



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN J. WALSH
DIRECTOR

March 30, 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 February 28, 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
February, 2018
(\$ in millions)

		FISCAL 2018
Beginning Balance, October 1, 2017		see one-time revenue
Current General Fund General Purpose Revenues, January 2018 Consensus Estimate		\$ 10,307.7
Revenue Adjustments:		
Local Government Program Payments	\$	(465.9)
Subtotal Additional Revenue Adjustments	\$	(465.9)
Total Fiscal Year Resources Available For Expenditure GF/GP - Ongoing		\$ 9,841.8
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		\$ 95.6
One-Time Revenue		
Beginning Balance	\$	622.5 ¹
Local Government Program Payments	\$	(5.8)
Lawsuit Settlement Proceeds (AG, DEQ)	\$	(6.4)
Total Fiscal Year Resources Available For Expenditure GF/GP - One-Time		\$ 610.3
One-Time Expenditures		
PA 107, PA 108, PA 158, PA 201 of 2017	\$	485.3
Pending Supplemental 2018-3	\$	17.7
Total Expenditures Projected - One-Time		\$ 503.0
One-Time Revenue minus One-Time Spending		\$ 107.3
Projected Ending Balance, September 30, 2018		\$ 202.9

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
February 28, 2018
(\$ in millions)

FISCAL
2018

Beginning Balance, October 1, 2017	\$	see one-time revenue
Current Year School Aid Fund Revenues, January 2018 Consensus Estimate	\$	13,084.5
Revenue Adjustments:		
MPSERS Retirement Obligation Reform Reserve Fund Deposit	\$	(55.0)
General Fund (2018-5)	\$	78.0
Community District Trust Fund	\$	72.0
MPSERS Retirement Obligation Reform Reserve Fund	\$	23.1
Federal Revenue	\$	1,726.9
Subtotal Additional Revenue Adjustments	\$	1,845.0
Total FY Resources Available for Expenditure School Aid Fund	\$	14,929.5
School Aid Ongoing Costs		
PA 143 of 2017	\$	14,266.4
Pending Supplemental (2018-5)	\$	(11.2)
Community Colleges Ongoing Costs		
PA 108 of 2017	\$	394.7
Universities Ongoing Costs		
PA 108 of 2017	\$	237.9
Total School Aid Fund Ongoing Costs Projected	\$	14,887.8
Current Year Revenues minus Ongoing Costs	\$	41.7
Beginning Balance (One-Time Revenue)		
	\$	377.4
One-Time Spending Items		
PA 143 of 2017 - School Aid	\$	317.9
PA 108 of 2017 - Community Colleges	\$	3.6
PA 108 of 2017 - Universities	\$	0.4
One-Time Revenue minus One-Time Spending	\$	55.5
Projected Ending Balance, September 30, 2018	\$	97.2

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**

February 28, 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 (3)	Total Authorization	Expenditures & Encumbrances Year to Date FY 2018
29.2	82.1	Agriculture and Rural Development	114.4	11.5	13.2	139.1	45.9
33.5	88.2	Attorney General	99.7	4.8	11.3	115.8	26.1
114.6	253.3	Capital Outlay (4)	312.3	0.8	241.6	554.7	184.8
5.2	14.3	Civil Rights	16.2	2.7	0.9	19.8	4.5
706.7	1,472.9	Colleges and Universities	1,391.9	6.0	4.8	1,402.7	675.6
735.7	1,960.2	Corrections	1,992.0	24.0	134.4	2,150.5	834.0
89.2	291.4	Education	351.2	33.6	45.3	430.1	124.1
66.7	253.5	Environmental Quality	485.1	76.1	395.2	956.4	167.5
2.7	5.2	Executive Office	6.8	0.0	0.0	6.9	4.1
8,772.4	23,184.1	Health and Human Services	25,391.4	601.9	270.6	26,263.9	9,236.4
17.4	50.5	Insurance and Financial Service	66.7	6.0	0.0	72.7	16.1
75.2	264.1	Judiciary	300.0	0.4	5.4	305.9	96.5
0.0	4.0	Land Bank Fast Track Authority	4.0	0.0	0.0	4.0	2.0
8.8	22.8	Legislative Auditor General	24.3	0.0	0.8	25.0	7.8
53.8	129.9	Legislature	152.2	0.0	23.6	175.8	54.7
166.0	311.2	Licensing and Regulatory Affairs	386.2	124.9	41.9	552.9	218.3
83.9	156.4	Michigan Strategic Fund	181.7	0.0	0.0	181.8	63.7
57.2	143.0	Military and Veterans Affairs	152.7	17.6	14.7	185.1	80.1
28.0	97.0	Natural Resources	127.9	13.4	36.1	177.4	48.4
72.0	225.8	State	248.3	15.7	43.1	307.1	97.6
204.2	615.1	State Police	693.9	29.9	19.4	743.3	219.4
76.6	255.7	Talent and Economic Development	425.8	44.0	16.7	486.5	100.6
218.9	620.3	Technology, Management and Budget (5)	543.2	163.1	95.2	801.5	188.2
7.0	5.0	Transportation	0.0	42.0	0.9	42.9	0.9
843.3	3,206.1	Treasury	1,829.1	83.2	93.6	2,005.9	1,027.0
\$12,468.2	\$33,712.0		\$35,297.2	\$1,301.6	\$1,508.7	\$38,107.5	\$13,524.2

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

(2) Includes boilerplate appropriations.

(3) Carry forward amounts do not include all conversion related activities. These are expected in subsequent months.

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

(5) Includes Civil Service Commission.

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

Fiscal Year 2018
February, 2018
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	17,966.0	7.5	17,973.5
Total state spending from state resources	32,281.1	72.7	32,353.8
Percentage of state spending from state resources paid to local units	55.65%		55.55%
Required payments to local units (48.97%)	15,808.1		15,843.7
Surplus/(deficit)	\$2,157.9		\$2,129.8

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
 October 1, 2017 Through February 28, 2018
 (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	62,500
Transfers to other funds	<u> -</u>
Total Other Financing Sources (Uses)	<u> 62,500</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u><u> \$ 62,500</u></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, 2017 through February 28, 2018
 (in thousands)

REVENUES

Taxes	\$	-
From federal agencies		-
From licenses and permits		-
Miscellaneous		<u>22,427</u>
 Total Revenues		 <u>22,427</u>

EXPENDITURES

Current:		
General government		1,922
Conservation, environment, recreation, and agriculture		3,698
Capital outlay		<u>15</u>
 Total Expenditures		 <u>5,635</u>
 Excess of Revenues over (under) Expenditures		 <u>16,792</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues		-
Proceeds from sale of capital assets		-
Transfers from other funds		-
Transfers to other funds		<u>-</u>
 Total Other Financing Sources (Uses)		 <u>-</u>
 Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		 <u>\$ 16,792</u> ¹

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

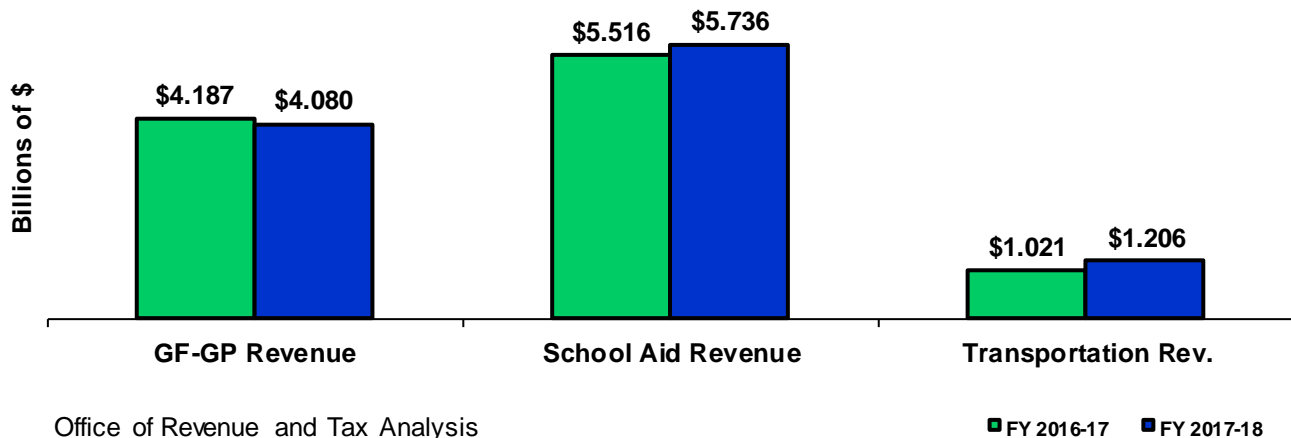
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

Total General Fund - General Purpose cash collections were \$27.7 million (38.7 percent) higher in February 2018 than in February 2017. The February 2018 School Aid Fund cash collections were \$87.6 million (11.7 percent) higher than in February 2017. February 2018 transportation collections were \$21.4 million (8.6 percent) higher than in February 2017 (see revenue table). February is the fifth 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 down \$107.5 million (2.6 percent) from a year ago. School Aid Fund cash collections are up \$220.6 million (4.0 percent) and transportation collections are up \$185.2 million (18.1 percent). The majority of the transportation revenue increase is the result of tax changes.

The FY 2017-18 revenue projections presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on January 11, 2018. The revenue estimate for net General Fund – General Purpose revenue for FY 2017-18 is \$10,307.7 million and the net School Aid revenue forecast is \$13,084.5 million. The Transportation Funds revenue forecast is \$3,039.3 million. The next regularly scheduled Consensus Revenue Estimating Conference will be held on May 16, 2018.

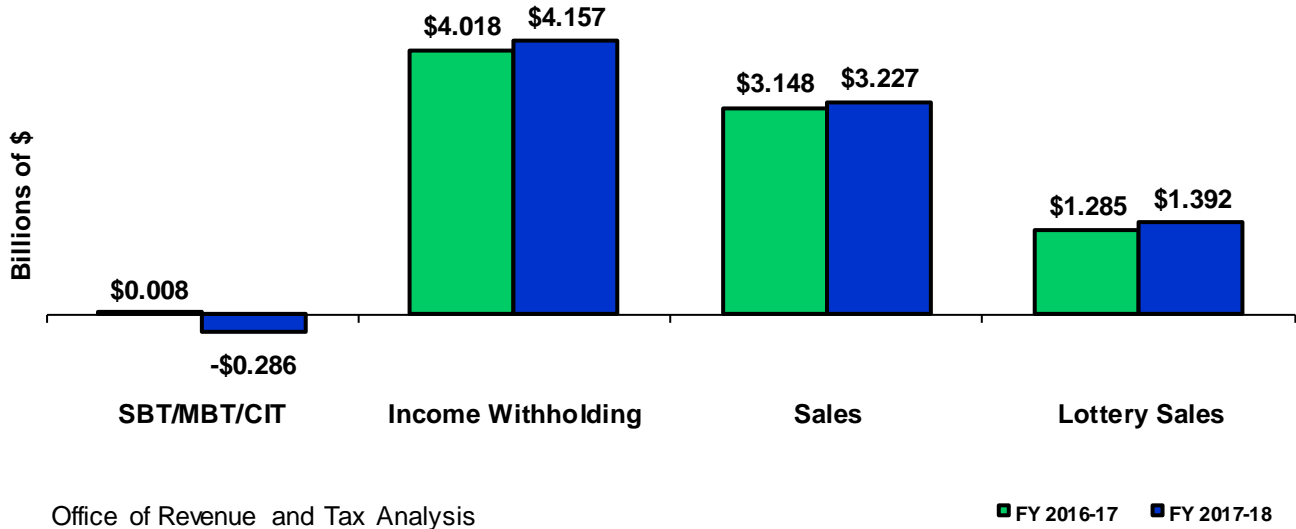
**October through February Collections
FY 2016-17 and FY 2017-18**



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



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



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

For The Month Ended: February 28, 2018

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH FEBRUARY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
February		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	January 2018 Forecast
Income Taxes											
\$735,703	\$745,547	\$9,844	1.3%	Withholding	\$4,018,208	\$4,156,784	\$138,576	3.4%	\$9,335,200	\$9,841,100	\$9,698,400
11,216	7,678	(3,538)	-31.5%	Quarterlies	468,187	703,655	235,468	50.3%	1,194,500	1,191,400	1,241,100
21,961	23,699	1,738	7.9%	Annuals	116,322	113,607	(2,714)	-2.3%	880,200	937,500	950,600
768,880	776,924	8,044	1.0%	Gross Collections	4,602,717	4,974,047	371,330	8.1%	\$11,409,900	\$11,970,000	\$11,890,100
418,606	431,250	12,644	3.0%	Less: Refunds	550,646	588,412	37,766	6.9%	1,956,800	1,927,500	1,990,100
0	0	0	na	State Campaign Fund	0	0	0	na	1,200	800	800
350,274	345,674	(4,600)	-1.3%	Net Personal Income	4,052,071	4,385,635	333,564	8.2%	\$9,451,900	\$10,041,700	\$9,899,200
178,529	180,815	2,286	1.3%	Less: Disbursements to SAF	1,062,126	1,157,798	95,672	9.0%	\$2,720,400	\$2,850,000	\$2,831,000
\$171,745	\$164,859	(\$6,886)	-4.0%	NET PERSONAL INCOME TO GF-GP	\$2,989,945	\$3,227,837	\$237,892	8.0%	\$6,731,500	\$7,191,700	\$7,068,200
Consumption Taxes											
\$101,009	\$87,303	(\$13,706)	-13.6%	Sales (a)	\$510,036	\$503,447	(\$6,589)	-1.3%	\$1,223,700	\$1,253,900	\$1,271,600
9,803	47,880	38,077	388.0%	Use (a) (f) (i)	238,360	142,460	(95,900)	-40.2%	591,600	579,700	558,700
14,311	14,286	(26)	-0.2%	Tobacco	77,091	74,896	(2,195)	-2.8%	186,500	184,400	185,000
3,179	3,166	(13)	-0.4%	Beer, Wine & Mixed Spirits	20,313	20,030	(283)	-1.4%	51,100	53,000	52,500
3,349	41	(3,308)	-98.8%	Liquor Specific	18,288	15,504	(2,784)	-15.2%	54,700	54,200	56,000
\$131,652	\$152,676	\$21,024	16.0%	TOTAL CONSUMPTION TAXES	\$864,088	\$756,337	(\$107,751)	-12.5%	\$2,107,600	\$2,125,200	\$2,123,800
Other Taxes											
\$480	(\$2,662)	(\$3,141)	na	Single Business	\$15,617	\$12,211	(\$3,406)	-21.8%	\$18,700	\$0	\$5,000
12,297	11,916	(381)	-3.1%	Insurance Premiums Taxes	167,400	204,279	36,879	22.0%	370,700	408,900	412,100
12,777	9,255	(3,523)	-27.6%	Sub-total SBT & Insurance	183,016	216,490	33,473	18.3%	389,400	408,900	417,100
(293,416)	(308,294)	(14,878)	-5.1%	Michigan Business Tax	(431,488)	(631,187)	(199,699)	-46.3%	(704,600)	(755,600)	(757,900)
19,473	32,403	12,930	66.4%	Corporate Income Tax	423,790	333,239	(90,551)	-21.4%	1,105,600	950,200	955,200
8	0	(8)	-100.0%	Inheritance / Estate	24	9	(15)	-63.3%	0	0	0
0	0	0	na	Telephone & Telegraph	13,869	14,590	721	5.2%	35,600	36,000	35,000
1,905	1,775	(130)	-6.8%	Oil & Gas Severance	9,786	10,552	766	7.8%	23,500	27,000	25,000
7,858	27,355	19,497	248.0%	Penalties & Interest	34,637	55,003	20,366	58.8%	112,800	116,000	112,000
(19)	2	21	na	Essential Services Assessment	1,710	409	(1,300)	-76.1%	84,000	82,100	91,100
16	1	(15)	-93.1%	Miscellaneous Other/Railroad	42	42	0	0.3%	2,500	2,000	2,000
(12,333)	(12,500)	(167)	-1.4%	Treasury Enforcement Programs (e)	(61,417)	(62,000)	(583)	-0.9%	(148,100)	(148,000)	(150,000)
(\$263,732)	(\$250,004)	\$13,728	5.2%	TOTAL OTHER TAXES	\$173,970	(\$62,853)	(\$236,823)	na	\$900,700	\$718,600	\$729,500
\$39,666	\$67,531	\$27,866	70.3%	SUBTOTAL GF-GP TAXES	\$4,028,003	\$3,921,321	(\$106,682)	-2.6%	\$9,739,800	\$10,035,500	\$9,921,500

continued

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

For The Month Ended: February 28, 2018

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH FEBRUARY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
February		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	January 2018 Forecast
Non-Tax Revenue (e)											
\$2,083	\$1,108	(\$975)	-46.8%	Federal Aid	\$12,917	\$8,467	(\$4,450)	-34.5%	\$8,600	\$25,000	\$13,300
8	8	0	0.0%	Local Agencies	42	42	0	0.0%	100	100	100
583	583	0	0.0%	Services	3,042	2,917	(125)	-4.1%	5,300	7,000	7,000
1,042	1,167	125	12.0%	Licenses & Permits	4,958	5,458	500	10.1%	20,400	12,500	14,000
0	0	0	na	Investments/Interest Costs	459	0	(459)	-100.0%	3,100	(6,500)	4,000
5,042	4,567	(475)	-9.4%	Misc. Non-tax Revenue	25,208	22,008	(3,200)	-12.7%	90,000	51,500	54,800
17,917	19,000	1,083	6.0%	Liquor Purchase Revolving Fund	86,083	93,000	6,917	8.0%	221,400	220,000	228,000
5,292	5,417	125	2.4%	From Other Funds-Lottery & Escheats	26,708	26,708	0	0.0%	103,600	63,500	65,000
\$31,967	\$31,850	(\$117)	-0.4%	TOTAL NON-TAX REVENUE	\$159,417	\$158,600	(\$817)	-0.5%	\$452,500	\$373,100	\$386,200
\$71,632	\$99,381	\$27,749	38.7%	TOTAL GF-GP REVENUE	\$4,187,420	\$4,079,921	(\$107,499)	-2.6%	\$10,192,300	\$10,408,600	\$10,307,700
School Aid Fund											
\$261,482	\$229,148	(\$32,334)	-12.4%	Sales Tax 4%	\$1,330,941	\$1,312,199	(\$18,743)	-1.4%	3,187,300	3,239,000	3,278,100
106,624	169,741	63,117	59.2%	Sales Tax 2%	929,549	1,039,657	110,108	11.8%	2,489,700	2,531,000	2,563,500
39,898	64,087	24,189	60.6%	Use Tax 2% (f)	268,057	232,772	(35,285)	-13.2%	495,100	558,800	548,300
17,258	19,257	1,999	11.6%	State Education Property Tax	1,229,458	1,276,436	46,979	3.8%	1,963,700	2,002,600	2,027,100
22,845	23,885	1,041	4.6%	Real Estate Transfer Tax	129,068	133,177	4,109	3.2%	317,200	315,700	322,600
79,000	110,000	31,000	39.2%	Lottery Transfer (b)	332,017	353,575	21,558	6.5%	924,100	887,700	926,000
9,497	8,917	(580)	-6.1%	Casino Wagering Tax	46,716	46,791	74	0.2%	113,200	115,000	113,000
3,309	0	(3,309)	-100.0%	Liquor Excise Tax	18,081	15,283	(2,798)	-15.5%	54,000	53,800	55,600
29,054	29,002	(52)	-0.2%	Cigarette/Tobacco Tax	156,507	152,050	(4,457)	-2.8%	356,700	352,600	353,000
1,724	2,059	334	19.4%	Indus. & Comm. Facilities Taxes	10,337	11,171	833	8.1%	36,000	36,000	38,000
588	538	(50)	-8.6%	Specific Other	2,877	5,385	2,507	87.2%	27,700	28,300	28,300
178,529	180,815	2,286	1.3%	Income Tax Earmarking	1,062,126	1,157,798	95,672	9.0%	\$2,720,400	\$2,850,000	\$2,831,000
\$749,808	\$837,449	\$87,642	11.7%	TOTAL SCHOOL AID FUND	\$5,515,734	\$5,736,293	\$220,559	4.0%	\$12,685,100	\$12,970,500	\$13,084,500
\$542,428	\$551,655	\$9,227	1.7%	SALES TAX 6%	\$3,147,784	\$3,226,655	\$78,871	2.5%	\$7,798,000	\$7,929,300	\$8,026,900
435,804	381,914	(53,890)	-12.4%	SALES TAX 4%(d)	2,218,235	2,186,998	(31,238)	-1.4%	5,308,300	5,398,300	5,463,400
106,624	169,741	63,117	59.2%	SALES TAX 2%	929,549	1,039,657	110,108	11.8%	2,489,700	2,531,000	2,563,500
119,694	192,260	72,567	60.6%	USE TAX 6% (f) (h)	804,170	698,315	(105,856)	-13.2%	1,467,600	1,549,300	1,517,800
71,916	71,787	(128)	-0.2%	TOBACCO TAXES	387,394	376,362	(11,032)	-2.8%	946,000	935,800	938,500
0	0	0	na	TOBACCO SETTLEMENT	0	0	0	na	na	na	na

continued

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

For The Month Ended: February 28, 2018

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH FEBRUARY CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
February		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	January 2018 Forecast
Major Transportation Revenues											
\$16,837	\$18,436	\$1,598	9.5%	Diesel Fuel / Motor Carrier Fuel Tax	\$70,536	\$101,307	\$30,772	43.6%	\$215,179	\$236,400	\$233,500
93,861	96,206	2,345	2.5%	Gasoline	405,035	504,024	98,989	24.4%	1,142,611	1,202,328	1,216,100
126,281	142,777	16,496	13.1%	Motor Vehicle Registration	485,806	538,477	52,671	10.8%	1,209,983	1,281,800	1,288,000
3,576	4,279	703	19.7%	Other Taxes, Fees & Misc.	18,436	21,372	2,936	15.9%	140,234	195,357	203,562
7,919	8,177	258	3.3%	Comprehensive Transportation (c)	40,871	40,677	(195)	-0.5%	98,570	97,290	98,125
<u>\$248,474</u>	<u>\$269,874</u>	<u>\$21,400</u>	<u>8.6%</u>	TOTAL MAJOR TRANS. REVENUES	<u>\$1,020,684</u>	<u>\$1,205,857</u>	<u>\$185,173</u>	<u>18.1%</u>	<u>\$2,806,576</u>	<u>\$3,013,176</u>	<u>\$3,039,286</u>
Lottery Sales By Games											
110,883	119,824	8,940	8.1%	Instant Games (g)	531,124	595,029	63,904	12.0%	na	na	na
60,804	59,282	(1,522)	-2.5%	Daily Games	317,386	327,662	10,276	3.2%	na	na	na
37,014	25,531	(11,483)	-31.0%	Lotto and Big Game (g)	154,682	152,734	(1,949)	-1.3%	na	na	na
715	695	(20)	-2.8%	Keno Game	3,610	3,609	(1)	0.0%	na	na	na
897	6,260	5,363	598.0%	Other (j)	4,862	37,632	32,770	674.0%	na	na	na
54,678	53,481	(1,197)	-2.2%	Club Games	267,009	269,420	2,411	0.9%	na	na	na
<u>\$266,148</u>	<u>\$266,265</u>	<u>\$117</u>	<u>0.0%</u>	TOTAL LOTTERY SALES	<u>\$1,284,545</u>	<u>\$1,391,784</u>	<u>\$107,239</u>	<u>8.3%</u>	<u>na</u>	<u>na</u>	<u>na</u>

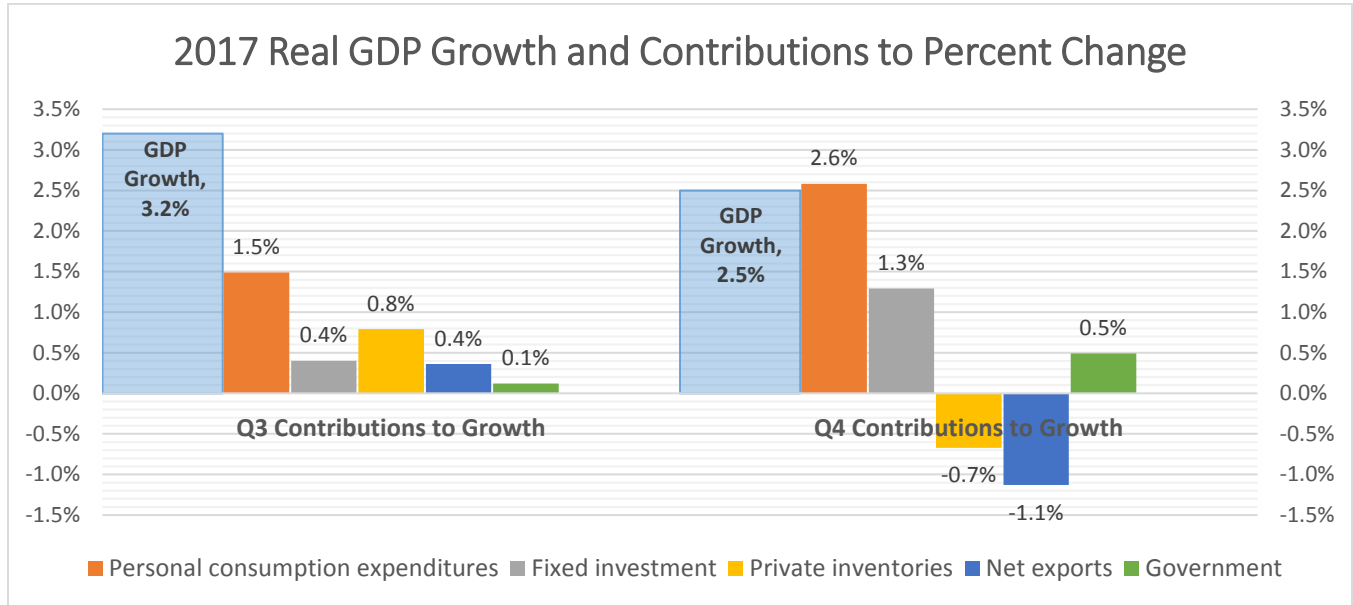
- a GF-GP Sales has been adjusted based on Comprehensive Transportation Fund, Health Initiative, Constitutional Revenue Sharing, and Aviation Fund. GF-GP Use has been adjusted based on Aviation Fund.
- b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate 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% 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 and 2018 HMO use tax revenues were \$181.3M and \$7.5M, respectively.
- 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 Gross Use tax collections includes the transferred amounts to the Local Community Stabilization Authority, which are front-loaded at the beginning of the fiscal year. The February 2017 and February 2018 Local Community Stabilization Share (LCSS) revenues were \$70.0M and \$80.3M respectively; and the year-to-date 2017 and 2018 LCSS revenues were \$297.7M and \$323.1M respectively. Per 2014 Public Act 80, the fiscal year 2017 and 2018 LCSS is \$380.9M and \$410.8M, respectively.
- i General Fund Use tax collections are net of Local Community Stabilization Share (LCSS) revenue. The February 2017 and February 2018 LCSS revenues were \$70.0M and \$80.3M respectively; and the year-to-date 2017 and 2018 LCSS revenues were \$297.7M and \$323.1M respectively.
- 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

The advance estimate of real **Gross Domestic Product** for the fourth quarter of 2017 is \$17,271.7 billion (chained 2009 dollars), an increase of 2.5 percent at an annual rate. In the third quarter of 2017, real gross domestic product increased 3.2 percent. The increase in fourth quarter real GDP was mainly due to growth in personal consumption expenditures, non-residential fixed investment, and government spending. The third and fourth quarter contributions to the percent change in GDP are shown in the graph below.



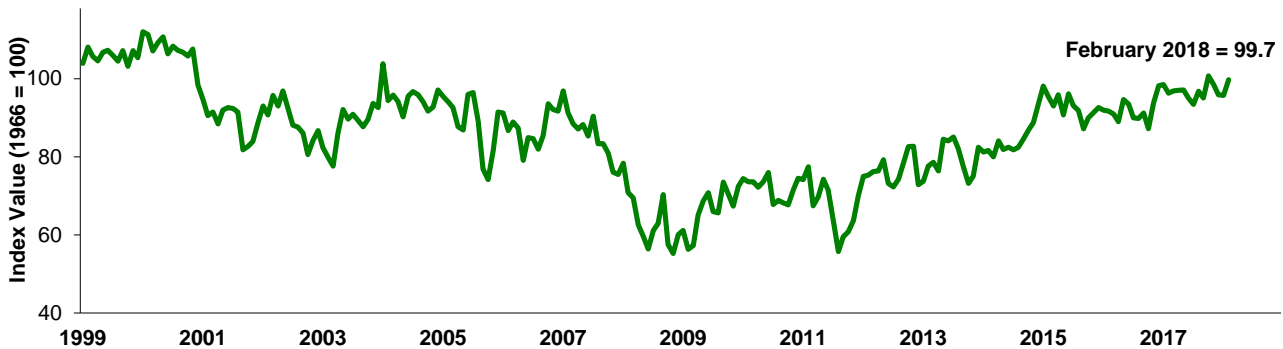
Consumer spending growth improved in the fourth quarter and is expected to benefit in the future from tax reform. Private inventory investment and net exports were negative in the fourth quarter after providing a boost in the third quarter. Real final sales increased 3.3 percent in the fourth quarter while on the inflation front, the implicit price deflator increased 2.3 percent in the fourth quarter.

U. S. labor markets continued to grow in February at a fast pace. **U.S. payroll employment** increased by 313,000 jobs in February 2018, up from the 239,000 jobs from January’s revised total. Construction employment gained 61,000 jobs while the retail trade and professional and business services grew by 50,000 jobs in February. In February, the **U. S. unemployment rate** remained unchanged from a month ago at 4.1 percent for the fifth consecutive month and was 0.6 percentage points lower than a year ago. Civilian employment totaled 155.2 million persons in February, while the number unemployed was 6.7 million.

The **Index of Consumer Sentiment** increased in February to 99.7 index-points, 4.0 index-points above the January value and 3.4 index-points above February 2017. Survey Director Richard Curtin noted, “Consumer sentiment remained largely unchanged in late February at its second highest level since 2004. Consumers based their optimism on favorable assessments of jobs, wages, and higher after-tax pay. The highest proportion of households since 1998 reported that their finances had improved compared with a year ago and anticipated continued gains during the year ahead. Economic news heard by consumers continued to be dominated by the tax reform legislation and net job gains, which was untarnished by the consensus view that interest rates would increase and stock prices would remain volatile.” On buying conditions, Curtin reported, “The impact of discounted prices on purchase plans for

durables, vehicles, and homes have fallen to the lowest levels recorded in a decade. Instead, consumers base their discretionary purchases on a renewed sense of income and job security.”

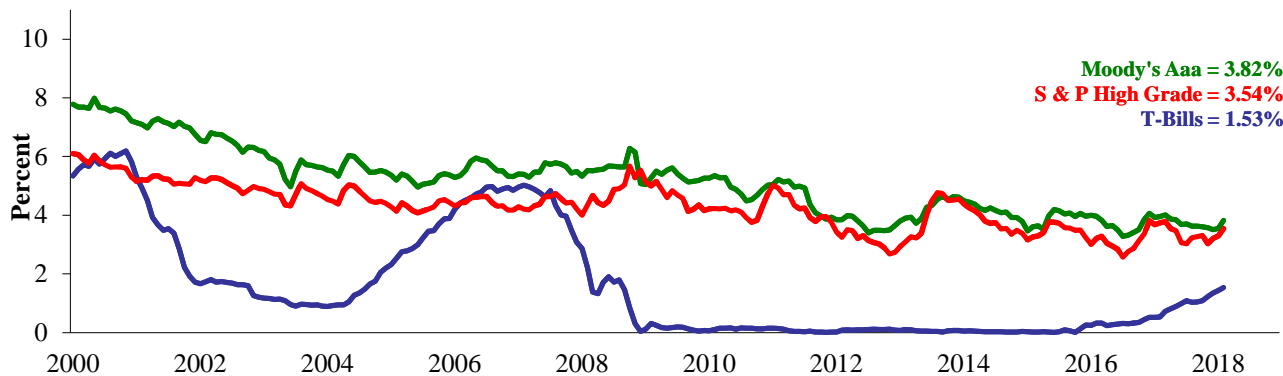
Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

Short-term **interest rates** increased 0.10 percentage points in February as the 3-month Treasury bill (T-bill) rate was 1.53 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 0.27 percentage points to an interest yield of 3.82 percent in February. The Aaa bond yield was down 0.13 percentage point from its year-ago level. The interest rate on high-grade municipal bonds increased 0.25 percentage points from the January level to 3.54 percent in February. The Federal Open Market Committee (FOMC) raised the target range for the federal funds rate to 1.50-1.75 percent for the March 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.”

Selected Key Interest Rates



Source: Economic Indicators

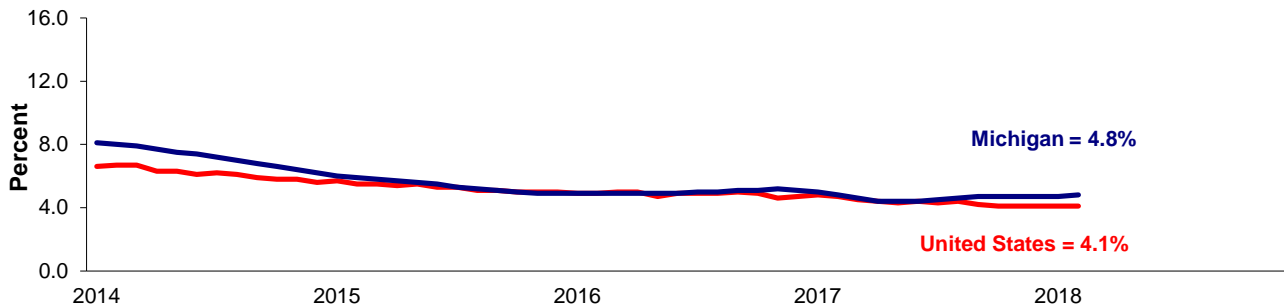
U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.2 in February, down from a 0.5 percent increase in January. Energy prices increased 0.1 percent in February, after a 3.0 percent increase in January, while the all-items less food and energy component increased 0.2 percent in February. Compared to February 2017, the all-items index increased 2.3 percent. For major component groups, the changes from one year ago were: food and beverages, 1.4 percent; medical care, 1.8 percent; apparel, 0.4 percent; education and communication, -1.8 percent; other goods and services, 2.4 percent; recreation, 0.6 percent; housing, 2.8 percent; and transportation, 4.3 percent, with gasoline prices up 12.6 percent.

Michigan Economy

In February, the **Michigan jobless rate** increased 0.1 percentage points to 4.8 percent. The February unemployment rate is unchanged from the year ago level. In February, the labor force rose 1,000 to 4,898,000, while the number of people employed was unchanged at 4,665,000. In February, the number of unemployed people rose by 1,000 to 233,000 unemployed people.

The employment benchmark revisions showed Michigan's 2017 unemployment rate was revised to 4.6 percent which marked the eight consecutive year of annual unemployment rate reductions.

Unemployment Rates 2014 - 2018



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

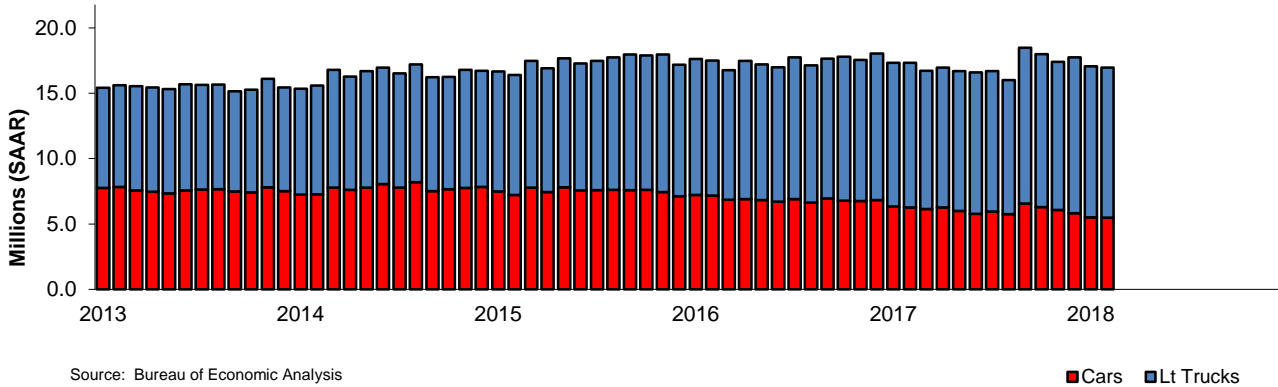
Michigan wage and salary employment increased by 13,000 jobs in February compared with the January level, and was up 52,000 jobs (1.2 percent) from February 2017. Professional and business services and leisure and hospitality services each gained 4,000 jobs from last month while the transportation equipment sector increased by 3,000 jobs.

Michigan's personal income grew 0.7 percent in the third quarter of 2017, the same rate as the national average. Michigan's growth rate ranked 15th nationally and was 2nd among the Great Lakes states.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), increased 0.3 percent from December to February compared to an increase of 0.1 percent from October to December. The all-items less food and energy index increased 0.2 percent from December. The food index increased 0.1 percent from December to February while the energy index increased 1.9 percent. Compared to February 2017, the all-items index increased 2.1 percent. For individual component items, the changes from one year ago were: food and beverages, 0.6 percent; apparel, 1.6 percent; education and communication, 0.0 percent; transportation, 4.0 percent; recreation, -5.0 percent; medical care, 3.7 percent; housing, 2.8 percent; and other goods and services, 4.1 percent.

Motor Vehicle Sector

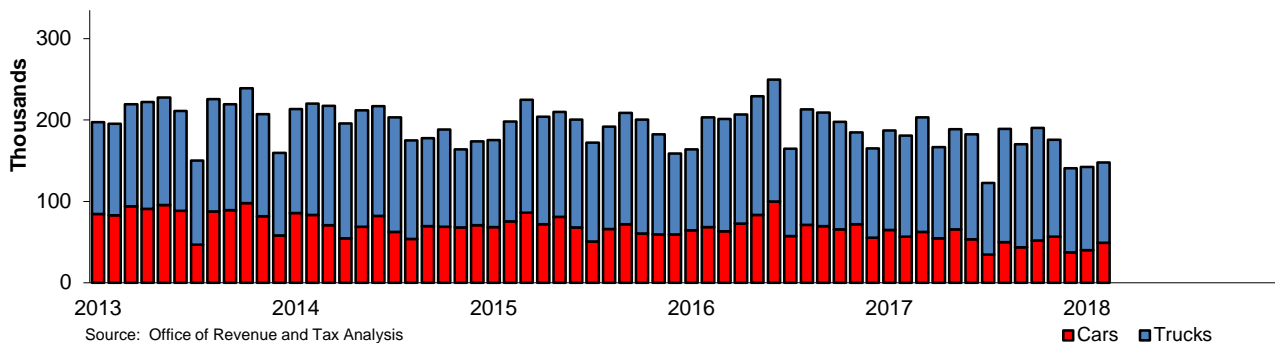
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) decreased 0.6 percent in February compared to January, selling at a 17.0 million unit seasonally adjusted annual rate. Domestic car sales decreased 0.1 percent from January while domestic light truck sales decreased 1.4 percent. Import car sales decreased 1.7 percent while import light truck sales increased 1.9 percent. Compared to last year, light vehicle sales decreased 2.1 percent. Domestic car sales decreased 11.3 percent from the year ago level while domestic light truck sales increased 0.6 percent. Import car sales were down 16.5 percent from last year while import truck sales increased 15.8 percent. As a result, the domestic share of U.S. light vehicle sales decreased 1.1 percentage points from a year ago. For fiscal year 2018 year-to-date, domestic light vehicles recorded a 76.8 percent share of a 17.4 million-unit market.

Michigan motor vehicle production increased to 147,929 units in February from 142,208 units in January. From a year ago, motor vehicle production decreased 18 percent in Michigan compared to a 5 percent drop nationally. In February, Michigan's car production was 49,187 units while the state's truck production was 98,742 units. Compared with a year ago, car production decreased 13 percent in Michigan and decreased 15 percent nationwide. The state's truck production decreased 20 percent while national truck production decreased 1 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 January 11, 2018 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2016-17 Estimate	Fiscal Year 2017-18 Estimate	Fiscal Year 2018-19 Estimate
Applicable Calendar Year Personal Income	\$424,807	\$439,361	\$452,542
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	<u>\$40,314.2</u>	<u>\$41,695.4</u>	<u>\$42,946.2</u>
Revenue Limit	\$40,314.2	\$41,695.4	\$42,946.2
State Revenue Subject to Limit	<u>\$31,689.6</u>	<u>\$32,682.8</u>	<u>\$33,581.6</u>
Amount Under (Over) Limit	\$8,624.6	\$9,012.6	\$9,364.6

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 January 11, 2018 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2016-17 calculation uses the January 11, 2018 Consensus Revenue Agreement.
The FY 2017-18 calculation uses the January 11, 2018 Consensus Revenue Agreement.
The FY 2018-19 calculation uses the January 11, 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