



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN E. NIXON, CPA
DIRECTOR

November 29, 2012

The Honorable Roger Kahn, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Chuck Moss, 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, 2012. 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 E. Nixon, CPA
State Budget Director

Attachment

c: Governor Rick Snyder	House Fiscal Agency
Randy Richardville, Sen. Maj. Leader	Jack Brandenburg, Chair, Senate Finance Com.
Gretchen Whitmer, Senate Min. Leader	Judson S. Gilbert II, Chair, House Tax Policy Com.
Jase Bolger, Speaker of the House	John Roberts, Deputy Chief of Staff
Richard Hammell, House Min. Leader	Dick Posthumus, Executive Office
Senate Appropriations Committee	Mike Moody, Office of Financial Management
House Appropriations Committee	Nancy Duncan, Deputy State Budget Director
Senate Fiscal Agency	Internal State Budget Office Distribution

GENERAL FUND, GENERAL PURPOSE
 Fiscal Year 2013
 Projected Revenues and Expenditures
 October 31, 2012
 (\$ in millions)

FISCAL
2013

Beginning Balance, October 1, 2012	see one-time revenue
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Current Year GF/GP Revenues, May 2012 Consensus Estimate	\$	8,969.9
Revenue Adjustments:		
Local Government Program Payments	\$	(350.6)
Enacted tax changes not included in May 2012 revenue (PA 144, 188, 211, 224, 292, 299, and 325 of 2012)	\$	(37.5)
Other revenue adjustments	\$	3.2
Subtotal Additional Revenue Adjustments	\$	(384.9)
Total FY Resources Available For Expenditure GF/GP - Ongoing		8,585.0

Expenditures, Current Law:		
FY 2013 Enacted with Vetoes	\$	8,628.5
Total Expenditures Projected - Ongoing	\$	8,628.5

Current Year Revenues minus Ongoing Costs	\$	(43.5)
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Beginning Balance (One-Time Revenue)	\$	754.0
Enacted tax changes not included in May 2012 revenue (PA 211, 223, 224, and 226 of 2012)	\$	(177.0)
Total FY Resources Available For Expenditure GF/GP - One-Time	\$	577.0
One-Time Spending Items:		
PA 200, PA 201, and PA 305 of 2012	\$	542.7
Estimated lapses	\$	(16.2)
One-Time Revenue minus One-Time Spending	\$	50.5

Projected Ending Balance, September 30, 2012	\$	7.0
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¹ This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2012. Final year-end activity will be reflected in the fiscal year 2012 Comprehensive Annual Financial Report which, by law, must be issued on or before March 31, 2013.

SCHOOL AID FUND
Fiscal Year 2013
Projected Revenues and Expenditures
October 31, 2012
(\$ in millions)

FISCAL
2013

Beginning Balance , October 1, 2012	see one-time revenue
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Current Year School Aid Fund Revenues, May 2012 Consensus Estimate	\$	11,169.5
Revenue Adjustments:		
General Fund	\$	282.4
Federal Revenue	\$	1,701.0
Subtotal Additional Revenue Adjustments	\$	1,983.4
Total FY Resources Available for Expenditure School Aid Fund	\$	13,152.9

School Aid Ongoing Costs		
PA 201 of 2012	\$	12,750.2
Community Colleges Ongoing Costs		
PA 201 of 2012	\$	197.6
Universities Ongoing Costs		
PA 201 of 2012	\$	200.5
Total School Aid Fund Ongoing Costs Projected	\$	13,148.3

Current Year Revenues minus Ongoing Costs	\$	4.6
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Beginning Balance (One-Time Revenue)	\$	193.7
One-Time Spending Items		
PA 201 of 2012	\$	194.3
One-Time Revenue minus One-Time Spending	\$	(0.6)

Projected Ending Balance, September 30, 2013	\$	4.0
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¹This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2012. Final year-end activity will be reflected in the fiscal year 2012 Comprehensive Annual Financial Report which, by law, must be issued on or before March 31, 2013.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

October 31, 2012

(\$ IN MILLIONS)

FISCAL YEAR 2012

FISCAL YEAR 2013

Exp & Enc September 2012	Exp & Enc Yr-to-date FY 2012	Fiscal Year End SEP 30, 2012	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc October 2012	Exp & Enc Yr-to-date FY 2013
2.9	2.9	63.1	Agriculture and Rural Development	76.5	0.0	3.2	3.2
3.2	3.2	70.7	Attorney General	83.9	0.0	3.6	3.6
39.1	39.1	240.8	Capital Outlay**	320.3	0.0	39.1	39.1
0.1	0.1	12.8	Civil Rights	14.8	0.0	0.5	0.5
104.9	104.9	1,243.6	Colleges & Universities	1,295.3	0.0	109.3	109.3
1,000.8	1,000.8	13,896.6	Community Health	14,944.9	282.9	1,083.8	1,083.8
150.1	150.1	1,923.5	Corrections	1,983.3	3.7	147.2	147.2
4.3	4.3	285.8	Education	328.9	9.0	16.5	16.5
5.3	5.3	181.2	Environmental Quality	402.2	35.9	4.7	4.7
0.3	0.3	5.0	Executive Office	4.9	0.0	0.3	0.3
502.1	502.1	5,774.5	Human Services	6,519.6	147.3	460.6	460.6
6.3	6.3	212.1	Judiciary	273.8	0.0	6.7	6.7
0.8	0.8	17.9	Legislative Auditor General	18.7	0.0	0.9	0.9
7.2	7.2	104.5	Legislature	110.9	0.0	6.6	6.6
16.0	16.0	433.6	Licensing and Regulatory Affairs	606.6	(148.9)	11.1	11.1
7.8	7.8	127.2	Military Affairs	133.6	0.0	6.4	6.4
2.8	2.8	66.1	Natural Resources	101.7	0.0	3.3	3.3
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
7.8	7.8	179.6	State	219.6	0.0	6.3	6.3
18.1	18.1	498.8	State Police	577.3	14.7	15.2	15.2
29.2	29.2	581.3	Technology, Management & Budget****	338.6	140.0	20.3	20.3
0.0	0.0	0.5	Transportation	23.0	0.0	0.0	0.0
249.2	249.2	1,770.5	Treasury	1,645.7	89.2	269.4	269.4
6.2	6.2	137.9	Michigan Strategic Fund	173.5	0.0	10.1	10.1
\$2,164.5	\$2,164.5	\$27,827.6		\$30,197.5	\$573.9	\$2,225.0	\$2,225.0

*Includes boilerplate appropriations.

**Includes all capital outlay activity regardless of agency

***Includes Civil Service Commission

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2013
October, 2013
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,336.2	0.0	15,336.2
Total state spending from state resources	27,917.6	33.9	27,951.5
Percentage of state spending from state resources paid to local units	54.93%		54.87%
Required payments to local units (48.97%)	13,671.2		13,687.8
Surplus/(deficit)	\$1,665.0		\$1,648.4

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
 OCTOBER 1, 2012 THROUGH OCTOBER 31, 2012
 (in thousands)

REVENUES

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

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

Transfers from other funds	11,667
Transfers to other funds	<u> -</u>
Total Other Financing Sources (Uses)	<u>11,667</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 11,667</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, 2012 through October 31, 2012
 (in thousands)

REVENUES

Taxes	\$	-
From federal agencies		-
From licenses and permits		-
Miscellaneous		3,596
		<u>3,596</u>
Total Revenues		<u>3,596</u>

EXPENDITURES

Current:		
General government		-
Conservation, environment, recreation, and agriculture		125
Capital outlay		246
		<u>370</u>
Total Expenditures		<u>370</u>
Excess of Revenues over (under) Expenditures		<u>3,225</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>3,225</u> ¹

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

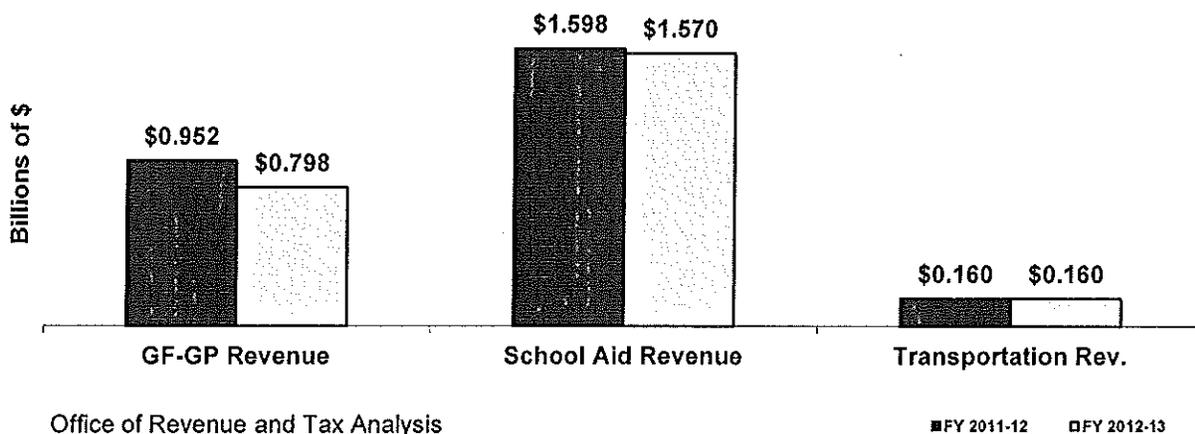
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for October 2012, representing some September and some October economic activity in Michigan.

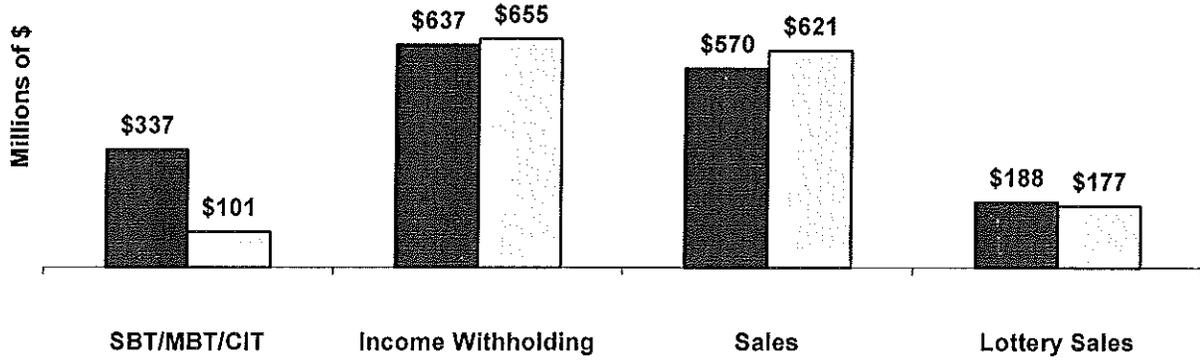
Total General Fund-General Purpose revenues were \$153.6 million (16.1 percent) lower in October 2012 than in October 2011. The October 2012 School Aid Fund revenues were \$28.1 million (1.8 percent) lower than in October 2011. October 2012 Transportation revenues were \$0.4 million (0.3 percent) higher than in October 2011 (see revenue table). 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 2011-12. Likewise, any refunds paid out in October relating to FY 2011-12 liabilities will also be accrued back. Final FY 2011-12 revenue totals should be available in late December or early January.

FY 2012-13 revenue forecasts presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 16, 2012. The Statutory estimate revenue totals are also the May 2012 Consensus estimates. The net General Fund-General Purpose revenue forecast for FY 2012-13 is \$8,969.9 million. The net School Aid Fund revenue forecast is \$11,169.5 million, and the major Transportation Funds revenue forecast is \$2,099.8 million. The next revenue conference will be held on January 11, 2013.

**October Collections
FY 2011-12 and FY 2012-13**



October Revenue Collections FY 2011-12 and FY 2012-13



Office of Revenue and Tax Analysis

■ FY 2011-12 □ FY 2012-13

Revenue Summary FY 2012-13
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: October 31, 2012

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
October		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		FY 2011-12	FY 2012-13	FY 2012-13
2011	2012	Amount	Percent		FY 2011-12	FY 2012-13	Amount	Percent	May 2012	Statutory	May 2012
									Consensus	Estimate	Consensus
Income Taxes											
\$636,892	\$654,916	\$18,024	2.8%	Withholding	\$636,892	\$654,916	\$18,024	2.8%	\$7,685,300	\$7,826,900	\$7,826,900
10,788	13,244	2,456	22.8%	Quarterlies	10,788	13,244	2,456	22.8%	680,300	744,600	744,600
33,110	37,638	4,527	13.7%	Annually	33,110	37,638	4,527	13.7%	703,400	888,000	888,000
680,790	705,798	25,008	3.7%	Gross Collections	680,790	705,798	25,008	3.7%	\$9,069,000	\$9,459,500	\$9,459,500
48,234	49,705	1,471	3.1%	Less: Refunds	48,234	49,705	1,471	3.1%	2,103,100	1,552,000	1,552,000
0	0	0	na	State Campaign Fund	0	0	0	na	1,000	1,000	1,000
632,556	656,092	23,537	3.7%	Net Personal Income	632,556	656,092	23,537	3.7%	\$6,964,900	\$7,906,500	\$7,906,500
158,488	161,060	2,572	1.6%	Less: Disbursements to SAF	158,488	161,060	2,572	1.6%	\$2,103,400	\$2,239,100	\$2,239,100
\$474,068	\$495,033	\$20,965	4.4%	NET PERSONAL INCOME TO GF-GP	\$474,068	\$495,033	\$20,965	4.4%	\$4,861,500	\$5,667,400	\$5,667,400
Consumption Taxes											
\$5,980	\$7,146	\$1,166	19.5%	Sales (a)	\$5,980	\$7,146	\$1,166	19.5%	\$1,110,700	\$1,134,700	\$1,134,700
16,740	66,991	50,251	na	Use (f)	16,740	66,991	50,251	na	788,100	834,700	834,700
16,723	15,352	(1,372)	-8.2%	Tobacco	16,723	15,352	(1,372)	-8.2%	193,300	189,500	189,500
2,994	4,101	1,106	37.0%	Beer, Wine & Mixed Spirits	2,994	4,101	1,106	37.0%	50,000	50,800	50,800
46	14	(32)	-68.8%	Liquor Specific	46	14	(32)	-68.8%	40,300	41,200	41,200
\$42,484	\$93,604	\$51,120	120.0%	TOTAL CONSUMPTION TAXES	\$42,484	\$93,604	\$51,120	120.0%	\$2,182,400	\$2,250,900	\$2,250,900
Other Taxes											
\$19,960	\$12,636	(\$7,323)	-36.7%	Single Business	\$19,960	\$12,636	(\$7,323)	-36.7%	(\$17,300)	\$0	\$0
64,631	64,966	335	0.5%	Insurance Premiums Taxes	64,631	64,966	335	0.5%	300,000	311,400	311,400
84,591	77,602	(6,989)	-8.3%	Sub-total SBT & Insurance	84,591	77,602	(6,989)	-8.3%	282,700	311,400	311,400
316,892	(6,772)	(323,665)	-102.1%	Michigan Business Tax	316,892	(6,772)	(323,665)	-102.1%	713,600	(552,400)	(552,400)
0	95,503	95,503	na	Corporate Income Tax	0	95,503	95,503	na	485,600	838,900	838,900
0	(7)	(7)	na	Inheritance / Estate	0	(7)	(7)	na	0	0	0
669	638	(31)	-4.6%	Telephone & Telegraph	669	638	(31)	-4.6%	57,000	57,300	57,300
3,556	4,169	613	17.2%	Oil & Gas Severance	3,556	4,169	613	17.2%	60,700	61,000	61,000
7,455	16,009	8,554	115.0%	Penalties & Interest	7,455	16,009	8,554	115.0%	119,700	127,500	127,500
26	15	(12)	-44.4%	Miscellaneous Other/Railroad	26	15	(12)	-44.4%	1,000	1,000	1,000
(10,583)	(10,667)	(83)	-0.8%	Treasury Enforcement Programs (e)	(10,583)	(10,667)	(83)	-0.8%	(127,000)	(128,000)	(128,000)
\$402,606	\$176,489	(\$226,116)	-56.2%	TOTAL OTHER TAXES	\$402,606	\$176,489	(\$226,116)	-56.2%	\$1,593,300	\$716,700	\$716,700
\$919,158	\$765,126	(\$154,032)	-16.8%	SUBTOTAL GF-GP TAXES	\$919,158	\$765,126	(\$154,032)	-16.8%	\$8,637,200	\$8,634,900	\$8,634,900

continued

Revenue Summary FY 2012-13
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: October 31, 2012

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
October		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		FY 2011-12	FY 2012-13	FY 2012-13	
2011	2012	Amount	Percent		FY 2011-12	FY 2012-13	Amount	Percent	May 2012	Statutory	May 2012	
									Consensus	Estimate	Consensus	
Non-Tax Revenue (e)												
\$1,667	\$1,667	\$0	0.0%	Federal Aid	\$1,667	\$1,667	\$0	0.0%	\$20,000	\$20,000	\$20,000	
83	83	0	0.0%	Local Agencies	83	83	0	0.0%	1,000	1,000	1,000	
917	917	0	0.0%	Services	917	917	0	0.0%	11,000	11,000	11,000	
1,667	1,667	0	0.0%	Licenses & Permits	1,667	1,667	0	0.0%	20,000	20,000	20,000	
0	0	0	na	Investments/Interest Costs	0	0	0	na	(2,100)	(3,200)	(3,200)	
10,667	10,917	250	2.3%	Misc. Non-tax Revenue	10,667	10,917	250	2.3%	128,000	118,000	118,000	
13,583	13,833	250	1.8%	Liquor Purchase Revolving Fund	13,583	13,833	250	1.8%	167,200	157,200	157,200	
3,925	3,833	(92)	-2.3%	From Other Funds-Lottery & Escheats	3,925	3,833	(92)	-2.3%	82,100	11,000	11,000	
\$32,508	\$32,917	\$408	1.3%	TOTAL NON-TAX REVENUE	\$32,508	\$32,917	\$408	1.3%	\$427,200	\$335,000	\$335,000	
\$951,666	\$798,042	(\$153,624)	-16.1%	TOTAL GF-GP REVENUE	\$951,666	\$798,042	(\$153,624)	-16.1%	\$9,064,400	\$8,969,900	\$8,969,900	
School Aid Fund												
\$233,458	\$253,714	\$20,256	8.7%	Sales Tax 4%	\$233,458	\$253,714	\$20,256	8.7%	2,874,800	2,943,200	2,943,200	
181,081	198,195	17,114	9.5%	Sales Tax 2%	181,081	198,195	17,114	9.5%	2,232,600	2,288,700	2,288,700	
38,872	33,496	(5,377)	-13.8%	Use Tax 2% (f)	38,872	33,496	(5,377)	-13.8%	394,000	417,300	417,300	
914,613	854,092	(60,521)	-6.6%	State Education Property Tax	914,613	854,092	(60,521)	-6.6%	1,807,100	1,829,400	1,829,400	
17,228	16,311	(917)	-5.3%	Real Estate Transfer Tax	17,228	16,311	(917)	-5.3%	124,900	133,600	133,600	
0	0	0	na	Lottery Transfer (b)	0	0	0	na	750,000	744,700	744,700	
10,069	10,431	362	3.6%	Casino Wagering Tax	10,069	10,431	362	3.6%	114,700	106,300	106,300	
0	0	0	na	Liquor Excise Tax	0	0	0	na	40,300	41,200	41,200	
33,950	31,166	(2,784)	-8.2%	Cigarette/Tobacco Tax	33,950	31,166	(2,784)	-8.2%	374,400	364,800	364,800	
9,641	8,648	(993)	-10.3%	Indus. & Comm. Facilities Taxes	9,641	8,648	(993)	-10.3%	42,900	43,900	43,900	
705	2,885	2,179	na	Specific Other	705	2,885	2,179	na	17,100	17,100	17,100	
158,488	161,060	2,572	1.6%	Income Tax Earmarking	158,488	161,060	2,572	1.6%	\$2,103,400	\$2,239,100	\$2,239,100	
\$1,598,106	\$1,569,997	(\$28,109)	-1.8%	TOTAL SCHOOL AID FUND	\$1,598,106	\$1,569,997	(\$28,109)	-1.8%	\$10,876,100	\$11,169,500	\$11,169,500	
\$570,178	\$621,052	\$50,873	8.9%	SALES TAX 6%	\$570,178	\$621,052	\$50,873	8.9%	\$7,023,900	\$7,194,100	\$7,194,100	
389,097	422,856	33,759	8.7%	SALES TAX 4%(d)	389,097	422,856	33,759	8.7%	4,791,300	4,905,400	4,905,400	
181,081	198,195	17,114	9.5%	SALES TAX 2%	181,081	198,195	17,114	9.5%	2,232,600	2,288,700	2,288,700	
55,612	100,487	44,874	80.7%	USE TAX 6% (f)	55,612	100,487	44,874	80.7%	1,182,100	1,252,000	1,252,000	
84,036	77,143	(6,892)	-8.2%	TOBACCO TAXES	84,036	77,143	(6,892)	-8.2%	961,700	941,600	941,600	
0	0	0	na	TOBACCO SETTLEMENT	0	0	0	na	na	na	na	

continued

Revenue Summary FY 2012-13
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: October 31, 2012

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
October		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		FY 2011-12	FY 2012-13	FY 2012-13
2011	2012	Amount	Percent		FY 2011-12	FY 2012-13	Amount	Percent	May 2012	Statutory	May 2012
									Consensus	Estimate	Consensus
Major Transportation Revenues											
\$12,513	\$11,611	(\$902)	-7.2%	Diesel Fuel / Motor Carrier Fuel Tax	\$12,513	\$11,611	(\$902)	-7.2%	\$127,000	\$128,500	\$128,500
71,862	66,642	(5,220)	-7.3%	Gasoline	71,862	66,642	(5,220)	-7.3%	828,500	825,500	825,500
63,402	69,943	6,541	10.3%	Motor Vehicle Registration	63,402	69,943	6,541	10.3%	868,000	877,000	877,000
4,102	3,415	(687)	-16.7%	Other Taxes, Fees & Misc.	4,102	3,415	(687)	-16.7%	183,076	164,524	164,524
8,024	8,694	669	8.3%	Comprehensive Transportation (c)	8,024	8,694	669	8.3%	103,320	104,322	104,322
<u>\$159,904</u>	<u>\$160,305</u>	<u>\$401</u>	<u>0.3%</u>	TOTAL MAJOR TRANS. REVENUES	<u>\$159,904</u>	<u>\$160,305</u>	<u>\$401</u>	<u>0.3%</u>	<u>\$2,109,896</u>	<u>\$2,099,845</u>	<u>\$2,099,845</u>
Lottery Sales By Games											
59,046	58,058	(988)	-1.7%	Instant Games	59,046	58,058	(988)	-1.7%	na	na	na
55,727	51,008	(4,719)	-8.5%	Daily Games	55,727	51,008	(4,719)	-8.5%	na	na	na
26,670	22,762	(3,907)	-14.7%	Lotto and Big Game	26,670	22,762	(3,907)	-14.7%	na	na	na
1,050	920	(131)	-12.4%	Keno Game	1,050	920	(131)	-12.4%	na	na	na
519	0	(519)	-100.0%	Lucky Lines Game	519	0	(519)	-100.0%	na	na	na
(0)	0	0	na	Millionaires Raffle	(0)	0	0	na	na	na	na
44,673	44,109	(565)	-1.3%	Club Games	44,673	44,109	(565)	-1.3%	na	na	na
<u>\$187,685</u>	<u>\$176,857</u>	<u>(\$10,828)</u>	<u>-5.8%</u>	TOTAL LOTTERY SALES	<u>\$187,685</u>	<u>\$176,857</u>	<u>(\$10,828)</u>	<u>-5.8%</u>	<u>na</u>	<u>na</u>	<u>na</u>

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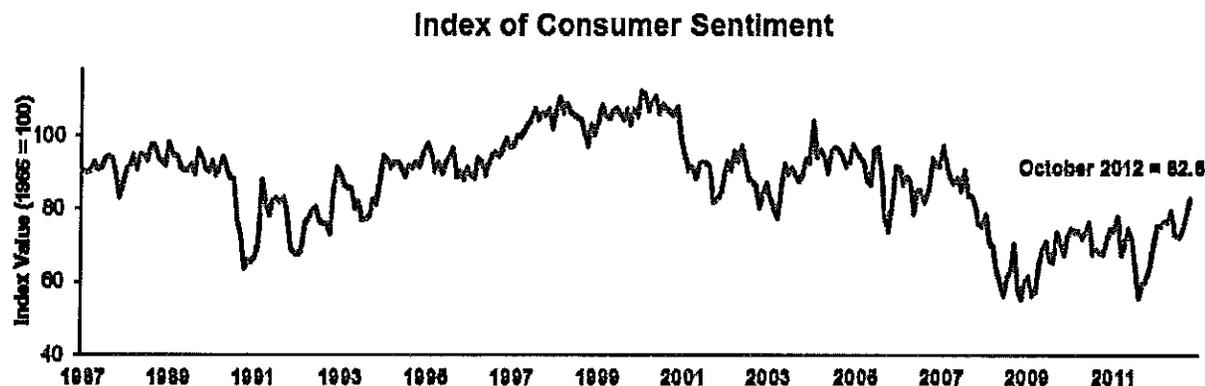
- a GF-GP Sales has been estimated based on CTF and Health Initiative shares.
- b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.
- c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).
- d 2% collections adjusted to reflect exemption on residential utilities.
- e Non-tax revenue items other than interest are estimates.
- f Starting in April 2009, per P.A. 440 of 2008, totals include revenue from expanded use tax collections.

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



Source: University of Michigan, Survey Research Center

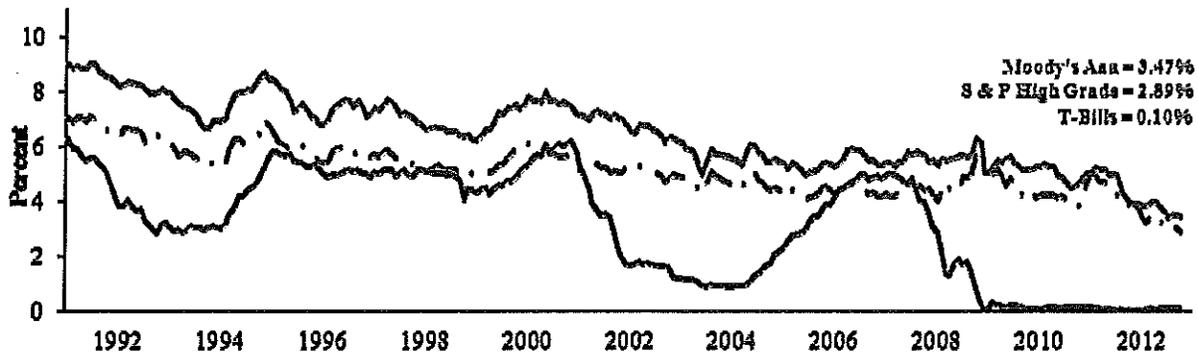
The *Index of Consumer Sentiment* rose in October to 82.6 index-points, 4.3 index-points above the August value and 21.8 index-points above October 2011. On the increase in confidence, Survey Director Richard Curtin observed, "Consumers were more optimistic about prospects for their own personal finances, anticipated continued improvement in the national economy, and expected the unemployment rate to decline significantly during the year ahead. Overall, consumers were more confident about economic prospects in October than any other time during the past five years." Curtin reported, "Consumers judged their current financial situation more favorably in October than anytime in the past five years. More households reported income gains, and more consumers reported net gains in their home's value than during the past four years. Moreover, for the first time since the November 2008 survey, more than half (52%) of all consumers anticipated an increase in their household income during the year ahead." On durable goods purchases, Curtin noted, "Buying attitudes toward durables, vehicles, and homes posted small declines in October, although they remained more favorable than a year ago. The small declines were due to declines in the availability of price discounts. Importantly, favorable references to advance buying are still completely dominated by the appeal of low prices as well as low interest rates." In October, consumers in three of the four regions reported an increase in confidence. Midwestern consumers reported the largest increase in confidence of 11.9 index-points while Northeastern consumers reported an increase in confidence of 4.9 index-points. The gap across regions decreased from last month to 11.8 index-points, with Midwestern consumers on top and Northeastern consumers on the bottom.

The advanced estimate of real *Gross Domestic Product* for the third quarter of 2012 is \$13,616.2 billion (chained 2005 dollars), an increase of 2.0 percent at an annual rate. In the second quarter of 2012, real gross domestic product increased 1.3 percent. The increase in third quarter real GDP was mainly due to personal consumption expenditures, federal government spending, and residential fixed investment. Imports, which are a subtraction in calculating GDP, decreased. Real personal consumption expenditures increased 2.0 percent in the third quarter, compared to a 1.5 percent increase in the second quarter. Real residential fixed investment increased 14.4 percent in the third quarter compared to an increase of 8.5 percent in the second quarter. Real nonresidential fixed investment decreased 1.3 percent in the third quarter while equipment and software decreased 0.1 percent. Real federal government expenditures increased 9.6 percent in the third quarter, compared to

a 0.2 percent decrease in the second quarter. Real state and local government spending decreased 0.1 percent in the third quarter, compared to a decrease of 1.0 percent in the second quarter. Exports of goods and services decreased 1.6 percent in the third quarter, compared to a 5.3 percent increase in the second quarter. Imports decreased 0.2 percent in the third quarter compared to an increase of 2.8 percent in the second quarter. Private inventory investment increased \$34.1 billion in the third quarter, following a \$41.4 billion increase in the second quarter. Real final sales increased 2.1 percent in the third quarter compared to an increase of 1.7 percent in the second quarter. On the inflation front, the **implicit price deflator** increased 2.9 percent in the third quarter compared to a 1.5 percent increase observed in the second quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.1 percent in October, down from the 0.1 percent increase in September. Energy prices decreased by 0.2 percent in October, down from a 4.5 percent increase in September, while the all-items less food and energy component increased 0.2 percent in October. Compared to October 2011, the all-items index increased 2.2 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 1.7 percent; medical care, 3.7 percent; apparel, 2.9 percent; education and communication, 1.5 percent; other goods and services, 1.9 percent; housing, 1.6 percent; recreation, 1.3 percent; and transportation, 4.0 percent, with gasoline prices up 9.1 percent.

Selected Key Interest Rates



Source: Economic Indicators

Short-term interest rates remained unchanged in October as the 3-month Treasury bill (T-bill) rate was 0.10 percent. Compared to one year ago, the T-bill rate was up 0.08 percentage point. The Aaa corporate bond rate, a long-term interest rate, decreased 0.02 percentage point to an interest yield of 3.47 percent in October. The Aaa bond yield was down 0.51 percentage point from its year-ago level. The interest rate on High-grade municipal bonds decreased 0.13 percentage point from the September level to 2.89 percent in October, and was down 1.05 percentage points from its year-ago level. The Federal Open Market Committee (FOMC) kept the target range for the federal funds rate between 0 and 0.25 percent at the October 24th meeting. The FOMC stated "the Committee decided today to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that exceptionally low levels for the federal funds rate are likely to be warranted at least through mid-2015." The Committee "will closely monitor incoming information on economic and financial developments in coming months."

In October, the **U. S. unemployment rate** increased 0.1 percentage point from a month ago to 7.9 percent and was 1.0 percentage point lower than a year ago. Civilian employment totaled 143.4 million persons in October. The number unemployed was 12.3 million nationwide.

Unemployment Rates 2008 - 2012



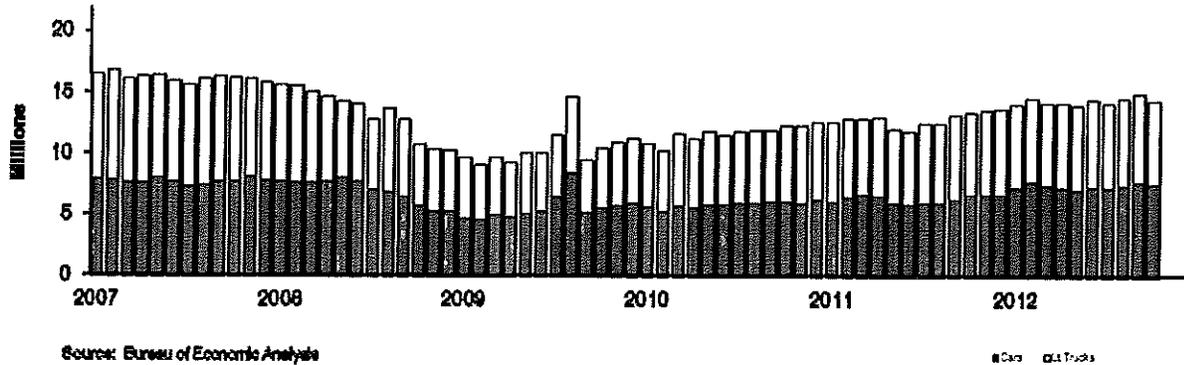
Source: Bureau of Labor Statistics and Michigan Department of Technology, Management & Budget

In October, the Michigan jobless rate decreased 0.2 percentage point from 9.3 percent in September to 9.1 percent. The October unemployment rate is 0.8 percentage point below the year ago level. In October, the labor force increased by 7,000 to 4,674,000, while the number of people employed increased by 13,000 to 4,247,000. In October, there were 427,000 unemployed people. Monthly unemployment rates fluctuate in part due to statistical sampling errors.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), increased 0.5 percent from August to October compared to a 1.2 percent increase from June to August. The all-items less food and energy index increased 0.8 percent from August to October. The food index increased 0.6 percent from August to October while the energy index decreased 1.8 percent. Compared to October 2011, the all-items index increased 2.4 percent. For individual component items, the changes from one year ago were: food and beverages, 0.4 percent; apparel, -0.6 percent; education and communication, 1.0 percent; transportation, 5.2 percent; recreation, 9.6 percent; medical care, 3.3 percent; housing, 1.9 percent; and other goods and services, 1.2 percent.

Motor Vehicle Sector

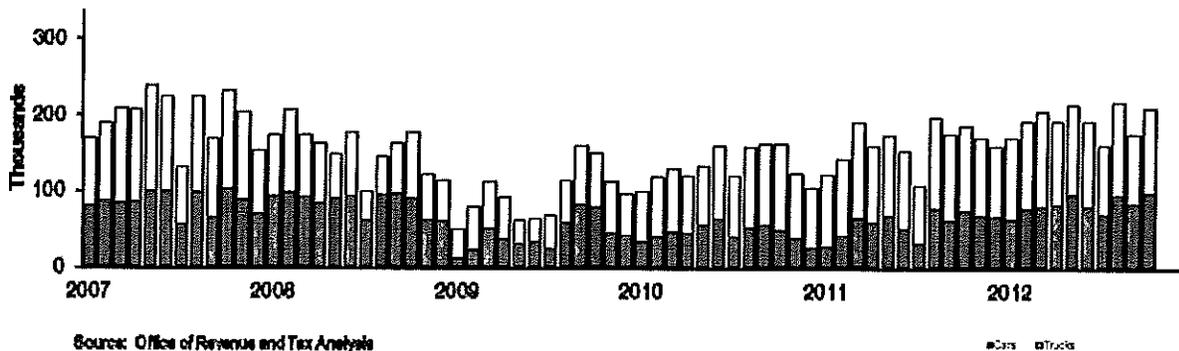
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) decreased 4.4 percent in October compared to September, selling at a 14.2 million unit seasonally adjusted annual rate. Domestic car sales decreased 1.8 percent while domestic light truck sales decreased 4.6 percent. Import car sales decreased 5.7 percent while import light truck sales decreased 12.8 percent. Compared to last year, light vehicle sales increased 7.0 percent. Domestic car sales were up 16.2 percent while domestic light truck sales increased 1.4 percent. Import car sales were up 8.5 percent while import truck sales decreased 4.7 percent from last year. As a result, the domestic share of U.S. light vehicle sales decreased 0.2 percentage points from a year ago. For fiscal year 2013 year-to-date, domestic light vehicles recorded a 78.1 percent share of a 14.2 million-unit market.

Michigan motor vehicle production increased to 209,101 units in October from 174,041 units last month. From a year ago, motor vehicle production increased 13 percent in Michigan and rose 19 percent nationally. In October, Michigan's car production was 96,874 units while the state's truck production was 112,227 units. Compared with a year ago, car production increased 32 percent in Michigan and rose 34 percent nationwide. The state's truck production increased 0.2 percent while national truck production increased 9.1 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 16, 2012 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	<u>Fiscal Year 2010-11 Actual</u>	<u>Fiscal Year 2011-12 Estimate</u>	<u>Fiscal Year 2012-13 Estimate</u>
Applicable Calendar Year Personal Income	\$345,933	\$342,663	\$360,482
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	<u>\$32,829.0</u>	<u>\$32,518.7</u>	<u>\$34,209.7</u>
Revenue Limit	\$32,829.0	\$32,518.7	\$34,209.7
State Revenue Subject to Limit	<u>\$27,248.2</u>	<u>\$26,512.3</u>	<u>\$26,908.5</u>
Amount Under (Over) Limit	\$5,580.8	\$6,006.4	\$7,301.2

Sources:

Personal Income Estimate

The FY 2010-11 calculation uses the official personal income estimate for calendar year 2009 (Survey of Current Business, October 2010).

The FY 2011-12 calculation uses the May 16, 2012 Consensus Revenue Agreement.

The FY 2012-13 calculation uses the May 16, 2012 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2010-11 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2011.

The FY 2011-12 calculation uses the May 16, 2012 Consensus Revenue Agreement.

The FY 2012-13 calculation uses the May 16, 2012 Consensus Revenue Agreement.

Column detail may not add to totals because of rounding

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