund	\$11,154,597	\$11,636,683	\$482,087	4.3%	\$12,685,100	\$12,970,500	\$13,244,000
\$673,076	\$735,315	\$62,239	9.2%	Sales Tax 6%	\$7,076,436	\$7,298,132	\$221,696	3.1%	\$7,798,000	\$7,929,300	\$8,041,800
458,734	500,147	41,413	9.0%	Sales Tax 4%(d)	4,917,066	4,980,685	63,619	1.3%	5,308,300	5,398,300	5,473,900
214,342	235,168	20,826	9.7%	Sales Tax 2%	2,159,370	2,317,446	158,076	7.3%	2,489,700	2,531,000	2,567,900
130,776	167,936	37,160	28.4%	Use Tax 6% (f) (h)	1,590,724	1,659,318	68,594	4.3%	1,467,600	1,549,300	1,622,000
85,427	90,080	4,653	5.4%	Tobacco Taxes	862,110	833,564	(28,545)	-3.3%	946,000	935,800	930,500
0	72,000	72,000	na	Tobacco Settlement	194,360	227,395	33,035	17.0%	na	na	na

continued

Revenue Summary FY 2017-18
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2018

Month-End Cash Collections Data				October Through August Cash Collections Data					Revenue Projections		
August		Difference		Source of Revenue	Year-to-Date		Difference		FY 2016-17	FY 2017-18	FY 2017-18
2017	2018	Amount	Percent		FY 2016-17	FY 2017-18	Amount	Percent	CAFR Totals (k)	Statutory Estimate	May 2018 Forecast
Major Transportation Revenues											
\$17,247	\$16,278	(\$970)	-5.6%	Diesel Fuel / Motor Carrier Fuel Tax	\$183,315	\$221,590	\$38,275	20.9%	\$215,179	\$236,400	\$233,500
107,962	108,560	598	0.6%	Gasoline	1,013,756	1,123,194	109,438	10.8%	1,142,611	1,202,328	1,216,100
100,842	103,974	3,132	3.1%	Motor Vehicle Registration	1,110,808	1,194,614	83,806	7.5%	1,209,983	1,281,800	1,288,000
4,298	4,901	603	14.0%	Other Taxes, Fees & Misc.	42,565	48,318	5,753	13.5%	140,234	195,357	203,562
7,961	8,252	291	3.7%	Comprehensive Transportation (c)	88,553	90,039	1,486	1.7%	98,570	97,290	99,025
<u>\$238,310</u>	<u>\$241,965</u>	<u>\$3,655</u>	<u>1.5%</u>	Total Major Trans. Revenues	<u>\$2,438,997</u>	<u>\$2,677,755</u>	<u>\$238,758</u>	<u>9.8%</u>	<u>\$2,806,576</u>	<u>\$3,013,176</u>	<u>\$3,040,186</u>
Lottery Sales By Games											
109,327	124,918	15,591	14.3%	Instant Games (g)	1,257,867	1,420,564	162,697	12.9%	na	na	na
61,248	65,534	4,286	7.0%	Daily Games	731,007	754,123	23,117	3.2%	na	na	na
59,419	26,737	(32,683)	-55.0%	Lotto and Big Game (g)	358,064	350,436	(7,628)	-2.1%	na	na	na
660	677	17	2.6%	Keno Game	8,121	8,138	17	0.2%	na	na	na
1,123	1,151	28	2.5%	Lucky For Life	13,211	13,446	235	1.8%	na	na	na
11,636	10,364	(1,273)	-10.9%	Other (j)	31,041	76,575	45,534	147.0%	na	na	na
49,316	47,161	(2,154)	-4.4%	Club Games	606,170	598,525	(7,645)	-1.3%	na	na	na
<u>\$292,729</u>	<u>\$276,541</u>	<u>(\$16,187)</u>	<u>-5.5%</u>	Total Lottery Sales	<u>\$3,005,481</u>	<u>\$3,221,809</u>	<u>\$216,328</u>	<u>7.2%</u>	<u>na</u>	<u>na</u>	<u>na</u>

- a GF-GP Sales has been adjusted based on Comprehensive Transportation Fund, Health Initiative, Constitutional Revenue Sharing, and Aviation Fund. GF-GP Use has been adjusted based on Aviation Fund.
- 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 percent collections adjusted to reflect exemption on residential utilities.
- e Non-tax revenue items other than interest are estimates.
- f Use tax was expanded to include Health Maintenance Organizations (HMO) for June 2014 - December 2016. The fiscal year-to-date 2017 HMO use tax revenues were \$191.2 million and the fiscal year-to-date 2018 HMO use tax revenues were \$10.1 million.
- g Lottery Sales include iLottery net win amounts for Instant Games in October 2014, and Lotto and Big Game in January 2016.
- h Gross Use tax collections include the transferred amounts to the Local Community Stabilization Authority, which are front-loaded at the beginning of the fiscal year. The year-to-date 2017 revenues were \$348.9 million and the year-to date 2018 revenues are \$376.9 million. Per 2014 Public Act 80, the total fiscal year 2017 Local Community Stabilization Share (LCSS) is \$380.9 million and the total fiscal year 2018 LCSS is \$410.8 million.
- i General Fund Use tax collections are net of LCSS revenue. The year-to-date 2017 LCSS revenues were \$348.9 million and the year-to-date 2018 LCSS revenues are \$376.9 million.
- j Other lottery games includes the new Fast Cash games, which began in July 2017.
- k Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

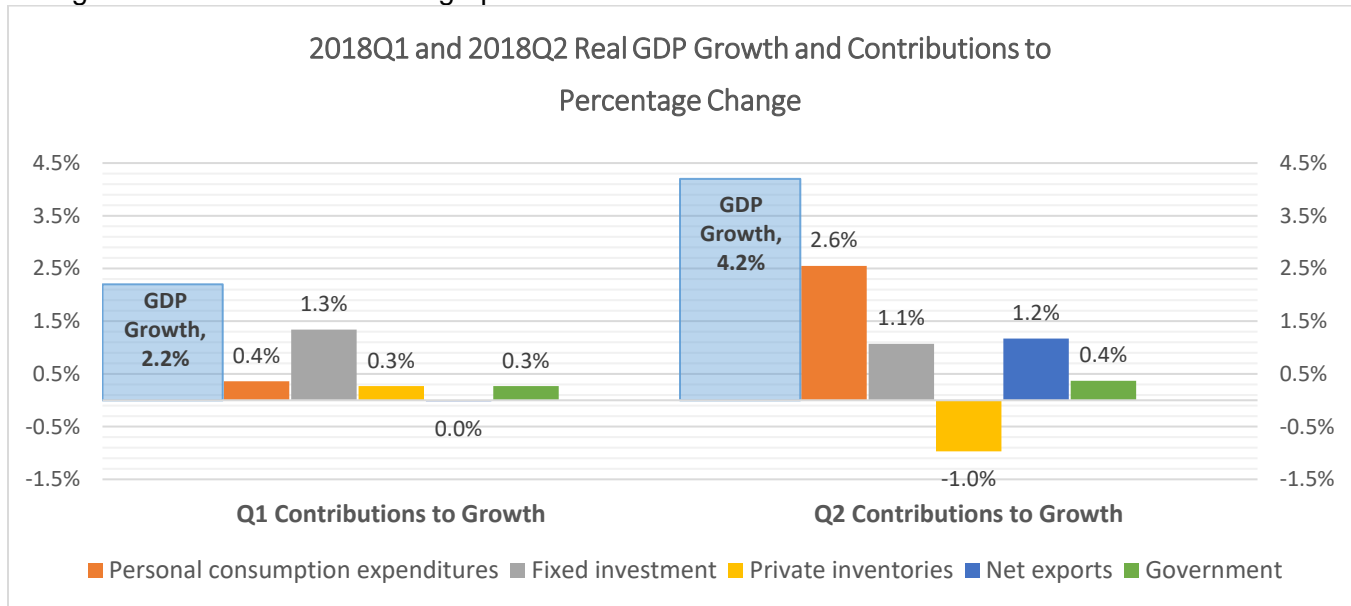
Source: Michigan Department of Treasury, Office of Revenue & Tax Analysis, based on reports from the Office of Financial Management, Michigan Department of Technology, Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy

U.S. **Gross Domestic Product** rose sharply in the second quarter of 2018 with solid growth expected to continue the next couple of quarters. The preliminary estimate of real GDP for the second quarter of 2018 is \$18,514.6 billion (chained 2012 dollars), an increase of 4.2 percent at an annual rate. In the first quarter of 2018, real gross domestic product increased 2.2 percent. The increase in second quarter real GDP was mainly due to growth in personal consumption expenditures, exports, non-residential fixed investment and government spending. The first and second quarter of 2018 contributions to the percent change in GDP are shown in the graph below.



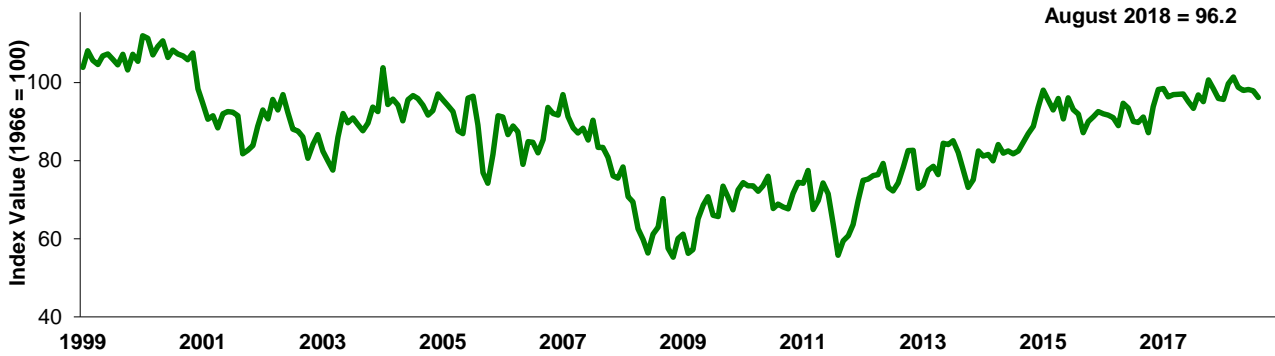
Growth is expected to improve over 2018 from the stimulative effects of the recently enacted tax cuts and increased federal spending. Consumer spending picked up in the second quarter and the robust labor market also provides support for strong short-term growth. Real final sales increased 5.3 percent in the first quarter while on the inflation front, the implicit price deflator increased 3.2 percent.

U.S. payroll employment was solid last month, with the overall labor market remaining strong. Wage and salary employment increased by 201,000 jobs in August 2018, up from the 147,000 jobs from July's revised total. The twelve-month moving average shows an increase of 196,000 jobs. The professional and business services sector and health and services each gained 51,000 jobs in August. The manufacturing sector suffered a setback in August losing 3,000 jobs. Average hourly earnings totaled \$27.16 in August and increased 2.9 percent from a year ago as wage pressures build with the economy moving towards full-employment. In August, the **U. S. unemployment rate** remained unchanged from a month ago at 3.9 percent and was 0.5 percentage points lower than a year ago. Civilian employment totaled 155.3 million persons in August, while the number unemployed was 6.2 million.

The **Index of Consumer Sentiment** decreased in August to 96.2 index-points, 1.7 index-points below the July value and 0.6 index-points below August 2017. On the slight decline, Survey Director Richard Curtin reported that most of the August decline was due to how consumers feel currently about the economy, which is the least confident since November 2016. Curtin noted that, "These results stand in sharp contrast to the recent very favorable report on growth in the national economy. The dominating weakness was related to less favorable assessments of buying conditions, mainly due to less favorable

perceptions of market prices and to a lesser extent, rising interest rates.” The August survey, also in addition to showing consumers views of buying conditions falling, indicated that the view of buying conditions have reached the lowest survey values in years.

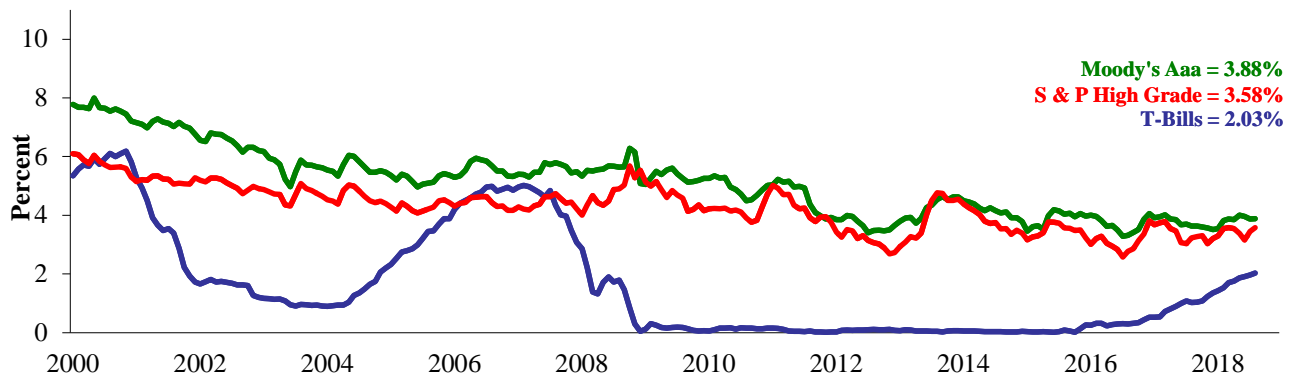
Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

Overall short-term **interest rates** continue to increase, as the Federal Reserve raises the federal funds rate over time. Short-term interest rates increased 0.07 percentage points in August as the 3-month Treasury bill (T-bill) rate was 2.03 percent. Compared to one year ago, the T-bill rate increased 1.00 percentage points. The Aaa corporate bond rate, a long-term interest rate, increased 0.01 percentage points to an interest yield of 3.88 percent in August. The Aaa bond yield was up 0.25 percentage points from its year-ago level. The interest rate on high-grade municipal bonds increased 0.13 percentage points from the July level to 3.58 percent in August and was up 0.35 percentage points from a year ago. The Federal Open Market Committee (FOMC) maintained the target range for the federal funds rate at 1.75-2.00 percent for the August 1st meeting.

Selected Key Interest Rates



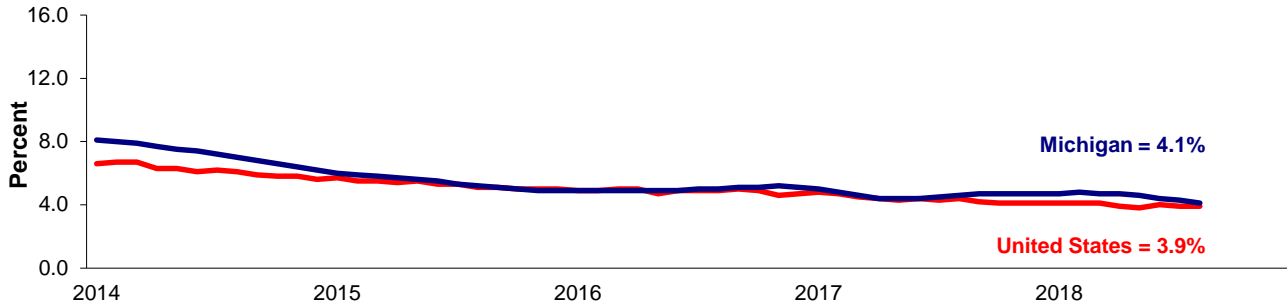
Source: Economic Indicators

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.2 percent in August, consistent with July. Compared to August 2017, the all-items index increased 2.7 percent. For major component groups, the changes from one year ago were: food and beverages, 1.4 percent; medical care, 1.5 percent; apparel, -1.4 percent; education and communication, 1.2 percent; other goods and services, 2.2 percent; recreation, 0.1 percent; housing, 2.9 percent; and transportation, 6.3 percent, with gasoline prices up 20.3 percent. The average Michigan gasoline price in August was up 14.4 percent from a year ago at \$2.93 a gallon, but down 4 cents a gallon from last month.

Michigan Economy

In August, the **Michigan jobless rate** decreased 0.2 percentage points from last month to 4.1 percent. The August unemployment rate is 0.5 percentage points below the year ago level. In August, the labor force fell 12,000 to 4,898,000, while the number of people employed decreased 1,000 to 4,697,000. In August, the number of unemployed people fell by 11,000 to 201,000 unemployed people.

Unemployment Rates 2014 - 2018



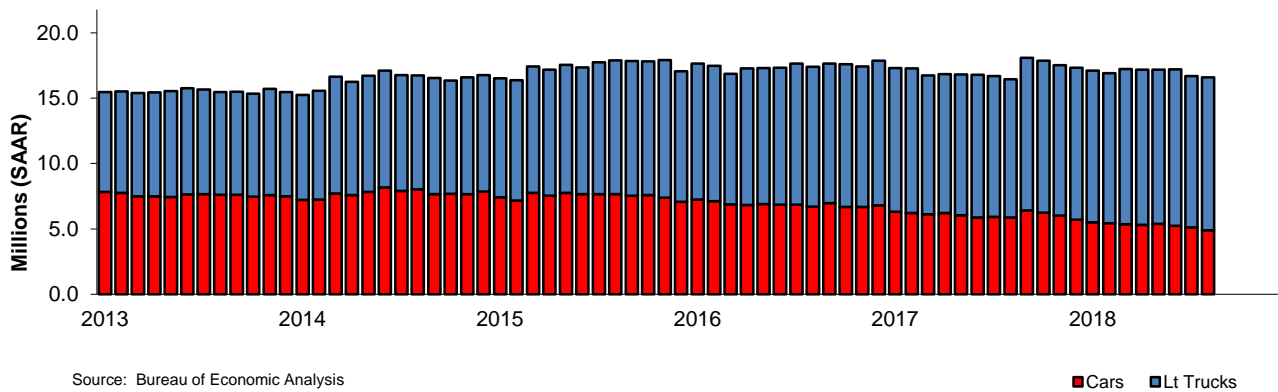
Source: Bureau of Labor Statistics and Michigan Department of Technology, Management & Budget

Michigan wage and salary employment increased by 5,000 jobs in August compared with the July level and was up 56,000 jobs (1.3 percent) from August 2017. Education and health services gained 3,000 jobs from last month while transportation equipment and trade, transportation & utilities each gained 2,000 jobs. Other services and government each lost 1,000 jobs compared to last month. Over the past 12 months, construction jobs have grown 9.1 percent while leisure and hospitality services increased 2.1 percent.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), increased 3.6 percent compared to August 2017. For individual component items, the changes from one year ago were: food and beverages, 1.6 percent; apparel, 0.7 percent; education and communication, 3.0 percent; transportation, 8.9 percent; recreation, -5.1 percent; medical care, 2.5 percent; housing, 1.8 percent; and other goods and services, 7.1 percent.

Motor Vehicle Sector

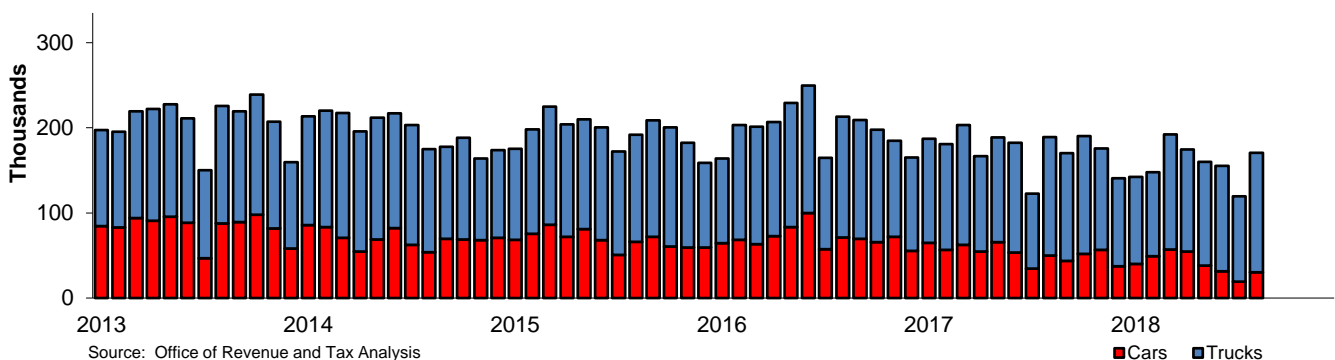
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) decreased slightly in August but remain at fairly high levels historically. Sales decreased 0.6 percent in August compared to July, selling at a 16.6 million unit seasonally adjusted annual rate. Domestic car sales decreased 6.2 percent from July while domestic light truck sales increased 2.3 percent. Import car sales increased 2.3 percent while import light truck sales decreased 3.4 percent. Compared to last year, light vehicle sales increased 0.9 percent. Domestic car sales decreased 16.3 percent from the year ago level while domestic light truck sales increased 11.0 percent. Import car sales were down 18.2 percent from last year while import truck sales increased 9.4 percent. As a result, the domestic share of U.S. light vehicle sales increased 0.5 percentage points from a year ago. For FY 2018 year-to-date, domestic light vehicles recorded a 76.9 percent share of a 17.2 million-unit market.

Michigan motor vehicle production increased to 170,591 units in August from 119,333 units in July, with the increase primarily due to last month being the traditional vacation period and model changeover period. From a year ago, motor vehicle production decreased 10.0 percent in Michigan and was unchanged nationally. In August, Michigan's car production was 30,502 units while the state's truck production was 140,089 units. Compared with a year ago, car production decreased 39.0 percent in Michigan and decreased 16.0 percent nationwide. The state's truck production increased 1.0 percent while national truck production increased 7.0 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 16, 2018 Consensus Revenue Agreement
(Article IX, Section 26)
(\$ in millions)**

	Fiscal Year 2016-17 Actual	Fiscal Year 2017-18 Estimate	Fiscal Year 2018-19 Estimate
Applicable Calendar Year Personal Income Section 26 Base Ratio	\$424,807 9.49%	\$439,361 9.49%	\$450,847 9.49%
Revenue Limit	<u>\$40,314.2</u>	<u>\$41,695.4</u>	<u>\$42,785.4</u>
Revenue Limit	\$40,314.2	\$41,695.4	\$42,785.4
State Revenue Subject to Limit	<u>\$31,109.2</u>	<u>\$33,004.9</u>	<u>\$33,767.7</u>
Amount Under (Over) Limit	\$9,205.0	\$8,690.5	\$9,017.7

Sources:

Personal Income Estimate

The FY 2016-17 calculation uses the official personal income estimate for calendar year 2015 (Survey of Current Business, October 2016).

The FY 2017-18 calculation uses the official personal income estimate for calendar year 2016 (Survey of Current Business, October 2017).

The FY 2018-19 calculation uses the May 16, 2018 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2016-17 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2017.

The FY 2017-18 calculation uses the May 16, 2018 Consensus Revenue Agreement.

The FY 2018-19 calculation uses the May 16, 2018 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