



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN J. WALSH
DIRECTOR

November 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

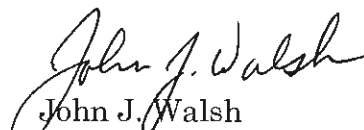
Dear Legislators:

Attached is the monthly financial report for the month ending October 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
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 2019
Projected Revenues and Expenditures
October 31, 2018
(\$ in millions)

FISCAL
2019

Beginning Balance, October 1, 2018	see one-time revenue
Current General Fund General Purpose Revenues, May 2018 Consensus Estimate	\$ 10,411.6
Revenue Adjustments:	
Local Government Program Payments	\$ (466.0)
Subtotal Additional Revenue Adjustments	\$ (466.0)
Total Fiscal Year Resources Available For Expenditure GF/GP - Ongoing	\$ 9,945.6
Expenditures, Current Law:	
Public Acts 207 and 265 of 2018	\$ 9,614.6
Total Expenditures Projected - Ongoing	\$ 9,614.6
Current Year Revenues minus Ongoing Costs	\$ 331.0
One-Time Revenue	
Beginning Balance	\$ 101.3
Local Government Program Payments	\$ (13.1)
Lawsuit Settlement Proceeds (AG, DEQ)	\$ (6.3)
Total Fiscal Year Resources Available For Expenditure GF/GP - One-Time	\$ 81.9
Enacted One-Time Appropriations	
Road Funding	\$ 300.0
Environmental Cleanup	\$ 25.0
Other One-time spending	\$ 81.8
Total Expenditures Projected - One-Time	\$ 406.8
One-Time Revenue minus One-Time Spending	\$ (324.9)
Projected Ending Balance, September 30, 2019	\$ 6.1

¹ This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2018. Final year-end activity will be reflected in the fiscal year 2018 Comprehensive Annual Financial Report.

SCHOOL AID FUND
Fiscal Year 2019
Projected Revenues and Expenditures
October 31, 2018
(\$ in millions)

FISCAL
2019

Beginning Balance, October 1, 2018	see one-time revenue
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Current Year School Aid Fund Revenues, May 2018 Consensus Estimat	\$ 13,574.4
Revenue Adjustments:	
General Fund	\$ 45.0
Community District Trust Fund	\$ 72.0
MPERS Retirement Obligation Reform Reserve Fund	\$ 31.9
Federal Revenue	\$ 1,724.7
Subtotal Additional Revenue Adjustments	\$ 1,873.6
Total FY Resources Available for Expenditure School Aid Fund	\$ 15,448.0

School Aid Ongoing Costs	
PA 265 of 2018	\$ 14,644.1
Community Colleges Ongoing Costs	
PA 265 of 2018	\$ 401.8
Universities Ongoing Costs	
PA 265 of 2018	\$ 499.4
Total School Aid Fund Ongoing Costs Projected	\$ 15,545.3

Current Year Revenues minus Ongoing Costs	\$ (97.3)
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Beginning Balance (One-Time Revenue)	\$ 217.7
General Fund Subsidy One-Time	\$ 15.0
One-Time Spending Items	
PA 265 of 2018 - School Aid	\$ 121.4
PA 265 of 2018 - Community Colleges	\$ 6.4
PA 265 of 2018 - Universities	\$ 0.7
One-Time Revenue minus One-Time Spending	\$ 104.2

Projected Ending Balance, September 30, 2019	\$ 6.9
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¹This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2018. Final year-end activity will be reflected in the fiscal year 2018 Comprehensive Annual Financial Report.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES

GENERAL FUND - ALL PURPOSE

October 31, 2018

(\$ in millions)

Fiscal Year 2018			Fiscal Year 2019				
Expenditures & Encumbrances Year to Date FY 2018	Fiscal Year End SEP 30, 2018	Department	Initial Appropriations (1)	Executive Orders & Supplemental Appropriations (1)	Encumbrance, Work Project & Capital Outlay Carry Forwards (2)	Total Authorization	Expenditures & Encumbrances Year to Date FY 2019
18.1	110.0	Agriculture and Rural Development	107.9	0.0	1.6	109.5	9.9
4.2	87.3	Attorney General	102.1	0.0	11.1	113.3	5.1
58.7	363.9	Capital Outlay (3)	423.6	0.0	379.5	803.2	48.2
1.0	14.3	Civil Rights	16.2	0.0	0.6	16.8	0.8
114.5	1,384.8	Colleges and Universities	1,169.6	0.0	4.8	1,174.4	93.4
228.8	1,990.2	Corrections	2,007.1	0.0	26.9	2,034.0	248.1
28.7	403.0	Education	465.8	0.0	43.1	508.9	23.2
78.1	536.8	Environmental Quality	423.4	35.6	367.8	826.8	9.5
0.7	6.0	Executive Office	7.0	0.0	0.0	7.0	0.6
1,734.8	23,931.0	Health and Human Services	24,823.9	(25.1)	192.2	24,991.0	2,249.2
1.7	52.8	Insurance and Financial Service	68.0	0.0	0.0	68.0	2.4
15.5	254.4	Judiciary	304.1	0.0	0.2	304.3	9.4
0.0	4.0	Land Bank Fast Track Authority	3.0	0.0	0.0	3.0	0.8
1.1	22.7	Legislative Auditor General	24.9	0.0	0.7	25.7	1.5
10.1	144.3	Legislature	154.9	0.0	23.4	178.3	9.6
75.9	350.3	Licensing and Regulatory Affairs	468.6	117.4	31.6	617.6	65.0
31.2	204.9	Michigan Strategic Fund	122.5	0.0	0.0	122.5	21.1
20.2	163.7	Military and Veterans Affairs	161.4	0.0	4.6	166.0	20.0
23.3	131.4	Natural Resources	142.9	14.1	9.9	166.9	5.6
21.6	252.2	State	245.6	19.7	37.2	302.5	13.3
42.3	654.7	State Police	715.6	21.3	9.9	746.8	36.6
28.8	254.2	Talent and Economic Development	422.5	44.0	4.4	470.9	23.0
61.9	812.0	Technology, Management and Budget (4)	441.2	0.0	76.4	517.6	32.1
0.9	115.2	Transportation	182.7	242.0	24.3	449.0	91.3
356.4	1,902.8	Treasury	1,913.9	73.3	66.1	2,053.3	340.5
\$2,958.6	\$34,146.6		\$34,918.6	\$542.2	\$1,316.3	\$36,777.1	\$3,360.2

(1) Includes boilerplate appropriations.

(2) Carryforward amounts do not include authorization related to amounts appropriated for fiscal year 2018. Entry of these amounts is expected to be complete in December 2018.

(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 2019
October, 2018
(\$ in millions)**

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	18,943.9	0.0	18,943.9
Total state spending from state resources	33,058.2	0.0	33,058.2
Percentage of state spending from state resources paid to local units	57.30%		57.30%
Required payments to local units (48.97%)	16,188.6		16,188.6
Surplus/(deficit)	\$2,755.3		\$2,755.3

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

October 1, 2018 Through October 31, 2018

(\$ in thousands)

REVENUES

Miscellaneous	\$ -
	<hr/>
Total Revenues	-
	<hr/>

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

Transfers from other funds	-
Transfers to other funds	-
	<hr/>
Total Other Financing Sources (Uses)	-
	<hr/>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-
	<hr/> <hr/> \$ - 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, 2018 through October 31, 2018
(\$ in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>(585)</u>
Total Revenues	<u>(585)</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	1,403
Capital outlay	<u>23</u>
Total Expenditures	<u>1,426</u>
Excess of Revenues over (under) Expenditures	<u>(2,012)</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><u>\$ (2,012)</u></u> ¹

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

REVENUE OVERVIEW

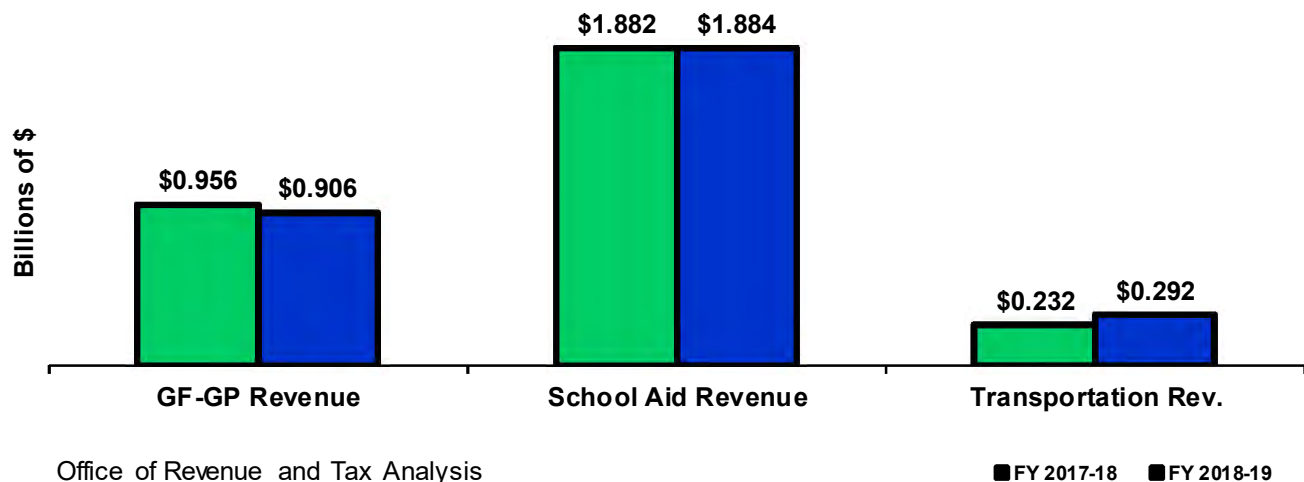
Office of Revenue and Tax Analysis
Michigan Department of Treasury

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

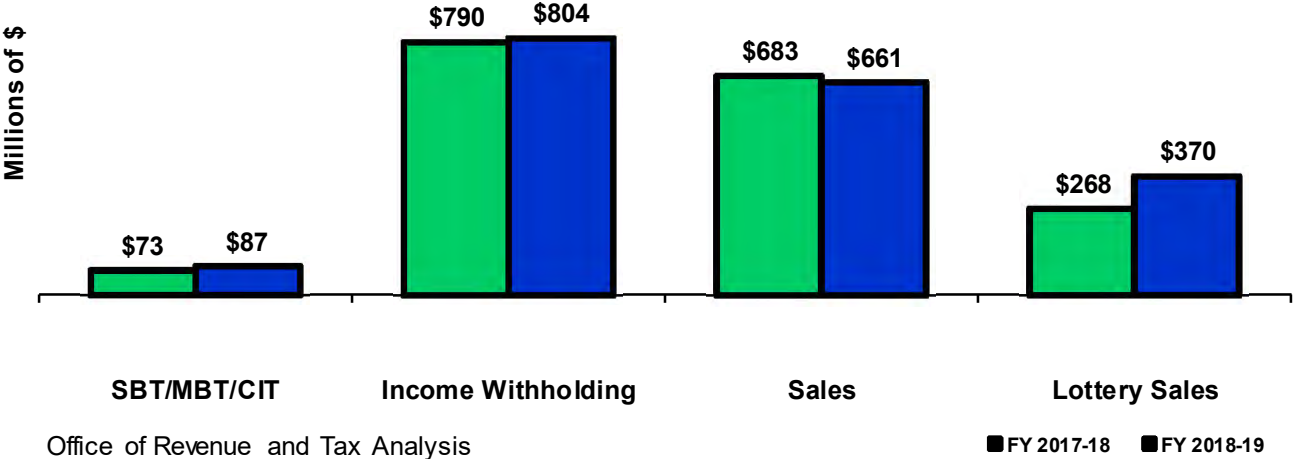
Total General Fund-General Purpose revenues were \$49.6 million (5.2 percent) lower in October 2018 than in October 2017. The October 2018 School Aid Fund revenues were \$2.0 million (0.1 percent) higher than in October 2017. October 2018 Transportation revenues were \$60.0 million (25.9 percent) higher than in October 2017 (see revenue table). The transportation revenue increase relates to payment timing. October is the first month of the State's fiscal year (FY). Tax revenue received in October relating to economic activity prior to October will be accrued back to FY 2017-18. Likewise, any refunds paid out in October relating to FY 2017-18 liabilities will also be accrued back. Final FY 2017-18 revenue totals should be available in late December or early January.

FY 2018-19 revenue forecasts presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 16, 2018. The Statutory estimated revenue totals are also the May 2018 Consensus estimates. The net General Fund-General Purpose revenue forecast for FY 2018-19 is \$10,411.6 million. The net School Aid Fund revenue forecast is \$13,574.4 million, and the Transportation Funds revenue forecast is \$3,216.1 million. By law, the Consensus Revenue Estimating Conferences are held the second week of January and the third week of May.

October Collections FY 2017-18 and FY 2018-19



**October Revenue Collections
FY 2017-18 and FY 2018-19**



Revenue Summary FY 2018-19
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: October 31, 2018

Month-End Cash Collections Data				October Through October Cash Collections Data					Revenue Projections		
October		Difference		Source of Revenue	Year-to-Date		Difference		FY 2017-18	FY 2018-19	FY 2018-19
2017	2018	Amount	Percent		FY 2017-18	FY 2018-19	Amount	Percent	May 2018 Forecast	Statutory Estimate	May 2018 Forecast
Income Taxes											
\$790,496	\$803,926	\$13,430	1.7%	Withholding	\$790,496	\$803,926	\$13,430	1.7%	\$9,844,600	\$10,100,000	\$10,100,000
22,923	32,348	9,425	41.1%	Quarterlies	22,923	32,348	9,425	41.1%	1,423,600	1,329,100	1,329,100
43,735	60,060	16,324	37.3%	Annuals	43,735	60,060	16,324	37.3%	937,600	973,400	973,400
857,154	896,333	39,179	4.6%	Gross Collections	857,154	896,333	39,179	4.6%	\$12,205,800	\$12,402,500	\$12,402,500
58,019	64,799	6,781	11.7%	Less: Refunds	58,019	64,799	6,781	11.7%	1,999,300	2,259,200	2,259,200
0	0	0	na	State Campaign Fund	0	0	0	na	800	800	800
799,135	831,534	32,399	4.1%	Net Personal Income	799,135	831,534	32,399	4.1%	\$10,205,700	\$10,142,500	\$10,142,500
0	12,500	12,500	na	Less: Disbursements to MTF	0	12,500	12,500	na	\$0	\$150,000	\$150,000
199,331	210,433	11,102	5.6%	Less: Disbursements to SAF	199,331	210,433	11,102	5.6%	\$2,906,100	\$2,953,100	\$2,953,100
\$599,804	\$608,601	\$8,796	1.5%	Net Personal Income To GF-GP	\$599,804	\$608,601	\$8,796	1.5%	\$7,299,600	\$7,039,500	\$7,039,500
Consumption Taxes											
\$101,130	\$120,997	\$19,867	19.6%	Sales (a)	\$101,130	\$120,997	\$19,867	19.6%	\$1,268,700	\$1,317,600	\$1,317,600
44,138	(46,760)	(90,898)	na	Use (a) (f) (i)	44,138	(46,760)	(90,898)	na	628,100	594,500	594,500
15,622	14,714	(908)	-5.8%	Tobacco	15,622	14,714	(908)	-5.8%	184,100	182,100	182,100
2,508	3,232	724	28.8%	Beer, Wine & Mixed Spirits	2,508	3,232	724	28.8%	53,000	54,000	54,000
44	53	9	21.5%	Liquor Specific	44	53	9	21.5%	56,000	57,000	57,000
\$163,442	\$92,236	(\$71,206)	-43.6%	Total Consumption Taxes	\$163,442	\$92,236	(\$71,206)	-43.6%	\$2,189,900	\$2,205,200	\$2,205,200
Other Taxes											
\$5,671	\$6,953	\$1,282	22.6%	Single Business	\$5,671	\$6,953	\$1,282	22.6%	\$7,000	\$0	\$0
93,468	92,185	(1,282)	-1.4%	Insurance Premiums Taxes	93,468	92,185	(1,282)	-1.4%	398,100	406,300	406,300
99,139	99,138	(1)	0.0%	Sub-total SBT & Insurance	99,139	99,138	(1)	0.0%	405,100	406,300	406,300
(13,773)	(1,615)	12,158	88.3%	Michigan Business Tax	(13,773)	(1,615)	12,158	88.3%	(787,900)	(649,500)	(649,500)
81,273	81,795	522	0.6%	Corporate Income Tax	81,273	81,795	522	0.6%	859,800	922,600	922,600
0	5	5	na	Inheritance / Estate	0	5	5	na	0	0	0
0	34	34	na	Telephone & Telegraph	0	34	34	na	35,000	35,500	35,500
2,206	1,345	(861)	-39.0%	Oil & Gas Severance	2,206	1,345	(861)	-39.0%	25,000	26,600	26,600
3,952	7,506	3,554	89.9%	Penalties & Interest	3,952	7,506	3,554	89.9%	127,600	128,000	128,000
266	795	529	199.0%	Essential Services Assessment	266	795	529	199.0%	91,100	97,000	97,000
0	104	104	na	Miscellaneous Other/Railroad	0	104	104	na	2,000	2,000	2,000
(12,333)	(12,667)	(333)	-2.7%	Treasury Enforcement Programs (e)	(12,333)	(12,667)	(333)	-2.7%	(150,000)	(152,000)	(152,000)
\$160,730	\$176,441	\$15,710	9.8%	Total Other Taxes	\$160,730	\$176,441	\$15,710	9.8%	\$607,700	\$816,500	\$816,500
\$923,977	\$877,277	(\$46,700)	-5.1%	Subtotal GF-GP Taxes	\$923,977	\$877,277	(\$46,700)	-5.1%	\$10,097,200	\$10,061,200	\$10,061,200

continued

Revenue Summary FY 2018-19
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: October 31, 2018

Month-End Cash Collections Data				October Through October Cash Collections Data					Revenue Projections		
October		Difference		Source of Revenue	Year-to-Date		Difference		FY 2017-18	FY 2018-19	FY 2018-19
2017	2018	Amount	Percent		FY 2017-18	FY 2018-19	Amount	Percent	May 2018 Forecast	Statutory Estimate	May 2018 Forecast
Non-Tax Revenue (e)											
\$2,083	\$1,108	(\$975)	-46.8%	Federal Aid	\$2,083	\$1,108	(\$975)	-46.8%	\$13,300	\$13,300	\$13,300
8	8	0	0.0%	Local Agencies	8	8	0	0.0%	100	100	100
583	583	0	0.0%	Services	583	583	0	0.0%	7,000	7,000	7,000
1,042	1,167	125	12.0%	Licenses & Permits	1,042	1,167	125	12.0%	14,000	14,000	14,000
0	0	0	na	Investments/Interest Costs	0	0	0	na	4,000	5,000	5,000
4,292	833	(3,458)	-80.6%	Misc. Non-tax Revenue	4,292	833	(3,458)	-80.6%	35,000	10,000	10,000
18,333	19,583	1,250	6.8%	Liquor Purchase Revolving Fund	18,333	19,583	1,250	6.8%	228,000	235,000	235,000
5,292	5,500	208	3.9%	From Other Funds-Lottery & Escheats	5,292	5,500	208	3.9%	65,000	66,000	66,000
\$31,633	\$28,783	(\$2,850)	-9.0%	Total Non-Tax Revenue	\$31,633	\$28,783	(\$2,850)	-9.0%	\$366,400	\$350,400	\$350,400
\$955,610	\$906,061	(\$49,550)	-5.2%	Total GF-GP Revenue	\$955,610	\$906,061	(\$49,550)	-5.2%	\$10,463,600	\$10,411,600	\$10,411,600
School Aid Fund											
\$266,336	\$317,053	\$50,717	19.0%	Sales Tax 4%	\$266,336	\$317,053	\$50,717	19.0%	3,284,400	3,508,100	3,508,100
239,319	132,271	(107,048)	-44.7%	Sales Tax 2%	239,319	132,271	(107,048)	-44.7%	2,567,900	2,538,900	2,538,900
39,328	54,090	14,761	37.5%	Use Tax 2% (f)	39,328	54,090	14,761	37.5%	583,100	580,500	580,500
1,021,692	1,008,924	(12,768)	-1.2%	State Education Property Tax	1,021,692	1,008,924	(12,768)	-1.2%	2,039,100	2,121,700	2,121,700
28,750	32,917	4,166	14.5%	Real Estate Transfer Tax	28,750	32,917	4,166	14.5%	331,100	336,500	336,500
38,125	80,000	41,875	110.0%	Lottery Transfer (b)	38,125	80,000	41,875	110.0%	944,400	950,000	950,000
10,273	10,710	437	4.3%	Casino Wagering Tax	10,273	10,710	437	4.3%	114,000	115,000	115,000
0	0	0	na	Liquor Excise Tax	0	0	0	na	55,600	56,600	56,600
31,716	29,871	(1,844)	-5.8%	Cigarette/Tobacco Tax	31,716	29,871	(1,844)	-5.8%	352,000	346,700	346,700
6,157	5,373	(784)	-12.7%	Indus. & Comm. Facilities Taxes	6,157	5,373	(784)	-12.7%	38,000	39,000	39,000
575	1,979	1,405	245.0%	Specific Other	575	1,979	1,405	245.0%	28,300	28,300	28,300
199,331	210,433	11,102	5.6%	Income Tax Earmarking	199,331	210,433	11,102	5.6%	\$2,906,100	\$2,953,100	\$2,953,100
\$1,881,602	\$1,883,621	\$2,019	0.1%	Total School Aid Fund	\$1,881,602	\$1,883,621	\$2,019	0.1%	\$13,244,000	\$13,574,400	\$13,574,400
\$683,212	\$660,693	(\$22,520)	-3.3%	Sales Tax 6%	\$683,212	\$660,693	(\$22,520)	-3.3%	\$8,041,800	\$8,308,800	\$8,308,800
443,893	528,421	84,528	19.0%	Sales Tax 4%(d)	443,893	528,421	84,528	19.0%	5,473,900	5,769,900	5,769,900
239,319	132,271	(107,048)	-44.7%	Sales Tax 2%	239,319	132,271	(107,048)	-44.7%	2,567,900	2,538,900	2,538,900
117,985	162,269	44,284	37.5%	Use Tax 6% (f) (h)	117,985	162,269	44,284	37.5%	1,622,000	1,613,000	1,613,000
78,504	73,939	(4,565)	-5.8%	Tobacco Taxes	78,504	73,939	(4,565)	-5.8%	930,500	919,800	919,800
0	0	0	na	Tobacco Settlement	0	0	0	na	na	na	na

continued

Revenue Summary FY 2018-19
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: October 31, 2018

Month-End Cash Collections Data				October Through October Cash Collections Data						Revenue Projections		
October		Difference		Year-to-Date		Difference		FY 2017-18	FY 2018-19	FY 2018-19		
2017	2018	Amount	Percent	Source of Revenue	FY 2017-18	FY 2018-19	Amount	Percent	May 2018 Forecast	Statutory Estimate	May 2018 Forecast	
Major Transportation Revenues												
\$22,686	\$31,911	\$9,224	40.7%	Diesel Fuel / Motor Carrier Fuel Tax	\$22,686	\$31,911	\$9,224	40.7%	\$233,500	\$236,400	\$236,400	
101,818	134,317	32,499	31.9%	Gasoline	101,818	134,317	32,499	31.9%	1,216,100	1,215,100	1,215,100	
93,953	99,188	5,235	5.6%	Motor Vehicle Registration	93,953	99,188	5,235	5.6%	1,288,000	1,318,900	1,318,900	
4,959	5,193	235	4.7%	Other Taxes, Fees & Misc.	4,959	5,193	235	4.7%	203,562	194,180	194,180	
8,108	8,456	349	4.3%	Comprehensive Transportation (c)	8,108	8,456	349	4.3%	99,025	101,475	101,475	
0	12,500	12,500	na	Income Tax Earmarking	0	12,500	12,500	na	0	150,000	150,000	
<u>\$231,523</u>	<u>\$291,565</u>	<u>\$60,042</u>	<u>25.9%</u>	Total Major Trans. Revenues	<u>\$231,523</u>	<u>\$291,565</u>	<u>\$60,042</u>	<u>25.9%</u>	<u>\$3,040,186</u>	<u>\$3,216,054</u>	<u>\$3,216,054</u>	
Lottery Sales By Games												
111,065	126,932	15,866	14.3%	Instant Games (g)	111,065	126,932	15,866	14.3%	na	na	na	
65,939	69,106	3,167	4.8%	Daily Games	65,939	69,106	3,167	4.8%	na	na	na	
23,235	110,038	86,802	374.0%	Lotto and Big Game (g)	23,235	110,038	86,802	374.0%	na	na	na	
737	700	(36)	-4.9%	Keno Game	737	700	(36)	-4.9%	na	na	na	
1,178	1,228	50	4.3%	Lucky For Life	1,178	1,228	50	4.3%	na	na	na	
10,620	7,447	(3,173)	-29.9%	Other (g)	10,620	7,447	(3,173)	-29.9%	na	na	na	
55,242	54,119	(1,123)	-2.0%	Club Games	55,242	54,119	(1,123)	-2.0%	na	na	na	
<u>\$268,016</u>	<u>\$369,570</u>	<u>\$101,554</u>	<u>37.9%</u>	Total Lottery Sales	<u>\$268,016</u>	<u>\$369,570</u>	<u>\$101,554</u>	<u>37.9%</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 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 2018 HMO use tax revenues were \$0.2 million and the fiscal year-to-date 2019 HMO use tax revenues were \$0.6 million.
- g Lottery Sales include iLottery net win amounts; and Other lottery games includes the new Fast Cash games, which began in July 2017.
- 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 2018 revenues were \$34.5 million and the year-to date 2019 revenues are \$154.9 million. Per 2014 Public Act 80, the total fiscal year 2018 Local Community Stabilization Share (LCSS) is \$410.8 million and the total fiscal year 2019 LCSS is \$438 million .
- i General Fund Use tax collections are net of LCSS revenue. The year-to-date 2018 LCSS revenues were \$34.5 million and the year-to-date 2019 LCSS revenues are \$154.9 million.

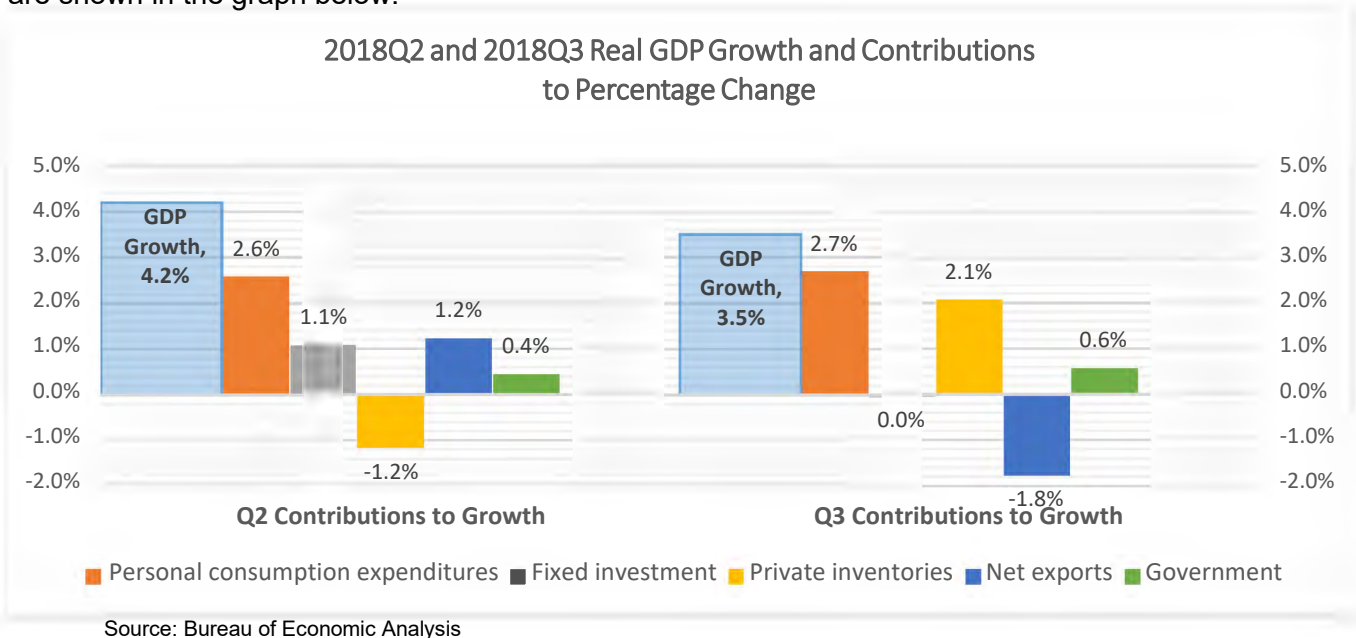
Source: Michigan Department of Treasury, Office of Revenue & Tax Analysis, based on reports from the Office of Financial Management, Michigan Department of Technology, Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy

U.S. **Gross Domestic Product** increased above trend for the second consecutive quarter rising over 3 percent in the third quarter of 2018. The advance estimate of real GDP for the third quarter of 2018 is \$18,671.5 billion (chained 2012 dollars), an increase of 3.5 percent at an annual rate. In the second quarter of 2018, real gross domestic product increased 4.2 percent. The increase in third quarter real GDP was mainly due to growth in personal consumption expenditures, private inventory investment, and government spending. The second and third quarter of 2018 contributions to the percent change in GDP are shown in the graph below.



While growth in the US economy continued in the third quarter, the composition of growth may have a negative effect on near-term growth. On the positive side, consumer spending continues as wage growth accelerates and the unemployment rate is at historic lows. On the negative side, fixed investment was flat this past quarter and private inventory investment accounted for more than half of GDP growth. Economic fundamentals remain strong and deficit financed tax cuts should provide a boost to short-term economic growth. Real final sales increased 1.4 percent in the third quarter while on the inflation front, the implicit price deflator also increased 1.4 percent.

U.S. wage and salary employment bounced back sharply in October. Total jobs increased by 250,000, up from the 118,000 jobs from September's downward revised total. The twelve-month moving average shows an increase of 208,000 jobs. Most major sectors reported robust job growth. In the service sector, education and health services gained 44,000 jobs, leisure and hospitality services gained 42,000 jobs, and the professional and business services sector increased by 35,000 jobs. Average hourly earnings totaled \$27.30 in October and increased 3.1 percent from a year ago. In October, the **U. S. unemployment rate** remained the same from a month ago at 3.7 percent and is at the lowest rate since 1969. From a year ago, the unemployment rate was 0.5 percentage points lower. Civilian employment totaled 156.6 million persons in October, while the number unemployed was 6.1 million.

The **Index of Consumer Sentiment** decreased in October to 98.6 index-points, 1.5 index-points below the September value and 2.1 index-points below October 2017. The Sentiment Index has been higher so far in 2018 than in any prior year since 2000. The resilience in the Index is due to the belief that the

economy will continue to produce jobs even if wage growth is not as high as hoped. Since the Great Recession consumers have placed a higher value on job security than wage growth. The October survey indicated that the view of buying conditions for home, vehicles, and durable goods grew negative in October as price increases become more prevalent along with higher financing costs as interest rates rise.

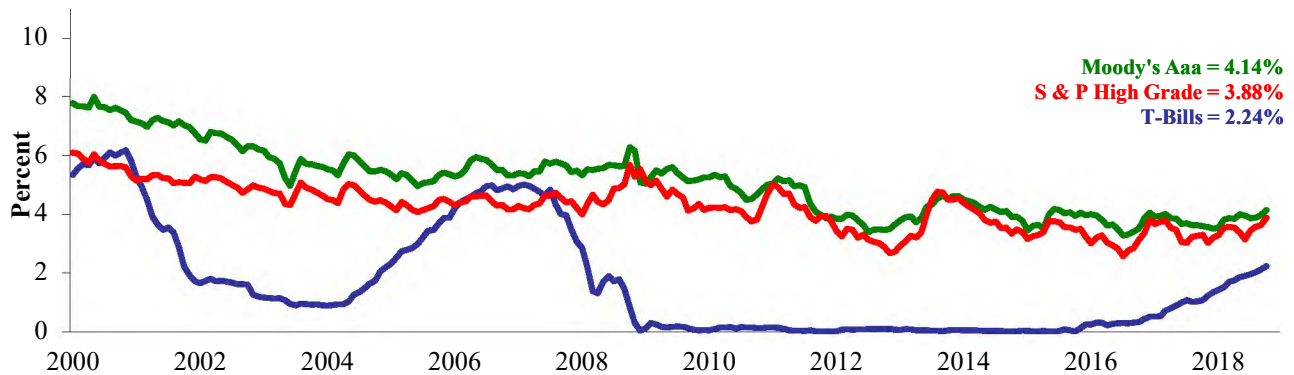
Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

Overall short-term **interest rates** continue to increase, as the Federal Reserve raises the federal funds rate over time. Short-term interest rates increased 0.11 percentage points in October as the 3-month Treasury bill (T-bill) rate was 2.24 percent. Compared to one year ago, the T-bill rate increased 1.16 percentage points. The Aaa corporate bond rate, a long-term interest rate, increased 0.16 percentage points to an interest yield of 4.14 percent in October. The Aaa bond yield was up 0.54 percentage points from its year-ago level. The interest rate on high-grade municipal bonds increased 0.25 percentage points from the September level to 3.88 percent in October and was up 0.36 percentage points from a year ago. The Federal Open Market Committee (FOMC) maintained the target range for the federal funds rate at 2.00-2.25 percent for the November 8th meeting.

Selected Key Interest Rates



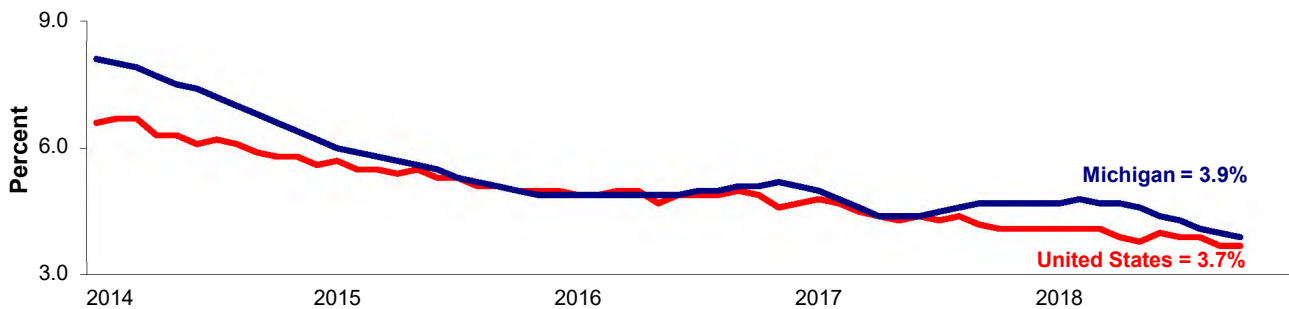
Source: Economic Indicators

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.3 percent in October, up from an increase of 0.1 percent in September. Compared to October 2017, the all-items index increased 2.5 percent. For major component groups, the changes from one year ago were: food and beverages, 1.2 percent; medical care, 1.7 percent; apparel, -0.3 percent; education and communication, 0.9 percent; other goods and services, 1.9 percent; recreation, 0.1 percent; housing, 2.8 percent; and transportation, 5.5 percent, with gasoline prices up 16.1 percent.

Michigan Economy

In October, the **Michigan jobless rate** decreased 0.1 percentage points from last month to 3.9 percent. The October unemployment rate is 0.8 percentage points below the year ago level. In October, the labor force was unchanged at 4,892,000, while the number of people employed increased 2,000 to 4,700,000. In October, the number of unemployed people fell by 2,000 to 191,000 unemployed people.

Unemployment Rates 2014 - 2018



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

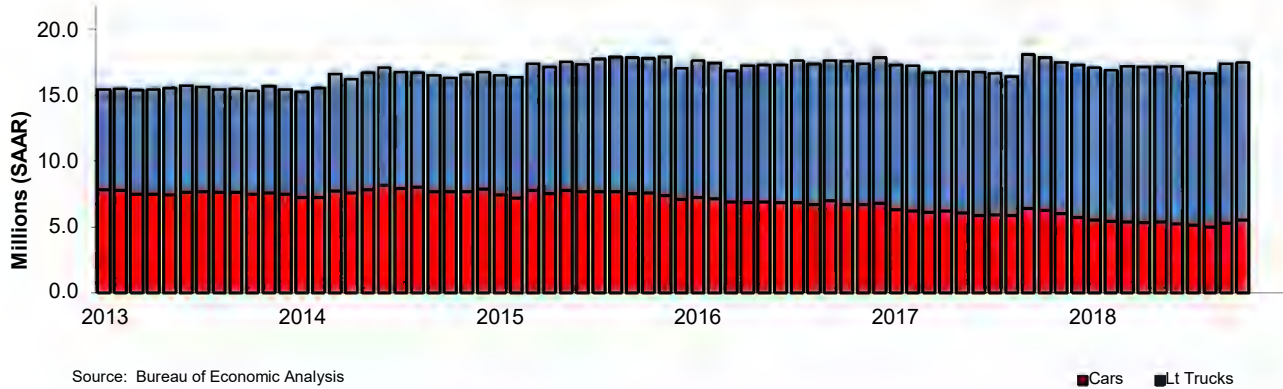
Michigan wage and salary employment increased by 4,000 jobs in October compared with the September level and was up 62,000 jobs (1.4 percent) from October 2017. Manufacturing and government each gained 2,000 jobs from last month while various multiple sectors each gained 1,000 jobs. Education and health services lost 2,000 jobs compared to last month.

Michigan gross domestic product for the second quarter of 2018 grew 5.4 percent at a seasonally adjusted annual rate, well above the U.S. average of 4.2 percent. Michigan's growth ranked 2nd nationally and 1st among the Great Lakes states. Michigan's durable goods manufacturing sector contributed 1.88 percentage points to growth which was the best nationally. Agriculture, forestry, fishing, and hunting contributed 0.46 percentage points to growth which was well above the national average of 0.07 percentage points.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), increased 1.9 percent compared to October 2017. For individual component items, the changes from one year ago were: food and beverages, -0.4 percent; apparel, 2.8 percent; education and communication, 2.2 percent; transportation, 6.2 percent; recreation, -6.3 percent; medical care, 0.2 percent; housing, 1.8 percent; and other goods and services, 7.0 percent.

Motor Vehicle Sector

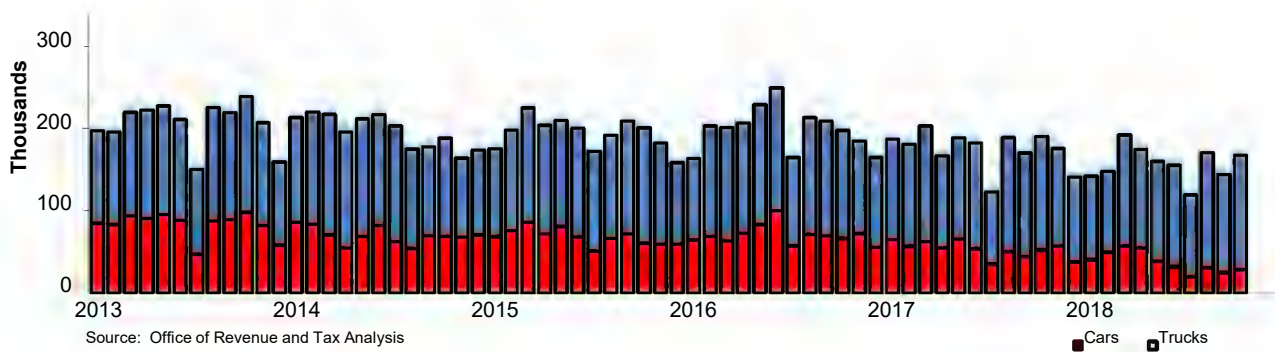
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) increased in October and continue to remain at high levels historically. Sales increased 0.5 percent in October compared to September, selling at a 17.5 million unit seasonally adjusted annual rate. Domestic car sales increased 6.7 percent from September while domestic light truck sales decreased 0.8 percent. Import car sales decreased 2.3 percent while import light truck sales decreased 2.6 percent. Compared to last year, light vehicle sales decreased 2.0 percent. Domestic car sales decreased 10.1 percent from the year ago level while domestic light truck sales increased 1.9 percent. Import car sales were down 17.0 percent from last year while import truck sales increased 7.9 percent. As a result, the domestic share of U.S. light vehicle sales decreased 0.2 percentage points from a year ago to 77.5 percent.

Michigan motor vehicle production increased to 167,625 units in October from 144,098 units in September. From a year ago, motor vehicle production decreased 12.0 percent in Michigan but rose 3.0 percent nationally. In October, Michigan's car production was 28,098 units while the state's truck production was 139,527 units. Compared with a year ago, car production decreased 46.0 percent in Michigan and decreased 1.0 percent nationwide. The state's truck production increased 1.0 percent while national truck production increased 4.0 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 16, 2018 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2016-17 Actual	Fiscal Year 2017-18 Estimate	Fiscal Year 2018-19 Estimate
Applicable Calendar Year Personal Income	\$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>\$31,109.2</u>	<u>\$33,004.9</u>	<u>\$33,767.7</u>
Amount Under (Over) Limit	\$9,205.0	\$8,690.5	\$9,017.7

Sources:

Personal Income Estimate

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

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

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

Revenue Subject to the Limit

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

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

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

Column detail may not add to totals due to rounding

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