Consensus Revenue Agreement
Final Report
May 18, 2007

Economic and Revenue Forecasts
Fiscal Years 2007 and 2008

Principals

Gary Olson, Director
Senate Fiscal Agency

Mitch Bean, Director
House Fiscal Agency

Robert J. Kleine, State Treasurer
Michigan Department of Treasury

Staff

Jay Wortley
Senate Fiscal Agency

Rebecca Ross
House Fiscal Agency

Jeff Guilfoyle
Michigan Department of Treasury

Table of Contents

List of Tables

CONSENSUS ESTIMATES
EXECUTIVE SUMMARY
May 18, 2007

Revenue Review and Outlook

- FY 2006 General Fund-General Purpose (GF-GP) revenue decreased to $8,266.0 million, a 0.5 percent decrease over FY 2005. School Aid Fund (SAF) revenue rose 1.6 percent to $11,082.1 million.
- FY 2007 GF-GP revenue is projected to decrease 0.9 percent to $8,187.5 million. This total is $42.5 million below the January 2007 Consensus estimate. SAF revenue is projected to be essentially flat, at $11,077.2 million, $152.8 million less than the January 2007 Consensus estimate.
- FY 2008 GF-GP revenue is forecast to decrease 15.5 percent to $6,919.7 million, $90.3 million less than the January 2007 Consensus estimate. The large percentage decrease in FY 2008 is primarily due to the repeal of the Single Business Tax (SBT) beginning in tax year 2008. A reduction in the casino tax rate and indexing of the personal exemption also reduces GF-GP revenue in FY 2008**.** However, if the SBT revenue is fully replaced, FY 2008 GF-GP revenues would decline an estimated 1.0 percent from the previous fiscal year totaling $8,109.2 million. FY 2008 SAF revenue is forecast to grow 1.9 percent to $11,285.0 million, $247.9 million less than the January 2007 Consensus estimate.

2007 and 2008 U.S. Economic Outlook

- Real gross domestic product growth is forecast to average 2.0 percent in 2007 and 2.8 percent in 2008, following 3.3 percent growth in 2006.
- Employment is projected to continue growing over the forecast horizon. The U.S. unemployment rate is forecast to average 4.6 percent in 2007 and 4.7 percent in 2008.
- Light vehicle sales are forecast to be 16.3 million units in 2007 before rising slightly to 16.5 million units in 2008.
- Consumer price inflation is forecast to average 2.2 percent in both 2007 and 2008.

2007 and 2008 Michigan Economic Outlook

- Michigan wage and salary employment is forecast to fall 1.5 percent in 2007 and to decline 1.2 percent in 2008.
- After averaging 6.9 percent in 2006, the Michigan unemployment rate is forecast to rise to 7.2 percent in 2007 and 7.6 percent in 2008.
- Wages and salaries are forecast to be essentially flat (-0.1 percent) in 2007 before rising slightly (0.7 percent) in 2008. This growth is down from 1.5 percent growth in 2006. Personal income will rise 1.9 percent in 2007 and 2.3 percent in 2008.
- In FY 2007 and FY 2008, Michigan wages and salaries income is expected to grow 1.4 percent and 0.8 percent, respectively. Disposable income is forecast to rise 2.1 percent in FY 2007 and 1.8 percent in FY 2008.

Forecast Risks

Restructuring and rationalization in the motor vehicle industry may proceed a faster rate than the presumed continued but gradual rates. If this occurs, Michigan would experience steeper employment declined and slower State income growth.

A substantial portion of U.S. economic activity has depended directly or indirectly on the housing market. Through refinancings, home equity loans, and realization of capital gains on housing sales, rapidly appreciating home prices have provided substantial support for the overall economy. In many ways, consumers came to rely on appreciating home prices as a source of "income."

In the face of rapidly appreciating homes, lenders had slackened their lending standards and extended mortgages to a substantial number of subprime (higher risk) borrowers. Now, however, as housing appreciation has slowed or home prices have even declined, sub-prime loan defaults have climbed. Consequently, lenders have tightened their lending standards. These tighter standards, coupled with decreased housing affordability, have served to slow the housing market. To the extent to which these trends extend to the conventional mortgage market, the housing market would weaken even more than is projected in the baseline forecast and consequently overall economic growth would slow. There remains an outside chance that a collapsing housing market, combined with other risk factors, could send the U.S. economy into a recession.

If international confidence in the dollar declines dramatically, the value of the dollar may fall sharply. A plummeting dollar could shake financial markets, severely curtailing both consumption and investment, and thus slow economic growth sharply. A rapidly falling dollar would also put upward pressure on inflation.

A substantial decline in investor confidence in the long-term bond market would sharply decrease bond prices and significantly increase longer-term interest rates (which move in the opposite direction of bond prices). A spike in long-term interest rates would cause further declines in the housing sector, as well as consumption and investment growth in general. Thus, much higher long-term rates would severely curtail overall economic growth.

Firms' increased pricing power, increased obsolescence of current capacity, tighter labor markets, higher commodity prices (notably oil), and rising health care and pension costs may lead to higher inflation than the baseline forecast projects. This higher inflation rate may crimp consumption and investment spending -- especially if accompanied by even more aggressive inflation fighting by the Federal Reserve, particularly in the form of higher interest rates. High levels of consumer debt together with a low savings rate also may weigh more heavily on the economy.

Geopolitical factors remain a forecast risk. These factors include increased instability in the Middle East or a domestic terrorist attack.

ECONOMIC REVIEW AND OUTLOOK
May 18, 2007

Current U.S. Economic Situation [1]

Summary

The current U.S. economic expansion is nearly five and a half years old, having begun in November 2001. Since the expansion began (through the first quarter of 2007), real gross domestic product (GDP) has grown at a 3.0 percent annual rate. Over this time period, real consumption expenditures grew at a 3.2 percent rate. However, durable consumption rose at a substantially faster rate over this time, increasing at a 5.1 percent annual rate. Business fixed investment rose at a 2.9 percent annual rate with its two components growing at significantly different rates. Equipment and software investment rose at a 4.3 percent rate, while structures were essentially flat (-0.1 percent). Residential construction has increased at a 2.7 percent growth rate since the expansion began. Import growth slightly outpaced export growth (6.5 percent vs. 6.1 percent). Government spending has grown at only a 2.1 percent annual rate with state and local government spending expanding at just 1.2 percent per year.

In 2006, real GDP grew 3.3 percent. Real consumption increased 3.2 percent with durable consumption growing 5.0 percent. Business fixed investment increased at a sharply higher rate (7.2 percent) with equipment and software rising 6.5 percent and structures increasing 9.0 percent. However, residential investment declined 4.2 percent. Exports outpaced imports (8.9 percent vs. 5.8 percent). Government spending grew at only a 2.1 percent annual rate with federal expenditures and state and local government spending each rising by about 2.0 percent.

In 2006, light vehicle sales totaled 16.5 million units, down from 16.9 million units a year ago. Domestic sales fell 5.4 percent while import sales climbed 8.2 percent. Thus, the foreign share of light vehicle sales rose 2.2 percentage points to 22.3 percent. The decrease in Big Three market share (domestic sales less foreign nameplate transplants) has been even more dramatic. In 2006, the Big Three's share fell by 3.0 percentage points to average 53.0 percent. This average share stands in sharp contrast to the Big Three's sizeable calendar year 2000 market share of 65.2 percent. These massive declines substantially hamper Michigan's economy, which is tightly linked to the Big Three. In 2006, U.S. vehicle production fell 5.0 percent (includes transplants along with domestic name plates).

In 2005, housing starts, reflecting the booming housing market, surpassed 2.0 million units and rose to their highest level since 1972. In 2006, however, the U.S. housing market cooled considerably with starts falling to 1.8 million units, its lowest level since 2002.

In 2006, national payroll employment rose an average of 190,000 jobs per month. As a result, U.S. payroll employment increased 1.8 percent. The U.S. unemployment rate averaged 4.6 percent, down from 5.1 percent in 2005. In the first four months of 2007, U.S. payroll employment has risen an average of 130,000 jobs per month.

---

[1] Statistics cited in this Report were current as of the May 18, 2007 Consensus Revenue Estimating Conference. Thus, data do not reflect subsequent releases and/or revisions.

After rebounding to a 5.6 percent annual growth rate in the first quarter of 2006, real GDP growth moderated substantially, slowing to 2.6 percent, 2.0 percent and 2.5 percent in the second, third and fourth quarters respectively. In the first quarter of 2007, real GDP growth slowed still further to a 1.3 percent rate -- its slowest quarterly growth in four years.

Sizeable declines in residential investment played a central role in the sharp slowdown. Residential investment declined at a double-digit rate in each of the last four quarters -- the first such string in over 15 years. Until recently, low mortgage rates, increasingly more creative financing, and speculative buying had helped support a strong housing market. In turn, the vibrant housing market had supported strong consumption growth and allowed for a low or even negative savings rate. Even in the face of these sharp declines in residential construction, consumption has held up well with consumption growing at a 3.4 percent rate over the past four quarters. However, as the housing market shrinks, consumption growth will likely slow as consumers rebuild their savings and mortgage equity withdrawals lessen.

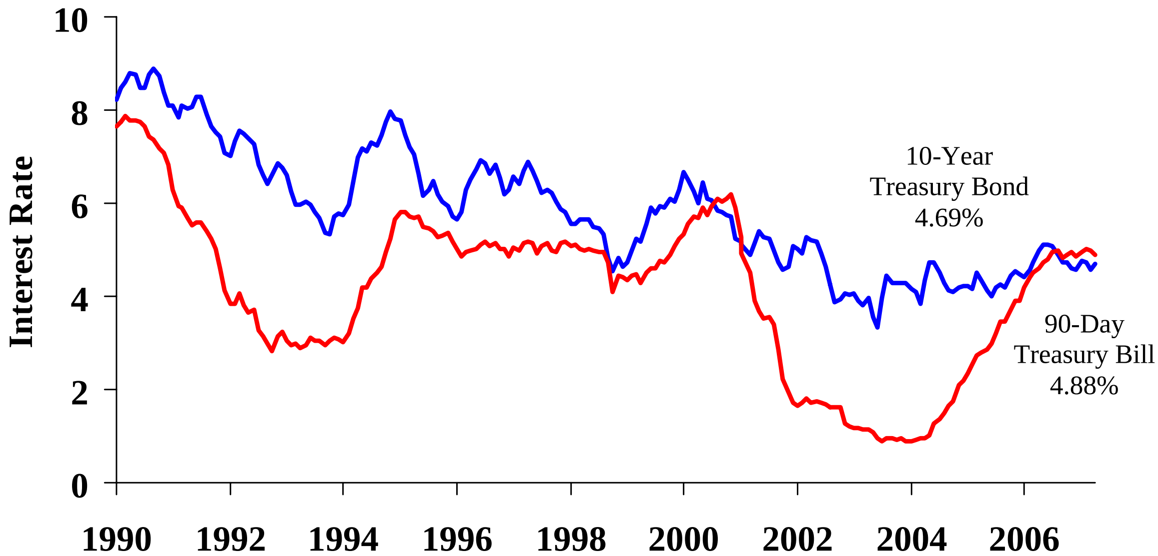
In the second and third quarters of 2006, *business* investment in structures offset a considerable share of the decline in residential structure investment. However, investment in structures slowed sharply in 2006 Q4 and 2007 Q1. As a result, overall fixed investment (residential and non-residential) reported its largest two quarter percentage decline in five years.

Interest Rates

Between June 2004 and June 2006, the Federal Reserve Open Market Committee (FOMC) increased the target federal funds rate 25 basis points at each of its meetings. At its June 2006 meeting, the Committee raised the target rate for the seventeenth time, increasing the rate to 5.25 percent. In each of its past seven meetings, between August 2006 and May 2007, the FOMC has kept the federal funds rate unchanged. Whether the FOMC will cut, increase or keep unchanged the target rate will largely depend upon its weighing of inflation and economic growth in the light of newly released economic data. FOMC officials have continued to express concerns regarding accelerating inflation, which would argue for a higher or at least an unchanged federal funds rate.

While short-term interest rates (e.g., the three month T-bill) have risen in step with increases in the federal funds rate, long-term rates have changed little. As a result, the yield curve (the difference between short-term and long-term interest rates) has remained flat or even inverted (short-term rates higher than long-term rates) over recent months. In April 2007, the three-month Treasury bill rate averaged 4.88 percent, higher than the ten-year Treasury note rate (4.69 percent) and essentially equal to the thirty-year Treasury bill rate (4.87 percent). While an inverted yield curve often signals an impending recession, the Blue Chip consensus forecast projects only a slowdown in 2007 followed by a slight acceleration of growth in 2008.

Yield Curve
Inverted



Source: Federal Reserve Bank. (April 2007 rates)

<u>Inflation</u>

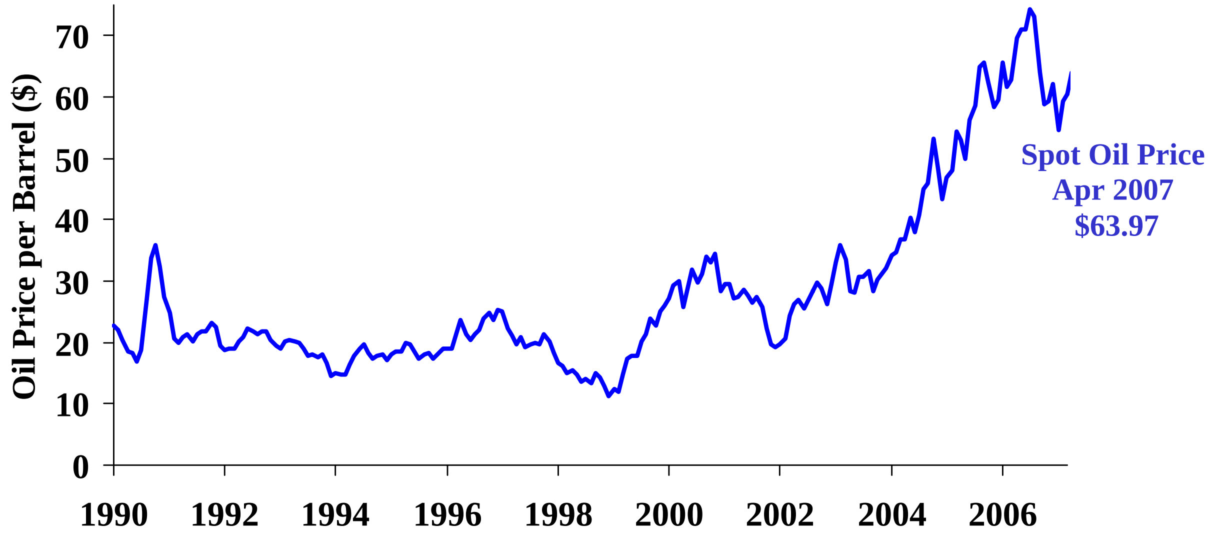
After subsiding in late 2005 to slightly below $60 a barrel, oil prices began trending upward through July 2006. In July 2006, oil prices averaged $74 a barrel. Oil prices then fell substantially in both September and October. Since October, monthly oil prices have largely hovered around $60 a barrel (with the exception of January 2007 when prices fell to around $55 a barrel). Geopolitical factors continue to pose the risk of a resumption in oil price hikes. Strained refinery capacity poses the risk of still higher gasoline prices.

In 2005, natural gas prices rose to their highest level in history as a result of Hurricane Katrina. While falling 16.4 percent in 2006, natural gas prices reported their second highest calendar year level.

In its April 2007 *Beige Book*, the Federal Reserve reported "Wage increases . . . in some industries of the New York, Philadelphia, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco Districts." These increases "were generally modest."

In 2006, productivity growth slowed for the fourth straight year with growth decelerating from 2.1 percent to 1.6 percent. With compensation rising 4.8 percent in 2006, unit labor costs increased 3.1 percent, their sharpest increase since 2000.

Oil Prices Ebb



Sources: Federal Reserve Bank of St. Louis.

In March, the ISM manufacturing price index was up slightly compared to a year ago while the non-manufacturing price index was down.

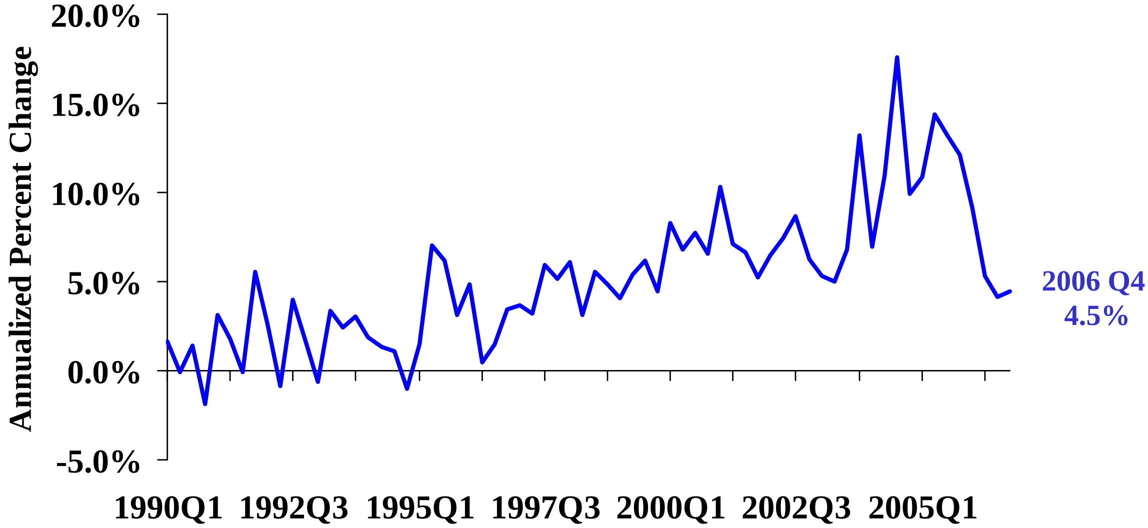
Tighter labor markets will continue to exert upward pressure on inflation. Recent reports on hourly earnings provide one indication of these pressures. For over a year, hourly earnings have increased faster than 3.0 percent (compared to a year ago). In April 2007, earnings were up 3.8 percent from April 2006.

In 2006, overall consumer prices rose 3.2 percent following a 3.4 percent 2005 increase. In the first quarter of 2007, overall price inflation has averaged 2.4 percent compared to a year ago; core inflation (excluding volatile food and energy prices) has averaged 2.6 percent. Since September 2006, overall price increases from a year ago have slowed. While year-ago price increases had hovered around 4.0 percent in early and mid 2006, year ago price increases slowed (2.0-2.5 percent) in recent months.

Housing Market

The housing market has undergone a sizeable slowing in recent quarters. Compared to the prior quarter, fourth quarter 2006 housing prices rose at a 4.5 percent annual rate. The fourth quarter annualized increase follows a 4.1 percent rate in the third quarter and a 5.3 percent rate in the second quarter. In contrast, housing prices recorded double-digit rates of increase each quarter of 2005.

Housing Price Appreciation Slows Substantially



Source: Office of Federal Housing Enterprise Oversight

National Association of Realtors' (NAR) data support the observation that the housing market has slowed:

- Calendar year 2006 existing home sales were down 8.5 percent compared to 2005.
- In 2006, months of supply of homes for sale rose 2.0 months to 6.5 months. March 2007 months of supply were up 30.4 percent compared to a year ago.

The Federal Reserve's April 2007 Beige Book further corroborated the slowdown, reporting that "Residential real estate activity continued to weaken in many Districts" and "Many Districts saw a decrease in homebuilding."

In March, sales of existing homes reported their largest one-month decline since January 1989, falling 8.4 percent to an annual rate of 6.12 million from February's 6.68 million rate.

Major Economic Indicators

Between January 2006 and August 2006, the ISM industrial index (PMI) hovered in the mid 50's. A reading above 50.0 indicates growth. However, the index declined 4.4 points between September and November. As a result, the index fell to 49.9. November 2006's sub-50 reading marked the first time the index indicated a contracting manufacturing sector since May 2003. In December, the PMI rebounded with a reading slightly above 50.0 but then fell below 50.0 again in January 2007. In the first quarter of 2007, the index averaged about 51.0. In April 2007, the index stood at 54.7, 2.2 points below April 2006.

The non-manufacturing ISM index continues to remain above 50, indicating continued service sector growth. The non-manufacturing index hovered in the mid- to upper- 50s in 2006. The index then rose to nearly 60.0 in January 2007. The index declined in February and March, falling to its lowest level since mid-2003. While the index rebounded in April, it remained 5.1 points below a year ago.

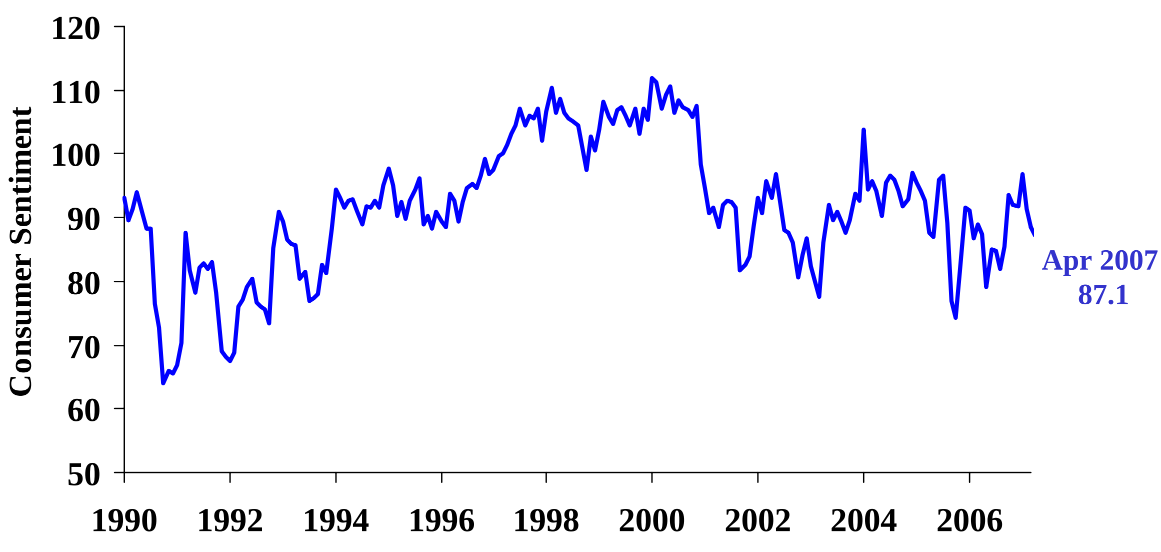
Compared to a year ago, new durable good orders were essentially flat in March 2007 (-0.1 percent, three-month average). Excluding defense and aircraft, the three-month average of new durable good orders fell 0.9 percent -- it first decline in three years.

Industrial production increased at a mild pace. In March 2007, the three-month average was up 2.6 percent compared to a year ago -- its slowest pace in nearly three years.

In April 2007, the three-month average of retail sales was up 3.7 percent from a year ago, rebounding from 3.4 percent growth, its slowest growth in nearly four years. Excluding motor vehicle and gasoline sales, the average increased 4.2 percent up only slightly from March's slowest growth in nearly four years.

After rising sharply in January 2007, consumer sentiment declined each month between February and April. Over this time, the index fell from 96.9 to 87.1. Compared to a year ago, consumer sentiment is essentially unchanged. In recent months, the ABC News/Washington Post consumer comfort index, which measures consumers' attitudes toward current economic conditions, has remained negative.

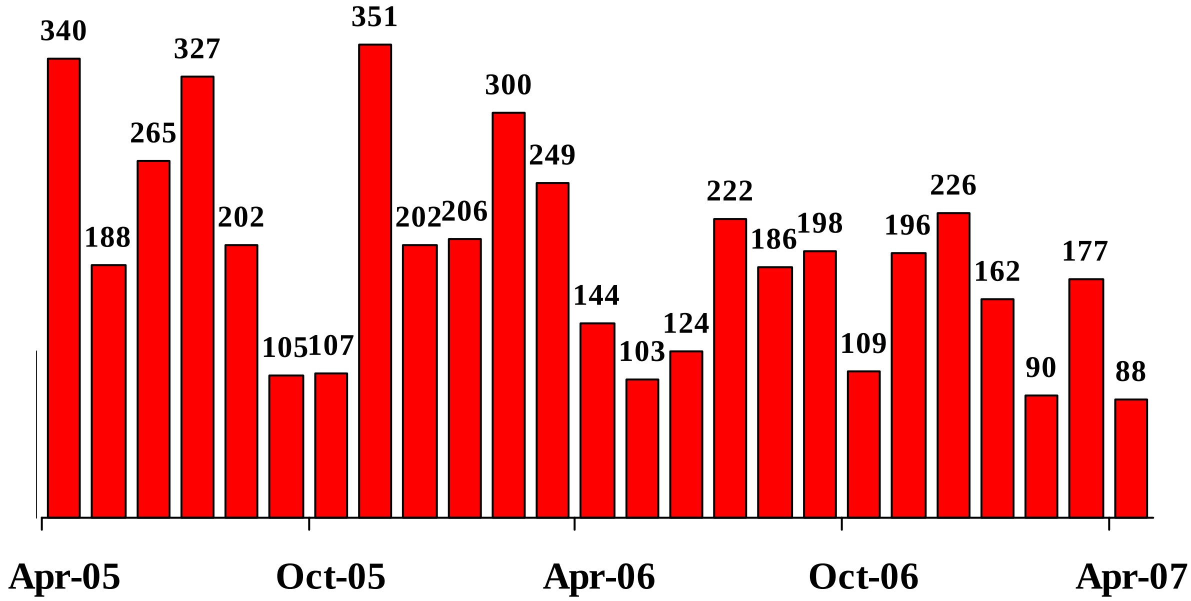
Consumer Sentiment Dips



Sources: University of Michigan Survey of Consumers.

In October and November 2006, the Conference Board's index of leading indicators was flat. After rising sharply in December, the index fell in both January and February 2007 and was flat in March. Over the past three months, the index is down 2.9% at an annual rate, the third weakest reading of the expansion to date.

U.S. Employment Growth Moderates
(Monthly Change in Thousands)



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Employment

U.S. payroll employment has increased each month since late 2003. In calendar year 2006, the U.S. economy grew by 2.5 million jobs. On a monthly basis, 2006 monthly increases averaged approximately 190,000 jobs. Through the first four months of 2007, payroll employment has increased an average of 130,000 jobs per month. April 2007 employment exceeds its pre-recession peak (February 2001) by 5.1 million jobs.

However, manufacturing employment remains hard hit. Between its mid-1998 pre-recession peak and April 2007, the U.S. economy shed one out of five manufacturing jobs (3.6 million jobs).

Between early January and late February, the four-week average of initial unemployment claims rose. The average then fell in March before rebounding through mid April. In recent weeks, the average has moved downward.

Between September 2006 and March 2007, the ISM manufacturing employment index component signaled nearly flat or slightly decreasing manufacturing employment. In April the index rebounded to 53.1, but remains 2.0 points below a year ago. After falling to 50.8, its lowest reading in over two years, the non-manufacturing ISM employment index rose slightly. Nevertheless, the April 2007 reading remains 5.0 points below a year ago.

At 48.7, the March 2007 manufacturing employment component index is down 4.0 points from a year ago, down to its lowest level last seen nearly two years ago. In March 2007, the non-manufacturing ISM employment index fell 3.4 points compared to a year ago to 50.8, its lowest level since July 2004.

During the first quarter of 2007, the Challenger Report count of announced layoffs at 195,986 was down 23.4 percent compared to the first quarter of 2006. However, the automotive industry accounted for the largest number of announced layoffs among all industries. Given Michigan's heavy reliance on the vehicle industry, this represents a serious drag to the Michigan economy moving forward.

In April 2007, the average workweek (33.8 hours) was down 0.1 of an hour compared to a year ago. For over a year, the average workweek has remained in an extremely narrow range between 33.8 and 33.9 hours.

In April 2007, the U.S. unemployment rate rose 0.1 of a percentage point to 4.5 percent compared to March 2007 to 4.5 percent. April's rate was 0.2 of a percentage point lower than a year ago. For 2006 as a whole, the unemployment rate averaged 4.6 percent, 0.5 of a percentage point lower compared to 2005.

Vehicle Sales and Production

Following the "employee pricing for everyone" promotion, fourth quarter 2005 light vehicle sales fell sharply to a 16.0 million unit rate, the lowest sales rate in seven years. Sales rebounded in the first quarter of 2006 to a 16.9 million unit rate. Over the four most recent quarters, the sales rate has ranged between 16.3 million units and 16.6 million units. Over the past several years, imports and transplants have continued to increase their market share.

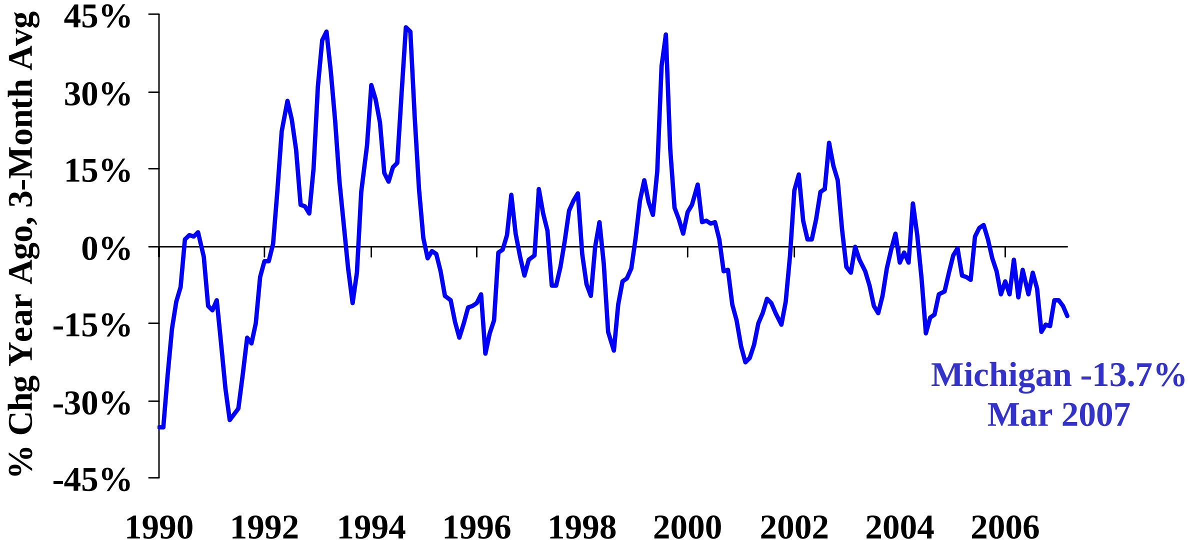
In 2006, Michigan vehicle production fell 9.5 percent compared to a 5.0 percent decline nationally. Compared to 2000, Michigan vehicle production was down 26.4 percent, while national vehicle output was down 11.5 percent. In March 2007, the three-month moving average of Michigan vehicle production declined by 13.7 percent compared to a year ago. Nationally, the average fell 9.2 percent.

Current Michigan Economic Conditions

Employment

Michigan's economy relies heavily on the performance of the manufacturing sector in general and the auto industry specifically. Given extremely weak manufacturing employment, declining vehicle production, continued declines in Big 3 market share along with continued supply rationalization among vehicle suppliers, Michigan's employment performance has been below the national average. Substantial productivity gains in the vehicle industry have also contributed to Michigan's weaker employment performance.

Michigan Vehicle Production



Source: Automotive News and Michigan Department of Treasury.

Employment declines have slowed considerably since December 2002, with monthly declines slowed by more than half. However, from Michigan's employment peak in June 2000 compared to March 2007, Michigan has lost 375,000 jobs.

Michigan manufacturing employment has declined sharply. Since June 2000, Michigan manufacturing employment has fallen by 268,600 jobs. Michigan has lost nearly three out of every ten manufacturing jobs it had at the State's employment peak.

Year-to-date, Michigan's unemployment rate has averaged 6.7 percent, 0.2 of a percentage point below the State's 2006 calendar year average.

Employment Estimates Revisions

A major reason for the downward revision in Michigan's economic outlook and State of Michigan' revenue projections was employment data revisions released in March, subsequent to the January Consensus Revenue Estimating Conference. Both in terms of levels and growth, 2006 was a significantly weaker year than pre-benchmark data had indicated. While revisions to earlier years were slight, CY 2006 overall wage and salary employment was revised downward substantially (-0.6 percent). Further, more recent months of 2006 saw larger downward seasonally adjusted revisions than earlier months. Given this, the post-benchmarked data implied both a weaker economic and revenue outlook for the State than seen in January.

With the revisions, the decline in overall Michigan wage and salary employment has accelerated. Prior to the revisions, CY 2006 marked the third straight year of slight employment declines (-0.3%, -0.2%, -0.4%) and a potential bottoming out of declines. With the revisions, overall employment declines have materially accelerated compared to CY 2004 and CY 2005 declines (-

0.4%, -0.1%, -1.1%). Instead of declining by 17,800 jobs in CY 2006, Michigan payroll employment fell by 49,200 jobs.

In the March 2007 benchmarked data, the deceleration is broad-based. Among the major employment sectors, the annual growth rate materially worsened between CY 2004-2005 growth compared to CY 2005-2006 growth or was essentially unchanged in every major sector except information. In most sectors, the growth rate worsened; in most cases it was a matter of the rate of decline getting larger or an expanding sector becoming a contracting sector and not a matter of the rate of increase shrinking.

Construction and professional and business services saw the largest downward revisions. Construction which the pre-benchmark data showed improving from flat 2005 growth to positive 2006 growth instead saw a material worsening between 2005 and 2006: With the benchmark revision, 2006 construction employment shrank by 4.8 percent after contracting by 1.3 percent in 2005.

Instead of improving from a 1.0 percent 2005 increase to 3.2 percent growth in 2006, professional and business services employment worsened from a 1.2 percent 2005 increase to a 0.7 percent decline in 2006.

Personal Income

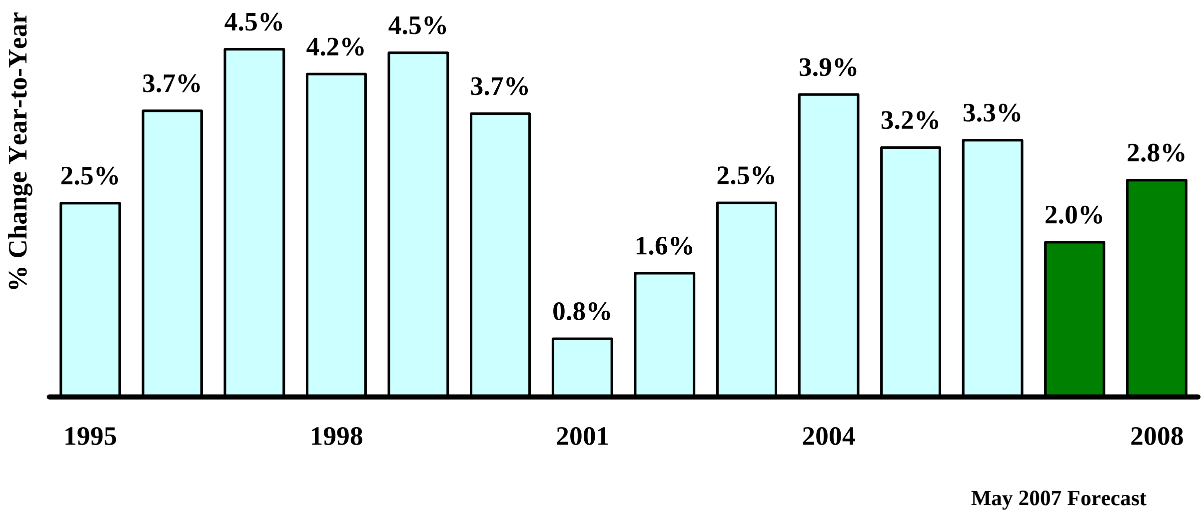
Michigan personal income growth slowed in 2006 compared to 2005 (3.1 percent vs. 3.5 percent). At the same time, U.S. personal income growth accelerated from 5.2 percent to 6.3 percent. Michigan wages and salaries income grew 1.5 percent in 2006 compared to 1.9 percent growth in 2005.

Over the first half of 2006, Michigan personal income reported mild growth, increasing at a 3.2 percent rate before rising at a 3.7 percent rate in the second half of the year. Michigan wages and salaries income reported weak growth over the first half of 2006 (2.0 percent); State wages and salaries income then rose at a 2.8 percent annual rate over the second half.

2007 and 2008 U.S. Economic Outlook

In 2007, real GDP growth is forecast to slow to 2.0 percent from 3.3 percent in 2006. Growth is then expected to accelerate slightly to 2.8 percent in 2008. High consumer debt levels, low savings rates, high energy prices, a cooling housing market and higher interest rates are expected to slow the rate of growth.

GDP Growth Slows



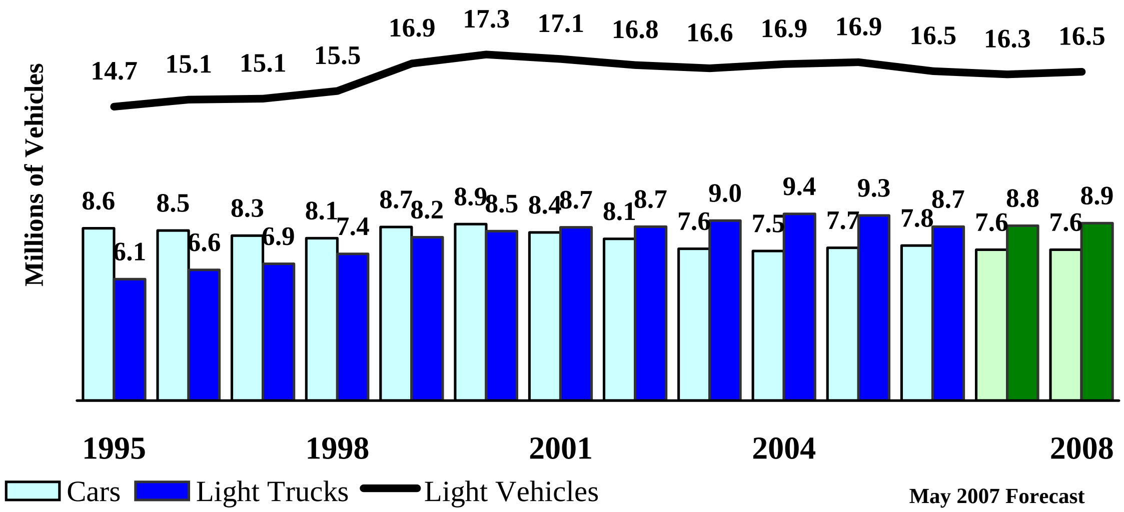
Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Consensus Forecast, May 2007.

Light vehicle sales are projected to decline to 16.3 million units in 2007 before rising slightly to 16.5 million units in 2008.

As measured by the consumer price index (CPI), consumer inflation is expected to slow significantly from 3.2 percent in 2006 to 2.2 percent in both 2007 and 2008. Short-term interest rates (three month Treasury bill rates) are projected to rise slightly to 4.9 percent in both 2007 and 2008. The Aaa corporate bond rate is flat in 2007 and then rises to 6.1 percent in 2008.

U.S. wage and salary employment is forecast to rise in 2007 and 2008 with gains projected throughout the forecast horizon. The U.S. unemployment rate is expected to change little over the forecast horizon, averaging 4.6 percent in 2007 and 4.7 percent in 2008.

Motor Vehicle Sales Decline Slightly

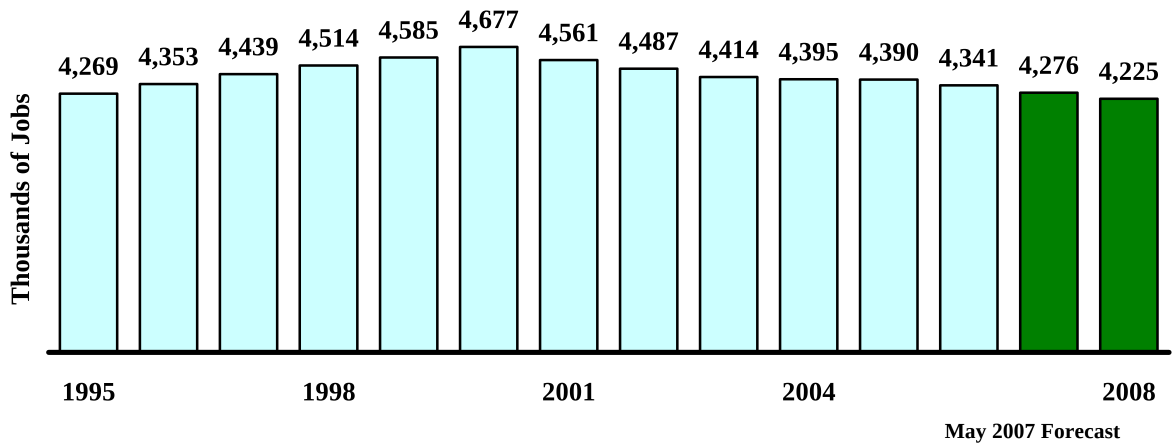


Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Consensus Forecast, May 2007.

2007 and 2008 Michigan Economic Outlook

Michigan employment is forecast to fall 1.5 percent in 2007 and 1.2 percent in 2008. Struggles at the domestic Big 3 automakers and concomitant restructurings will depress manufacturing employment along with continued rationalization among vehicle suppliers. In 2007, Michigan is predicted to see a 65,000 job employment decline followed by a 51,000 job employment decline in 2008. Michigan's unemployment rate is expected to rise from 6.9 percent to 7.2 percent in 2007 and to 7.6 percent in 2008.

Michigan Wage and Salary Employment



Source: Michigan Department of Labor and Economic Growth, U.S. Bureau of Labor Statistics and Consensus Forecast, May 2007.

Michigan wages and salaries are projected to be essentially flat in CY 2007 (-0.1 percent) before rising a slight 0.7 percent in 2008. Michigan personal income is forecast to rise 1.9 percent in 2007 and 2.3 percent in 2008. Inflation, as measured by the Detroit CPI, is forecast to be 2.1 percent in 2007 and 2.0 percent in 2008. As a result, real Michigan personal income (inflation adjusted) is expected to fall 0.2 percent in 2007 before rising 0.3 percent in 2008.

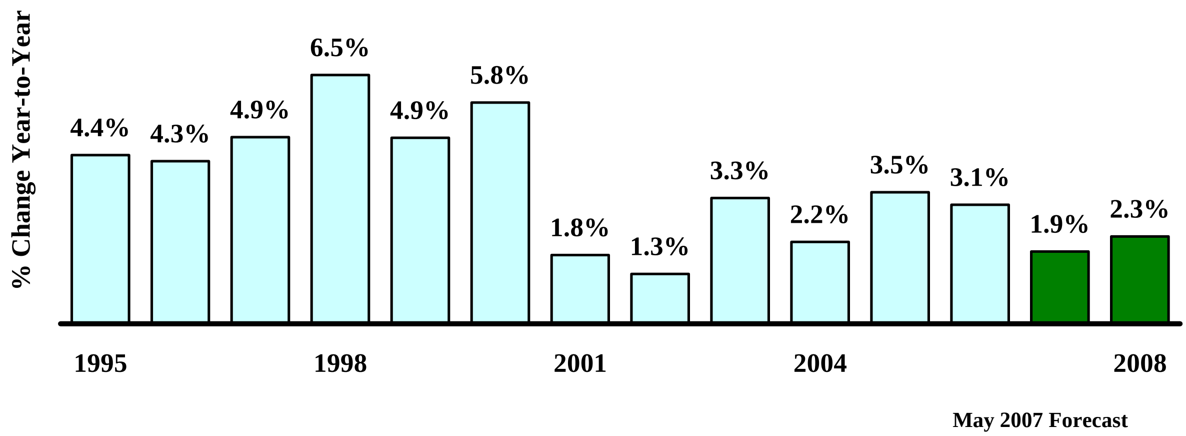
Table 1

Consensus Economic Forecast

May 2007

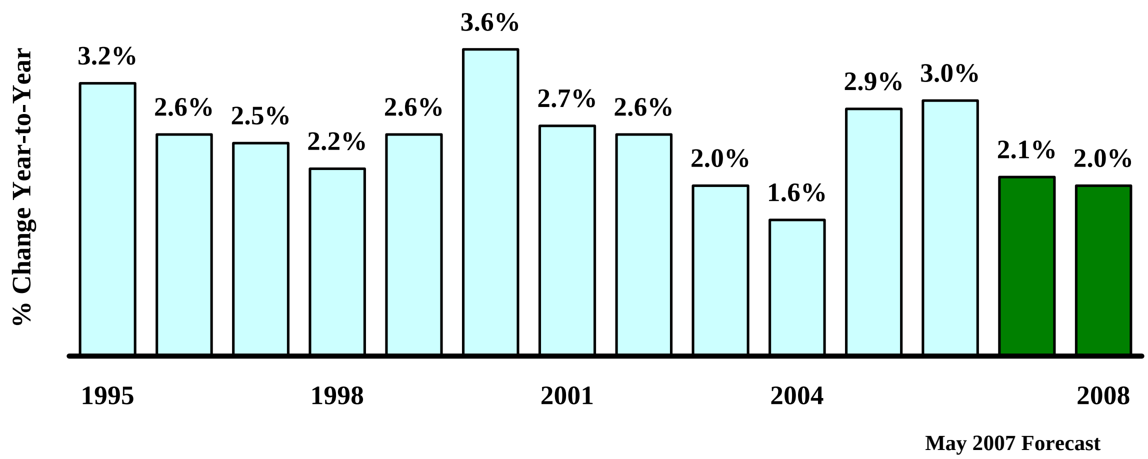
	Calendar 2005 Actual	Calendar 2006 Actual	Percent Change from Prior Year	Calendar 2007 Forecast	Percent Change from Prior Year	Calendar 2008 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	$11,049	$11,415	3.3%	$11,643	2.0%	$11,969	2.8%
Implicit Price Deflator GDP (2000 = 100)	112.7	116.0	2.9%	118.9	2.5%	121.8	2.4%
Consumer Price Index (1982-84 = 100)	195.3	201.6	3.2%	206.0	2.2%	210.5	2.2%
Personal Consumption Deflator (2000 = 100)	111.5	114.6	2.7%	116.8	1.9%	118.9	1.8%
3-month Treasury Bills Interest Rate (percent)	3.2	4.7		4.9		4.9	
10-year Treasury Bills Interest Rate (percent)	4.3	4.8		4.8		5.2	
Aaa Corporate Bonds Interest Rate (percent)	5.2	5.6		5.6		6.1	
Unemployment Rate - Civilian (percent)	5.1	4.6		4.6		4.7	
Light Vehicle Sales (millions of units)	16.9	16.5	-2.6%	16.3	-1.0%	16.5	0.8%
Passenger Car Sales (millions of units)	7.7	7.8	1.4%	7.6	-2.6%	7.6	0.0%
Light Truck Sales (millions of units)	9.3	8.7	-6.0%	8.8	0.5%	8.9	1.5%
Import Share of Light Vehicles (percent)	20.1	22.3		23.5		23.5	
Michigan							
Wage and Salary Employment (thousands)	4,390	4,341	-1.1%	4,276	-1.5%	4,225	-1.2%
Unemployment Rate (percent)	6.8	6.9		7.2		7.6	
Personal Income (millions of dollars)	$331,349	$341,710	3.1%	$348,202	1.9%	$356,211	2.3%
Real Personal Income (millions of 1982-84 dollars)	$173,663	$173,810	0.1%	$173,494	-0.2%	$174,016	0.3%
Wages and Salaries (millions of dollars)	$183,670	$186,405	1.5%	$186,218	-0.1%	$187,522	0.7%
Detroit Consumer Price Index (1982-84 = 100)	190.8	196.6	3.0%	200.7	2.1%	204.7	2.0%
Detroit CPI Fiscal Year (1982-84 = 100)	189.0	195.9	3.7%	199.4	1.8%	203.6	2.1%

Michigan Personal Income Growth Weaker



Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Consensus Forecast, May 2007.

Inflation Rate Slows
Detroit CPI

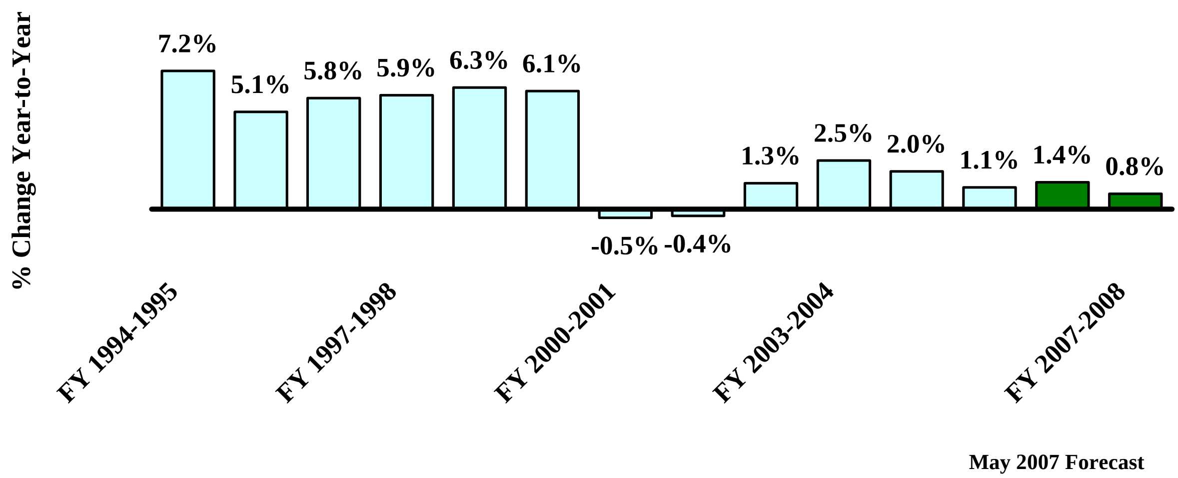


Source: U.S. Bureau of Labor Statistics and Consensus Forecast, May 2007.

Fiscal Year Economics

Michigan's largest taxes are the individual income tax ($6.4 billion), which includes refunds, and sales and use taxes ($8.1 billion). Income tax withholding is the largest income tax component. Withholding ($6.6 billion) is most affected by growth in wages and salaries. Michigan wages and salaries are expected to grow 1.4 percent in FY 2007 and 0.8 percent in FY 2008.

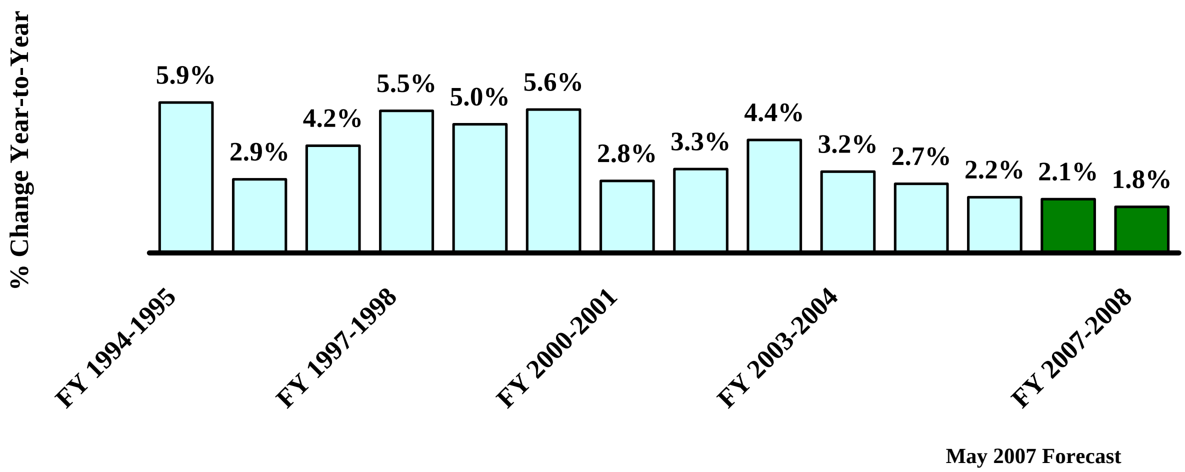
Michigan Wages and Salaries
Basis for Income Tax Withholding Collections



Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Consensus Forecast, May 2007.

Sales and use taxes depend primarily on Michigan disposable (after tax) income and inflation. Disposable income is expected to increase 2.1 percent in FY 2007 before slowing to 1.8 percent in FY 2008. The inflation rate is forecast to decline to 1.8 percent in FY 2007 and is expected to accelerate very slightly to 2.1 percent in FY 2008.

Michigan Disposable Income
Basis for Sales and Use Tax Collections



Source: Research Seminar in Quantitative Economics, University of Michigan, and Consensus Forecast, May 2007.

Forecast Risks

Restructuring and rationalization in the motor vehicle industry beyond that presumed in the baseline forecast would result in steeper declines in Michigan employment and slower State income growth.

A substantial portion of U.S. economic activity has depended directly or indirectly on the housing market. Through refinancings, home equity loans, and realization of capital gains on housing sales, rapidly appreciating home prices have provided substantial support for the overall economy. In many ways, consumers came to rely on appreciating home prices as a source of "income." To the extent to which home prices and sales decline, consumption, and in turn investment, may fall more sharply than the continued orderly decline assumed in the baseline forecast.

In the face of rapidly appreciating homes, lenders had slackened their lending standards and extended mortgages to a substantial number of subprime (higher risk) borrowers. Now, however, as housing appreciation has slowed or home prices have even declined, sub-prime loan defaults have climbed. Consequently, lenders have tightened their lending standards. These tighter standards, coupled with decreased housing affordability, have served to slow the housing market. To the extent to which these trends extend to the conventional mortgage market, the housing market would weaken even more than is projected in the baseline forecast and consequently overall economic growth would slow.

There remains an outside chance that a collapsing housing market, combined with other risk factors, could send the U.S. economy into a recession.

The baseline forecast assumes that the price of a barrel of oil will essentially range between the mid- and upper- $60 a barrel range. Geopolitical concerns, increased demand, or a major supply disruption could raise prices well above this assumed range. Higher oil prices (and consequently higher gasoline prices) would retard domestic growth by depressing consumer sentiment, reducing household's disposable income and increasing input costs to businesses. At the same time, recent high oil prices may slow the world economy leading to a reduction in the demand for oil and its price.

The baseline forecast assumes that the value of the dollar will fall slightly. However, under the weight of a widening U.S. current account deficit and the increased attractiveness of investments in other nations, it would not be too surprising for the U.S. dollar's value to fall sharply. A plummeting dollar could shake financial markets, severely curtailing both consumption and investment, and thus slow economic growth sharply. A collapsing dollar would also put upward pressure on inflation and possibly lead to still higher interest rates, which would further retard growth. At the same time, a weaker dollar would make U.S. goods relatively cheaper than foreign goods and thus help domestic producers.

Productivity represents both an upside as well as a downside risk to the baseline forecast. Productivity grew very strongly between 2000 and 2005 with an average annual increase of 3.1 percent. However, productivity slowed markedly in 2006 with productivity growing only 1.6 percent. The baseline forecast assumes that productivity grows faster than last year but substantially more slowly than between 2000-2005. Lower than expected productivity poses the twin risks of higher inflation and slower real economic growth. Conversely, a resurgence in productivity could yield a stronger, less inflationary outlook.

Firms' increased pricing power, increased obsolescence of current capacity, tighter labor markets, higher commodity prices, and rising health care and pension costs may lead to higher inflation than the baseline forecast projects. This higher inflation rate may crimp consumption and investment spending – especially if accompanied by even more aggressive inflation fighting on the part of the Federal Reserve.

Interest rates (which move in the opposite direction of bond prices) have remained low because bond prices have remained relatively high. To the extent that investors regard bonds as less attractive investments, bond prices could fall sharply and thus interest rates could rise steeply. A sharp rise in interest rates would adversely impact the housing market, whose strength is greatly dependent upon low mortgage rates.

Geopolitical factors remain a forecast risk. These factors include increased instability in the Middle East or a domestic terrorist attack.

Consensus Revenue Estimates
May 18, 2007

Revenue Estimate Overview

The revenue estimates presented in this section consist of baseline revenues, revenue adjustments, and net revenues. Baseline revenues provide an estimate of the effects of the economy on tax revenues. For these estimates, FY 2006 is the base year. Any non-economic changes to the taxes occurring in FY 2007 and FY 2008 are not included in the baseline estimates. Non-economic changes are referred to in the tables as "tax adjustments." The net revenue estimates are the baseline revenues adjusted for tax adjustments.

This treatment of revenue is best illustrated with an example. Suppose tax revenues are $10.0 billion in a given year, and that based on the economic forecast, revenues are expected to grow by 5.0 percent per year. Baseline revenue would be $10.0 billion in Year 1, $10.5 billion in Year 2, and $11.0 billion in Year 3. Assume a rate cut is in place that would reduce revenues by $100 million in Year 1, $200 million in Year 2, and $300 million in Year 3. If Year 1 is the base year, the revenue adjustments for Year 1 would be $0 since the tax cut for this year is included in the base. The revenue adjustments for Year 2 would be $100 million, and the revenue adjustments for Year 3 would be $200 million, since the revenue adjustments are compared to the base year.

In the example above, the baseline revenues would be $10.0 billion, $10.5 billion, and $11.0 billion, for Years 1 through 3, respectively. The revenue adjustments would be $0 in Year 1, $100 million in Year 2, and $200 million in Year 3. The $200 million in Year 3 represents the tax cuts since Year 1. Net revenue would be $10.0 billion in Year 1, $10.4 billion in Year 2, and $10.8 billion in Year 3.

The following revenue figures are presented on a consensus basis. Generally speaking, the Consensus estimates do not include certain one-time budget measures, such as withdrawals from the Budget Stabilization Fund, the sale of buildings, etc. The figures also assume the full statutory amount for revenue sharing payments. In addition, the estimates only include enacted legislation and do not include the effects of any proposed changes. The School Aid Fund estimates consist of taxes plus the transfer from the State Lottery Fund.

FY 2006 Revenue Review

FY 2006 General Fund/General Purpose (GF-GP) revenue totaled $8,266.0 million on a Consensus basis, a 0.5 percent decrease over FY 2005. School Aid Fund (SAF) revenue totaled $11,082.1 million, a 1.6 percent increase compared to FY 2005 (See Table 2).

Table 2

FY 2005-06 Revenue Totals

(millions)

	Actual	
	Amount	**Growth**
General Fund - General Purpose		
Baseline Revenue	$8,185.1	
Tax Cut Adjustments	$80.9	
Net Resources	$8,266.0	-0.5%
School Aid Fund		
Baseline Revenue	$11,085.4	
Tax Cut Adjustments	($3.3)	
Net Resources	$11,082.1	1.6%
Combined		
Baseline Revenue	$19,270.6	
Tax Cut Adjustments	$77.6	
Net Resources	$19,348.2	0.7%

FY 2007 Revenue Outlook

FY 2007 GF-GP revenue is expected to be $8,187.5 million, a 0.2 percent baseline increase, but a 0.9 percent decrease after tax adjustments. The FY 2007 estimate is $42.5 million below the January 2007 Consensus estimate. SAF revenue is forecast to be $11,077.2 million, representing no baseline growth or growth after tax adjustments. The FY 2007 SAF estimate is $152.8 million lower than the January 2007 Consensus estimate (See Table 3).

Table 3

FY 2006-07 Consensus Revenue Estimates

(millions)

	Consensus January 18, 2007		Consensus May 18, 2007		
	Amount	**Growth**	**Amount**	**Growth**	**Change**
General Fund - General Purpose					
Baseline Revenue	$8,265.2	1.0%	$8,203.7	0.2%	($61.5)
Tax Cut Adjustments	($35.2)		($16.2)		$19.0
Net Resources	$8,230.0	-0.4%	$8,187.5	-0.9%	($42.5)
School Aid Fund					
Baseline Revenue	$11,227.0	1.3%	$11,081.4	0.0%	($145.6)
Tax Cut Adjustments	$3.0		($4.3)		($7.3)
Net Resources	$11,230.0	1.3%	$11,077.2	0.0%	($152.8)
Combined					
Baseline Revenue	$19,492.2	1.2%	$19,285.2	0.1%	($207.0)
Tax Cut Adjustments	($32.2)		($20.5)		$11.7
Net Resources	$19,460.0	0.6%	$19,264.7	-0.4%	($195.3)

FY 2008 Revenue Outlook

FY 2008 GF-GP revenue is expected to be $6,919.7 million, a 0.5 percent baseline increase, but a 15.5 percent decrease after tax adjustments. The FY 2008 GF-GP estimate includes the repeal of the SBT and a loss in casino tax revenue. Under Michigan law, when a permanent casino is opened in Detroit, the casino tax rate for that permanent casino is reduced compared to when the casino was operating in a temporary facility. This rate reduction thereby only eliminates the GF-GP portion of casino tax revenue while SAF earmarking remains the same. The repeal of the SBT lowers FY 2008 revenue by $1.2 billion. Without the repeal of the SBT, FY 2008 GF-GP revenue would decline an estimated 1.0 percent from the previous fiscal year totaling $8,109.2 million. SAF revenue is forecast to be $11,285.0 million, representing 1.7 percent baseline increase and 1.9 percent net growth (See Table 4).

Table 4

FY 2007-08 Consensus Revenue Estimates

(millions)

	Consensus January 18, 2007		Consensus May 18, 2007		
	Amount	**Growth**	**Amount**	**Growth**	**Change**
General Fund - General Purpose					
Baseline Revenue	$8,378.2	1.4%	$8,243.7	0.5%	($134.5)
Tax Cut Adjustments	($1,368.2)		($1,324.0)		$44.2
Net Resources	$7,010.0	-14.8%	$6,919.7	-15.5%	($90.3)
School Aid Fund					
Baseline Revenue	$11,512.6	2.5%	$11,267.1	1.7%	($245.5)
Tax Cut Adjustments	$20.3		$17.9		($2.4)
Net Resources	$11,532.9	2.7%	$11,285.0	1.9%	($247.9)
Combined					
Baseline Revenue	$19,890.8	2.0%	$19,510.8	1.2%	($380.0)
Tax Cut Adjustments	($1,347.9)		($1,306.1)		$41.8
Net Resources	$18,542.9	-4.7%	$18,204.7	-5.5%	($338.2)

Constitutional Revenue Limit

Article IX, Section 26, of the Michigan Constitution establishes a limit on the amount of revenue State government can collect in any given fiscal year. The revenue limit for a given fiscal year is equal to 9.49 percent of the State's personal income for the calendar year prior to the year in which the fiscal year begins. FY 2005 revenue is compared to CY 2003 personal income. If revenues exceed the limit by less than 1 percent, the State may deposit the excess into the Budget Stabilization Fund (BSF). If the revenues exceed the limit by more than 1 percent, the excess revenue is refunded to taxpayers via the income and single business taxes.

FY 2005 revenues were $4.2 billion below the revenue limit, while FY 2006 revenues are expected to be $4.9 billion below the limit. State revenues will also be well below the limit for FY 2007 and FY 2008. FY 2007 revenues are expected to be $5.5 billion below the limit, while FY 2008 revenues are expected to fall further below the limit at over $7.4 billion with the repeal of the SBT (See Table 5).

Table 5

Consensus Constitutional Revenue Limit Calculation

(millions)

	FY 2005	FY 2006	FY 2007	FY 2008
	Actual June 2006	Consensus May 2007	Consensus May 2007	Consensus May 2007
Revenue Subject to Limit	$25,626.8	$25,822.1	$25,900.2	$25,012.9
Revenue Limit	**CY 2003**	**CY 2004**	**CY 2005**	**CY 2006**
Personal Income	$314,460	$324,134	$331,304	$341,710
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	$29,842.3	$30,760.3	$31,440.8	$32,428.3
Amount Under (Over) Limit	**$4,215.5**	**$4,938.3**	**$5,540.6**	**$7,415.3**

Budget Stabilization Fund Calculation

The Management and Budget Act contains provisions for calculating a recommended deposit or withdrawal from the BSF. The calculation looks at personal income net of transfer payments. The net personal income figure is adjusted for inflation. The change in this figure for the calendar year determines whether a pay-in or pay-out is dictated. If the formula calls for a deposit into the BSF, the deposit is made in the next fiscal year. If the formula calls for a withdrawal, the withdrawal is made during the current fiscal year.

If real personal income grows by more than 2 percent in a given calendar year, the fraction of income growth over 2 percent is multiplied by the current fiscal year's GF-GP revenue to determine the pay-in for the next fiscal year. If real personal income declines, the percentage deficiency under zero is multiplied by the current fiscal year's GF-GP revenue to determine the withdrawal available for the current fiscal year. If the change in real personal income is between 0 and 2 percent, no pay-in or withdrawal is indicated.

Real calendar year personal income for Michigan is expected to decrease 0.6 percent in 2007. Thus, the formula has a withdrawal of $49.1 million for FY 2007 (See Table 6a). In 2008, real calendar year personal income for Michigan is forecast to decline 0.5 percent. Thus, the formula has a withdrawal of $34.6 million (see Table 6b).

Table 6a

Budget and Economic Stabilization Fund Calculation for FY 2007
Based on CY 2007 Personal Income Growth
Consensus Calculation

	CY 2006	CY 2007
Michigan Personal Income	$ 341,710 (1)	$ 348,202 (1)
less Transfer Payments	$ 54,993 (1)	$ 58,124 (1)
Income Net of Transfers	$ 286,717	$ 290,078
Detroit CPI	1.948 (2)	1.984 (3)
for 12 months ending	(June 2006)	(June 2007)
Real Adjusted Michigan Personal Income	$ 147,185	$ 146,233
Change in Real Adjusted Personal Income		-0.6%
Amount Under 0%		-0.6%
GF-GP Revenue Fiscal Year 2006-2007		$ 8,187.5
		FY 2006-2007
BSF Pay-Out Calculated for FY 2007		$ (49.1)

Notes:

(1) Personal Income and Transfer Payments, Consensus Forecast, May 2007.

(2) Detroit Consumer Price Index, Average of 6 monthly values reported by BLS for each 12-month period.

(3) Detroit Consumer Price Index, Consensus Forecast, May 2007.

Table 6b

Budget and Economic Stabilization Fund Calculation for FY 2008
Based on CY 2008 Personal Income Growth
Consensus Calculation

	CY 2007		CY 2008	
Michigan Personal Income	$ 348,202		$ 356,211	(1)
less Transfer Payments	$ 58,124		$ 61,380	(1)
Income Net of Transfers	$ 290,078		$ 294,831	
Detroit CPI	1.984	(2)	2.027	(3)
for 12 months ending	(June 2007)		(June 2008)	
Real Adjusted Michigan Personal Income	$ 146,233		$ 145,476	
Change in Real Adjusted Personal Income			-0.5%	
Amount Under 0%			-0.5%	
GF-GP Revenue Fiscal Year 2007-2008			$ 6,919.7	

	FY 2007-2008
BSF Pay-Out Calculated for FY 2008	$ (34.6)

Notes:

(1) Personal Income and Transfer Payments, Consensus Forecast, May 2007.

(2) Detroit Consumer Price Index, Average of 6 monthly values reported by BLS for each 12-month period.

(3) Detroit Consumer Price Index, Consensus Forecast, May 2007.

School Aid Fund Revenue Adjustment Factor and Foundation Allowance

The School Aid Fund (SAF) revenue adjustment factor for the next fiscal year is calculated by dividing the sum of current year and subsequent year SAF revenue by the sum of current year and prior year SAF revenue. For example, the FY 2008 SAF revenue adjustment factor is calculated by dividing the sum of FY 2007 and FY 2008 SAF revenue by the sum of FY 2006 and FY 2007 SAF revenue. The SAF revenue totals are adjusted for any change in the rate and base of the SAF taxes. The year for which the adjustment factor is being calculated is used as the base year before any tax adjustments. For FY 2008, the SAF revenue adjustment factor is calculated to be 1.0082 (See Table 7).

Table 7

Consensus School Aid Revenue Adjustment Factor

For Fiscal Year FY 2008

	FY 2006		FY 2007		FY 2008
Baseline SAF Revenue	$11,085.4		$11,081.4		$11,267.1
Balance Sheet Adjustments	($3.3)		($4.3)		$17.9
Net SAF Estimates	$11,082.1		$11,077.2		$11,285.0
Adjustments to FY 2008 Base Year	$21.2		$22.2		$0.0
Baseline Revenue on a FY 2008 Base	$11,103.3		$11,099.3		$11,285.0
School Aid Fund Revenue Adjustment Calculation for FY 2008					
Sum of FY 2006 & FY 2007	$11,103.3	+	$11,099.3	=	$22,202.6
Sum of FY 2007 & FY 2008	$11,099.3	+	$11,285.0	=	$22,384.3
FY 2008 Revenue Adjustment Factor					**1.0082**

Note: Factor is calculated off a FY 2008 base year.

The pupil membership factor for the next fiscal year is computed by dividing the estimated pupil membership in the school year ending in the current state fiscal year by the estimated membership factor in the subsequent fiscal year. The pupil membership factor is 1.0094 for FY 2008 (See Table 8).

Table 8

Consensus Estimate of the Pupil Membership Adjustment Factor

Consensus Estimates FY 2006-2007		
FY 2006-2007 Pupil Membership	1,584,482	Local District Pupils
	96,693	Public School Academy Pupils
	1,681,175	
Consensus Estimates FY 2007-2008		
FY 2007-2008 Pupil Membership	1,561,300	Local District Pupils
	104,300	Public School Academy Pupils
	1,665,600	

FY 2007-2008 Membership Adjustment Factor

FY 2006-2007 Pupil Membership	1,681,175	=	1.0094
FY 2007-2008 Pupil Membership	1,665,600		

The foundation allowance index is calculated by multiplying the pupil membership factor by the revenue adjustment factor. Therefore, for FY 2008 the index is 1.0177 (See Table 9).

Table 9

Consensus Estimate of the Foundation Allowance Index

Current Law Estimates

Foundation Allowance Index	FY 2007-2008
Consensus Pupil Membership Adjustment Factor	1.0094
Consensus Revenue Adjustment Factor	1.0082
Consensus Foundation Allowance Index	1.0177

Revenue Detail

The estimated tax and revenue totals include the effects of all enacted tax changes except sales tax savings resulting from reductions in revenue sharing payments to local units. The revenue totals by tax are presented separately for GF-GP and for the SAF (See Tables 10 and 11). Tax totals for the income, sales, use, tobacco and casino taxes for all funds are also included (See Table 12).

Table 10

Consensus General Fund General Purpose Revenue Detail

(millions)

	FY 2006		FY 2007		FY 2008	
	Amount	**Growth**	**Amount**	**Growth**	**Amount**	**Growth**
GF-GP Tax Amounts						
Income Tax	$4,184.1	1.5%	$4,250.0	1.6%	$4,209.2	-1.0%
Sales	$85.9	-21.3%	$83.3	-3.0%	$97.0	16.5%
Use	$917.0	-1.9%	$929.7	1.4%	$956.3	2.9%
Cigarette	$229.0	96.6%	$227.0	-0.9%	$223.2	-1.7%
Beer & Wine	$51.2	0.4%	$51.7	1.0%	$52.2	1.0%
Liquor Specific	$34.9	3.9%	$35.3	1.1%	$35.7	1.1%
Single Business Tax	$1,841.9	-3.7%	$1,810.3	-1.7%	$677.4	-62.6%
Insurance Co. Premium	$219.5	-12.0%	$216.0	-1.6%	$162.2	-24.9%
Telephone & Telegraph	$83.5	-15.7%	$78.0	-6.6%	$72.0	-7.7%
Inheritance Estate	$0.6	-99.4%	$0.0	-100.0%	$0.0	0.0%
Intangibles	$0.2	0.0%	$0.0	-100.0%	$0.0	0.0%
Casino Wagering	$45.0	6.6%	$47.1	4.8%	$18.6	-60.6%
Horse Racing	$2.0	0.0%	$0.0	-100.0%	$0.0	0.0%
Oil & Gas Severance	$81.5	22.2%	$62.0	-23.9%	$59.5	-4.0%
GF-GP Other Taxes	$40.3	-21.4%	$55.2	37.0%	$43.7	-20.8%
Total GF-GP Taxes	$7,816.5	-0.9%	$7,845.6	0.4%	$6,607.1	-15.8%
GF-GP Non-Tax Revenue						
Federal Aid	$20.1	-43.7%	$23.0	14.4%	$23.0	0.0%
From Local Agencies	$0.2	-33.3%	$1.0	400.0%	$1.0	0.0%
From Services	$8.0	-59.6%	$8.1	1.3%	$8.1	0.0%
From Licenses & Permits	$50.7	85.0%	$24.8	-51.1%	$22.0	-11.3%
Miscellaneous	$156.5	15.8%	$140.5	-10.2%	$140.5	0.0%
Short Term Note Int.	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%
Interfund Interest	($58.1)	6.8%	($65.5)	12.7%	($86.0)	31.3%
Liquor Purchase	$148.5	4.4%	$152.0	2.4%	$154.0	1.3%
Charitable Games	$10.6	-9.4%	$11.0	3.8%	$11.0	0.0%
Transfer From Escheats	$113.0	13.0%	$47.0	-58.4%	$39.0	-17.0%
Other Non Tax	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%
Total Non Tax	$449.5	7.6%	$341.9	-23.9%	$312.6	-8.6%
Total GF-GP Revenue	$8,266.0	-0.5%	$8,187.5	-0.9%	$6,919.7	-15.5%

Table 11
Consensus School Aid Fund Revenue Detail

	FY 2006		FY 2007		FY 2008	
	Amount	Growth	Amount	Growth	Amount	Growth
School Aid Fund						
Income Tax	$2,038.9	2.7%	$2,085.6	2.3%	$2,097.0	0.5%
Sales Tax	$4,831.3	0.5%	$4,775.9	-1.1%	$4,848.3	1.5%
Use Tax	$458.9	-1.9%	$464.8	1.3%	$478.2	2.9%
Liquor Excise Tax	$34.5	4.2%	$35.3	2.3%	$35.7	1.1%
Cigarette	$472.2	-0.1%	$454.9	-3.7%	$445.8	-2.0%
Other Tobacco	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%
State Ed Prop Tax	$2,003.5	4.6%	$2,069.2	3.3%	$2,173.7	5.1%
Real Estate Transfer	$297.7	-5.0%	$226.2	-24.0%	$231.0	2.1%
Ind and Comm Facilities	$135.6	-1.9%	$129.0	-4.9%	$133.0	3.1%
Casino (45% of 18%)	$104.1	6.6%	$109.1	4.8%	$118.4	8.5%
Commercial Forest	$2.9	-6.5%	$3.1	6.9%	$3.1	0.0%
Other Spec Taxes	$14.4	37.1%	$14.0	-2.8%	$14.0	0.0%
Subtotal Taxes	$10,394.1	1.5%	$10,367.2	-0.3%	$10,578.0	2.0%
Lottery Transfer	$688.0	3.1%	$710.0	3.2%	$707.0	-0.4%
Total SAF Revenue	$11,082.1	1.6%	$11,077.2	0.0%	$11,285.0	1.9%

Table 12
Consensus Major Tax Totals

	FY 2006		FY 2007		FY 2008	
	Amount	Growth	Amount	Growth	Amount	Growth
Major Tax Totals (Includes all Funds)						
Income Tax	$6,224.3	1.9%	$6,337.1	1.8%	$6,307.7	-0.5%
Sales Tax	$6,638.1	0.6%	$6,562.3	-1.1%	$6,661.3	1.5%
Use Tax	$1,375.9	-1.9%	$1,394.5	1.4%	$1,434.5	2.9%
Cigarette and Tobacco	$1,169.0	-0.9%	$1,137.0	-2.7%	$1,117.0	-1.8%
Casino Tax	$155.5	6.6%	$163.0	4.8%	$139.6	-14.3%