



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN J. WALSH
DIRECTOR

June 29, 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

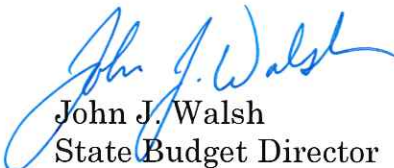
Dear Legislators:

Attached is the monthly financial report for the month ending May 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
May 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)
Other Adjustments	\$ (6.6)
Total Fiscal Year Resources Available For Expenditure GF/GP - One-Time	\$ 610.1
One-Time Expenditures	
PA 107, PA 108, PA 158, and PA 201 of 2017; PA 82 of 2018	\$ 513.7
Budget Stabilization Fund Deposit - PA 107 of 2017	\$ 150.0
Pending Supplemental 2018-3, 2018-5, 2018-7	\$ (75.0)
Total Expenditures Projected - One-Time	\$ 588.7
One-Time Revenue minus One-Time Spending	\$ 21.4
Projected Ending Balance, September 30, 2018	\$ 272.9

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
May 31, 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)
General Fund	\$	215.0
General Fund Adjustment (Pending Supplemental 2018-5)	\$	(137.0)
Community District Trust Fund	\$	72.0
MPERS 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	\$	15,089.0
School Aid Ongoing Costs		
PA 143 of 2017	\$	14,266.4
Pending Supplemental (2018-5)	\$	(11.2)
Anticipated Cost Adjustments	\$	11.0
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	\$	14,898.9
Current Year Revenues minus Ongoing Costs	\$	190.2
Beginning Balance (One-Time Revenue)		
	\$	377.4
One-Time Spending Items		
PA 143 of 2017 - School Aid	\$	317.9
Pending Supplemental (2018-8)	\$	2.8
PA 108 of 2017 - Community Colleges	\$	3.6
PA 108 of 2017 - Universities	\$	0.4
One-Time Revenue minus One-Time Spending	\$	52.7
Projected Ending Balance, September 30, 2018	\$	242.9

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
 May 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
47.2	82.1	Agriculture and Rural Development	114.4	11.5	13.2	139.1	77.3
53.0	88.2	Attorney General	99.7	5.8	11.3	116.8	51.4
173.0	253.3	Capital Outlay (3)	312.3	69.2	241.6	623.1	234.4
8.3	14.3	Civil Rights	16.2	2.7	0.9	19.8	9.1
1,084.9	1,472.9	Colleges and Universities	1,391.9	6.0	4.8	1,402.7	1,028.7
1,179.2	1,960.2	Corrections	1,992.0	24.0	134.4	2,150.5	1,338.7
162.1	291.4	Education	351.2	33.6	45.6	430.5	207.4
107.0	253.5	Environmental Quality	485.1	76.1	395.2	956.4	276.7
4.4	5.2	Executive Office	6.8	0.0	0.0	6.9	5.0
14,444.7	23,184.1	Health and Human Services	25,391.4	601.9	270.6	26,263.9	14,600.1
29.4	50.5	Insurance and Financial Service	66.7	6.0	0.0	72.7	30.0
134.9	264.1	Judiciary	300.0	0.4	4.8	305.3	147.9
3.1	4.0	Land Bank Fast Track Authority	4.0	0.0	0.0	4.0	3.1
13.9	22.8	Legislative Auditor General	24.3	0.0	0.8	25.0	14.5
81.8	129.9	Legislature	152.2	0.0	23.6	175.8	92.5
258.9	311.2	Licensing and Regulatory Affairs	386.2	125.0	42.5	553.7	303.6
116.7	156.4	Michigan Strategic Fund	181.7	0.0	0.0	181.7	76.1
89.1	143.0	Military and Veterans Affairs	152.7	17.6	14.7	185.1	118.7
52.1	97.0	Natural Resources	127.9	9.1	36.1	173.1	74.7
122.1	225.8	State	248.3	19.7	43.1	311.1	159.6
341.3	615.1	State Police	693.9	32.3	19.4	745.7	393.7
145.1	255.7	Talent and Economic Development	425.8	44.0	16.7	486.5	139.7
328.1	620.3	Technology, Management and Budget (4)	543.2	163.1	94.8	801.2	308.8
8.3	5.0	Transportation	0.0	350.6	0.9	351.5	107.3
1,264.7	3,206.1	Treasury	1,829.1	83.2	93.6	2,005.9	1,301.9
\$20,253.2	\$33,712.0		\$35,297.2	\$1,681.9	\$1,508.7	\$38,487.7	\$21,101.0

(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
May, 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 May 31, 2018
(in thousands)

REVENUES

Miscellaneous	<u>\$ 17,500</u>
Total Revenues	<u>17,500</u>

EXPENDITURES

Current:	
General government	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>17,500</u>

OTHER FINANCING SOURCES (USES)

Transfers from other funds	100,000
Transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>100,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u><u>\$ 117,500</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 May 31, 2018
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>17,568</u>
 Total Revenues	 <u>17,568</u>

EXPENDITURES

Current:	
General government	1,925
Conservation, environment, recreation, and agriculture	5,687
Capital outlay	<u>41</u>
 Total Expenditures	 <u>7,654</u>
 Excess of Revenues over (under) Expenditures	 <u>9,914</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>\$ 9,897</u> ¹

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

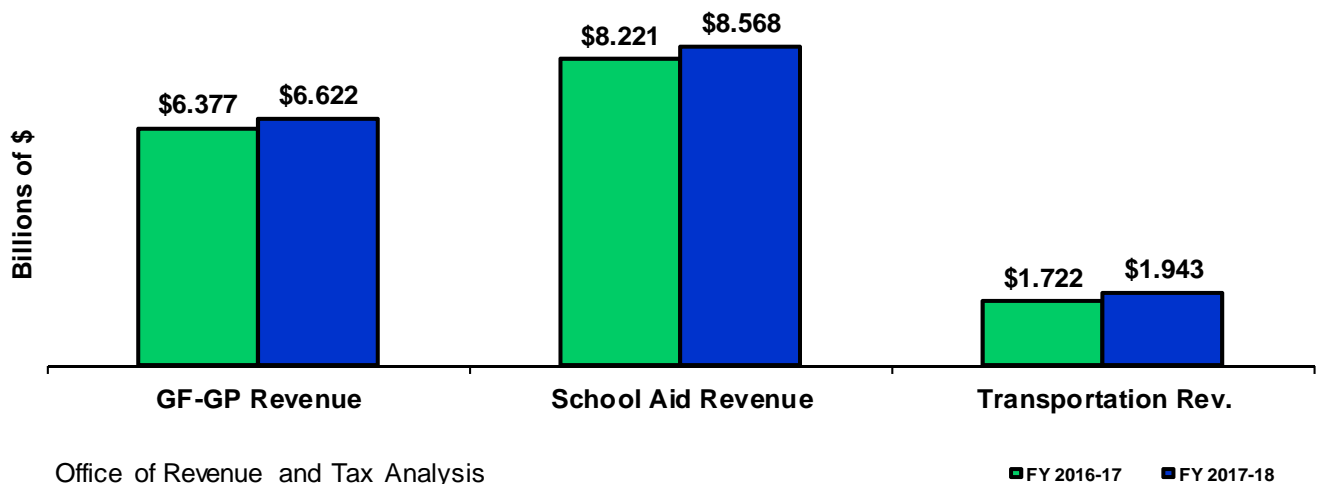
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

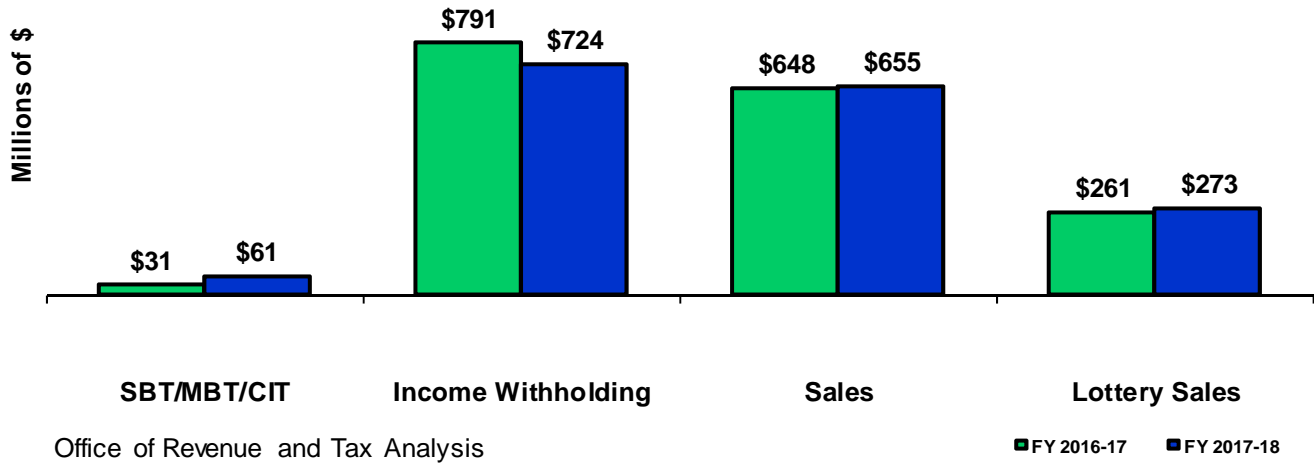
Total General Fund - General Purpose cash collections were \$33.7 million (3.8 percent) lower in May 2018 than in May 2017. The May 2018 School Aid Fund cash collections were \$2.4 million (0.3 percent) lower than in May 2017. May 2018 transportation collections were \$5.2 million (2.2 percent) higher than in May 2017 (see revenue table). May is the eighth 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 \$244.5 million (3.8 percent) from a year ago. School Aid Fund cash collections are up \$347.0 million (4.2 percent) and transportation collections are up \$220.7 million (12.8 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.

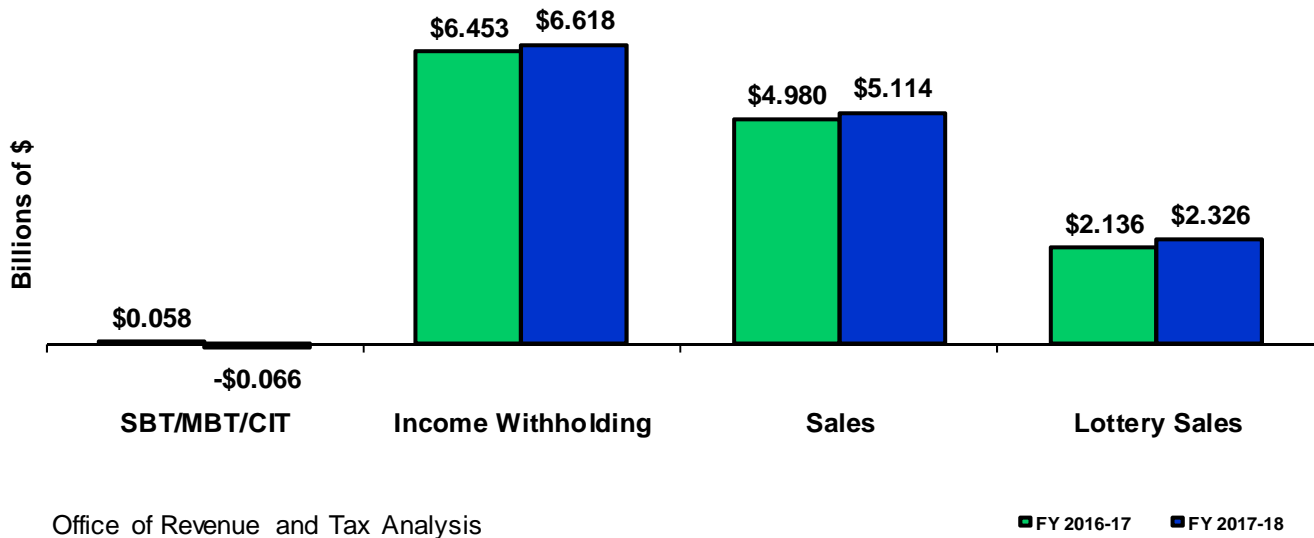
**October through May Collections
FY 2016-17 and FY 2017-18**



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



October through May 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: May 31, 2018

Month-End Cash Collections Data				October Through May Cash Collections Data					Revenue Projections		
May		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											
\$790,593	\$724,244	(\$66,350)	-8.4%	Withholding	\$6,453,101	\$6,618,114	\$165,013	2.6%	\$9,335,200	\$9,841,100	\$9,844,600
32,117	26,992	(5,125)	-16.0%	Quarterlies	647,397	911,380	263,984	40.8%	1,194,500	1,191,400	1,423,600
160,812	108,990	(51,822)	-32.2%	Annuals	818,828	899,083	80,255	9.8%	880,200	937,500	937,600
983,523	860,226	(123,296)	-12.5%	Gross Collections	7,919,325	8,428,577	509,251	6.4%	\$11,409,900	\$11,970,000	\$12,205,800
165,732	153,708	(12,024)	-7.3%	Less: Refunds	1,768,210	1,761,757	(6,453)	-0.4%	1,956,800	1,927,500	1,999,300
0	0	0	na	State Campaign Fund	0	0	0	na	1,200	800	800
817,791	706,518	(111,273)	-13.6%	Net Personal Income	6,151,116	6,666,820	515,704	8.4%	\$9,451,900	\$10,041,700	\$10,205,700
220,394	200,302	(20,092)	-9.1%	Less: Disbursements to SAF	1,821,371	1,962,696	141,324	7.8%	\$2,720,400	\$2,850,000	\$2,906,100
\$597,397	\$506,216	(\$91,181)	-15.3%	Net Personal Income To GF-GP	\$4,329,744	\$4,704,124	\$374,380	8.6%	\$6,731,500	\$7,191,700	\$7,299,600
Consumption Taxes											
\$104,263	\$107,028	\$2,765	2.7%	Sales (a)	\$801,558	\$801,643	\$86	0.0%	\$1,223,700	\$1,253,900	\$1,268,700
81,983	106,727	24,744	30.2%	Use (a) (f) (i)	489,931	449,115	(40,816)	-8.3%	591,600	579,700	628,100
14,174	13,673	(502)	-3.5%	Tobacco	120,346	116,302	(4,045)	-3.4%	186,500	184,400	184,100
4,017	3,666	(351)	-8.7%	Beer, Wine & Mixed Spirits	31,516	31,112	(405)	-1.3%	51,100	53,000	53,000
4,001	9,291	5,290	132.0%	Liquor Specific	30,510	27,401	(3,109)	-10.2%	54,700	54,200	56,000
\$208,439	\$240,386	\$31,947	15.3%	Total Consumption Taxes	\$1,473,861	\$1,425,572	(\$48,289)	-3.3%	\$2,107,600	\$2,125,200	\$2,189,900
Other Taxes											
(\$148)	(\$4,415)	(\$4,268)	na	Single Business	\$6,701	\$8,016	\$1,315	19.6%	\$18,700	\$0	\$7,000
(529)	199	728	na	Insurance Premiums Taxes	252,737	280,593	27,856	11.0%	370,700	408,900	398,100
(676)	(4,216)	(3,540)	-523.0%	Sub-total SBT & Insurance	259,438	288,609	29,172	11.2%	389,400	408,900	405,100
(6,066)	(2,000)	4,066	67.0%	Michigan Business Tax	(693,978)	(644,598)	49,380	7.1%	(704,600)	(755,600)	(787,900)
37,443	66,955	29,512	78.8%	Corporate Income Tax	745,394	570,207	(175,187)	-23.5%	1,105,600	950,200	859,800
2	0	(1)	-89.7%	Inheritance / Estate	28	9	(18)	-66.3%	0	0	0
0	0	0	na	Telephone & Telegraph	13,869	14,590	721	5.2%	35,600	36,000	35,000
2,216	2,287	71	3.2%	Oil & Gas Severance	15,819	17,025	1,205	7.6%	23,500	27,000	25,000
17,491	14,397	(3,093)	-17.7%	Penalties & Interest	72,751	90,617	17,866	24.6%	112,800	116,000	127,600
963	749	(214)	-22.3%	Essential Services Assessment	3,176	1,266	(1,910)	-60.1%	84,000	82,100	91,100
0	32	32	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)	(98,250)	(99,500)	(1,250)	-1.3%	(148,100)	(148,000)	(150,000)
\$39,205	\$65,705	\$26,500	67.6%	Total Other Taxes	\$318,291	\$238,329	(\$79,962)	-25.1%	\$900,700	\$718,600	\$607,700
\$845,041	\$812,307	(\$32,734)	-3.9%	Subtotal GF-GP Taxes	\$6,121,896	\$6,368,025	\$246,129	4.0%	\$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: May 31, 2018

Month-End Cash Collections Data				October Through May Cash Collections Data					Revenue Projections		
May		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	\$19,167	\$11,792	(\$7,375)	-38.5%	\$8,600	\$25,000	\$13,300
8	8	0	0.0%	Local Agencies	67	67	0	0.0%	100	100	100
583	583	0	0.0%	Services	4,792	4,667	(125)	-2.6%	5,300	7,000	7,000
1,042	1,167	125	12.0%	Licenses & Permits	8,083	8,958	875	10.8%	20,400	12,500	14,000
0	0	0	na	Investments/Interest Costs	(253)	(294)	(41)	-16.2%	3,100	(6,500)	4,000
5,875	4,567	(1,308)	-22.3%	Misc. Non-tax Revenue	41,167	35,708	(5,458)	-13.3%	90,000	51,500	35,000
17,917	19,000	1,083	6.0%	Liquor Purchase Revolving Fund	139,833	150,000	10,167	7.3%	221,400	220,000	228,000
5,292	5,417	125	2.4%	From Other Funds-Lottery & Escheats	42,583	42,958	375	0.9%	103,600	63,500	65,000
\$32,800	\$31,850	(\$950)	-2.9%	Total Non-Tax Revenue	\$255,439	\$253,856	(\$1,582)	-0.6%	\$452,500	\$373,100	\$366,400
\$877,841	\$844,157	(\$33,684)	-3.8%	Total GF-GP Revenue	\$6,377,335	\$6,621,882	\$244,547	3.8%	\$10,192,300	\$10,408,600	\$10,463,600
School Aid Fund											
\$269,331	\$276,488	\$7,156	2.7%	Sales Tax 4%	\$2,093,041	\$2,091,538	(\$1,503)	-0.1%	3,187,300	3,239,000	3,284,400
199,143	194,660	(4,483)	-2.3%	Sales Tax 2%	1,491,186	1,628,104	136,918	9.2%	2,489,700	2,531,000	2,567,900
40,991	53,363	12,372	30.2%	Use Tax 2% (f)	393,855	386,105	(7,749)	-2.0%	495,100	558,800	583,100
18,683	19,345	662	3.5%	State Education Property Tax	1,287,160	1,334,409	47,249	3.7%	1,963,700	2,002,600	2,039,100
24,894	24,731	(163)	-0.7%	Real Estate Transfer Tax	196,088	199,390	3,302	1.7%	317,200	315,700	331,100
76,000	80,000	4,000	5.3%	Lottery Transfer (b)	559,017	588,575	29,558	5.3%	924,100	887,700	944,400
9,716	10,097	382	3.9%	Casino Wagering Tax	76,860	78,162	1,302	1.7%	113,200	115,000	114,000
3,959	4,109	150	3.8%	Liquor Excise Tax	30,177	31,509	1,332	4.4%	54,000	53,800	55,600
28,776	27,758	(1,018)	-3.5%	Cigarette/Tobacco Tax	244,321	236,110	(8,212)	-3.4%	356,700	352,600	352,000
3,554	2,342	(1,212)	-34.1%	Indus. & Comm. Facilities Taxes	22,462	22,913	451	2.0%	36,000	36,000	38,000
768	630	(138)	-18.0%	Specific Other	5,287	8,315	3,027	57.3%	27,700	28,300	28,300
220,394	200,302	(20,092)	-9.1%	Income Tax Earmarking	1,821,371	1,962,696	141,324	7.8%	\$2,720,400	\$2,850,000	\$2,906,100
\$896,209	\$893,826	(\$2,383)	-0.3%	Total School Aid Fund	\$8,220,827	\$8,567,825	\$346,998	4.2%	\$12,685,100	\$12,970,500	\$13,244,000
\$648,029	\$655,473	\$7,444	1.1%	Sales Tax 6%	\$4,979,589	\$5,114,002	\$134,413	2.7%	\$7,798,000	\$7,929,300	\$8,041,800
448,886	460,813	11,927	2.7%	Sales Tax 4%(d)	3,488,402	3,485,897	(2,505)	-0.1%	5,308,300	5,398,300	5,473,900
199,143	194,660	(4,483)	-2.3%	Sales Tax 2%	1,491,186	1,628,104	136,918	9.2%	2,489,700	2,531,000	2,567,900
122,974	160,090	37,116	30.2%	Use Tax 6% (f) (h)	1,181,564	1,158,316	(23,248)	-2.0%	1,467,600	1,549,300	1,622,000
71,228	68,707	(2,520)	-3.5%	Tobacco Taxes	604,756	584,430	(20,326)	-3.4%	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: May 31, 2018

Month-End Cash Collections Data				October Through May Cash Collections Data					Revenue Projections		
May		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											
\$18,323	\$16,273	(\$2,050)	-11.2%	Diesel Fuel / Motor Carrier Fuel Tax	\$126,742	\$156,822	\$30,080	23.7%	\$215,179	\$236,400	\$233,500
95,507	93,302	(2,205)	-2.3%	Gasoline	690,193	798,485	108,291	15.7%	1,142,611	1,202,328	1,216,100
112,034	120,684	8,650	7.7%	Motor Vehicle Registration	808,889	885,685	76,796	9.5%	1,209,983	1,281,800	1,288,000
4,689	5,265	576	12.3%	Other Taxes, Fees & Misc.	31,828	36,869	5,040	15.8%	140,234	195,357	203,562
7,961	8,177	216	2.7%	Comprehensive Transportation (c)	64,671	65,208	537	0.8%	98,570	97,290	99,025
<u>\$238,513</u>	<u>\$243,700</u>	<u>\$5,187</u>	<u>2.2%</u>	Total Major Trans. Revenues	<u>\$1,722,322</u>	<u>\$1,943,068</u>	<u>\$220,746</u>	<u>12.8%</u>	<u>\$2,806,576</u>	<u>\$3,013,176</u>	<u>\$3,040,186</u>
Lottery Sales By Games											
113,971	126,810	12,839	11.3%	Instant Games (g)	904,472	1,019,467	114,995	12.7%	na	na	na
65,438	64,768	(670)	-1.0%	Daily Games	529,422	540,383	10,961	2.1%	na	na	na
24,923	25,339	416	1.7%	Lotto and Big Game (g)	231,028	254,869	23,841	10.3%	na	na	na
704	694	(10)	-1.4%	Keno Game	5,932	5,935	2	0.0%	na	na	na
903	5,485	4,581	507.0%	Other (j)	7,918	54,922	47,004	594.0%	na	na	na
<u>54,191</u>	<u>48,456</u>	<u>(5,736)</u>	<u>-10.6%</u>	Club Games	<u>447,659</u>	<u>440,881</u>	<u>(6,778)</u>	<u>-1.5%</u>	<u>na</u>	<u>na</u>	<u>na</u>
<u>\$261,164</u>	<u>\$272,729</u>	<u>\$11,564</u>	<u>4.4%</u>	Total Lottery Sales	<u>\$2,135,938</u>	<u>\$2,326,099</u>	<u>\$190,161</u>	<u>8.9%</u>	<u>na</u>	<u>na</u>	<u>na</u>

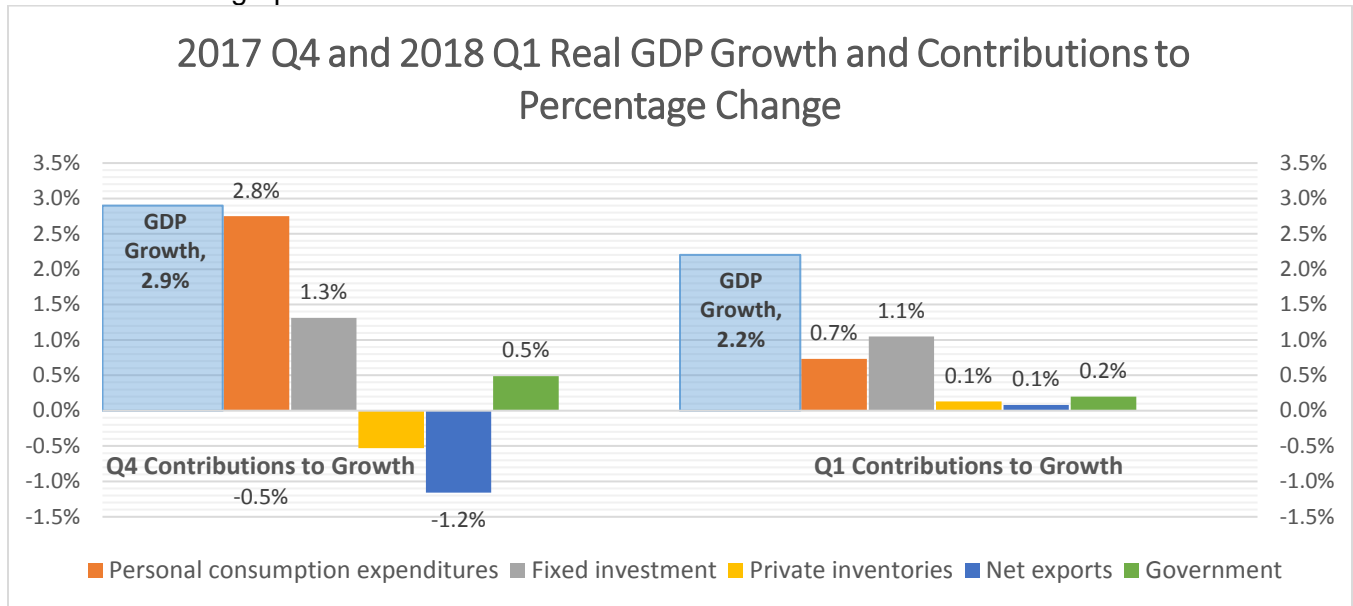
- a GF-GP Sales has been adjusted based on Comprehensive Transportation Fund, Health Initiative, Constitutional Revenue Sharing, and Aviation Fund. GF-GP Use has been adjusted based on Aviation Fund.
- b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate 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 HMO use tax revenues were \$182.4M and the fiscal year-to-date 2018 HMO use tax revenues were \$8.6M.
- 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 improve throughout 2018. The preliminary estimate of real GDP for the first quarter of 2018 is \$17,379.7 billion (chained 2009 dollars), an increase of 2.2 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.



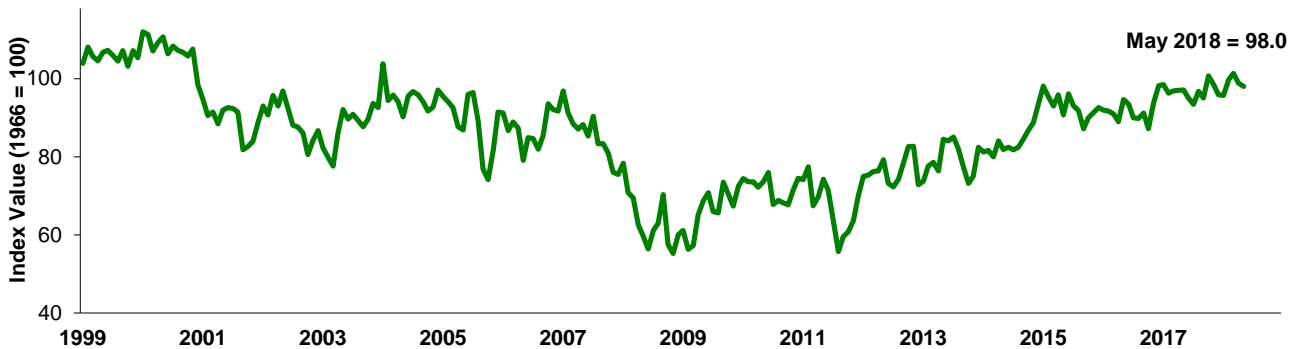
Growth is expected to improve over the year due to the recently enacted tax cuts and increased federal spending. Fixed investment was the greatest contributor to growth while consumer spending was a major reason for slower GDP growth in the first quarter. Real final sales increased 2.0 percent in the first quarter while on the inflation front, the implicit price deflator increased 1.9 percent.

U.S. payroll employment recorded strong job growth in May. Wage and salary employment increased by 223,000 jobs in May 2018, up from the 159,000 jobs from April’s revised total. The six-month moving average shows an increase of 202,000 jobs. Education and health services employment gained 39,000 jobs while the retail trade and professional and business services grew by 31,000 jobs in May. Average hourly earnings totaled \$26.92 in May and increased 2.7 percent from a year ago as wage pressures continue to build with the economy moving towards full-employment. In May, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 3.8 percent, the lowest rate since April 2000 and was 0.5 percentage points lower than a year ago. Civilian employment totaled 155.5 million persons in May, while the number unemployed was 6.1 million.

The **Index of Consumer Sentiment** decreased in May to 98.0 index-points, 0.8 index-points below the April value but 0.9 index-points above May 2017. Survey Director Richard Curtin noted, “Consumers have remained focused on expected gains in jobs and incomes as well as anticipated increases in interest rates and inflation during the year ahead. As past expansions have shown, rising interest rates do not suppress spending gains as long as they are accompanied by more substantial increases in incomes.

The May survey, however, found that consumers anticipated smaller income gains than a month or year ago, even though they anticipate the unemployment rate to stabilize at its current eighteen year low.”

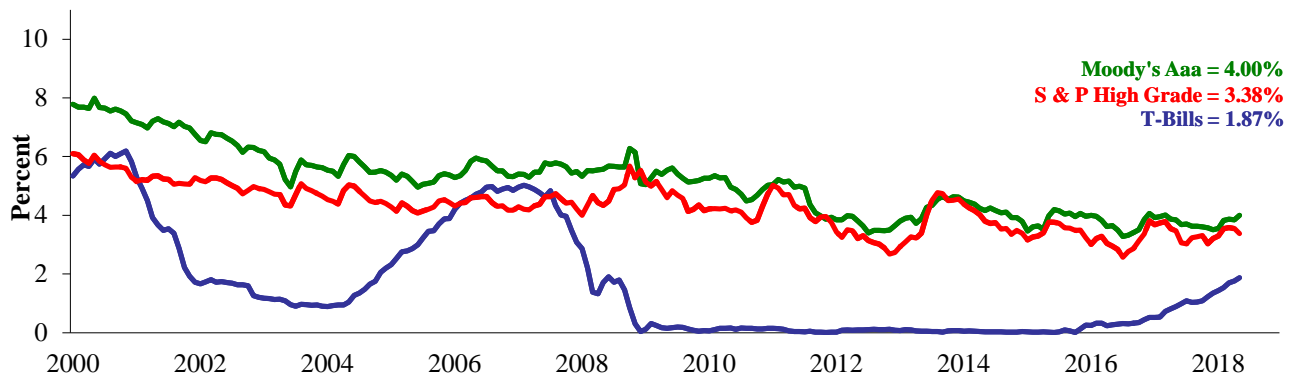
Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

Overall short term **interest rates** are up, as the Federal Reserve continues to raise the federal funds rate. Short-term interest rates increased 0.11 percentage points in May as the 3-month Treasury bill (T-bill) rate was 1.87 percent. Compared to one year ago, the T-bill rate increased 0.98 percentage points. The Aaa corporate bond rate, a long-term interest rate, increased 0.15 percentage points to an interest yield of 4.00 percent in May. The Aaa bond yield was up 0.15 percentage points from its year-ago level. The interest rate on high-grade municipal bonds decreased 0.17 percentage points from the April level to 3.38 percent in May and was down 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



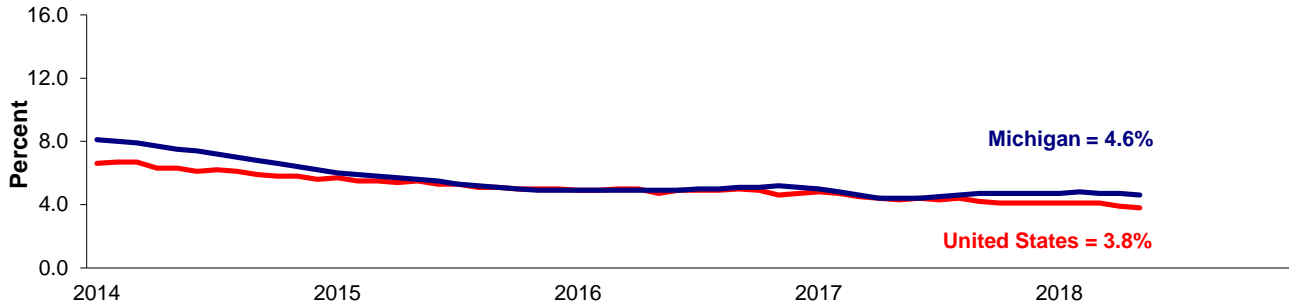
Source: Economic Indicators

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.2 percent in May, consistent with April. Energy prices increased 0.9 percent in May, after a 1.4 percent increase in April, while the all-items less food and energy component increased 0.2 percent in May. Compared to May 2017, the all-items index increased 2.8 percent. For major component groups, the changes from one year ago were: food and beverages, 1.2 percent; medical care, 2.0 percent; apparel, 1.4 percent; education and communication, -0.2 percent; other goods and services, 2.6 percent; recreation, 0.6 percent; housing, 3.0 percent; and transportation, 5.6 percent, with gasoline prices up 21.8 percent. The oil price per barrel of \$69.98 in May are up 5.6 percent from last month and the highest since November 2014. The average Michigan gasoline price in May was \$2.97 a gallon with October 2014 being the last time Michigan gas prices were above \$3 a gallon.

Michigan Economy

In May, the **Michigan jobless rate** decreased 0.1 percentage point from last month to 4.6 percent. The May unemployment rate is 0.2 percentage points above the year ago level. In May, the labor force rose 5,000 to 4,908,000, while the number of people employed was increased 10,000 to 4,684,000. In May, the number of unemployed people fell by 5,000 to 223,000 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 12,000 jobs in May compared with the April level, and was up 58,000 jobs (1.3 percent) from May 2017. Construction, leisure and hospitality services and education and health services gained 3,000 jobs from last month while the professional and business services sector decreased by 1,000 jobs. Over the past 12 months, construction jobs have grown 7.4 percent while leisure and hospitality services increased 2.1 percent.

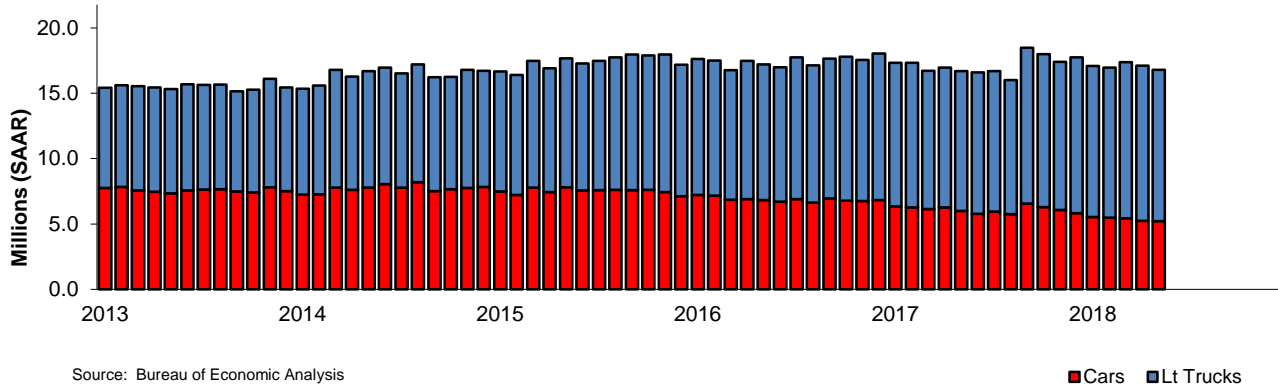
Michigan home prices continue to increase according to the S&P CoreLogic Case-Shiller Home Price Indices. From a year ago in the Detroit Area Index, home prices are up 7.7 percent in March from a year, the latest data available, and above the U.S. 10 City average increase of 6.4 percent.

Many recent developments in **international trade** could impact the Michigan economy. Tariffs imposed on aluminum and steel for national security under the Trade Expansion Act of 1962, Section 232 affect Michigan's closest trading partners. NAFTA renegotiations continue which will have a broad impact on the Michigan automotive industry and agricultural sector.

Small and mid-sized manufacturers may be impacted with higher prices as limited substitutes are available. Retaliatory tariffs have been announced by affected trading partners. Negotiations continue to avoid severe trade disruptions.

Motor Vehicle Sector

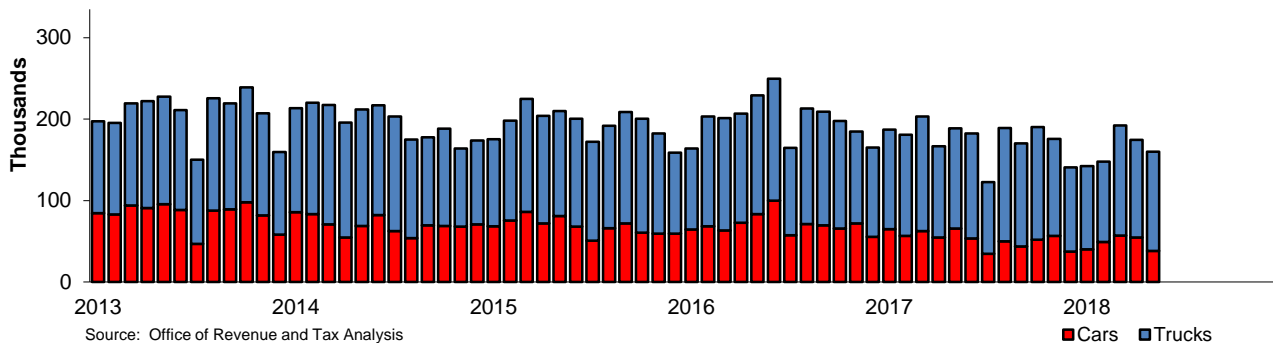
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) fell slightly in May but remain at high levels. Sales decreased 1.8 percent in May compared to April, selling at a 16.8 million unit seasonally adjusted annual rate. Domestic car sales decreased 1.6 percent from April while domestic light truck sales decreased 2.9 percent. Import car sales increased 2.6 percent while import light truck sales decreased 0.5 percent. Compared to last year, light vehicle sales increased 0.6 percent. Domestic car sales decreased 14.7 percent from the year ago level while domestic light truck sales increased 6.6 percent. Import car sales were down 8.1 percent from last year while import truck sales increased 14.3 percent. As a result, the domestic share of U.S. light vehicle sales decreased 1.3 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 160,118 units in May from 174,508 units in April. The Ford Michigan Assembly plant started a retooling process that goes through October, accounting for the monthly drop. From a year ago, motor vehicle production decreased 15.0 percent in Michigan and 10.0 percent nationally. In May, Michigan's car production was 38,091 units while the state's truck production was 122,027 units. Compared with a year ago, car production decreased 42.0 percent in Michigan and decreased 20.0 percent nationwide. The state's truck production decreased 1.0 percent while national truck production decreased 5.0 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