



STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

RICK SNYDER  
GOVERNOR

JOHN E. NIXON, CPA  
DIRECTOR

October 30, 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 September 30, 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](http://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 2012  
Projected Revenues and Expenditures  
September 30, 2012  
(\$ in millions)

		FISCAL 2012
<b>Beginning Balance, October 1, 2011</b>		see one-time revenue
<b>Current Year GF/GP Revenues, May 2012 Consensus Estimate</b>	\$	9,064.4
<b>Revenue Adjustments:</b>		
Local Government Program Payments	\$	(300.0)
Use Tax on Medicaid managed care (PA 141 of 2011)	\$	192.6
Use Tax exemption on items attached outside Michigan (PA 299 of 2012)	\$	(2.0)
Other Revenue Adjustments	\$	2.1
<b>Subtotal Additional Revenue Adjustments</b>	<b>\$</b>	<b>(107.3)</b>
<b>Total FY Resources Available For Expenditure GF/GP - Ongoing</b>		<b>8,957.1</b>
<b>Expenditures, Current Law:</b>		
FY 2012 Enacted with Vetoes	\$	8,321.9
Supplemental Request (letter 2012-19)	\$	(87.8)
<b>Total Expenditures Projected - Ongoing</b>	<b>\$</b>	<b>8,234.1</b>
<b>Current Year Revenues minus Ongoing Costs</b>	<b>\$</b>	<b>723.0</b>
<b>One-Time Revenue and Expenditures:</b>		
<b>Beginning Balance (One-Time Revenue)</b>	<b>\$</b>	<b>553.7</b>
Supplemental Request (letter 2012-19)	\$	0.9
<b>Total FY Resources Available For Expenditure GF/GP - One-Time</b>	<b>\$</b>	<b>554.6</b>
<b>One-Time Spending Items:</b>		
PA 62 and PA 63 of 2011; PA 89, PA 201, PA 236, PA 296 of 2012, and Enrolled House Bill 5400	\$	588.5
Estimated lapses	\$	(40.0)
<b>Total Expenditures Projected - One-Time</b>	<b>\$</b>	<b>548.5</b>
<b>One-Time Revenue minus One-Time Spending</b>	<b>\$</b>	<b>6.1</b>
<b>Projected Ending Balance, September 30, 2012</b>	<b>\$</b>	<b>729.1</b>

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 2012**  
**Projected Revenues and Expenditures**  
**September 30, 2012**  
(\$ in millions)

**FISCAL**  
**2012**

<b>Beginning Balance , October 1, 2011</b>	<b>see one-time revenue</b>
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<b>Current Year School Aid Fund Revenues, May 2012 Consensus Estimate</b>	<b>\$</b>	<b>10,876.1</b>
<b>Revenue Adjustments:</b>		
General Fund	\$	118.6
PA 201 of 2012 Adjustment to General Fund	\$	(40.0)
PA 299 of 2012 Use Tax: Exempt Items Attached Outside Michigan	\$	(1.0)
Federal Revenue	\$	1,658.0
<b>Subtotal Additional Revenue Adjustments</b>	<b>\$</b>	<b>1,735.7</b>
<b>Total FY Resources Available for Expenditure School Aid Fund</b>	<b>\$</b>	<b>12,611.8</b>

<b>School Aid Ongoing Costs</b>		
PA 62 of 2011	\$	12,198.9
PA 29 of 2012	\$	68.4
PA 201 of 2012	\$	2.9
<b>School Aid Ongoing Costs</b>	<b>\$</b>	<b>12,270.2</b>
<b>Community Colleges Ongoing Costs</b>		
PA 62 of 2011	\$	195.9
<b>Universities Ongoing Costs</b>		
PA 62 of 2011	\$	200.0
<b>Total School Aid Fund Ongoing Costs Projected</b>	<b>\$</b>	<b>12,666.1</b>

<b>Current Year Revenues minus Ongoing Costs</b>	<b>\$</b>	<b>(54.3)</b>
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<b>Beginning Balance (One-Time Revenue)</b>	<b>\$</b>	<b>724.7</b>
<b>One-Time Spending Items</b>		
PA 62 of 2011	\$	460.2
PA 29 of 2012	\$	16.5
<b>Total School Aid Fund Spending - One-Time</b>	<b>\$</b>	<b>476.7</b>
<b>One-Time Revenue minus One-Time Spending</b>	<b>\$</b>	<b>248.0</b>

<b>Projected Ending Balance, September 30, 2012</b>	<b>\$</b>	<b>193.7</b>
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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.

**SUMMARY OF EXPENDITURES AND ENCUMBRANCES  
GENERAL FUND GROSS**

September 30, 2012  
(\$ IN MILLIONS)

**FISCAL YEAR 2011**

**FISCAL YEAR 2012**

Exp & Enc September 2011	Exp & Enc Yr-to-date FY 2011	Fiscal Year End SEP 30, 2011	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc September 2012	Exp & Enc Yr-to-date FY 2012
6.9	59.2	60.2	Agriculture and Rural Development	69.9	13.8	6.9	60.0
7.4	60.9	62.9	Attorney General	73.6	15.8	7.6	70.6
0.8	234.9	235.3	Capital Outlay**	279.1	4.6	2.2	240.3
1.0	11.0	11.5	Civil Rights	13.7	3.2	1.4	12.4
1.3	1,868.7	1,865.2	Colleges & Universities	1,250.2	1.9	0.5	1,239.9
1,218.2	13,017.6	14,302.1	Community Health	14,154.6	507.9	1,091.8	12,960.3
180.0	1,862.5	1,934.9	Corrections	1,915.2	99.4	177.4	1,908.7
9.7	89.2	105.2	Education	117.3	188.3	47.1	262.8
21.8	162.5	160.5	Environmental Quality	385.0	61.4	21.2	172.3
0.6	4.7	4.5	Executive Office	4.4	0.2	0.8	5.0
573.3	6,156.7	6,200.1	Human Services	6,793.4	111.0	472.9	5,669.4
14.8	199.7	231.2	Judiciary	257.0	3.2	21.2	206.1
1.8	16.2	16.7	Legislative Auditor General	15.6	1.3	2.0	17.9
10.0	111.8	96.4	Legislature	100.3	13.4	7.7	104.5
76.3	823.7	802.0	Licensing and Regulatory Affairs	568.2	119.1	46.8	424.9
11.3	124.1	120.9	Military Affairs	129.2	25.4	13.4	124.7
8.0	45.5	58.4	Natural Resources	93.3	21.9	4.9	56.4
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
23.0	175.0	172.3	State	210.9	18.5	25.4	174.1
57.7	451.4	474.7	State Police	523.6	37.8	57.7	465.2
20.0	223.5	305.2	Technology, Management & Budget***	522.9	197.5	55.3	578.4
0.0	0.0	0.0	Transportation	0.0	0.5	0.0	0.0
1,155.7	2,624.3	3,069.0	Treasury	1,476.8	190.0	40.0	1,743.8
(0.6)	32.1	32.1	Michigan Strategic Fund	59.0	88.1	86.6	135.3
<b>\$3,399.0</b>	<b>\$28,355.2</b>	<b>\$30,321.3</b>		<b>\$29,013.3</b>	<b>\$1,724.2</b>	<b>\$2,190.8</b>	<b>\$26,633.1</b>

\*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 2012  
September, 2012  
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,144.0	159.1	15,303.1
Total state spending from state resources	27,212.5	539.3	27,751.8
Percentage of state spending from state resources paid to local units	55.65%		55.14%
Required payments to local units (48.97%)	13,326.0		13,590.1
<b>Surplus/(deficit)</b>	<b>\$1,818.0</b>		<b>\$1,713.0</b>

STATE OF MICHIGAN  
 YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES  
 COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND  
 OCTOBER 1, 2011 THROUGH SEPTEMBER 30, 2012  
 (in thousands)

**REVENUES**

Miscellaneous		\$ <u>98</u>
Total Revenues		<u>98</u>

**EXPENDITURES**

Current:		
General government		<u>-</u>
Total Expenditures		<u>-</u>
Excess of Revenues over (under) Expenditures		<u>98</u>

**OTHER FINANCING SOURCES (USES)**

Transfers from other funds		362,700
Transfers to other funds		<u>-</u>
Total Other Financing Sources (Uses)		<u>362,700</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		<u>\$ 362,798 <sup>1</sup></u>

<sup>1</sup> 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, 2011 THROUGH SEPTEMBER 30, 2012  
 (in thousands)

**REVENUES**

Taxes	\$	-
From federal agencies		-
From licenses and permits		-
Miscellaneous		<u>56,558</u>
Total Revenues		<u>56,558</u>

**EXPENDITURES**

Current:		
General government		1,136
Conservation, environment, recreation, and agriculture		1,694
Capital outlay		<u>33,439</u>
Total Expenditures		<u>36,269</u>
Excess of Revenues over (under) Expenditures		<u>20,289</u>

**OTHER FINANCING SOURCES (USES)**

Proceeds from bond issues		-
Proceeds from sale of capital assets		38
Transfers from other funds		-
Transfers to other funds		<u>(36)</u>
Total Other Financing Sources (Uses)		<u>2</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$	<u>20,291</u> <sup>1</sup>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

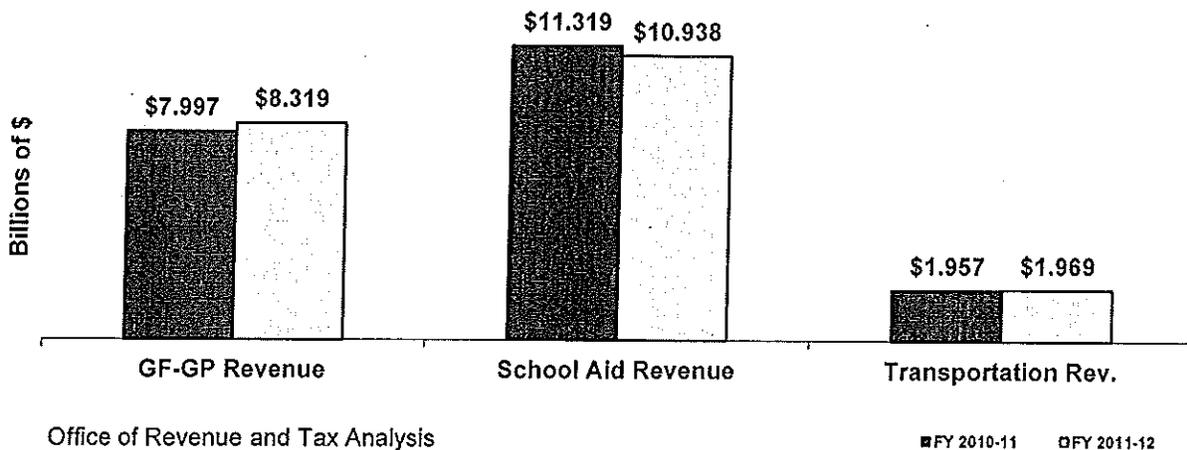
**REVENUE OVERVIEW**  
Office of Revenue and Tax Analysis  
Michigan Department of Treasury

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

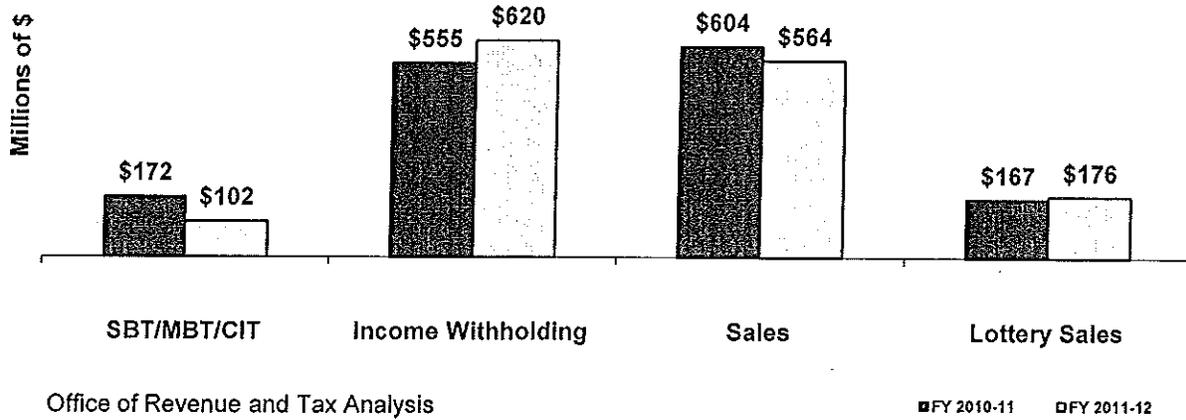
Total General Fund - General Purpose cash collections were \$21.1 million (2.6 percent) higher in September 2012 than in September 2011. The September 2012 School Aid Fund cash collections were \$106.2 million (8.5 percent) lower than in September 2011. September 2012 transportation collections were \$16.7 million (9.6 percent) lower than in September 2011 (see revenue table). September is the twelfth 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 \$322.3 million (4.0 percent) from a year ago. School Aid Fund cash collections are down \$381.3 million (3.4 percent) and transportation collections are up \$12.8 million (0.7 percent).

The FY 2011-12 revenue projections presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 16, 2012. The revenue estimate for net General Fund – General Purpose revenue for FY 2011-12 is \$9,064.4 million and the net School Aid revenue forecast is \$10,876.1 million. The Transportation Funds revenue forecast is \$2,109.9 million. The next regularly scheduled Consensus Revenue Estimating Conference will be held on January 11, 2013.

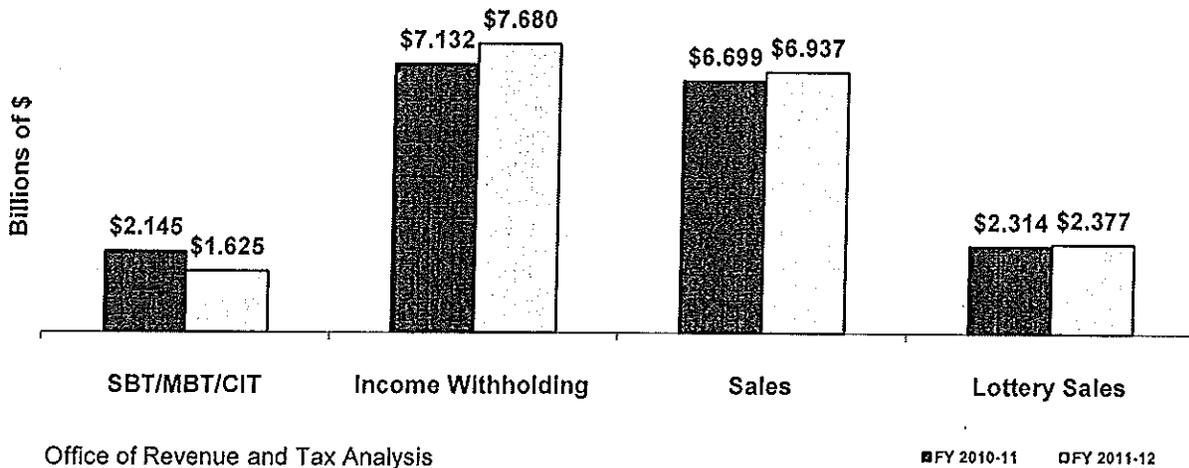
**October through September Collections  
FY 2010-11 and FY 2011-12**



### September Revenue Collections FY 2010-11 and FY 2011-12



### October through September Collections FY 2010-11 and FY 2011-12





Revenue Summary FY 2011-12  
General Fund-General Purpose, School Aid, and Transportation Funds  
(in thousands)

For The Month Ended: September 30, 2012

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH SEPTEMBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS					
September		Difference		Year-to-Date		Difference		FY 2010-11		FY 2011-12		FY 2011-12	
2011	2012	Amount	Percent	FY 2010-11	FY 2011-12	Amount	Percent	Actual Totals	Statutory Estimate (ft)	May 2012	Consensus		
\$2,548	\$1,667	(\$881)	-34.6%	\$11,675	\$20,500	\$8,825	75.6%	\$17,300	\$23,000	\$20,000			
(60)	83	143	na	(181)	850	1,031	na	2,400	400	1,000			
67	917	849	na	2,598	10,625	8,027	na	11,900	9,500	11,000			
656	1,667	1,011	na	3,857	20,000	16,143	na	15,400	22,000	20,000			
(344)	(963)	(619)	180.0%	(1,465)	(2,331)	(867)	-59.2%	(6,500)	(15,000)	(2,100)			
11,333	10,667	(667)	-5.9%	137,833	130,000	(7,833)	-5.7%	109,200	138,000	128,000			
13,333	13,933	600	4.5%	161,250	165,400	4,150	2.6%	164,300	163,000	167,200			
3,292	6,842	3,550	108.0%	45,242	74,750	29,508	65.2%	224,700	47,500	82,100			
\$30,825	\$34,812	\$3,987	12.9%	\$360,810	\$419,794	\$58,984	16.3%	\$538,700	\$388,400	\$427,200			
\$801,055	\$822,109	\$21,055	2.6%	\$7,996,776	\$8,319,121	\$322,345	4.0%	\$8,813,000	\$7,805,800	\$9,064,400			
<b>SCHOOL AID FUND</b>													
\$246,525	\$230,834	(\$15,691)	-6.4%	\$2,740,590	\$2,839,129	\$98,539	3.6%	2,745,500	2,721,400	2,874,800			
192,654	178,909	(13,745)	-7.1%	2,130,916	2,204,929	74,013	3.5%	2,133,000	2,110,400	2,232,600			
65,869	27,629	(38,240)	-58.1%	775,128	557,169	(217,959)	-28.1%	367,000	423,300	394,000			
30,746	0	(30,746)	-100.0%	355,960	0	(355,960)	-100.0%	739,200	0	0			
419,408	361,831	(37,577)	-9.0%	1,956,287	1,779,838	(176,448)	-9.0%	1,845,100	1,829,000	1,807,100			
11,181	16,947	5,765	51.6%	118,232	143,851	25,619	21.7%	123,200	138,000	124,900			
60,000	70,000	10,000	16.7%	665,000	710,000	45,000	6.8%	727,200	739,400	750,000			
8,510	7,796	(713)	-8.4%	113,772	115,020	1,248	1.1%	114,000	119,500	114,700			
3,374	4,097	724	21.5%	35,350	38,186	2,836	8.0%	39,100	39,800	40,300			
36,857	36,260	(596)	-1.6%	392,662	391,986	(666)	-0.2%	376,200	365,100	374,400			
9,503	6,331	(3,172)	-33.4%	43,866	37,099	(6,768)	-15.4%	43,600	43,900	42,900			
1,603	937	(666)	-41.5%	18,936	16,587	(2,350)	-12.4%	22,500	17,100	17,100			
167,087	185,560	18,473	11.1%	1,972,798	2,104,416	131,618	6.7%	\$1,972,500	\$2,099,600	\$2,103,400			
\$1,253,316	\$1,147,132	(\$106,184)	-8.5%	\$11,319,497	\$10,938,219	(\$381,278)	-3.4%	\$11,248,100	\$10,645,400	\$10,876,100			
\$603,529	\$563,633	(\$39,896)	-6.6%	\$6,698,566	\$6,936,810	\$238,244	3.6%	\$6,709,000	\$6,646,100	\$7,023,900			
410,875	384,724	(26,151)	-6.4%	4,567,650	4,731,981	164,231	3.6%	4,576,000	4,535,700	4,791,300			
192,654	178,909	(13,745)	-7.1%	2,130,916	2,204,929	74,013	3.5%	2,133,000	2,110,400	2,232,600			
135,904	82,876	(53,028)	-39.0%	1,558,966	1,288,578	(270,388)	-17.3%	1,101,100	1,269,900	1,182,100			
190,730	10,000	(180,730)	-94.8%	2,129,444	1,240,009	(889,435)	-41.8%	2,083,200	554,200	713,600			
91,229	89,754	(1,476)	-1.6%	971,935	970,287	(1,647)	-0.2%	968,200	940,800	961,700			
0	0	0	na	187,654	194,430	6,576	3.5%	na	na	na			

continued

Revenue Summary FY 2011-12  
General Fund-General Purpose, School Aid, and Transportation Funds  
(in thousands)

For The Month Ended: September 30, 2012

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH SEPTEMBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS							
September		Difference		Year-to-Date		Difference		FY 2010-11		FY 2011-12		FY 2011-12		FY 2011-12	
2011	2012	Amount	Percent	FY 2010-11	FY 2011-12	Amount	Percent	Totals	Statutory Estimate (f)	Consensus	Statutory Estimate (f)	Consensus	Statutory Estimate (f)	Consensus	
SOURCE OF REVENUE															
Major Transportation Revenues															
\$11,816	\$10,296	(\$1,520)	-12.9%	\$123,521	\$126,573	\$3,051	2.5%	\$125,598	\$124,000	\$127,000	\$124,000	\$127,000	\$124,000	\$127,000	
80,518	69,886	(10,632)	-13.2%	832,652	819,462	(13,190)	-1.6%	831,718	841,000	828,500	841,000	828,500	841,000	828,500	
69,644	64,953	(4,691)	-6.7%	860,846	876,081	15,235	1.8%	859,675	844,000	868,000	844,000	868,000	844,000	868,000	
4,411	3,809	(602)	-13.6%	46,741	47,045	304	0.6%	120,853	229,122	183,076	229,122	183,076	229,122	183,076	
7,872	8,610	738	9.4%	92,829	100,229	7,401	8.0%	91,065	96,291	103,320	96,291	103,320	96,291	103,320	
\$174,261	\$157,554	(\$16,707)	-9.6%	\$1,956,589	\$1,969,389	\$12,801	0.7%	\$2,028,909	\$2,134,413	\$2,109,896	\$2,134,413	\$2,109,896	\$2,134,413	\$2,109,896	
TOTAL MAJOR TRANS. REVENUES															
Lottery Sales By Games															
51,460	57,497	6,037	11.7%	732,165	761,019	28,854	3.9%	na	na	na	na	na	na	na	
50,762	49,779	(983)	-1.9%	678,080	670,858	(7,221)	-1.1%	na	na	na	na	na	na	na	
21,954	26,340	4,376	19.9%	347,080	380,834	33,755	9.7%	na	na	na	na	na	na	na	
977	898	(80)	-8.2%	12,411	12,189	(223)	-1.8%	na	na	na	na	na	na	na	
483	0	(483)	-100.0%	8,012	1,625	(6,387)	-79.7%	na	na	na	na	na	na	na	
2,307	0	(2,307)	-100.0%	14,610	6,788	(7,822)	-53.5%	na	na	na	na	na	na	na	
39,520	41,342	1,822	4.6%	521,782	544,185	22,404	4.3%	na	na	na	na	na	na	na	
\$167,474	\$175,856	\$8,381	5.0%	\$2,314,139	\$2,377,498	\$63,359	2.7%	na	na	na	na	na	na	na	
TOTAL LOTTERY SALES															

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 MBT and Use tax GF/SAF distributions adjusted for P.A. 106 of 2009.

g Starting in April 2009, per P.A. 440 of 2008, totals include revenue from expanded use tax collections.

h Income taxes, Withholding tax, Michigan Business tax, and Corporate Income tax estimates have been adjusted to reflect tax changes since May 2011 Consensus.

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

#### Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

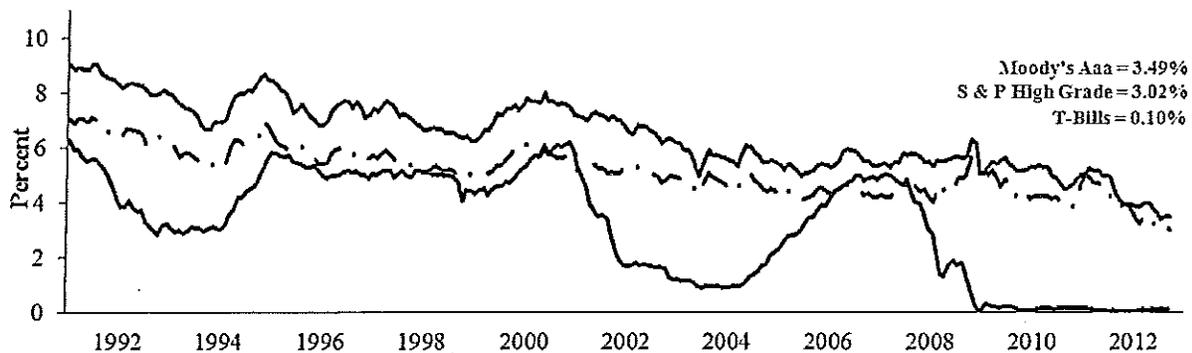
The *Index of Consumer Sentiment* rose in September to 78.3 index-points, 4.0 index-points above the August value and 18.8 index-points above September 2011. On the increase in confidence, Survey Director Richard Curtin noted, "Consumers reported hearing more news about job gains than job losses in the September survey for the first time since the May survey. When specifically asked about expected job changes in the unemployment rate, more consumers expected it to decline than to increase; in last September's survey, more than three times as many expected increases as declines. Twice as many consumers anticipated economic growth as expected renewed declines, the opposite of the views they held one year ago." Curtin also reported, "Personal finance remains on a rocky road for most American families. Just 29% reported their financial situation had improved in September, between last month's 30% and the 26% recorded last year. While no net income gains were recently reported, consumers more frequently mentioned that their finances had benefitted from a reduction on their debt levels as well as from an increase in the value of their assets, largely due to increases in home values and stock prices." On home sales, Curtin observed, "Low mortgage rates have invigorated home buying and people's reluctance to sell their current home to purchase another has also receded. Although home selling conditions were still thought to be unfavorable by 81%, that was the lowest percent in five years, with the fewest complaints about reduced selling prices in more than 50 months." In September, consumers in all four regions reported an increase in confidence. Western consumers reported an increase in confidence of 8.6 index-points while Northeastern consumers reported an increase in confidence of 3.7 index-points. The gap across regions increased from last month to 12.0 index-points, with Western consumers on top and Northeastern consumers on the bottom.

The revised estimate of real *Gross Domestic Product* for the second quarter of 2012 is \$13,548.5 billion (chained 2005 dollars), an increase of 1.3 percent at an annual rate. In the first quarter of 2012, real gross domestic product increased 2.0 percent. The increase in second quarter real GDP was mainly due to personal consumption expenditures, exports, non-residential fixed investment, and residential fixed investment. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 1.5 percent in the second quarter, compared to a 2.4 percent increase in the first quarter. Real residential fixed investment increased 8.5 percent in the second quarter compared to an increase of 20.5 percent in the first quarter. Real nonresidential fixed investment increased 3.6 percent in the second quarter while equipment and software increased 4.7 percent. Real federal government expenditures decreased 0.2 percent in the second quarter,

compared to a 4.2 percent decrease in the first quarter. Real state and local government spending decreased 1.0 percent in the second quarter, compared to a decrease of 2.2 percent in the first quarter. Exports of goods and services increased 5.3 percent in the second quarter, compared to a 4.4 percent increase in the first quarter. Imports increased 2.8 percent in the second quarter compared to an increase of 3.1 percent in the first quarter. Private inventory investment increased \$41.4 billion in the second quarter, following a \$56.9 billion increase in the first quarter. Real final sales increased 1.7 percent in the second quarter compared to an increase of 2.4 percent in the first quarter. On the inflation front, the implicit price deflator increased 1.5 percent in the second quarter compared to a 2.2 percent increase observed in the first quarter.

**U. S. retail prices**, as measured by the Consumer Price Index (CPI-U), increased 0.6 percent in September, the same as in August. Energy prices increased by 4.5 percent in September, down from a 5.6 percent increase in August, while the all-items less food and energy component increased 0.1 percent in September. Compared to September 2011, the all-items index increased 2.0 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 1.6 percent; medical care, 4.1 percent; apparel, 2.7 percent; education and communication, 1.5 percent; other goods and services, 1.9 percent; housing, 1.5 percent; recreation, 1.3 percent; and transportation, 3.0 percent, with gasoline prices up 6.8 percent.

#### Selected Key Interest Rates

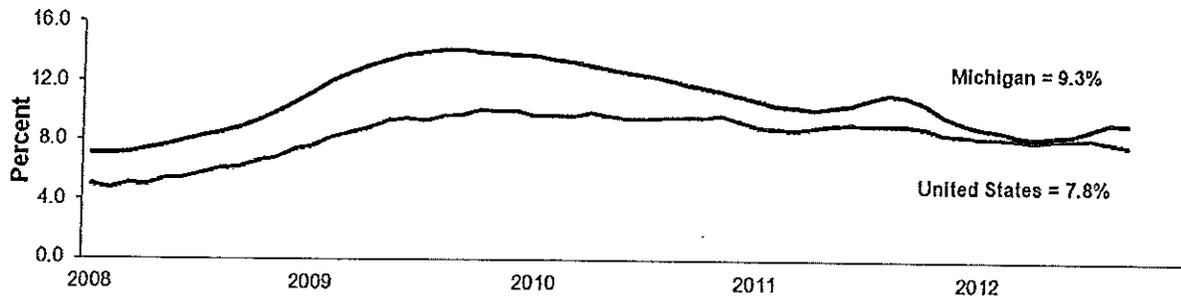


Source: Economic Indicators

Short-term interest rates decreased 0.01 percentage point in September 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, increased 0.01 percentage point to an interest yield of 3.49 percent in September. The Aaa bond yield was down 0.60 percentage point from its year-ago level. The interest rate on High-grade municipal bonds decreased 0.05 percentage point from the August level to 3.02 percent in September, and was down 0.77 percentage point 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 September 13th 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 September, the U. S. unemployment rate decreased 0.3 percentage point from a month ago to 7.8 percent and was 1.2 percentage points lower than a year ago. Civilian employment totaled 143.0 million persons in September. The number unemployed was 12.1 million nationwide.

## Unemployment Rates 2008 - 2012

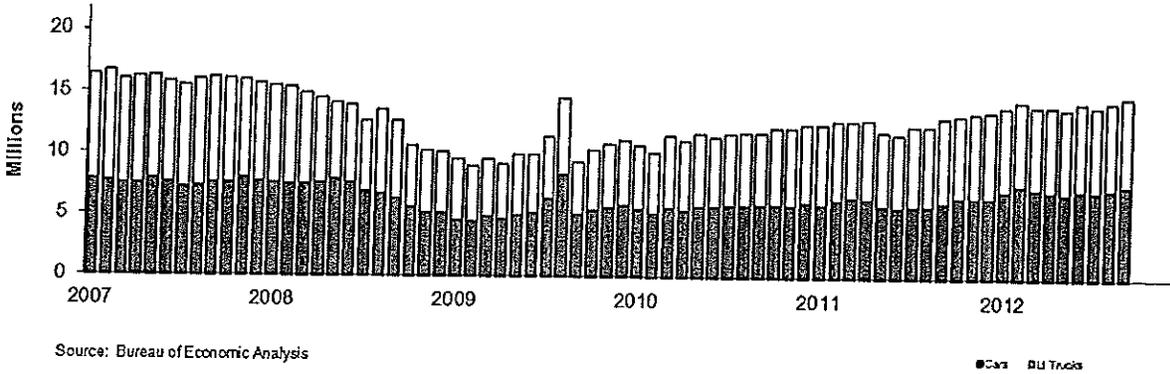


Source: Bureau of Labor Statistics and Michigan Department of Technology, Management & Budget

In September, the **Michigan jobless rate** decreased 0.1 percentage point from 9.4 percent in August to 9.3 percent. The September unemployment rate is 0.9 percentage point below the year ago level. In September, the labor force increased by 7,000 to 4,666,000, while the number of people employed increased by 11,000 to 4,233,000. In September, there were 432,000 unemployed people. Monthly unemployment rates fluctuate in part due to statistical sampling errors.

**Motor Vehicle Sector**

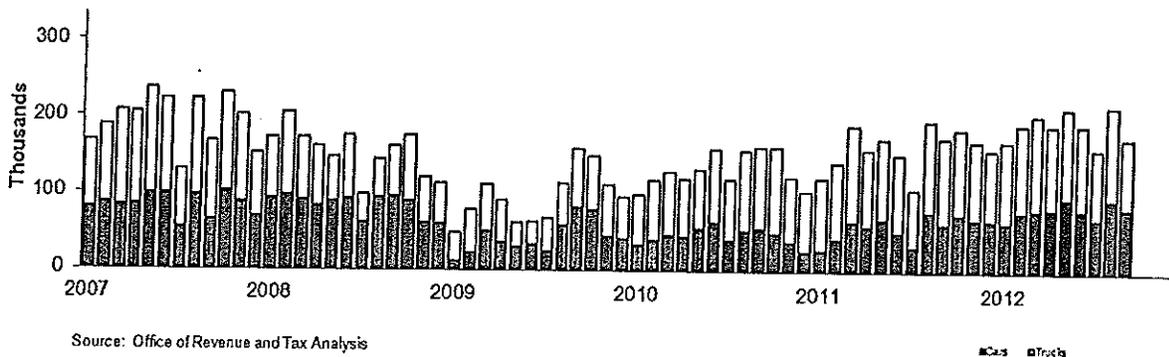
**U. S. Light Vehicle Sales**



**U.S. light vehicle sales** (cars + light trucks) increased 2.8 percent in September compared to August, selling at a 14.9 million unit seasonally adjusted annual rate. Domestic car sales decreased 1.0 percent while domestic light truck sales decreased 0.1 percent. Import car sales increased 17.1 percent while import light truck sales increased 13.5 percent. Compared to last year, light vehicle sales increased 4.7 percent. Import car sales were up 25.2 percent while domestic light truck sales increased 13.6 percent. Domestic car sales were up 20.8 percent while import truck sales increased 4.0 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 2012, domestic light vehicles recorded a 77.7 percent share of a 14.0 million-unit market.

**Michigan motor vehicle production** decreased to 174,041 units in September from 216,536 units last month. From a year ago, motor vehicle production increased 0.1 percent in Michigan and rose 3.7 percent nationally. In September, Michigan's car production was 83,008 units while the state's truck production was 91,033 units. Compared with a year ago, car production increased 34.4 percent in Michigan and rose 26.6 percent nationwide. The state's truck production decreased 18.7 percent while national truck production decreased 9.4 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 2009-10 Actual</u>	<u>Fiscal Year 2010-11 Actual</u>	<u>Fiscal Year 2011-12 Estimate</u>
Applicable Calendar Year Personal Income	\$349,612	\$345,933	\$342,663
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	<u>\$33,178.2</u>	<u>\$32,829.0</u>	<u>\$32,518.7</u>
Revenue Limit	\$33,178.2	\$32,829.0	\$32,518.7
State Revenue Subject to Limit	<u>\$25,572.6</u>	<u>\$27,248.2</u>	<u>\$26,512.3</u>
Amount Under (Over) Limit	\$7,605.6	\$5,580.8	\$6,006.4

Sources:

Personal Income Estimate

The FY 2009-10 calculation uses the official personal income estimate for calendar year 2008 (Survey of Current Business, October 2009).

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.

Revenue Subject to the Limit

The FY 2009-10 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2010.

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.

Column detail may not add to totals because of rounding

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