



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN J. WALSH
DIRECTOR

July 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 June 30, 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
Arlan Meekhof, Sen. Maj. Leader
Jim Ananich, Senate Min. Leader
Tom Leonard, Speaker of the House
Sam Singh, House Min. Leader
Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency

House Fiscal Agency
Jack Brandenburg, Chair, Senate Finance Com.
Jim Tedder, Chair, House Tax Policy Com.
Beth Emmitt, Deputy Chief of Staff
Darin Ackerman, Executive Office
Mike Moody, Office of Financial Management
Kyle Jen, Deputy State Budget Director
Internal State Budget Office Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2018
Projected Revenues and Expenditures
June 30, 2018
(\$ in millions)

FISCAL
2018

Beginning Balance, October 1, 2017	see one-time revenue
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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
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One-Time Revenue:	
Beginning Balance	\$ 622.5 ¹
Local Government Program Payments	\$ (5.8)
Proceeds from sale of 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)
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Projected Ending Balance, September 30, 2018	\$ 101.3
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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
June 30, 2018
(\$ in millions)

FISCAL
2018

Beginning Balance, October 1, 2017	\$	see one-time revenue
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
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

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**

June 30, 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
55.1	82.1	Agriculture and Rural Development	114.4	11.5	13.2	139.1	85.5
62.2	88.2	Attorney General	99.7	5.8	11.3	116.8	68.3
194.4	253.3	Capital Outlay (3)	312.3	69.2	241.6	623.1	258.7
9.7	14.3	Civil Rights	16.2	2.7	0.9	19.8	10.4
1,208.6	1,472.9	Colleges and Universities	1,391.9	6.0	4.8	1,402.7	1,143.3
1,378.1	1,960.2	Corrections	1,992.0	24.0	134.4	2,150.5	1,504.1
190.7	291.4	Education	351.2	33.6	45.6	430.5	236.6
133.7	253.5	Environmental Quality	485.1	76.1	395.2	956.4	305.8
5.6	5.2	Executive Office	6.8	0.0	0.0	6.9	6.0
16,305.7	23,184.1	Health and Human Services	25,391.4	601.1	270.6	26,263.1	16,103.2
34.7	50.5	Insurance and Financial Service	66.7	6.0	0.0	72.7	34.4
162.8	264.1	Judiciary	300.0	0.4	4.8	305.3	172.8
3.1	4.0	Land Bank Fast Track Authority	4.0	0.0	0.0	4.0	3.1
16.5	22.8	Legislative Auditor General	24.3	0.0	0.8	25.0	16.6
96.0	129.9	Legislature	152.2	0.0	23.6	175.8	107.5
242.5	311.2	Licensing and Regulatory Affairs	386.2	125.0	42.5	553.7	334.8
116.7	156.4	Michigan Strategic Fund	181.7	22.0	0.0	203.7	76.1
102.8	143.0	Military and Veterans Affairs	152.7	17.6	14.7	185.1	132.0
63.0	97.0	Natural Resources	127.9	14.4	36.1	178.4	88.1
143.7	225.8	State	248.3	20.9	43.1	312.3	187.6
404.0	615.1	State Police	693.9	32.3	19.4	745.7	446.4
167.2	255.7	Talent and Economic Development	425.8	44.0	16.7	486.5	155.4
358.6	620.3	Technology, Management and Budget (4)	543.2	163.1	94.8	801.2	386.0
9.1	5.0	Transportation	0.0	345.9	0.9	346.8	107.3
1,494.5	3,206.1	Treasury	1,829.1	85.0	93.6	2,007.7	1,581.3
\$22,959.0	\$33,712.0		\$35,297.2	\$1,706.8	\$1,508.7	\$38,512.7	\$23,551.3

(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
June, 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 June 30, 2018
(in thousands)

REVENUES

Miscellaneous	\$ 19,673
	<hr/>
Total Revenues	19,673
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EXPENDITURES

Current:	
General government	-
	<hr/>
Total Expenditures	-
	<hr/>
Excess of Revenues over (under) Expenditures	19,673
	<hr/>

OTHER FINANCING SOURCES (USES)

Transfers from other funds	112,500
Transfers to other funds	-
	<hr/>
Total Other Financing Sources (Uses)	112,500
	<hr/>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 132,173 ¹
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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 June 30, 2018
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>19,621</u>
 Total Revenues	 <u>19,621</u>

EXPENDITURES

Current:	
General government	1,925
Conservation, environment, recreation, and agriculture	12,773
Capital outlay	<u>131</u>
 Total Expenditures	 <u>14,830</u>
 Excess of Revenues over (under) Expenditures	 <u>4,791</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	-
Transfers from other funds	-
Transfers to other funds	<u>(17)</u>
 Total Other Financing Sources (Uses)	 <u>(17)</u>
 Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	 <u>\$ 4,774</u> ¹

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

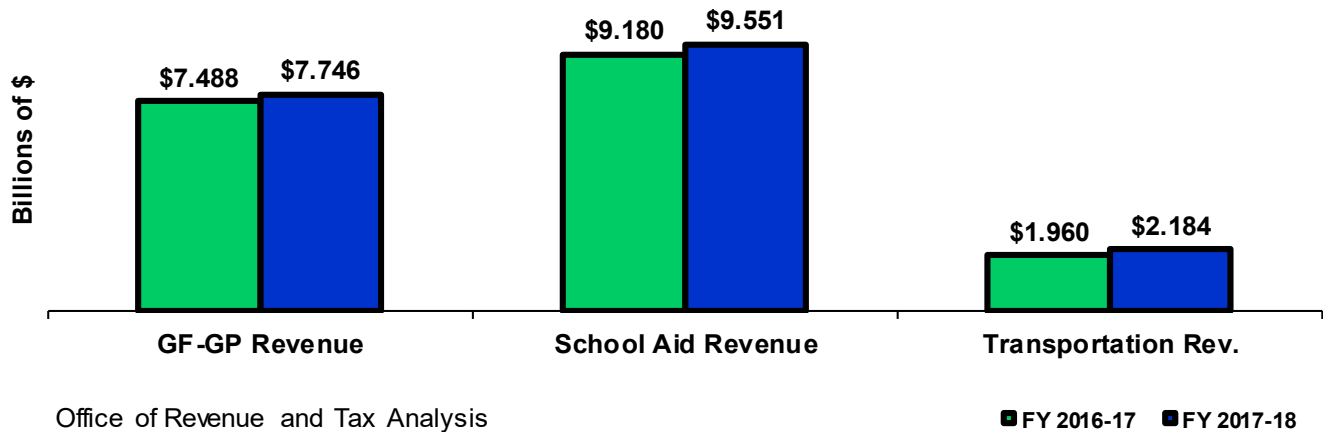
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

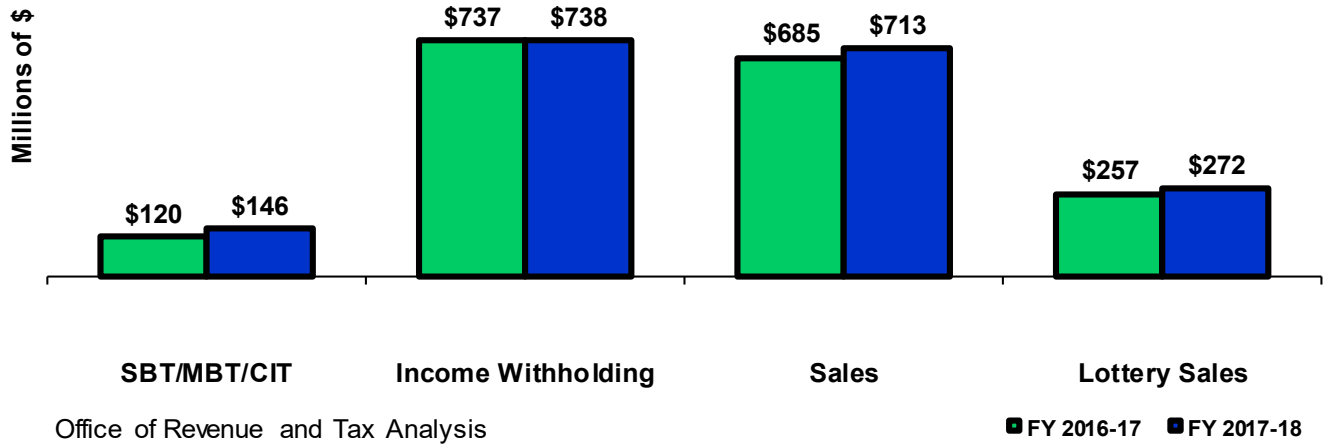
Total General Fund - General Purpose cash collections were \$19.5 million (1.8 percent) higher in June 2018 than in June 2017. The June 2018 School Aid Fund cash collections were \$24.1 million (2.5 percent) higher than in June 2017. June 2018 transportation collections were \$3.1 million (1.3 percent) higher than in June 2017 (see revenue table). June is the ninth 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 \$258.4 million (3.5 percent) from a year ago. School Aid Fund cash collections are up \$371.1 million (4.0 percent) and transportation collections are up \$223.9 million (11.4 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 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.

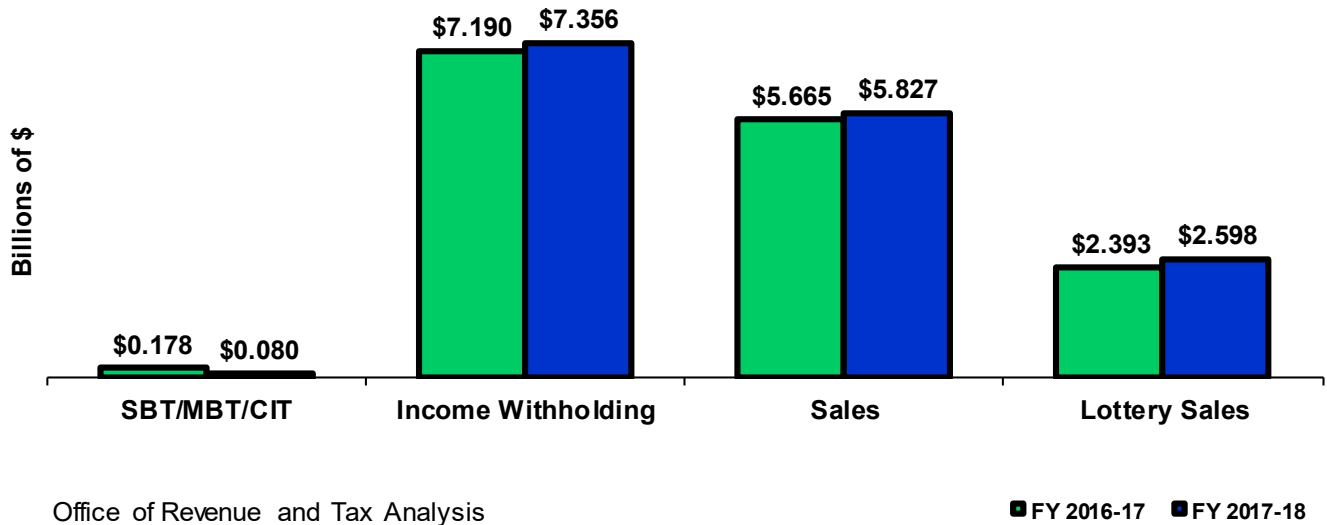
**October through June Collections FY
2016-17 and FY 2017-18**



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



October through June 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: June 30, 2018

Month-End Cash Collections Data				October Through June Cash Collections Data					Revenue Projections		
June		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											
\$737,389	\$737,847	\$458	0.1%	Withholding	\$7,190,490	\$7,355,961	\$165,471	2.3%	\$9,335,200	\$9,841,100	\$9,844,600
233,049	256,214	23,165	9.9%	Quarterlies	880,445	1,167,594	287,149	32.6%	1,194,500	1,191,400	1,423,600
19,475	18,861	(615)	-3.2%	Annuals	838,303	917,943	79,640	9.5%	880,200	937,500	937,600
989,913	1,012,922	23,009	2.3%	Gross Collections	8,909,239	9,441,499	532,260	6.0%	\$11,409,900	\$11,970,000	\$12,205,800
39,666	67,956	28,290	71.3%	Less: Refunds	1,807,876	1,829,714	21,838	1.2%	1,956,800	1,927,500	1,999,300
0	0	0	na	State Campaign Fund	0	0	0	na	1,200	800	800
950,247	944,966	(5,281)	-0.6%	Net Personal Income	7,101,363	7,611,786	510,423	7.2%	\$9,451,900	\$10,041,700	\$10,205,700
229,291	235,819	6,528	2.8%	Less: Disbursements to SAF	2,050,662	2,198,515	147,852	7.2%	\$2,720,400	\$2,850,000	\$2,906,100
\$720,956	\$709,147	(\$11,809)	-1.6%	Net Personal Income To GF-GP	\$5,050,701	\$5,413,271	\$362,570	7.2%	\$6,731,500	\$7,191,700	\$7,299,600
Consumption Taxes											
\$107,827	\$114,889	\$7,063	6.6%	Sales (a)	\$909,384	\$916,458	\$7,074	0.8%	\$1,223,700	\$1,253,900	\$1,268,700
98,085	104,010	5,925	6.0%	Use (a) (f) (i)	588,016	553,125	(34,891)	-5.9%	591,600	579,700	628,100
17,074	17,071	(3)	0.0%	Tobacco	137,420	133,373	(4,047)	-2.9%	186,500	184,400	184,100
4,763	4,929	166	3.5%	Beer, Wine & Mixed Spirits	36,279	36,041	(238)	-0.7%	51,100	53,000	53,000
4,306	135	(4,171)	-96.9%	Liquor Specific	34,816	27,536	(7,280)	-20.9%	54,700	54,200	56,000
\$232,054	\$241,034	\$8,980	3.9%	Total Consumption Taxes	\$1,705,915	\$1,666,532	(\$39,383)	-2.3%	\$2,107,600	\$2,125,200	\$2,189,900
Other Taxes											
\$2,874	(\$1,967)	(\$4,841)	na	Single Business	\$9,575	\$6,049	(\$3,525)	na	\$18,700	\$0	\$7,000
2,441	1,814	(627)	-25.7%	Insurance Premiums Taxes	255,178	282,407	27,229	10.7%	370,700	408,900	398,100
5,315	(153)	(5,468)	na	Sub-total SBT & Insurance	264,753	288,456	23,704	na	389,400	408,900	405,100
(750)	23,599	24,349	na	Michigan Business Tax	(694,728)	(620,999)	73,729	10.6%	(704,600)	(755,600)	(787,900)
118,211	124,643	6,432	5.4%	Corporate Income Tax	863,605	694,850	(168,756)	-19.5%	1,105,600	950,200	859,800
0	0	0	na	Inheritance / Estate	28	9	(18)	-66.3%	0	0	0
0	15	15	na	Telephone & Telegraph	13,869	14,605	736	5.3%	35,600	36,000	35,000
2,593	3,195	602	23.2%	Oil & Gas Severance	18,412	20,220	1,808	9.8%	23,500	27,000	25,000
8,807	8,410	(397)	-4.5%	Penalties & Interest	81,558	99,026	17,469	21.4%	112,800	116,000	127,600
2,642	2,338	(303)	-11.5%	Essential Services Assessment	5,818	3,604	(2,214)	-38.0%	84,000	82,100	91,100
0	0	0	na	Miscellaneous Other/Railroad	43	104	61	140.0%	2,500	2,000	2,000
(12,167)	(12,500)	(333)	-2.7%	Treasury Enforcement Programs (e)	(110,417)	(112,000)	(1,583)	-1.4%	(148,100)	(148,000)	(150,000)
\$124,650	\$149,547	\$24,896	20.0%	Total Other Taxes	\$442,941	\$387,876	(\$55,066)	-12.4%	\$900,700	\$718,600	\$607,700
\$1,077,661	\$1,099,728	\$22,067	2.0%	Subtotal GF-GP Taxes	\$7,199,557	\$7,467,678	\$268,121	3.7%	\$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: June 30, 2018

Month-End Cash Collections Data				October Through June Cash Collections Data				Revenue Projections			
June		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	\$21,250	\$12,900	(\$8,350)	-39.3%	\$8,600	\$25,000	\$13,300
8	8	0	0.0%	Local Agencies	75	75	0	0.0%	100	100	100
583	583	0	0.0%	Services	5,375	5,250	(125)	-2.3%	5,300	7,000	7,000
1,042	1,167	125	12.0%	Licenses & Permits	9,125	10,125	1,000	11.0%	20,400	12,500	14,000
0	0	0	na	Investments/Interest Costs	(253)	(4,161)	(3,909)	na	3,100	(6,500)	4,000
5,875	2,917	(2,958)	-50.4%	Misc. Non-tax Revenue	47,042	36,975	(10,067)	-21.4%	90,000	51,500	35,000
17,917	19,000	1,083	6.0%	Liquor Purchase Revolving Fund	157,750	169,000	11,250	7.1%	221,400	220,000	228,000
5,292	5,417	125	2.4%	From Other Funds-Lottery & Escheats	47,875	48,375	500	1.0%	103,600	63,500	65,000
\$32,800	\$30,200	(\$2,600)	-7.9%	Total Non-Tax Revenue	\$288,239	\$278,539	(\$9,700)	-3.4%	\$452,500	\$373,100	\$366,400
\$1,110,461	\$1,129,928	\$19,467	1.8%	Total GF-GP Revenue	\$7,487,796	\$7,746,217	\$258,421	3.5%	\$10,192,300	\$10,408,600	\$10,463,600
School Aid Fund											
\$277,884	\$295,355	\$17,471	6.3%	Sales Tax 4%	\$2,370,925	\$2,386,893	\$15,968	0.7%	3,187,300	3,239,000	3,284,400
222,355	220,951	(1,404)	-0.6%	Sales Tax 2%	1,713,541	1,849,055	135,514	7.9%	2,489,700	2,531,000	2,567,900
49,043	52,005	2,962	6.0%	Use Tax 2% (f)	442,897	438,110	(4,787)	-1.1%	495,100	558,800	583,100
29,283	20,198	(9,085)	-31.0%	State Education Property Tax	1,316,443	1,354,607	38,164	2.9%	1,963,700	2,002,600	2,039,100
22,953	29,956	7,002	30.5%	Real Estate Transfer Tax	219,042	229,346	10,304	4.7%	317,200	315,700	331,100
78,000	80,000	2,000	2.6%	Lottery Transfer (b)	637,017	668,575	31,558	5.0%	924,100	887,700	944,400
9,159	9,648	489	5.3%	Casino Wagering Tax	86,019	87,811	1,791	2.1%	113,200	115,000	114,000
4,220	0	(4,220)	-100.0%	Liquor Excise Tax	34,397	31,509	(2,888)	-8.4%	54,000	53,800	55,600
34,662	34,657	(5)	0.0%	Cigarette/Tobacco Tax	278,984	270,767	(8,217)	-2.9%	356,700	352,600	352,000
1,406	2,158	753	53.5%	Indus. & Comm. Facilities Taxes	23,868	25,071	1,203	5.0%	36,000	36,000	38,000
957	2,590	1,633	171.0%	Specific Other	6,244	10,905	4,661	74.6%	27,700	28,300	28,300
229,291	235,819	6,528	2.8%	Income Tax Earmarking	2,050,662	2,198,515	147,852	7.2%	\$2,720,400	\$2,850,000	\$2,906,100
\$959,212	\$983,337	\$24,125	2.5%	Total School Aid Fund	\$9,180,039	\$9,551,163	\$371,124	4.0%	\$12,685,100	\$12,970,500	\$13,244,000
\$685,495	\$713,209	\$27,714	4.0%	Sales Tax 6%	\$5,665,084	\$5,827,211	\$162,127	2.9%	\$7,798,000	\$7,929,300	\$8,041,800
463,140	492,258	29,118	6.3%	Sales Tax 4%(d)	3,951,542	3,978,155	26,613	0.7%	5,308,300	5,398,300	5,473,900
222,355	220,951	(1,404)	-0.6%	Sales Tax 2%	1,713,541	1,849,055	135,514	7.9%	2,489,700	2,531,000	2,567,900
147,128	156,015	8,887	6.0%	Use Tax 6% (f) (h)	1,328,691	1,314,330	(14,361)	-1.1%	1,467,600	1,549,300	1,622,000
85,797	85,784	(14)	0.0%	Tobacco Taxes	690,553	670,214	(20,339)	-2.9%	946,000	935,800	930,500
0	0	0	na	Tobacco Settlement	194,360	155,395	(38,965)	-20.0%	na	na	na

continued

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

For The Month Ended: June 30, 2018

Month-End Cash Collections Data				October Through June Cash Collections Data				Revenue Projections			
June		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											
\$18,235	\$24,004	\$5,769	31.6%	Diesel Fuel / Motor Carrier Fuel Tax	\$144,977	\$180,826	\$35,849	24.7%	\$215,179	\$236,400	\$233,500
107,350	108,099	749	0.7%	Gasoline	797,543	906,584	109,040	13.7%	1,142,611	1,202,328	1,216,100
101,942	99,361	(2,581)	-2.5%	Motor Vehicle Registration	910,831	985,046	74,216	8.1%	1,209,983	1,281,800	1,288,000
2,524	1,388	(1,137)	-45.0%	Other Taxes, Fees & Misc.	34,352	38,256	3,904	11.4%	140,234	195,357	203,562
7,961	8,252	291	3.7%	Comprehensive Transportation (c)	72,631	73,535	904	1.2%	98,570	97,290	99,025
\$238,012	\$241,104	\$3,092	1.3%	Total Major Trans. Revenues	\$1,960,335	\$2,184,247	\$223,913	11.4%	\$2,806,576	\$3,013,176	\$3,040,186
Lottery Sales By Games											
110,367	125,293	14,926	13.5%	Instant Games (g)	1,014,839	1,144,760	129,921	12.8%	na	na	na
63,624	65,759	2,135	3.4%	Daily Games	593,046	606,142	13,096	2.2%	na	na	na
31,813	23,929	(7,884)	-24.8%	Lotto and Big Game (g)	262,841	278,798	15,957	6.1%	na	na	na
685	691	6	0.9%	Keno Game	6,617	6,625	9	0.1%	na	na	na
806	5,077	4,271	530.0%	Other (j)	8,723	59,999	51,275	588.0%	na	na	na
48,819	50,251	1,432	2.9%	Club Games	496,478	491,132	(5,346)	-1.1%	na	na	na
\$257,250	\$272,203	\$14,953	5.8%	Total Lottery Sales	\$2,393,188	\$2,598,302	\$205,114	8.6%	na	na	na

- 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 2.0 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 \$183.2M and the fiscal year-to-date 2018 HMO use tax revenues were \$9.3M.
- 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 \$297.7M and the year-to date 2018 revenues are \$323.1M. Per 2014 Public Act 80, the total fiscal year 2017 Local Community Stabilization Share (LCSS) is \$380.9M and the total fiscal year 2018 LCSS is \$410.8M.
- i General Fund Use tax collections are net of LCSS revenue. The year-to-date 2017 LCSS revenues were \$297.7M and the year-to-date 2018 LCSS revenues are \$323.1M.
- 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.

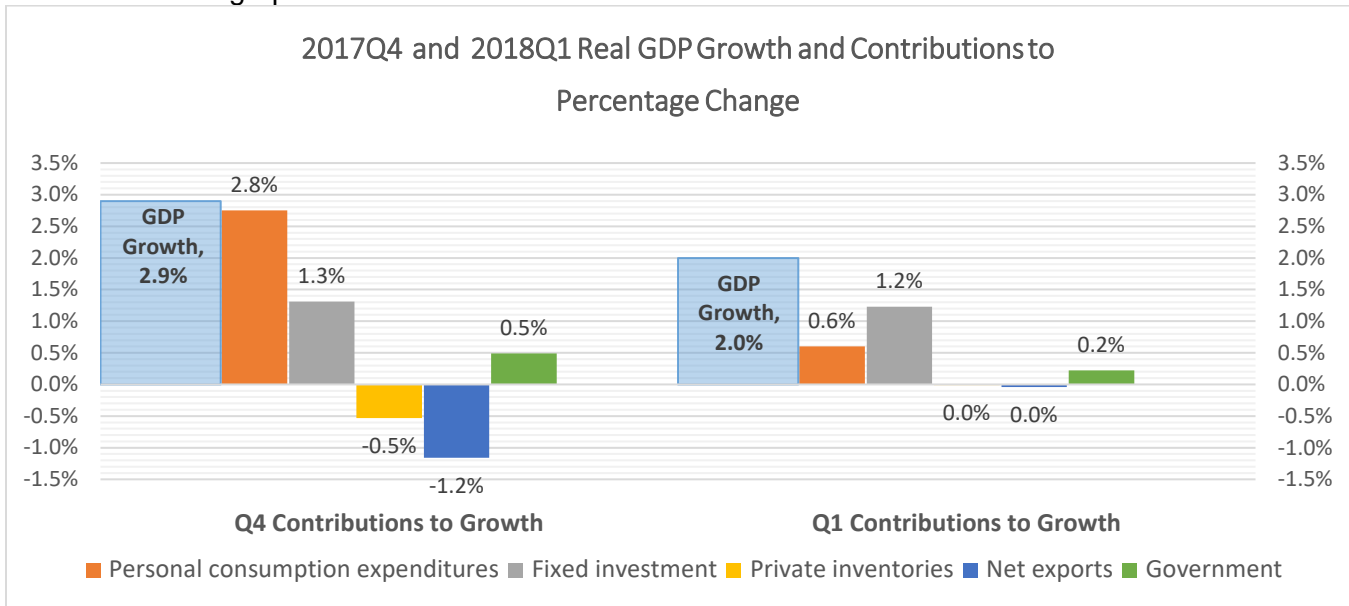
Source: Michigan Department of Treasury, Office of Revenue & Tax Analysis, based on reports from the Office of Financial Management, Michigan Department of Technology, Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy

U.S. **Gross Domestic Product** slowed slightly in the first quarter of 2018 but is expected to rebound sharply next quarter. The revised estimate of real GDP for the first quarter of 2018 is \$17,371.9 billion (chained 2009 dollars), an increase of 2.0 percent at an annual rate. In the fourth quarter of 2017, real gross domestic product increased 2.9 percent. The increase in first quarter real GDP was mainly due to growth in non-residential fixed investment, personal consumption expenditures, and government spending. The first quarter of 2018 and fourth quarter of 2017 contributions to the percent change in GDP are shown in the graph below.



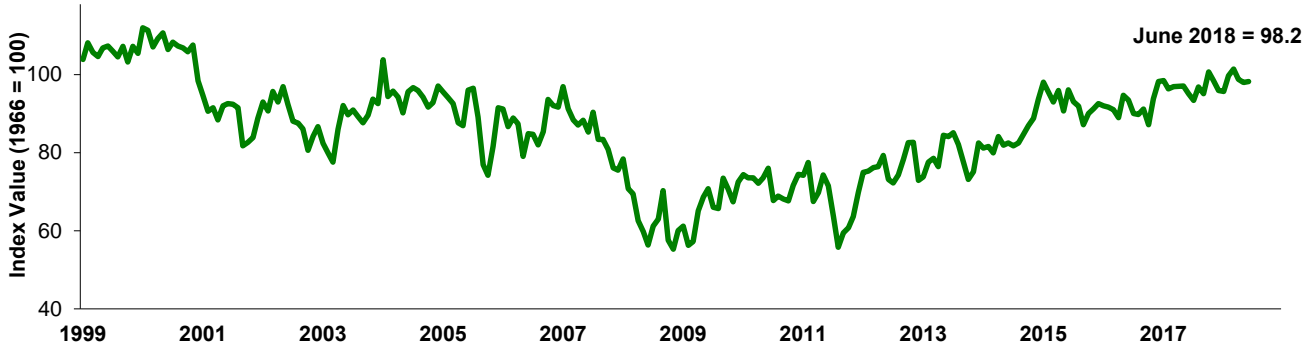
Growth is expected to improve over the year due to the recently enacted tax cuts and increased federal spending. Fixed investment was the greatest contributor to growth while consumer spending slowed down in the first quarter compared to the fourth quarter. Real final sales increased 2.0 percent in the first quarter while on the inflation front, the implicit price deflator increased 2.2 percent.

U.S. payroll employment again reported strong job growth in June. Wage and salary employment increased by 213,000 jobs in June 2018, down slightly from the 244,000 jobs from May's revised total. The three-month moving average shows an increase of 210,700 jobs. The education and health services sector gained 54,000 jobs in June while professional and business services increased by 50,000 jobs. Average hourly earnings totaled \$26.98 in June and increased 2.7 percent from a year ago as wage pressures build with the economy moving towards full-employment. In June, the **U. S. unemployment rate** increased 0.2 percentage points from a month ago to 4.0 percent and was 0.3 percentage points lower than a year ago. The rate increase was driven by more people re-entering the workforce. Civilian employment totaled 155.6 million persons in June, while the number unemployed was 6.6 million.

The **Index of Consumer Sentiment** increased in June to 98.2 index-points, 0.2 index-points above the May value and 3.1 index-points above June 2017. On the strength of recent readings, Survey Director Richard Curtin reported, "The persistent strength has been due to favorable assessments of jobs and incomes. While consumers anticipated rising interest rates during the year ahead, those expected increases were associated with a modest decline in longer term prospects for the national economy and not viewed as a barrier to economic growth during the year ahead. For the year ahead, consumers still

anticipated that the economy would produce small additional declines in the unemployment rate as well as higher wage gains. Consumers also anticipated an uptick in inflation during the year ahead, partly due to rising energy prices and partly due to new tariffs. Importantly, longer term inflation expectations suggest the rise in inflation will be temporary”

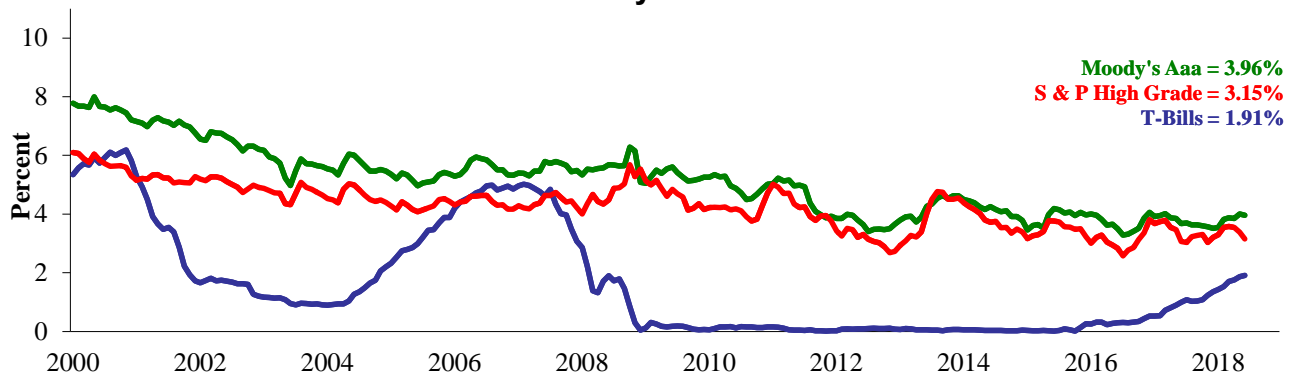
Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

Overall short-term **interest rates** continue to increase, as the Federal Reserve raises the federal funds rate. Short-term interest rates increased 0.04 percentage points in June as the 3-month Treasury bill (T-bill) rate was 1.91 percent. Compared to one year ago, the T-bill rate increased 0.92 percentage points. The Aaa corporate bond rate, a long-term interest rate, decreased 0.04 percentage points to an interest yield of 3.96 percent in June. The Aaa bond yield was up 0.28 percentage points from its year-ago level. The interest rate on high-grade municipal bonds decreased 0.23 percentage points from the May level to 3.15 percent in June and was up 0.09 percentage points from a year ago. The Federal Open Market Committee (FOMC) increased the target range for the federal funds rate to 1.75-2.00 percent for the June 13th meeting.

Selected Key Interest Rates



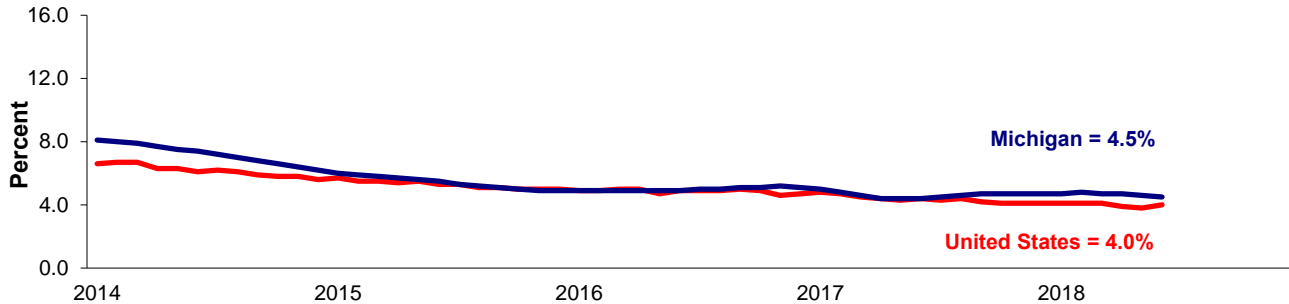
Source: Economic Indicators

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.1 percent in June, down from a 0.2 percent increase in May. Compared to June 2017, the all-items index increased 2.8 percent. For major component groups, the changes from one year ago were: food and beverages, 1.5 percent; medical care, 2.5 percent; apparel, 0.6 percent; education and communication, 0.7 percent; other goods and services, 2.2 percent; recreation, 0.5 percent; housing, 2.8 percent; and transportation, 6.4 percent, with gasoline prices up 24.3 percent. The average Michigan gasoline price in June was \$2.97 a gallon, unchanged from last month.

Michigan Economy

In June, the **Michigan jobless rate** decreased 0.1 percentage point from last month to 4.5 percent. The June unemployment rate is 0.1 percentage points above the year ago level. In June, the labor force rose 3,000 to 4,911,000, while the number of people employed increased 8,000 to 4,692,000. In June, the number of unemployed people fell by 4,000 to 219,000 unemployed people.

Unemployment Rates 2014 - 2018



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

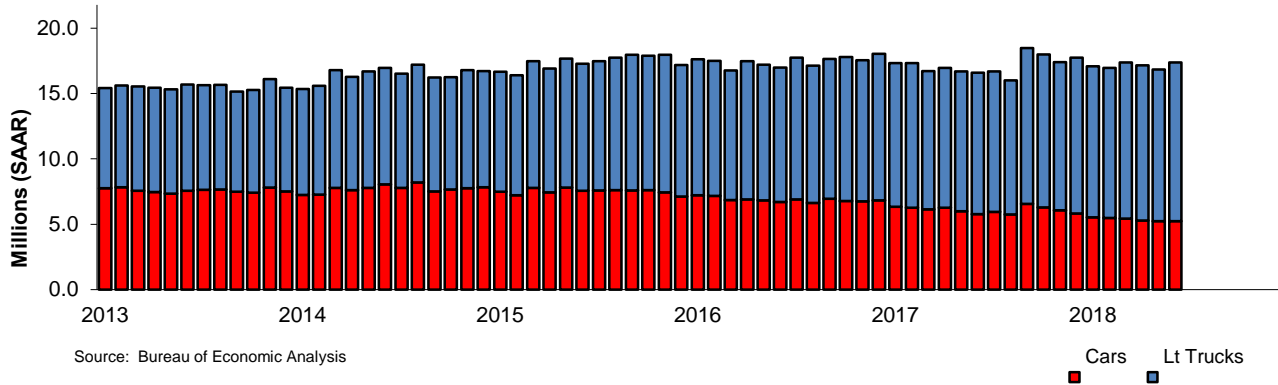
Michigan wage and salary employment increased by 5,000 jobs in June compared with the May level and was up 52,000 jobs (1.2 percent) from June 2017. Professional and business services gained 3,000 jobs from last month while construction and the other services sector increased 2,000 jobs. Government lost 4,000 jobs compared to last month. Over the past 12 months, construction jobs have grown 8.0 percent while leisure and hospitality services increased 2.1 percent.

Michigan's personal income increased 5.4 percent at an annual rate in the first quarter of 2018, which was above the U.S. annual growth rate of 4.3 percent. Michigan's growth rate ranked 11th nationally and was 2nd among the Great Lakes States.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), increased 3.6 percent compared to June 2017. For individual component items, the changes from one year ago were: food and beverages, 0.7 percent; apparel, 1.8 percent; education and communication, 3.2 percent; transportation, 8.3 percent; recreation, 8.6 percent; medical care, 1.7 percent; housing, 2.0 percent; and other goods and services, 9.2 percent.

Motor Vehicle Sector

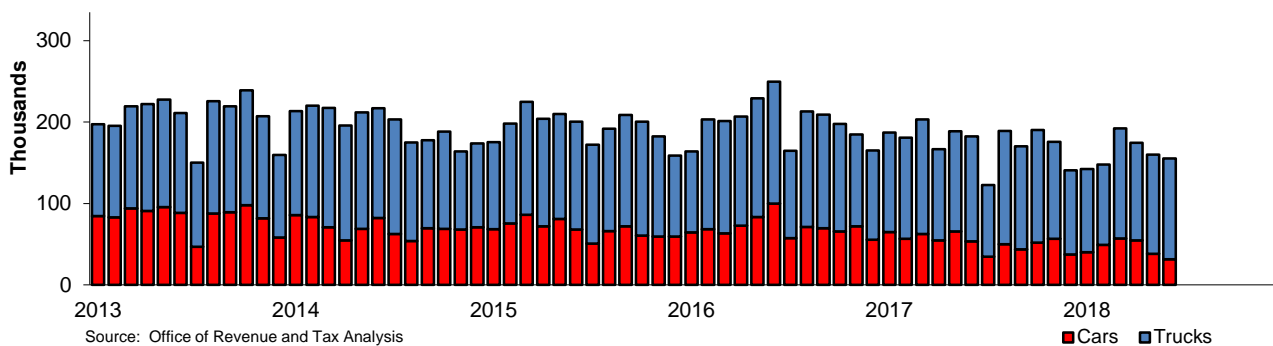
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) increased in June and remain at high levels. Sales increased 3.2 percent in June compared to May, selling at a 17.4 million unit seasonally adjusted annual rate. Domestic car sales increased 0.9 percent from May while domestic light truck sales increased 5.4 percent. Import car sales decreased 2.5 percent while import light truck sales increased 1.9 percent. Compared to last year, light vehicle sales increased 4.7 percent. Domestic car sales decreased 9.3 percent from the year ago level while domestic light truck sales increased 9.3 percent. Import car sales were down 8.0 percent from last year while import truck sales increased 21.4 percent. As a result, the domestic share of U.S. light vehicle sales decreased 1.2 percentage points from a year ago. For fiscal year 2018 year-to-date, domestic light vehicles recorded a 76.7 percent share of a 17.3 million-unit market.

Michigan motor vehicle production decreased to 155,364 units in June from 160,118 units in May. From a year ago, motor vehicle production decreased 15 percent in Michigan and 7 percent nationally. The Ford Michigan Assembly plant, which produced about 9.5 percent of total Michigan production in 2017, started a retooling process that goes through October, accounting for much of the year-over-year drop in Michigan. In June, Michigan's car production was 31,379 units while the state's truck production was 123,985 units. Compared with a year ago, car production decreased 42.0 percent in Michigan and decreased 17.0 percent nationwide. The state's truck production decreased 4.0 percent while national truck production decreased 3.0 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 Estimate	Fiscal Year 2017-18 Estimate	Fiscal Year 2018-19 Estimate
Applicable Calendar Year Personal Income	\$424,807	\$439,361	\$450,847
Section 26 Base Ratio	9.49%	9.49%	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>\$31,692.7</u>	<u>\$33,004.9</u>	<u>\$33,767.7</u>
Amount Under (Over) Limit	\$8,621.5	\$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 May 16, 2018 Consensus Revenue Agreement.

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